NLWJC - Kagan

DPC - Box 005 - Folder 009

Budget Materials - FY2000 General [1]

Budget FY2000 - general

PRESIDENT CLINTON AND VICE PRESIDENT GORE'S FY 2000 BUDGET:

Preparing America For the 21st Century

February 1, 1999

TABLE OF CONTENTS

I. SUMMARY OF FY 2000 BUDGET

PRESIDENT CLINTON and VICE PRESIDENT GORE'S FY2000 BUDGET: MEETING THE NATION'S LONG-TERM CHALLENGES

Summary Document: February 1, 1999

A Return to Fiscal Strength

President Clinton entered office determined to restore the nation's fiscal strength and to put our economy back on a robust upward path. His consistent economic strategy of fiscal discipline, open markets, and strategic investments in our people has proved successful:

- **Record Budget Deficit Has Been Erased:** In 1992, the deficit stood at a record $290 billion and CBO was projecting it would climb to $357 billion in 1998.
- **Instead, We Have the First Surplus in a Generation:** Last year, the nation recorded its first surplus in three decades -- nearly $70 billion.
- **All While Cutting Taxes for Working Families:** The typical American family of four will face the lowest federal tax burden in over two decades (since 1978).
- **And Making Strategic Investments in the Nation's Future:** Six years of critical investments in our people from 200,000 more children in Head Start to making the first two years of college universally available.
- **Sparking the Longest Peacetime Expansion in History:** January marks the 94th consecutive month of economic expansion, making it the longest peacetime expansion in American history. Unemployment is at a 29-year low and 17.7 million new jobs have been created.

The President's new fiscal year 2000 budget adopts the same framework that has led to our fiscal and economic success. It makes strategic investments and maintains fiscal discipline. The fiscal year 2000 budget -- with its many important investments in education, research, the environment, health, and foreign policy and defense --is fully paid for, meets the discretionary caps, and adheres to the budget rules that have been so successful to enforce fiscal discipline.

The Next Step: Meeting the Nation's Long-term Challenges

With the nation's fiscal and economic strength restored, the President is leading the nation to seize this historic opportunity to meet the long-term challenges ahead. The President has charted a bold course:

- **"Save Social Security First."** The President proposes to transfer 62 percent of the projected budget surpluses over the next 15 years -- $2.8 trillion -- to the Social Security system. The President proposes that the trust fund invest about one-fifth of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does.

Once Social Security Has Been Strengthened:

- **Strengthen Medicare for the 21st century.** The President's framework will reserve 15 percent of the projected surpluses for Medicare, ensuring the Medicare Trust Fund is secure for 20 years. These additional dedicated dollars should be used in conjunction with important reforms which would modernize the program by providing market-oriented purchasing tools, additional savings, and a long- overdue prescription drug benefit.
- **Create new Universal Savings Accounts -- USA Accounts -- a $536 billion tax cut for working families.** The President's framework will reserve 12 percent of the projected surpluses to create new USA Accounts so all working Americans can build wealth to meet their retirement needs.

- **Prepare America for other critical future challenges.** The President's framework will reserve 11 percent of the projected surpluses for military readiness and pressing national domestic priorities, such as education, research, and the security of Americans at home and abroad.

<u>**As a Result of this Fiscal Responsibility:**</u>

- **Debt-to-GDP Ratio Will Fall to Lowest Level Since 1917.** As a share of the economy, the publicly held debt increased from 26% in 1981 to 50% in 1993. Since President Clinton took office, the publicly held debt as a share of GDP has dropped to 44 %. And under the President's framework, current projections suggest that the publicly held debt, as a share of GDP, will fall from 44% today to 7.1% in 2014 -- its lowest level since 1917.

Additional Tax Relief for Working Families

Create USA Accounts -- a $536 billion tax cut over 15 years to help working families save for retirement: As described above, the President's plan would create new Universal Savings Accounts (USAs) so all working Americans can build wealth to meet their retirement needs. Elements of this powerful new tax incentive -- the USA account -- could, for example, include:

- ✔ Automatic flat annual contributions for low and moderate working Americans;
- ✔ An additional tax incentive to match a portion of each dollar on a progressive basis that an individual voluntarily contributes.

Plus, Targeted Tax Cuts for Working Families, Including:

- **A $1,000 Long-term Care Tax Credit** to help pay for formal and informal long term care services for about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children at a cost of $5.6 billion over five years.

- **A $1,000 Tax Credit for Work-related Expenses for People with Disabilities** to help cover the formal and informal costs that are associated with employment, such as special transportation and technology needs. This tax credit will help 200,000 to 300,000 Americans and costs $700 million over 5 years.

- **Tax Credits to Build Modern Schools for Our Children.** A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly $25 billion in bonds to build and renovate public schools at a cost of $3.7 billion over 5 years.

- **Tax Relief for Child Care for Three Million Working Families, Plus Tax Relief to Parents Who Stay at Home.** The President's proposal increases the child and dependent care tax credit (CDCTC) for families earning up to $59,000, providing an additional average annual tax cut of $345 for these families. In addition, parents who stay at home with children under one year old will be able to take advantage of CDCTC by allowing them to claim assumed child care expenses of $500, providing an average tax credit of $178 and benefitting 1.7 million families. Overall, this combined proposal costs $6.3 billion over five years.

Moving Forward on Investment Agenda

Education and Training:

- **Performance Accountability:** $200 million in Title I to hold States and school districts more accountable for raising student achievement.

- **21st Century Community Learning Centers/After-School and Summer School Programs:** $600 million for the 21st Century/After-School program, an increase of $400 million over FY 1999 levels, as part of a comprehensive approach to fix failing schools and help end social promotion.

- **New Qualified Teachers and Smaller Class Sizes:** $1.4 billion as the second installment of the President's plan to help schools recruit, hire, and train 100,000 new teachers by 2005 and reduce class size in the early grades.

- **Education Technology:** to ensure teachers will be able to effectively integrate technology into their instruction by providing: $450 million for the Technology Literacy Challenge Fund; $65 million for Community-Based Technology Centers; $75 million for the Pre-Service Teacher Training in Technology initiative; and $30 million for a new Middle School Teacher Training initiative.

- **Removing Barriers to Work For People With Disabilities:** 1) full funding of the Work Incentives Improvement Act which will be introduced by Senators Jeffords Kennedy, Roth and Moynihan. 2) expanded access to information and communications technologies.

- **A $965 Million Three-Part Initiative To Close America's Skills Gap:** 1) $190 million increase for adult education and family literacy initiative. 2) $368 Million increase for a universal re-employment initiative. 3) $405 million increase for a youth employment initiative.

<u>Child Care:</u>

- **Child Care and Development Fund:** A $1.2 billion increase to a total of $4.5 billion in funds to provide child care subsidies for 500,000 more poor and near-poor families in 2000.

- **Early Learning Fund:** $600 million to States to provide challenge grants to communities to support child care providers and programs serving children ages 0 to 5, including language development, emergent literacy, and other child development activities aimed at improving readiness for school.

- **Head Start:** A $607 million increase that will add 42,000 new slots for young children, including 7,000 Early Head Start slots, for total enrollment of 877,000 and on track to meet the one million participation goal by 2002.

<u>Health:</u>

- **Health Options for Older Americans:** 1) Allow Americans aged 62 to 65 to buy Medicare coverage. 2) Provide Medicare "buy-in" option to workers between the ages of 55 and 62 who have lost-company sponsored health care coverage because their hours were scaled back or their employer relocated or stopped operations. 3) For "broken promise" retirees between the ages of 55 and 65, employers who have canceled the insurance of these retirees would be required to guarantee access to health insurance, by providing these retirees the option to "buy in" to the company sponsored plan at a fair price.

- **Long-Term Care Initiative:** In addition to the tax credit described above, the budget provides $625 million over 5 years to provide respite, home care services, and information and referral assistance to the approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. It also includes a national campaign to educate Medicare beneficiaries about how best to evaluate long-term care options and a proposal to have the Federal government serve as a model employer by offering private long-term care insurance to Federal employees at group rates.

- **Encouraging Small Businesses to Offer Health Insurance:** 1) Provide a tax credit to small businesses who decide to offer coverage by joining coalitions. 2) Encourage private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt. 3) offer technical assistance to small business coalitions from the Office of Personnel Management.

- **Providing Access to Health Care Services for Uninsured Workers:** This initiative invests $1 billion over 5 years in comprehensive health care delivery systems that traditionally provide services to the uninsured.

- **Medicare Cancer Clinical Trials:** $750 million over four years for a demonstration to give more Americans access to cutting-edge cancer treatments.

- **Ryan White HIV/AIDS Treatment Grants:** $1.5 billion, a 7 percent increase over 1999.

- **Mental Health Block Grants:** $359 million, a 24 percent increase over 1999 and the largest increase ever.

- **Childhood Asthma Initiative in Medicaid:** $50 million in demonstration grants for States to test innovative asthma disease management techniques for children enrolled in Medicaid.

- **Family Planning Services Grants:** $240 million, an 11.6 percent increase over last year's funding level, and the largest increase in 15 years.

<u>Environment:</u>

- **Protecting Our Environment and Public Health:** A five percent increase to a record $33.9 billion in FY 2000 to protect our natural resources, our communities, and the global environment.

- **Preserving America's Lands Legacy:** A $1 billion Lands Legacy Initiative -- the largest one-year investment ever in the protection of America's land resources and a 125 percent increase over FY 1999 -- includes $442 million to expand federal efforts to save America's natural treasures, and $588 million to help states and communities protect urban parks, threatened farmland and other local green spaces.

- **Building Livable Communities for the 21st Century:** Better America Bonds, a new financing tool generating $9.5 billion over five years for investments by state and local governments to preserve green space, protect water quality, and clean up brownfields and $1.8 billion to support state and local efforts to simultaneously ease traffic congestion and reduce air pollution.

- **Meeting the Challenge of Global Warming:** More than $4 billion to promote clean, efficientenergy and for other efforts to reduce greenhouse gas emissions, including: $200 million for a new Clean Air Partnership Fund and $3.6 billion in tax incentives over five years for climate change initiatives including credits for the purchase of energy-efficient homes, cars and appliances.

<u>Community Empowerment:</u>

- **New Markets Initiative:** a new package of tax credit and loan guarantee incentives that will stimulate $15 billion of new private capital in businesses in America's own untapped markets.

- **Community Development Financial Institutions (CDFI) Fund:** A $30 million increase to provide $125 million to increase capital availability and development opportunities in distressed communities.

- **National Service:** $848 million, a 19 percent increase over 1999, to encourage Americans of all ages and backgrounds to help solve community problems and provide opportunities to engage in community-based service.

- **Low-Income Housing Tax Credit:** A 40 percent increase in the State per-capita cap from $1.25 to $1.75 to create an additional 150,000-180,000 new rental housing units for low-income American families over the next five years at a cost of $1.7 billion over five years.

- **Empowerment Zones and Enterprise Communities:** Mandatory funding for each of the next ten years: $150 million for urban EZs and Strategic Planning Communities; $10 million for rural EZs; and $5 million for rural ECs.

- **Abandoned Buildings:** $50 million in competitive grant funds to local governments to support the demolition or deconstruction of blighted, abandoned buildings, as long as there is a plan -- with significant private-sector participation -- to redevelop the property for commercial use or multi-family and single family housing.

<u>Research and Development:</u>

- **Information Technology for the Twenty First Century:** A new $366 million initiative to keep America at the cutting-edge of the Information Revolution.

- **Strong Support for Basic Research:** A 7 percent increase in the National Science Foundation budget, a 5 percent increase in the Department of Energy's science budget, and a 4 percent increase in NASA's space science research.

- **Climate Change Technology:** A $1.8 billion initiative to promote energy efficiency and technologies that reduce greenhouse gas emissions.

- **Research and Experimentation Tax Credit:** To encourage research and experimentation, this credit would be extended for one year through June 30, 2000 at a cost of $2.4 billion over five years.

<u>Crime:</u>

- **21st Century Policing Initiative:** A $1.3 billion initiative: 1) $600 million to help put more police on the street, helping communities to hire and redeploy between 30,000 and 50,000 more law enforcement officers over five years; 2) $350 million to help State and local enforcement agencies tap into new technologies that will allow them to communicate more effectively, to use technology to solve more crimes, and to forecast problems; and 3) $200 million to hire, redeploy or train community based prosecutors; and 4) $125 million for community crime prevention.

- **Zero Tolerance Drug Supervision:** $215 million for a new program to promote "zero tolerance" drug supervision for persons under criminal justice supervision.

<u>Maintaining Military Strength and US Leadership in the World</u>

- **Supporting the World's Strongest Military Force:** Our military serves as the backbone of our national security strategy, and the President is committed to maintain a strong and capable military that protects our freedoms and our global leadership role as we approach the 21st Century. To achieve these goals, the budget proposes a long-term sustained average annual real increase of about 1 percent in defense funding to enhance the military's readiness and operations, build for the future with weapons system modernization, and take care of military troops and their families by enhancing quality of life, thereby increasing recruitment and retention.

- **International Affairs:** The budget provides $21.3 billion for international affairs programs so that the Unites States maintains its role as world leader and responds to international challenges in a complex and crucial time. The budget includes resources to promote peace in troubled areas, to provide enhanced security for our official representatives abroad, to fund activities to combat weapons of mass destruction, to stabilize the international economy, to promote trade, and to respond to the needs of our neighbors and others who face disaster.

WR

II. Clinton/Gore Fiscal and Economic Record

PRESIDENT CLINTON AND VICE PRESIDENT GORE: FROM AN ERA OF DEFICITS TO AN ERA OF SURPLUSES

Today, President Clinton and Vice President Gore Release Their FY2000 Budget: After Years of Escalating Deficits, We Have Now Entered An Era of Surpluses -- With The Surplus This Year Projected To Be $79 Billion -- The Largest on Record:

- **Instead of $404 Billion Deficit, $79 Billion Budget Surplus This Year.** When President Clinton and Vice President Gore took office, the Congressional Budget Office (CBO) projected the deficit to be $404 billion this year and heading higher; now, the Administration projects the surplus to be $79 billion this year and growing bigger.

- **$79 Billion Surplus -- The Largest On Record.** In 1992, the deficit was $290 billion -- the biggest dollar deficit in American history. This year, OMB projects the surplus to be $79 billion -- the biggest dollar surplus in American history. As a share of GDP, the budget surplus would be 0.9 percent this year -- the largest since 1957.

- **Seven Years in A Row of Fiscal Improvement -- The First Time in U.S. History.** Reaching a $79 billion surplus in 1999 would mark the seventh consecutive year of improved fiscal balance -- the longest period in American history.

- **Surplus Estimated To Reach $187 Billion By 2002.** President Clinton promised to balance the budget by 2002. The budget will be balanced this year -- for the second year in a row -- and the surplus is expected to hit $187 billion in 2002 -- part of what would be the longest and largest debt reduction in our history. And, instead of the $579 billion deficit projected by CBO for 2002, we now project a surplus of $187 billion -- a $766 billion swing.

- **President's Plan Will Result In Debt Being Cut By More than Two-Thirds And Lowest Debt-to-GDP Ratio Since 1917.** As a share of the economy, the publicly held debt increased from 26 percent in 1981 to 50 percent in 1993. Since President Clinton took office, the publicly held debt as a share of GDP has dropped to 44 percent. And under the President's framework, the debt held by the public would be cut by more than two thirds and it would fall from 44 percent today, as a share of GDP, to 7.1 percent in 2014 -- its lowest level since 1917.

- **While Producing the Smallest Government in A Quarter Century, President Clinton Has Expanded Critical Investments in the Future.** President Clinton's 1993 Economic Plan included $255 billion in spending cuts over five years -- more than half of the total deficit reduction package. As a result, federal spending as a share of the economy has declined for each of the past six years and is now the lowest in 25 years. However, as spending has been cut in lower priority areas, President Clinton has dramatically increased funding in critical areas, such as education and training, children, the environment, health care, and research and development. Indeed, investments in key education and training programs have nearly doubled since 1993.

- **While Eliminating The Budget Deficit, President Clinton Has Provided Tax Relief for Middle-Income Families.** Because of the tax cuts for working families signed into law by the President in 1993 and 1997 -- for example, the expanded Earned Income Tax Credit, the $500 child tax credit, the $1,500 HOPE Scholarship Tax Credit, and the Lifetime Learning Tax Credit -- the typical American family of four will face the lowest federal tax burden in more than two decades. President Clinton proposes to build off this record to provide additional targeted -- and fully paid for -- tax relief for retirement savings, long-term care, child care, education, community revitalization, and the environment.

For America's Working Families, The Improved Fiscal Situation Means Lower Mortgage Rates And A Brighter Economic Future. Here's what the improved fiscal situation means to typical families:

- **Lower Deficits Mean Lower Interest and Mortgage Rates -- Saving Families Thousands.** The government's share of total borrowing in U.S. credit markets has been eliminated from nearly 60 percent just six years ago -- which, according to the *Wall Street Journal* (5/7), has played a "major role" in keeping down interest rates. Since 1993, about 18 million families have refinanced their homes -- and according to the *New York Times* and *Money* magazine, these families have saved an average of $1,000-$2,000 per year in lower mortgage payments.

- **Lower Mortgage Rates Mean Higher Homeownership.** Lower mortgage rates -- along with higher family incomes, faster job growth, and the President's National Homeownership Strategy -- have helped raise the national homeownership rate to its highest level in American history.

- **Lower Interest Rates Mean Faster Business Investment Growth.** Under President Clinton, real business investment growth has averaged 12.5 percent -- the fastest since John Kennedy was President.

- **Faster Business Investment Growth Means Faster Economic Growth and More Jobs.** Faster business investment growth helps expand capacity and has led to faster economic growth and more jobs under President Clinton. Since President Clinton took office, the private sector of the economy has grown 4.0 percent per year, the economy has added 17.7 million new jobs, and unemployment has fallen to 4.3 percent -- the peacetime lowest in 41 years. America has the longest peacetime economic expansion in history.

Experts Agree That President Clinton's 1993 Economic Plan Helped Cut the Deficit, Lower Interest Rates, Spur Business Investment, and Strengthen the Economy. The economy and the budget are now working in a virtuous circle -- lower deficits have led to lower interest rates which have led to faster business investment which led to faster growth which led to even lower deficits. Experts agree that the President's 1993 Economic Plan helped create this virtuous circle.

- **Alan Greenspan, Federal Reserve Chairman, 2/20/96:** The deficit reduction in the President's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."

- ***Business Week*, 5/19/97:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."

- **Goldman Sachs, March 1998:** One of the reasons Goldman Sachs cites for "the best economy ever" is that "on the policy side, trade, fiscal, and monetary policies have been excellent, working in ways that have facilitated growth without inflation. The Clinton Administration has worked to liberalize trade and has used any revenue windfalls to reduce the federal budget deficit."

- ***U.S. News & World Report*, 6/17/96:** "President Clinton's budget deficit program begun in 1993... [led] to lower interest rates, which begat greater investment growth (by double digits since 1993, the highest rate since the Kennedy administration), which begat three-plus years of solid economic growth averaging 2.6 percent annually, 50 percent higher than during the Bush presidency."

- **Paul Volcker, former Federal Reserve Chairman, *Audacity*, Fall 1994:** "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that... and I think we're seeing some benefits."

THE CLINTON/GORE ECONOMIC RECORD:
Then And Now: What a Difference Six Years Make

After Six Years, The Results of President Clinton and Vice President Gore's Economic Leadership for the American People Are Clear. Six years ago, President Clinton and Vice President Gore put in place a bold new three-part economic strategy of cutting the deficit to help reduce interest rates and spur business investment; investing in education, health care, science and technology so that America was prepared to meet the challenges of the 21st century; and opening markets abroad so that American workers would have a fair chance to compete and win across the globe. Today, America enjoys the longest peacetime economic expansion on record.

Deficit Eliminated: The First Budget Surplus in A Generation

- **1992.** The deficit was $290 billion -- the highest dollar level in history. When President Clinton took office, the deficit was projected to hit $357 billion in 1998, and head higher. [Source: CBO]
- **Today.** Last year, for the first time since 1969, we had a budget surplus of almost $70 billion -- the largest dollar surplus on record and the largest as a share of our economy since the 1950s. This year, the Administration forecasts a budget surplus of $79 billion. [Source: OMB]

Unemployment Is Down: The Lowest Peacetime Rate in 41 Years

- **1992.** The unemployment rate averaged 7.5 percent. [Source: BLS]
- **Today.** In December 1998, the unemployment rate was 4.3 percent -- the lowest peacetime level in 41 years. The unemployment rate has been below 5 percent for 18 consecutive months.

Jobs Are Up: 17.7 Million Created Since January 1993

- **1988-1992.** The private sector was barely creating jobs and had experienced one of the worst four-year periods of job growth in history, averaging just 345,000 private-sector jobs per year.
- **Today.** The economy has created more than 17.7 million new jobs since January 1993 -- that's about three million jobs per year and a faster annual growth rate than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics]

Private-Sector Growth Is Up: The Longest Peacetime Expansion in History

- **1981-1992.** The private sector of the economy grew 2.4 percent annually from 1981-1992.
- **Today.** The private sector of the economy has grown 4.0 percent annually -- that's the fastest rate of private-sector growth since the Johnson Administration. [Source: Based on data from the Department of Commerce]

Productive Business Investment Is Booming: Fastest Since Kennedy

- **1988-1992.** Real business investment rose just 1.9 percent annually during the previous Administration.
- **Today.** Real productive business investment is up 12.5 percent per year -- faster than any Administration since President Kennedy. For six years in a row, productive business investment has grown at a double-digit pace -- for the first time on record. [Source: Department of Commerce]

Real Wages Rising Again: Fastest Growth in Two Decades

- **1981-1992.** Real average hourly earnings *fell* under Presidents Reagan and Bush. [Source: BLS.]
- **Today.** Over the past year, real wages are up 2.5% -- that's the fastest real wage growth in over 20 years.

Government Spending: Lowest in Quarter Century

- **1981-1992.** Under Presidents Reagan and Bush, Federal government spending as a share of GDP increased from 21.7 percent in 1980 to 22.5 percent in 1992.
- **Today.** Under President Clinton, Federal government spending as a share of the economy has been cut from 22.5 percent in 1992 to 19.7 percent in 1998 -- its lowest level since 1974. [Source: OMB]

Inflation: The Lowest in More Than 30 Years

- **1981-1992.** The average annual inflation rate between 1981 and 1992 was 4.2 percent.
- **Today.** Since 1993, the inflation rate has averaged just 2.5% -- that's the lowest average inflation rate since the Kennedy Administration. Over the past year, the Consumer Price Index increased only 1.5%. [Source: BLS.]

Homeownership Is Up: The Highest in American History

- **1981-1992.** The homeownership rate *fell* from 65.6 percent in the first quarter of 1981 to 63.7 percent in the first quarter of 1993. [Source: Bureau of the Census]
- **Today.** Two-thirds of American households now own their own home -- the highest percentage in American history. Under President Clinton, more than 7 million families have become new homeowners.

Family Income Up More Than $3,500 Since 1993

- **1988-1992.** Median family income, adjusted for inflation, *fell* by $1,835, dropping from $43,674 in 1988 to $41,839 in 1992.
- **Today.** Since 1993, real median family income has increased by $3,517, rising from $41,051 in 1993 to $44,568 in 1997. [Source: Bureau of the Census, in 1997 dollars]

Middle-Class Taxes: Lowest in 20 Years

- **1981-1992.** The effective federal tax rate for the richest 20% of families was cut from 27.6% in 1980 to 26.2% in 1992, while the poorest 20% of families saw their effective tax rate stay essentially the same.
- **Today.** Under President Clinton, the effective federal tax rate for middle-income families has dropped from 19.2% in 1992 to 18.9% in 1999 -- that's the lowest tax rate since data were first reported 20 years ago. For the poorest 20% of Americans, the effective federal tax rate has dropped from 8.0% in 1992 to 4.6% in 1999 -- that's also the lowest in 20 years. [Source: Congressional Budget Office]

The Auto Sector is Back on Its Feet: Leading The World Again

- **1992.** Japan produced 28% *more* automobiles than America. America trailed Japan for 13 years in a row.
- **Today.** In 1994, the United States surpassed Japan for the first time since 1979. America has maintained its position as the world's #1 auto producer in each of the last three years (1995, 1996, and 1997). [Source: AAMA]

Interest Rates: The Lowest in More Than 20 Years

- **1988-1992.** The 30-year Treasury yield averaged 8.2 percent during the previous Administration.
- **Today.** Despite a stronger economy, the yield on 30-year Treasury bonds has dropped to about 5 percent -- for the first time in more than 20 years. [Source: Department of the Treasury]

The World's Most Competitive Economy Again

- **1992.** In 1992, the World Economic Forum found that Japan, Germany, Denmark, and Switzerland all had more competitive economies than the United States.
- **Today.** In 1994, United States was declared the world's most competitive economy -- for the first time in a decade. The United States remained #1 in 1995, 1996, 1997, and 1998. [Source: World Economic Forum and IMD.]

PRESIDENT CLINTON AND VICE PRESIDENT GORE:
A Smaller, But More Progressive, Government

After 12 Years When The Republicans Exploded the Deficit and Quadrupled the National Debt, President Clinton And Vice President Gore Have Eliminated The Deficit, Cut Federal Spending, and Cut the Federal Workforce to Its Smallest Level in 36 Years.

From An Era of Deficits to An Era of Surpluses:

- **First Balanced Budget in A Generation.** After the deficit exploded under Presidents Reagan and Bush -- rising from $74 billion in 1980 to $290 billion in 1992 -- President Clinton and Vice President Gore put in place a bold new Economic Plan that has helped cut the deficit and strengthen the economy. When President Clinton and Vice President Gore took office, CBO projected the deficit to be $404 billion this year and heading higher. Last year, we had the first budget surplus since Neil Armstrong landed on the moon: almost $70 billion. This year, the Administration projects that we will have a $79 billion surplus -- the largest dollar surplus in history and the largest as a share of our economy since the 1950s.

- **Because of Lower Deficits From the 1993 Economic Plan and the 1997 Balanced Budget Agreement, The Federal Government Has Already Saved $1.8 Trillion on the National Debt.** Through the deficit reduction from the 1993 Economic Plan and the 1997 Balanced Budget Agreement, the national debt will be $1.8 trillion lower this year compared to what was expected.

- **In 1999, Government Will Borrow $483 Billion Less Than Projected When Clinton Took Office.** When President Clinton took office, the CBO projected that the 1999 deficit would be $404 billion -- now we project it to be $79 billion -- that's a $483 billion swing. In 2002, CBO projected the deficit would be $579 billion, and heading higher. Now, we project a <u>surplus</u> of $187 billion for 2002 -- that's a swing of $766 billion that the government will <u>not</u> have to borrow from the private sector.

After Federal Workforce Increased Under Reagan/Bush, It Will Be Smallest in 36 Years Under the Clinton-Gore Administration:

- **The Smallest Federal Workforce in 36 Years.** The federal bureaucracy increased from when President Reagan took office to when President Bush left office. Since President Clinton took office, the federal workforce has been cut by 365,000 workers, giving us the smallest workforce in 36 years. As a share of total civilian employment, the Federal workforce is the smallest since 1933.

After Spending Rose Under Reagan/Bush, It Will Be Lowest in 25 Years Under the Clinton-Gore Administration:

- **In 1999, Spending As A Share of GDP Will Be Lowest in 25 Years.** In 1999, Federal spending as a share of GDP is expected to be 19.7 percent -- that's its lowest level since 1974. Since President Clinton took office, spending as a share of the economy has fallen from 22.5 percent in 1992 to 19.7 percent in 1999. Under Presidents Reagan and Bush, spending as a share of GDP increased, rising from 21.7 percent in 1980 to 22.5 percent in 1992.

- **In 1999, Lowest Discretionary Spending -- As Share of GDP -- In 35 Years.** Since President Clinton took office, discretionary spending as a share of the economy has fallen from 8.7 percent in 1992 to 6.6 percent in 1999 -- that's the lowest level since 1962 when discretionary spending was first split out. Real discretionary spending has almost *fallen* 2% per year under President Clinton. This compares to real discretionary spending *growth* of one percent per year under Presidents Reagan and Bush.

- **Under Clinton, Non-Defense Discretionary Spending <u>Down</u>.** Since President Clinton took office, non-defense discretionary spending as a share of the economy has fallen from 3.8 percent in 1992 to 3.5 percent in 1999.

- **Lower Government Spending -- As Share of GDP -- Than Any Major Economy in World.** According to the OECD, the U.S. has lower total government spending -- Federal, state, and local -- as a share of GDP than any major economy in the world.

III. 1-PAGE SUMMARY OF CLINTON/GORE PROPOSAL TO SAVE SOCIAL SECURITY NOW AND MEET AMERICA'S CHALLENGES

SAVING SOCIAL SECURITY NOW, WHILE MEETING AMERICA'S CHALLENGES FOR THE 21st CENTURY

In His State of the Union Address, President Clinton Put Forward His Framework To Save Social Security Now, While Meeting America's Challenges for the 21st Century. The President and Vice President's framework strengthens Social Security by:

- **Using The Budget Surplus To Help Save Social Security And Invest A Portion In the Stock Market To Seek Higher Returns.** The President proposes to transfer 62 percent of the projected budget surpluses over the next 15 years -- more than $2.7 trillion -- to the Social Security system. The President proposes to invest less than one-quarter of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does -- after working with Congress to devise a mechanism to ensure that the investments are made independently and without political interference by private sector managers with minimum administrative costs.

- **This Framework Will Save Social Security Until 2055 -- And the President Will Work With Congress To Save It Until At Least 2075.** Transferring over 60 percent of the surpluses to Social Security and investing a portion in the market will keep Social Security solvent until 2055. The President believes we must work on a bipartisan basis to make the hard-headed but sensible and achievable choices to save Social Security until at least 2075. As part of this effort, President Clinton believes that we must:

  (1) ***Reduce Poverty Among Single Women.*** Reduce poverty among elderly women -- particularly widows, who have a poverty rate nearly twice the overall poverty rate for older Americans; and

  (2) ***Eliminate The Earnings Test.*** Eliminate the confusing and out-dated earnings test so that we stop discouraging work and earnings among older Americans.

After Social Security Reform Is Secured -- Consistent With the President's "Save Social Security First" Commitment -- the President Proposes To:

- **Strengthen Medicare for the 21st Century.** The President's framework will reserve 15 percent of the projected surpluses for Medicare, securing Medicare until 2020. The President further called for bipartisan reforms that would allow Medicare to be secure until 2020 while also providing prescription drug benefits.

- **Provides $500 Billion in Tax Credits to Create New Universal Savings Accounts -- USA Accounts.** The President's framework will reserve 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so working Americans can build wealth to meet their retirement needs. To help Americans save and to strengthen our current pension system, we would provide Americans a flat tax credit to make contributions into their USA Account. In addition, we would provide additional tax credits to match a portion of an individual's savings -- with more help for lower-income workers.

- **Prepare America for the Challenges of the Future.** The President's framework will reserve 11 percent of the projected surpluses for military readiness and other pressing domestic priorities.

A FISCALLY RESPONSIBLE PROPOSAL: PUBLICLY HELD DEBT FALLS TO LOWEST LEVEL SINCE 1917

- **Debt-to-GDP Ratio Will Fall to Lowest Level Since 1917.** As a share of the economy, the publicly held debt increased from 26% in 1981 to 50% in 1993. Since President Clinton took office, the publicly held debt as a share of GDP has dropped to about 45 percent. And under the President's framework, current projections suggest that the publicly held debt, as a share of GDP, will fall from about 45% today to less than 10% in 2014 -- its lowest level since 1917.

IV. Clinton/Gore Proposals for Targeted Tax Relief

PRESIDENT CLINTON and VICE PRESIDENT GORE: TAX CUT PLAN FOR WORKING FAMILIES UNIVERSAL SAVINGS ACCOUNTS PLUS TARGETED TAX CUTS

President Clinton has worked to deliver tax relief to America's working families. In 1993, the President delivered a tax cut to 15 million working families through an expanded ETC.. Then, in 1997, the President delivered a $500 child tax credit and $1,500 HOPE Scholarships to make the first two years of college universally available. The result: the lowest federal tax burden in two decades for a typical middle-income family. To build on this record of tax relief for working families, President Clinton proposes significant new tax relief for America's working families:

USA Accounts -- A $536 Billion Tax Cut Over 15 Years

The President's plan would allocate 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so all working Americans can build wealth to meet their retirement needs. Elements of this powerful new tax incentive -- the USA account -- could, for example, include:

- ✔ Automatic flat annual contributions for low and moderate working Americans;
- ✔ An additional tax incentive to match a portion of each dollar on a progressive basis that an individual voluntarily contributes.

Additional Tax Cuts for Working Families

The President's budget provides $34 billion over five years in additional paid-for targeted tax relief to modernize our schools, to help working families care for elderly parents, and to better afford child care. Highlights of the President's tax relief plan include:

<u>MAKE HEALTH CARE MORE AFFORDABLE</u>

- **A $1,000 Long-term Care Tax Credit** to help pay for formal and informal long-term care services for about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children at a cost of $5.6 billion over five years.

- **A $1,000 Tax Credit for Work-related Expenses for People with Disabilities** to help cover the formal and informal costs that are associated with employment, such as special transportation and technology needs. This tax credit will help 200,000 to 300,000 Americans, and costs $700 million over 5 years.

<u>EXPAND EDUCATION TAX INCENTIVES</u>

- **Tax Credits to Build Modern Schools for Our Children.** A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly $25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds ($22.4 billion) and Qualified Zone Academy Bonds ($2.4 billion). $400 million of the school modernization bonds will go to tribes or tribal organizations for the construction and renovation of BIA funded schools. The tax credits on these bonds will cost $3.7 billion over 5 years.

- **Other Education Tax Incentives** include the elimination of the 60-month limit on student loan interest deduction at a cost of $281 million over five years; an 18 month extension and an expansion of the tax- favored treatment of employer provided education (Section 127); a new 10% credit for employer-provided workplace literacy and basic education programs; a 50 percent credit for corporate sponsorship payments to qualified zone academies.

MAKE CHILD CARE MORE AFFORDABLE

- **Tax Relief for Child Care for Three Million Working Families, Plus Tax Relief to Parents Who Stay at Home.** The President's proposal increases the child and dependent care tax credit (CDCTC) for families earning up to $59,000, providing an additional average tax cut of $345 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that claim the maximum allowable child care expenses. The President also proposes to enable parents who have children under one year old to take advantage of the CDCTC by allowing them to claim assumed child care expenses of $500. The President's budget proposal will provide an average tax credit of $178 and will benefit 1.7 million families. Overall, this combined proposal costs $6.3 billion over five years.

PROVIDE INCENTIVES TO REVITALIZE COMMUNITIES

- **Better America Bonds.** The President is proposing Federal tax credits to pay the interest on $9.5 billion in bonds over five years for investments by state, local and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). The cost is $673 million over five years.

- **New Markets Tax Credit.** To help spur $6 billion in new equity capital for investment in America's New Markets, President Clinton is proposing a tax credit worth up to 25 percent for investments in a wide range of vehicles targeted to underserved communities, including community development banks, community development corporations and venture capital funds, and new targeted investment vehicles proposed by President Clinton known as America's Private Investment Companies (APICs) and New Market Venture Capital Firms. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores. The proposal costs roughly $980 million over five years.

- **Increase the Low-Income Housing Tax Credit.** To expand and improve the supply of available low income housing, the budget raises the allocation of low-income housing tax credits to States. The President proposes to raise the State per capita cap from $1.25 to $1.75 beginning in 2000 at a cost of $1.7 billion over five years. This increase will lead to an additional 150,000 to 180,000 units of affordable housing over five years.

INCREASING ENERGY EFFICIENCY AND IMPROVE THE ENVIRONMENT

- **Tax Credits For More Fuel Efficient Vehicles and Homes.** The budget contains $3.6 billion over the next 5 years in tax cuts for energy-efficient purchases and renewable energy, including: tax credits of between $1,000 and $4,000 for consumers who purchase advanced-technology, highly fuel-efficient vehicles; a 15 percent credit (up to $2,000) for purchases of rooftop solar equipment -- to provide incentives for meeting the Million Solar Roofs goal; and a tax credit of up to $2,000 for purchasing energy-efficient new homes.

EXTEND EXPIRING PROVISIONS

- **One-year extenders package including the Work Opportunity Tax Credit, the Welfare-to-Work Tax Credit, and the R & E Tax Credit.**

- **Personal Credits and the Alternative Minimum Tax (AMT).** The deductibility of personal credits, such as the $500 child tax credit, the HOPE Scholarship, the CDCTC, and Lifetime Learning tax credit against the AMT would be extended for two years -- tax years 1999 and 2000 -- at a cost of $1.4 billion over five years. Extending this provision will greatly simplify tax preparation for millions of families.

Curb Corporate Tax Shelters and Reduce Unwarranted Tax Subsidies

The $34 billion over five years in targeted tax cuts are paid for with proposals to curb corporate tax shelters and reductions in unwarranted tax subsidies. Addressing tax shelters is important to stem perceptions of unfairness and disrespect for the system. The budget increases disincentives for entering into abusive transactions and attacks specific tax shelter transactions. The Treasury will continue to study additional remedies for corporate tax shelters and will work with Congress to address this issue.

EDUCATION AND TRAINING
PREPARING AMERICANS FOR THE 21st CENTURY

For the past six years, the President has worked hard to ensure that all Americans have the tools they need for the 21st Century. Education and training have been the cornerstone of the Administration's efforts. The Clinton Administration has launched new initiatives and built on existing programs to: provide children in the early grades with the attention and instruction they need to acquire fundamental skills; enable all students to reach their full potential; make available resources to pay for postsecondary education to all who need them; ensure that those who need another chance at education and training get those opportunities; and ensure that States and communities receiving Federal funds can use them more flexibly with fewer regulations and less paperwork. The President's FY 2000 budget builds on these efforts and includes the following:

INVESTING IN EDUCATION:

- **Performance Accountability:** President Clinton is calling for tough new accountability measures for federal elementary and secondary education programs, in order to ensure that every child is helped to reach challenging academic standards. The budget provides $200 million in Title I to hold States and school districts more accountable for raising student achievement. States will use these resources to identify and fix their lowest performing schools through a variety of approaches. These corrective actions, based on a careful assessment of each school's particular needs, would include steps such as the provision of extra help to students after school, extensive teacher training, support to improve school discipline, the implementation of proven approaches to school reform and, if necessary, bringing in new management and staff.
- **Expanding After-School Opportunities:** The President proposes to triple funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. Experts agree that school-age children who are unsupervised during the hours after school are far more likely to use alcohol, drugs, and tobacco, commit crimes, receive poor grades, and drop out of school than those who are involved in supervised, constructive activities. In awarding these new funds, priority will be given to school districts with comprehensive policies in place to end social promotion . After-school and summer school programs are critical tools in ending social promotion because they give students who are not on track an opportunity to get extra helps so they can meet promotion standards. The President's budget provides $600 million for the 21st Century/After-School program, an increase of $400 million over FY 1999 levels to reach approximately 7,500 schools and provide services to over 1.1 million students.
- **New Qualified Teachers and Smaller Class Sizes:** The budget provides $1.4 billion as the second installment of the President's plan to help schools recruit, hire, and train 100,000 new teachers by 2005 and reduce class size in the early grades. In further support of recruiting and training teachers, the budget provides $115 million to help improve the quality of teacher preparation programs at colleges and universities, which includes $35 million for teacher recruitment grants to provide scholarships and other support for 7,000 prospective teachers who commit to teach in high-poverty schools. The budget also includes $18 million to expand the Troops to Teachers program, and $10 million to train and recruit 1,000 new Native American teachers over the next five years.
- **New Classrooms and Modernized Schools:** A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly $25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds ($22.4 billion) and Qualified Zone Academy Bonds ($2.4 billion). $400 million of the school modernization bonds will go to tribes or tribal organizations for the construction and renovation of BIA funded schools. The tax credits on these bonds will cost the Treasury a total of $3.7 billion over 5 years.

- **Expanding Public School Choice:** The President's budget firmly supports expanding public school choice through its Charter Schools, Magnet Schools and Satellite Work-Site Schools initiatives. The Clinton Administration is continuing its efforts to help teachers, parents and community groups start public charter schools -- innovative public schools that stay open only as long as they produce results. The budget includes $130 million in public charter school funding, $114 million for Magnet Schools, and $10 million for the Satellite Work-Site Schools.

- **Education Technology:** The budget ensures the teachers will be able to integrate technology effectively into their instruction by providing: $450 million for the Technology Literacy Challenge Fund; $65 million for Community-Based Technology Centers; $75 million for the Pre-Service Teacher Training in Technology initiative; and $30 million for a new Middle School Teacher Training initiative to train technology experts. Plus, $1.3 billion will be made available through the education rate or E-rate program which was created under the Telecommunications Act of 1996 and which provides discounts for schools and libraries to buy high-speed Internet access, internal wiring, and telecommunications services.

- **America Reads/Reading Excellence:** Two years ago, the President launched the America Reads Challenge, a multi-faceted effort to help States and communities ensure that all children can read well and independently by the end of third grade. This budget builds upon last year's commitment of $260 million by proposing and investment of $286 million to continue this program in 2000. The funds help train reading tutors and coordinate after-school, weekend, and summer reading programs linked to in-school instruction; help train teachers to teach reading; and help parents help children prepare to learn to read.

- **Pell Grants:** The budget provides over $7 billion to raise the Pell maximum award to $3,250, a $125 increase over 1999 and it will reach nearly four million low-income undergraduates.

- **Work-Study:** The budget proposes $934 million for the Work-Study program, a $64 million increase over the 1999 level. This level provides enough funding to meet the President's goal of providing one million students the opportunity to work their way through college by 2000.

CLOSING THE SKILLS GAP:
In *Putting People First*, candidates Bill Clinton and Al Gore outlined a vision for lifelong learning, stating that workers should be "able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs." Last year, President Clinton signed the Workforce Investment Act transforming the job training system by streamlining services and empowering workers with a simple skills grant so that they can choose the training they need. However, more work needs to be done. On average, employers report that one out of every five of their workers is not fully proficient in his or her job and in manufacturing, 88 percent of companies are having trouble finding qualified applicants for at least one job function.

The President's Budget Includes a Comprehensive Package to Help Us Educate and Train American Workers to Fill the Jobs of the 21st Century. This comprehensive strategy has three parts:

1. **An Adult Education and Family Literacy Initiative:** Today, 44 million adults struggle with a job application, cannot read to their children, or cannot fully participate in our economic and civic life because they lack basic skills or English proficiency. The goal of the Adult Literacy initiative is to bring Presidential leadership and focus to a pressing national problem by demanding improvements in the quality of adult basic education programs and increasing funding to help States both meet the new quality goals and serve more people. This initiative includes:

   - **$95 Million Increase -- to $468 Million -- to Expand Adult Education State Grants and Challenge State and Local Governments to Join Us in Dramatically Increasing Program Quality:** By the year 2005 the President's goal is for the Nation as a whole to: Increase the number of full-time teachers by 20%; Double the number of instructional hours per student; Triple the number of computer stations available at adult education centers; And more than double the amount of child care and counseling services offered in Federal, State, and local adult education programs.

- **$70 Million for an English Literacy/Civics Initiative:** This initiative provides competitive grants to States and communities for expanded access to high quality English language instruction linked to practical instruction in civics and life skills including how to navigate the workplace, public education system, and other essentials.

- **$23 Million for "America Learns Technology":** One of the important keys to higher quality adult education is effective use of advanced technology. This initiative will increase access to technology for adult learners by supporting high quality software, pilot projects in 40 communities, and advanced research and development.

- **$2 Million for a "High Skills Communities" Campaign:** The President's campaign will mobilize States and local communities to implement strategies to promote adult education and lifelong learning. Part of this initiative will provide up to 10 communities $50,000 awards annually for achieving concrete results so that other communities know what works and what doesn't work.

- **10% Workplace Education Tax Credit:** Employers who provide certain workplace literacy, English language instruction, and basic education programs will be allowed a 10 percent income tax credit for eligible educational expenses, with a maximum credit of $525 per participating employee per year.

2. **A Universal Re-Employment Initiative:** The President's FY2000 budget makes a five-year commitment to our Nation's reformed job training system. Specifically, President Clinton proposes to put us on a path that ensures that within five years (1) all displaced workers will receive the job training they want and need; (2) all people who lose their jobs due to no fault of their own will get the re-employment services they need; and (3) all Americans will have access to One-Stop Career Centers. This initiative includes:

   - **$190 Million Increase In Dislocated Worker Program to Put Us On Track To Ensure Every Dislocated Worker Gets The Training They Need:** Since 1993, dislocated worker funding has been expanded by 171 percent -- helping to serve 689,100 this year, well more than double the 306,300 workers served in 1993. The President's FY2000 budget increases funding for the dislocated worker program by $190 million -- helping to serve an additional 169,400 workers this year. This would put us on path to ensuring *every* dislocated worker can get the job training he or she needs.

   - **Expansion of Employment Service To Put Us on Path To Ensure Every Person Who Loses Their Job Due to No Fault of Their Own Gets the Re-Employment Services They Need:** Today, many workers do not get the job search assistance or other types of re-employment services they need. Therefore, the President's FY2000 budget expands the budget of the Employment Service (ES) to put us on a path to serve within five years the 1.4 million people who lost their job due to no fault of their own *and* do not receive the re-employment services they need.

   - **Providing Every American Access To One-Stop Career Centers -- Helping Americans Informed Decisions About Their Futures:** As part of the Workforce Investment Act, every area of the country will have a One-Stop Career Center. Now, we must ensure every American has access to the information available at the One-Stops. The President's budget does just that -- providing $65 million to take the following steps:

     - First, the President's budget will put in place a system so that the unemployed get job leads the moment they apply for Unemployment Insurance -- transforming our unemployment system into a re-employment system.

     - Second, the plan will create a nationwide toll-free telephone system so that *all* workers will be able to find out what services are available and where they can go to receive them. Every American will have universal access to the services and programs available through One-Stop Career Centers.

- Third, the plan will ensure that workers will be able to get job search information at 4,000 Community-Based Organizations.
- Fourth, the plan will create 100 new mobile One-Stop Career Centers -- designed to bring the information and services to rural residents and help the Labor Department's existing rapid response teams provide workers the information they need to get back to work.
- Fifth, the plan will include funds to help the disabled and the blind benefit from One-Stop Career Centers, including a talking America's Job Bank (AJB), which will be developed in conjunction with the National Federation for the Blind.

3. **Disadvantaged Youth Initiatives:** Dealing with the problems of at-risk youth is one of the major challenges facing the Nation. In December 1998, the national unemployment rate was just 4.3 percent -- the lowest peacetime level in 41 years. However, while the unemployment rate among African-American teens (aged 16-19) also reached its lowest peacetime level in four decades, it was still *6.5 times* higher than the national average and much higher than the rate for white youth. The goal of the youth employment initiative is to fund promising approaches to increase the educational attainment and employment rates of disadvantaged youth. In addition to an increase in JobCorps and another $250 million investment in Youth Opportunity Areas, this initiative includes:

- **YouthBuild Expanded by More than 75 Percent:** The FY2000 budget expands YouthBuild by $32.5 million -- more than 75 percent. This means that we will provide $75 million for the YouthBuild program that provides disadvantaged young adults with education and employment skills by rehabilitating and building housing for low-income and homeless people.

- **New $100 Million "Right-Track" Partnership To Reduce Drop-Out Rate:** The President's balanced budget provides $100 million for "Right Track Partnerships" to promote partnerships between schools, employers, and community-based organizations that devise innovative community-wide approaches to increase the rate at which economically disadvantaged and limited-English proficient youth complete and excel in high school and subsequently increase the rate at which these youth go on to post-secondary education, training, and higher paying careers. This new proposal builds on last year's Hispanic Education Action Plan, which received nearly $500 million for FY1999.

- **Doubles GEAR-UP for College Program:** President Clinton's balanced budget doubles funding -- from $120 million in FY99 to $240 million in FY2000 -- for the GEAR UP program that supports States and partnerships between high-poverty middle or junior high schools and colleges to help low-income children prepare for and enroll in college. In 2000, GEAR UP will reach 381,000 students.

- **New $50 Million Regional Youth Employment Initiative:** The President's balanced budget provides $50 million for a Regional Empowerment Zone Program to assist urban Empowerment Zones and Enterprise Communities (EZ/ECs) in linking their economic development strategies to their broader metropolitan regional economies in order to increase the employment of disadvantaged youth.

- **$65 Million to Prepare Disadvantaged Youth for Success in College:** The President's budget will include a $30 million increase in federal TRIO programs, including Upward Bound, to fund outreach, counseling, and educational support to help disadvantaged students prepare for academic success in college. The budget will also include $35 million for a new initiative to help disadvantaged students stay in college and earn diplomas.

CHILD CARE INITIATIVE

For six years, the President has sought to help working families balance the demands of work and family. In this budget, he proposes a significant new investment in strengthening child care -- making it better, safer, and more affordable for working families. The budget includes the following:

- **Expanding the Child Care Block Grant to Create Better, Safer and More Affordable Child Care:**

  Providing Child Care Subsidies to a Half Million Additional Children: The President proposes to expand the Child Care and Development Block Grant to help working families struggling to afford child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. Today, however, millions of families who are eligible for assistance with their child care costs do not receive any help. In FY 1997, states provided child care assistance to only 1.25 million of the 10 million low-income children eligible for assistance. The President's budget significantly increases investment in the child care block grant by increasing funding for child care subsidies by $1.2 billion to provide child care subsidies for 500,000 more families in 2000.

  Promoting Early Learning: The President proposes to increase the block grant to provide challenge grants to communities (distributed by states) to improve early learning and the quality and safety of child care for children ages zero to five. Research shows that children's experiences in the earliest years are critical to their development and ability to reach school ready to learn. The budget provides $600 million to States to provide challenge grants to communities to help get children ready to learn.

  Improving Child Care Quality: Last year, Congress fully funded the President's request to increase investment in improving child care by providing States with additional resources for quality enhancement efforts such as performing inspections of child care facilities, providing resource and referral services for parents, assisting providers with training and scholarships, and creating networks for family day care providers.. The President's FY 2000 budget provides $173 million for this initiative.

- **Giving Greater Tax Relief for Child Care to Three Million Working Families:** The Child and Dependent Care Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The budget proposes to increase the credit for families earning under $60,000, providing an additional average tax cut of $345 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that claim the maximum allowable child care expenses. The President's budget includes $5 billion over five years to expand the Child and Dependent Care Tax Credit for nearly 3.3 million working families paying for child care.

- **Providing Tax Relief to Parents Who Stay at Home:** The President proposes an initiative to enable parents who stay at home with children under the age of one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of $500. The President's budget provides an average tax credit of $178, at a cost of $1.3 billion over five years, which will benefit 1.7 million parents.

- **Creating New Child Care Tax Incentives for Businesses:** The President proposes to create a new tax credit for businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services. The credit covers 25% of qualified costs, but may not exceed $150,000 per year. The President's budget includes approximately $500 million over five years for these tax credits.

- **Serving over a Million Children through After-School:** The President proposes to triple funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. The program increases the supply of after-school care in a cost-effective manner, primarily by funding programs that use public school facilities and existing resources. In awarding these new funds, the Education Department will give priority to school districts that are ending social promotion by requiring that students meet academic standards in order to move to the next grade. The President's budget includes $600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

- **Increasing Head Start:** Head Start, one of the President's highest priorities, is America's premier early childhood development program. It supports working families by helping parents get involved in their children's educational lives and by providing services to the entire community. The budget provides $5.267 billion, a $607 million increase over 1999 levels for Head Start. This increase would enable the program to serve 42,000 additional children in 2000 and will keep the program on track to reach the President's goal of serving 1 million children by 2002.

- **College Campus-Based Child Care:** These budget proposes $5 million to establish and support child care services on college campuses. These new resources will help increase low-income parents' access to higher education.

STRENGTHENING HEALTH CARE

Since the start of his Administration, President Clinton has made an extraordinary commitment to making health care more affordable, accessible, and effective for all Americans. In 1998, the Administration took significant steps towards this goal, despite the lack of action in Congress on major health issues. Medicare beneficiaries gained access to new preventive benefits, managed care choices, and low income protections. The no-tolerance approach towards Medicare fraud was stepped up, yielding hundreds of millions in savings.

Although Congress did not respond to the President's call to pass a strong, bipartisan, and enforceable Patients Bill of Rights, the President, by executive action, extended patient protections to all Medicare and Medicaid beneficiaries and Federal employees. He also took immediate action to improve the quality of care in nursing homes. Finally, the President worked with States to expand health insurance coverage to the 43 million uninsured Americans. All but three States have begun to enroll over 2.5 million uninsured children in the new Children's Health Insurance Program (CHIP); over 10 Federal agencies have joined with the private sector to help enroll the millions of uninsured children eligible for Medicaid as well as CHIP; and the President authorized a new regulation that provides States with the option to cover two parent families in Medicaid for the first time.

This year's budget builds on that effort, including $6 billion over five years for an initiative to help patients, families, and caregivers cope with the burdens of long-term care; $2 billion over 5 years for an initiative that eliminates barriers to employment for individuals with disabilities; new proposals to improve access to health insurance; new proposals to safeguard and improve the public health and strengthen the safety net; and aggressive efforts to improve the management of Medicare and Medicaid.

LONG-TERM CARE

- **$1000 Tax Credit.** This new tax credit compensates for a wide range of formal or informal long-term care for people of all ages with three or more limitations in activities of daily living (ADLs) or a comparable cognitive impairment. This proposal would benefit about 2 million Americans and costs $5.5 billion over five years.
- **National Family Caregivers Program.** The budget provides $625 million over 5 years for this program, which is designed to assist approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. It will support a caregiver support system in all states that provides information, education, counseling, and respite services directly to care-giving families.
- **National Campaign to Educate Medicare Beneficiaries about Long-term Care Options.** This $10 million campaign would provide Medicare beneficiaries with information about State administered home and community based care options including: what long-term care Medicare does and does not cover; Medicaid and Older Americans Act programs; and what to look for in a quality private long-term care policy.
- **Offering Quality Private Long-term Care Insurance to Federal Employees.** Proposal allows OPM to offer non-subsidized, private long-term care insurance to all federal employees, retirees, and their families at group rates. Roughly 300,000 Federal employees are expected to participate in this program.
- **Helping More Older Americans Remain in Their Communities Through New Broad-based Assisted Living Initiative.** This proposal provides $100 million in competitive grants to enable existing HUD elderly subsidized (Section 202) projects to convert some or all units into Assisted Living facilities that provide additional services many older Americans need to continue living as independently as possible.
- **New Community Based Long-term Care Options.** This proposal would provide States with a new option to eliminate the institutional bias in Medicaid and provide Medicaid coverage to individuals of all ages with income up to 300 percent of SSI who have been determined to require an institutional level of care but continue to live in residential rather than settings.

- **Nursing Home Quality Initiative.** This proposal will provide $110 million to strengthen Federal oversight of nursing home quality and safety standards by working with States to improve their nursing home inspection systems, crack down on nursing homes that repeatedly violate safety rules, establish a national registry of abusive nursing home workers, and publish nursing home quality ratings on the internet.

ELIMINATING BARRIERS TO EMPLOYMENT FOR INDIVIDUALS WITH DISABILITIES

- **Funding the Work Incentives Improvement Act in the President's Budget.** The FY 2000 budget includes the full Work Incentives Improvement Act. This proposal, which costs $1.2 billion over 5 years, would improve access to health care by providing new options for workers with disabilities to buy into Medicaid and Medicare; modernizing employment-related services for workers with disabilities; and creating a work incentives grant program to provide benefits planning and assistance and better integrate services to people with disabilities working or returning to work.

- **$1,000 Tax Credit.** Under this proposal, workers with significant disabilities would receive an annual $1,000 tax credit to help cover the formal and informal costs that are associated with and even prerequisites for employment, such as special transportation and technology needs. This tax credit, which will help 200,000 to 300,000 Americans costs $700 million over 5 years.

- **Improving Access to Assistive Technology.** This new $35 million initiative would accelerate the development and adoption of information and communications technologies, which can improve the quality of life for people with disabilities and enhance their ability to participate in the workplace.

EXPANDED HEALTH INSURANCE OPTIONS

- **Health Options for Older Americans.** This new initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare, by paying a full premium; providing vulnerable displaced workers ages 55 and older access to Medicare by offering those who have involuntarily lost their jobs and their health care coverage a similar Medicare buy-in option; providing Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits a new health option, by extending "COBRA" continuation coverage until age 65. The President's proposal is fully funded and does not burden the Medicare Program.

- **Encouraging Small Businesses to Offer Health Insurance.** This new initiative encourages small businesses to offer health insurance to their employees through: a new tax credit for small businesses who decide to offer coverage by joining coalitions; encouraging private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; offering technical assistance to small business coalitions from the Office of Personnel Management.

- **Improving Access to Health Insurance through Medicaid and CHIP.** The budget increases access to health insurance by restoring Medicaid and CHIP eligibility for legal immigrants affected by welfare reform; extending Medicaid eligibility to foster children up to age 21; improving transitional Medicaid for people moving from welfare to work; and providing states with $1.2 billion over 5 years for children's health outreach activities. The budget provides $144 million over five years for increased CHIP funding for Puerto Rico and the territories.

COMMITMENT TO PUBLIC HEALTH

- **Tobacco.** The budget provides an increase of $34 million (up 100% from 1999) for greater enforcement by the Food and Drug Administration and an increase of $27 million (up 36%) for CDC state tobacco control activities. (See separate paper on tobacco).

- **Providing Access to Health Care Services for Uninsured Workers.** This initiative invests $1 billion over 5 years in comprehensive health care delivery systems that traditionally provide services the uninsured.
- **Mental Health Block Grants.** The budget provides $359 million, a 24 percent increase over 1999 and the largest increase ever.
- **Ryan White HIV/AIDS Treatment Grants.** The budget provides $1.5 billion, a 7 percent increase over 1999 funding levels.
- **Childhood Asthma Initiative in Medicaid.** The budget provides $50 million in demonstration grants for States to test innovative asthma disease management techniques for children enrolled in Medicaid.
- **Family Planning Services Grants.** The budget provides $240 million, an 11.6 percent increase over last year's funding level.
- **Reducing Racial Disparities in Health Status.** The budget includes $145 million for health education, prevention, and treatment services for minority populations. The budget also proposes an additional $50 million to address HIV and AIDS issues in minority communities.
- **Supporting Graduate Medical Education at Children's Hospitals.** The budget proposes $40 million to support graduate medical education at freestanding children's hospitals, which play an essential role in the education of the nation's pediatricians.
- **Biomedical Research.** The budget provides $15.9 billion for the National Institutes of Health (NIH), a $320 million increase over the $2 billion increase in 1999. The NIH budget builds on the President's committment to biomedical research as a foundation for combating disease and providing new technologies.
- **Medicare Cancer Clinical Trials.** The budget provides $750 million over four years for a demonstration to give more Americans access to cutting-edge cancer treatments.
- **Controlling the Spread of Infectious Disease.** The budget will include $25 million, a 31 percent increase over last year's funding level, for a new CDC initiative that funds disease surveillance and rapid response activities, a national educational campaign about the consequences of inappropriate antibiotic use, and research on disease risk factors.
- **Bioterrorism.** The Budget provides $230 million for HHS' bioterrorism programs, an increase of $71 million (45 percent) over the last year's funding.
- **Indian Health Service.** The Budget provides a substantial $170 million increase over the 1999 funding level to: expand health care to 1.4 million Native American/Alaska Natives who use its services; support tribal self-determination by adding $35 million for contract support costs; construct additional health facilities; and finance an additional 100 public health nurses for outreach.

IMPROVING THE FISCAL INTEGRITY AND EFFICIENCY OF MEDICAID AND MEDICARE

- **Health Care Financing Adminstration (HCFA) Management Reform.** HCFA, HHS and the Office of Managment and Budget have begun the development of a reform initiative that will increase HCFA's flexibility to operate as a prudent purchaser of health care while also increasing accountablilty. The initiative has five components: 1) management flexibilities; 2) increased accountability; 3) program flexibilities; 4) structural reforms; and 5) contractor reform.

- **Medicare and Medicaid Program Integrity and Efficiency.** The budget includes a number of policies that would reduce fraud, waste, and overpayments in Medicare and strengthen fiscal accountability in Medicaid. These savings amount to $1.26 billion for Medicare and $74 million for Medicaid in FY 2000.

PROTECTING OUR ENVIRONMENT AND PUBLIC HEALTH

President Clinton is proposing a record $33.9 billion in FY 2000 to protect our natural resources, our communities, and the global environment. The proposed environment budget represents a 5 percent increase over FY 1999 and a 25 percent increase over FY 1993. It includes major new initiatives to preserve America's lands legacy, combat global warming, and build livable communities for the 21st century.

- **Preserving America's Lands Legacy.** To meet the conservation challenges of a new century, the President is proposing a $1 billion Lands Legacy Initiative -- the largest one-year investment ever proposed for the protection of America's land and coastal resources. This initiative, a 125 percent increase over FY 1999, would fully fund the Land and Water Conservation Fund for the first time. To sustain these efforts, the President will work with Congress to create a permanent funding stream beginning in FY 2001. Lands Legacy includes:

  - *Saving Natural Treasures.* $442 million to protect natural and historic sites across the country, including critical lands in the Mojave Desert and Florida's Everglades, Civil War battlefields, and the Lewis and Clark Trail.

  - *Protecting Local Green Spaces.* $588 million to state and local governments, including $150 million in land acquisition grants, $50 million for open space planning, $50 million to protect threatened farmland, $44 million for urban parks and forests, and $80 million for innovative endangered species protections.

- **Building Livable Communities for the 21st Century.** To help communities grow in ways that ensure a high quality of life and strong, sustainable economic growth, the President is proposing a comprehensive Livability Agenda providing new tools and resources for state and local governments. Major elements of the Agenda in the environment budget include:

  - *Better America Bonds.* A new financing tool generating $9.5 billion in bond authority over five years for investments by state, local, and tribal governments to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields. The budget proposes tax credits totaling almost $700 million over five years to support the Bonds.

  - *Easing Traffic Congestion.* $1.8 billion for the Congestion Mitigation and Air Quality program, which supports state and local efforts to simultaneously ease congestion and reduce air pollution; and $566 million for Environmental Enhancements, which supports projects such as renovating historic rail stations and creating bicycle and pedestrian paths.

- **Meeting the Challenge of Global Warming.** The President is proposing more than $4 billion in FY 2000 to promote clean, efficient energy and for other efforts to reduce greenhouse gas emissions. Major components in the environment budget include:

  - *Clean Air Partnership Fund.* A new $200 million fund to provide grants to state and local governments for projects that achieve early reductions in both greenhouse gases and harmful air pollutants such as soot and smog.

  - *Climate Change Technology Initiative.* $3.6 billion in tax incentives over five years for renewable energy and for the purchase of energy-efficient homes, cars and appliances; and $1.4 billion in FY 2000 -- a 34 percent increase -- for the research, development and deployment of clean energy technologies and energy-efficient practices.

- **Restoring Pacific Coastal Salmon.** The President is proposing a new $100 million Pacific Coastal Salmon Recovery Fund to help state, local, and tribal governments rebuild dwindling salmon stocks. The funds, to be matched dollar-for-dollar by state or local contributions, can be used to purchase conservation easements, plant trees, stabilize stream banks, and undertake other projects to improve water quality and restore salmon habitat and spawning grounds.

- **Cleaning Up Rivers, Lakes and Coastal Waters.** The budget provides $2 billion in discretionary spending -- a 20 percent increase -- and $300 million in mandatory spending for the second year of President Clinton's Clean Water Action Plan, a five-year initiative to help restore the 40 percent of surveyed waterways still too polluted for fishing or swimming. This includes $630 million to fully fund the Environmental Protection Agency's portion of the initiative. It also includes:

    - *Restoring California's Bay-Delta.* $75 million to continue ecosystem restoration activities in California's Bay-Delta watershed, and a $20 million increase to help improve water use efficiency, water quality, and watershed management.

    - *Incentives to Farmers.* $300 million, a 72 percent increase, for the Environmental Quality Incentives Program, which helps farmers prevent polluted runoff.

- **Reducing Childhood Asthma.** The EPA budget includes a $17 million increase for research into the causes of asthma, and for educational efforts to prevent it, part of a new $68 million interagency initiative to reduce the incidence of childhood asthma through a comprehensive national strategy.

- **Protecting Our Oceans and Coasts.** To fund initiatives the President launched at the National Ocean Conference last year in Monterey, the budget includes $52 million for a state-of-the-art ocean research vessel and -- through the Lands Legacy Initiative -- $29 million for national marine sanctuaries, $90 million to help states develop "smart growth" strategies along America's coasts, $25 million to restore declining fisheries, and $10 million to research and protect coral reefs.

- **Promoting Innovative Species Protections.** The budget includes $181 million, a 40 percent increase, for endangered species programs. The increases would support habitat conservation planning and other collaborative efforts with landowners, states and local governments to restore ailing species and keep others from being declared threatened or endangered.

- **Restoring Florida's Everglades.** The budget includes $312 million, a 35 percent increase, to accelerate federal-state efforts to restore the Everglades. Priorities include improving freshwater flows to Everglades National Park, restoring the Kissimmee River, completing a master blueprint for rebuilding freshwater supplies for South Florida and -- through the Lands Legacy Initiative -- acquiring critical lands within and adjacent to the Park.

COMMUNITY EMPOWERMENT

Most Americans are enjoying the fruits of our strong economy. But while many urban areas are doing better, we still need to do more to raise up those communities that remain disconnected from our values of opportunity, responsibility, and community. Working with the private sector and State and local governments, the President is determined to help bring distressed areas back to life. To address this need, the budget proposes a New Markets Initiative, expands the President's national service program, proposes to create more Empowerment Zones and Enterprise Communities, and increases the opportunities for home ownership. The budget includes the following:

- **The New Markets Initiative:** The budget provides tax credit and loan guarantee incentives to stimulate $15 billion of new private capital investments in targeted areas; build a network of private investment institutions to funnel credit, equity and technical assistance into businesses in America's new markets; and provide the expertise to targeted small businesses that will allow them to use investment to grow.

    - *The New Markets Tax Credit:* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

    - *America's Private Investment Companies (APICs):* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. For each $100 million of private equity, HUD and SBA will guarantee loans up to $200 million, creating a $300 million investment fund to target larger businesses that are expanding or relocating in inner city and rural areas.

    - *SBIC's Targeted to New Market:* Last summer, the Vice President challenged the SBA to find ways to better meet the needs of minority firms and underserved markets. The SBA is responding by offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in low and moderate income areas.

    - *New Markets Venture Capital (NMVC) Firms:* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

- **Empowerment Zones and Enterprise Communities:** The Empowerment Zones and Enterprise Communities encourage investment in distressed communities through tax benefits for businesses, and flexible block grants for job training, day care and other purposes. The original EZs from 1994 have already used funding to leverage private dollars to create or save 1,500 jobs, train 900 persons, and serve 3,200 youth in developmental programs. In 1999, Congress provided first-year funding of $55 million for the new EZs, and $5 million in first-year funding for 20 new rural Enterprise Communities announced in January. The 2000 Budget proposes mandatory funding for ten years: $150 million a year for urban EZs and Strategic Planning Communities; $10 million a year for rural EZs; and $5 million a year for rural ECs.

- **National Service:** This program encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes $848 million for the Corporation, a 19 percent increase over 1999.

- **Low-Income Housing Tax Credit:** Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. Even though building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level. Estimates suggest that the LIHTC currently helps build 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will create an additional 150,000-180,000 new rental housing units for low-income American families over the next five years. Last year, over two-thirds of the House and Senate were co-sponsors on bills to raise the cap on the LIHTC -- more support than any other tax legislation. This proposal will cost $1.7 billion over five years.

- **Play-by-the-Rules:** In 1999, the Administration proposed and Congress enacted a $25 million Neighborhood Reinvestment Corporation "Play-by-the-Rules" pilot program. This program will allow renters with solid payment track records to own their own homes. The 2000 Budget proposes a second round of $15 million for this initiative.

- **Elderly Housing:** The budget provides $747 million for the Department of Housing Urban Development's (HUD's) elderly housing program to address the changing needs of the elderly population and reconfigure an aging housing stock to better serve the frail elderly. In addition to providing grants to non-profits for construction of 5,970 units, funds would be provided to convert some projects to assisted living using a combination of capital grants and service coordinators to bring services from the community to residents. The budget permanently authorizes 15,000 new housing vouchers linked to Low-Income Housing Tax Credit properties to make these units affordable to extremely low-income elderly.

- **Community Development Financial Institutions (CDFI) Fund:** The budget proposes to expand funding for the CDFI Fund to $125 million--a $30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.

- **Transportation and Housing for Families Moving From Welfare to Work:** The President's budget will provide $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers. This is a 50 percent increase over the 50,000 vouchers the President secured last year. The vouchers will help families move closer to a new job, reduce a long commute, or secure more stable housing so they can perform better on the job.

- **Helping America's Communities Redevelop Abandoned Buildings:** This new Federal initiative would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings, as long as there is a plan -- with significant private-sector participation -- to redevelop the property for commercial use or multi-family and single family housing. To ensure no incentive is created to abandon buildings, the program would be sunsetted after three years and no building abandoned after October 1, 1999 would be eligible for redevelopment. Preferences will be given to communities that link existing youth training programs with the property's redevelopment.

RESEARCH AND DEVELOPMENT

Despite tight constraints on discretionary spending, fiscal year 2000 is the seventh year in a row that the President has proposed increased investments in civilian research and development -- to a total of $39.8 billion. Civilian R&D now constitutes 51% of the overall R&D budget of $78.2 billion.

The FY 2000 budget continues the important R&D trends established by this Administration. It boosts funding for basic research to $18.2 billion, an increase of 4.2% ($727 million) over FY 1999. The budget also strengthens university-based research, which increases by $353 million, and reflects an effort to reestablish an optimum balance between health care research and other scientific disciplines.

- **21st Century Research Fund:** The 21st Century Research Fund continues to be the centerpiece of the President's R&D investment strategy. This year the Research Fund includes DOD basic and applied research programs, further evidence of the Administration's commitment to effective integration of the Nation's university-based research portfolio. The $38 billion Research Fund grows by 3% in FY 2000, and provides for overall stability and for growth in the highest priority research programs

Highlights of the R&D Budget: The proposed R&D investments will enable the S&T agencies to achieve the President's goals for science and technology: promote long-term economic growth that creates high-wage jobs; sustain a healthy, educated citizenry; harness information technology; improve environmental quality; enhance national security and global stability; and maintain world leadership in science, engineering, and mathematics. For example:

- **National Institutes of Health (NIH):** Keeping pace with the Administration's ambitious goal last year for increased biomedical research, the budget includes a 2% ($320 million) increase. These investments will allow continued progress on diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine.

- **National Science Foundation (NSF):** The budget provides $3.92 billion (a 7% increase) for the continued support that NSF provides to all fields of scientific study. The budget provides $146 million for NSF to play a lead role in the Administration's Information Technology in the 21st Century (IT^2) initiative and also increases funding for biocomplexity research on biological, physical, chemical, and social interactions in Earth's ecosystems.

- **Department of Energy (DOE):** The budget provides $2.84 billion (a 5% increase) for basic science programs at DOE. The budget includes resources for basic research as well as continued support for construction and operation of large scientific user facilities, including the Spallation Neutron Source and the international partnership on the Large Hadron Collider. Significant participation in IT^2 will help to accelerate scientific discovery and research under the Climate Change Technology Initiative will provide long term advances toward energy efficiency and renewable energy technologies.

- **Department of Defense (DOD):** The budget provides $1.1 billion in basic research, $3 billion in applied research, and $3.3 billion in advanced technology development. Research on counter-terrorism and on improvements in the safety and security of the Nation's physical infrastructure and information and communications systems receive targeted increases.

- **Department of the Interior (DOI):** The budget provides $838 million (a 5% increase) to USGS for science that supports national resource and environmental decisionmaking. The budget also supports research and technical assistance on the scientific needs of land managers and local land use planners.

- **National Aeronautics and Space Administration (NASA):** The President' FY 2000 budget includes: \$2.46 billion for the International Space Station (an 8% increase); \$2.2 billion for Space Science (a 4% increase over FY 1999); \$1.46 billion for Earth Science (a 3% increase); and \$493 million over five years for new technology investments to enable, for example, robotic outposts throughout the solar system.

- **Department of Agriculture (USDA):** The Agricultural Research Service receives a 6% increase to \$837 million, and CSREES receives a 68% increase to \$475 million for the National Research Initiative competitive grants program which will support advances in genomics of agricultural species, food safety and more environmentally friendly agricultural practices. Funding for the Forest Service increases 19% to \$235 million in support of ecosystem and global change research.

- **Department of Commerce (DOC):** The budget includes \$918 million in the 21st Century Research Fund at DOC. It provides \$239 million (an 18% increase) for NIST's Advanced Technology Program to promote unique, rigorously competitive, cost-shared R&D partnerships. It also provides \$283 million to NOAA for research to support decisionmaking on climate change, air quality, and ozone depletion.

Interagency Initiatives
The budget increases investment in national priorities requiring multi-agency investments. For example:

- **High Performance Computing and Communications (HPCC) and the Information Technology Initiative (IT^2):** The budget provides a total of \$1.8 billion (a 28% increase) for these programs. IT^2, which responds to the recommendations of the President's Information Technology Advisory Committee to increase funding for fundamental, long-term research, advanced applications, and research on the economic and social implications of information technology, is funded at \$366 million in FY 2000

- **Climate Change Technology Initiative:** The budget provides a 34% increase for this initiative, which includes \$1.4 billion in R&D on energy efficiency, renewable energy, carbon sequestration, and improvements in nuclear and fossil technologies. The initiative also provides \$0.4 billion in tax credits to stimulate adoption of energy efficiency technologies.

- **U.S. Global Change Research Program:** The budget provides \$1.8 billion (a 6% increase) to observe, understand, predict, and assess the state of the Earth and how it changes in response to natural and human-induced forces.

- **Partnership for a New Generation of Vehicles (PNGV):** The budget provides \$264 million (a 10% increase) for this cost-shared, industry partnership. PNGV aims to develop affordable cars that achieve up to three times the fuel economy of comparable vehicles and meet all applicable emission and safety standards.

- **Education Research Initiative:** The budget provides \$50 million (\$25 million at NSF and \$25 million at Ed.) to support large-scale, interdisciplinary research in three key areas: school readiness for learning reading and mathematics; K-3 learning in reading and mathematics; and education of PreK-12 teachers in mathematics, reading, and science. The resulting knowledge base will be used to support the development, testing, and implementation of scalable and sustainable interventions to improve teaching and learning through information and computer technologies.

- **Research and Experimentation (R&E) Tax Credit:** The budget provides \$2.4 billion to extend the R&E tax credit, scheduled to expire on June 30, 1999, until June 30, 2000. The R&E credit helps stimulate additional private sector investment in research and development which encourages technological advancement, leading to higher productivity, and helping to generate new American jobs.

ENFORCING THE LAW

The President's anti-crime strategy is working. Serious crime is down six years in a row. The murder rate is down more than 28 percent, its lowest point in three decades. But, there is still much to be done to stop crime. To continue the President's fight against crime, the budget proposes a new 21st Century Policing Initiative, expands efforts to combat drugs, proposes funding to fight international crime, and builds on efforts to control gun violence. Specifically, the budget includes the following:

- **21st Century Policing Initiative:** While enhancing Federal anti-crime capabilities, the budget seeks to empower States and communities, which play the central role in controlling crime, particularly violent crime. The $1.275 billion 21st Century Policing Initiative includes the following:
  - *More Police on the Streets.* The budget provides $600 million to help communities to hire and redeploy between 30,000 and 50,000 more law enforcement officers over five years, with an effort to target new police officers to crime "hot spots" and to help retain those officers recently hired.
  - *Crime-fighting Technology.* The budget provides $350 million to help State and local enforcement agencies tap into new technologies that will allow them to communicate more effectively, to use technology to solve more crimes, and to conduct comprehensive crime analysis.
  - *Community-based Prosecutors.* The budget provides $200 million to hire, redeploy or train prosecutors. These prosecutors will interact directly with the community to fight crime on a proactive basis.
  - *Community Crime Prevention.* The budget provides $125 million to engage entire communities in preventing and fighting crime--including community residents, probation and parole officers, faith-based organizations, and others from the private sector.

- **Zero Tolerance Drug Supervision:** The budget includes $215 million for a new program to promote "zero tolerance" drug supervision for persons under criminal justice supervision. Specifically, it proposes: (1) $100 million to help States and localities implement tough new systems to provide drug testing, sanctions, and treatment for prisoners, parolees, and probationers; (2) $50 million for drug courts that work to break non-violent offenders of their drug habits and reduce recidivism; and (3) $65 million to provide intensive drug treatment to hardcore drug users before and after they are released from prison.

- **Firearms Enforcement:** The Administration proposes an increase of $23 million to hire over 160 ATF agents to bolster firearms enforcement. The new agents will be used to support investigations at gun shows, the arrest of violent criminals and gun traffickers, and illegal attempts to buy firearms. The increase will also support an expansion of the Youth Crime Gun Interdiction Initiative from 27 to 37 cities. The President's budget includes an additional $5 million for U.S. Attorneys to increase firearms prosecutions.

- **Combating Violence at Women's Health Clinics:** In response to escalating violence at health facilities, the budget includes a new program and $4.5 million to support additional security at health clinics that provide abortions.

- **Violence Against Women:** Violence against women is a continuing problem. Studies show that law enforcement intervention often breaks the cycle of domestic violence, preventing subsequent incidents. The budget includes $456 million, which is an increase of $26 million over the 1999 enacted level, to maintain efforts to combat gender-based crime. The total includes $283 million in the Department of Justice and $173 million in the Department of Health and Human Services.

- **Law Enforcement on Indian Lands:** Homicide and violent crime on Indian lands are rising, even as crime rates in the rest of the country fall. The budget includes $164 million, which is $64 million above the 1999 enacted level, in the Departments of Justice and Interior for the second year of this initiative which provides anti-crime grants to Indian jurisdictions. The money is used to increase the number of fully trained and equipped police officers and to improve the quality of detention facilities.

- **Juveniles:** The budget proposes $289 million for programs to fight juvenile crime, which is an increase of $5 million from the 1999 enacted level and includes $95 million to support more local community prevention programs such as mentoring, truancy prevention, and gang intervention.

- **Combating Terrorism and Weapons of Mass Destruction:** The budget includes $8.5 billion for government-wide efforts to combat terrorism. This represents a 13 percent increase over 1999 base enacted (excluding the 1999 emergency supplemental). Of the proposed $8.5 billion, $1.4 billion is to combat weapons of mass destruction (i.e. chemical, biological, or nuclear weapons), an 8 percent increase over 1999 base enacted. The budget fully funds the second year of the President's 1999 Chemical and Biological Weapons budget amendment which will continue efforts to equip and train State and local first responders and to expand research and development on chemical and biological agents.

- **Fighting International Crime:** The budget requests $1.8 billion for activities to combat international crime, including protecting U.S. borders by attacking smuggling and smuggling-related crimes; denying safe haven to international criminals; preventing money laundering, counterfeiting, and other international financial crimes; stopping criminal exploitation of international trade; and responding to emerging international crime threats.

RESTORING BENEFITS TO VULNERABLE GROUPS OF LEGAL IMMIGRANTS

The President firmly believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the harsh, unnecessary cuts in benefits to legal immigrants that had nothing to do with moving people from welfare to work. As part of 1997's Balanced Budget Act (BBA), the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants and, as part of 1998's Agricultural Research Act, the President secured Food Stamp restorations for 225,000 immigrants. The President's budget proposes $1.3 billion over five years to restore SSI, Medicaid, and Food Stamps eligibility to certain groups of vulnerable immigrants.

SSI AND MEDICAID

- **Medicaid and the Children's Health Insurance Program (CHIP).** The budget would let States provide health coverage to legal immigrant children and pregnant women under Medicaid and, in the case of children, CHIP. Currently, States can provide health coverage to legal immigrants who entered the country before the welfare law was enacted. But, immigrants who entered after the law was enacted (August 22, 1996) cannot get benefits for five years. Under these proposals, States could provide health coverage to those children and pregnant women through Medicaid or through CHIP. In total, the two proposals would cost $325 million over five years, and would restore benefits to approximately 55,000 children and 23,000 pregnant women by 2004.

- **SSI Eligibility for Legal Immigrants with Disabilities.** The budget provides approximately $929 million over five years to restore SSI and related Medicaid to legal immigrants who entered the country after August 22, 1996, lived in the United States for more than five years and became disabled after entry. Currently, with few exceptions, only legal immigrants who entered the country before August 22, 1996 can be found eligible for SSI disability benefits. This proposal would assist an estimated 54,000 legal immigrants by 2004, about half of whom would be elderly.

FOOD STAMPS

- The budget proposes to restore Food Stamps benefits to immigrants who entered the U.S. before August 22, 1996 and who subsequently reach age 65. By 2004, 15,000 elderly immigrants would have Food Stamp eligibility restored.

- Immigrants who were in the U.S. before August 22, 1996 and who were already 65 or over by that date had their benefits restored as part of the Agricultural Research Act of 1998 which restored Food Stamp eligibility to 225,000 legal immigrant children, senior citizens, and people with disabilities.

SUPPORTING THE WORLD'S STRONGEST MILITARY FORCE

Our military serves as the backbone of our national security strategy, and the President is committed to maintain a strong and capable military that protects our freedoms and our global leadership role as we approach the 21st Century. In an effort to achieve these goals, the budget proposes a long-term sustained average annual real increase of about 1 percent in defense funding to enhance the military's readiness and operations, build for the future with weapons system modernization, and take care of military troops and their families by enhancing quality of life, thereby increasing recruitment and retention. More specifically, the budget includes the following:

- **Enhancing Military Readiness and Operations:** American forces must be ready and able to respond and deploy rapidly to the full spectrum of crises -- major theater wars, smaller scale contingency missions, or counter terrorism operations. This budget increases funding for readiness programs to ensure that the military sustains a high level of preparedness to carry out all of its missions and that flying hour programs, recruiting efforts, manning levels, and unit training programs are fully funded.

    - *Operations and Support Programs:* Maintaining high levels of readiness is our top defense priority. The budget provides increased funding for key operations and support programs, including unit operations and training activities, spare parts, recruiting and retention programs, joint exercises, equipment maintenance, and base operations. These increases address readiness problems identified in a review directed by the President following discussions with our military leaders. The budget provides an increase of about $4 billion in 2000 and over $20 billion over the next five years for selected readiness programs.

    - *Contingency Operations:* The budget proposes funding for ongoing contingency operations in Southwest Asia and Bosnia. For 2000, this amount is $ 2.9 billion. This funding will allow DOD to avoid redirecting funds from standard operations and maintenance programs to contingency operations, thereby helping to maintain the readiness of our force.

- **Weapons System Modernization:** The U.S. military must be the best equipped in the world--it must have leading edge technologies and well-maintained equipment in sufficient numbers to meet mission goals. The budget proposes $53 billion for weapon systems modernization programs, an increase of $4 billion over 1999.

    - *Modernizing Ground Forces:* The budget provides funds to equip Army forces with new technologies to ensure that timely, accurate battlefield information can be transferred rapidly between units -- a key priority of the Army. The budget also funds upgrades and life extensions to improve the capabilities of the Abrams tank, Bradley Fighting Vehicle and Apache Longbow helicopter, and continues funding for the Marine Corps' V-22 tilt-rotor aircraft.

- *Modernizing Naval Forces:* The budget supports procurement of three DDG-51 destroyers and two LPD-17 Amphibious ships. The budget also funds the first ship of a new class of combat logistics ships, as well as advanced procurement for the next aircraft carrier -- CVN-77 -- and attack submarine.

- *Modernizing Air Forces:* The budget supports three new tactical aircraft programs -- the Navy's F/A-18E/F Super Hornet attack fighter ($2.9 billion), the Air Force's F-22 Raptor air superiority fighter ($1.9 billion), and the Joint Strike Fighter ($477 million), which will replace about 3,000 aging aircraft in the Navy, Air Force, and Marine Corps starting in 2005.

- **Taking Care of Military Personnel and their Families:** The budget requests $73.7 billion, which is $2.8 billion over the 1999 level, to cover the pay and allowances of 1,385,000 active duty and 865,000 reserve military personnel. Over the five year period starting in 2000, the budget will increase by $20 billion over previously planned levels to help ensure that personnel readiness is sustained. Included in this increase is funding for the following:

  - A 4.4 percent pay raise in 2000 and 3.9 percent in each year thereafter;

  - A pay raise for select personnel effective July 1, 2000 to provide greater rewards for military promotions; and

  - Military retirement reforms to reduce disparities in retirement benefits among military members.

FOREIGN AFFAIRS

The budget provides $21.3 billion for international affairs programs so that the Unites States maintains its role as world leader and responds to international challenges in a complex and crucial time. The budget includes resources to promote peace in troubled areas, to provide enhanced security for official representatives abroad, to fund activities to combat weapons of mass destruction, to stabilize the international economy, to promote trade, and to respond to the needs of our neighbors and others who face disaster.

PROTECTING AMERICAN SECURITY

- **Facility Vulnerability.** The budget provides an increase of over $300 million to the State Department's operating budget to ensure the continued protection of American embassies, consulates, and other facilities. To address further security requirements, the budget includes $3 billion in advance appropriations for a new multi-year security construction program to replace inadequate overseas facilities.

- **The New Transnational Threats.** The budget provides $295 million to enable the United States to intensify its efforts to curb drug production in the Andean countries and to fight international crime. In addition, $231 million is included for nonproliferation and antiterrorism efforts.

- **Newly Independent States (NIS).** The budget provides $1.03 billion for assistance to the NIS . Of this total, the budget also provides $251 million (increasing funding more than five times from $41 million in 1999) to work with Russia to address the proliferation of weapons of mass destruction (WMD). In addition, the budget provides $476 million (up $36 million from 1999) for the Department of Defense Cooperative Threat Reduction program and $276 million (up $39 million from 1999) for the Department of Energy WMD programs in the NIS.

PROMOTING PEACE ABROAD

- **Peace in the Middle East.** The President believes that the best long-term strategy for Israeli security includes a secure peace with the Palestinians, recognition of their legitimate rights, and a comprehensive, secure peace in the Middle East. The President's efforts at Wye River help put the peace process back on track. The budget provides $5.2 billion for assistance to sustain this progress toward peace in the Middle East. The budget also provides a $1.9 billion 3-year economic and military assistance package to help meet priority needs arising from the Wye Memorandum.

- **Central and Eastern Europe.** U.S. and other international support has been a critical factor in the transition to democracy and free markets in Central and Eastern Europe. The budget provides $393 million in economic aid for Eastern Europe and the Baltic States (including Bosnia and Kosovo), primarily focused on the southern tier.

- **Bosnia.** The budget provides $175 million in economic aid to support the U.S. commitment to see the Dayton Accords fully implemented in Bosnia.

- **Kosovo.** The budget includes $46 million for U.S. support for an observer force to verify compliance by all parties and to support the training of a professional, ethnically representational, local police force that protects the rights of all citizens. In addition, the budget provide $50 million for U.S. contribution to an international civil reconstruction program.

LEADING THE INTERNATIONAL COMMUNITY

- To ensure financial stability for the international community, the budget provides $446 million for the third-year installment of funding for arrears payments owed to the United Nations (UN) and related international organizations. The budget also provides $1.2 billion to meet regular assessments to the international organizations and for UN peacekeeping operations.

STABILIZING THE INTERNATIONAL ECONOMY

- **Multilateral Development Banks (MDBs).** The budget provides $168 million to continue arrears payments to MDBs (including the Global Environment Facility) and $1.2 billion to pay current commitments to these institutions, which provide assistance to poor countries around the world that are undertaking promising economic reforms.

- **International Debt Policy.** The budget provides $120 million for debt forgiveness to promote economic and environmental reform for countries in support of the Tropical Forest Conservation Act of 1998 and help defray the cost of debt relief by contributing to the Heavily Indebted Poor Country Initiative Trust Fund, as well as to continue the existing program of debt relief through the "Paris Club" of creditor nations..

SUPPORTING INTERNATIONAL DEVELOPMENT AND ADDRESSING INTERNATIONAL DISASTERS

- **Assistance to Africa.** The budget provides $828 million for Africa -- an increase of almost 10 percent -- meeting the President's goal of increasing support for Africa to historically high levels.

- **USAID's Development Assistance Programs.** The budget provides $1.8 billion for USAID's development assistance programs, which provide funding for 51 countries and 12 regional programs in Africa, Asia, and Latin America.

- **Humanitarian Assistance.** The budget provides $1.7 billion for the humanitarian assistance programs of the Department of State and USAID.

- **Peace Corps.** The budget provides $270 million to enable the Peace Corps to increasing the number of volunteers abroad -- with the goal of building towards 10,000 volunteers by early in the next century.

INCREASING AMERICAN PROSPERITY THROUGH TRADE

- **Export Promotion Initiative.** The budget provides $891 million -- a boost in funding of 10 percent -- for the Import-Export Bank. The budget also provides $48 million to fund feasibility studies that enable U.S. companies to participate in major export-generating infrastructure projects overseas. In addition, the budget provides $14 million for the Department of Commerce's International Trade Administration (ITA) to increase resources for export advocacy in key markets and for delivery of export assistance services to America's small manufacturers. Finally, the budget provides $9 million for ITA and Commerce's National Institute of Standards and Technology.

TOBACCO POLICIES

Every day, 3,000 children become smokers -- 1,000 have their lives shortened as a result. Almost 90 percent of adult smokers began smoking by age 18 and today, 4.5 million children aged 12 to 17 -- 37 percent of all high school students -- smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease and other problems. To end this public health crisis, we must have a focused public health effort to reduce youth smoking. The 1998 state tobacco settlement was an important step in the right direction, but more must be done to protect our children and hold the tobacco industry accountable: raise the price of cigarettes; re-affirm full FDA authority to regulate tobacco products; support critical public health efforts to prevent youth smoking; protect farmers and farming communities; work with states and Congress to enact tobacco legislation to settle Federal Medicaid claims; and recover from the tobacco companies the direct health care costs incurred by the Federal government as a result of smoking.

- **Raise the Price of Cigarettes, So Fewer Young People Start to Smoke.** Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. Last year, the President called for an increase of $1.10 per pack (in constant dollars) to help cut youth smoking in half within five years. This year, because of the increases already agreed to between the tobacco companies and the states, we can reach the target with a legislated increase of half this amount, 55 cents per pack.

  The funds that result from this policy will cover tobacco-related health care costs. Each year, the Federal government spends billions of dollars treating tobacco-related diseases for our armed forces, veterans, and federal employees. It is fitting that the tobacco industry reimburse U.S. taxpayers for these costs, just as it already has agreed to do for the States.

- **Reaffirm the Food and Drug Administration's(FDA's) Full Authority to Keep Cigarettes out of the Hands of Children**. The Administration will again support legislation that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products. While the state settlement limits tobacco advertising, it still allows certain marketing practices targeted at children, including newspaper and magazine advertising and retail signs near schools. Moreover, only by reaffirming FDA's authority can Congress ensure that America's children are protected from the next generation of tobacco industry marketing. We should take this matter out of the courts and ensure that the FDA -- the nation's leading health consumer protection agency, providing oversight over food, drugs, and medical devices -- has full authority to protect our children from tobacco.

- **Support Critical Public Health Efforts to Prevent Youth Smoking.** The budget provides $68 million -- double last year's level -- to help support tobacco prevention programs in states and local communities. The budget increases funding for the Centers for Disease Control's tobacco control efforts by one-third, from $74 to $101 million. The budget also provides an additional $56 million for a smoking cessation program in the Department of Veterans' Affairs for any honorably discharged veteran who began smoking in the military. The budget also includes a $5.2 million initiative in the Bureau of Alcohol, Tobacco and Firearms to enable ATF to enforce the excise increase proposed in the budget.

- **Protect Farmers and Farming Communities.** States, farmer, and industry representatives recently produced a $5 billion agreement to provide financial assistance to tobacco farmers and their communities. This Administration supports this agreement and remains committed to protecting tobacco farmers and their communities. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.

- **Enact Tobacco Legislation to Settle Federal Claims on State Medicaid Recoveries.** Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for the state settlement with the tobacco companies, Federal law requires that the Federal government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these federal claims in exchange for a commitment by the states to use tobacco money to support shared national and state priorities which reduce youth smoking, promote public health and children's programs.

- **Recover Federal Health Costs from Tobacco Companies.** In addition to these Medicaid costs, tobacco-related health problems cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the U.S. Department of Justice intends to bring suit against the tobacco industry, and the budget provides $20 million to pay for necessary legal costs. The Administration will propose that recoveries be used to preserve and protect Medicare for future generations.

BUILDING ONE AMERICA

After six years of the Clinton Administration, the American economy continues to break records. Home ownership and job creation are at all time highs, while crime, poverty and welfare rolls continue to fall. This new era of prosperity offers unprecedented opportunity, but the doors of opportunity are not open equally to all -- there are still striking disparities in jobs, in investments in neighborhoods, in education and criminal justice. We also know that, some time in the next century, America will have no majority race. Therefore the President believes we must work to create One America, not only to address the errors of the past, but to assure our future.

Because the challenges facing us reach far beyond the Federal government and require our engagement as individuals, and in our families, churches and communities, the President began in 1997 a national Initiative on Race. The elements of this Initiative were three-fold: action, study and dialogue with communities and community leaders of all races and regions to raise, discuss and better understand the tensions that divide us. A distinguished advisory committee then reported to the President throughout their year of service. Later this year the President issue his assessment to the American people. Many of the programs in this budget are already part of the response.

The President's budget for 2000 provides funding and programs to promote job growth and economic development in urban and rural areas, increase home ownership, promote educational opportunity, and strengthen civil rights enforcement.

JOBS AND ECONOMIC DEVELOPMENT

- **The New Markets Investment Initiative:** The budget provides tax credit and loan guarantee incentives to stimulate $15 billion of new private capital investments in targeted areas; build a network of private investment institutions to funnel credit, equity and technical assistance into businesses in America's new markets; and provide the expertise to targeted small businesses that will allow them to use investment to grow.

- **Community Development Financial Institutions (CDFI):** The budget also provides expanded funding for Community Development Financial Institutions, which have expertise in lending and investment in underserved areas, both rural and urban. The budget provides $125 million for the CDFI fund, including $15 million for a new microenterprise initiative that would provide technical assistance grants to microenterprise intermediaries to assist low-income and disadvantaged entrepreneurs.

- **Empowerment Zones (EZs) and Enterprise Communities (ECs):** The budget provides mandatory funding for ten years: $150 million a year for urban EZs; $10 million a year for rural EZs; and $5 million a year for rural ECs. It also includes a new USDA program to provide $5 million for partnership technical assistance grants to help rural communities develop comprehensive strategies for revitalization and to better coordinate Federal assistance. In addition, the Budget provides a $50 million regional Empowerment Zone Initiative to assist urban EZ/EC's in linking their economic development strategies to their broader metropolitan regional economies to increase youth employment.

HOME OWNERSHIP

- **Federal Housing Administration Loan Limits:** The Administration's successful 1999 proposal to increase the FHA mortgage limit will allow FHA to help more families purchase their first homes, especially in areas with high housing prices. Reforms of FHA's property disposition practices, starting this year, will reduce costs and stabilize neighborhoods.

- **Playing-by-the-Rules:** Also in 1999, the Administration proposed and Congress enacted a $25 million Neighborhood Reinvestment Corporation "Play-by-the-Rules" pilot program. This program will allow renters with solid payment track records to own their own homes. The budget provides a second round of $15 million for this initiative.

- **Low Income Housing Tax Credit:** The budget proposes to expand the Low Income Housing Tax Credit to spur the private sector to develop more affordable low-income rental housing. The proposal will cost $1.6 billion over the next five years and help develop 75,000 to 90,000 units per year. It will restore the value of the tax credit, which has eroded over the last decade due to an increase in building costs, helping to reduce rents by an average of $450 a month for the average housing credit renter who, in turn, earns $13,300 a year.

- **Public Housing Program:** In 1998, Congress passed comprehensive public housing reform legislation, the Quality Housing and Work Responsibility Act. The Act increases the availability of Federal housing assistance to very poor families with limited housing choices while at the same time promoting a greater mix of income and new administrative flexibility in public housing.

EDUCATION

- **Head Start:** Among the President's highest priorities, Head Start will serve 877,000 low-income children in 2000, providing comprehensive child development services and helping parents get involved in their children's lives. Since 1993, the President has worked with Congress to increase annual Head Start funding by 68 percent. This year's proposal will keep the program on track to meet the President's goal of serving one million children by 2002: a $607 million increase that will add 42,000 new slots for young children, including 7,000 Early Head Start slots, for total enrollment of 877,000.

- **Title I -- Education for the Disadvantaged:** This program provides funds to raise the educational achievement of disadvantaged children. Title I will receive $8.7 billion in 2000, a $373 million increase over 1999. This funding includes resources for a new Accountability Fund, which would support immediate and significant State and local interventions in the lowest performing schools to improve student achievement.

- **End Social Promotion and Provide After-School Opportunities:** The President is committed to ending social promotion and will work to give students the tools they need to meet challenging academic standards. This budget proposes an expansion to the 21st Century Community Learning Centers, enabling more than 7,500 schools to open their doors before and after the school day and during the summer.

- **Doubles GEAR-UP for College Program:** President Clinton's balanced budget doubles funding -- from $120 million in FY99 to $240 million in FY2000 -- for the GEAR UP program that supports States and partnerships between high-poverty middle or junior high schools and colleges to help low-income children prepare for and enroll in college. In 2000, GEAR UP will reach 381,000 students.

CIVIL RIGHTS ENFORCEMENT

- **Equal Employment Opportunity Commission (EEOC):** The budget provides $312 million for the EEOC, 12 percent more than in 1999. Funds will support, among other things, a reduction in the backlog of private sector cases, through a combination of investments in information technology, increased use of mediation, and increased staffing. The increase for EEOC also includes $10 million as part of a joint, $14 million EEOC/Department of Labor Equal Pay Initiative, to focus additional resources on providing employers with the necessary tools to assess and improve their pay policies, and educating the public on the importance of this issue as well as their rights and responsibilities.

- **Department of Housing and Urban Development's (HUD) Fair Housing Initiatives:** The budget provides $47 million, $7 million more than in 1999. Funding for these initiatives includes $27 million, a 15 percent increase, for the Fair Housing Initiatives Program (FHIP), which provides funding to private fair housing groups to assist in enforcement of the Fair Housing Act. The budget also provides $20 million, a 21 percent increase, for the Fair Housing Assistance Program, which supports the creation of additional State and local housing organizations to meet the needs of currently underserved populations and aid joint investigations and enforcement activities.

- **Department of Justice's Civil Rights Enforcement:** The budget provides $82 million, a 19 percent increase over 1999, representing the largest increase for the Civil Rights Division in nine years. The budget also provides $5 million for the Civil Rights Enforcement Partnership, to provide competitive grants to help build capacity of states to address specific enforcement issues within their jurisdictions by hiring additional staff.

- **Department of Labor:** The budget provides $76 million for DOL's Office of Federal Contract Compliance Programs (OFCCP), an $11 million increase over 1999. This includes $4 million of the President's $14 million joint, EEOC/Department of Labor Equal Pay Initiative.

- **Department of Education's Office for Civil Rights:** The budget provides $73 million -- an increase of $7 million over 1999 -- to fund staff training and technological improvements to ensure the resolution of civil rights issues.

- **Department of Health and Human Services (HHS):** The budget provides $22 million for HHS's Office of Civil Rights to continue its focus on preventative activities.

- **U.S. Commission on Civil Rights:** The budget provides $11 million, a 22 percent increase over 1999, for the U.S. Commission on Civil Rights.

- **Department of Transportation (DOT):** The budget provides $8 million for DOT's Office of Civil Rights, an increase of $1 million.

- **Department of Labor (DOL):** The budget provides a $1 million increase -- to $6 million -- for DOL's Office of Civil Rights to enforce the Federal statutes and regulations that prohibit discrimination in all Labor Department financial assistance programs.

- **Environmental Protection Agency (EPA):** The budget provides $2 million for the EPA's Office of Civil Rights to address potential discrimination within EPA and in programs and activities that receive assistance from EPA.

HISPANIC EDUCATION INITIATIVES

- **Right Track Partnership:** The budget provides $100 million for a new Right Track Partnership program to help keep young people from dropping out of school and encourage those who already have dropped out to return and complete their education. The program will target resources to disadvantaged and limited-English proficient youth.

- **Bilingual and Immigrant Education:** The budget provides $35 million, for a total of $415 million, for Bilingual and Immigrant Education. Includes $25 million, for a total of $75 million, for Professional Development, and $10 million, for a total of $170 million, for Instructional Services to support programs for limited English proficient students.

- **Other Education Initiatives:** The budget also provides increases of:

  $14 million, for a total of $42 million, for assistance for colleges and universities that serve large numbers of Hispanic students; $9 million, for a total of $22 million, for the High School Equivalency Program for migrants and the College Assistance Migrant Program; $190 million, for a total of $575 million, for Adult Education, including $70 million to expand services and improve English as a Second Language and civics programs; $25 million, for a total of $380 million, for Title I-Migrant Education, which provides additional educational assistance to migrant children; $10 million for a Labor Department program to provide training and education assistance to migrant youth including literacy assistance, worker safety training, English language assistance, and drop out prevention activities; $30 million, for a total of $630 million, for the TRIO programs that work with disadvantaged high school and college students to encourage them to complete high school and attend, and graduate from, college; $30 million, for a total of $150 million, for Comprehensive School Reform demonstrations in high-poverty schools, providing grants for research-proven reform efforts to schools that have low achievement and high drop-out rates. Also, a portion of the Head Start expansion dollars will be used to boost minority participation by under represented groups, particularly in areas with recent influxes of immigrants and limited English proficient children, including seasonal farm workers.

COMMITMENT TO NATIVE AMERICANS

- **Law Enforcement:** The second year of the Interior and Justice Departments' joint law enforcement initiative, for which the budget proposes $164 million in 2000 (50 percent over 1999), will continue to address high crime rates in Indian country with more resources for drug control and youth crime prevention programs, equipment detention services, crime reporting surveys, and officer hiring and retention.

- **Education:** The Administration is continuing its commitment to education by expanding the school construction initiative to address Indian reservations' school repair and replacement needs systematically. As part of the school modernization proposal, Interior's Bureau of Indian Affairs (BIA) will receive a set-aside in bond authority ($200 million in both 2000 and 2001, plus up to $30 million to guarantee bond repayment) for its schools on Indian reservations in need of replacement or major repairs. In addition to school construction, BIA will increase resources for school operations; early intervention partnerships; child care; and technology within schools, classrooms and libraries. The nationwide class size reduction initiative also includes a set-aside for BIA schools, to be used for hiring 1,000 new Indian teachers.

- **Bureau of Indian Affairs and Indian Health Services:** DOI's Bureau of Indian Affairs (BIA) and the Health and Human Services Department's Indian Health Service (IHS) make up nearly two-thirds of Federal funding for Native American programs. For the BIA, the budget provides $1.9 billion, nine percent over the 1999 enacted level. Over 90 percent of BIA operations funding goes for basic, high-priority reservation-level programs such as education, social services, law enforcement, housing improvement, and natural resources management.

For IHS, the budget proposes $2.4 billion, a substantial increase of eight-percent over the FY 1999 level. This increase would enable IHS to continue expanding accessible and high-quality health care to its Native American service users, through IHS' existing network comprised of over 540 direct health care delivery facilities (this is also discussed in Health Care and Services, above). This increase reflects a four-pronged approach for IHS (e.g., substantial increase in 2000, access to health grants, Medicare/Medicaid reimbursements, and vigilance on fraud and abuse). In addition, from 1998 to 2000, IHS expects to collect an additional $82 million in reimbursements due to Medicaid collections rate increases.

- **Tribal Contracting and Self-governance:** BIA and IHS will continue to promote Tribal self-determination through local decision-making. Tribal contracting and self-governance compact agreements now represent half of BIA's operations budget, and over 40 percent of IHS' budget.

- **Trust Fund Balances:** The Administration is committed to resolving disputed Indian trust fund account balances through informal dispute resolution and supports the unique government-to-government relationship that exists in Indian trust land management issues. After Tribal consultations, BIA submitted its recommendations to Congress in November 1997. Legislation reflecting these recommendations was proposed in 1998, but not enacted. It will be re-proposed in the 106th Congress.

- **Trust Land Management:** As part of BIA's commitment to resolving trust land management issues, BIA will re-propose legislation to establish an Indian Land Consolidation program to address the fractionation of Indian land. In 1999, BIA will devote $5 million to three pilot projects in Wisconsin in cooperation with Tribes, to purchase small ownership interests in highly fractionated tracts of land from willing sellers. The budget proposes to double funding for this program.

- **Trust Management Improvement Project:** The budget provides $90 million for DOI's Office of Special Trustee's trust management improvement project, an increase of $51 million over 1999. Current activities include verifying individual Indian's account data and converting these data to a commercial-grade accounting system. Ownership, lease, and royalty information related to the underlying trust assets will also be verified and converted to a recently acquired commercial asset management system.

HEALTH

- **Racial Disparities in Health Status:** Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. To address these and other disparities, the budget includes $145 million for health education, prevention, and treatment services for minority populations. The budget also proposes to provide an additional $50 million to address HIV and AIDS issues in minority communities.

- **Minority and Native American Elders:** The budget provides $4 million for HHS' Administration on Aging to reduce chronic disease among minority elders. In addition, the budget proposes a $125 million National Family Caregiver Support Program, including $2.5 million in competitive grant funding for Native American family caregivers.

Budget FY2000 - general

Peter A. Weissman

02/01/99 02:49:37 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: 1999-02/01 Budget briefing

--------------------- Forwarded by Peter A. Weissman/OPD/EOP on 02/01/99 02:51 PM ---------------------------

SUNTUM_M @ A1
02/01/99 02:41:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: 1999-02/01 Budget briefing

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release February 1, 1999

PRESS BRIEFING BY
SECRETARY OF TREASURY BOB RUBIN,
OMB DIRECTOR JACK LEW,
AND NATIONAL ECONOMIC ADVISOR GENE SPERLING

Presidential Hall

12:10 P.M. EST

MR. SPERLING: Welcome. This is our seventh budget briefing in the President's and Vice President's tenure. For six years, President Clinton and Vice President Gore have had a clear fiscal strategy: On one hand, we needed to reduce the public budget deficit so that we could increase savings, lower interest rates, and spur private sector investment. At the same time, we needed to increase our targeted investment in education, health care and research, to increase the productivity of our people. This two-tiered, this twofold investment strategy has clearly worked for the American people.

The Congressional Budget Office projected that the deficit that we would face this year when we came in was $404 billion. Instead we now project a $79 billion surplus. That is a $483 billion difference in the amount of money available to our private markets, to home owners, to people starting businesses. That is the amount of money that is now available for savings, for investment, because of the turnaround in our fiscal policy. Indeed, all of the doubling in national savings, from 3.1 to 6.7 percent since President Clinton has taken office, has been a result of the federal deficit reduction. With this lower interest rate, productive investment is at historic levels and has grown double digits for more than six years in a row.

At the same time, the President's efforts in doubling key education training initiatives, Head Start, we now spend $2.5 billion more per year than when we came in; education technology has gone from $23 million to nearly $800 million in this budget. WIC, the Women and Infant Children program, now serves 1.8 million more people. These are some of the results of a strategy of reducing the deficit, having fiscal discipline, and yet having a focus on investing in the productivity and potential of the American people at the same time.

In the President's State of the Union address, he clearly launched a new national debate on how our country should best allocate surpluses in a period of prosperity. And the President's fundamental message was a clear one: With the budget deficit cured, but a long-term retirement deficit looming, the fiscally and financially responsible way for this nation to deal with this period of surpluses is not to consume them today and turn a blind eye to the retirement challenges of tomorrow, but rather to save and invest them.

At the core of the President's proposal is a debt reduction lock box for Social Security and Medicare, a debt reduction lock box of nearly $3 trillion that will strengthen our economy, increase savings rates and at the same time, improve the solvency of Social Security and Medicare.

The impact of this plan is dramatic, as Jack Lew will go over more. In just six years from now, we will have taken the debt to below where it was when Ronald Reagan took office in 1981, essentially wiping out the increase in our publicly-held debt as a percentage of GDP, and it will fall to 7.1 percent of GDP by 2014, its lowest level since 1917.

We are ready and willing and, in fact, we think it is essential that we work in a bipartisan effort with the Congress to extend the solvency of Social Security for 75 years, and to modernize Medicare, and to make sure that it is not only solvent to 2020, but that it has the market incentives and modernization it needs to work in the next century and to free the resources that can help it be a better program, that can include prescription drugs.

I do want to make the following point, though, to those who have offered more criticisms and constructive suggestions, which is that the President, as an opening start in the dialogue on our surpluses, put forward a plan that was scored by the independent actuaries, Social Security and Medicare -- the same actuaries who have independently scored these through Democratic and Republican administrations for 30 years -- and what these show is that Social Security would be solvent to 2055 and Medicare would be solvent to 2020. This is not good enough. We need to work in a bipartisan way to do more -- to get Social Security solvent for at least 75 years, and to modernize Medicare and include prescription drugs.

But I do think it would be a worthy challenge of many of the President's critics to at least come forward with an opening proposal that shows how they would get Social Security to at least 2055 and Medicare solvent to at least 2020 -- under their principles, under their suggestions -- before any of us come forward with proposals for popular spending or tax cut programs for today. I think it would be reasonable for everyone to show how they are going to meet the test of extending the solvency and strength of Medicare and Social Security first. That's an important test, I think, for anyone who wants to have a fiscally responsible plan for the future in this new national debate of how best to allocate surpluses.

Before I turn over to Janet Yellen I do want to comment that there are many, many people who have been part of this budget team. The President created a National Economic Council six years ago to make sure that we functioned as a team, that we all work together, and this is the seventh budget that has been put forward with Jack Lew's leadership, the OBM Director's leadership, but operating and functioning as a team.

Some of the people I would just like mention quickly on the OMB staff who have been critical are Josh Gottbaum, Ed DeSeve, Bob Kyle, L.G. Holstein, Barbara Chow, Dan Mendelson, Michael Deich and Dick Emery. I would also like to mention my counterpart, the Domestic Policy Council Bruce Reed and his deputy, Elena Kagan -- their critical role in the development of the tobacco and education and crime proposals, as well as Sally Katzen and Chuck Marr on my own staff. And finally, two people who have been here right from the very start Joe Minarik and Alan Cohen.

There are many, many others at OMB and Treasury and the

White House, but I would like to mention -- I would like to just mention them and thank them for their excellent work. I am going to be followed by Janet Yellen, our Chair of the Council of Economic Advisors, who will talk about the economic assumptions. Secretary Rubin will follow to talk about our tax initiatives, and then Jack Lew will follow with the overall framework of our budget. Also with me is Sylvia Mathews, who many of you know as the Chief of Staff, former Chief of Staff at Treasury and the former Deputy Chief of Staff in the White House. She is now the

number two person, Deputy Director of OMB. And also, all of you know Larry Summers, who will be available for questions as well, who is the Deputy Secretary of Treasury.

With that, I will turn things over to Janet Yellen.

MS. YELLEN: Thank you, Gene.

As Gene indicated, my job is to describe the administration's economic forecast that's contained in the budget that was released today. Before I do that, let me first say that for the past six years, this administration has established a strong reputation for using credible, conservative economic forecasts in its budget projections.

The administration's economic forecasting team was committed to ensuring that our budget balancing efforts would be based on realistic assumptions about the economy's performance and not on rosy scenarios. And I believe that the assumptions in this year's budget are similarly credible and are consistent with the views of the consensus of economic forecasters.

The economy's performance over the past six years has been extraordinary. Our nation is currently enjoying the longest peacetime expansion in American history. Since 1993, almost 18 million new jobs have been created, 2.9 million of them just this past year. Unemployment has been below 5 percent since July of 1997, and inflation stands at its lowest level in three decades. Real wages have grown more over the course of this expansion than in the 1980s.

Although growth over the last several years has exceeded our expectations, we believe that it would not be wise, for budgetary purposes, to count on a continuation of growth at its recent extraordinary pace. Looking ahead, we expect this economic expansion to continue, with new jobs created and real wages continuing to grow. But we're projecting real GDP growth at a slower, 2 percent annual rate over the next three years. At the same time, the unemployment rate is projected to edge up slightly. Inflation, as measured by the Consumer Price Index, is projected to increase at a 2.3 percent annual rate next year, which is about the same as the increase in the core CPI -- that's the CPI excluding food and energy -- over the past year.

After 2001, real GDP growth is projected to resume its assumed trend growth rate of 2.4 percent, and the unemployment rate is projected to stabilize at 5.3 percent. Our economic projections are very similar to those in our mid-session review last May, and the differences stem largely from integrating the better than expected economic performance during the past year.
Our projections are also close to those of private forecasters and those of the Congressional Budget Office.

The shift to more moderate growth in 1999 reflects the view that tight labor markets are apt to constrain growth in the near-term, while several components of domestic demand may be poised to grow at slower rates. Consumption in particular has been growing faster than income and may be likely to slow to a solid, but sustainable pace. But it's important to note that our assumed real growth rates are not the best that this administration believes the economy can achieve. The outcome certainly could be better.

Let me conclude by saying that the U.S. economy remains strong in 1998 despite a serious weakening in the international economy, and the economy's ability to weather these storms is testimony to the soundness of the policies of the past six years and to the underlying strength of the current expansion.

At present, there is no evidence of domestic imbalances that would threaten the outlook for continued growth. I'd like to stop there and turn the podium over to Secretary Rubin, who will focus more on the tax side of the budget.

SECRETARY RUBIN: Thank you, Janet. Let me start with one personal comment, if I may, and then I'll just comment for a moment on taxes. I started, as a number of the people on the podium did -- not the podium; I'm the only one at the podium -- a number of the people up here did -- at the beginning of this administration -- during the transition, actually -- I don't think any of us could have imagined -- I know I could not have imagined -- that we would go from the period of the very high deficits of the '80s and the early '90s to the remarkable period we're in right now, with large surpluses, and have already begun the reduction of our debt, with the projections we have in this budget of continued surpluses and a continued reduction of our debt.

Larry Summers and I were talking about this outside. If Larry looked at a foreign economy that had accomplished this in this period of time, and was looking forward to the enormous debt reduction that is projected in this budget, I think he would look at it and say, that is a truly remarkable economic achievement, number one; and number two, that is an economy that really is well-positioned to do well economically in the future.

Having said that, let me say a word about the President's tax proposals. The President has proposed $34 billion in targeted tax cuts, all of which are fully paid for. I believe that you have a document there that describes the specific proposals. Let me just focus on two things, if I may. First, within that $34 billion, there's $11.7 billion of new targeted tax initiatives. These include a $1,000 tax credit to help compensate families for the cost of long-term care either for the taxpayer or for an ailing relative. There is also a $700 tax credit to assist workers with disability, and there's tax relief for a parent who stays at home to take care of a very young child, which is in addition to our child care tax credit that we proposed last year.

Secondly, our budget deals with a very important problem that has developed: the proliferation of corporate tax shelters. Corporate tax shelters are defined as transactions that have, for practical purposes, virtually no pre-tax economic effect, or very little pre-tax economic effect, and that are done overwhelmingly for tax purposes and that don't have particular sanction in the tax code. These kinds of tax shelters violate the intent of Congress; they violate the code; they clearly erode the corporate tax base, and they breed disrespect for the tax law.

We have two sets of proposals. One is generic -- that is to say, proposals designed to deter this activity in general -- and then secondly, we take a number of known, specific corporate tax shelters, and we act against those. We're going to continue to focus on this at the Treasury Department, and we look forward to working with Congress and their staffs to attack and deal with this very important problem.

The tax proposals, as I've just described them, are a very important part of the President's budget, and I believe it is a budget that is extremely well put together with respect to meeting the economic and social challenges that lie ahead for this country.

With that, let me introduce OMB Director Jack Lew.

MR. LEW: Thank you. I thought I would walk through the structure of the budget which -- we will have some pictures here to perhaps help explain it. The President sent a budget to Congress today which is the third consecutive budget that will be in a surplus. This is an accomplishment which I think is underscored by the fact that it's the first time in a half a century that anyone could stand up here and say that. What this budget does is it charts away into the next century for long-term fiscal discipline and investment in our priorities.

We have enormous opportunity with the new surplus. We're going to show you a picture that I think you're all familiar with which we've been using for the last several years. There used to be a lot more red on it. What we've done is worth taking a moment to remark on. We've eliminated $3.1 trillion of deficits since 1980. And the green that you see there were projected deficits where when we started we were looking at $5.5 trillion of deficits from 1993 through 2004. We're now looking at $1 trillion of surpluses. This is an accomplishment that also puts responsibility on us to make the decisions that will keep this kind of economic record going forward in the future.

Fiscal discipline has helped bring about the longest peacetime expansion in many decades. The economy has created 17.7 million new jobs. I think Gene and Secretary Rubin have gone through the many economic statistics that underscore how important the budget is to long-term economic prosperity.

In terms of the tax burden on American families, I think we have to begin by noting that the typical family of four has seen its tax burden go down, not up. If you look at the median family, family of about $45,000 a year, they're paying lower income and payroll taxes than at any time in 23 years. A family at half the median level is actually receiving money back because of the changes in the earned income tax credit and the child care credit. Even a family at twice that level is paying the lowest taxes as a share of income than at any point since 1977.

We've balanced the budget and we're running a surplus because we've controlled federal spending. The budget in the year 2000 will continue the trend that we've followed for the last six years. It will reduce the size of government as a percentage of the economy year after year after year. This year, it will be lower than it was last year as each budget has been lower than the year before it, and lower than in either of the two previous administrations.

Key element in the administration's ability to expand investments while reducing the size of government has been the reinvention of government. We've reduced the size of the federal civilian work force by more than 345,000. We have the smallest federal work force since 1931. We're doing more with less, and we're getting more for the tax dollars the American people send.

Gene's gone through the numbers about what the deficits were projected to be, and at the risk of repetition I'm going to just underscore them, because they really need to be understood. The numbers are too large to say just once. In 1993, we were projecting deficits of $390 billion a year for 1998 -- 5 percent of the economy. Instead, we ran a surplus.

By 2003, the projections were for over $600 billion a year, in one year alone -- that's that sea of green ink at the bottom. By taking tough action in 1993 and finishing the job in 1997, we've now created the opportunity to chart a path of how we budget with surpluses for the next generation.

This morning, the President used this chart, which I think summarizes the story of this budget better than all of the others. When the President took office six years ago and we were looking at the seas of deficits, the debt, the total amount that the government has borrowed from the public, was doubling from 25 percent to 50 percent as a share of GDP -- 1980 to 1992.

The framework that the President set forward will reduce the total size of the government debt to 7 percent, the lowest level since the United States entered World War I. The framework for Social Security reform and long-term fiscal discipline that the President laid out accomplishes this by devoting the lion's share to savings and to setting aside resources for the future. The 62 percent dedicated to Social Security, the 15 percent dedicated to Medicare -- what that's saying is that we're going to set this money aside, we're going to put it in the Social Security trust fund. We're not going to spend it today so that we can have it tomorrow to pay the benefits that are already due.

The two pieces of the President's plan that actually do commit resources are the Universal Savings Accounts, which are a tax incentive for savings to increase the retirement savings that Americans have in the future and an investment in military readiness and other critical investments. We think this is a prudent, balanced package, but it's that green area which is the savings that contributes to the reduction in debt held by the public.

The piece that's in equities doesn't technically reduce the debt held by the public, but it does set aside an asset -- corporate equities that will be held by the trust fund so it does increase savings.

There have been a lot of questions about the accounting behind the President's budget, and I think that we need to underscore a very, very basic point. Every dollar that's in the unified budget surplus can only be spent once. It's either going to go to a tax cut or a spending increase; to debt reduction, or to what the President has proposed, which is both debt reduction and setting aside assets for Social Security and Medicare. Tax cut or spending have the same effect -- they create future obligations, they add to the public debt, and they don't put another penny into the Social Security trust fund.

I think we've agreed with the economic view that debt reduction has many virtues, with or without the Social Security investment. It reduces the public debt without adding any new obligations, but it, too, doesn't set a penny aside for Social Security or Medicare trust funds. What the President has proposed is to put the money into the trust funds, to reduce the public debt, to not take on any new obligations, and increase the assets that are there for Social Security and Medicare in the future.

We've been struggling to try and boil down to a fairly simple statement why this all works, and I think this picture tells the story, and the President referred to it earlier this morning. When we, in 1993, were projecting interest as a share of the budget, and for the year 2014, the last year of the 15-year period that we're now looking at, we were projecting that interest would be 27 percent of the federal budget -- 27 cents out of every dollar was going to go to interest. Under the President's proposal only 2 cents of every dollar will be going to interest. That means that the rest of that money is available and it's available to be paid to the Social Security trust fund, to pay benefits that are already due.

To put this in dollar terms, the projection in 1993 would have had interest costs in 2014 at $1.3 trillion in one year alone -- just interest on the national debt. What we're projecting now is $60 billion. That is a tremendous reduction. It's a reduction that means that federal budgets in the future will not be constrained and we won't see productive useful dedication of resources squeezed out by interest costs that are out of control.

The President proposes a legacy of building for the future by saving Social Security and Medicare, encouraging Americans to save for their own future retirement and by setting aside resources for critical investments in national defense and other priorities, including education and the other things we've talked to you about for the last several weeks.

Everything that the President is proposing in his year 2000 budget is paid for. That 11 percent is only triggered in 2001 after we finish Social Security reform. This year's budget picks up where last year's budget left off. Last year the President said, save the surplus until we fix Social security first. This year the President has laid out a framework for fixing Social Security and then proceeding to meet the other challenges that face us as a nation.

That is an overview of the budget. Rather than go into all of the facts and figures, I think we at this point would like to turn it to you to ask questions, and all of us are available to answer questions.

Q Is the 62 percent in reality what the surplus would put to Social Security, what Social Security surpluses would amount to anyway? Is it less or more?

MR. LEW: The Social Security trust fund will continue to keep every penny that is put into it over the course of the next 15 years. We're putting these resources in addition, which will take the trust funds -- the increase in the trust fund up to a total of $5.5 trillion. It would have been $2.7 and it will be $5.5, plus about $1 to $2 trillion that would have been there anyway. So we're very substantially increasing the assets in the Social Security trust fund.

Q So you're adding quite a bit --

MR. LEW: Correct.

Q -- of general fund surpluses to the Social Security

--

MR. LEW: All of the obligations to the trust fund are in the form of treasury specials, except for the portion in equities. When those are redeemed, those would be redeemed with general revenue, as are all obligations to the trust fund.

Q Of the $17 billion projected surplus, how much of that comes from FICA taxes collected?

MR. LEW: Well, in the current fiscal year that we're about to begin work on, fiscal 2000, the on-budget is in a very small deficit to the off-budget, which is the area where FICA taxes are in substantial surplus. So in the first year, the answer is "all." As you proceed through the next 15 years, that ration shifts.

The important thing -- and we all have to remember -- is that when we get to the year 2012, the payments will start to reverse. The bonds that are in the Social Security trust fund will start to be redeemed, and the important question will be, is there enough of a unified budget surplus, enough of a non-Social Security surplus to pay those bills.

In 1993 when we came in, there were forecasts of $600-billion deficits and people got scared -- how would those bills be paid? By reversing that and by running a surplus for all of this period, we know that the bills can be paid.

Q Well, I'm not very sophisticated about this -- "all" is the word you gave, right?

MR. LEW: For the year 2000, but not over the next 15 years.

Q Please help me out and understand how you can put money into a Social Security fund that, in effect, comes from the Social Security fund. I understand there's something called the two-bond process, but it's not double-dipping?

MR. LEW: There is no double-dipping. The simple explanation is that since 1983, the Social Security trust fund has been accumulating assets. That was the plan in 1983 to save Social Security. Those assets are in the form of Treasury bonds. That Treasury bond is sitting there, is a debt the United States government owns, full faith and credit. In the history of the United States, all bonds issued by the United States have been paid. And I would defer to the Secretary to make predictions for the future.

Q -- may be redeemed someday if the deficit --

MR. LEW: They'll have to be redeemed. The question then is, what do you do with the unified surplus? We've been running a substantial deficit until the last two years; now we're running a surplus. The unified surplus, once it is the unified surplus, what you do with the dollar, it doesn't really matter where it came from. If you put that dollar to a tax cut, then you're going to be decreasing our fiscal position and ability in the future to pay our bills. If you save it the way the President has proposed, we're increasing our ability to pay our bills in the future.

Q You're not putting it into Social Security -- I mean, these phrases and --

MR. LEW: Well, if you trace the dollar, the Social Security trust fund keeps the dollar it has. Then there is a Treasury bond that is in the Social Security trust fund. The question is, what do you do when the federal government has that dollar in the unified surplus --

Q Having given the bond.

MR. LEW: Having given the bond. You have three choices. You can give the tax cut or the spending cut, which would mean the money goes out, you could save it. And we're saying we should save it by putting another bond in the Social Security trust fund, which is a first call in the future on general revenues to pay that bond. And we'll be able to meet that obligation provided we keep to a responsible fiscal policy.

Q -- obligation in the second bond?

MR. LEW: Correct. We already have the obligation for the benefits. The benefits are all under -- presently due.

Q How is that a better approach to debt reduction than accelerating the retirement of the debt so you actually reduce the gross debt?

MR. LEW: I think the economists, when they look at the burden of the federal government on the economy, look at the debt held by the public. That's the measure and I would defer to the economists on the panel to perhaps do a little bit more on that. But that's the measure that economists look at. Chairman Greenspan made that point last week when he testified. That's the question of whether or not we're crowding out private investment.

The obligation to pay these bonds in the future to the Social Security trust fund are really a question of what we do in the long-term, what the first call on federal dollars is, and we're saying we should pay the bills we already have before we make commitments to new obligations.

Q I'd like to ask Secretary Rubin, please. Several top Republicans on the Hill are pushing for, as you know, a 10 percent across-the-board tax cut. It's their priority, what they'd like to do with the extra surplus. And Senator Domenici has talked about possibly getting that up to a 15 percent margin -- tax break. Is there any chance at all that the administration in the Fiscal Year 2000 budget would end up agreeing to any across-the-board tax cut in upcoming negotiations as the year progresses with Republicans?

SECRETARY RUBIN: Three quick comments, if I might. Number one, as you know, we wouldn't do anything until we address Social Security. Comment number two, we have, once Social Security is addressed, as you know, a tax cut -- our USA accounts, our savings accounts, which I think are very well constructed, because they're a tax cut, on the one hand, but on the other hand, they do induce savings, and our nation has a very low personal savings rate.

And number three, for the reasons that Jack and Gene and all of us have described, I think that taking the surplus, which is savings, and retaining those savings by paying down long-term -- the publicly held federal debt contributes enormously to positioning our country for economic growth in the years ahead. It's really the fiscal discipline strategy we've had for the last six years. And I think it is, from the point of view of the American people, increasing jobs, increased standard of living, a far better use of the surplus then consuming it now with a tax cut.

Q So, that's a no?

SECRETARY RUBIN: That's a complete analytic response to your question. (Laughter.)

Q That's a lovely analysis, but you'll have negotiations presumably later in the year in which they're going to push --

SECRETARY RUBIN: We undoubtedly will have negotiations. And I have described to you how we think the negotiations should come out.

Q Secretary Rubin, you mentioned corporate tax cuts and corporate loopholes --

SECRETARY RUBIN: No, I think I actually did use the word corporate tax shelters.

Q Were you referring to the multinational hybrids? I mean, what is it that you want to tighten up specifically?

SECRETARY RUBIN: Well, if you take a look at the document we handed out to you -- actually, I have one on my desk, too -- there is a whole host in there of specific corporate tax shelters that we would like to deal with and, in fact, propose dealing with. But there really is a more general problem, which is that the use of corporate tax shelters is proliferating. We can't -- the Treasury Department can't anticipate all the practices that might take place.

So what we have done, in addition, is propose a set of what I call generic sanctions for engaging in corporate tax shelter activity as a way of trying to deter that activity more generally. I think that's a very, very important initiative and I know that there is support on both sides of the aisle in Congress for pursuing this.

Q Jack, what is your plan for Social Security if there is a recession -- and I assume those things still could happen -- and these surpluses do not materialize?

MR. LEW: As Janet Yellen described, our economic forecasts are conservative. They continue to be conservative as they've always been in the past six years. In addition to looking at the middle range, not taking the most optimistic possible forecast for budget purposes, we have to remember that all of this savings is likely to have a beneficial effect on the economy. We have not taken account of any of that, either.

It's always the case that on a year-to-year basis, estimates are estimates, and we don't have absolute knowledge going forward of what will happen in a given year. What we do know is that if we reduce the debt, if we do follow the course of long-term fiscal discipline that we've outlined, that over the next 15 years this is a responsible way to use the surplus. In a given year, there may be ups and downs in terms of what the bottom line is for the unified budget, but over time, it ought not to be a problem.

Q But aren't you, just to follow up, I mean, by devoting -- by solving so much of the problem with the surplus, aren't you potentially delaying tough choices down the road? I mean, after all, we haven't had a recession in eight years; it seems unlikely, just on the face of it, that there will be another eight years without a recession.

MR. LEW: I want to underscore something that Gene said in the beginning. First of all, the President has not said that this should be the end of the discussion; this is the beginning of the discussion. Extending the trust fund to 2055 is not our entire goal. We would like to engage in a bipartisan discussion to get the rest of the way to 75 years.

If there is an alternative to get to 2055 that is capable of reaching bipartisan support, we would like to see that alternative. The one thing we know for sure is that the benefits are due under current law, and our ability to pay the benefits will only be enhanced by setting these assets aside, and it will be made worse if we spend or have tax cuts that deplete these resources for other purposes. So regardless of what happens on a year-to-year basis, we know that this is the best possible way to prepare for the future.

Q It doesn't do anything, though, to extend the cash flow surplus, right, on either the Medicare proposal or the Social Security proposal?

MR. LEW: No, absolutely it does. Right now, it extends from 2032 to 2055.

Q Cash flow -- not the trust fund balance, but the payroll tax benefit in 2012 --

MR. LEW: That's true. The current year-to-year receipts versus outlays would not change by this proposal.

Q And the same thing with Medicare, correct?

MR. LEW: That's correct.

Q Can I ask a question about the spending caps? Obviously, the future programs, as you say, are contingent on a Social Security fix. But looking at the budget you propose, you're basically looking at about $200 billion of spending over the caps between now and 2004, $75 billion through fee increases and $137 billion through allocating the surplus. Is that basically a statement that says you cannot really live with the spending caps in the 1997 balanced budget agreement?

MR. LEW: I think what the President made very clear in the State of the Union and he reiterated again today that as we have this debate over what to do with the surplus, one of the things that we need to do is make more resources available for defense and other urgent discretionary priorities.

The 2000 plan that we've put forward is consistent with the caps and consistent with all the current budget laws. It would be difficult, no doubt, as it has been over the past several years. The reason we balanced the budget is we made some very tough choices. Before we make commitments to other spending or tax cuts, we and the President, in the form of the framework that he laid out made clear that there is a need for more discretionary resources.

You're asking the question, could we live with the caps? I think the 2000 budget proves that we are living with the caps. We've proposed that we fix Social Security and then also create more room for important spending in these areas. I think there's a bipartisan consensus of a need for more resources for defense. I think there's a bipartisan consensus that there's a need for more resources for education. The challenge is to fix Social Security before the rest of the pie starts getting cut up.

Q This is for the Secretary. After $21.3 billion for foreign affairs, how much would you expect to be using for the -- to stabilize the international economy, and of that, how much -- if the Brazilian economy continues to fall, how much would you expect to use to continue helping Brazil, and at what level do you expect the real to stabilize?

SECRETARY RUBIN: Larry, exactly what level is the real going to stabilize? I was thinking of the same thing. Well, no.

DEPUTY SECRETARY SUMMERS: I wouldn't advise trading based on my answer. (Laughter.)

SECRETARY RUBIN: I agree with that. No, look, Brazil, is obviously very important. Activities in Brazil are being centered around the IMF. The IMF received its funding last year, as you know, and whatever happens in Brazil, obviously Brazilian policy being the most important thing, will not involve the federal budget.

Q Secretary Rubin, I believe you stated the administration's position on across-the-board tax cuts. Is the administration open to revisiting other forms of targeted tax cuts, such as eliminating marriage penalty, estate taxes --

SECRETARY RUBIN: Yes, we have always felt that eliminating the marriage penalty is a very seriously important objective. The problem is it's very expensive. And as I recollect, we said last year, within our limited constraints we have made the choices we've made, but that's something we'd very much like to work with Congress on. The AMT, very similarly; there's a problem developing, at least in the little bit of time ahead, with respect to AMT in that it starts to affect families, middle-income families. That's another issue that we feel very strongly we want to work with Congress on, though, as you'll notice, we do have an initial AMT proposal in this budget.

Q Secretary Rubin, what would be the income ceiling to the USA accounts?

SECRETARY RUBIN: On USA accounts, what the President did was to set out a framework, and we are working right now in our administration with respect to the specifics through the NEC and Treasury tax people, OMB and all the rest -- working together to develop the specifics, and then we'll be working with Congress. But we are not prepared yet to announce specifics.

Q But can you give us any clue as to whether there would be any consideration taken for states like your home state, which always get hurt when there's an across-the-board income ceiling?

SECRETARY RUBIN: Well, there would be -- the savings accounts will be uniform across the country. They will be designed so as to particularly benefit people in lower and middle-income brackets, because these are the people that find it most difficult to save, and the place where, if you provide matching tax incentives, you can most effectively increase your tax rate.

Q How will you be treating it as a tax cut?

SECRETARY RUBIN: In order to provide this as a tax cut, it would be a tax credit that is rebatable. Is that your question?

Q Yes.

Q Mr. Secretary, a few weeks ago we were being told by economists that, because of the Asian and Brazilian crises, American consumers would have to be the consumers of last resort, you know, buy sneakers from Asia to help them out of their problems. Is that true? And if so, is there enough money in your budget for Americans to continue to consume?

SECRETARY RUBIN: No, I think what we said was that we have done our share -- very much done our share in terms of absorbing exports from these countries as they work their way back -- but we cannot be the consumers of last resort. And it is very important that Europe and Japan both stimulate the domestic demand-led growth and open their markets.

They have both -- in the case of Europe, if I recollect correctly, a large, rather stable trade surplus, and Japan an increased -- or also a large and, I think, still increasing trade surplus, or at the very least stable -- I think it's increasing. And what we said was that we cannot be the consumers of last resort, and these other areas have to both promote and effectively stimulate effective domestic demand-led -- effectively domestic demand-led growth, and then open their markets so that they, too, can do their share.

Q Mr. Secretary, what is the total number of revenue raisers in the budget? And what part of that is the cigarette tax, and what part is the corporate loophole?

SECRETARY RUBIN: Well, there's two different things. The revenue raisers are approximately $34 billion, and that fully pays for the targeted tax cuts. That's one set. The tobacco excise tax is a different matter, and we start there, not with the tax, as you just suggested, but rather with the cost to the federal government that derive from smoking. And then what we did was to conclude that that seemed to us should be paid for by an excise tax on tobacco. And that's where the tobacco tax comes from.

Q How much is that?

SECRETARY RUBIN: My recollection, but correct me if I'm wrong, it was $34 billion over -- what was it over five? Jack will get us the exact number. I don't remember the exact number. I think, Jack, it was -- well, let's see if I'm right or wrong; $34 over five, no?

MR. LEW: $34.5.

SECRETARY RUBIN: $34.5 over five.

Q It would all go to --

SECRETARY RUBIN: It would all go to offset the cost to the federal government that derived from smoking.

Q So where is that in the budget?

SECRETARY RUBIN: What page?

Q No, I mean is that somewhere in the HHS budget, is that somewhere in -- where would we see the $34.5 billion?

SECRETARY RUBIN: There is a table there someplace which shows that as an offset to the precisely -- in fact, there is a whole table on that which shows that as an offset to the expenditures that the smoking has created.

Q So that's not counted as new receipts, that's counted as an offsetting --

SECRETARY RUBIN: It was an offset to the cost that had been created for the federal government. Jack can explain that.

MR. LEW: If you look at page 378 in the budget you'll see it laid out. There are many different ways of looking at what the cost to the federal government of tobacco-related illnesses. What we've done is we've looked at the discretionary cost to the government that it related to tobacco illness. It's mostly in veterans programs, federal employee health, DOD health and Indian health. In 2000 alone, that's $8 billion. Over the next five years it exceeds the $34.5 billion that the 55 cent excise tax would bring in.

And we think that this is comparable to the case made, I think quite effectively and correctly, by the states that the states should be reimbursed for the cost associated with tobacco illness that are borne by state government. This is a statement that rather than have the American taxpayers foot the bill it should be paid ultimately by the tobacco companies, which is where the burden of an excise tax ultimately falls.

Q -- there is no changes in Social Security or Medicare, at what point under current assumptions would the budget, if indeed it would, go back into a deficit? In other words, if no changes are made in Medicare -- we have a current program, we keep it for more than 15 years, Social Security doesn't change -- does the budget go back into the red and when?

MR. LEW: Well, if you were to leave the baseline forecasts that assume no spending, no tax cuts, you have surpluses that go on for a very, very long period of time. I don't remember the year it crosses, but it's many decades out. The risk is that the temptation is to spend the money or to give it as a tax cut. What we proposed is that the money be set aside so that it goes into the Social Security trust fund, it goes into the Medicare trust fund, to pay the obligations we already owe out of those trust funds.

The risk of the debt reduction option is it's awfully tempting not to stick with it. We think by putting the money into the Social Security and Medicare trust funds it makes it much more difficult to then take the money out and use it for anything else.

Q Did you net out the saving to the government of earlier deaths from smoking, and if not, why not?

MR. LEW: That's actually something that afterward I might ask you to follow up with some of our technical people. That's a question I've never been asked before, about earlier deaths. The question that we looked at in putting this years budget together was really very much like the question we asked last year.

Last year we had a phase-in of an excise tax of $1.10, and it was designed to deal with the very terrible problem we have that 3,000 kids a day start smoking. And the analysis last year led us to believe that a tax that phased in -- an excise tax phasing in at $1.10 would cut that in half and very, very substantially reduce the tobacco-related illness in the future.

We had to take into account this year that the state settlement was in place, and it was roughly comparable to half of what we did last year. So what we did was, we left in place half of last year's excise tax, which corresponds, as Secretary Rubin said and as I was saying a moment before, to reimbursing the federal government for a large share of the health care costs associated with tobacco illness.

Q If the point is to make it a deterrent to teen smoking, why go through the exercises of adding up some numbers that -- say $34 billion? If you don't do the offsets, you're not saying that folks are dying at 60 or 62 and they have no Social Security --

MR. LEW: The way to reduce teen smoking is to raise the cost of smoking. And by raising the cost of smoking, we are very hopeful that the number of kids who start smoking will be cut in half. That's the goal.

Q -- money you recoup from states in directed settlements, how are you counting that? Is that a revenue --

MR. LEW: What we've said is that we want to work with the Congress to try and work out legislation that would address this question. In the year 2000, we have not put anything in our budget in terms of allocating the resources that are related to the recoupment issue. What we've said for 2001 and beyond is that our goal is to work on having a list of federal-state agreed-upon priorities, where states will pick up the burden and relieve some of the federal burden. We've not allocated it in the budget; it's just a general allowance in the budget. It could be any number of different programs. The question is to agree upon a set of programs that would reduce the burden on the federal budget, and it could be tobacco-related programs, it could be other programs. And we've just put it in as a way to begin that dialogue.

Q You've given us 15-year provision for the President's budget and for priorities and allocations of the surpluses. If you were to give us a second 15-year period, from 2015 to 2030, when you really have the full impact of the baby boomers' retirement, aren't you then going to be, in effect, in a position where you might well easily slip into deficit budgets to meet the obligations you're making? And I imagine your argument will be that the public debt would be at such a low level that you could more easily manage these deficits. Is that the second 15-year outlook? (Laughter.)

DEPUTY SECRETARY SUMMERS: You got it exactly right. The appeal of this strategy of using Social Security as a lockbox is that it scales dramatically down the burden of the debt on the public in terms of investment, and on the federal budget in terms of interest. Already, by 2015, interest as a share of the federal budget would be down to 2 percent, and it would be declining. That makes room and provides the capacity to meet in a much more satisfactory way the other obligations.

The other virtue of using Social Security as a lock box, other than that it is a politically robust way of ensuring that we actually do reduce the surpluses, is that it assures that the benefits of those surpluses redown to what I think is most Americans' first priority, which is meeting our obligation to the next generation of seniors under Social Security. So it provides both the means to meet the long-term obligations and the political commitment to meet the long-term obligations.

Q Barring tax increases in that second 50-year period, it is reasonable to assume that we will have a period of fairly manageable deficits rather than surpluses, because you'll have to redeem the obligations to this bulge of baby boomers.

DEPUTY SECRETARY SUMMERS: Gene can, I'm sure, answer this by talking about our unified surplus going out long-term.

MR. SPERLING: What Jack was saying was what the exact year is may depend on different assumptions, but what I wanted to make clear is, up until at least the first few decades of the next century, we are able to redeem all of what is owed to Social Security and still run a surplus on top of it. So what's dramatically changed around from five or six years ago is then people would put bonds in Social Security and in the trust fund, and they would say, how are you possibly going to pay those back? They'd say, you have $600 billion, $700 billion, $800 billion deficits in the future; you have to borrow that much just to make the government run; then you have to borrow more on top to pay back Social Security.

We are now in a situation where, well into 2030, 2040, we can pay back all that is owed Social Security and still run a surplus on top of that.

The important point that I do want to make, and it goes to the question that was asked earlier, is we are not in any way increasing our obligation or our promise to Social Security. There is right now an existing promise to pay Social Security recipients a certain benefit when they retire. In 2035, we simply right now do not have the financing to pay that existing promise. So we're not increasing our obligation, we're not saying you get Social Security benefits plus a toaster and a new calendar. We're saying you have -- there is that promise by the government -- what can we do that's real, that's real economically to help finance that.

By paying down this trillions of dollars of debt, what we're doing is we are lowering the net interest costs to the government; we are, hopefully, increasing the revenues, making it a richer country and a richer government, and putting ourselves in a better situation to pay back. So when someone says, what's the difference between if we took $2 trillion in debt reduction and you took $2 trillion the way we're doing it -- economically, they would have the exact same impact to 2032. They would both create a big deficit reduction -- a debt reduction dividend. So the country would have a debt reduction dividend in 2032, whether you did our plan or pure debt reduction.

So what's the difference? We're saying, since we have an unmet promise to Social Security, let's put Social Security first in line; let's just say meeting that promise between 2032 and 2055 should get the first call on the debt reduction dividend. And that is really what the President is doing.

And what Larry was saying, and Senator Landrieu, who was a former Secretary of -- a Treasurer in Louisiana has also said, too, is that this may also be a more politically viable way to get the debt reduction, because instead of leaving it there every year and trusting every Congress not to spend it, by putting nearly $3 trillion essentially in a debt reduction lockbox where you're committing now the benefits to Medicare and Social Security, you get a win-win -- you're doing something strong for the economy, you're locking in some of those benefits from debt reduction for Medicare and Social Security, and you're making it more likely the debt reduction will actually take place.

Q Is 2035 now the insolvency date for Social Security?

MR. SPERLING: 2032.

Q Gene, which parts of the budget -- whether it's some tax credits or other initiatives -- are you most optimistic will be acceptable to Republicans, are you most optimistic that you get passed this year?

MR. SPERLING: I think the most encouraging thing that we've heard has been the degree that many Republicans have rallied around reserving 62 percent of the surplus for Social Security. What's been disappointing is that many then go off and have a variety of different criticisms, have a variety of different ways for paying for other tax cuts or popular programs. What they're not telling the country is what would they do to make sure that Social Security is solvent; if they don't like the way we're getting to 2055, what would they do in its place and how would they work with us to get to 2075.

And the really deafening silence has been on Medicare. Medicare solvency becomes insolvent in 2008. Certainly, before any of us -- any of us -- talk about putting money to -- whether it's a spending program or a tax cut people will care about -- certainly, in addition to securing Social Security for the future, people have a responsibility to ensure we have enough resources for Medicare.

We'd like to hear any member, Democrat or Republican, talk about what their plan for Medicare and Social Security is before they talk about other priorities that may be popular for the moment, but don't help us deal with our long-term retirement challenge.

Q Thanks very much.

Q Whoop-de-do. (Laughter.)

END 1:03 P.M. EST

Message Sent To:

Budget FY2000 general

Budget Roll-Out
February 1, 1999

Please see summary document "President Clinton's FY 2000 Budget: Meeting the Nation's Long-Term Challenges" (8 pages) for highlights of the Initiatives. Also see "Talking Points: The Fundamentals of President Clinton's FY2000 Budget."

1. You have exceeded the caps by $213 billion over five years. How can you say your budget respects fiscal discipline?

The 2000 budget proposes discretionary spending that -- along with cuts in other discretionary programs, offsets from mandatory programs and resources that are contingent upon Social Security reform -- meets the caps set by the Balanced Budget Agreements. Every dime of discretionary spending in this budget is paid for.

2. Do you believe the caps should be adjusted?

We are not proposing raising the caps fro FY 2000. The budget would pay for discretionary spending within the caps, as mentioned above. The Administration proposes to raise the caps in 2001-2003, if there is agreement on Social Security reform. We believe the caps have served as a useful constraint on discretionary spending and would support their extension through 2004.

3. But aren't you spending the surplus?

The President is adhering to his pledge last year to Save Social Security ***first.*** The President's plan calls for 62% of the surplus over the next 15 years to be dedicated to the Social Security Trust Fund. He believes the time to act to save Social Security is now.

Once we have saved Social Security, we would invest 15% of the surplus for the next 15 years in the Medicare Trust Fund. After that we would turn to investing 12% of the surplus in Universal Savings Accounts, which is a powerful new tax incentive to encourages retirement savings. 11% percent of the surplus would be reserved for strategic investments like improving the military readiness of our Armed Forces and pressing domestic needs like education.

We will allocate these resources only after we reach a comprehensive bipartisan consensus on saving Social Security. The allocation of these resources is contingent upon Social Security reform.

4. If this Administration is being so disciplined, why is spending going up to is highest level in history in this budget?

Federal spending under President Clinton has declined according to every meaningful yardstick:

• Spending in **every** year for which President Clinton wrote a budget has been a smaller share of our economy than in **any** year under the two previous Administrations.

• Spending as a percentage of the economy has declined in every year of this Administration.

• Last year, 1998, Federal spending as a share of the economy was at its lowest in a quarter of a century.

•The 1999 budget was 19.7 percent of the Gross Domestic Product; it drops to 19.4 of the GDP in the year 2000.

The actual expenditures in the budget rise because an increasing number of elderly people go on Social Security and Medicare, because of interest rates on the debt we have inherited and because the cost of medical care for the low-income population is considerable.

5. Given your surplus forecast of $2.5 trillion during the next 10 years, there are clearly sufficient resources to provide for a tax cut. Why are you opposed?

The question that will shape our economic policy, and will be crucial to the prosperity and strength of the nation in the 21st century is: what should we do with the surplus. We can continue a policy that balances fiscal discipline with critical investments for the future or we can squander our hard-earned resources with short-sighted policies.

The President has outlined a framework to save Social Security, strengthen Medicare, boost retirement savings and provide for crucial domestic priorities. This plan provides resources to meet our current obligations to future generations for Social Security and Medicare.

By contrast, policies to spend the surplus on large tax cuts would do nothing to provide for the future. A large across-the-board tax cut would spend the surplus now and leave our existing commitments to Social Security and Medicare for our children and grandchildren to pay in the future.

This is not the time to turn from the path of fiscal discipline and strategic investments that brought us our remarkable economic success. A large across-the-board tax cut would bring us back to the days of fiscal irresponsibility, and undermine our hard-earned gains.

6. What is the amount of increased taxes in this budget?

The Administration continues its commitment to reducing tobacco use, especially among young people. All public health experts agree that raising the cost of cigarettes is an effective deterrent. The Administration proposal would impose a price increase of 55 cents a pack, and would accelerate a 15 cent increase already legislated by Congress. The funds raised by this, a total of $8 billion in FY2000, would offset tobacco related health care costs that the Federal government already carries.

Setting apart tobacco, there is no net increase of taxes in this budget. (If asked: The increased revenues to the Treasury that have boosted the surplus are the result of a healthy economy -- more people working at higher wages --- but are not the result of increased taxes. We now have the lowest tax burden in two decades for a typical middle-income family.)

7. Do you have your own tax cuts in this budget?

The President's plan to allocate 12 % of the projected surpluses to create new Universal Savings Accounts (USA's) so that all working Americans can save for retirement. Elements of this powerful new tax incentive could include, for example: Automatic flat annual contributions for low and moderate working Americans, and an additional tax incentive to match a portion of each dollar on a progressive basis that an individual contributes.

In addition, the budget provides $34 billion over five years in additional paid-for targeted tax relief including: .

- a $1,000 long-term care tax credit to pay for long-term care services for about 2 million Americans;
- a $1,000 tax credit for work-related expenses for people with disabilities;
- tax credits to build modern schools for our children;
- tax relief for child care for 3 million working families, plus tax relief for parents who stay home;
- and others to preserve green space and create and restore outdoor sites, spur new equity for investment in underserved communities, increase the low-income housing tax credit, provide tax credits fro more fuel efficient vehicles and homes, and others.

The $34 billion over five years in targeted tax cuts are paid for with proposals to curb corporate tax shelters and reductions in unwarranted tax subsidies.

8. What about spending cuts. How much and what are they?

This Administration is committed to a government that does more with less. In six years, through consolidation and efficient management we have been able to eliminate the equivalent of 365,000 full time employees. In addition, we have also cut programs and spending when and where appropriate, and when it meets our overall goals.

For example, the Year 2000 budget has provided additional resources at the Federal level for the 21st Century Policing Initiative, also known as Cops II. This will continue to put more officers on the street, while improving the equipment and technology they rely on and devoting more resources to community efforts for prosecution of criminals. For this reason, we made cuts in local law enforcement block grants. The end result will be a well-coordinated, well-funded anti-crime program.

Other examples are the EPA and the NASA. In the case of there is an general budget reductions, but priority programs within their budgets have been increased. Overall spending for NASA has decreased by 1 percent. However, there is an increase of 2.46 billion -- an increase of 8 percent for the Space Station --- because this joint project between the United States and Russia marks the start of an era of international cooperation in space.

In addition, there are cuts in the EPA to address the fact that certain programs have fulfilled their objectives, while other areas have had support increased. For example, funding for the Clean Water State Revolving Funds in FY2000 has been cut by $550 million because the funds are approaching their goals for full capitalization, meaning that they are reaching the level originally targeted that will enable them to make loans through States to local governments. At the same time, key programs within EPA have had their support increased. There is a 5% increase -- nearly $200 million for 2000 -- in the core operating program, which includes regulatory functions, including public environmental and public health issues, and clear air regulations. In addition, Climate Change Technology will see its funding nearly double for the Year 2000.

9. What about the mandatory offsets you referred to earlier? How much does that raise?

Offsets from mandatory programs total $17.7. billion dollars, $8 billion of which comes from our public health initiative to raise the cost of cigarettes by 55 cents (discussed elsewhere.) There are also savings from Medicare, both in fraud and abuse and from management reforms at the Health Care Financing Administration, and from the FAA user fee, among other items.

10. The Presidents 2000 budget assumes that $8 billion will be received in additional tobacco revenues by raising the price of cigarettes to 55 cents a pack. What programs in your budget will be funded with these funds?

The President is committed to reducing smoking in this country, especially among young people. Raising the price of cigarettes is an effective deterrent, and one that we are pursuing again this year in our drive against tobacco.

Tobacco related problems cost the Federal government billions of dollars each year. In the case of tobacco, the Administration is seeking reimbursement to the taxpayer for costs that are directly related to tobacco companies.

Apart from Medicare, we have calculated that there are a total of $8 billion in tobacco related health care costs in FY 2000 in Veterans Affairs, the Federal Health plan, the Defense Department and Indian Health Service. The funding for these programs is not contingent upon tobacco receipts.

11. What about the Federal government's plans to recoup some of the State settlements with the tobacco companies?

The Administration plans to pursue recoupment of the Federal share of all state third-party liability collections, including the recent state tobacco settlements. Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the primary basis for the state settlements, the budget assumes the Federal government will follow the law and claim its share of the proceeds. However, the Administration again proposes to work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use the Federal share to support programs that are currently shared state and national priorities.

The recoupment is not reflected in the budget until 2001, allowing a year for the Administration to work with Congress and the States on a recoupment policy.

12. Is this budget dead on arrival?

The President has already set the terms of debate, with his proposal to save Social Security First by dedicating 62% of the surplus to Social Security for the next fifteen years, and then to allocate the surplus to Medicare, to boost retirement savings, and to critical domestic priorities. The President believes that we should stick to the path of fiscal discipline and invest in the future -- an approach we have taken for six years and which has brought us this great economic prosperity. Those are the terms of debate.

The President is committed to working with Congress to pass the initiatives in this budget. You'll notice that last year, there were predictions that the President was not going to get anything out of Congress, and by the time the legislative session closed we had done pretty well, with victories on class size, other educational spending, environmental issues, LIHEAP.

We have every intention of working seriously with Congress this year on initiatives that matter to our nation's future, starting with Social Security reform.

QUESTIONS ON SOCIAL SECURITY

Q: Aren't you double-obligating or double-counting the same money?

A:

- Since 1983, the Social Security trust fund has experienced a growing excess of annual receipts over expenditures. This excess is used each year to purchase special Treasury securities. The resulting buildup in the trust fund is the intended result of the 1983 reforms, which set out to build up a large reserve before the baby boom retires.

- At the same time, the difference between Social Security receipts and expenditures represents an extra inflow of cash each year, which contributes to the unified budget surplus.

- The critical problem during the 1980s and the early 1990s was that Government simply spent those funds on current needs. This did nothing to ensure that we could pay off those securities in the future without huge spending cuts, tax increases, or borrowing more money.

- Hard-won fiscal discipline during the past 6 years means that the government can pay back bonds in the trust fund and still run surpluses.

- The question now is whether to use the current unified budget surplus to finance our existing commitment to pay future Social Security and Medicare benefits further into the future. The President's plan would channel almost $3 trillion into debt reduction, and would lock in some of the gains from this fiscal discipline to pay Social Security benefits until 2055 and Medicare benefits until 2020.

Q: How will the government meet its new obligations to Social Security and Medicare?

A:

- The President's plan does not create new obligations of the government. We begin with the obligation to pay Social Security benefits beyond 2032 and Medicare benefits beyond 2008. The President's plan just sets aside the resources to make that possible.

- The President's plan would generate a dramatic decline in the national debt. By 2006, the debt-to-GDP ratio would be below its level in 1980; by 2014, it would be about 7%, below its level when the U.S. entered World War I in 1917; by 2017, it would be below 0. In absolute nominal terms, the debt held by the public in 2014 would be only 30 percent of its current value.

- By buying back such a large amount of debt, the government would substantially boost national saving and national wealth. Compared to a policy of spending the surpluses, government saving would average about 2% more of GDP from 2000 through 2014. The USA accounts would boost saving even more. In 1992 net national saving was 3.1% of GDP; in the first three quarters of 1998, it was 6.7%, a doubling that was more than accounted for by the increase in Federal government saving. Thus, a 2% of GDP difference is quite substantial, and if sustained for 15 years would produce a large increase in national wealth.

- If the unified budget surpluses were not dedicated to Social Security and

Medicare, it would be very difficult to sustain them for 15 years. Thus, the economic benefits of debt reduction are closely linked to the President's decision to commit some of these benefits to Social Security and Medicare.

- Even if one focuses on the non-Social Security part of the budget, and ignores the unfunded liability of the Social Security trust fund, the President's plan is very fiscally responsible. The extra debt held by the trust fund raises the debt service costs of the on-budget government, but reduced debt service to the public offsets 3/4 of that cost in 2014. (It does not offset all of the cost because debt held by the public does not decline as rapidly as debt held by the trust fund increases. This differential is an artifact of the way that intergovernmental interest payments are scored.) The increase in national wealth would also increase national income and therefore tax revenue. Crude estimates suggest that this could offset another 15% of the increased interest payments to the trust funds in 2014.

- Under the President's plan, we project on-budget surpluses for decades to come.

Q: Won't the government have to cut spending, raise taxes or borrow more in the future to pay for the extension of Social Security benefits to 2055 and Medicare benefits to 2020?

A:

- No. Our projections show that if we simply maintain current tax rules, we will be running surpluses until the middle of the next century even after paying Social Security and Medicare benefits.

- By setting aside funds now, the President's plan produces the resources to pay Social Security and Medicare benefits in the future. It does this in four ways:

  - First, by investing some the surplus in equities, the plan builds up real assets that can be sold when the time comes to pay benefits.
  - Second, by reducing the ratio of publicly-held debt to GDP from 44 percent to 7 percent, the plan reduces debt servicing costs --leaving more resources available for other purposes, including paying Social Security and Medicare benefits.

  - Third, by paying down debt, we increase capital formation. The resulting increase in the capital stock raises workers' productivity and national income. These additional real resources will increase the future standard of living, and make it easier for society to pay Social Security and Medicare benefits in the future.

  - Fourth, by nearly eliminating the national debt by 2014, the plan leaves us in a position to do a limited amount of additional borrowing, if necessary, without threatening economic prosperity.

Q: How does paying down the debt help us to pay Social Security benefits in the future?

A:

- First, a little history. The 1983 Social Security reform act aimed to prepare the nation to meet its future commitment to Social Security recipients by having the system collect more revenue than it paid in benefits for a couple of decades. These extra funds were supposed to be used to put the country on a fiscal trajectory to be able to pay back the Social Security trust fund when the trust fund needed to redeem its bonds.

- Unfortunately, irresponsible fiscal policy in the 1980s and early 1990s produced large unified budget deficits, (these included the Social Security surpluses.) By the time President Clinton took office in 1993, large deficits were forecast as far as the eye could see, and there were serious doubts about how the country would be able to pay back what it owed to Social Security,.

- Six years of tough choices and fiscal discipline have turned things around. Because of the 1993 budget act, disciplined appropriations, and the 1997 budget agreement, we are now projecting large surpluses well into the next century, even after paying back every penny we owe to Social Security.

- The President believes we should go even further, buying down around $3 trillion in debt and allocating these savings to ensure that Social Security is secure until 2055 and that Medicare is secure until 2020.

- By setting aside funds now, the President's plan produces the resources to pay back Social Security in the future. It does this in four ways: [SUMMARIZED ABOVE]

Q: Why not just pay down the debt without incurring extra obligations?

A:

- The President's plan does not create new obligations of the government. We always expected to pay Social Security benefits beyond 2032 and Medicare benefits beyond 2008. The President's plan just sets aside the resources to make that possible.

- Some people would simply take Social Security out of the budget and pay down \$2.7 trillion of debt without extending the life of the Social Security or Medicare trust funds by a single year. Then they would debate only how much of the remaining surplus would go to tax cuts, military and other spending, and individual accounts.

- If this approach truly managed to keep the Social Security surpluses from being spent, and thereby left them for debt reduction, then this approach would put the country in a better fiscal situation, just as the President's plan does. However, this approach would leave open the allocation of the large future surpluses for various forms of spending and large tax cuts.

- We believe that we should take advantage of today's prosperity to prepare for the aging of America, and therefore that we should lock in much of the benefits of an improved fiscal outlook for Social Security and Medicare.

Q: You said that debt held by the public falls under the President's plan, but since the government is giving additional bonds to the trust funds, doesn't the government's total indebtedness stay the same?

A:

- No, that is not the right way to think about the economic impact of the President's plan.

- Debt held by the public is the most important measure of government indebtedness because it tells us the extent to which government borrowing crowds out private capital formation. Under the President's plan, the ratio of debt held by the public to GDP will fall from 44 percent today to 7 percent in 2014 --the lowest level since 1917. This will unleash a tremendous amount of new private sector investment and will make the government much more able to meet our commitment to Social Security and Medicare recipients in the future.

- The President's plan essentially gives Social Security and Medicare a "first call" on the gains from reducing debt. We think it makes perfect sense to allocate part of the gains from our fiscally responsible policies to extending the lives of the Social Security and Medicare trust funds.
- In any event, a more comprehensive measure of the government's future obligations would include promised Social Security and Medicare benefits. The excess of those benefits over expected revenues is an unfunded liability comparable in some respects to the explicit national debt.

- The President's plan does not increase promised benefits by one dollar. Instead, it finances the existing commitment to pay benefits by paying down publicly-held debt and directing some of the benefits if that debt reduction to the Social Security and Medicare trust funds.

Q: A column in last week's *Newsweek* argues that the President's budget allocates 150 percent of the budget surplus. Is that true?

A:

- No, it is not. The President's plan allocates 100 percent of the unified budget surplus. In focusing on the unified budget surplus, we are doing exactly what every President since Lyndon Johnson has done in formulating budget policy.

- The fundamental budget policy choice we are facing is how to allocate $4.5 trillion in surpluses over the next 15 years among debt reduction, new spending, and tax cuts. The President's plan allocates the bulk of these surpluses to debt reduction, and gives Social Security and Medicare claims on the wealth created by our current fiscal discipline.

- Under the *Newsweek* type of accounting, every budget in the last 30 years would be guilty of "double counting" or spending more than 100 percent of the surplus. The crucial difference is that during the 1980s and early 1990s, the extra inflows from Social Security were spent on current needs. Under the President's plan, they would be dedicated to debt reduction, which would strengthen our economy for the future.

Q: Isn't this plan based entirely on double counting of money that is already dedicated to Social Security?

A:

- This is not the right way to think about the economic impact of the President's plan.

- Currently, the government as a whole is running a surplus --it is bringing in more in revenue than it is paying out. The fundamental question for our budget policy is what to do with the excess.

- The President is proposing that most of the excess be set aside to pay for future retirement and health needs stemming from the aging of America. This will add to national savings and improve the country's wealth --in contrast to the effect of plans that propose to use the surplus for tax cuts or immediate spending needs.

- The President's plan allocates the unified budget surplus to different uses, just as every budget has done for the last 30 years. The funds the President is setting aside for Social Security and Medicare are real and would presumably go to tax cuts or new spending if they were not set aside for debt reduction. This is the first time a President has called for some of the surplus to be set aside for debt reduction.

- We believe that it is sensible to allocate some of the benefits of fiscal responsibility to Social Security and Medicare. In addition, by allocating the gains from debt reduction to Social Security and Medicare it locks away the surpluses and prevents them from being squandered on tax cuts or new spending.

Q: What will happen when the trust funds redeem assets to pay benefits?

A:

- When Social Security revenue from the payroll tax and the taxation of benefits falls short of what is needed to pay benefits (around 2013), the Social Security trust fund will start redeeming assets.

- Some of these assets will be stocks that it can simply sell without having to find other financing.

- The rest of the assets will be government bonds. Redeeming these bonds means that Social Security gets money to pay benefits from the general fund of the government. Thus the government must come up with the cash for Social Security.

    - If the government is running a unified budget surplus at the time, it can simply use the surplus to pay off the bonds. This will reduce the surpluses available to pay for other things. Under our current projections, we will be running surpluses <u>even after paying back Social Security</u> well into the next century.

    - Otherwise, the government has three standard choices for how to obtain the cash for Social Security --it can issue debt, raise taxes, or reduce other spending.

    - The ratio of debt held by the public to GDP is projected to be close to zero at the time when we start paying back Social Security. Thus we could issue debt to pay back Social Security and still keep debt-to-GDP ratios below those that we have today.

- Moreover, after we make the tough, bipartisan choices to extend the system for 75 years we will likely have closed the gap between taxes and spending in the period before 2055.

Budget FY2000 - general

Talking Points:
The Fundamentals of President Clinton's FY 2000 Budget:
Investing in the Future while Maintaining Fiscal Discipline

A Return to Fiscal Strength:

- The 2000 budget anticipates the third consecutive budget surplus -- the first time we have seen back-to-back-to-back surpluses in half a century.

- Our remarkable fiscal and economic strength -- a balanced budget and unprecedented economic prosperity, including unemployment and inflation at a three decade low and homeownership at a record high -- is not an accident.

- The President began this virtuous cycle with his 1993 economic plan, founded on reducing the deficit, making strategic investments in the American people, and engaging in the international economy. In 1992, the budget deficit stood at a record $290 billion. Now we have achieved balance and can anticipate surpluses for decades to come.

Balancing Strategic Investments for the Future with Fiscal Discipline:

- The President's 2000 budget adopts the same framework that has led to our fiscal and economic success. It advances strategic investments and maintains fiscal discipline.

- The 2000 budget, with its many important priorities and initiatives in education and training, research, the environment, health, childcare and other programs for families, economic development, law enforcement, foreign policy and defense -- is fully paid for. It complies with budget rules that have served as tools to help enforce fiscal discipline; it meets the discretionary caps on spending and the pay-as-you-go budget rules.

- Our challenge as we move forward to the next century is to maintain the same fiscal discipline that led to this budgetary and economic success, while continuing strategic investments in the American people that will strengthen our nation for the future, and benefit the next generation.

- As the President suggested in his State of the Union address two weeks ago, this is defining moment that will greatly determine the character of our country at the end of the *21st* century. We can build on this strong fiscal foundation, or we can sweep it away.

Use the Surplus to Save Social Security First:

- We must save Social Security First. The President has already committed 62 per cent of our projected budget surplus for the next 15 years -- enough to extend Social Security's solvency to 2055. He is calling for a bipartisan process for additional reforms to extend solvency through 2075.

- After we achieve Social Security reform, the budget makes further commitments of the surplus for strategic investment priorities to strengthen the nation for the future.

- The President proposes to dedicate 15 percent of the surplus to the Medicare trust fund, whose financial security is threatened even sooner than Social Security. In 1997, the President and the Congress worked together to make Medicare financially sound through 2010. The President's 2000 budget would extend that lifetime ten years further, to 2020. The commitment of the surplus will help a bipartisan effort — including the current Medicare Commission — go even farther. The President wants to consider, as a part of this reform process, expanding Medicare coverage to include prescription drugs.

- The President also proposes using 12 percent of the surplus to finance his new Universal Savings Accounts — "USAs." He believes that the USA is the right kind of tax cut -- fiscally responsible, targeted toward for the future, and helping the many American families who have the most difficulty saving for their retirement. This proposal includes seed money for Federal contributions, plus additional funds for matching contributions for individual workers who invest their own funds. The matching contributions will provide a larger percentage inducement for low-wage workers.

- The budget proposes that the remaining 11 percent of the surplus be dedicated to other important priorities — including education, National security, and health care. The President's budget is a sound, disciplined way to provide the resources needed for these priorities.

- We must use this opportunity to fix Social Security and then proceed to address Medicare, USA accounts, and our pressing investment priorities.

Rise to the Moment:

- The 2000 budget is a model for the new era of surplus. It maintains fiscal discipline, strategic investment, and uses the surplus to save Social Security First. As the President said in the State of the Union, "With our budget surplus growing, our economy expanding, our confidence rising, now is the moment for this generation to meet our historic responsibility to the 21st Century. Let's get to work."

Budget - FY2000 - general

1/15/99

Table S-1: BUDGET SUMMARY
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Outlays	1,652.6						
Receipts	1,721.8						
Reserve pending Social Security reform	69.2	92.0	129.5	139.2	191.2	184.9	204.7
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocation of resources contingent upon Social Security reform:							
Defense	---	---	---	12.5	19.0	15.8	13.0
Non-defense	---	---	---	12.5	19.0	15.8	13.0
Priority initiatives	---	---	---	1.6	4.1	7.0	9.0
Debt service	---	---	---	0.7	2.4	4.5	6.5
Remaining reserve	69.2	92.0	129.5	112.0	146.8	141.9	163.2

01/14/99
07:03 PM
I:\DATA\LOTUS\TABLE_S1

Table S-2: Budget Pending Social Security Reform
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Outlays:							
Discretionary:							
Department of Defense	270.2	264.3	261.8	256.9	260.3	275.4	287.9
Non-DoD discretionary	284.4	313.5	329.2	326.2	316.2	318.0	321.1
Subtotal, discretionary	554.7	577.8	591.0	583.1	576.5	593.5	609.0
Mandatory:							
Programmatic:							
Social security							
Medicare and Medicaid							
Means-tested entitlements (except Medicaid)							
Deposit insurance							
Other							
Subtotal mandatory	854.5						
Net interest	243.4						
Subtotal, mandatory and net interest	1,097.9						
Total outlays	1,652.6						
Receipts	1,721.8						
Reserve pending Social Security reform	69.2	92.0	129.5	139.2	191.2	184.9	204.7
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MEMORANDUM:							
Mandatory and revenue offsets designated for discretionary:							
Budget authority	--	--	-19.5	-9.5	-7.6	-9.2	-9.0
Outlays	--	--	-19.4	-9.5	-7.7	-9.3	-9.0
Total discretionary net of offsets:							
Budget authority	534.2	567.8	537.9	526.8	532.8	561.6	570.6
Outlays	554.7	577.8	571.6	573.6	568.8	584.2	600.0

Table S-3: Policy Budget With Social Security Reform
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Outlays:							
Discretionary:							
Department of Defense	270.2	264.3	261.8	269.4	279.3	291.2	300.9
Non-DoD discretionary	284.4	313.5	329.2	338.6	335.1	333.8	334.1
Priority iniatives	--	--	--	1.6	4.1	7.0	9.0
Subtotal, discretionary	554.7	577.8	591.0	609.6	618.5	632.0	644.0
Mandatory:							
Programmatic:							
Social security							
Medicare and Medicaid							
Means-tested entitlements (except Medicaid)							
Deposit insurance							
Other							
Subtotal mandatory	854.5						
Net interest	243.4						
Subtotal, mandatory and net interest	1,097.9						
Total outlays	1,652.6						
Receipts	1,721.8						
Reserve for Social Security reform	69.2	92.0	129.5	112.0	146.8	141.9	163.2
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MEMORANDUM:							
Mandatory and revenue offsets designated for discretionary:							
Budget authority	--	--	-19.5	-9.5	-7.6	-9.2	-9.0
Outlays	--	--	-19.4	-9.5	-7.7	-9.3	-9.0
Total discretionary net of offsets:							
Budget authority	534.2	567.8	537.9	574.0	576.7	584.7	594.4
Outlays	554.7	577.8	571.6	600.2	610.9	622.7	635.0

TABLE S-4: SUMMARY OF BUDGET PROPOSALS
(in billions of dollars)

	1999	2000	2001	2002	2003	2004	'00-'04
Capped baseline surplus..........	91.9	126.9	139.2	191.2	184.9	204.7	846.9
Programmatic changes:							
Subject to discretionary spending limits:							
Discretionary spending pending Social Security reform...........	--	16.9	9.5	7.7	9.3	9.0	52.3
Mandatory offsets designated for discretionary:							
Federal tobacco revenues....	--	-7.8	-5.1	-4.0	-4.8	-5.6	-27.2
FAA user fees.....................	--	-1.1	-1.2	-1.1	-1.0	-0.9	-5.3
Health care reductions..........	--	-1.1	-0.9	-1.0	-1.0	-1.1	-5.1
Superfund taxes..................	-0.1	-1.7	-1.3	-1.3	-1.4	-1.4	-7.1
Other specified offsets..........	--	-7.7	-1.0	-0.3	-1.2	-0.0	-10.2
Subtotal, discretionary.............	-0.1	-2.5	--	0.0	0.0	-0.0	-2.5
Mandatory and revenues:							
Initiatives:							
Class size and child care......	--	1.2	1.6	1.9	2.1	2.5	9.4
Health care..........................	--	0.2	1.3	1.6	1.2	0.9	5.1
Revenue package................	--	?	?	?	?	?	--
Other..................................	--	1.2	1.9	2.0	1.7	2.0	8.7
Subtotal, initiatives..................	--	2.6	4.8	5.5	5.0	5.4	23.3
Offsets:							
Federal tobacco revenues...	0.1	-0.2	-2.1	-2.6	-1.7	-0.8	-7.3
Health care.........................	--	-0.2	-1.1	-1.3	-1.5	-1.6	-5.8
Student loans.....................	--	-0.7	-0.6	-0.6	-0.6	-0.3	-2.9
Revenues...........................	?	?	?	?	?	?	?
Other..................................	--	-1.4	-1.0	-0.9	-1.2	-2.7	-7.3
Subtotal, offsets.......................	0.1	-2.6	-4.8	-5.5	-5.0	-5.4	-23.3
Subtotal, mandatory and revenues..................................	0.1	--	--	--	-0.0	--	-0.0
Reserve pending Social Security reform...................	92.0	129.5	139.2	191.2	184.9	204.7	849.4
Surplus..	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocation of resources contingent upon Social Security reform:							
Department of Defense........	--	--	12.5	19.0	15.8	13.0	60.2
Non-DoD............................	--	--	12.5	19.0	15.8	13.0	60.2
Reserve for priority initiative	--	--	1.6	4.1	7.0	9.0	21.7
Related debt service............	--	--	0.7	2.4	4.5	6.5	14.0
Remaining reserve.........................	92.0	129.5	112.0	146.8	141.9	163.2	693.3

01/14/99
06:47 PM
I:\DATA\LOTUS\TABLE_S1.WK4

Table S-5. DISCRETIONARY SPENDING CAPS AND BUDGET PROPOSALS

(in billions of dollars)

14-Jan-00
06:32 PM
BRB.ELR
G:00BUDGET\OUTYR_1.wk4

	2000 BA	2000 OL	2001 BA	2001 OL	2002 BA	2002 OL	2003 BA	2003 OL	2004 BA	2004 OL	00-04 BA	00-04 OL
	Estimate											
Proposed Discretionary Program Funding Level:												
Department of Defense	268.2	261.8	287.4	269.4	289.3	279.3	299.7	291.2	308.5	300.9	1,453.1	1,402.6
Non-DOD	289.1	329.2	296.1	338.6	295.0	335.1	294.2	333.8	294.9	334.1	1,469.3	1,670.8
Reserve for Priority Initiatives	—	—	3.0	1.6	6.0	4.1	9.0	7.0	12.0	9.0	30.0	21.7
Total, Proposed Discretionary Funding Level	**557.3**	**591.0**	**586.5**	**609.6**	**590.3**	**618.5**	**602.9**	**632.0**	**615.4**	**644.0**	**2,952.5**	**3,095.1**
Offsets to Discretionary Spending:												
Mandatory Offsets Designated for Discretionary	-8.8	-8.7	-3.7	-3.6	-3.5	-3.5	-3.4	-3.4	-3.4	-3.4	-22.7	-22.7
Transfer of FY 2000 PAYGO Balances to Defense Discretionary	-2.9	-2.9	-0.8	-0.8	-0.2	-0.2	-1.1	-1.1	—	—	-5.0	-5.0
Tobacco Legislation:												
Federal Tobacco Revenues	-7.8	-7.8	-5.1	-5.1	-4.0	-4.0	-4.8	-4.8	-5.6	-5.6	-27.2	-27.2
Recoupment Policy (non add, included above)	—	—	(-4.6)	(-2.4)	(-4.7)	(-3.9)	(-4.8)	(-4.6)	(-4.8)	(-4.7)	(18.9)	(15.6)
Total, Offsets to Discretionary Spending	**-19.5**	**-19.4**	**-9.5**	**-9.5**	**-7.6**	**-7.7**	**-9.2**	**-9.3**	**-9.0**	**-9.0**	**-54.9**	**-54.9**
Contingent Adjustments If No Social Security Reform is Enacted:												
Department of Defense	—	—	-23.6	-12.5	-22.0	-19.0	-11.5	-15.8	-11.9	-13.0	-69.0	-60.2
Non-DOD	—	—	-23.6	-12.5	-22.0	-19.0	-11.5	-15.8	-11.9	-13.0	-69.0	-60.2
Reserve for Priority Initiatives	—	—	-3.0	-1.6	-6.0	-4.1	-9.0	-7.0	-12.0	-9.0	-30.0	-21.7
Total, Contingent Adjustments	—	—	**-50.2**	**-26.6**	**-50.0**	**-42.0**	**-32.1**	**-38.5**	**-35.8**	**-35.0**	**-168.0**	**-142.1**
Total, Offsets and Contingent Adjustments to Discretionary Spending	**-19.5**	**-19.4**	**-59.7**	**-36.1**	**-57.6**	**-49.7**	**-41.3**	**-47.8**	**-44.8**	**-44.0**	**-222.8**	**-197.0**
Proposed Discretionary Funding Level	**557.3**	**591.0**	**586.5**	**609.6**	**590.3**	**618.5**	**602.9**	**632.0**	**615.4**	**644.0**	**2,952.5**	**3,095.1**
Offsets and Contingent Adjustments	**-19.5**	**-19.4**	**-59.7**	**-36.1**	**-57.6**	**-49.7**	**-41.3**	**-47.8**	**-44.8**	**-44.0**	**-222.8**	**-197.0**
Level with Offsets and Contingent Adjustments	**537.9**	**571.6**	**526.8**	**573.6**	**532.8**	**568.8**	**561.6**	**584.2**	**570.6**	**600.0**	**2,729.6**	**2,898.2**
Current Discretionary Spending Caps	**537.9**	**574.1**	**542.8**	**573.6**	**551.9**	**568.8**	**566.8**	**584.2**	**582.1**	**600.0**	**2,781.5**	**2,900.7**

Budget- FY2000 general

DRAFT: CHILDREN AND FAMILIES USES OF FUNDS FOR FY 2000 BUDGET

(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	HHS/DOL/DOJ Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Child Care Quality	0.182	0.182			FY99 advance appropriated
Head Start**	4.997	4.997	+0.398	**	Participation goal dilemma
FMLA/Paid Leave Research Fund (DOL)	0.0	0.0	0.0	0.010	Important next step
Abortion Safety	0.0	0.0	0.0	0.045	High priority
Abuse and Neglect Court Reform	0.0	0.0	0.0	0.005	FLOTUS priority
Transitional Living	0.015	0.020	0.0		FLOTUS priority

**See attached one-pager for discussion.

MANDATORY	Request	OMB Passback	HHS Appeal	WH Priorities	COMMENTS
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
CCDBG (Subsidies and Infant Fund)*				10.5	Replaces FY99 Subsidies and Early Learning Fund
Independent Living	0.175	0.175			High priority
IV-E Extension for Foster Youth	0.0	0.0		c. 0.050	OMB holding In its base

*For child care mandatory items, HHS made no specific FY 2000 request and OMB made no specific passback; presumed request level for FY 2000 is taken from FY 1999 budget.

DRAFT: COMMUNITY EMPOWERMENT
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	Treas/HUD Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Vouchers					
Section 8	-----	11.408	11.717		
WTW	.289	.144	.289	.145	Deich would go along if not out HUD budget.
Family Incremental	-----	.204	.927		
Subsidized Housing	-----	.144	.564		
CDFI Fund	.125	.100	N/A	.25	We asked for $125 last year and got $90.

MANDATORY	Request	OMB Passback	Treasury/HUD Appeal	WH Priorities	COMMENTS
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
Green Bonds	1.0	N/A	N/A	0	Treasury dislikes, but NEC, OVP, CEQ, EPA, HUD support.
Tax Credit For Equity Investments In CDFIs	0.1	N/A	N/A	0	Treasury will go along but Tax Policy doesn't like idea. Proposed in 1996 budget.
Empowerment Zones II	.750	.750	-----	0	

NEW CRIME INITIATIVES
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request FY 2000	OMB Passback FY 2000	AGCY Appeal FY 2000	WH Priorities FY 2000	COMMENTS
COPS II	0.315	0.3	0.0	1.4	$650 M in offsets and $650 M in new money identified; still $100 M short.
Firearms Enf. Initiative	0.021	0.006	0.0	.031	Need $25 M in new funds for 200 new agents and prosecutors ($15 M for ATF; $10 M for DOJ). To be coupled w/$78 M already in budget for total of $109 M.
Certainty of Punishment	0.060	0.005	0.0	0.100	Need $95 M to fund. Could be alternative to prison funding.
Coerced Abstinence	0.187	0.153	0.085	0.250	Need $97 M to fund. Could be alternative to prison funding.

EDUCATION INITIATIVES
USES OF FUNDS FOR FY 2000 BUDGET

DISCRETIONARY	Request	OMB Passback	ED Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
21st Century After-School Program (ending soc. Prom.)	300	250	+150	+450	POTUS priority
Choice					
Charter Schools	120	110	---	+10	Keeps us on path to 3,000
Work-site schools	---	---	---	+10	expands public school choice options
Magnet Schools 104 (for interdistrict magnets)	114	---	---		Passback meets our priority
High Schools at 120* Community Colleges (In Tech-Prep line item) *10 million for this initiative	106	+14	+10		expands public school choice options
Teacher Quality					
Teacher Quality and Recruitment (HEA Title II)	175	75	+100		
Teacher Recruitment (Byrd Scholarship) *no funding included for this new initiative	39.2*	39.2	---	+28	use existing authority for new initiative
Reduce Unqualified Teachers (Eisenhower national) no funding included for this initiative	---*	---	---	+50	
Mid-Career Teachers (expand Troops to Teachers)	---	---	---	+25	
School Leadership (Eisenhower national)	50	---	---	+50	

Education Reform					
Education Excellence and Accountability (add to Title 1)	---	---	---	+200	Respond to POTUS Fund priority for stronger accountability
Goals 2000	515	491	+100	+25	signal that G2K remains high priority

DRAFT: HEALTH CARE
USES OF FUNDS FOR THE FY 2000 BUDGET
(Dollars in billions, fiscal years)

DISCRETIONARY	Requests 2000	OMB Passback 2000	HHS Appeal 2000	WH Priorities 2000	COMMENTS
Bioterrorism	0.370	0.152	+ 0.218	+ 0.090	High priority
Superbug	0.020	0.000		+ 0.010	High priority
AoA Caregiver Program	0.150	0.010	+ 0.140	+ 0.140	Needed for LTC initiative
Nursing Home Quality	0.153	0.107	+ 0.013	+ 0.500	Needs $; mand & discr.; user fee unrealistic
Medicare LTC Education	0.025	0.000		+ 0.025	Needed for LTC initiative
AIDS: Ryan White	0.100	0.072		+ 0.050	OMB funding only minimum
AIDS: CBC Initiative	0.100	0.000	+ 0.050	+ 0.050	Needed for CBC
Race & Health	0.080	0.000	+ 0.103	+ 0.050	High priority
Mental Health	0.100	0.000	+ 0.116	+ 0.100	VP priority
Asthma (only EPA funds)	0.025	0.000	+ 0.050	+ 0.025	Funded through EPA/maybe Medicaid
Rural emergency services	0.050	0.000		+ 0.025	POTUS interest/possible mandatory
FDA, Food Safety	0.550	0.127	+ 0.263	+ 0.050	Need $50 m for food safety
Children's GME	0.150	0.000		+ 0.040	FLOTUS priority
DoD Cancer, osteoporosis					Want $200 million of DoD increase
Biomedical Research	1.500	0.049	+ 1.500	*	VP priority (will need $500-750m)
TOTAL: New Initiatives	**3.373**	**0.517**	**+ 2.453**	**+ 1.155**	
Total: Overall HHS Request	*3.128*		*+ 2.453*		Includes other initiatives not listed

MANDATORY	Requests 2000-04	OMB Passback 2000-04	Additions/ Priorities 2000-04	
Jeffords-Kennedy	1.200	1.200		POTUS priority/disability comm thinks in
Medicare Buy-In	1.700	0.000	+ 1.700	POTUS priority
Cancer Clinical Trials	0.750	0.000	+ 0.750	VP priority
Medicaid Disability Equity Opti	0.110	0.110		Important to disability community
Medicaid for Foster Kids	0.050	0.050		FLOTUS priority
Legal Immigrant Kids	0.100	0.100		Last year's proposal
CHIP Territories	0.100	0.100		" "
QMB Low-Income Reforms	0.000	0.000		Depending on baseline, budget neutral
Kids' Outreach	0.000	0.000		" "
TOTAL	**4.010**	**1.560**	**+ 2.450**	

* Does not include NIH

DRAFT: NATIVE AMERICANS/FOOD SAFETY/EQUAL PAY
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Millions)

DISCRETIONARY	Request	OMB Passback	Agency Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Food Safety					Admin. Priority
FDA	$48.9	$0	$48.9	$48.9	
CDC	$18	$0	$18	$18	
USDA	$20	$20	($30.5)*	$30.5	
Equal Pay					Next step
EEOC	$17.3	$0	$17.3	$17.3	
DOL-OFCCP	$10.4	$0.383	$0	$10.4	
Native American					
Educ: 1000 Teachers	$0	$0	$10	$10	POTUS Executive order
Interior: Econ Dev	$0	$0	$0	$1	POTUS Directive
Interior: BIA School Construction	$108.8	$78.3	$30.5 (to make up diff)		Followup to FY99 Req
HHS-IHS budget	$382	$175	$207 (to make up diff)		

*Although no part of the Food Safety Initiative, USDA objects to denial of salary increases, arguing that this will cut the number of inspections and undercut the Initiative.

DRAFT: TOBACCO
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	Agency Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Tobacco					
CDC	.243	.74	.154	+.26	
FDA	.184	.34	.50	+.66	
SAMHSA Survey	.4	0	.4	+.4	
Smoking Cessation					
Non-Defense	---	---	---	+.90	
Defense	---	---	---	+.60	

TOBACCO AND THE BUDGET '99

DRAFT: WELFARE
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	Agency Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Child Support Crackdown.	N.A.	N.A.	N.A.	+.092	$8 mi to DOJ $1.2 mi to HHS
Access to Jobs	.150	+ .075	.150	+.750	Full authorized level
Welfare-to-Work Housing Vouchers	.289	.144	.289	+.144	Passback also had up to 36,000 Through svgs Not all WTW) Targeted Substance
Abuse Grants	.121	.026	.72	+.24	About 1/3 for women w/ kids
IDAs	--	.012	??	+.13	Presidential initiative
BRIDGE	.150	0	N.A.	+.150	Task Force priority

MANDATORY	Request	OMB Passback	DOL Appeal	WH Priorities	COMMENTS
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
Welfare-to-Work	6.5	N.A	N.A.	+5.0	OMB has not passed back yet

Budget - FY 2000 - general

Table S-1. OUTLAYS AND RECEIPTS
(In billions of dollars)

cc: Bruce —
From this
morning's meeting.

	2000	2001	2002	2003	2004
Outlays:					
Discretionary assuming Social Security reform:					
Department of Defense	261.8	269.4	279.3	291.2	300.9
Non-DoD discretionary	332.3	331.0	331.7	331.6	332.8
Subtotal, discretionary	594.1	600.4	611.0	622.8	633.7
Adjustment if no Social Security reform is enacted	---	-20.8	-39.7	-36.1	-33.4
Mandatory:					
Programmatic:					
Social security					
Medicare and Medicaid					
Means-tested entitlements (except Medicaid)					
Deposit insurance					
Other					
Subtotal mandatory					
Net interest					
Subtotal, mandatory and net interest					
Total outlays					
Receipts					
Reserve pending Social Security reform	117.8	134.4	185.8	182.1	207.7
Surplus	0.0	0.0	0.0	0.0	0.0
Allocation of resources contingent upon Social Security reform:					
Department of Defense	---	9.5	17.1	13.0	15.0
Non-DOD	---	9.7	18.5	16.2	9.5
Reserve for priority initiatives	---	1.6	4.1	7.0	9.0
Remaining reserve	117.8	113.7	146.1	145.9	174.3
MEMORANDUM:					
Total discretionary net of offsets:					
Budget authority	537.9	534.2	533.1	552.8	568.4
Outlays	572.6	573.1	569.2	584.6	600.4

N/A = Not applicable

01/12/99
07:41 PM
I:\DATA\LOTUS\TABLE_S1

TABLE S-2: SUMMARY OF BUDGET PROPOSALS
(in billions of dollars)

	1999	2000	2001	2002	2003	2004	'00-'04
Capped baseline surplus..........	82.8	117.8	134.4	185.8	182.1	207.7	827.8
Programmatic changes:							
Subject to discretionary spending limits:							
Defense and non-defense discretionary funding....................................	?	21.9	29.7	45.7	42.8	38.0	178.0
Reserve for priority initiatives....	--	--	1.6	4.1	7.0	9.0	21.7
Adjustment if no Social Security reform is enacted:							
Department of Defense.........	--	--	-9.5	-17.1	-13.0	-15.0	-54.5
Non-DoD..............................	--	--	-9.7	-18.5	-16.2	-9.5	-53.9
Reserve for priority initiatives	--	--	-1.6	-4.1	-7.0	-9.0	-21.7
Mandatory offsets designated for discretionary:							
Federal tobacco revenues.....	--	-7.8	-5.1	-4.0	-4.8	-5.6	-27.2
Recoupment of tobacco settlements............	--	--	-2.4	-3.9	-4.6	-4.7	-15.6
FAA user fees.......................	--	-1.1	-1.2	-1.1	-1.0	-0.9	-5.3
Health care reductions...........	--	-1.1	-0.9	-1.0	-1.0	-1.1	-5.1
Superfund taxes...................	-0.1	-1.7	-1.3	-1.3	-1.4	-1.4	-7.1
Other specified offsets...........	--	-10.2	0.5	1.2	-1.0	0.1	-9.4
Subtotal, discretionary...............	-0.1	--	0.0	0.0	0.0	-0.0	0.0
Mandatory and revenues:							
Initiatives:							
Class size and child care.......	--	1.2	1.6	1.9	2.1	2.5	9.4
Health care...........................	--	0.2	1.3	1.6	1.2	0.9	5.1
Revenue package.................	--	?	?	?	?	?	--
Other....................................	--	1.2	1.9	2.0	1.7	2.0	8.7
Subtotal, initiatives....................	--	2.6	4.8	5.5	5.0	5.4	23.3
Offsets:							
Federal tobacco revenues....	0.1	-0.2	-2.0	-2.6	-1.7	-0.8	-7.3
Health care..........................	--	-0.2	-1.1	-1.3	-1.5	-1.6	-5.8
Student loans.......................	--	-0.7	-0.6	-0.6	-0.6	-0.3	-2.9
Revenues.............................	?	?	?	?	?	?	?
Other....................................	--	-1.5	-1.0	-0.9	-1.2	-2.7	-7.3
Subtotal, offsets........................	0.1	-2.6	-4.8	-5.5	-5.0	-5.4	-23.3
Subtotal, mandatory and revenues.....................................	0.1	--	0.0	--	--	--	0.0
Reserve pending Social Security reform....................	82.9	117.8	134.4	185.8	182.1	207.7	827.8
Surplus..	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocation of resources contingent upon Social Security reform:							
Department of Defense.........	--	--	9.5	17.1	13.0	15.0	54.5
Non-DoD..............................	--	--	9.7	18.5	16.2	9.5	53.9
Reserve for priority initiatives	--	--	1.6	4.1	7.0	9.0	21.7
Remaining reserve...........................	82.9	117.8	113.7	146.1	145.9	174.3	697.7

01/12/99
07:39 PM
I:\DATA\LOTUS\TABLE_S1.WK4

13-Jan-99
06:10 AM
BRB:ELR
G:00BUDGET\OUTYR_1.wk4

Table S-3. DISCRETIONARY SPENDING CAPS AND BUDGET PROPOSALS

(in billions of dollars)

	Estimate											
	2000		2001		2002		2003		2004		00-04	
Proposed Discretionary Program Funding Level:												
Department of Defense	268.2	261.8	287.4	269.4	289.3	279.3	299.7	291.2	308.5	300.9	1,453.1	1,402.6
Non-DOD	291.3	332.3	291.9	333.4	291.9	335.6	292.5	336.2	293.1	337.5	1,460.7	1,674.9
Reserve for Priority Initiatives	---	---	3.0	1.6	6.0	4.1	9.0	7.0	12.0	9.0	30.0	21.7
Total, Proposed Discretionary Funding Level	**559.6**	**594.1**	**582.3**	**604.4**	**587.2**	**619.0**	**601.2**	**634.4**	**613.6**	**647.4**	**2,943.8**	**3,099.3**
Offsets to Discretionary Spending:												
Mandatory Offsets Designated for Discretionary	-11.2	-11.2	-2.2	-2.1	-2.0	-2.1	-3.2	-3.2	-3.2	-3.2	-21.8	-21.8
Transfer of FY 2000 PAYGO Balances to Defense Discretionary	-2.9	-2.9	-0.8	-0.8	-0.2	-0.2	-1.1	-1.1	---	---	-5.0	-5.0
Tobacco Legislation:												
Federal Tobacco Revenues	-8.0	-8.0	-5.1	-5.1	-4.0	-4.0	-4.8	-4.8	-5.6	-5.6	-27.4	-27.4
Recoupment Policy	---	---	-4.6	-2.4	-4.7	-3.9	-4.8	-4.6	-4.8	-4.7	-18.9	-15.6
Total, Offsets to Discretionary Spending	**-22.1**	**-22.1**	**-12.7**	**-10.5**	**-10.8**	**-10.1**	**-13.9**	**-13.6**	**-13.7**	**-13.6**	**-73.2**	**-69.9**
Contingent Adjustments If No Social Security Reform is Enacted:												
Department of Defense	---	---	-14.2	-9.5	-12.8	-17.1	-13.4	-13.0	-15.2	-15.0	-55.6	-54.5
Non-DOD	---	---	-18.3	-9.7	-24.3	-18.5	-12.2	-16.2	-4.5	-9.5	-59.3	-53.9
Reserve for Priority Initiatives	---	---	-3.0	-1.6	-6.0	-4.1	-9.0	-7.0	-12.0	-9.0	-30.0	-21.7
Total, Contingent Adjustments	---	---	**-35.4**	**-20.8**	**-43.1**	**-39.7**	**-34.6**	**-36.1**	**-31.8**	**-33.4**	**-144.9**	**-130.1**
Total, Offsets and Contingent Adjustments to Discretionary Spending	**-22.1**	**-22.1**	**-48.1**	**-31.2**	**-53.9**	**-49.8**	**-48.5**	**-49.8**	**-45.4**	**-47.0**	**-218.1**	**-200.0**
Proposed Discretionary Funding Level	559.6	594.1	582.3	604.4	587.2	619.0	601.2	634.4	613.6	647.4	2,943.8	3,099.3
Offsets and Contingent Adjustments	-22.1	-22.1	-48.1	-31.2	-53.9	-49.8	-48.5	-49.8	-45.4	-47.0	-218.1	-200.0
Level with Offsets and Contingent Adjustments	537.4	572.0	534.1	573.1	533.3	569.2	552.7	584.6	568.2	600.4	2,725.7	2,899.3
Current Discretionary Spending Caps	537.9	572.6	542.8	573.1	551.9	569.2	566.8	584.6	582.1	600.4	2,781.5	2,899.9

Budget FY2000 - general

Gene

Table S-2A: Budget With Social Security Reform
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Outlays:							
Discretionary:							
Department of Defense	258.1	264.6	261.8	269.4	279.3	291.2	300.9
Non-DoD discretionary	296.6	316.6	329.7	339.0	335.2	333.6	333.8
Priority initiatives	--	--	--	1.6	4.1	7.0	9.9
Subtotal, discretionary	554.7	581.2	591.5	610.0	618.6	631.8	644.6
Mandatory:							
Programmatic:							
Social security	376.1	389.2	405.2	423.6	444.1	465.1	487.4
Medicare and Medicaid	291.5	310.6	328.5	350.0	362.8	390.8	415.7
Means-tested entitlements (except Medicaid)	99.1	106.6	111.7	117.6	123.6	128.6	134.3
Deposit insurance	-4.4	-5.0	-2.3	-1.8	-1.3	-0.0	0.8
Other	92.2	117.4	115.9	120.5	118.6	130.0	136.2
Subtotal mandatory	854.5	918.6	959.0	1,010.0	1,047.8	1,114.4	1,174.4
Net interest	243.4	227.2	215.2	206.6	197.1	187.6	179.3
Subtotal, mandatory and net interest	1,097.9	1,145.9	1,174.2	1,216.5	1,244.9	1,302.0	1,353.7
Total outlays	1,652.6	1,727.1	1,765.7	1,826.5	1,863.5	1,933.8	1,998.3
Receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Reserve for Social Security reform	69.2	79.3	117.3	106.8	143.5	141.2	167.2
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MEMORANDUM:							
Mandatory and revenue offsets designated for discretionary:							
Budget authority	--	--	-17.8	-10.1	-9.6	-11.2	-10.6
Outlays	--	--	-17.7	-10.0	-9.6	-11.2	-10.7
Total discretionary net of offsets:							
Budget authority	534.2	575.0	537.2	576.2	580.5	591.5	604.5
Outlays	554.7	581.2	573.8	600.0	609.0	620.5	633.9

01/17/99
01:18 PM
I:\DATA\LOTUS\TABLE_S1

Table S-3A: Budget Levels Pending Social Security Reform
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Outlays:							
Discretionary:							
Department of Defense	258.1	264.6	261.8	259.8	262.2	278.2	285.9
Non-DoD discretionary	296.6	316.6	329.7	323.5	315.6	317.1	324.6
Subtotal, discretionary	554.7	581.2	591.5	583.3	577.8	595.3	610.5
Mandatory:							
Programmatic:							
Social security	376.1	389.2	405.2	423.6	444.1	465.1	487.4
Medicare and Medicaid	291.5	310.6	328.5	350.0	362.8	390.8	415.7
Means-tested entitlements (except Medicaid)	99.1	106.6	111.7	117.6	123.6	128.6	134.3
Deposit insurance	-4.4	-5.0	-2.3	-1.8	-1.3	-0.0	0.8
Other	92.2	117.4	115.9	120.5	118.6	130.0	136.2
Subtotal mandatory	854.5	918.6	959.0	1,010.0	1,047.8	1,114.4	1,174.4
Net interest	243.4	227.2	215.2	205.9	194.7	183.2	173.0
Subtotal, mandatory and net interest	1,097.9	1,145.9	1,174.2	1,215.9	1,242.5	1,297.7	1,347.4
Total outlays	1,652.6	1,727.1	1,765.7	1,799.2	1,820.3	1,893.0	1,957.9
Receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Reserve pending Social Security reform	69.2	79.3	117.3	134.1	186.7	182.0	207.6
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MEMORANDUM:							
Mandatory and revenue offsets designated for discretionary:							
Budget authority	--	--	-17.8	-10.1	-9.6	-11.2	-10.6
Outlays	--	--	-17.7	-10.0	-9.6	-11.2	-10.7
Total discretionary net of offsets:							
Budget authority	534.2	575.0	537.2	525.5	532.9	562.0	570.0
Outlays	554.7	581.2	573.8	573.3	568.2	584.1	599.9

01/17/99
01:18 PM
I:\DATA\LOTUS\TABLE_S1

Sandy

Table S-1: BUDGET SUMMARY
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Outlays	1,652.6	1,727.1	1,765.7	1,799.2	1,820.3	1,893.0	1,957.9
Receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Reserve pending Social Security reform	69.2	79.3	117.3	134.1	186.7	182.0	207.6
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocation of resources contingent upon Social Security reform:							
Defense	---	---	---	9.6	17.1	13.0	15.0
Non-defense	---	---	---	15.5	19.7	16.5	9.2
Priority initiatives	---	---	---	1.6	4.1	7.0	9.9
Debt service	---	---	---	0.7	2.3	4.4	6.3
Remaining reserve	69.2	79.3	117.3	106.8	143.5	141.2	167.2

01/17/99
01:18 PM
I:\DATA\LOTUS\TABLE_S1

Table S-2: Outlays, Receipts and Surplus
(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Budget with Social Security Reform:							
Outlays:							
Discretionary:							
Department of Defense	258.1	264.6	261.8	269.4	279.3	291.2	300.9
Non-DoD discretionary	296.6	316.6	329.7	339.0	335.2	333.6	333.8
Priority initiatives	---	---	---	1.6	4.1	7.0	9.9
Subtotal, discretionary	554.7	581.2	591.5	610.0	618.6	631.8	644.6
Mandatory:							
Programmatic:							
Social security	376.1	389.2	405.2	423.6	444.1	465.1	487.4
Medicare and Medicaid	291.5	310.6	328.5	350.0	362.8	390.8	415.7
Means-tested entitlements (except Medicaid)	99.1	106.6	111.7	117.6	123.6	128.6	134.3
Deposit insurance	-4.4	-5.0	-2.3	-1.8	-1.3	-0.0	0.8
Other	92.2	117.4	115.9	120.5	118.6	130.0	136.2
Subtotal mandatory	854.5	918.6	959.0	1,010.0	1,047.8	1,114.4	1,174.4
Net interest	243.4	227.2	215.2	206.6	197.1	187.6	179.3
Subtotal, mandatory and net interest	1,097.9	1,145.9	1,174.2	1,216.5	1,244.9	1,302.0	1,353.7
Total outlays	1,652.6	1,727.1	1,765.7	1,826.5	1,863.5	1,933.8	1,998.3
Receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Reserve for Social Security reform	69.2	79.3	117.3	106.8	143.5	141.2	167.2
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Offsets and contingent adjustments if no Social Security reform is enacted:							
Mandatory and revenue offsets designated for discretionary	---	---	-17.7	-10.0	-9.6	-11.2	-10.7
Contingent adjustment if no Social Security reform is enacted:							
Department of Defense	---	---	---	-9.6	-17.1	-13.0	-15.0
Non-DoD discretionary	---	---	---	-15.5	-19.7	-16.5	-9.2
Priority initiatives	---	---	---	-1.6	-4.1	-7.0	-9.9
Total	---	---	---	-26.7	-40.9	-36.5	-34.1
Adjusted discretionary totals	554.7	581.2	573.8	573.3	568.2	584.1	599.9

01/17/99
01:18 PM
I:\DATA\LOTUS\TABLE_S1

Table S-5. DISCRETIONARY SPENDING CAPS AND BUDGET PROPOSALS

(in billions of dollars)

17-Jan-00
01:40 PM
BRB:ELR
G:00BUDGET\OUTYR_1.wk4

	Estimate											
	2000		2001		2002		2003		2004		00-04	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Proposed Discretionary Program Funding Level:												
Department of Defense	268.2	261.8	287.4	269.4	289.3	279.3	299.7	291.2	308.5	300.9	1,453.1	1,402.6
Non-DOD	286.8	329.7	295.9	339.0	294.8	335.2	293.9	333.6	294.6	333.8	1,466.0	1,671.3
Reserve for Priority Initiatives	---	---	3.0	1.6	6.0	4.1	9.0	7.0	12.0	9.9	30.0	22.6
Total, Proposed Discretionary Funding Level	**555.0**	**591.5**	**586.3**	**610.0**	**590.1**	**618.6**	**602.6**	**631.8**	**615.1**	**644.6**	**2,949.1**	**3,096.5**
Offsets to Discretionary Spending:												
Mandatory Offsets Designated for Discretionary	-6.9	-6.9	-5.0	-4.9	-4.9	-5.0	-4.9	-4.9	-4.9	-4.9	-26.7	-26.7
Transfer of FY 2000 PAYGO Balances to Defense Discretionary	-2.9	-2.9	-0.8	-0.8	-0.2	-0.2	-1.1	-1.1	---	---	-5.0	-5.0
Tobacco Legislation:												
Federal Tobacco Revenues	-7.9	-7.9	-4.3	-4.3	-4.5	-4.5	-5.2	-5.2	-5.7	-5.7	-27.5	-27.5
Recoupment Policy (non add, included above)	---	---	(-4.6)	(-2.4)	(-4.7)	(-3.9)	(-4.8)	(-4.6)	(-4.8)	(-4.7)	(18.9)	(15.6)
Total, Offsets to Discretionary Spending	**-17.8**	**-17.7**	**-10.1**	**-10.0**	**-9.6**	**-9.6**	**-11.2**	**-11.2**	**-10.6**	**-10.7**	**-59.3**	**-59.3**
Contingent Adjustments If No Social Security Reform Is Enacted:												
Department of Defense	---	---	-14.2	-9.6	-12.8	-17.1	-13.5	-13.0	-15.2	-15.0	-55.7	-54.6
Non-DOD	---	---	-33.5	-15.5	-28.8	-19.7	-7.0	-16.5	-7.2	-9.2	-76.5	-60.9
Reserve for Priority Initiatives	---	---	-3.0	-1.6	-6.0	-4.1	-9.0	-7.0	-12.0	-9.9	-30.0	-22.6
Total, Contingent Adjustments	**---**	**---**	**-50.7**	**-26.7**	**-47.6**	**-40.9**	**-29.5**	**-36.5**	**-34.5**	**-34.1**	**-162.2**	**-138.1**
Total, Offsets and Contingent Adjustments to Discretionary Spending	**-17.8**	**-17.7**	**-60.8**	**-36.7**	**-57.2**	**-50.5**	**-40.7**	**-47.7**	**-45.1**	**-44.7**	**-221.5**	**-197.3**
Proposed Discretionary Funding Level	**555.0**	**591.5**	**586.3**	**610.0**	**590.1**	**618.6**	**602.6**	**631.8**	**615.1**	**644.6**	**2,949.1**	**3,096.5**
Offsets and Contingent Adjustments	**-17.8**	**-17.7**	**-60.8**	**-36.7**	**-57.2**	**-50.5**	**-40.7**	**-47.7**	**-45.1**	**-44.7**	**-221.5**	**-197.3**
Level with Offsets and Contingent Adjustments	**537.2**	**573.8**	**525.5**	**573.3**	**532.9**	**568.2**	**562.0**	**584.1**	**570.0**	**599.9**	**2,727.6**	**2,899.2**
Current Discretionary Spending Caps	**537.2**	**574.4**	**541.9**	**573.3**	**551.0**	**568.2**	**566.9**	**584.1**	**583.4**	**599.9**	**2,780.4**	**2,899.8**

three sd
after line

We're proud to stand for those
commonsense principles - and we would
be glad to enter into a debate
w/ anyone about them.

~~Another [illegible] topic, we're [illegible] accountability.~~

Under our proposal, states & localities
~~We [illegible]~~ will continue to have primary
respons for ed. and continued
flexibility in deciding what to teach
& how to teach it.
But we are not for BGs; we're going to insist on holding
st/ schools accntable for results, and
making sure that we invest in what
works & not what doesn't.
We're for bg's; They're for acctability.
Here's what we're saying:
schools should end social promotion
Teachers ~~must~~ should be qualified
States ~~must~~ should take respons to turn
around l. p. schools and to
~~states then~~ issue report cards so parents
know
schools should institute strict disc codes.

Isn't it when
leadership proposing a
we're not superintendent
national
of educ.