104TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
104–575

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1997

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 178

SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1997, 1998, 1999, 2000, 2001, and 2002

TOGETHER WITH

ADDITIONAL, MINORITY, AND DISSENTING VIEWS

MAY 14, 1995.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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104TH CONGRESS, 2d Session | HOUSE OF REPRESENTATIVES | REPORT 104–575

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CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1997

MAY 14, 1996.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. KASICH, from the Committee on the Budget, submitted the following

R E P O R T

together with

MINORITY, DISSENTING AND ADDITIONAL VIEWS

[To accompany H. Con. Res. 178]

The Committee on the Budget, to whom was referred the concurrent resolution (H. Con. Res. 178) establishing the congressional budget for the United States Government for fiscal years 1997 and setting forth appropriate budgetary levels for fiscal years 1998, 1999, 2000, 2001, and 2002, having considered the same, report favorably thereon without amendment and recommend that the concurrent resolution be agreed to.

PROTECTING THE AMERICAN DREAM

INTRODUCTION TO THE BUDGET RESOLUTION

A budget is more than numbers. Its real substance is ideas—ideas about saving the next generation, about empowering people to become self-reliant, about supporting, through the shared public enterprise of government, the pursuit of the American Dream.

The underlying ideas in this year's Federal budget debate draw from two contrasting visions of America. One is the President's view, which—the administration's rhetoric notwithstanding—reveals an addiction to Washington spending, Washington regulation, and Washington control of Americans' lives. The other, detailed in this budget resolution, is the vision of the Republican majority in Congress—one that trusts the values and responsibility of families, neighborhoods, local school boards, local police officers, and local and State governments. The Republican vision recognizes that America is built community by community, each one different from its neighbor, comprising a vibrant diversity from which rises a Nation that truly is greater than the sum of its parts. The interaction among communities, and within the States, is dynamic and natural and ongoing; its inevitable value has been a cornerstone of the Nation since its founding, as expressed in this simple, constitutional assertion: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." (Article 10.)

Yet for decades, Washington has sought to circumvent this principle, usurping—in the guise of "compassion" or "fairness" or "competitiveness"—the States' and the people's rightful authority for education, for law enforcement, for transportation, for health, and for addressing the needs of the poor. Wherever Americans found a concern in their lives, Washington found a reason to expand the central government. But the Washington-centered "one-size-fits-all" experiment has failed. The poor have been trapped in a centralized welfare system that only prolongs their dependency; the vitality of local schools has been leveled by the common-denominator politics of central-government standards; States have come to build roads and bridges they don't really want—because Federal funds are handed out for them; and senior citizens have been strapped to a bureaucratic health program that is going bankrupt because Washington seduced them into trusting only Washington.

The way out cannot be found simply through more or less money poured into a system that is more or less the same. The way out requires a fundamentally new vision.

ACCOMPLISHMENTS OF THE 104TH CONGRESS

Such a vision is at hand. It was defined, detailed, and adopted last year by the 104th Congress, and it culminated in the Balanced Budget Act [BBA] of 1995. Through the BBA this Congress reversed a 60-year trend in which increasing power and influence had collected in Washington, and then calcified there. This budget resolution for fiscal year 1997 is designed to build on the historic achievements of the first session of the 104th Congress, which include the following:

Balancing the Federal Budget by 2002. Critics had said this could not be done. In truth, the Washington bureaucracy feared it could be—and it was. Equally important is that the efforts of the 104th Congress have permanently changed the political dialog about balancing the budget. A broad consensus now accepts this as a necessary condition for governing properly. No longer is the debate about how much to raise taxes for new spending and deficit "reduction." Now the question is how much to cut taxes and shrink government while achieving a deficit of zero.

Cutting Taxes for Working Families. Coupled with the balanced budget plan, Congress delivered a $500-per-child tax credit for working families and a package of incentives aimed at promoting saving, investment, and growth—all as promised in the House Republicans' Contract With America. The intent was to roll back the Clinton tax increase of 1993—the largest in the Nation's history.

Reforming a Failed Welfare System. Congress twice passed reforms of the welfare system that showed true compassion by freeing recipients from the shackles of dependency and moving them toward self-reliance. In addition, responding to the pleas of the Nation's Governors, Congress recast the Federal-State Medicaid program in a way that truly puts State governments in the position of shaping and tailoring the program to the needs of their citizens.

Strengthening and Improving Medicare for America's Seniors. There are just four basic points to be made about the Medicare program:

- First, Medicare is going bankrupt. The Medicare hospital trust fund will be out of cash and unable to pay beneficiaries' hospital bills by 2001, if not sooner.
- Second, to save it from bankruptcy, Medicare must be reformed regardless of any other budgetary objectives. Even if Congress were not trying to balance the budget and roll back the 1993 tax increase, fundamental, systemic reform of Medicare still would be necessary.
- Third, the first session of the 104th Congress developed and passed a plan to save Medicare without reducing benefits to individual recipients. Likewise, the Medicare reform assumed in this budget resolution would increase spending on each Medicare beneficiary from $5,200 in 1996 to $7,000 in 2002. Total program outlays would increase from $196 billion in 1996 to $284 billion in 2002. This total spending increase would amply cover inflation and the growing number of Medicare recipients. The spending level in this resolution also will accommodate

maintaining the beneficiary premium at 25 percent of part B program costs, and will preclude any need to increase beneficiary copayments or deductibles.

- Finally, Congress' plan would expand health care choices for the Nation's seniors. The plan, built on the demonstrably successful model in the State of Arizona, would allow beneficiaries to keep their current Medicare coverage, while also offering new alternatives for receiving health care—many of which will substantially lower seniors' current out-of-pocket health care expenditures.

Shifting Power, Money, and Influence Out of Washington and Back Into the Hands of People in Their States and Communities. The 104th Congress has adopted policies that restore control and authority to State and local governments in critical areas such as law enforcement, health, education, and helping the needy.

All of this and more was accomplished in the first session of the 104th Congress: the legislation was envisioned and written and passed by both the House and Senate; the promise of real change in Washington was, through specific legislative action, redeemed.

WHY IT MUST BE DONE AGAIN

But Americans today have been denied the benefits of these achievements by one person alone: the President. The President vetoed all these reforms. Time after time, he adopted the rhetoric of the congressional majority, but rejected the policy reforms. He vetoed the Balanced Budget Act, vetoed family tax cuts, vetoed welfare reform (twice), vetoed Medicare reform, and on and on. He did so with zeal, publishing 82 reasons why he objected to Congress' initiatives. [His objections, and the responses from the House majority, are contained in Appendix 4.] His persistence in rejecting reform made it clear that he wanted none. He is addicted to the large central government ensconced in Washington.

So why should Congress pursue such reforms again?

The answer is simple: It *must* be done, for the sake of the Nation's present, as well as its future.

The administration's glowing pronouncements about economic performance reflect how little the President acknowledges the anxiety that haunts American families. Behind the numbers lie these facts of real life: every year, families are seeing their real income decline; tens of thousands of workers continue to receive pink slips because of corporate downsizing, and nearly a third of the Nation's companies anticipate reducing jobs; two-thirds of those who find new jobs after a layoff are forced to settle for pay cuts in the process; manufacturing jobs continue to disappear; and today, more Americans than ever are working two jobs just to make ends meet. [These facts are further detailed in a subsequent section of this report titled, "The Clinton Crunch."]

Coupled with all this has been the administration's tax policy. In his first year in office, the President increased taxes on gasoline, on individual incomes, on married couples, on Social Security benefits, and on the property left by parents to their children. The tax burden on the Nation's families now is higher than at any time in history. Meanwhile, as the government continues borrowing to fi-

nance its deficit spending, it soaks up capital that otherwise would be invested in new plants and equipment, which would in turn increase job growth, improve productivity, and push up wages.

The economic performance projected for the next 2 years offers little solace. Gross domestic product [GDP] is expected to increase by a mere 2.0 percent in 1996 and 2.1 percent in 1997—compared with 3.6 percent during the Reagan expansion and an average 3.25-percent growth rate for the United States since 1870.

All of this translates into a direct impact on how Americans live. As more of their time is swallowed up in trying to make ends meet, working Americans have less time for their families, their churches, and their communities—less time, in other words, for the moments of life that they value most. Thus the squeeze on their paychecks imposes a cost that cannot be measured in dollars.

Unfortunately, the anxiety doesn't end there. Just beyond the horizon of this budget, past the year 2002, prospects for the future are even more disconcerting. One clear indication lies in the Medicare trust fund, which is expected to go bankrupt in 6 years or sooner. But that is only the first sign. According to the General Accounting Office [GAO], if current spending trends continue, the Federal debt in 2025 will be twice the size of the entire economy and the Federal deficit will be 20 percent of gross domestic product [GDP]. In such circumstances, the government will be unable to address the Nation's basic needs. At the same time, the government will continue to spend the investment capital that would otherwise finance economic growth.

These hazards are further detailed in a subsequent section titled "Our Responsibility to Our Children." As that section will point out, to truly secure the future, long-term, systemic reforms of government programs and government spending will be required. *Balancing the budget is only the first step.*

But if Congress fails to take this step, the government's rapidly mounting debt will heap enormous burdens on future generations, who will face dramatically higher taxes and declining standards of living. They will witness, in short, the erosion of the American Dream.

A President Addicted to Washington

In his State of the Union Address on January 23, 1996, the President said: "Our responsibility begins with balancing the budget." Yet the President's actions have always indicated otherwise. His fiscal year 1997 budget submission squanders another opportunity to lay out a clear reform strategy that would address the concerns described above. The administration budget is an election-year makeover in which the President puts on the rhetoric of reform but fails to deliver the policies. It shows that he only talks, while we act.

FAILURE TO BALANCE THE BUDGET

A little more than a year ago, the talk from the administration was totally different. At that time, as the new majority in Congress pushed for a balanced budget, the President and his top advisors were insisting that balancing the budget was not necessary. The

President's spending plan at the time projected deficits of $200 billion a year or more for as far as the eye could see. In testimony to the Budget Committee, Budget Director Alice M. Rivlin said: "I do not think that adhering to a firm path for balance by 2002 is a sensible thing to do." She also said: "It is not always good policy to have a balanced budget." As the year unfolded, the President repeatedly resisted this goal, throwing up smokescreen budget "plans" that contained little or no detail and failed to get anywhere near balance anyway.

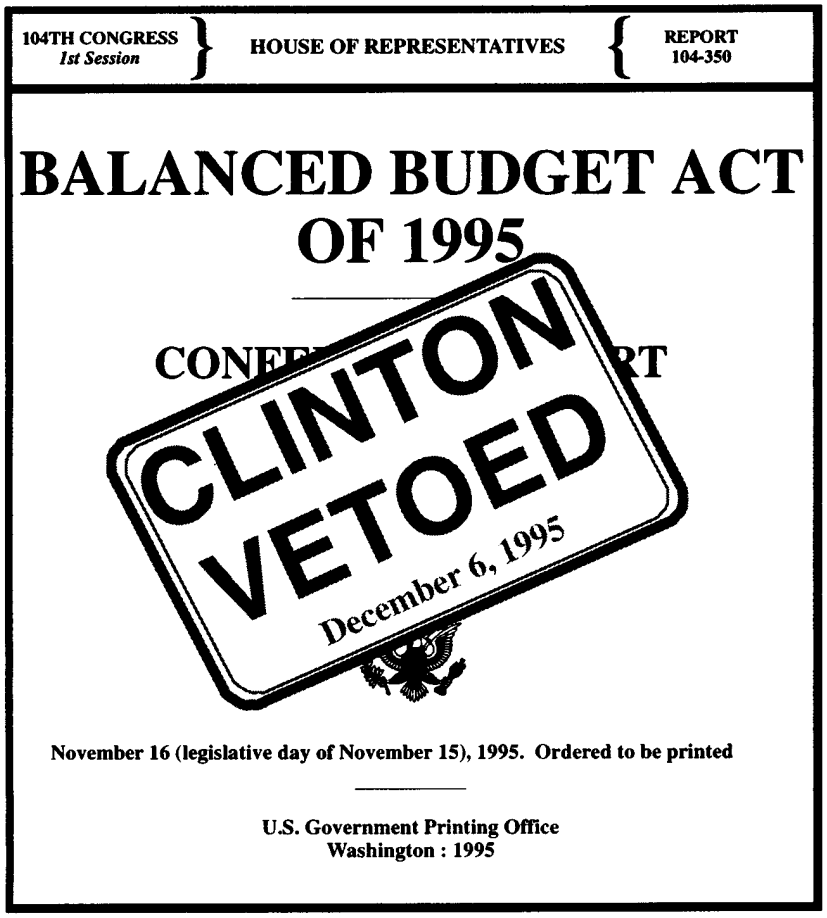
But by January of this year, with the Congress having successfully crafted and passed a comprehensive, fully detailed, 7-year balanced budget plan, the administration's fiscal year 1997 submission casts the President as a born-again budget balancer. The document begins by grossly overstating his own deficit-reduction efforts, taking credit for policy decisions that were made before he entered office. The budget supplement says (on page 19): "In dollar terms, the policies that we enacted with the last Congress have cut [the deficit] almost in half, from $290 billion in 1992 to $164 billion in 1995." This familiar refrain from the administration is a distortion.

The policies enacted during the last Congress amounted to the largest tax hike in history, which took effect in 1994. The fiscal year 1993 budget—the last of the Bush administration and a more honest starting point for the current administration's deficit comparisons—had a $255 billion deficit. The 1995 deficit of $164 billion is down 35 percent from 1993, the beginning of the current administration—not 50 percent, as the President purports.

Even that, however, gives the President more credit than he deserves. Most of the deficit reduction between 1993 and 1996 was projected years before the first Clinton budget. For instance, 4 months before the President was elected, the Congressional Budget Office [CBO] projected that the deficit would decline 23 percent between 1993 and 1996.

Furthermore, the deficit decline during the current fiscal year is chiefly the result of prudent spending by the House and Senate Appropriations Committees—spending that the President consistently sought to increase.

But even if all the President's claims about the past were true, his budget submission for this year still would not balance. According to the testimony of June E. O'Neill, Director of the Congressional Budget Office [CBO]: "* * * CBO estimates that the basic policies proposed in the President's budget would lower the deficit substantially but that the deficit would still total $81 billion in 2002" [see table on page 9].


104TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

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BALANCED BUDGET ACT
OF 1995

CONFE RT

CLINTON
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The President's "basic budget policies" also increase deficit spending from $150 billion this year to $156 billion in 1997 and $153 billion in 1998. The only way the President's plan can be described as achieving balance is through a mysterious set of "contingent" budget proposals. These total $124 billion over 6 years, with $84 billion of the "savings" in 2002. The "contingent policies" include $67 billion in unspecified discretionary cuts. These reductions are in addition to the $161 billion in discretionary cuts in the President's basic budgetary proposal. But the administration, which preens over spending increases for its "priority investments," won't tell the public where the President would cut spending to balance the budget.

All of this shows once again that the President employs the rhetoric of balancing the budget, but is not serious about delivering the necessary policies. He talks; we act.

DEFICITS RESULTING FROM THE PRESIDENT'S FISCAL YEAR 1997 BUDGET

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	1996–2002
Revenues:[1]								
Child Tax Credit	$0	$10	$8	$9	$13	$13	$13	$64
Higher Education Deduction	0	7	6	7	7	7	8	41
IRA's	0	1	1	1	2	4	5	14
Other	0	1	1	2	2	2	2	9
Extend Excise Taxes	0	−4	−6	−6	−6	−7	−7	−36
Other	1	−6	−8	−10	−10	−10	−12	−54
Subtotal	1	8	2	3	7	9	9	38
Outlays:								
Medicare	(1)	−5	−8	−14	−20	−26	−31	−103
Medicaid	0	2	−2	−6	−10	−16	−22	−54
Welfare	0	−4	−6	−6	−7	−7	−8	−38
FCC Spectrum Auction	0	(2)	−2	−3	−4	−5	−16	−31
Proceeds from Asset Sales	(2)	−1	(2)	(2)	(2)	(2)	−2	−4
Discretionary Appropriations	2	−4	−6	−26	−42	−46	−38	−161
Other Policy Changes	−1	−4	1	−1	−2	−5	−6	−18
Debt Service	(2)	(2)	−1	−3	−6	−11	−16	−35
Subtotal	2	−17	−23	−59	−91	−116	−138	−444
Total Changes	2	−9	−21	−57	−84	−107	−129	−405
DEFICITS UNDER THE PRESIDENT'S BUDGET	150	156	153	125	108	87	81	.....

[1] Plus and minus signs reflect a proposal's impact on the deficit. Hence a tax cut is shown as a plus because it is projected to increase the deficit. A tax increase is shown as a minus because it presumably lowers the deficit.

[2] Less than $500 million.

Source: Congressional Budget Office. Figures may not add due to rounding.

SMALLER-THAN-ADVERTISED TAX CUTS

Americans need tax relief. But the President's plan gives, and then takes away. With one hand he offers tax reductions of $129 billion through 2002; but with the other he snatches back $90 billion through tax increases. This yields a net total tax reduction of $38 billion [see table on the next page]—about one-third of the net tax relief provided for in this budget resolution.

But the President shrinks his tax cuts even more to balance the budget—and here the "contingent policies" come into play once again. To balance the budget, he "sunsets" his tax cuts, thereby raising taxes $32 billion in 2001 and 2002. This takes back virtually all that's left of his net $38 billion tax cut, so that his actual tax reduction is only $6 billion over 6 years. The sunset plan also means a net 1-year tax increase in 2002 of $16 billion.

But this will never be a problem for the current administration. The tax increase will fall to whomever is elected President in 2000, and will have to be part of that President's first budget submission after taking office.

THE PRESIDENT'S TAX PROPOSALS [1]

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	1996–2002
Basic Budgetary Proposals:								
Child Tax Credit	$0	$10	$8	$9	$13	$13	$13	$64

THE PRESIDENT'S TAX PROPOSALS [1]—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	1996–2002
Higher Education Deduction	0	7	6	7	7	7	8	41
IRA's	0	1	1	1	2	4	5	14
Other	0	1	1	2	2	2	2	9
Extend Excise Taxes	0	−4	−6	−6	−6	−7	−7	−36
Other	1	−6	−8	−10	−10	−10	−12	−54
Subtotal	1	8	2	3	7	9	9	38
"Contingent" Tax Proposals Sunset Tax Cuts	(2)	0	(2)	(2)	(2)	−7	−25	−32
Net Tax Cuts	1	8	2	3	7	2	−16	6

[1] Plus and minus signs reflect a proposal's impact on the deficit. Hence a tax cut is shown as a plus because it is projected to increase the deficit. A tax increase is shown as a minus because it presumably lowers the deficit.

[2] Less than $500 million.

Source: Congressional Budget Office. Figures may not add due to rounding.

104TH CONGRESS *1st Session* } **HOUSE OF REPRESENTATIVES** { **REPORT 104-350**

CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995

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FAILURE TO REFORM WELFARE

Though the President seeks to claim credit for declining welfare caseloads resulting from innovative welfare reforms already initiated in more than half of the States, the administration has in fact hindered this process of incremental reform by blocking crucial elements of welfare reform plans States sought to implement through Federal waivers. Only recently, the administration threw out portions of Ohio's sweeping welfare reform plan that would have blocked increased food stamp benefits for persons failing to comply with program rules designed to promote self sufficiency. The administration also blocked Ohio's efforts to expand welfare-subsidized private sector work experience.

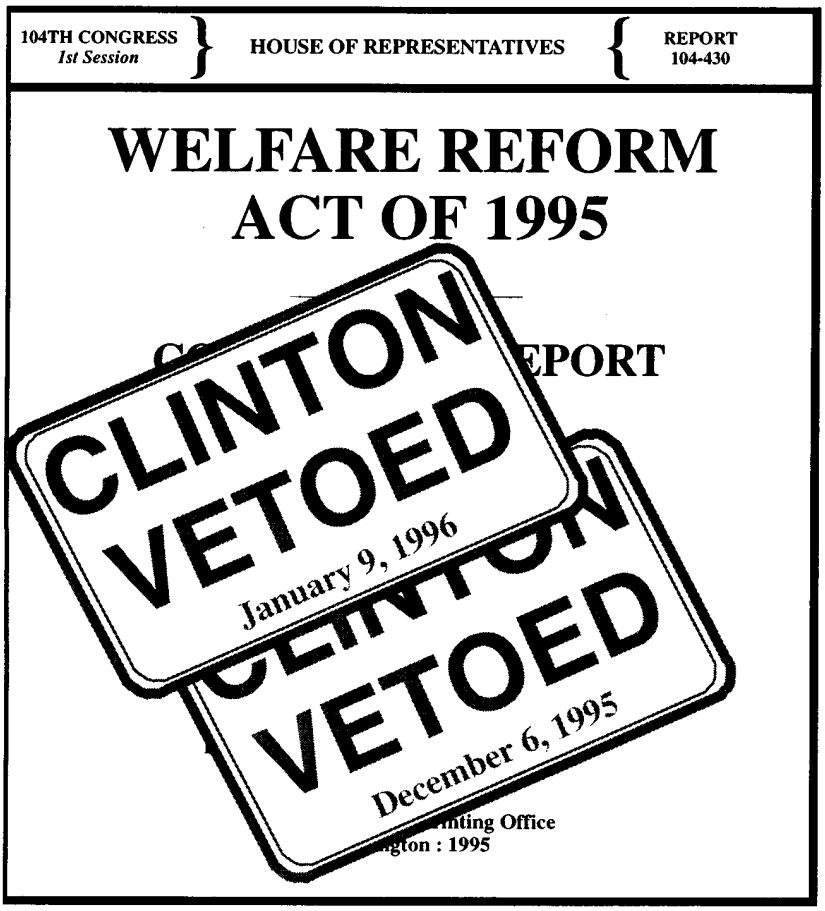
The President's budget retains the failed structure of a federally controlled entitlement to individuals. States would still have to go hat-in-hand to Washington bureaucrats begging for permission to implement innovative programs to combat dependency. His plan also fails to eliminate welfare as an immigration magnet. It states the President's support for allowing immigrants to receive food stamps and Supplemental Security Income benefits even though current immigration law makes becoming a public charge a deportable offense. As many as 20 percent of all legal immigrants currently collect Federal benefits. The welfare reform plan passed by Congress would have significantly reduced alien participation in Federal welfare programs. The President vetoed the plan.

The welfare time limits the President proposes are weaker than those contained in the congressional welfare reform legislation that he has vetoed twice. The congressional proposal called for a 5-year lifetime limit on welfare eligibility. The administration proposes a 60-month consecutive time limit, which would create a revolving door of dependency for welfare recipients. The President's plan also exempts 35 percent of the adult welfare caseload from time limits, and could lead to exempting more than half the remaining caseload from the limit. The President's work requirements also are weaker than those contained in the legislation he vetoed. Under the vetoed welfare reform bill, States would have been required to have 50 percent of their single-parent welfare caseload working at least 35 hours per week by 2002. The President's proposal, on the other hand, requires between 12 percent and 25 percent of the welfare caseload to participate in work or job training programs. Additionally, the President's food stamp work requirement is significantly weaker than that contained in the vetoed welfare reform bill, containing a huge loophole making it unlikely that anyone will lose benefits if it is enacted.

The President's proposal acknowledges the abuses of Federal disability programs that the Congress has also sought to correct. Yet his request for additional funding to root out the abuse is contingent on Congress increasing overall discretionary spending limits by $800 million for fiscal year 1997.

Finally, the President's plan continues to make persons with no children eligible for the Earned Income Credit, even though couples and individuals without children were specifically excluded from the EIC when the program was created. Moreover, a person with no dependents who receives the maximum EIC credit is working

only part time. The government should not be taxing people with children working full time or working at two jobs to subsidize childless people working only part time.

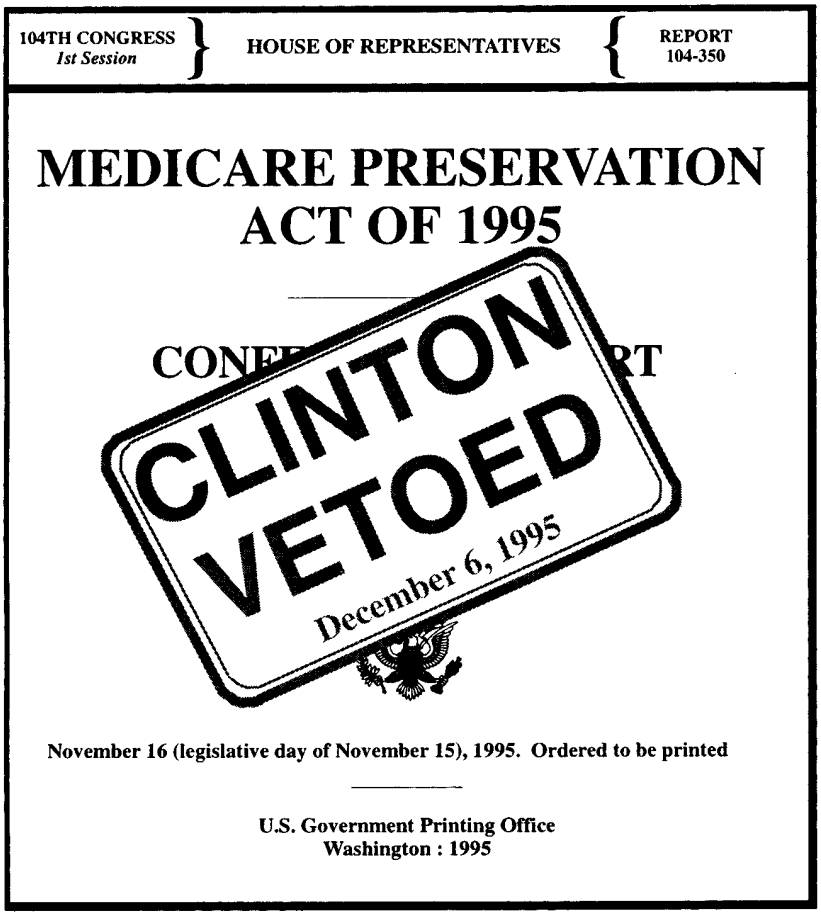


The President's Medicaid proposal places financial limits on Medicaid payments to States, but does not give States the necessary flexibility to live within those limits. It limits the Federal payment to each State for each Medicaid beneficiary, but fails to trust Governors with the responsibility for deciding what's best for the citizens of their States. Despite the President's reform rhetoric, he would keep the Medicaid strings tied to Washington. The President would apply a "per-capita" spending cap, which limits the Federal payments to a State for each of the State's Medicaid recipients. Thus, the President's Medicaid proposal could create the largest unfunded mandate ever. This would result in a huge hidden tax increase on State taxpayers to sustain the status-quo, "Washington-knows-best," health care entitlement.

TRAPPING SENIORS IN A BUREAUCRATIC MEDICARE SYSTEM THAT IS GOING BANKRUPT

Medicare is facing bankruptcy. On April 3, 1995, the Social Security and Medicare Trustees reported that the Federal Hospital Insurance Trust Fund (Medicare Part A)—which pays for hospital and institutional care for Medicare beneficiaries and which is funded by the Medicare payroll tax—will run out of money by 2002, under current law.

Just 1 year later, the Medicare crisis is even more imminent. In October, a Treasury Department report revealed that the Hospital Insurance Trust Fund was operating in deficit in 1995, a year earlier than previously projected. According to the chief actuary at the Health Care Financing Administration [HCFA], this means that it is now likely that the trust fund will go bankrupt in 2001 instead of 2002.


104TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

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MEDICARE PRESERVATION ACT OF 1995

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When the congressional majority began to tackle the Medicare crisis, many were surprised that the new majority would tackle an issue so politically sensitive. Significantly, the political risk was not forced by the Nation's seniors. Seniors were understandably concerned about changes in the Medicare program. But they listened, and they understood: maintaining the status quo of Medicare now would lead to its certain demise in the future; the only way to save Medicare was to reform it.

The real problem came from the administration, which resorted to distortion and demagoguery. A clear example was the administration's claim that Congress planned to cut Medicare benefits. This was not true and the administration knew it. Nor is it true now. Under the Medicare reform assumed in this budget resolution, average benefits per recipient will increase from $5,200 in 1996 to $7,000 in 2002.

It once was true that only Washington bureaucrats would call such an increase a spending cut; now, only officials in the current administration would do so. In the process, they are making reform more difficult and increasing the likelihood that seniors will have to remain in an unreformed system that will run out of money in 6 years or less.

OTHER FAILURES

Education. In a poll conducted by the Gallup organization, two-thirds of the participants said they wanted the Federal Government to have less influence in determining the educational programs of their local public schools. But the President's budget expands the Federal education bureaucracy by increasing discretionary spending 4.4 percent over the 1995 level. With this Federal funding comes increased Federal intervention in State and local education decisions. The budget retains more than 50 separate elementary and secondary education funding programs and 16 educational research programs. This is in sharp contrast with the congressional approach, which calls for improving education by reducing centralized bureaucracy and shifting authority and decision-making back to parents and local school boards.

The administration budget also supports programs the President once vowed to eliminate. For example, the Perkins loans capital contribution was eliminated in the fiscal year 1995 budget because the administration believed it duplicated other programs. This year the program is fully funded at $158 million. In the administration's 1996 budget, the President sought to phase out Aid to Disadvantaged Schools over 2 years. This year's budget continues funding at the fiscal year 1996 level.

The President's budget shows student loan volume increasing from 17.6 million in 1993 to 32.5 million in 1997, an increase of 85 percent. This is the same rate of growth in student loans that was proposed in the Balanced Budget Act. The key difference is how the loans are delivered. The administration wants a government-controlled "direct lending" program, making the Department of Education both a regulator and a competitor of the private-sector guaranteed lending program.

Labor. Under the President's budget, funding for the Department of Labor would increase by almost 5 percent. The budget also would add 451 new bureaucrats to the government payroll, including 190 more at the Occupational Safety and Health Administration [OSHA] and 83 additional staff in the Secretary's Departmental Management Office.

The President challenged Congress in his State of the Union Address to consolidate 70 overlapping job-training programs, yet this budget asks for increased funding for the current unworkable maze of programs. The President even proposes several new job-training programs, such as "Jobs for Residents" and an "Incumbent Worker Demonstration."

Law Enforcement. The administration's budget continues to boast of the President's pledge to put 100,000 new police officers on the street by the year 2000. In fact, little of his "cops on the beat" funding has gone to the cities that need it the most. *Among the cities with the highest violent crime rates, many have received a disproportionately small amount of the "cops on the beat" funding.*

The President's community policing program requires a local match of 25 percent for communities to receive any of the Federal funds, and the 1994 crime bill allows the Attorney General to give preference to applicants that provide contributions exceeding the 25-percent match. Hence, a disproportionate share of the Federal money can go to wealthier communities, not those with more serious crime problems. What's more, the "cops on the beat" program includes so many conditions on receiving funds that many officials have chosen not to apply because the program is too expensive.

Transportation. The administration is requesting $800 million for Mass Transit New Starts, a $134-million increase over 1996. This represents a twist on the administration's "spend now, save later" habit—this time it's "spend now, spend later." The Mass Transit New Starts Program obligates the taxpayer to years of capital spending to assist States and localities in completing new mass transit systems, and to decades of operating assistance. This proposal does not reflect the thinking of an administration committed to balancing the budget in 2002.

THE MAJOR COMPONENTS OF THE HOUSE BUDGET RESOLUTION

As noted above, this budget resolution is designed to follow through on the achievements already adopted by the first session of the 104th Congress. Only one person has thus far denied American taxpayers the benefits of these accomplishments. That person is the President. This budget defines the difference between the congressional majority's vision and that of the President.

ACHIEVING BALANCE BY 2002

In addition to reversing a 20-year pattern of chronic deficit spending, this year's balanced budget plan holds a promise relevant to individual Americans and their families—the promise of safeguarding the American Dream for their children.

One doesn't need economic statistics to understand the moral breakdown attached to chronic deficit spending. Every year that the government borrows more to finance current spending, it adds

to the burden being heaped on future generations. A child born today inherits a tax bill of $187,746 just to pay interest on the debt for spending the government already has done. That child has no voice in the process and will reap no benefits from the tax payments. Thus the government is spending money that belongs to future generations and is doing so without their consent. Americans know this is wrong—and they want the injustice stopped.

Just as important, however, is the economic price of the deficits that Americans are paying right now. Deficit spending has added about 2 percentage points to the interest payments levied on American families. The serious pursuit of a balanced budget by the 104th Congress was by itself enough to drive down interest rates from about 8 percent in January 1995 to below 5.8 percent in January 1996. The rates started back up again when balanced-budget talks with the administration ended.

Today's artificially inflated interest rates add about $37,000 to the cost of a moderate-sized home, $2,200 to the cost of a college loan, and $900 to the cost of a car. For families struggling to make ends meet, removing these unnecessary costs would be a huge benefit.

This budget resolution adjusts the Balanced Budget Act's glide path to reflect the congressional leadership's compromise offers to the administration during the November-through-January budget negotiations—compromise efforts that the President still rejected. The resolution also makes adjustments to incorporate updated economic and budgetary projections furnished by the Congressional Budget Office in December 1995 and March of this year. The bottom line, however, remains the same: This plan balances the Federal budget by 2002. Finally, the resolution takes into account the Congress' omnibus continuing appropriations bill, which was enacted on April 26.

TAX CUTS FOR WORKING FAMILIES AND FOR ECONOMIC GROWTH

Two facts provided by the Joint Economic Committee speak eloquently about today's tax burden:

- The average American family pays more in Federal, State, and local taxes (38 percent of their income) than they do on food, clothing, and shelter combined (28 percent).
- The average worker spends 2 hours and 47 minutes of every work day just to cover his or her tax burden; 20 years ago, that worker spent half that much time to cover taxes.

If Congress is going to shrink the Federal Government and balance the budget, American families should reap some of the benefits immediately.

These are among the principle arguments for the family tax relief assumed in this budget resolution. The centerpiece is a $500 per child tax credit for working families—a $1,000-a-year tax reduction for the average family of four. As the President has said: "Our first challenge is to cherish our children and strengthen America's families. Families are the foundation of American life. If we have stronger families, we will have a stronger America." But once again, he talked, we acted. The budget resolution calls for net,

permanent tax relief of $122 billion over 6 years to finance the child tax credit.

The resolution also incorporates pending or completed House action on: a $5,000 adoption tax credit for 100,000 families to help defray the costs of adoption expenses; a rollback of the President's 4.3-cent hike in the gasoline tax; an enhanced health insurance deduction for the self-employed; medical savings accounts; long-term care incentives; and the liberalization of the Social Security earnings test. It is also assumed that the Committee on Ways and Means will close enough tax loopholes to finance a reduction in the capital gains tax rate to stimulate the creation of new, high-paying jobs. Taken together, this package would contain total tax relief of $176.2 billion over 6 years.

It is important to note that—contrary to the incessant claims of tax cut opponents—the primary beneficiaries of the tax cuts assumed in this budget resolution are *middle-income families.* More than 75 percent of the tax relief provided in the proposal focuses on building, strengthening, and restoring the American family. The biggest individual income tax cuts, as a percentage of taxes paid, would go to taxpayers earning $30,000 to $75,000 annually.

WELFARE AND MEDICAID REFORM

The welfare reform plan incorporated in this budget poses a basic question: What is more compassionate—to shackle the poor in dependency, or to help them toward self-reliance?

The current welfare system is a failure. It traps recipients in a cycle of dependency. It undermines the values of work and family that form the foundation of communities. It rends the social fabric of the Nation by breeding drug addiction, illegitimacy, crime, and child abuse. It contributes to the public's frustration with their government for siphoning an ever-increasing share of national wealth into a bureaucratic system that has failed, over the past 30 years, to significantly lower the proportion of those in living poverty.

In 1994, total spending on benefits for low-income persons climbed to a record high of 5.1 percent of gross domestic product, or more than double the share of GDP of such programs in 1968. Federal dollars made up 71 percent of that total spending. Yet, despite this explosion of welfare spending, during the last three decades, AFDC enrollment has increased five-fold, illegitimacy has increased 400 percent, and violent crime has risen 560 percent.

A primary cause of these failure is that the total package of welfare and income support programs pays more than work in many of America's communities. According to a Cato Institute study of benefits available to low-income persons in the 50 States, welfare pays more than the average first-year salary for a teacher in 9 States. In 29 states, according to the Cato study, welfare pays more than the average salary for a secretary. In 40 States, welfare pays more than an $8 per-hour job. In the most generous States, welfare pays more than the entry level salary for a computer programmer. Clearly, if welfare reform is about work, real reform must reverse the current system's disincentives to work.

This budget assumes a framework of welfare reform that attacks the two main causes of long-term welfare dependency—lack of participation in work, and illegitimacy.

The budget's recommendations go significantly farther than do the proposals contained in the President's fiscal year 1997 budget submission toward achieving the goal of "ending welfare as we know it." They would end the individual entitlement to cash welfare benefits, which the President's plan would not. They would impose tougher work requirements than suggested by the President, to better ensure that a significant share of the welfare caseload will eventually become self-sufficient. They would make meaningful reforms in the Food Stamp Program and limit spending over time without cutting benefit levels, unlike the President's proposal. They would end welfare as an immigration magnet. Persons immigrating to the United States should come here for the work opportunities the Nation's economy has to offer, not for the taxpayer-subsidized benefits a generous society has chosen to provide to its own less fortunate few.

The budget resolution's Medicaid reform assumptions are similar to welfare reform in that they would shift authority to States, which are in the best position to tailor assistance to the populations within their borders.

The Medicaid plan would achieve four goals: First, it would guarantee the basic health care needs of the Nation's most vulnerable populations. Second, it would bring Medicaid health care expenditures under control. Third, it would give States maximum flexibility in the design and implementation of cost-effective systems of care. Fourth, it would protect the States from unanticipated program costs resulting from economic fluctuations in the business cycle, changing demographics, and natural disasters.

By allowing the States to design their own programs, the unique needs of the various States, as they see them, would be served. This State flexibility is essential to improve Medicaid effectiveness, responsiveness, and efficiency. This approach recognizes that no one knows which Medicaid program will work best in all of the 50 States, the District of Columbia, and the five territories.

The only way to find out is to avoid Federal preconditions that limit the discretion of local authorities.

STRENGTHENING AND IMPROVING MEDICARE FOR AMERICA'S SENIORS

The Medicare reform assumed in this budget resolution refines and improves on the Medicare Preservation Act as passed by the Congress last year. But its fundamental components are the same: increased benefits and expanded choices for Medicare recipients, and serious reforms to address Medicare's impending bankruptcy. The plan also maintains the current part B premium at 25 percent of program costs.

Increasing Benefits. The Medicare reform recommended in this budget resolution would fully account for the increase in the Medicare population over the budget period. It would increase average Medicare spending on each beneficiary from $5,200 in 1996 to approximately $7,000 in 2002. Overall, the plan would spend approximately $1.479 trillion on Medicare over 6 years, Medicare spending in 2002 would be an estimated $284 billion—$107 billion more than the 1995 level of $177 billion.

Under the proposed reform, Medicare beneficiaries would have the option of remaining in the traditional Medicare fee-for-service plan. If they chose the traditional plan, they would have no increased copayments or deductibles, and their part B premium payment would remain at the current 25 percent of program costs. The budget resolution's spending guidelines also allow for additional, new preventive screening benefits in the traditional Medicare benefit package.

Expanding Choices. The Medicare reform plan would modernize Medicare, bringing market forces and competition to the program all across the country, with the benefits accruing to seniors.

Evidence for this model was recently documented in a report in the New York Times that described in detail the success of Medicare managed care in Tucson, AZ: 42 percent of all Medicare beneficiaries in Tucson have chosen HMO's as their preferred health care delivery option. A high penetration of private managed care companies offering Medicare coverage has created a climate of competition among providers. As a result, providers offer additional benefits and lower out-of-pocket costs to attract Medicare beneficiaries to their plans. The Times article cited ads for plans extolling no monthly premiums or deductibles, free mammograms, and low-cost prescriptions. On the other hand, seniors who choose traditional Medicare, spend up to $2,500 per year on their monthly Medicare premium, hospital and physician deductibles, supplementary insurance, and prescription drugs—and, they do not receive the benefits of preventive care coverage.

The Medicare reform recommended in this budget would enable and encourage competitive markets across the country with more types of health coverage than are now available. Reforms are necessary because many barriers to successful implementation of private-based Medicare plans remain in the HCFA bureaucracy controlled system.

The Medicare reform would increase the amount paid to private plans in low-cost areas to make private plans viable where they are not now. The plan would facilitate provider service organizations, repeal the law restricting the percentage of seniors covered by a plan, and open the way to more choices for efficient and high-quality options that will allow the double advantage of reducing costs for seniors and extending the life of the Medicare trust fund.

ADDITIONAL REFORMS

This budget resolution also embraces reforms in several other significant areas, including the following:

Ending the Era of Big Government. The budget calls for saving more than $34 billion over 6 years by eliminating or privatizing 130 Federal programs and activities and terminating the Department of Commerce and the Department of Energy. It also recommends terminating the Corporation for Public Broadcasting and AmeriCorps, and phasing out the National Endowment for the Arts. The budget also recommends approximately $14 billion in savings over 6 years by reducing overhead in select government agencies. The budget also urges that the committees of jurisdiction investigate moving the Departments of Agriculture and Interior out

of Washington, DC, and closer to the constituencies most affected by the Departments' activities.

Strengthening National Security. Spending for national defense assumed in this budget exceeds the President's request by $12.9 billion in budget authority and $4 billion in outlays. The budget provides for modernizing the Armed Forces, ensuring a decent quality of life for military personnel and their families, and developing a sound missile defense for the United States.

Keeping Promises to the Nation's Veterans. The budget recommends $5.1 billion over 6 years more than the President for veterans' discretionary spending, which is principally medical care. It rejects the President's cuts in medical and prosthetic research. It calls for improvements in veterans' mandatory programs, including increased auto allowance for certain severely disabled veterans; improved compensation payments for surviving spouses; and a $500 scholarship for college seniors with at least a "B" average under the GI Bill or the Post Vietnam Era Education Assistance Program [VEAP].

Boosting Local Law Enforcement. A total of $4.7 billion in 1997 is assumed for the Violent Crime Reduction Trust Fund. The budget resolution incorporates the Local Law Enforcement Block Grant, which gives States and localities the power and resources to choose how they spend the money to combat violent crime according to their local needs and priorities, rather than letting Washington usurp those decisions. It incorporates the House's recently passed Immigration in the National Interest Act (H.R. 2202), providing full funding of $699 million in 1997. It also incorporates the recently enacted Antiterrorism and Effective Death Penalty Act of 1995 (H.R. 1710, S. 735), providing $229 million in 1997.

Reforming Health Insurance. The resolution assumes the insurance reforms in House-passed H.R. 3103, the Health Coverage Availability and Affordability Act of 1996. By making health insurance more affordable and accessible, H.R. 3103 will have a significant impact on the health status of the approximately 20 percent of Americans who lack health insurance temporarily or throughout the year. These reforms also will have a positive effect on Federal entitlement spending and on the overall economy by helping address the problem of uncompensated care, which currently costs $35 billion to $40 billion a year. In addition, the budget urges reform of the Food and Drug Administration, promoting swifter access to lifesaving medicines, and preserves a 5.8-percent increase in funding for the National Institutes of Health that was provided in 1996.

Improving Education by Enhancing Local and Parental Roles. This budget restores the authority and responsibility for education to where it belongs—in the hands of parents, principals, and local school boards, not a growing Federal bureaucracy. The budget consolidates many elementary and secondary education programs into block grants, turning funding decisions back to the States and local schools. Failed programs—programs that do not help children—are terminated. The budget urges terminating Washington-knows-best programs such as Goals 2000. It recommends funding title I edu-

cation for disadvantaged students at $7.2 billion, the same as provided for in the Omnibus Appropriations bill.

It seeks Drug-Free Schools funding of $440 million—the same level provided in the Omnibus Appropriations bill. It assumes continued growth in student loans—volume would increase from $26.6 billion today to $37.4 billion in 2002. The number of students receiving loans would increase from 7 million today to 8.5 million in 2002—and reduces student loan subsidies to banks and guaranty agencies. The budget also calls for terminating government-run "direct" lending.

Prioritizing Basic Research and Science. The budget resolution recommends 4.3 percent more spending for civilian nonhealth basic research than the President's budget. It also prioritizes those programs with the greatest potential for scientific discovery to create new knowledge: national science foundation research and related activities; basic energy and life sciences; NASA space science, and life and microgravity sciences; National Oceanic and Atmospheric Administration climate and air quality research, coastal ocean science, sea grant research, and marine research; and National Institute of Standards and Technology scientific and technical research.

Protecting Natural Resources and the Environment. This congressional plan calls for increased funding to improve the quality of the Nation's parks. It proposes reform of the Superfund program, boosting its funding to $2 billion a year, a $700-million increase. It recommends maintaining a strong safe drinking water and wastewater State revolving fund program funded at $2.85 billion annually.

Attacking Corporate Subsidies. The budget resolution would terminate, among others, such unneeded special-interest corporate subsidies as: the Advanced Technology Program; outdated Federal airline subsidies; Federal funding for the national information infrastructure; the "Dual-Use Applications" programs of the Department of Defense; and the Department of Energy's subsidized energy research. It also recommends closing special-interest corporate tax loopholes, including section 936.

Encouraging a Market-Based Farm Economy. The resolution incorporates the Federal Agricultural Improvement and Reform [FAIR] Act, passed by the current Congress and signed by the President on April 4. The legislation envisions a new direction in farm programs that will give farmers the freedom to plant in response to market demand, not government programs or what government bureaucrats think farmers ought to plant. It will give producers more flexibility, less paperwork, and a better opportunity to earn a living from the marketplace—all of which will make U.S. agriculture profitable and competitive in the 21st century.

Supporting Rural America. To improve the effectiveness and efficiency of Federal assistance to rural areas, the budget envisions a Rural Development Block Grant, which will eliminate overlapping and duplicative activities. The budget also calls for a Native American Block Grant, advancing the cause of self-determination in America's tribal communities.

Restoring State and Local Roles in Transportation. The budget urges a study of restoring transportation money and decisionmaking to States and localities. It also recommends examination of potentially vast improvements in air traffic control by privatizing the air traffic control system.

Reforming Federal Housing. The budget resolution calls for reform of the Federal role in public housing, replacing the current failed one-size-fits-all regime with a new approach based on the innovative vision of America's neighborhoods and communities.

CONCLUSION

As noted at the outset, this budget is about ideas, and this year's budget debate will reflect two fundamentally different ideas about America's communities and their shared future. The President borrows the language of change, but then—looking no farther than the next election—fails to advance the policies to sustain his rhetoric.

The Republican vision—embraced in this budget resolution—looks to the next generation. It recognizes that we must ease the burden of taxes on America's families; ease the burden of debt on the Nation's children; transform welfare from a dependency trap to a stepping stone toward self-reliance; and strengthen and improve Medicare for America's seniors.

This budget declares, unabashedly, that such achievements are possible—and then goes on to show how. Redeeming these possibilities is our task. It calls for wise, courageous, and responsible stewardship of the Nation's resources. It requires conviction and it demands choices. It does this to address Americans' anxieties about the present and their doubts about the future. It does this so that our children and grandchildren may enjoy the opportunity, the challenge, and the hope of forging their own American Dream.

THE CLINTON CRUNCH

AMERICANS' ANXIETY ABOUT THEIR ECONOMIC FUTURE

As he ran for the White House in 1992, candidate Clinton declared that the economy at that time was the worst it had been in 30 years. He vowed that if elected he would aggressively pursue policies aimed at boosting economic performance.

Now, however, it is clear that the effects of President Clinton's policies have worsened economic performance, yielding a projection of growth even more sluggish than before. The data provide further evidence that the "Clinton crunch"—the product of maintaining the current size and scope of government and imposing the largest tax increase in history—must be reversed by the policies embraced in this budget resolution: shrinking the government; balancing the budget; cutting taxes; rewarding private-sector saving and investment; and shifting power, influence, and money out of Washington and back to people in their States and communities.

Several points made in the introduction to this report deserve elaboration here. According to the Joint Economic Committee:

- Every year, families are seeing their real income decline. Last year, the average family with a single wage earner saw $803 less in the family paycheck than in 1982
- Tens of thousands of workers continue to receive pink slips because of corporate downsizing. Between June 1994 and June 1995, half the major corporations in the United States eliminated jobs.
- Less than a third of the workers who lost full-time jobs found new work that paid as well. On average, they settled for jobs that paid 8.2 percent less. Workers who should be enjoying the most prosperous years of their lives—those between the ages of 45 and 55—saw their incomes decline by 14 percent.
- High-paying manufacturing jobs continue to disappear. Between March 1995 and March 1996, a total of 326,000 manufacturing jobs were lost.
- In the past 2 years, the number of Americans working two jobs just to make ends meet increased by 10.2 percent. Today, more Americans are working two jobs than at any other time in the Nation's history. Such industriousness would be laudable if it were voluntary. But these Americans are working harder just to keep up, not to get ahead.

Clearly the administration's fiscal policy has done nothing to improve this situation. Then comes the President's tax policy. In his

first year in office, the President increased taxes on gasoline, on individual incomes, on married couples, on Social Security benefits, and on the property left by parents to their children. The tax burden on the Nation's families now is higher than at any time in history.

Added to the prevailing anxiety is a growing sense among American families that they cannot get ahead—and the causes can be seen in the near-term economic projections that have resulted from the President's policies. Right now, the growth of the Nation's economy—real gross domestic product [GDP] is projected to increase by a meager 2.0 percent this year and in 1997—is disturbingly slow by historical standards. Since 1870, real growth in the United States has averaged 3.25 percent annually, according to Dr. Milton Friedman. This long-term historical growth rate, *which includes the impact of the Great Depression,* is approximately 1 percentage point greater than what the President says his policies will produce. The economy's performance also trails by far the 3.6-percent average annual growth rate of the Reagan expansion (1983–1989). The growth of employment opportunities is about 300,000 lower than that of the Reagan expansion.

These factors translate into the slow rise of wages paid to working Americans, which are growing at only about a third of the rate experienced in the 1950's and 1960's. This is occurring because the government, through its chronic deficit spending, is soaking up investment capital that would otherwise finance new plants and equipment, thereby increasing productivity and, in turn, wages.

The lack of these tools is the result of low savings and investment rates. The figure below shows both the U.S. saving and domestic investment rates from 1950 to the present. During the 1950's, the savings rate exceeded 9 percent; during the 1990's, the savings rate is 2.7 percent. Because investments come from savings, the investment rate follows a similar path: it was 8.2 percent during the 1950's but is down to 3.6 percent in the 1990's. Consequently, the growth of productivity also has lagged. Productivity grew by almost 3.5 percent in the 1950's; during the 1990's it is growing at a mere 1.59 percent. All of this translates into the slow wage growth noted above.

Meanwhile, the growth of real median family income has dropped from 2 percent a year during the Reagan expansion to one-tenth that level—0.2 percent a year—during the current administration.

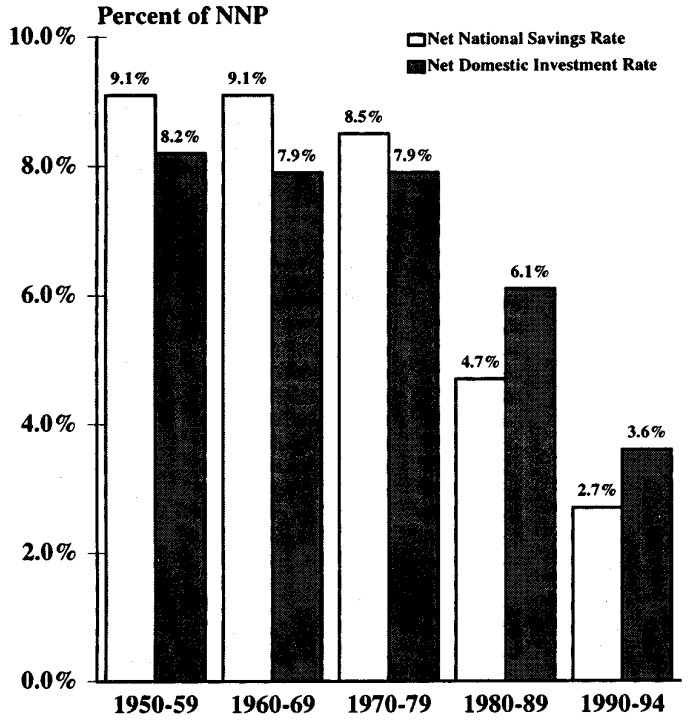
In the current economic climate, surveys continually capture the increasing economic and employment anxiety of American workers. Their concerns are justified: Despite the President's claim of having "created" 8 million jobs, the pace of job creation in the past 12 months is less than half of what is was only a year ago.

At the same time, the Federal Government is taking more of families' income to fund spiraling entitlement programs. In 1950, the average American family making the median income and raising two children sent $1 out of every $50 it earned to Washington. By 1994, the same family was sending $1 out of every $4 it earned—25 percent of its income—to the Federal Government.

To put it simply, instead of allowing young working families to save more money in ways that could make them more productive, boost the economy, and lift wages, the government takes their

money and spends it on entitlement programs that are spending an ever-increasing amount of resources.

The Postwar Decline in U.S. Savings and Investment



Source: Laurence Kotlikoff, Professor of Economics, Boston University

Meanwhile, the President has been the largest obstacle to shifting power, influence, and money out of Washington and back to people in their States and communities. Last year, the Republican majority in Congress passed legislation to balance the budget, reform welfare and Medicaid, preserve and protect Medicare, and cut taxes for working families and for economic growth. The President vetoed all of these initiatives. As detailed elsewhere in this report, his attempt at imitating those reforms—reflected in his fiscal year 1997 budget submission—falls far short of the response needed to control spending and restore economic security.

Nor has the President pursued tax policies that would encourage savings, investment, and capital formation, which are critical to enhancing productivity growth and, in turn, higher standards of liv-

ing and higher wages. In general, growth in productivity results from incorporating improved technology in both the physical capital (plant and equipment) and the processes and procedures used in production. Productivity growth is critically dependent on efforts to reduce current consumption, and thereby increase the rate of national saving.

What all this amounts to is that the Federal Government must turn away from policies that encourage spending at the expense of saving. Incurring large deficits and permitting rapidly escalating spending on entitlements favor spending over saving. Deficit spending transfers an increasing share of the pool of national savings to the public sector and away from private-sector investments.

Therefore, it is imperative to achieve a balanced Federal budget by 2002. This budget resolution calls for serious reforms in both entitlements and discretionary spending. These reforms are intended to reduce the size and scope of the Federal Government, end the drain on savings from continued deficit spending and government borrowing, and reduce the dependence on foreign savings. The net effect will be to strengthen the economy by rewarding an increased level of saving and investment needed to raise productivity growth, improve wages, and elevate living standards.

EARN MORE, KEEP MORE, DO MORE

THE ECONOMIC REASONS FOR BALANCING THE BUDGET

The economic benefits of a balanced budget would touch all Americans and all aspects of the economy. Specifically, it would secure a higher standard-of-living for current and future generations, help create news jobs and raise stagnant wages, and relieve the budgetary pressure from the explosion in entitlement spending that currently crowds out other budget priorities.

INCREASE STANDARDS OF LIVING

The most important economic reason for balancing the budget is to increase national saving. An increased rate of saving would accelerate capital accumulation, thereby providing an increased standard of living for current and future generations, in addition to reducing our borrowing of foreign capital.

In the long run, the rate at which individuals save their money—withholding part of their current income for later use—determines to a large extent a society's level of prosperity and well-being. Individuals can invest those savings in activities that promote economic growth such as accumulating more capital (plant and equipment), expanding the knowledge and skills base of its workers, and conducting research. An increased rate of saving enables an increased rate of investment, which, in turn, creates an increased rate of economic growth, leading to higher wages.

Conversely, continued deficit spending by the government draws down savings and drains economic growth. Increased government borrowing also leads to increased interest rates for both families and businesses. In the short term, escalating interest rates increase the cost of purchases that families typically finance, such as houses and cars. As noted in the introduction to this report, deficit spending adds about 2 percentage points to the interest rates on these purchases. Today's artificially inflated interest rates add about $37,000 to the cost of a moderate-sized home, $2,200 to the cost of a college loan, and $900 to the cost of a car.

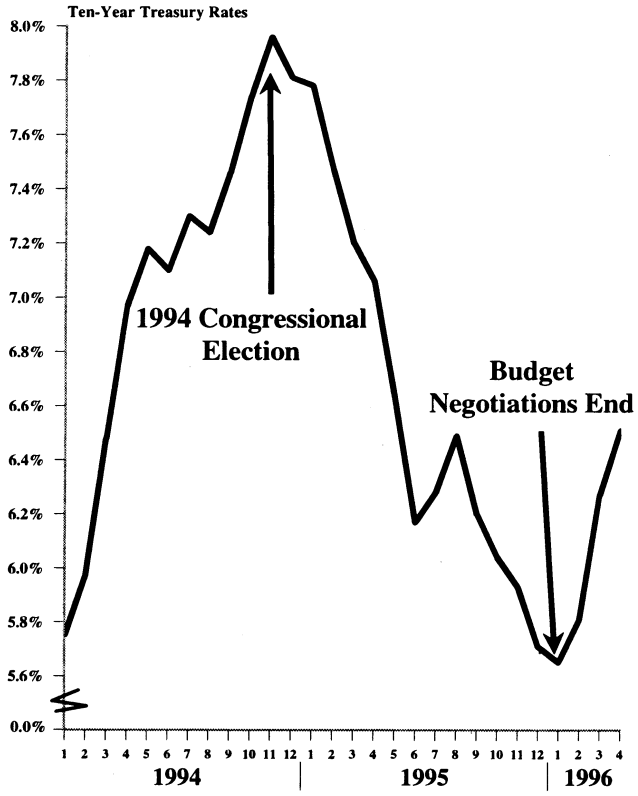
In the long-term, increased interest rates discourage businesses from investing in plants and equipment, which slows business formation and expansion. Balancing the budget helps remove the upward pressure on borrowing that results from deficit spending. In short, balancing the budget helps get the government out of the economy's way, so that the economy can thrive.

The serious pursuit of a balanced budget by the 104th Congress was by itself enough to drive down interest rates from about 8 percent in January 1995 to below 5.8 percent in January 1996. The

rates started back up again when balanced-budget talks with the administration ended. Alan Greenspan, Chairman of the Federal Reserve Board, has linked these interest rate patterns with Congress' development and passage of a balance budget plan and the President's subsequent rejection of the proposal. In his testimony to the Committee on the Budget, Chairman Greenspan said the following:

> What has happened, as it became increasingly credible to the financial community, as we moved through last year, that indeed the budget could conceivably be balanced, long-term interest rates proceeded to fall, and as you may recall, they fell quite appreciably. When it became apparent that a quick agreement was * * * increasingly in difficulty, rates have backed up.

Interest Rates



Source: The Federal Reserve

HOW LOWER DEFICITS HELP CREATE MORE JOBS

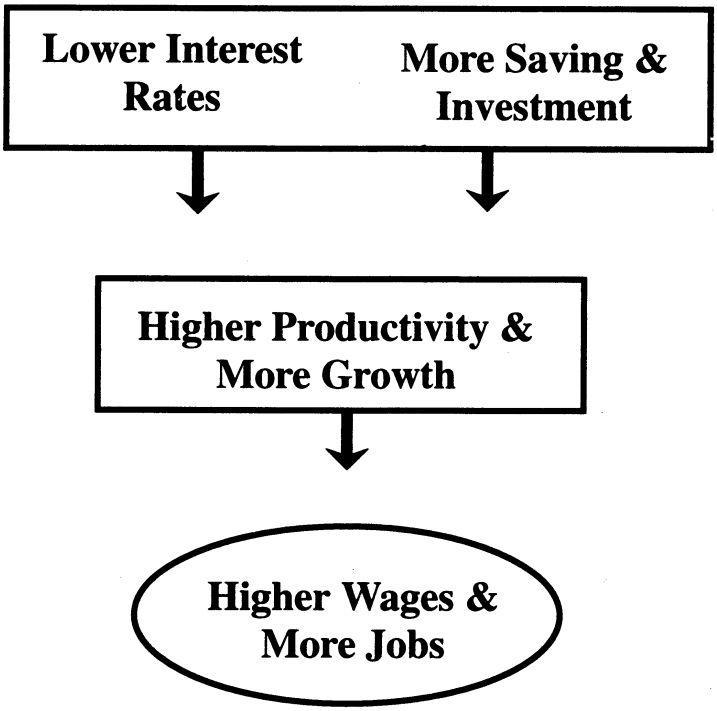
As the government borrows less from the pool of national savings, businesses are encouraged to increase their rate of capital purchases. Given more capital, especially advanced technology capital, workers become more productive. Increased productivity means that firms can produce the same level of output at lower cost. The lower cost of production is reflected in lower prices. Lower prices leads to higher sales and, as a consequence, more jobs and increased wages.

CONTAINING ENTITLEMENT SPENDING

Balancing the budget by controlling entitlement spending would increase the share of the pool of national savings devoted to private-sector investments and reduce the share absorbed by deficit spending.

When government borrowing is used to fund spending on entitlements, such as Medicaid and Medicare, the economic effects of deficits are compounded. In general, entitlement programs transfer resources from individuals with higher incomes and higher saving rates to those with lower income and lower saving rates. Therefore, higher-income individuals save less (their incentive to do so is reduced), and lower-income individuals consume more. Incurring large deficits and permitting rapidly escalating spending on entitlements favors consumption over saving.

A Balanced Budget Means Higher Wages & More Jobs



Source: House Budget Committee

OUR RESPONSIBILITY TO OUR CHILDREN

WHY CURRENT FEDERAL SPENDING TRENDS ARE UNSUSTAINABLE

Thus far, the Republican majority in the Congress has focused on reforms that must be made to balance the budget by fiscal year 2002. But just beyond the horizon of this budget, past 2002, prospects for Federal spending—and their potential impact on the economy—are even more disconcerting. In 15 short years the baby boom generation will begin to retire. That generation was born between 1946 and 1964 when the number of births in the United States rose dramatically. The baby boomers are preceeded and followed by generations with fewer people. In other words, the number of people receiving government benefits will grow rapidly relative to the number of working people paying for those benefits. At the same time, even under this balanced budget plan, the amount of benefits paid to each recipient in virtually every entitlement program also is increasing. For example, under the Medicare reform plan assumed in this budget resolution, average spending per beneficiary increases from $5,200 in 1996 to $7,000 in 2002. Likewise, per-capita Medicaid spending would increase from $2,516 in fiscal year 1995 to $3,242 in fiscal year 2002.

The General Accounting Office [GAO], the Congressional Budget Office [CBO], and various other commissions and experts in the Nation's long-term fiscal and demographic trends have issued warnings about these trends. According to the Interim Report of the Bipartisan Commission on Entitlement and Tax Reform:

> An aging population and sharp increases in health care spending lead to unsustainable growth in Federal entitlements. Without reform, this deepening problem will jeopardize the Nation's long-term economic growth and prosperity. This is not the legacy we want to leave our children and grandchildren.

According to the CBO:

> * * * current policy is simply unsustainable. Wide agreement exists on this conclusion, whether it comes from the Entitlement Commission's work, Alan Auerbach's and Laurence Kotlikoff's generational accounting, the General Accounting Office's [GAO's] deficit projections, or the Congressional Budget Office's [CBO's] own work. * * * Correcting those bugetary imbalances would be a substantial task if it was undertaken now but would only grow more daunting if delayed.

According to the GAO:

- If left unchecked, the Federal debt, currently $5.2 trillion, will continue to grow. By 2025, the debt will be twice as large as the entire economy, and future generations will face enormous tax burdens just for servicing this debt.
- The budget deficit—the amount of additional money the government borrows each year to keep running—will reach 20 percent of gross domestic product [GDP] by 2025. In today's terms, that would translate to a deficit of $1.48 trillion, roughly the size of the entire Federal budget—and that annual borrowing would be added each year to the already overwhelming debt.
- Continued deficits would add to the declining national savings rate, leading to a decline in the capital stock and, ultimately, a decline in gross domestic product. In other words, the economy would actually shrink, and so would standards of living, according to the General Accounting Office [GAO].
- Federal spending would approach 44 percent of GDP by 2025—roughly twice the share of the economy consumed by the Federal Government today.

These problems are neither theoretical nor distant; they are real and they are imminent. A clear indication appears in last year's report from the Trustees of the Medicare Hospital Insurance Trust Fund. Medicare, the government-run health program for the elderly, will be bankrupt within the 6 years of this budget.

The Trustees, who were appointed by the President, reported to the Congress in April 1995 that the program would run a deficit in 1996, and be bankrupt in 2002. They stated: "The trustees believe that prompt, effective and decisive action is necessary" to save Medicare from bankruptcy.

Since then, the situation has deteriorated further. A Treasury Department report in October 1995 documented that the trust fund was in deficit in 1995, pointing to a potential bankruptcy date even earlier than previously assumed.

THE SOURCE OF THE GOVERNMENT SPENDING CRISIS

The growth of a large, centralized government is a relatively recent phenomenon in U.S. history. For about 150 years, spending by Washington showed little tendency to increase relative to the Nation's economy. Until the 1930's, for example, the Nation remained as its Founders had envisioned, a decentralized society in which State and local governments were the main entities. Their spending, which was mainly for education and highways, amounted to more than three times Federal spending.

This situation changed drastically with the New Deal. Like a pendulum, power, money, influence, and decisionmaking began shifting toward Washington and away from families, small businesses, and communities.

These trends accelerated in the 1960's and 1970's as a result of the Great Society programs launched under President Johnson (see Appendix 6, The Causes of Current Deficits) and the expansion of the regulatory state under President Nixon. Because of these two events, the Federal Government is taxing more, spending more,

and regulating more than at any time in the Nation's history. This trend is especially true for the so-called entitlement programs.

In 1970, for example, the Federal Government spent $61.1 billion on entitlement and other mandatory programs and another $14.4 billion on net interest. By 1980, the last year of the Carter administration, entitlement and other mandatory spending had increased fourfold, to $262.3 billion; spending for net interest had increased to $52.5 billion. By 1990, entitlement and other mandatory spending had increased to $567.9 billion; spending for net interest had increased to $184.2 billion. By 1995, entitlement and other mandatory spending had reached $741.3 billion; spending for net interest had reached $232.2 billion. According to the President's budget, the Federal Government will spend almost $1 trillion ($994.7 billion) on entitlements and other mandatory programs in fiscal year 2000 and another $229.9 billion on net interest.

SHIFTING RESOURCES FROM GENERATION TO GENERATION

This transfer of income from families to government also has major implications for different generations. The Federal budget normally measures taxes and spending for 1 year at a time, and it shows estimates for taxes and spending for only a few years into the future. It does not show the effects of the budget on different generations. For that, other forms of accounting are required.

Answering a request by the Budget Committee, CBO analyzed the transfer of income from young working families to retirees as a result of one program—Medicare. Specifically, CBO looked at the extent to which Medicare enrollees' hospital insurance [HI] payroll taxes (part A) and supplemental medical insurance [SMI] premiums cover the value of their benefits.

CBO found that the share of Medicare benefits that comes from individuals' contributions is growing. For men who worked continuously at the average wage from 1966 until retirement as of 1985, contributions (through HI taxes and SMI premiums) are about 29 percent of the value of their expected Medicare benefits. For men retiring as of 1995, contributions are about 38 percent of expected benefits. For men retiring as of 2005, contributions are expected to be about 42 percent of benefits.

Contributions by women as a percent of expected benefits are smaller than they are for men. For women retiring as of 1995, for example, contributions are about 32 percent of benefits. The lower percentage results because a woman's expected remaining lifetime at age 65 is 4 years longer than it is for a man, and the additional benefits women get because of longer life are only partly offset by the fewer benefits they use, compared with men, at any age after 65.

Despite the increasing role of contributions to an individual's Medicare benefits, the amount of subsidy for each Medicare beneficiary is growing even more dramatically. The net transfer or subsidy value is an estimated $31,766 for men and $39,443 for women who retired as of 1985. For individuals who retired as of 1995, the net transfer is an estimated $49,751 for men and $66,613 for women. Under current law, the subsidy will be $70,796 for men and $90,112 for women who retire in 2005.

GENERATIONAL ACCOUNTS

Government deficits, taxes, transfer payments, and other expenditures also affect the distribution of wealth among different generations. As previously indicated, the Federal budget is not capable of measuring these transfers between generations. For this, other techniques are required, such as "generational accounting."

Generational accounts start with the premise that tax revenues have to pay for government spending. The government can borrow for a short time but eventually it has to pay the interest on this borrowing.

Generational accounts indicate, in present value terms, what the members of each generation can expect to pay on average, now and in the future, in net taxes. Generational accounts look ahead many decades, and they classify taxes paid and benefits received—such as Medicare and welfare—according to the generation that pays or receives the money. For an existing generation, generational accounts estimate its taxes and benefits year by year over its entire remaining lifespan; and they summarize these amounts for that generation in terms of one number, the present value of its lifetime net tax rates.

For future generations, generational accounts estimate the net tax payments based on the proposition that the government's bills that are not paid now will have to be paid by future generations (those not yet born). They calculate how much future generations will have to pay on average to the government, above the amounts they will receive in government benefits. The methodology then translates the figures into their amounts in present-day terms. In other words, generational accounts measure directly how large a tax bill is today being left to the Nation's children.

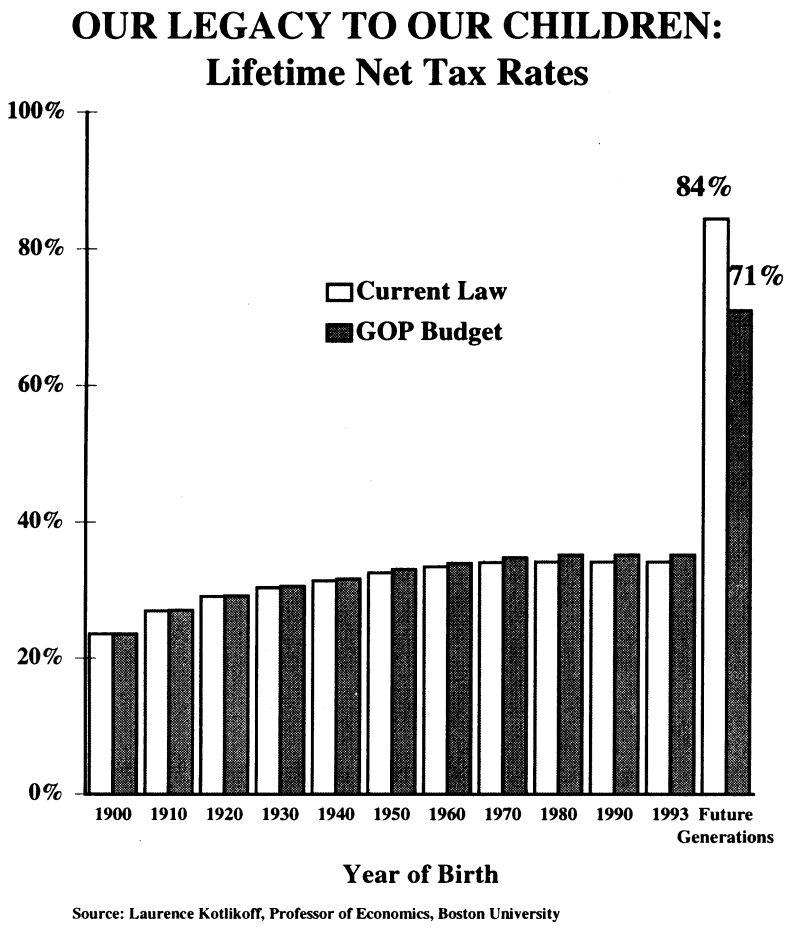
The President's fiscal year 1995 budget contained an entire chapter on generational accounting. It stated:

> * * * the generational accounts can be illuminating when considered in the light of their assumptions, as has been the case for the 75-year projections made every year by the Social Security Trustees. Moreover, the most fundamental result holds for a wide range of reasonable assumptions: the net tax payment by future generations is relatively much larger than the net tax payment by the generation just born or other existing generations.

The President's budget submission this year excludes the chapter on generational accounting, probably because the outlook has worsened. The work of Alan J. Auerbach, Jagadeesh Gokhale, and Laurence Kotlikoff indicates that the bill being left to the Nation's children is enormous. The figure below presents the lifetime net tax rates of generations born in this century as well as future generations. Under current policies, lifetime net tax rates—measured in present-day terms—increase from 24 percent for the generation born at the turn of the century to 34 percent for children who have just been born. In other words, the net tax rate already has increased by 33 percent.

The figure also shows that if the Congress fails to change the course of current government spending patterns, future generations face a dramatically higher lifetime net tax rate—one that trans-

lates to 84 percent of their lifetime incomes when measured in today's terms.



THE BALANCED BUDGET ACT

Clearly such a pattern is unsustainable and even immoral. The Balanced Budget Act of 1995—passed by the first session of the 104th Congress but vetoed by the President—took the first step toward correcting this problem. By slowing the growth of government spending, the measure would have lowered the net tax rate facing future generations from 84 percent to 71 percent. In other words, the budget that the President demagogically labeled "extreme" only slightly relieved the burden of ballooning taxes and stagnant real wages on future generations.

In hindsight, this is somewhat understandable. Contrary to the erroneous claims by the President, the Balanced Budget Act did not cut programs such as Medicare and Medicaid. Medicare and

Medicaid benefits would continue to grow year after year at roughly twice the rate of the economy. The plan also cannot change the demographic dilemma—the fact that the enormous cohort of baby boomers starts collecting Social Security benefits in just 12 years and Medicare benefits in 15 years.

Again, balancing the budget is only the first step. Gaining real control over the massive shift of resources from generation to generation will require continued, determined effort, even if the budget is balanced by 2002. But failing to take that first step, the Nation risks turning a potential crisis into a reality.

That is why this budget resolution maintains Congress' commitment to balancing the Federal budget.

THE CHILDREN'S RIGHT TO KNOW ACT

It is important that the American people understand the impact that current policies will have on both today's children and future generations. The Office of Management and Budget [OMB] has both the capability and the means to do generational accounting, but has been barred by the President from doing so. Congressman Lamar S. Smith has introduced legislation titled the Children's Right to Know Act, which mandates an annual generational accounting by the Office of Management and Budget [OMB]. The budget resolution strongly supports this legislation.

ECONOMIC ASSUMPTIONS OF THE BUDGET RESOLUTION

The budget resolution is based on economic assumptions developed by the Congressional Budget Office [CBO]. These figures, shown in Table 1, assume that the Federal budget will be balanced by 2002. The economic assumptions comprise a short-term forecast for 1996 and 1997, which reflects the current state of the economy relative to the business cycle, and a longer-term projection for 1998 through 2002. Table 1 also provides a comparison of the Budget Committee's assumptions with those released by the administration (Office of Management and Budget) and the Blue Chip consensus of private forecasters. All of these forecasts are based on the new revisions to the national economic statistics. The Budget Committee believes that CBO's economic assumptions present a realistic and honest outlook for the economy over the next 6 years.

COMPARISON OF ECONOMIC ASSUMPTIONS

[Calendar years, in percent]

	Actual 1995	Forecast		Projected				
		1996	1997	1998	1999	2000	2001	2002
Nominal GDP (percent year over year):.								
OMB	4.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1
CBO	4.6	4.8	4.9	4.9	4.9	4.9	4.9	
Blue Chip	4.2	4.6	4.4	4.5	4.9	4.7	4.8	
Real GDP (percent year over year):.								
OMB	2.0	2.2	2.3	2.3	2.3	2.3	2.3	2.3
CBO	2.0	2.0	2.1	2.2	2.2	2.2	2.2	
Blue Chip	1.9	2.1	1.9	2.0	2.4	2.3	2.3	
Chained Price Index (percent year over year):.								
OMB	2.5	2.8	2.7	2.7	2.7	2.7	2.7	2.7
CBO	2.6	2.8	2.7	2.7	2.7	2.7	2.7	
Blue Chip	2.3	2.4	2.4	2.5	2.5	2.4	2.5	
Inflation,CPI-U (percent year over year):.								
OMB	2.8	2.8	3.0	2.8	2.8	2.8	2.8	2.8
CBO	2.8	3.1	3.0	2.9	2.9	2.9	3.0	
Blue Chip	2.7	2.8	2.9	2.8	2.9	2.8	2.8	
Unemployment Rate (annual rate):.								
OMB	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
CBO	5.8	6.0	6.0	6.0	6.0	6.0	6.0	
Blue Chip	6.0	6.1	6.3	6.3	6.1	6.1	6.0	
3-month Treasury Bills rate (annual rate):.								
OMB	5.5	4.9	4.5	4.3	4.2	4.0	4.0	4.0
CBO	4.9	4.8	4.3	3.9	3.7	3.7	3.7	
Blue Chip	4.9	4.9	5.2	5.1	5.0	4.9	4.9	
10-year Treasury Note rates (annual rate):.								
OMB	6.6	5.7	5.3	5.0	5.0	5.0	5.0	5.0
CBO	5.7	5.5	5.3	5.3	5.3	5.3	5.3	

COMPARISON OF ECONOMIC ASSUMPTIONS—Continued

[Calendar years, in percent]

	Actual 1995	Forecast		Projected				
		1996	1997	1998	1999	2000	2001	2002
Blue Chip	5.7	5.8	6.4	6.3	6.3	6.2	6.2	

Sources: OMB, ''Fiscal Year 1997 Budget, Analytical Perspectives,'' (March 18, 1996). CBO, ''The Economic and Budget Outlook, Fiscal Years 1997–2006,'' (May, 1996).'' Blue Chip Economic Indicators,'' (April 10 and March 10, 1996).

REVIEW OF ECONOMIC DEVELOPMENTS IN 1995

The growth rate of real GDP declined from an average of 3.5 percent in 1994 to 2.1 percent in 1995. The overall 1995 growth rate is misleading, however, because growth in the first, second, and fourth quarters was less than 1 percent. An anomolous 3.6-percent third-quarter rate was needed to compensate for the prevalent economic anemia.

Since the last recession, the main policy objective of the Federal Reserve Board [Fed] has been to ensure that its monetary policy supports a rate of economic growth that is consistent with low inflation (the so-called "soft-landing"). In response to fairly brisk economic growth in 1994, the Fed raised interest rates several times. The Fed reasoned that "preemptive strikes" were required because continued acceleration in growth would likely result in inflation. The financial markets responded to the Fed's monetary restraint by lowering long-term interest rates. The decline in long-term interest rates accelerated during 1995 with the election of a Republican Congress, which made balancing the budget a pillar of its economic agenda.

During the year, a low-inflation environment and continued high corporate profits helped spark a stock market rise, as individuals shifted massively to investing in financial assets. (Housing is the major asset investment for consumers, yet in a low-inflation environment the returns to physical assets such as housing fall and returns to financial assets rise—as seen in the past 2 years with the boom in the stock market and stagnant housing prices.) Because of weak retail sales, excess inventories began to build in 1995. This caused companies to reduce production. Although this inventory correction contributed to the slowdown in economic growth during the year, it was expected to be temporary, because inventory building usually resumes when sales recover. But the slow economic growth continued into the first quarter of this year.

THE SHORT-TERM OUTLOOK FOR 1996 AND 1997

CBO estimates the potential growth rate of real GDP to be 2.1 percent in 1996 and 1997. The short-term forecast also shows that during 1996 both unemployment and inflation will rise slightly as the economy's available productive capacity is absorbed. The 1995 unemployment rate of 5.6 percent is expected to rise to 6.0 percent by 1997. The inflation rate will also rise slightly to about 3.0 percent a year. After falling below 6 percent in the fourth quarter of 1995, long-term interest rates (10-year Treasury Note rates) rose approximately one-half percentage point in the first quarter of 1996.

The short-term forecast of GDP growth assumes continued spending by consumers on durable goods such as autos and by businesses on capital goods. But the Budget Committee acknowledges the view expressed by some analysts that consumer spending may be inhibited by household indebtedness and that the pent-up demand for capital goods may have been satisfied.

THE LONG-TERM OUTLOOK THROUGH 2002

CBO's long-term projections assume that the Fed will pursue a low-inflation environment that supports a rate of economic growth close to its long-term potential. Given a balanced budget, CBO projects for the period 1998 to 2002 that the economy will grow between 2.1 percent and 2.2 percent.

The economy appears to have entered a sustained period of slow growth: 2 years ago the long-term potential growth rate of the economy was thought to be about 2.5 percent. Analysts lowered this estimate to between 2.3 percent and 2.4 percent just last year. Now it is being revised downward even further, to 2.1 percent.

The latest downward revision in the economy's potential growth rate is explained by two factors. First, the shift to the new "chain-weighted" basis for measuring national economic statistics eliminated an upward bias in the real growth rate because some goods and services, such as computers, have declined in relative prices. By reducing the value of the computer's weight, the index more accurately reflects the declining relative prices of computers and, thus, yields a lower value of real GDP.

Second, during the 1990's, growth in the labor force has slowed substantially. This slowing has prompted a downward revision in projections of future labor force growth. Accordingly, projections of slower labor force growth in the future implies a reduction in the potential growth rate. Combined, both factors have lowered the potential growth rate by an average of 0.4 percentage points annually.

THE FISCAL DIVIDEND

CBO's economic projections assume that the Federal budget will be balanced by 2002. Economists believe that implementation of a credible deficit reduction plan will generate economic benefits in the form of lower interest rates, higher national savings, higher investment, and faster economic growth. These economic benefits will affect the Federal budget by reducing Federal interest payments and increasing revenues, thereby reducing projected deficits. This budgetary effect is referred to as the "fiscal dividend." CBO assumes that a balanced budget will lower interest rates by 1.1 percentage points and cause a slight increase in productivity and real GDP. Including the debt-service savings due to these effects allows for a fiscal dividend of $253 billion over the period 1996–2002.

FORMULA BIAS

The Bureau of Labor Statistics [BLS] has announced its plans to remove the "formula bias" from the Consumer Price Index [CPI]. This revision is scheduled to be incorporated in the index by June 1996. BLS estimates that this revision would correct the growth

rate of the CPI to 0.1 percentage point below the previous projection. CBO had estimated earlier, based on incomplete information, a correction of 0.16 percentage points annually. The new information and estimate will be incorporated in the CBO August update.

The correction for formula bias consists of two revisions. The first revision extends the "sample rotation" procedures originally introduced in January 1995. Beginning in June 1996, the sample rotation procedure as applied to the food-at-home component will be extended to all categories. In brief, the BLS replaces its sample of items and retail outlets on a 5-year rotation basis. Currently, there is an initiation period when new outlets and items are selected, followed by an overlap period when the prices of such items are used both as base period prices and to calculate subsequent price changes. This procedure assigns high weights to items with temporarily low prices, especially for items with short-term price fluctuations, such as food items. The new change is to extend the current procedures for food items to all nonshelter items by using a longer overlap period, from 1 month to at least 3 months, to obtain more appropriate weights.

The second revision attempts to improve the procedure used for substitute items. When CPI sample items are replaced, some 30 percent are not comparable to the item they replace. The price of the new item is determined by reference to the original base period, implicitly changing the weight of the item. Starting in July 1996, the CPI will not recalculate the base period price for such noncomparable items, and will continue with the original weight.

SHARING THE BURDEN

ATTACKING CORPORATE SUBSIDIES

The Federal Government spends billions of dollars each year to subsidize corporate America. These subsidies are provided by virtually every major Cabinet Department in the Federal Government. This practice persists even as the Congress is closely scrutinizing spending for programs that furnish support for the poor and infirm it. Under these conditions, Congress cannot ignore spending in support of some of the largest corporations in America. The question that must be asked is this: Is the economic gain from these business subsidies worth the cost to the American taxpayer? In too many cases, the answer is no.

These subsidies were originally created with laudable goals such as encouraging new technologies or developing needed services. In some cases, this view may have been naive or misdirected; but no one can deny that in many cases today, these goals are no longer being served or the programs are ineffective.

The position of this Budget Resolution is that any kind of unnecessary subsidy should be closely scrutinized for ultimate repeal or reform. In fact, a bipartisan group of Senators have formed an independent commission to help drastically cut the subsidies for business that many call "corporate welfare."

ARGUMENTS FOR AND AGAINST CORPORATE SUBSIDIES

Proponents of these corporate subsidies maintain that they serve the national interest in a variety of ways. They typically assert economic, national security, and social reasons in defense of the subsidies. The subsidies to corporations are variously justified because "they protected vital industries;" "they subsidize research that private industry would not otherwise undertake;" "they encourage businesses to hire the socially disadvantaged;" or "they finance ventures too risky for private investors."

But witnesses testifying before the Committee on the Budget on March 7 of this year contended that such subsidies are unfair and, in fact, ineffective. Said Beau Boulter, chairman of CapitolWatch and the Coalition Against Corporate Welfare: "Corporate welfare is not fair. It's not smart. And, worst of all, it doesn't work."

Steve Moore, director of Fiscal Policy Studies at the Cato Institute, reported that the Federal Government now spends roughly $75 billion each year on more than 125 programs that provide direct taxpayer assistance to American businesses. In his testimony, Moore added:

> Cutting corporate welfare is good economics because very few of the industrial policy programs run out of

> Washington have a credible track record in terms of creating jobs or wealth.

Dr. Robert Shapiro, cofounder of the Progressive Policy Institute, told the Budget Committee that these subsidies, much like trade protections, actually weaken market incentives for companies to become more efficient and productive. Thus, corporate subsidies can actually be counterproductive to the goal of improving the economy.

In an article in the Washington Post titled "End Corporate Welfare," Dr. Shapiro also has noted:

> The purpose of fiscal discipline is not the aesthetic appeal of a budget ledger in balance but the economic benefits that come from increasing the resources available for productive private and public investment. If stronger economic growth is the goal of budget reform, the process should begin with those programs that tend to undermine that growth.

FAIRNESS

Attacking corporate subsidies also appeals to those who argue for social justice. Reporting on the analysis completed by the Center on Budget and Policy Priorities based on a Congressional Budget Office report defining which government programs constitute business subsidies, Dr. Robert Greenstein emphasized the importance of the visibility of this issue by saying: "I think our task should be large-scale, long-lasting deficit reduction done in an equitable and balanced manner." He added a statement by David Stockman, the former Director of the Office of Management and Budget: "The task is to go after weak claims, not weak clients".

This budget resolution calls for the termination of the Advanced Technology Program; elimination of Federal funding for outdated subsidies; elimination of funding for the National Information Infrastrucuture; elimination of DOD's Dual Use Applications Programs; and elimination of further funding of the Department of Energy's subsidized energy research. The resolution also recommends the repeal of section 936, which provides a no-longer-needed tax incentive, principally used by pharmaceutical manufacturers, for companies to move facilities out of the United States and into Puerto Rico.

THE END OF POLITICS AS USUAL

FUNCTION-BY-FUNCTION DESCRIPTIONS

The discussions that follows describe the budget resolution's recommended priorities for fiscal years 1997 through 2002. At the end of each function, additional provisions with budgetary effects are mentioned. These ancillary provisions are fully detailed in Appendix 1.

The discussions that follow reflect the assumptions underlying the House Budget Committee's recommendations concerning the funding priorities for programs in each function. The actual policy changes for programs fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

FISCAL YEAR 1997 BUDGET RESOLUTION—TOTAL

[In billions of dollars]

	Fiscal year—								
	1995	1996	1997	1998	1999	2000	2001	2002	1997–2002
Budget authority	1,543.291	1,576.985	1,629.863	1,692.472	1,733.954	1,786.658	1,826.964	1,886.472	10,556.383
Outlays	1,519.133	1,574.677	1,618.059	1,675.492	1,713.667	1,762.281	1,793.820	1,842.378	10,405.697
Revenues	1,355.213	1,424.189	1,470.373	1,532.708	1,599.656	1,674.768	1,754.153	1,845.563	9,877.221
Deficit (-)/surplus (+)	−163.920	−150.488	−147.686	−142.784	−114.011	−87.513	−39.667	+3.185	−528.476
Debt subject to limit	4,884.600	5,160.400	5,434.400	5,697.600	5,938.900	6,159.000	6,332.800	6,464.900	36,027.600
050 National defense:									
Budget authority	.....	264.111	267.183	268.958	271.677	274.377	277.121	280.101	1,639.417
Outlays	.....	263.595	264.846	263.618	267.049	270.841	270.025	270.122	1,606.501
150 International affairs:									
Budget authority	.....	15.011	13.732	11.551	10.576	11.089	10.890	11.009	68.847
Outlays	.....	15.896	14.963	13.484	12.467	11.025	10.584	10.281	72.804
250 General science, space, and technology:									
Budget authority	.....	16.787	16.537	16.428	16.313	16.159	15.934	15.602	96.973
Outlays	.....	16.570	16.697	16.494	16.224	16.111	15.943	15.673	97.142
270 Energy:									
Budget authority	.....	3.782	2.380	2.441	2.034	1.697	1.782	1.430	11.764
Outlays	.....	3.523	2.729	2.078	1.327	0.815	0.740	0.231	7.920
300 Natural resources and environment:									
Budget authority	.....	21.391	20.529	18.902	19.713	18.399	18.994	18.860	115.397
Outlays	.....	21.827	21.322	19.654	20.409	18.950	19.205	18.910	118.450
350 Agriculture:									
Budget authority	.....	12.737	11.840	11.750	11.367	10.714	9.497	8.964	64.132
Outlays	.....	10.751	10.238	9.855	9.483	8.843	7.730	7.181	53.330
370 Commerce and housing credit:									
Budget authority	.....	11.884	8.957	14.188	14.103	12.850	14.662	11.598	76.358
Outlays	.....	−7.071	−1.599	7.333	4.377	6.841	8.395	7.218	32.565
400 Transportation:									
Budget authority	.....	36.653	41.737	43.541	43.961	44.103	44.531	45.045	262.918
Outlays	.....	39.308	39.007	37.635	36.111	35.236	34.526	34.042	216.557
450 Community and regional development:									
Budget authority	.....	11.089	6.672	6.605	6.559	6.595	6.243	6.153	38.827
Outlays	.....	11.116	10.149	8.640	7.820	7.040	6.655	6.161	46.465

500	Education, training and social services:								
	Budget authority	47.790	46.965	47.416	48.046	48.696	49.410	50.092	290.625
	Outlays	50.558	49.504	48.112	47.817	48.209	48.704	49.335	291.681
550	Health:								
	Budget authority	110.577	129.918	137.726	144.995	152.961	161.114	167.926	894.640
	Outlays	122.977	130.276	138.064	145.168	152.890	160.789	167.476	894.663
570	Medicare:								
	Budget authority	181.254	193.165	207.183	217.250	229.309	241.641	255.121	1,343.669
	Outlays	179.109	191.481	205.458	214.978	227.560	239.907	252.720	1,332.104
600	Income security:								
	Budget authority	219.334	232.612	241.254	244.842	262.510	262.260	281.100	1,524.578
	Outlays	228.879	240.107	244.185	251.716	263.060	265.271	277.213	1,514.552
650	Social security:								
	Budget authority	354.584	372.450	390.941	410.440	431.006	453.307	476.614	2,534.758
	Outlays	351.311	368.139	386.144	405.059	425.100	446.769	469.455	2,500.666
700	Veterans benefits and services:								
	Budget authority	38.502	39.117	38.458	37.712	37.713	38.002	39.713	230.715
	Outlays	37.782	39.654	39.321	38.063	39.427	36.882	39.912	233.259
750	Administration of justice:								
	Budget authority	20.969	22.125	22.302	23.186	23.235	20.746	20.740	132.334
	Outlays	17.694	19.930	21.162	22.241	22.944	20.704	20.700	127.681
800	General government:								
	Budget authority	12.494	11.372	13.314	12.592	12.987	12.549	13.020	75.834
	Outlays	12.648	11.747	13.640	12.928	13.364	12.454	12.321	76.454
900	Net interest:								
	Budget authority	239.734	242.098	244.047	242.917	239.025	237.319	235.579	1,440.985
	Outlays	239.734	242.098	244.047	242.917	239.025	237.319	235.579	1,440.985
920	Allowances:								
	Budget authority	−0.214	2.671	−1.934	−2.025	−2.038	−2.026	−2.182	−7.534
	Outlays	−0.046	−1.032	−0.833	−0.183	−0.271	−1.770	−2.139	−6.228
950	Offsetting receipts:								
	Budget authority	−41.484	−52.197	−42.599	−42.304	−44.729	−47.012	−50.013	−278.854
	Outlays	−41.484	−52.197	−42.599	−42.304	−44.729	−47.012	−50.013	−278.854

FISCAL YEAR 1997 BUDGET RESOLUTION TOTAL ON-BUDGET

[In billions of dollars]

	Fiscal year—							
	1996	1997	1998	1999	2000	2001	2002	1997–2002
Budget authority	1,266.763	1,311.284	1,357.208	1,386.228	1,428.397	1,450.450	1,497.756	8,431.433
Outlays	1,276.968	1,306.921	1,350.905	1,379.428	1,413.490	1,428.809	1,463.504	8,343.057
Revenues	1,059.022	1,085.363	1,130.426	1,176.236	1,229.666	1,288.998	1,358.219	7,268.908
Deficit (−)/surplus (+)	−217.946	−221.558	−220.479	−203.192	−183.824	−139.811	−105.285	−1,074.149
Debt subject to limit	5,160.400	5,434.400	5,697.600	5,938.900	6,159.000	6,332.800	6,464.900	36,027.600
050 National defense:								
Budget authority	264.111	267.183	268.958	271.677	274.377	277.121	280.101	1,639.417
Outlays	263.595	264.846	263.618	267.049	270.841	270.025	270.122	1,606.501
150 International affairs:								
Budget authority	15.011	13.732	11.551	10.576	11.089	10.890	11.009	68.847
Outlays	15.896	14.963	13.484	12.467	11.025	10.584	10.281	72.804
250 General Science, Space, and Technology:								
Budget authority	16.787	16.537	16.428	16.313	16.159	15.934	15.602	96.973
Outlays	16.570	16.697	16.494	16.224	16.111	15.943	15.673	97.142
270 Energy:								
Budget authority	3.782	2.380	2.441	2.034	1.697	1.782	1.430	11.764
Outlays	3.523	2.729	2.078	1.327	0.815	0.740	0.231	7.920
300 Natural Resources and Environment:								
Budget authority	21.391	20.529	18.902	19.713	18.399	18.994	18.860	115.397
Outlays	21.827	21.322	19.654	20.409	18.950	19.205	18.910	118.450
350 Agriculture:								
Budget authority	12.737	11.840	11.750	11.367	10.714	9.497	8.964	64.132
Outlays	10.751	10.238	9.855	9.483	8.843	7.730	7.181	53.330
370 Commerce and Housing Credit:								
Budget authority	6.446	7.838	9.464	10.476	12.448	11.268	11.598	63.092
Outlays	−6.388	−2.319	5.752	6.043	7.320	7.283	7.218	31.297
400 Transportation:								
Budget authority	36.653	41.737	43.541	43.961	44.103	44.531	45.045	262.918
Outlays	39.308	39.007	37.635	36.111	35.236	34.526	34.042	216.557
450 Community and Regional Development:								
Budget authority	11.089	6.672	6.605	6.559	6.595	6.243	6.153	38.827
Outlays	11.116	10.149	8.640	7.820	7.040	6.655	6.161	46.465

500 Education, Training and Social Services:								
Budget authority	47.790	46.965	47.416	48.046	48.696	49.410	50.092	290.625
Outlays	50.558	49.504	48.112	47.817	48.209	48.704	49.335	291.681
550 Health:								
Budget authority	110.577	129.918	137.726	144.995	152.961	161.114	167.926	894.640
Outlays	122.977	130.276	138.064	145.168	152.890	160.789	167.476	894.663
570 Medicare:								
Budget authority	181.254	193.165	207.183	217.250	229.309	241.641	255.121	1,343.669
Outlays	179.109	191.481	205.458	214.978	227.560	239.907	252.720	1,332.104
600 Income Security:								
Budget authority	219.334	232.612	241.254	244.842	262.510	262.260	281.100	1,524.578
Outlays	228.879	240.107	244.185	251.716	263.060	265.271	277.213	1,541.552
650 Social Security:								
Budget authority	6.868	7.812	8.476	9.219	9.979	10.775	11.607	57.868
Outlays	9.987	10.543	11.213	11.922	12.662	13.458	14.290	74.088
700 Veterans Benefits and Services:								
Budget authority	38.502	39.117	38.458	37.712	37.713	38.002	39.713	230.715
Outlays	37.782	39.654	39.321	38.063	39.427	36.882	39.912	233.259
750 Administration of Justice:								
Budget authority	20.969	22.125	22.302	23.186	23.235	20.746	20.740	132.334
Outlays	17.694	19.930	21.162	22.241	22.944	20.704	20.700	127.681
800 General Government:								
Budget authority	12.494	11.372	13.314	12.592	12.987	12.549	13.020	75.834
Outlays	12.648	11.747	13.640	12.928	13.364	12.454	12.321	67.454
900 Net Interest:								
Budget authority	276.374	282.653	288.947	292.607	294.004	298.041	302.443	1,758.695
Outlays	276.374	282.653	288.947	292.607	294.004	298.041	302.443	1,758.695
920 Allowances:								
Budget authority	−0.214	2.671	−1.934	−2.025	−2.038	−2.026	−2.182	−7.534
Outlays	−0.045	−1.032	−0.833	−0.183	−0.271	−1.770	−2.139	−6.228
950 Offsetting Receipts:								
Budget authority	−35.192	−45.574	−35.574	−34.762	−36.540	−38.322	−40.586	−231.358
Outlays	−35.192	−45.574	−35.574	−34.762	−36.540	−38.322	−40.586	−231.358

FISCAL YEAR 1997 BUDGET RESOLUTION—TOTAL OFF-BUDGET

[In billions of dollars]

	Fiscal years—							
	1996	1997	1998	1999	2000	2001	2002	1997–2002
Budget authority	310.222	318.579	335.264	347.616	358.261	376.514	388.716	2,1234.960
Outlays	297.709	311.138	324.587	334.239	348.791	365.011	378.874	2,062.640
Revenues	365.167	385.010	402.282	423.420	445.102	465.155	487.344	2,608.313
Deficit (−)/Surplus (+)	+67.458	+73.872	+77.695	+89.181	+96.311	+100.144	+108.470	+545.673
Debt subject to limit	0	0	0	0	0	0	0	0
050 National defense:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
150 International affairs:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
250 General Science, Space, and Technology:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
270 Energy:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
300 Natural Resources and Environment:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
350 Agriculture:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
370 Commerce and Housing Credit:								
Budget authority	5.438	1.119	4.724	3.627	0.402	3.394	0	13.260
Outlays	−0.683	0.720	1.581	−1.666	−0.479	1.112	0	1.268
400 Transportation:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
450 Community and Regional Development:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0

500 Education, Training, and Social Services:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
550 Health:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
570 Medicare:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
600 Income Security:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
650 Social Security:								
Budget authority	347.716	364.638	382.465	401.221	421.027	442.532	465.007	2,476.890
Outlays	341.324	357.596	374.931	393.137	412.438	433.311	455.165	2,426.578
700 Veterans Benefits and Services:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
750 Administration of Justice:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
800 General Government:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
900 Net Interest:								
Budget authority	−36.640	−40.555	−44.900	−49.690	−54.979	−60.722	−66.864	−317.710
Outlays	−36.640	−40.555	−44.900	−49.690	−54.979	−60.722	−66.864	−317.710
920 Allowances:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
950 Offsetting Receipts:								
Budget authority	−6.292	−6.623	−7.025	−7.542	−8.189	−8.690	−9.427	−47.496
Outlays	−6.292	−6.623	−7.025	−7.542	−8.189	−8.690	−9.427	−47.496

FISCAL YEAR 1997 BUDGET RESOLUTION—DISCRETIONARY

[In billions of dollars]

	Fiscal year—							
	1996	1997	1998	1999	2000	2001	2002	1997–2002
Budget authority	495.811	494.995	492.249	488.586	496.295	488.863	499.041	2,960.029
Outlays	535.974	535.139	526.421	524.319	524.462	513.713	511.352	3,135.406
050 National defense:								
Budget authority	264.882	267.962	269.731	272.380	275.064	277.832	280.739	1,643.708
Outlays	264.516	265.668	264.462	267.808	271.537	270.744	270.768	1,610.987
150 International affairs:								
Budget authority	18.496	17.660	15.491	14.458	13.814	13.490	13.320	88.233
Outlays	19.846	19.311	17.843	16.540	15.264	14.415	13.854	97.227
250 General Science, Space, and Technology:								
Budget authority	16.748	16.497	16.387	16.270	16.115	15.889	15.556	96.714
Outlays	16.532	16.658	16.455	16.184	16.069	15.899	15.628	96.893
270 Energy:								
Budget authority	4.835	3.778	3.557	3.596	3.329	3.261	3.199	20.720
Outlays	5.814	5.051	4.255	4.009	3.600	3.411	3.254	23.580
300 Natural Resources and Environment:								
Budget authority	20.534	19.787	19.513	19.072	18.678	18.594	18.466	114.110
Outlays	21.323	20.701	20.289	19.830	19.334	18.915	18.647	117.716
350 Agriculture:								
Budget authority	3.949	2.978	2.881	2.686	2.581	2.408	2.118	15.652
Outlays	3.969	3.211	2.964	2.754	2.617	2.449	2.165	16.160
370 Commerce and Housing Credit:								
Budget authority	1.787	2.441	2.509	2.907	4.188	2.307	2.303	16.655
Outlays	1.923	2.575	2.583	2.690	3.697	2.485	2.092	16.122
400 Transportation:								
Budget authority	13.752	12.945	12.654	12.521	11.967	11.681	11.467	73.235
Outlays	36.480	36.443	35.494	34.276	33.579	32.941	32.480	205.213
450 Community and Regional Development:								
Budget authority	10.453	6.368	6.306	6.272	6.243	5.902	5.924	37.015
Outlays	10.748	10.161	8.804	7.996	7.077	6.689	6.294	47.021
500 Education, Training and Social Services:								
Budget authority	36.220	35.372	35.135	34.979	34.842	34.773	34.711	209.812
Outlays	38.820	37.984	35.801	35.100	34.843	34.689	34.612	213.029

550 Health:								
Budget authority	23.254	22.230	22.159	21.957	21.845	21.726	21.526	131.443
Outlays	23.093	22.711	22.381	22.088	21.944	21.818	21.626	132.568
570 Medicare:								
Budget authority	3.031	3.031	3.031	3.031	3.031	3.031	3.031	18.186
Outlays	3.026	3.031	3.031	3.031	3.031	3.031	3.031	18.186
600 Income security:								
Budget authority	27.517	29.780	34.445	30.298	36.531	32.336	39.227	32.336
Outlays	38.740	39.867	39.788	39.621	39.349	37.678	37.516	233.819
650 Social Security:								
Budget authority	0.006	0.005	0.005	0.005	0.005	0.005	0.005	0.030
Outlays	3.125	2.736	2.742	2.708	2.688	2.688	2.688	16.250
700 Veterans Benefits and Services:								
Budget authority	18.425	19.079	18.129	17.154	17.054	17.154	18.704	107.274
Outlays	19.029	19.404	18.837	17.377	17.108	17.161	18.533	108.420
750 Administration of Justice:								
Budget authority	20.575	21.862	21.857	22.738	22.807	20.342	20.360	129.966
Outlays	17.342	19.728	20.780	21.858	22.578	20.363	20.383	125.690
800 General government:								
Budget authority	11.561	10.508	10.361	10.259	10.211	10.130	10.540	62.009
Outlays	11.694	10.918	10.713	10.598	10.387	10.078	9.892	62.586
900 Net interest:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0
920 Allowances:								
Budget authority	−0.214	2.712	−1.903	−1.997	−2.010	−1.998	−2.155	−7.351
Outlays	−0.046	−1.019	−0.801	−0.149	−0.240	−1.741	−2.111	−6.061
950 Offsetting receipts:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0

FISCAL YEAR 1997 BUDGET RESOLUTION—MANDATORY

[in billions of dollars]

	Fiscal year—							
	1996	1997	1998	1999	2000	2001	2002	1997–2002
Budget authority	1,081.174	1,134.868	1,200.223	1,245.368	1,290.363	1,338.431	1,387.431	7,596.354
Outlays	1,038.703	1,082.920	1,149.071	1,189.348	1,237.819	1,280.107	1,331.026	7,270.291

FISCAL YEAR 1997 BUDGET RESOLUTION—MANDATORY—Continued

[in billions of dollars]

	Fiscal year—							
	1996	1997	1998	1999	2000	2001	2002	1997–2002
Revenues	1,424.189	1,470.373	1,532.708	1,599.656	1,674.768	1,754.153	1,845.153	9,877.221
050 National defense:								
Budget authority	−0.771	−0.779	−0.773	−0.703	−0.687	−0.711	−0.638	−4.291
Outlays	−0.921	−0.822	−0.844	−0.759	−0.696	−0.719	−0.646	−4.486
150 International affairs:								
Budget authority	−3.485	−3.928	−3.940	−3.882	−2.725	−2.600	−2.311	−19.386
Outlays	−3.950	−4.348	−4.359	−4.073	−4.239	−3.831	−3.573	−24.423
250 General Science, Space, and Technology:								
Budget authority	0.039	0.040	0.041	0.043	0.044	0.045	0.046	0.259
Outlays	0.038	0.039	0.039	0.040	0.042	0.044	0.045	0.249
270 Energy:								
Budget authority	−1.053	−1.398	−1.116	−1.562	−1.632	−1.479	−1.769	−8.956
Outlays	−2.291	−2.322	−2.177	−2.682	−2.785	−2.671	−3.023	−15.660
300 Natural Resources and Environment:								
Budget authority	0.857	0.742	−0.611	0.641	−0.279	0.400	0.394	1.287
Outlays	0.504	0.621	−0.635	0.579	−0.384	0.290	0.263	0.734
350 Agriculture:								
Budget authority	8.788	8.862	8.869	8.681	8.133	7.089	6.846	48.480
Outlays	6.782	7.027	6.891	6.729	6.226	5.281	5.016	37.170
370 Commerce and Housing Credit:								
Budget authority	10.097	6.516	11.679	11.196	8.662	12.355	9.295	59.703
Outlays	−8.994	−4.174	4.750	1.687	3.144	5.910	5.126	16.433
400 Transportation:								
Budget authority	22.901	28.792	30.887	31.440	32.136	32.850	33.578	189.683
Outlays	2.828	2.564	2.141	1.835	1.657	1.585	1.562	11.344
450 Community and Regional Development:								
Budget authority	0.636	0.304	0.299	0.287	0.352	0.341	0.229	1.812
Outlays	0.368	−0.012	−0.164	−0.176	−0.037	−0.034	−0.133	−0.556
500 Education, Training and Social Services:								
Budget authority	11.570	11.593	12.281	13.067	13.854	14.637	15.381	80.813
Outlays	11.738	11.520	12.311	12.717	13.366	14.015	14.723	78.652

550 Health:								
Budget authority	87.323	107.688	115.567	123.038	131.116	139.388	146.400	763.197
Outlays	99.884	107.565	115.683	123.080	130.946	138.971	145.850	762.095
570 Medicare:								
Budget authority	178.223	190.134	204.152	214.219	226.278	238.610	252.090	1,325.483
Outlays	176.083	188.450	202.427	211.947	224.529	236.876	249.689	1,313.918
600 Income Security:								
Budget authority	191.817	202.832	206.808	214.544	225.979	229.924	241.873	1,321.960
Outlays	190.139	200.240	204.397	212.095	223.711	227.593	239.697	1,307.733
650 Social Security:								
Budget authority	354.578	372.445	390.936	410.435	431.001	453.302	476.609	2,534.728
Outlays	348.186	365.403	383.402	402.351	422.412	444.081	466.767	2,484.416
700 Veterans Benefits and Services:								
Budget authority	20.077	20.038	20.329	20.558	20.659	20.848	21.009	123.441
Outlays	18.753	20.250	20.484	20.686	22.319	19.721	21.379	124.839
750 Administration of Justice:								
Budget authority	0.394	0.263	0.445	0.448	0.428	0.404	0.380	2.368
Outlays	0.352	0.202	0.382	0.383	0.366	0.341	0.317	1.991
800 General Government:								
Budget authority	0.933	0.864	2.953	2.333	2.776	2.419	2.480	13.825
Outlays	0.954	0.829	2.927	2.330	2.977	2.376	2.429	13.868
900 Net Interest:								
Budget authority	239.734	242.098	244.047	242.917	239.025	237.319	235.579	1,440.985
Outlays	239.734	242.098	244.047	242.917	239.025	237.319	235.579	1,440.985
920 Allowances:								
Budget authority	0.000	−0.041	−0.031	−0.028	−0.028	−0.028	−0.027	−0.183
Outlays	0.000	−0.013	−0.032	−0.034	−0.031	−0.029	−0.028	−0.167
950 Offsetting Receipts:								
Budget authority	−41.484	−52.197	−42.599	−42.304	−42.729	−47.012	−50.013	−278.854
Outlays	−41.484	−52.197	−42.599	−42.304	−44.729	−47.012	−50.013	−278.854

FUNCTION 050:

NATIONAL DEFENSE

FUNCTION 050: NATIONAL DEFENSE

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$264,111	$267,183	$268,958	$271,677	$274,377	$277,121	280,101
Outlays	263,595	264,846	263,618	267,049	270,841	270,025	270,122

POLICY PRIORITIES

As established in the preamble to the Constitution, providing for the common defense of the Nation is an absolute requirement of the Federal Government. The budget resolution recognizes this priority. Planning for the Nation's defense requires a long-term perspective on the unpredictability of threats and the potentially revolutionary nature of modern technology applied to military systems. The next generation of Americans will enjoy the fruits of their work only if the United States remains secure from foreign threats.

The current administration has enjoyed an almost unprecedented breathing space to fashion a defense strategy because President Reagan had already won the cold war. Lacking a clear vision of future national security needs, the administration in 1993 produced its Bottom-Up Review, which was supposed to clarify defense needs. The review failed on several counts: it offered an overly static analysis of national security threats; it failed to account for rapidly changing technology and operational concepts (including the rapid employment of commercial technology by potential foes); and it chronically underfunded the very force structure it established.

Failing to recognize the need for a balance among diplomatic, economic, and military statecraft, the President has thrown American forces into several foreign conflicts of no vital national interest. In Somalia, the President turned a humanitarian operation into a nation-building exercise, with disastrous consequences. In Haiti, he has retained a substantial commitment of United States troops, despite the administration's ostentatious transfer of responsibilities on the island to the United Nations. In Bosnia, the administration at first supported the maintenance of an arms embargo as the best means of avoiding intervention by United States troops; then the Dayton Peace Accord made intervention by 25,000 United States troops a *fait accompli.* The safety of these United States service personnel is threatened by activities of Iranian-backed mercenaries, whose presence in Bosnia had been obscured by the administration during the period when it rhetorically backed the

arms embargo. American servicemen and women in Bosnia are also in danger of becoming enmeshed in nation-building under the euphemism of "implementing the civilian side of the Dayton Peace Accord."

Into this context falls the President's budget for fiscal year 1997, which once again fails to provide adequately for the national security needs of the Nation. The administration's budget submission reduces proposed spending for national defense by 4 percent from current spending levels. Only through the active intervention of the Congress in 1995 was the decade-long decline in defense spending checked.

Although the cold war is over, the United States remains a superpower with global security interests. Protecting and promoting these interests requires the commitment to pay for the forces necessary to execute the national strategy. Under the circumstances, the administration's defense budget path, which mandates near-term cuts and delays increases until the next century, lacks credibility.

While the congressional budget resolution keeps defense roughly equal with inflation, the President's total national defense request of $254.3 billion in budget authority and $260.9 billion in outlays [as estimated by CBO] is $12.9 billion in budget authority and $4.0 billion in outlays below the budget resolution. The President has requested four consecutive defense budgets that exacerbate the inconsistencies among resources, forces, and strategy endemic to the Bottom-Up Review. He has used cuts in defense spending as a major means of paying for increases in domestic discretionary spending. Cuts in Department of Defense civilian employees account for almost 75 percent of all reductions in the Federal work force over the past 3 years.

In working to ensure that adequate resources are made available for the Nation's security, Congress will continue to address the areas of concern indicated below. Although these policy priorities reflect the recommendations of the Committee on the Budget, the actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending guidelines that flow from the budget resolution's spending limitations.

MODERNIZATION

The President's fiscal year 1997 request continues the administration's practice of promising defense modernization "next year." The administration's defense budget cuts weapons procurement from the current level of $44 billion to $38.9 billion in budget authority, disregarding the recommendation of the Joint Chiefs of Staff that procurement be significantly increased.

The President's proposed budget contains funding cuts of 25 percent or more in Navy shipbuilding, Army and Air Force aircraft, and ammunition. According to the General Accounting Office [GAO], this year's Future Years Defense Plan [FYDP] reflects a $25.9-billion cut in procurement through 2001 when compared with

last year's FYDP. This fall-off in modernization results from the administration's failure to reduce infrastructure (spending that is not directly related to warfighting capability) as a proportion of DOD spending.

The Bottom-Up Review estimated infrastructure at 59 percent of the defense budget. At the time, it was expected that billions of dollars for modernization would come from reducing infrastructure overhead. But GAO has found no decrease in the proportion of the President's budget attributable to infrastructure over the period of the FYDP. As a consequence, funds that should have gone toward modernization of weapon systems have been devoured by overhead. The budget resolution assumes the committees of jurisdiction will reverse the downward trend in weapons procurement and pursue a vigorous program of modernization.

BALLISTIC MISSILE DEFENSE

Ballistic-missile and weapon-of-mass-destruction technologies are proliferating into the hands of rogue nations and transnational groups despite the best efforts of the United States and other responsible nations. Protecting American citizens from the growing threat of a ballistic missile attack is a national security priority of the highest order—a priority that must be addressed before, not after, the threat becomes a reality.

This problem has been highlighted by China's recent missile tests near Taiwan; neither of the United States carrier task forces sent to monitor the situation is capable of shooting down ballistic missiles, although the technology currently exists. Although the administration claims to support such defensive capabilities for U.S. allies, it fails to see the need to provide ballistic missile protection for Americans.

This budget resolution assumes a robust effort to provide a cost-effective defense for the American people.

QUALITY OF LIFE

As noted by Representative Skelton in testimony to the Budget Committee, Congress and the administration must work together to ensure a decent and fair standard of living for military personnel and their families. In this context, military family housing must assume a high priority. Housing that is greatly inferior to what is available in the private sector lowers morale and diminishes retention of qualified individuals.

Current high military deployment rates and consequent unit operational tempo are straining personnel. High-priority elements such as AWACS units, the Marines, and the 10th Mountain Division experience almost continuous deployment abroad and consequent separation from families. This situation incurs a contingency cost that cannot be measured in dollars. In the long run, the administration's excessive reliance on the military to solve its foreign policy dilemmas will destroy unit readiness and the retention of skilled personnel.

DEFENSE REORGANIZATION AND STREAMLINING

The best way to provide for the Nation's security needs while balancing the Federal budget is to generate significant savings internal to the Department of Defense. These savings can be shifted from overhead functions, or the administrative "tail," to actual defense programs, or the warfighting "tooth."

The 104th Congress has taken the initial steps to compel the Pentagon to change its antiquated bureaucracies and business practices. It has done so by legislating: reductions in the staff of the Office of the Secretary of Defense; a 25-percent reduction in personnel assigned to acquisition organizations so as to reflect streamlined processes; and outsourcing of a range of nonwarfighting support functions.

As was emphasized in the discussion on modernization, it is critical for the Department to rigorously streamline its operations. Averting the gradual cannibalization of warfighting capability requires boldly reducing nonessential overhead.

It is assumed that streamlining and consolidation will continue in fiscal year 1997, leading to fundamental reform in areas such as the U.S. Transportation Command, where duplication and bureaucracy seriously inhibit efficiency and drive up defense transportation costs.

ACQUISITION REFORM

The 104th Congress has passed legislation to change the way the Department of Defense procures goods and services. The reforms will eliminate unnecessary specifications and make the efficiencies of the commercial marketplace more widely available to defense customers. These reforms will conserve defense resources and, more important, reduce the cycle time necessary to acquire the weapons of the 21st century.

But more needs to be done. The effectiveness of these reforms will depend on how aggressively the Pentagon implements them. The committees of jurisdiction must exert continual pressure upon the Department to drastically shorten the weapons development and procurement cycle.

Although numerous technological reasons make it unlikely that programs such as the P–51 (concept to first flight in 91 days) are repeatable in the current context, it is nevertheless astonishing that the research and development cycle of today's major weapon systems typically requires up to 20 years. The Pentagon must shorten the acquisition cycle so as to be able to acquire new field weapons in time to counter projected threats.

OTHER DEFENSE BUDGET ISSUES

REDUCTIONS IN NONDEFENSE SPENDING

Significant progress was made last year in reducing nondefense spending in the defense budget.

Congress was able to curtail spending on the expensive and increasingly politicized Technology Reinvestment Project [TRP]—a civilian/military technology development program, run out of the

White House—which consumed defense dollars but returned little of value to the Department of Defense.

The budget resolution recommends no further funding of TRP, Sematech, and the Strategic Environmental Research and Development Program. These are examples of programs with marginal defense utility. It is assumed that the committees of jurisdiction will continue with aggressive efforts to eliminate nondefense items from the defense budget. In particular, the resolution urges the rejection of the administration's proposed $250 million Dual Use Applications Program, a successor to TRP.

A further concern is the lack of rigorous management of the services' manufacturing technology [Mantech] programs. Such management should focus on near-term cost reduction in manufacturing. GAO will report to the Budget Committee on Mantech program performance.

Heavy environmental cleanup costs pose a significant threat of "cannibalizing" the budget and crowding out necessary investments. This situation is particularly true for the Department of Energy's cleanup of the Nuclear Weapons Complex. Both the Department of Defense and the Department of Energy must develop better information on cleanup costs, prioritize cleanups more rationally, and introduce more cost-effective methods, including new technology.

Finally, the Department should enter into agreements with the private sector to provide the capital needed to upgrade energy producing and consuming facilities at no cost to the government. H.R. 2993, introduced by Representative Hobson, would help facilitate this initiative.

CONTINGENCY OPERATIONS

Congress has had some success in establishing temporary finance mechanisms to alleviate the pressures on readiness by unbudgeted or contingency operations such as the deployment of United States forces to Bosnia. These initiatives were designed to halt the damaging practice of raiding operational readiness and training accounts to finance humanitarian and peacekeeping operations in Bosnia, Haiti, Somalia, Iraq, and elsewhere.

The Pentagon already has projected the fiscal year 1996 unbudgeted costs associated with the Bosnia deployment at $2 billion, and this amount is expected to grow. The committees of jurisdiction must continue to ensure that critical military readiness does not suffer from contingency operations peripheral to U.S. national interests.

INFLATION

The administration purports to save more than $45 billion in the defense budget through 2002 by a downward reestimation of inflation. Because the Department of Defense is allowed to retain $30 billion of this purported "disinflation dividend," the administration argues that the military is able to buy more with the dollars it has.

The administration's reasoning is weak on several counts. First, the reestimate assumes a level of inflation lower than any seen since the 1950's. Second, there is no comparable disinflation divi-

dend in any domestic spending account, so the administration's action is inconsistent at best.

Finally, inflation reestimates should not be a pretext for breaching the firewall between defense and nondefense spending assumed in the Budget Resolution Conference Report for Fiscal Year 1996. (A firewall "breach" would be the practical result of funds "disappearing" from defense as a result of an inflation reestimate and being reallocated to the administration's domestic spending preferences.)

ADDITIONAL CHANGES FROM CURRENT POLICY

The budget resolution also assumes savings in this function from sales from the National Defense Stockpile. These assumptions are described in detail in Appendix 1.

FUNCTION 150:

INTERNATIONAL AFFAIRS

FUNCTION 150: INTERNATIONAL AFFAIRS

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$15,011	$13,732	$11,551	$10,576	$11,089	$10,890	$11,009
Outlays	15,896	14,963	13,484	12,467	11,025	10,584	10,281

POLICY PRIORITIES

Like national defense, the foreign policy of the Nation is reserved to the Federal Government. But achieving a sound foreign policy requires different means from those of the current administration, which believes that money is the main ingredient. This budget resolution promotes economic development in less-developed countries through a variety of alternative strategies that are consistent with Americans' values—strengthening free-market domestic economies, removing obstacles to private international trade, and fostering an economic climate that is favorable to private international investment. The budget also seeks an appropriate balance among diplomatic, economic, and military statecraft. This balanced approach envisions limiting military involvement abroad to those situations that affect vital national interests—a departure from the administration's practice of using American military forces to rectify its diplomatic failures. Like last year's budget, this resolution prudently reduces spending without touching Camp David-related assistance.

Still, this budget recognizes the impossibility of ignoring the growing ineffectiveness of the Department of State and the Agency for International Development [AID]. Likewise, it views the United States Information Agency [USIA] and the Arms Control and Disarmament Agency [ACDA] as cold war relics. Once again, it assumes that much of the existing foreign policy apparatus is duplicative and should be consolidated within the Department of State. But the budget also recognizes the importance of humanitarian assistance. The American people have consistently demonstrated their compassion for those in distress abroad. This budget resolution maintains those values.

The discussion below reflects the assumptions underlying the House Budget Committee's recommendations concerning the funding priorities for programs in this function. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction

over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

CONTINUE TO RESTRUCTURE DEVELOPMENT ASSISTANCE

Historically, development assistance has taken the form of grants or loans or technical advice provided directly to the government of the recipient country. This has strengthened the role of the government in the local economy and reduced pressure on the government to maintain an environment favorable to economic development. This model was chosen because, it was argued, developing countries lacked access to private capital. But this argument ignores a basic economic fact: capital becomes readily available when a country pursues the conditions that foster economic development—respect for private property and free enterprise; in the absence of these conditions, capital that is made available is likely to be wasted.

Last year, the Congress took the first step to reform and refocus development assistance, which is largely administered by the Agency for International Development [AID]. Former Secretary of State James A. Baker noted that the two rationales for the existence of AID—to stave off communist aggression and to implement government-to-government transfers for large capital projects—no longer exists. The first became obsolete with the end of the cold war and the second has been discredited as a development model.

This proposal continues to refocus assistance on more attainable goals and in countries that are more likely to benefit from U.S. development assistance. In addition, the proposal would eliminate the housing investment guarantee program. It assumes that the purposes of AID or any successor organization should be identical with the purposes of overall American foreign policy; for this reason, the Budget Committee again recommends that AID should be incorporated into the Department of State.

The proposal also provides funds to both Eastern Europe and the former Soviet Union to assist their transition to democratic societies. Assistance to Eastern Europe has always been viewed as temporary in nature. This proposal recognizes this fact and phases out funding. It is important, however, to provide a degree of equity between the democracies of Eastern Europe and those of the former Soviet Union. Therefore, this proposal assumes that assistance to the former Soviet Union will be phased out. While funding is provided, the budget resolution assumes that the Ukraine and Armenia will receive an equitable distribution to promote free enterprise and democracy.

REFORM THE DEPARTMENT OF STATE

The Department of State promotes U.S. foreign policy interests abroad. Other, smaller agencies also conduct research and activities relating to foreign affairs. The Department of State's budget grew from $1.7 billion in the early 1980's to $2.6 billion in 1995. The increases in funding mainly reflect growth in salaries and related expenses, and rent and acquisition costs of residences and offices.

Even the administration appears to believe that major changes in the Department are needed. In the President's long-range budget submission, for example, salaries and expenses would be reduced to $270 million by fiscal year 2000; diplomatic and consular programs would be reduced to $1.3 billion in the same year. For fiscal year 1996, the comparable figures are $365 million and $1.719 billion respectively. The budget resolution assumes the President's funding levels beginning in 1998.

This proposal recommends a complete restructuring of foreign policy. It assumes that the Department of State will absorb the Arms Control and Disarmament Agency [ACDA], the United States Information Agency, and the Agency for International Development. It also assumes the elimination of small agencies—such as the East-West Center and the North-South Center, which duplicate functions in the Department of State—leading to a more coherent foreign policy. This is also true for the United States Institute for Peace. Testifying before the Budget Committee on March 22, 1996, Representative Danner noted that the Congress:

> * * * said quite explicitly that the institute, following initial Federal funding, should establish a private endowment and operate independently. * * * It is time that the Institute—with its $11 million annual budget—finds private dollars.

Finally, this proposal assumes the President's recommended reductions for the National Endowment for Democracy through fiscal year 2000.

FUNCTION 150: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Continue to restructure development assistance:							
Budget authority	5,613	−422	−1,054	−1,519	−1,744	−1,869	−1,941
Outlays	6,417	−83	−383	−807	−1,125	−1,404	−1,627
Reform the Department of State:							
Budget authority	3,816	−111	−535	−717	−934	−934	−934
Outlays	3,937	−97	−500	−669	−864	−902	−915

Additional Changes From Current Policy

Additional savings are assumed in this function from provisions including the following: ceasing support for the International Development Association [IDA] and other "soft-loan" windows of the various multilateral banks; recognizing that the capital replenishments for several multilateral institutions will soon be completed; accepting the President's long-term proposals for peacekeeping operations, migrations and refugee assistance, and the Foreign Military Financing [FMF] loan program account; privatizing the United States Information Agency [USIA]; and reducing subsidies for international exports and investment, including Public Law 480.

Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing

committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 250:

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$16,787	$16,537	$16,428	$16,313	$16,159	$15,934	$15,602
Outlays	16,570	16,697	16,494	16,224	16,111	15,943	15,673

POLICY PRIORITIES

For the technological revolution to continue, a strong fundamental science base is needed. Therefore, the proposals in Function 250 prioritize basic research policies. For example, National Science Foundation research and related activities are provided 3 percent annual growth. Budget realities dictate that basic research be reemphasized. Much applied research can and should be market-driven and conducted by the private sector.

Nevertheless, in certain areas, such as fundamental scientific research and collective risk endeavors, the government does play an important role. Space exploration is one example, and agencies such as the National Aeronautics and Space Administration have been able to make significant strides with public funds. Still, even in space, the budget resolution advocates policies that encourage faster private technology development as risk becomes better understood and more controllable. Finding ways to involve industries in space activities should be a major priority.

The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

EMPHASIZE BASIC SCIENCE WITHIN THE NATIONAL SCIENCE FOUNDATION [NSF]

This proposal assumes that while science and technology must contribute to the immediate fiscal reality, the core Federal role of developing new knowledge for the future must be protected and enhanced. Under this proposal, basic research is prioritized. For instance, NSF civilian research grants are provided 3 percent annual growth through not more than five scientific directorates. No reductions are assumed to NSF basic research on the physical sciences. Education and Human Resources can be maintained, as can Aca-

demic Research Infrastructure. The budget resolution assumes that $25 million in environmental and safety work is included for the NSF South Pole station in Antarctica.

EMPHASIZE NASA'S CORE MISSIONS

This proposal assumes that space exploration is one example where the collective risks are still high, and recognizes the gains made with public funds by agencies such as the National Aeronautics and Space Administration. Still, even in space it advocates policies that encourage faster private technology development as risk becomes better understood and more controllable. Finding ways to involve industry in space activities is a major priority.

Consequently, this proposal assumes savings by operating the space shuttle privately. Savings on the order of $1.8 billion are also assumed in the Mission to Planet Earth [MTPE] Program by prioritizing the scientific data needed, incorporating commercial technology, and, most important, acquiring data directly from the private sector. The budget resolution notes that these program reforms will result in a $6 billion MTPE effort between fiscal years 1997 and 2002. Finally, the proposal furnishes the full allocation of resources necessary from the $11 billion required to complete the construction and assembly of the international space station basic research laboratory. The NASA basic research disciplines, space science and life and microgravity sciences, are allocated 20 percent of the NASA budget (with increases each year), fulfilling the top recommendation of the Augustine Advisory Committee on the Future of the U.S. Space Program. [Note: The figures above reflect the portion of this provision that occurs in Function 250. A second portion appears in Function 400.]

PRIORITIZE GENERAL SCIENCE AND RESEARCH ACTIVITIES

This account provides funds for high energy physics and nuclear physics. This proposal assumes that basic science is maintained with the inclusion of the Science User Facilities Initiative and appropriate decommissioning of outmoded, antiquated facilities. United States participation in the international Large Hadron Collider [LHC] experiment at the European Laboratory for Particle Physics [CERN] is supported and provided for in the outyears.

FUNCTION 250: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Emphasize basic science within the National Science Foundation (NFS)—research and related activities:							
Budget authority	2,251	67	95	165	238	312	389
Outlays	2,077	20	70	101	168	240	315
Reform other programs within the National Science Foundation (NSF):							
Budget authority	905	4	−50	−76	−81	−81	−81
Outlays	829	−6	−6	−27	−63	−78	−81
Emphasize NASA's core missions:							
Budget authority	12,611	−349	−425	−586	−809	−1,109	−1,519
Outlays	11,378	−197	−393	−593	−782	−1,031	−1,374

FUNCTION 250: DISCRETIONARY SPENDING PRIORITIES—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Prioritize general science and research activities:							
Budget authority	981	27	19	19	19	19	19
Outlays	1,048	15	23	19	19	19	19

Additional Changes From Current Policy

An additional policy is assumed that allows private producers to build and operate cogeneration facilities at Federal civilian installations. Although this provision reflects a recommendation and assumption of the Committee on the Budget, the actual policy change is the discretion of the appropriations and authorizing committees with jurisdiction over the program involved. A further description of this recommended policy change is contained in Appendix 1.

FUNCTION 270:

ENERGY

FUNCTION 270: ENERGY

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$3,782	$2,380	$2,441	$2,034	$1,697	$1,782	$1,430
Outlays	3,523	2,729	2,078	1,327	815	740	231

POLICY PRIORITIES

To determine what is good fundamental science, and to prioritize research and development, the budget resolution employs the following six criteria:

- Federal R&D efforts should focus on long-term, noncommercial R&D, with potential for scientific discovery and the creation of new knowledge, leaving economic feasibility and commercialization to the marketplace.
- Federal funding of R&D on specific processes and technologies should not be carried out beyond demonstration of technical feasibility. Significant additional private investment should be required for economic feasibility, commercial development and demonstration, and production and marketing.
- Revolutionary ideas and pioneering capabilities that make possible the impossible—that which has never been done before—should be pursued within controlled, performance-based levels of funding.
- The Federal Government should avoid funding research in areas that are receiving—or should be reasonably expected to obtain—funding from the private sector. This principle applies to evolutionary advances or incremental improvements.
- Government-owned laboratories should confine their in-house research to areas in which their technical expertise and facilities have no peer and should contract out other research to industry, private research foundations, and universities.
- All R&D programs should be relevant and tightly focused to the agency's constitutional mission; those that are not should be terminated.

When specifically applied to the Department of Energy, these guidelines suggest significant further reductions in programs that, in turn, make much of the existing bureaucracy unnecessary and

suggest its elimination. Because many of the Department of Energy's programs fund industrial product development, they cannot satisfy the "screen" of the above criteria. As a result, energy supply R&D, which was reduced by more than $500 million in fiscal year 1996, can be further reduced by $187 million in fiscal year 1997 on the way to a $2.0 billion funding level in fiscal year 2002. On the other hand, examples of research that "pass" the six-point test include the human genome project; an expanding hydrogen energy basic research program; and basic energy sciences research. Likewise, application of the criteria to fossil technologies, the product of mature industries, and conservation projects, which predominantly demonstrate cost-avoidance, suggest termination. The clean coal technology program is also recommended for termination and rescission.

The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The discussion below reflects the assumptions underlying the House Budget Committee's recommendations concerning the funding priorities for programs in this function.

CONTINUE THE PROCESS OF TERMINATING THE DEPARTMENT OF ENERGY

The budget resolution reflects the conviction that the Nation's energy problems will be solved by the people and industries of this country in response to realistic Federal policies, not by government spending. In the past the Federal Government has postponed hard decisions on energy policy and created numerous programs that have added to the burden of the budget and have provided the illusion of progress without the reality.

The Department of Energy was supposedly created to deal with the energy "crisis" that the country experienced in the 1970's. The "crisis" began with natural gas shortages in the winter of 1971. There was a heating oil shortage the following winter. There were gasoline and diesel fuel shortages in early 1974 and again in 1979. Many policymakers envisioned the prospect of inevitable energy shortages and ever increasing prices. In February 1981, the Congressional Budget Office even stated that "the price of oil will almost certainly rise in real terms over the next decade * * *."

Not everyone shared this opinion. In a 1978 article titled "The Energy Crisis," Milton Friedman stated:

> There is no argument on economic grounds for having a Department of Energy * * * [T]he energy industry is effectively competitive, or would be if the government got its cotton-picking hands out of it.

Furthermore, the article argues that we have "this enormously expensive boondoggle [called] the Department of Energy * * * [because it is] politically profitable."

Indeed, the "crisis" was the direct product of federally imposed controls and regulations. Federal oil and price allocation controls made it illegal—literally a Federal offense—to move gasoline around the country when supplies grew tight. In other words, the Department of Energy—a government solution—was created to

"fix" a government-generated problem. Gasoline lines ended after the controls were dismantled in 1981.

Likewise, natural gas was in short supply because price controls encouraged consumption and discouraged production from 1954 through the 1980's. Those shortages also disappeared as price controls were phased out.

Meanwhile the Department of Energy spent more than $55 billion in constant dollars for energy research alone. That is over and above the amounts the Synfuels Corporation spent on fuels that cost several times what conventional fuels cost. (The Synthetic Fuels Corporation was established to fund the production of commercial-scale plants for synthetic fuel production processes.)

Last year's budget resolution questioned whether the Nation had received a full and fair return on its "investment" in the DOE. On December 15, 1994, the Wall Street Journal ran an article that asked a better question: "So, What Do People At the Energy Department Do All Day Long?" The response: "Meetings Are Many and Mail Is Answered: Real Work Is Quickly Disappearing." Since then, the Congress has learned about the Secretary's international escapades and her hiring of a private firm to monitor reporters, thereby producing a list of "friends" and "enemies." The House Committee on Commerce, in its Views and Estimates for the fiscal year 1997 budget, even cites the Department's "extravagant travel, program waste, and lack of clear priorities."

Following the 1994 election, the President promised to "agressively realign" the Department of Energy. He used phrases such as "restructure," "significantly reduce costs," and "improve effectiveness and efficiencies." These steps are not sufficient.

The budget resolution again recommends that the Department should be abolished; some of its functions should be eliminated, some should be privatized, and some should be transferred to other agencies. The resolution encourages the relevant authorizing committees to consider the Department of Energy Abolishment Act, introduced by Representative Tiahrt. Under this legislation, the terminations, transfers, and consolidations would be completed over a 3-year period commencing from the date of enactment under the direction of a temporary Energy Programs Resolution Agency.

Even after the Department is terminated, several existing programs would remain a Federal responsibility. For example, managing the Nation's nuclear weapons complex and dismantling existing weapons to meet international obligations would remain a Federal responsibility. In addition, the Department's Environmental Management program, which has oversight of environmental restoration activities at the nuclear facilities, would still be a Federal responsibility.

In the process of terminating the Department of Energy, the budget resolution assumes and recommends the provisions below. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending limits of the budget resolution.

Corporatize the Department of Energy's [DOE] Laboratories. The General Accounting Office recently reported to the Budget Committee that 17 Federal departments and independent agencies have identified 515 Federal R&D laboratories that spent a total of $26.6 billion of an estimated $69.4 billion that Federal agencies obligated for R&D in fiscal year 1995. In 1995, the operating budgets:

> * * * of (1) 361 laboratories were less than $10 million, (2) 101 laboratories were at least $10 million but less than $100 million, and (3) 53 laboratories were at least $100 million. In addition, 65 Federal R&D laboratories have a total of 221 satellite facilities.

Consistent with the governance recommendations of the 1995 DOE Task Force on Alternative Futures for the Department of Energy National Laboratories, chaired by Robert Galvin, the budget resolution assumes that the Congress:

> * * * should develop and implement a new modus operandi of Federal support for the national laboratories, based on a private sector style "corporatized" laboratory system.

The existing DOE system of operation only purports to be contractor operated; due to DOE and congressional micromanagement, it is, in fact, grossly counterproductive. A new corporate-style system would:

> * * * invite enhanced pressure for competitive performance, which would lower costs, force the elimination of redundancies and less than world-class capabilities, and achieve enhanced value for the public investments involved.

The budget resolution assumes that the Galvin Task Force recommendations for a new not-for-profit R&D corporation(s), formed with many of the basic principles and criteria of a conventional commercial operation, warrants immediate attention. Although the DOE weapons-oriented laboratories could be omitted from the corporation, many, if not all of the other DOE national labs, are candidates to be included in this corporation.

Reduce Energy Supply Research and Development. This proposal reduces near-term industrial subsidies for solar and renewable energy (resulting in a $191 million funding level by eliminating solar building appliances, wind energy systems, production incentives, deployment, and in-house energy management), global warming planning and technology, environmental restoration and waste management, and bureaucratic environmental and safety compliance costs. Specifically terminated are: laboratory technology transfer, energy research analyses, DOE's education program, and the information management investment plan. The budget resolution assumes that the light water reactor design certification and first-of-a-kind engineering research program is funded in fiscal year 1997 for purposes of completion and that the fusion program can be sustained at a $200 million annual level. Basic research, however, is increased over the President's request in materials, chemi-

cal, and math sciences, and for hydrogen energy research ($20 million).

Eliminate Unnecessary Bureaucracy in the Department of Energy. The Department of Energy should continue evaluating its general management activities to prepare itself for termination. This proposal again calls for reductions in the Department's administration. A second component of this proposal calls for reducing by 50 percent relative to its fiscal year 1995 level, funding for the Energy Information Administration [EIA]. The EIA provides information for use by the administration, the Congress, and the general public. Much of what the EIA does should be the responsibility of the private sector. A third component of this proposal would terminate Emergency Preparedness, as proposed last year in Report 104–173 by the House Committee on Appropriations.

Phase Out the Department of Energy's Fossil Energy Research and Development. The Department of Energy has spent billions of dollars on research and development since the oil crises in 1973 triggered this activity. Returns on this investment have not been cost-effective, particularly for applied R&D, which industry has ample incentive to undertake. Some of this activity is simply corporate welfare for the oil, gas, and utility industries. Much of it duplicates what industry is already doing. As the Congressional Budget Office [CBO] notes, some has gone to fund technologies in which the market has no interest—for example, hundreds of millions of dollars invested in coal-powered magnetohydrodynamics—without any subsequent interest in the product the investment produced. The House Committee on Appropriations' Report 104–173 accompanying the fiscal year 1996 Interior funding bill, states its firm commitment:

> * * * the fossil energy research and development appropriation in total is consistent with the recommendations of the authorizing committee of jurisdiction, as adopted by the House.

On October 12, 1995, the House passed H.R. 2405, authorizing $221 million for fossil energy R&D in fiscal year 1997. This proposal, however, does not assume additional reductions for mining research and development, which was formerly funded by the Bureau of Mines. The administration has proposed transferring this program to the National Institute for Occupational Safety and Health in fiscal year 1997.

Phase Out Energy Conservation Research. Energy conservation in the United States has been a clear success. In the 1980's, for example, the economy grew a third while energy use remained flat due to market-driven energy conservation. Government spending on energy conservation, on the other hand, has been less successful. Business has incentives to market, and customers to buy, conservation technologies that work well. DOE is left to fund less reliable and less promising technologies. According to the Congressional Budget Office, DOE may be:

> * * * crowding out private-sector firms or, alternatively, conducting R&D that those private sectors are likely to ig-

> nore—a common fate of the technologies generated within DOE's national laboratories.

The Committee on Appropriations in its report 104–173 accompanying the fiscal year 1996 Interior funding bill, states its firm commitment that for each year:

> * * * the research portion of the energy conservation appropriation in total is consistent with the recommendations of the authorizing committee of jurisdiction as passed by the House.

On October 12, 1995, the House passed H.R. 2405, authorizing $230 million for energy conservation R&D in fiscal year 1997. No funding is provided for any new energy efficiency standards.

The budget resolution continues to support funding of the combined State Energy Conservation Program/Institutional Conservation Program at 10 percent below the fiscal year 1995.

Reduce Uranium Supply and Enrichment Activities, Uranium Enrichment Decontamination and Decommissioning, and Economic Regulation. The Uranium Supply and Enrichment Program has several objectives. For example, it is intended to increase confidence that the low-enriched uranium being purchased from Russia has been derived from highly enriched uranium removed from dismantled nuclear weapons. It is also intended to transfer "enrichment-related technologies and form technology partnerships to bolster U.S. industrial competitiveness." The President has recommended reductions in this program. This proposal accepts the President's funding level, while recommending that the second objective be closely examined. The proposal also assumes the President's recommended reductions in the Uranium Enrichment Decontamination and Decommissioning Fund, which provides for R&D, remedial action, and other costs associated with environmental cleanup activities at sites leased and operated by the United States Enrichment Corporation. Finally, the resolution assumes the President's recommended reductions for economic regulation.

Eliminate Further Funding for the Department of Energy's Subsidized Energy Research. The Clean Coal Technology Program [CCTP] has been overtaken by changes in the law and incentives in the marketplace. The program was created in the mid-1980's to help private industry develop commercial technologies to burn coal in environmentally sound ways. Since that time, enactment of the Clean Air Act Amendments of 1990 and the Energy Policy Act of 1992 have given utilities and large industrial coal users clear economic motives for selecting the lowest cost options for reducing emissions from among current practices and new technologies. Both the President and the Budget Committee have previously called for the termination of this program. The President's budget calls for a rescission from the program in fiscal year 1997; it also would prevent the Department from obligating other funds until fiscal year 1998. The budget resolution accepts the President's proposal for fiscal year 1997, but recommends that no funds be spent in fiscal year 1998.

Privatize the Naval Petroleum and Oil Shale Reserves. The Department of Energy runs a commercial oil field (Elk Hills, near Ba-

kersfield, CA) and a natural gas field (Naval Oil Shale Reserve No. 3 near Rifle, CO). As earlier budgets from the President indicated: "[P]roducing oil and gas is a commercial, not a governmental activity, which is more appropriately performed by the private sector."

Furthermore, according to the Committee on Commerce, "[t]he Naval Petroleum Reserves are commercial oil fields that serve no national security interest." The Congress enacted legislation pursuant to the President's previous budget calling for the sale of Elk Hills. The President's fiscal year 1997 budget proposes a gimmick to delay the sale until 2002. The budget resolution rejects this accounting gimmick and recommends that the sale occur as soon as possible. The budget resolution also assumes that the remaining petroleum and oil shale reserves should be sold or leased.

Restructure the Strategic Petroleum Reserve. The Strategic Petroleum Reserve provides a crude oil stockpile to be used in the event a petroleum disruption occurs. Last year, the Balanced Budget Act [BBA] highlighted the fact that the Weeks Island reserve had experienced structural problems and needed to be decommissioned. The decommissioning of the Weeks Island reserve should reduce program maintenance and administration. The President's budget recommends reductions for this program; the budget resolution assumes the long-term funding levels proposed by the President.

A debate concerning the long-term benefits of the Strategic Petroleum Reserve also should be undertaken. The Congressional Budget Office [CBO] completed a study in December 1994 titled "Rethinking Emergency Energy Policy," which said in part:

> Emergency policies to reduce or avoid economic losses from severe disruptions of world oil supplies may no longer be as effective as the Congress originally envisioned. Since the Arab oil embargo of 1973, the United States has based most of its emergency energy policy on the Strategic Petroleum Reserve [SPR], a government-owned stockpile of crude oil. * * * Many analysts feel that the economic threat posed by severe disruptions of oil supplies has decreased and that as a result, the benefits from releasing SPR oil in a crisis are smaller today than in the past. Moreover, the experience of the Persian Gulf crisis in 1990 and 1991 demonstrated disturbing problems with current policy guiding the use of the SPR in a crisis. Indeed, during the Gulf crisis, both the process of deciding to use the SPR and the mechanism for selling the oil may have actually contributed to market uncertainty at the time.

Sell the Alaska Power Administration [APA]. As provided for in the Balanced Budget Act [BBA], this budget resolution again calls for the sale of APA. The administration's National Performance Review stated that "[t]he Federal Government should divest its interest in the Alaska Power Administration." There is no need for Federal involvement in this issue because it deals solely with assets situated in one State. This proposal sells the APA in accordance with the terms of the purchase agreements negotiated in 1989 between the Department of Energy and the proposed purchasers. [Note: Proceeds from the asset sale appear in Function 950.]

The President's budget also recommends improved efficiencies concerning the operation and maintenance of the Western Area Power Administration, the Southeastern Power Administration, and the Southwestern Power Administration; the budget resolution assumes his recommendations.

FUNCTION 270: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Corporatize the Department of Energy's [DOE] laboratories: [1]							
Budget authority	NA	0	0	0	0	0	0
Outlays	NA	0	0	0	0	0	0
Reduce Energy Supply Research and Development: [1]							
Budget authority	2,727	−187	−327	−427	−527	−627	−727
Outlays	3,077	−84	−213	−344	−452	−552	−652
Eliminate bureaucracy in the Department of Energy: [1]							
Budget authority	316	−53	−53	−53	−53	−53	−53
Outlays	326	−35	−50	−53	−53	−53	−53
Phase out the Department of Energy's Fossil Energy Research and Development: [1]							
Budget authority	416	−195	−316	−366	−416	−416	−416
Outlays	436	−78	−204	−311	−375	−405	−416
Phase out Energy Conservation Research: [1]							
Budget authority	418	−188	−318	−368	−418	−418	−418
Outlays	454	−47	−183	−295	−364	−406	−416
Reduce uranium supply and enrichment activities, uranium enrichment decontamination and decommissioning, and economic regulation: [1]							
Budget authority	317	−46	−67	−91	−113	−84	−52
Outlays	340	−35	−61	−84	−107	−91	−60
Eliminate further funding for the Department of Energy's subsidized energy research: [1]							
Budget authority	150	−500	−138	−138	−138	−138	−138
Outlays	270	0	−50	−101	−115	−129	−157
Privatize the Naval Petroleum and Oil Shale Reserves: [1]							
Budget authority	140	0	−124	−124	−124	−124	−124
Outlays	175	0	−68	−105	−124	−124	−124
Restructure the Strategic Petroleum Reserve: [1]							
Budget authority	287	−66	−84	−102	−120	−120	−120
Outlays	229	−36	−69	−92	−110	−118	−120
Sell the Alaska Power Administration [APA]: [1]							
Budget authority	316	−42	−68	−89	−113	−113	−113
Outlays	323	−23	−44	−69	−91	−105	−110

[1] Part of the proposal to continue the process of terminating the Department of Energy.

FUNCTION 270: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Sell the Alaska Power Administration (offsetting receipts): [1]							
Budget authority	[2] −10	0	7	7	7	7	7
Outlays	[2] −10	0	7	7	7	7	7

FUNCTION 270: MANDATORY SPENDING PRIORITIES—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Privatize the Naval Petroleum and Oil Shale Reserves: [1]							
Budget authority	[2] −435	0	350	336	323	310	298
Outlays	[2] −435	0	350	336	323	310	298

[1] Part of the proposal to continue the process of terminating the Department of Energy.
[2] Negative number denotes cash in-flow to the Federal Government.

Additional Changes From Current Policy

The budget resolution assumes further savings from various additional provisions, including accepting the President's recommendations for the electric and telecommunications portions of the Rural Utilities Service; extending Nuclear Regulatory Commission fees; and leasing excess capacity in the Strategic Petroleum Reserve. Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 300:

NATURAL RESOURCES AND ENVIRONMENT

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$21,391	$20,529	$18,902	$19,713	$18,399	$18,994	$18,860
Outlays	21,827	21,322	19,654	20,409	18,950	19,205	18,910

POLICY PRIORITIES

The budget resolution assumes that Federal environmental policy must be guided by a set of seven fundamental principles:

- First, Do No Harm. There are many government programs that encourage or directly cause environmental harm. The government should make sure its own house is in order. It makes no sense for the Federal Government to subsidize environmental destruction on the one hand while establishing laws, regulations, and bureaucracy to mitigate damage on the other hand.
- Economic Growth Is a Vital Prerequisite for Environmental Progress. It takes a healthy, growing economy to afford the technological mandates of environmental law. Furthermore, advances in technology, which benefit the overall economy, will also benefit the environment. Even advances in nonenvironmental technologies and industries should indirectly result in more efficient resource consumption and less pollution.
- Federal Efforts Should Focus on Results, Not Regulations. Federal environmental regulations should be less prescriptive, more market-oriented, and based on the "polluter-pays" principle. Federal environmental law now tells people how products should be manufactured, what technologies must be employed, and when and if production changes should be allowed. Bureaucrats can no more efficiently manage the environmental practices of hundreds of thousands of commercial enterprises than they can efficiently manage the economic activity of those enterprises. Regulations are the most effective when they set performance standards and allow businesses to figure out the best way to meet those standards. Allowing the trading of those emission allowances would increase the efficiency of the standards. Finally, regulations should target those parties responsible for environmental harm; this approach is fair and sets the correct incentives for environmental behavior.

- Preclude Regulation Without Representation. No lawmaking should go into effect until it is affirmatively adopted by the House and the Senate and signed into law by the President. Most environmental law is written not by elected representatives but by unelected executive branch employees. Such individuals are not subject to political accountability and are able to circumvent the constitutional checks and balances designed to make lawmaking a consensus-driven activity. Current attempts to "regulate the regulators" are inevitably clumsy and beg the question of why unelected officials are making law.
- Property Owners Should Be Compensated for Regulatory Takings. Property owners whose property is taken or regulated to achieve some public good should be compensated. It is simply unfair to require a few citizens to pay the full costs of providing goods desired by the public. Just as those who cause direct harm to others should be held fully liable and responsible for damages, the procurement of goods that benefit the entire public should be paid for with public dollars. This principle reaffirms the plain reading of the Fifth Amendment; it will also aid in the protection of the environment. Property owners who face not financial ruin but full compensation if their property is identified as hosting some ecological treasure are more likely to protect and conserve the resource held so dear by many.
- Recognize That Sometimes the Best Stewards of Environmental Resources Are Private Stewards. America has a proud conservation tradition that demonstrates that communities and local groups can work together to protect the environment. Some industries have shown they are capable of sound environmental management.
- One Size Does Not Fit All. The current approach to environmental policy does not always permit State and local governments to be responsive to local or regional environmental problems. Environmental policy should be flexible enough for communities to experiment with sensible solutions.

The discussions below reflect the assumptions and recommendations of the Committee on the Budget. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending guidelines that flow from the budget resolution's spending limitations.

IMPROVE THE QUALITY OF THE NATIONAL PARKS

The National Park Service contains 368 areas and 80.3 million acres of land in 49 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Samoa, and the Northern Marianas. Visitation to the parks has increased over the past few years, and it is important to preserve these unique cultural and natural resources. For this reason, the budget resolution recommends an increase in funding for the operation of the National Park System. In addition, the budget resolution recommends that a portion of the

funding and personnel in the Washington and regional offices should be relocated to actual park operations. This was recently accomplished to provide additional funds for the Chesapeake and Ohio [C&O] Canal National Historical Park.

The budget resolution also reiterates support for the proposal developed by the House Committee on Resources, and included in last year's Balanced Budget Act, to increase fees and permit resource managers to retain a large portion of those fees. This proposal was included in the President's fiscal year 1997 budget submission. Furthermore, according to the so-called "Green Scissors" report:

> * * * [T]his idea is not necessarily opposed by those who might have to pay. A poll conducted by the National Parks and Conservation Association indicated that 80 percent of those polled would support higher entrance fees in national parks if the money is used to maintain the parks.

The budget resolution agrees that underpricing recreational visits contributes to the degradation of natural areas.

This proposal assumes a 10-percent reduction in the National Recreation and Preservation Program, as recommended by the Committee on Resources. In addition, it assumes that international forestry, and the Advisory Council for Historic Preservation will be terminated as proposed by the Committee on the Budget and the Committee on Appropriations last year. Under international forestry, technical assistance is provided outside the United States. It is assumed all these funds should be reallocated to parks within the United States.

REFORM THE SUPERFUND PROGRAM

The Superfund Program has been widely criticized for bureaucratic inefficiency and a tendency to litigate. In 1994, the House Committee on Commerce, then controlled by Democrats, stated: "[T]he program's weaknesses are recognized by virtually all Superfund stakeholders." This year, the House Committee on Commerce has been extremely critical of the programs effectiveness, noting that the current program is "incapable of achieving its fundamental goal—cleaning up hazardous waste sites" and that "more than half of every Federal dollar spent on Superfund goes to something other than cleaning up [these] sites." Despite the President's stated concerns about the environment, however, he has been silent about how the program can be improved.

Therefore, this proposal assumes that the Congress must take the lead in fixing this flawed program. The budget resolution assumes the extension of two expiring taxes: the corporate environmental income tax [CEIT] and the excise tax on petroleum products and chemical feedstocks. The Budget Committee also recommends that the authorizing committees will correct the program in a manner that will reform the high cleanup and legal costs, correct the unfairness of the liability scheme, reduce overlapping authority and responsibility between various levels of government, and alter the economic incentives to use undeveloped—or "greenfield"—sites to avoid potential Superfund liability.

The budget resolution assumes that the reformed Superfund Program will be funded at $2 billion annually, an increase of $698 million over current levels.

AUTHORIZE A SAFE DRINKING WATER REVOLVING FUND AND MAINTAIN A STRONG CLEAN WATER SRF PROGRAM

According to the House Committees on Commerce and Transportation and Infrastructure, the reauthorization of the Safe Drinking Water Act is one of their highest priorities. The Commerce Committee has informed the Budget Committee that public water systems will require:

> * * * [D]irect financial assistance in order to meet an increasingly complex array of national drinking water standards. Testimony and other evidence reviewed by the committee indicates a clear need for a State Revolving Loan Fund [SRF] in order to meet the public health objectives of the [Safe Drinking Water Act].

The budget resolution assumes that the final legislation will be similar to S. 1316, the Safe Drinking Water Act Amendments of 1995, or H.R. 2747, the Water Supply Infrastructure Assistance Act of 1996. The Budget Committee recognizes, however, that the committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this proposal. Finally, the budget resolution advocates funding the Clean Water SRF Program to fulfill wastewater construction commitments.

IMPLEMENT THE CONSERVATION PROGRAMS WITHIN THE FEDERAL AGRICULTURAL IMPROVEMENT AND REFORM [FAIR] ACT

As will be discussed further in Function 350, the Congress recently passed, and the President signed, historic legislation to overhaul the Nation's outmoded and cumbersome agricultural programs. That legislation included several provisions that will also greatly improve the quality of the environment.

Restore the Florida Everglades. The Florida Everglades is a unique national treasure. Its long-term viability is vital to the quality of life in south Florida. The legislation provides funding for land acquisition in the Florida Everglades for the purpose of environmental restoration. In addition, funds are provided for the sale or swap of other federally held land in Florida.

Expand the Conservation Reserve Program [CRP]. The CRP offers producers annual rental payments to remove highly erodible cropland and other environmentally sensitive land from production. The Department of Agriculture's enrollment authority expired on December 31, 1995. The legislation gives the Secretary of Agriculture the authority to enter into new contracts and extend expiring contracts. The authorized maximum acreage in the program is maintained at 36.4 million acres.

Implement the Environmental Quality Incentive Program [EQIP]. This new initiative will assist agricultural producers to deal with environmental and conservation concerns. Assistance can be used for animal waste management facilities, terraces, waterways,

filterstrips, or other structural and management practices to protect water and soil resources.

RESTORE SALMON RUNS IN THE ELWHA RIVER

The budget resolution recognizes the importance of restoring salmon runs in some rivers in the Pacific Northwest. The Elwha River in Washington State may represent a unique opportunity for salmon restoration in a fiscally responsible and effective manner. The resolution urges the committees of jurisdiction and other concerned parties to identify ways to restore salmon runs to the Elwha River in the most cost-effective way, taking into consideration the concerns of local residents and the possibility of sharing costs with those who would benefit from restoration. Restoration should allow the Department of the Interior and other fishery managers to measure the success of fishery restoration and protect the community water supplies.

FUNCTION 300: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Improve the quality of the national parks: [1]							
Budget authority	1,083	11	22	32	54	54	65
Outlays	1,076	8	19	29	48	52	62
Reform the Superfund Program:							
Budget authority	1,302	698	698	698	698	698	698
Outlays	1,399	180	421	558	628	662	662
Authorize a Safe Drinking Water Revolving Fund [SRF] and maintain a strong Clean Water SRF Program:							
Budget authority	2,813	39	39	39	39	39	39
Outlays	2,744	2	12	26	34	38	39

[1] Additional funds are provided through the termination of lower priority accounts.

FUNCTION 300: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Improve the quality of the national parks:							
Budget authority	[1] −69	−13	−6	−11	−7	−12	−7
Outlays	[1] −71	−12	−9	−13	−11	−14	−9

[1] Negative number denotes cash in-flow to the Federal Government.

Additional Changes From Current Policy

The budget resolution also assumes savings from various other provisions, including: eliminating unneeded bureaucracy in the Department of the Interior, encouraging land swaps instead of new puchases, prioritizing conservation operations within the Department of Agriculture, targeting construction funding in the Departments of Agriculture and Interior, restructuring the Department of the Interior's minerals-related agencies, reforming the various land management agencies, reforming the Bureau of Reclamation [BOR], refocusing the National Oceanic and Atmospheric Administration [NOAA] on its core mission as part of terminating the De-

partment of Commerce, reforming the Corps of Engineers, funding EPA science based on risk-based regulations, reducing the Department of Interior's overhead, and opening a small portion of the coastal plain of ANWR for exploration.

Although these proposals reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 350:

AGRICULTURE

FUNCTION 350: AGRICULTURE

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$12,737	$11,840	$11,750	$11,367	$10,714	$9,497	$8,964
Outlays	10,751	10,238	9,855	9,483	8,843	7,730	7,181

POLICY PRIORITIES

For more than 60 years, Washington has tried to centrally plan U.S. agriculture with an enormous system of commodity supply and price controls, acreage allotments, production quotas, restrictions on imports, and export subsidies. These outdated and cumbersome policies are preventing U.S. farmers from taking advantage of opportunities in the world market.

By contrast, the new direction in farm programs envisioned in this budget resolution will give farmers the freedom to plant in response to market demand, not government programs or what government bureaucrats think farmers ought to be planting. Producers have asked for more flexibility, less paperwork, and a better opportunity to earn a living from the marketplace.

The new approach, embraced in this budget resolution, accomplishes these goals, and does so in a manner that will make U.S. agriculture profitable and competitive in the 21st century.

THE FEDERAL AGRICULTURAL IMPROVEMENT AND REFORM [FAIR] ACT

The President signed the FAIR Act into law on April 4, 1996. The centerpiece of this historic legislation is the new market transition contracts. These contracts replace deficiency payments with fixed, albeit declining, payments that do not vary with market conditions. Total payments are guaranteed for fiscal years 1996 through 2002. The FAIR Act also eliminates the complex production controls, such as acreage reduction programs, and increases planting flexibility. Specifically, any commodity may be grown on contract acreage except fruits and vegetables.

ADDITIONAL CHANGES FROM CURRENT POLICY

The budget resolution assumes savings in this function from various additional provisions including: reforming the foreign agricultural service, reducing unneeded bureaucracy within the Department of Agriculture, refocusing Federal support for agricultural research and extensions, reforming the Farmers Home Administra-

tion, downsizing the Farm Service Agency; terminating State mediation grants and outreach for socially disadvantaged farmers; and reducing the Department of Agriculture's overhead.

Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these recommended policy changes are contained in Appendix 1.

FUNCTION 370:

COMMERCE AND HOUSING CREDIT

FUNCTION 370: COMMERCE AND HOUSING CREDIT

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$11,884	$8,957	$14,188	$14,103	$12,850	$14,662	$11,598
Outlays	−7,071	−1,599	7,333	4,377	6,841	8,395	7,218

POLICY PRIORITIES

Continuing leadership in the development of new technologies is vital to the strength of a nation. "Competitiveness" became the political mantra of the late 1980's and early 1990's, and heated debates over how the United States could best remain competitive have raged through the Halls of Congress and in public policy forums across the country. In certain areas, such as new technology standards and measurement development and fundamental technical competence, the government does play an important role. In this regard, the budget resolution assumes 3 percent growth in the National Institute of Standards and Technology's core program funding (Scientific and Technical Research and Services) and research facility modernization.

But the President and previous Congresses have focused on the small picture through micromanagement. Washington's tendency to micromanage undoubtedly has caused much of the massive regulation and bureaucratic structure that hinder the Nation's ability to move forward.

Although the Federal Government has a role in basic research, it should not be engaged in applied research. Furthermore, considerable evidence exists that the Federal Government is not capable of choosing projects with the greatest potential for technological and commercial success. Therefore, the budget resolution recommends terminating the Department of Commerce's Industrial Technology Services, including the so-called Advanced Technology Program, and phasing out the manufacturing extension partnership. Instead, the government should focus on providing an economic environment that favors growth, spurs the investment of private capital, and encourages risk-taking.

Rather than pursuing industrial policy, the United States can best enhance its competitiveness by eliminating deficit spending and the national debt; by modernizing outmoded antitrust laws to recognize global competition; by providing a permanent R&D tax credit; by reforming the civil justice system, including product and

professional liability standards; and by reviewing new government regulations using risk assessment reform and cost-benefit analysis.

The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The discussion below reflects the assumptions underlying House Budget Committee's recommendations concerning the funding priorities for programs in this function.

TERMINATE THE DEPARTMENT OF COMMERCE

The Department of Commerce is an unwieldy conglomeration of marginally related programs, nearly all of which duplicate those performed elsewhere in the Federal Government. According to the General Accounting Office, Commerce "shares its missions with at least 71 Federal departments, agencies, and offices." Its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its resources are dedicated to activities completely unrelated to its "mission." Former Commerce Department officials recently testified that the few unique functions contained in Commerce suffer under the multiple tiers of political appointees and bureaucracy. This proposal, which was developed by the chairmen of the committees of jurisdiction and coordinated by the House leadership, terminates Commerce programs that are either unnecessary or redundant; consolidates functions that belong elsewhere in the government; and makes independent those programs that should function in a more businesslike manner. Specific components of the termination would include the following:

Terminate Administrative Functions. The Office of the Secretary, General Counsel, Inspector General, and other administrative functions are terminated.

Terminate the United States Travel and Tourism Administration. The Travel and Tourism Administration was recently terminated in the Omnibus Appropriations Bill (H.R. 3019). The Travel and Tourism Administration promotes the United States abroad as a tourism destination. It does this through field offices in Amsterdam, London, Frankfurt, Milan, Paris, Sydney, Tokyo, and Toronto. The efforts of the Travel and Tourism Administration are dwarfed by marketing efforts of the U.S. hotel, travel, and tourism industries.

Terminate Industrial Technology Services, Including the Advanced Technology Program. This provision would include terminating the Offices of Technology Policy, Technology Commercialization and Technology Evaluation and Assessment, the Advanced Technology and Manufacturing Extension Partnerships. The scientific and technical research functions of the National Institute of Standards and Technology [NIST] would be transferred to an independent National Scientific, Oceanic and Atmospheric Administration. Although the Federal Government has a role in basic research, it should not be engaged in applied research, product development or commercialization conducted through the Technology Administration. See "Prioritize the National Institute of Standards and Technology's Core Programs" below.

Privatize the National Technical Information Service [NTIS]. NTIS collects scientific, technical, engineering, and other business-related information from Federal and international sources and disseminates it to the American business and industrial research community. NTIS is a self-supporting agency with operating costs paid out of revenues earned from the sale of information products and services. To enhance its businesslike operation and improve the services and products it provides, NTIS should be privatized.

Terminate the National Telecommunications and Information Administration. This would include terminating the Information Infrastructure Grants, Public Telecommunications Facilities Grants, and the Endowment for Children's Educational Television (Function 500). Management of the electromagnetic spectrum is transferred to the reconstituted United States Trade Representative (see below), and scientific and technical research of the electromagnetic spectrum is transferred to the standards office in the National Scientific, Oceanographic and Atmospheric Administration (see below).

Corporatize the Patent and Trademark Office. The office would be converted into a government-owned corporation.

Terminate the Economics and Statistics Administration. Under this provision, the Bureau of the Census and the Bureau of Economic Analysis are transferred to the Department of Labor to be merged with the Bureau of Labor Statistics. This is a transitional step in preparation for the creation of a Federal statistical agency.

Reconstitute the National Oceanic and Atmospheric Administration [NOAA]. NOAA is reconstituted into a freestanding agency, named the National Science, Oceanic and Atmospheric Administration [NSOAA], consisting of most of the programs currently within NOAA as well as the scientific and technical research functions of NIST and the research of the electromagnetic spectrum of the NTIA. The NOAA corps and fleet (Function 300) are terminated. [Please note: Additional provisions affecting NOAA appear in Function 300.]

Transfer Functions of the International Trade Administration. The functions of the International Trade Administration are transferred to the Office of the United States Trade Representative [USTR]. The USTR will be removed from the Executive Office of the President, and the USTR will be restructured to include a Deputy for Negotiations and a Deputy for Administration.

Restructure the Economic Development Administration [EDA]. The EDA is restructured and transferred to the Small Business Administration (see Function 450).

Transfer Functions of the Bureau of Export Administration. Licensing and enforcement functions of the Bureau of Export Administration will be transferred to the USTR.

PRIORITIZE THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY'S [NIST] CORE PROGRAMS

The fundamental scientific understanding and basic research of the technical aspects and standards for new processes and technologies is NIST's constitutional mission. The budget resolution

recommends $281 million for these Scientific and Technical Research and Services in fiscal year 1997 and a 3-percent annual increase thereafter. The resolution rejects the President's approach, which reduces NIST basic research by $40 million compared with last year's request while continuing to push for $450 million in NIST corporate welfare grants.

RESTRUCTURE MORTGAGES TO PREVENT FHA COSTS ASSOCIATED WITH THE PROJECT-BASED SUBSIDY PROGRAM

Currently, millions of low-income Americans live in federally subsidized privately owned apartments. As long as they live in the subsidized units, their contributions to the rents are no more than 30 percent of their income; the Federal Government pays the rest. A majority of projects charge the tenants and the Federal Government more than the surrounding market rents. In some cases the rent is twice what an unassisted unit across the street might charge. According to the Department of Housing and Urban Development, of the 20,000 HUD-assisted properties, 9,000 also have FHA-provided mortgage insurance. Hence if the owners of the projects default on their mortgages, the lender will look to the Federal Government for payment.

Many of these FHA-insured projects have mortgages far higher than the real market value of the property, which contributes to the high subsidized rents. In most cases this was done by Federal design. Marginal or blighted neighborhoods often cannot attract investment in the form of high-quality new construction because the rents paid would be too low to sustain the costs associated with putting up the building. The Federal Government therefore subsidized the mortgages, sometimes through buying down the interest rates, and then insured the mortgages against default, allowing the developers to obtain mortgages from the lenders. In addition, to sustain the new building, project-based assistance was attached to many of the units of these projects. The owner of the building could then charge rents high enough to sustain the mortgage payments because the lower-income tenant's payments are subsidized by the Federal Government. Inefficient operation of the projects, HUD's poor management abilities, and the poor oversight of tenant income contribute to the high costs of these projects.

Though some are in decent physical condition, many properties have declined and become dilapidated. Many need substantial rehabilitation before they would be able to be viable on the open market. A large number of tenants might choose to leave these projects were the assistance made portable. If present policies continue, HUD estimates $80 billion in hard costs associated with these projects over the next 25 years. In a December 1994 report, CBO said:

> In 1989, an estimated 55 percent of FHA-insured multifamily properties had insufficient funds in their reserve accounts to cover the backlog of repair and replacement needs they had accumulated. The amount of that unfunded backlog—the total backlog minus the funds available in replacement reserve accounts—averaged more than $1,400 per unit across the entire insured inventory.

Over the next 10 years, most of the contracts for these units come up for renewal. This presents the Federal Government with a choice. It can maintain the present system. But this will be costly: the Congressional Budget Office projects the cost of renewing project-based assistance, under present policies, would grow from $627 million in budget authority to $7.9 billion per year by 2006. Even this cost does not reflect the costs associated with the continuing degradation of the buildings and the consequent effect on the lower-income tenants, who are disproportionately elderly and disabled. HUD has listed the following repercussions of maintaining present policies:

> Deterioration of old assisted stock; continued decline of neighborhoods and an increase in crime and social costs; minimal rehabilitation of existing stock; increasing overpayments to assisted owners.

In testimony to the House Budget Committee, the General Accounting Office said of this situation:

> The people in leadership in HUD recognize this is an intolerable situation and absolutely something must be done. We commend HUD for at least recognizing that something must be done and the existing situation cannot continue.

The budget resolution agrees with this assessment. The resolution recommends implementing a comprehensive restructuring plan to replace the present system of private project-based assistance with a system largely based on vouchers.

This can be achieved by accepting the principles of an administration proposal to bring the mortgage levels of these projects down to the real market value of the property. The rents can then be reduced to market rates without triggering a mortgage default and thus avoid a cost to the FHA. This would be accomplished through selling the mortgage on the open market, with no FHA insurance and only transitional project-based assistance.

The sales would entail near-term losses to the Federal Government because it would have to cover the difference between the mortgage value at the present level and the value at the market rate. At the end of the process, however, the housing assistance would be transformed into a voucher-based program and the Federal Government's liability would be extinguished.

FUNCTION 370: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Terminate, transfer, or privatize various agencies and functions in the Department of Commerce: [1]							
Budget authority	3,679	−67	−103	−110	−110	−110	−110
Outlays	3,799	−36	−85	−104	−110	−110	−110
Terminate Industrial Technology Services, including Advanced Technology Program: [1]							
Budget authority	300	−291	−300	−300	−300	−300	−300
Outlays	255	−20	−88	−212	−297	−299	−299

FUNCTION 370: DISCRETIONARY SPENDING PRIORITIES—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Prioritize the National Institute of Standards and Technology's [NIST] Core Programs: [1]							
Budget authority	251	30	38	47	56	65	74
Outlays	247	23	36	45	54	63	72
Construction of research facilities [NIST] [1]							
Budget authority	[2] −15	105	60	60	60	60	60
Outlays	49	13	22	32	59	61	65

[1] Part of the proposal to terminate the Department of Commerce.
[2] Negative number denotes cash in-flow to the Federal Government.

FUNCTION 370: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Privatize the National Technical Information Service [NTIS]: [1]							
Budget authority	0	0	−13	0	0	0	0
Outlays	0	0	−13	0	0	0	0
Corporatize the Patent and Trademark Office: [1]							
Budget authority	0	0	0	−119	−119	−119	−119
Outlays	0	0	0	−119	−119	−119	−119
Restructure mortgages to prevent FHA costs associated with project based subsidy program:							
Budget authority	NA	383	0	0	0	0	0
Outlays	NA	383	0	0	0	0	0

[1] Part of the proposal to terminate the Department of Commerce.

Additional Changes From Current Policy

The budget resolution assumes further savings from the following provisions: shifting to the Postal Service the cost of transition payments for workman's compensation benefits paid to pre-1971 postal employees; terminating fleet modernization at the National Oceanic and Atmospheric Administration; making the SBA's 7(a) loan guarantee program self-financing; encouraging private financing of small business development centers; reducing the flood insurance subsidy on pre-firm structures; reducing duplication in small and minority business programs and consolidating functions in the Small Business Administration; reforming the Federal Housing Administration's multifamily mortgage insurance program to make it self-financing; enhancing the FHA property disposition program; providing for FHA assignment reform and eliminating the Federal Trade Commission. Partial savings also result from the Rural Development Block Grant described in Function 450. Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 400:

TRANSPORTATION

FUNCTION 400: TRANSPORTATION

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$36,653	$41,737	$43,541	$43,961	$44,103	$44,531	$45,045
Outlays	39,308	39,007	37,635	36,111	35,236	34,526	34,042

POLICY PRIORITIES

Over the past 40 years, the Nation has witnessed a great expansion of the Federal Government's involvement in transportation. The current Federal role in highways, originally intended to be of limited duration to meet immediate post-war needs, has outlived its mandate and has become a barrier to sensible decisionmaking. The Nation's mass transit systems, which provide local transportation, are dependent on the U.S. Treasury to finance construction and subsidize the travel of almost every transit commuter in America. In aviation, the Federal role of ensuring the safety of the skies has expanded to include programs that assist in building runways, taxiways, and terminals. Federal involvement in intercity rail travel has delivered a near-bankrupt corporation, running on a dilapidated infrastructure and desperate for Federal aid every day to survive. There is even a Federal program for "enhancements," such as bicycle paths. In every instance, Federal aid has brought strings and regulations that have increased costs. This has necessitated more Federal aid, and has led to greater dependence on the Federal Government—and needs now far exceed Federal resources in every mode of transportation.

This expansion of Federal involvement in transportation has occurred over decades, and it cannot and should not be reversed overnight. As a result, the proposals that follow are not policy directives to the committee of jurisdiction, nor do they affect the spending assumptions in this resolution. But the policy directions outlined below merit further investigation, hearings, and deliberation for the long-term health of the Nation's transportation network.

The budget resolution's priority for Function 400 is to introduce ideas that would harness the ingenuity of Governors, State legislatures and local governments, the entrepreneurialism of private industry, and the strength of the financial markets to enhance the Nation's transportation network. This is not to suggest that there is no Federal role in transportation. It merely recognizes that Federal involvement in many instances has been counterproductive

and has precluded other, non-Federal ways of financing infrastructure improvements.

Programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. No savings targets have been assigned to the following provisions, and this resolution does not preclude spending from the trust funds at levels which the trust fund can support. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they remain within the spending limitations of the budget resolution.

STUDY OF RESTORING STATE AUTHORITY, FLEXIBILITY, AND CONTROL OVER AMERICA'S HIGHWAYS

The Problem. The Nation's highway financing mechanism is a relic of the 1950's. It was created at a time when lawmakers were, in part, concerned that the Nation's highways would be inadequate to allow populations to exit urban centers in the event of a nuclear attack. Construction of the interstate system was originally authorized to last 13 years and cost $25 billion. It has lasted 40 years at a cost of about $130 billion. The Federal-Aid Highways Program was also expanded during that time to include more than $170 billion in other programs and projects.

During the creation of the Federal-Aid Highways Program in the 1950's, highways were still considered the province of the States and localities. A 1956 report on the Federal Aid to Highways Program by the Commission on Intergovernmental Relations stated:

> States and their political subdivisions have primary interests in, and their residents derive substantial benefits from, all highways, even those of an interstate character. Fulfillment of the national interest in highways does not necessarily require that the National Government participate, directly or through financial aids, in their provision or operation.

The report explained that a defined Federal involvement for a limited term was:

> [T]he most effective way to remedy the immediate highway problems of the Nation as well as discharge the national responsibility over the long run. The Commission gave earnest consideration to complete Federal financing of this limited system beyond any emergency program that may be undertaken, but rejected this approach * * *.

Although it was designed to be a federally assisted State program, Federal-Aid Highways has evolved into a highly prescriptive, regulated, earmarked Washington-directed program. To a great extent, States and localities decide which roads are constructed. But, with some exceptions, the Federal Government prescribes how much of the Federal-Aid Highways Program can be spent on interstate construction, maintenance, congestion mitigation and air quality programs, bridge replacement, rural access projects, urban access and mobility projects, scenic byways programs, and myriad other programs.

The highway program is financed through excise taxes, principally the gasoline tax. The Federal Government collects the gas tax, diverts funds for earmarked projects, skims off more to pay for the Federal highway bureaucracy, runs the remainder through a complex web of programs, and *then* returns the money to the States. This process is so inefficient that some economists estimate that the purchasing power of each dollar sent to Washington is degraded by at least 25 cents.

Over time, this structure has enabled the construction of the Interstate Highway System. But that system is complete. Now States are faced with billions of dollars' worth of unmet highway and bridge needs, and a Federal system that hamstrings their efforts to rehabilitate America's infrastructure.

Proposed Solution for Further Study. One possible solution to addressing future infrastructure needs would be reducing the Federal gasoline tax and highway trust fund outlays by an equivalent amount beginning in 1999. States could then raise their taxes a commensurate amount. The budget resolution urges exploration of this approach.

Currently, the Federal-Aid Highways Program, funded through the highway trust fund, spends approximately $20 billion each year. This proposal would reduce the program eventually to collecting and expending approximately $6 billion a year.

Because Federal spending and gas tax revenues would decline at commensurate amounts, this proposal would have no impact on the deficit and would not be "scored" as a net savings. But that is beside the point; the issue is one not of simply cutting spending, but of implementing the best possible means of improving the infrastructure of localities, States, and the Nation.

The Federal Government should retain a role in ensuring a maintenance of effort to protect the quality and continuity of the Interstate Highway System. It should also retain a role in coordination among States, safety regulations, and standard setting.

From the perspective of the taxpayer, the transition to State control would be seamless. Each State already has its own gas tax and could enact legislation raising gas taxes by an amount equivalent to the reduction in the Federal tax, effective when the Federal Government lowers its gas tax. From the perspective of the highway users, the change would be dramatic. Ending Federal micromanagement and earmarking would allow Governors and State departments of transportation to do more with less.

The key to improving the Nation's infrastructure is reempowering the States, not further consolidating power in Washington. Restoring the States' control over their highways could be an important first step, and warrants further investigation.

STUDY OF PRIVATIZING THE OPERATIONS OF THE AIR TRAFFIC CONTROL SYSTEM

Recently, the House passed legislation that would remove the Federal Aviation Administration [FAA] from the Department of Transportation and reform current procurement, personnel, and management practices. If enacted, this legislation would enhance

the Federal Aviation Administration's ability to modernize the Air Traffic Control System.

An alternative approach, however, would be to transfer the operations of the air traffic control system to a private corporation. A plan to do this is outlined below. The budget resolution has assumed no savings from this proposal, but recommends further study of this approach.

The Problem. The Air Traffic Control [ATC] System in the United States is obsolete, and Washington has bungled its modernization for more than a decade. For example, controllers still use pre-1960's equipment to guide 19,000 planes a year. According to the FAA, vacuum tubes made obsolete by the transistor in 1947 are still used at hundreds of ATC sites. The system's truck-sized UNIVAC computers have one-tenth the power of today's personal computers costing less than $2,000, and some ATC computers could not run the $49 flight simulator computer games that are installed on millions of personal computers in homes across America.

The Nation's Air Traffic Control System is safe. But this is the result of the Herculean labors of air traffic controllers, and the safety technology incorporated in aircraft design and maintenance—not because the Federal Government owns and manages the ATC System.

In addition to the failure to modernize, the Federal Aviation Administration has been widely criticized for general mismanagement. In a recent letter to the FAA's Administrator, the inspector general of the Department of Transportation wrote:

> During the last 12 to 18 months, the Office of the Inspector General has advised you of at least four instances of significant abuses by the Federal Aviation Administration * * *. While each of these abuses are vastly different, there is a common thread. That thread is the mindset within FAA that managers are not held accountable for decisions that reflect poor judgment.

The antiquated technology and Federal mismanagement are at least partly responsible for the chronic airport congestion and delays that cost travelers, industry, and the government nearly $6 billion annually. In the next few years, as many as 40 airports will experience serious congestion affecting 80 percent of air travelers. Clearly, the current system will not meet the Nation's air travel needs of the next century.

The current condition of the Federal Aviation Administration in many ways illustrates what happens when a government bureaucracy tries to be a service provider, particularly in a high-volume, high-tech field such as air traffic control. The report to the President and Congress by the National Commission to Ensure a Strong, Competitive Airline Industry summarized the issue as follows:

> In the history of American business, there has never been a major commercial industry whose minute-by-minute operating efficiency was capped by the daily operating efficiency of the Federal Government—except for the airlines. The Commission believes there is a fundamental

inconsistency between the processes of government and the operation of a 24-hour-a-day, high-technology, capital-intensive air traffic control system.

Proposed Solution for Further Study. Problems of this magnitude call for bold change. One alternative would be to transfer the operations of the Air Traffic Control System to a privately run corporation, while retaining a Federal role in setting safety standards, certification, and regulations.

Privatizing ATC operations would remove the bureaucratic impediments to modernizing the system, and would enable the corporation to raise billions of dollars through the private capital markets for modernization. Further, it would end the current conflict of interest resulting from the same organization running air traffic control and monitoring its safety. A privately managed air traffic control corporation could also provide incentives for current, experienced air traffic controllers by implementing a flexible and fair pay scale. Finally, a corporation could function as a commercial enterprise, responsive to its users and using best business practices.

In the past, variations of either privatization or government-owned air traffic control corporations, have been endorsed by the National Commission to Ensure a Strong, Competitive Airline Industry; the Reason Foundation; the Clinton administration; Representatives Solomon, Barton, and Goss; the Air Transport Association (1985); and the Transportation Review Board (1991). On April 1, 1996, Canada's Transport Minister signed legislation authorizing the sale of Canada's Air Traffic Control System to a newly created corporation, Nav Canada.

As indicated above, the budget resolution assumes no savings from privatizing the Air Traffic Control System. Nevertheless, privatizing air traffic control can save the traveling public, the airlines, and the taxpayers billions of dollars while ensuring a dynamic system capable of advancing at a pace as rapid as the changing needs of air travel itself.

ADDITIONAL CHANGES FROM CURRENT POLICY

The budget resolution assumes further savings from various provisions including the following: eliminating highway demonstration projects; making Amtrak more businesslike and phasing out operating and capital subsidies; completing the Northeast Corridor Improvement Program in 1999; reducing funds for the Office of the Secretary of Transportation; extending vessel tonnage fees; focusing NASA's aeronautics on new concepts; terminating wooden bridge research and demonstration programs; eliminating Federal corporate subsidies for development of "intelligent transportation systems;" deregulating ocean shipping and eliminating the Federal Maritime Commission; eliminating maritime corporate subsidy programs and the Maritime Administration; eliminating funding for experimental rail programs with doubtful market potential; eliminating outdated airline subsidies; eliminating funding for the Civil Aeromedical Institute and the FAA Management Training Institute; redefining the Federal role in transit; eliminating certain unnecessary transportation programs and returning responsibility to the States; and eliminating select functions and overhead for De-

partment of Transportation Research and Special Programs Administration. Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 450:

COMMUNITY AND REGIONAL DEVELOPMENT

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$11,089	$6,672	$6,605	$6,559	$6,595	$6,243	$6,153
Outlays	11,116	10,149	8,640	7,820	7,040	6,655	6,161

POLICY PRIORITIES

Federal programs designed to spur economic and community development have been among the worst examples of duplicative Federal bureaucracy. Hundreds of different programs have attempted to provide greater economic opportunity to lower-income families in distressed communities, but there is very little evidence of success from any of these programs. Still, the programs have proliferated, each with its own bureaucracy and constituency. Far more good will be achieved by consolidating those programs that show potential for success, targeting funds to where they are most needed, and eliminating the rest.

The discussion below reflects the assumptions underlying House Budget Committee's recommendations concerning the funding priorities for programs in this function. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending guidelines that flow from the budget resolution's spending limitations.

CONSOLIDATE ECONOMIC AND DEVELOPMENT PROGRAMS INTO FLEXIBLE STATE AND LOCALLY BASED ECONOMIC DEVELOPMENT FUNDS

Although the Federal Government will continue to play a role in providing assistance to urban areas' community development, the present system too often diverts resources to work projects having little or no benefit for lower-income Americans. Community development funding must be concentrated where it is most needed. This proposal would combine the Community Development Block Grant Program, the HOME Program, and the Community Development Financial Institutions Program into one flexible fund allocated to and administered by State housing and development agencies and local governments. These development funds would be concentrated on very low-income areas for the revitalization of declin-

ing communities, using homeownership and preservation of affordable housing as principal strategies. This mission would be implemented by creating partnerships with neighborhood development corporations. The corporations would comprise local volunteer boards of directors, including resident leaders; private business community representatives; and local public officials. The State-based funds would extend grants, direct loans, and loan guarantees to the neighborhood development organizations so they in turn might provide low-cost loans to those unable to obtain credit from conventional banks or financial institutions. By monitoring for quality control, and providing a secondary market for loans, development funds will provide for liquidity and continued ability to loan to these neighborhood development corporations. Development funds may issue securities backed by these loans, to be purchased by private investors such as banks seeking to obtain credit for Community Reinvestment Act purposes. Many local governments now use the section 108 loan guarantee program in this fashion by capitalizing it with other funds, such as Economic Development Initiative funding. This proposal would expand the application by proposing a network of States, local governments, and locally based private organizations. Through this mechanism, the goals of both comprehensive neighborhood development and cohesion with newly created State-based welfare programs can be obtained.

By moving away from a direct grant program to a flexible program emphasizing loans and loan guarantees, significant savings may be achieved after State-based funds are capitalized in the first 2 years. [Please note: A portion of this proposal also appears in Function 600.]

CREATE A RURAL DEVELOPMENT BLOCK GRANT

In 1995, the administration proposed, and the House budget resolution endorsed, the creation of a rural development block grant. But the administration delayed submitting its proposal to the Committee on Appropriations until May, well after the committee heard testimony from the administration and outside witnesses on the fiscal year 1996 proposed budget. The President's fiscal year 1997 budget again contains a proposal to create a rural development block grant, and this budget resolution reiterates its support for such an approach. Testifying before the House Committee on Government Reform and Oversight concerning this proposal, the General Accounting Office [GAO] noted:

> Appropriate program consolidation pursuing a broad strategy for economic development in rural areas provides one alternative to the current system of multiple, narrowly focused programs. Program consolidation would provide the opportunity to eliminate overlapping or duplicative activities, thereby facilitating improvements in the effectiveness and efficiency of overall Federal assistance to rural areas.

The block grant includes rural water and wastewater grants, loans, and loan guarantees; loans and loan guarantees for essential community facilities; loans for new construction of rural rental housing and the corresponding rental assistance; and grants, loans,

and loan guarantees for the creation and expansion of rural businesses. The President has recommended reductions for the rural water and waste disposal loans program account, the rental assistance program, the community facility loans program account, and the rural housing insurance fund program account. The budget resolution assumes these recommendations.

The private sector is significantly more effective at producing economic development than the government. Therefore, this proposal calls for a 50-percent reduction in business and development accounts before the creation of the block grant. [Note: The rental assistance portion of this proposal appears in Function 600; the Rural Housing Insurance Program occurs in Function 370.]

CREATE A NEW NATIVE AMERICAN BLOCK GRANT

On July 11, 1994, Investor's Business Daily carried an article titled: "Gov't's Destructive Benevolence." The article stated that:

> * * * economists who study Indian development say that the most important cause of Indian poverty is a century of attempting to centrally plan reservations' economic development from Washington without regard to local conditions or tribal history and customs * * *.

This view was echoed last year by the Committee on Resources, which noted:

> The enormity of the social, political, and economic problems which confront today's collective native Americans is matched only by the number of confusing and antiquated Federal statutes which guide the [Bureau of Indian Affairs] in performing its duties.

The Resources Committee endorsed efforts to:

> * * * shift Federal funds directly to the Tribes through the Self-Goverance Program (Public Law 103–413) and the Indian Self-Determination and Education Assistance Act (Public Law 93–638).

The Resources Committee also noted the continued "dissatisfaction on the part of many native Americans with the health care services provided by the Indian Health Service [IHS]."

This proposal would accelerate the trend toward self-determination for native Americans. The budget resolution assumes that the reinvented Bureau of Indian Affairs [BIA] would provide block grants, rather than engaging in the direct provision of services or the direct supervision of tribal activities.

The proposal would reduce the central office operations and area office operations of the BIA by 50 percent relative to fiscal year 1995. It would incorporate construction funding in the block grant. To address the recurrent health care problems endemic to native Americans, the budget resolution assumes an extension of the Self-Governance Program to include the Indian Health Service [IHS] in fiscal year 2000. Finally, this proposal assumes that the other major programs for native Americans will be incorporated into the block grant when those programs have achieved self-determination (meaning, under the Self-Determination Act of 1975, that they may

directly receive funds.) [Note: Portions of this proposal are also contained in Functions 500 and 550.]

FUNCTION 450: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Consolidate economic and development programs into flexible State and locally based economic development funds:							
Budget authority	4,600	−1,326	−1,326	−1,326	−1,326	−1,326	−1,326
Outlays	4,835	−80	−533	−962	−1,286	−1,326	−1,326
Create a rural development block grant:							
Budget authority	663	−116	−115	−114	−113	−113	−113
Outlays	690	−34	−69	−95	−106	−115	−114
Create a new Native American block grant:							
Budget authority	852	−54	−54	−54	−54	−54	−54
Outlays	889	−38	−54	−54	−54	−54	−54

Additional Changes From Current Policy

The budget resolution assumes further savings from a phased-in downsizing of the Appalachian Regional Commission; focusing the Tennessee Valley Authority on its power-related activities; downsizing the Economic Development Administration; eliminating low-priority programs; reducing by 50 percent the flood insurance subsidy on pre-firm structures; accepting the administration's proposed funding for the Federal Emergency Management and Planning Assistance Program; and restoring equity in unemployment benefits. Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these recommended policy changes are contained in Appendix 1.

FUNCTION 500:

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$47,790	$46,965	$47,416	$48,046	$48,696	$49,410	$50,092
Outlays	50,558	49,504	48,112	47,817	48,209	48,704	49,335

POLICY PRIORITIES

Education is a top priority for the Nation. It is the means by which individuals develop the skills, knowledge, and sense of responsibility to pursue their own personal destinies and participate in their communities. It is the key that unlocks the door to higher-skilled, better-paying jobs for those seeking to break out of poverty. It is the source of highly trained workers, who are crucial to keeping the Nation competitive in an increasingly technical global economy. Improving education in America demands restoring the authority and responsibility to where it belongs—in the hands of parents, principals, and local school boards, not a growing Federal bureaucracy. As noted by Louis Grumet, executive director of the New York State School Boards Association:

> The Department of Education is far removed from the classroom and has become more of a burden to local school boards than a supportive partner. Using policy letters and program audits, the Department has abused its authority by threatening to withhold Federal dollars from States and school boards unless they comply with edicts devoid of regulatory, legislative, or judicial authority. The Department has become a tool for interest groups to place mandates on school boards outside the legislative process that are unrelated to the needs of children. We urge the dismantling of the U.S. Education Department and the return of educational governance to local school boards.

Although some in the current administration have opposed limiting the Federal Government's role in education, Alice M. Rivlin, the administration's outgoing Budget Director, has strongly endorsed this course in her book "Reviving the American Dream:"

> Improving education will take bottom-up reform. Presidential speeches and photo opportunities, national testing and assessment, federally funded experimental schools,

> even new grants spent in accordance with Federal guidelines, can make only marginal contributions to fixing the schools. Education in America will not improve significantly until States and communities decide they want better schools. Making education more effective will take parents who care, committed teachers, community support, and accountable school officials. An "education President" can help focus media attention on schooling, but he risks diluting State and local responsibility by implying that Washington can actually produce change.

Shifting authority back to States and localities does not threaten the quality or accessibility of education; indeed, it provides for better and more responsive education. Nor does this change of roles engender large additional education costs for State and local governments; it can be achieved by eliminating the overblown Federal bureaucracy and reducing regulatory burdens on local schools.

There is no question that the Federal education bureaucracy is too large and too burdensome. The House Committee on Economic and Educational Opportunities has identified 760 Federal education programs in 39 separate agencies, departments, commissions, and boards, with obligated funds totaling $120 billion. Only 6 percent of these programs' primary function is to teach or support mathematics, reading, or science. Federal Government mandates for social policy, political correctness, and "new age" educational theories have replaced them, with little academic benefits for students.

The State of Ohio Legislative Office of Education Oversight, in its October 1990 assessment, titled "Public School Reporting Requirements," found that Federal program reporting requirements are disproportionate to the amount of funding they provide. In a survey of required forms, the Ohio office discovered that *Federal requirements generate over 50 percent of the paperwork, but only 5 percent of funding for elementary and secondary schools.*

Another perspective was offered by columnist David S. Broder in the Washington Post on June 7, 1995:

> [Education Secretary] Riley has a Deputy Secretary, an Undersecretary, 11 Assistant Secretaries and 14 Deputy Assistant Secretaries. Beyond that, there are 21 boards, commissions and councils, each with its own hierarchy. Each of the Department's 10 regional offices boasts separate representatives for the Secretary and Deputy Secretary plus an array of Directors. That's a lot of chiefs for very few Indians.

The record of academic achievement also casts doubt on the effectiveness of Federal funding and intervention. Between 1965 and 1994 spending for elementary and secondary education has grown from $1.942 billion to $34.318 billion. Over the same period combined verbal and mathetical Scholastic Aptitude Test [SAT] scores have fallen from 958 to 902.

In the spirit of the Back to Basics Bill—introduced by a group of majority freshmen in June 1995—this budget resolution consolidates many elementary and secondary education programs into

block grants, turning funding decisions back to the States and local schools. Failed programs—programs that do not help children—are terminated.

To reiterate: The goal of this budget is to reduce Federal bureaucracy and regulations so parents and schools can get back to the business of educating children. The "Washington knows best" policies of the Great Society have failed. To improve education for this and future generations, we need to get back to basics by returning the responsibility of educating our children to parents and local communities.

At the same time, the budget resolution continues to strongly support higher education funding. Under the Republican budget, funding for student loans will continue to increase rapidly over the next 7 years—from $26.6 billion today to $37.4 billion in 2002. The numbers of students receiving loans will grow from 7 million in 1996 to 8.5 million in 2002. CBO projects that these are the exact same levels that will occur under President Clinton's student loan policies.

The discussion below reflects the assumptions underlying House Budget Committee's recommendations concerning the funding priorities for programs in this function. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending guidelines that flow from the budget resolution's spending limitations.

REDUCE SUBSIDIES TO BANKS AND GUARANTY AGENCIES, AND ELIMINATE GOVERNMENT-RUN LENDING

The budget saves approximately $3 billion by eliminating subsidies to bankers, guaranteed agencies, and secondary markets in the guaranteed student loan program. This is the same reform as incorporated in the Balanced Budget Act of 1995. None of these costs can be passed along to students because interest rates and origination fees for student loans are capped by law. Savings are also achieved from eliminating the direct loan program. Again, this change will come at no sacrifice to students or their parents because every student who would have gotten a direct loan from the government will have access to a guaranteed student loan from their local bank.

Eliminating direct lending will protect taxpayers from excess defaults that are likely to result from Department of Education mismanagement. Already there are warning signs of serious problems in the direct lending program. Schools with high default rates, particularly proprietary schools, have flocked to the direct lending program. Almost 300 schools in the direct lending program had default rates of 25 percent or higher in at least 1 year. Another indication of serious management problems at the Department of Education has been the major delays in processing financial aid applications for 900,000 college students. Although the Department of Education has blamed the problems on the partial government shutdown and bad weather in the District of Columbia, the reality is that these forms are processed by outside contractors who were un-

affected by these events (many of the contract employees are outside the Washington, DC, area). It is Department of Education mismanagement that has left thousands of students in limbo and forced hundreds of colleges to push back their May 1 admissions deadlines. Eliminating the government-run direct loan program will protect taxpayers from an enormous potential liability and assure the long vitality of the student loan program.

CREATE A BLOCK GRANT FOR ELEMENTARY AND SECONDARY EDUCATION

All elementary and secondary education programs except Title I, Indian Education, Special Education, and Impact Aid would be included in this grant, but total spending for the block grant would not be reduced from the current levels of spending for these programs. The approach will achieve two general goals articulated by the administration: "flexibility, allowing States and localities to implement * * * systems that respond to local needs, instead of Federal setasides and other requirements;" and "consolidation, ending program proliferation by merging separate formula and discretionary programs into a more coherent, integrated program."

BLOCK GRANT LIBRARY FUNDING

H.R.1617, the Consolidated and Reformed Education, Employment, and Rehabilitation Systems [Careers] Act and the President's 1997 budget consolidate library programs into a single block grant. Merging the State grant with a number of smaller programs, including the Indian and Native Hawaiian library program and Library Center Programs, will reduce bureaucracy and free up resources for libraries. The administration's own budget proposes savings of 23 percent from the 1995 level.

PRIVATIZE THE CORPORATION FOR PUBLIC BROADCASTING [CPB]

The original goal of the Public Broadcasting Act of 1967 was to supply cultural and educational programming not available on the three national networks. Today, a number of channels—Arts and Entertainment, Bravo, the Learning Channel, the Discovery Channel—offer programming similar to that of the Public Broadcasting System [PBS] without any taxpayer assistance. Moreover, the annual Federal appropriation represents only 14 percent of the Corporation's annual budget. CPB could make up cuts in Federal funding by reducing waste and increasing corporate sponsorship and viewer support, as well as by being more aggressive in its licensing arrangements with popular PBS programs such as "Barney" and "Sesame Street." Congressman Fields' bill to privatize PBS increases opportunities for corporate underwriting and limits the number of duplicative public television stations. It should also be noted that the threat of Federal subsidy reductions significantly increased PBS' fundraising last year.

This proposal would provide $260 million for fiscal year 1997 and $240 million for fiscal year 1998, the levels proposed in the House-passed appropriations bill. Federal funding would continue to be reduced by $60 million a year until Federal support is eliminated in 2002.

ENACT CAREERS JOB TRAINING CONSOLIDATION BILL

In his State of the Union Address, the President challenged Congress to consolidate 70 overlapping, antiquated job training programs into a program offering vouchers. The Careers Act, which passed the House of Representatives on September 19, 1995, by a vote of 345 to 79, consolidates job training and education programs into three block grants to the States. The bill also requires States to offer vouchers within 3 years. The budget resolution assumes this consolidation strategy.

FUNCTION 500: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Block grant library funding:							
Budget authority	129	−26	−26	−26	−26	−26	−26
Outlays	140	−10	−19	−26	−26	−26	−26
Privatize the Corporation for Public Broadcasting:							
Budget authority	275	0	−20	−80	−140	−200	−260
Outlays	275	0	−20	−80	−140	−200	−260
Enact careers job training consolidation bill:							
Budget authority	7,241	−1,137	−1,178	−1,189	−1,200	−1,209	−1,212
Outlays	7,695	−68	−922	−1,113	−1,168	−1,208	−1,212

FUNCTION 500: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reduce subsidies to banks and guaranty agencies and eliminate Government run lending:							
Budget authority	1,774	−894	−424	−788	−786	−826	−866
Outlays	2,062	−840	−336	−634	−769	−822	−852

Additional Changes From Current Policy

The discussions below explain in specific terms how other government programs and spending levels in this function would change as a result of the policy priorities described above. Although these descriptions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

Most of the additional savings are assumed to come from the following: phasing out the National Endowment for the Arts and Humanities, along with several other smaller programs; restoring equity in unemployment assistance; eliminating funds for politicized activities under the name of "community service;" restoring State and local authority over education standards; supporting the President's program terminations; freeing local school districts to promote English proficiency; discontinuing unneeded capital subsidies,

as proposed in the President's 1995 budget; eliminating duplicative postsecondary grant programs, as recommended in the President's fiscal year 1997 budget; eliminating burdensome categorical grant programs, as called for in the Careers bill and the President's budget; accepting the President's fiscal year 1996 proposal concerning aid to institutions; phasing out duplicative Robert C. Byrd scholarships; increasing funding for Historically Black Colleges by eliminating Howard University's special earmarked program; eliminating nonperforming Job Corps Centers; and eliminating the obsolete Office of the American Workplace. The effect of three welfare reform-related provisions—replacing the AFDC JOBS program; establishing two child protection block grants; and reducing funding for the Title XX Social Services Block Grant—occur in Function 500 as well.

FUNCTION 550:

HEALTH

FUNCTION 550: HEALTH

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$110,577	$129,918	$137,726	$144,995	$152,961	$161,114	$167,926
Outlays	122,977	130,276	138,064	145,168	152,890	160,789	167,476

POLICY PRIORITIES

The proposals in this function carry out one of the fundamental goals of the budget resolution—shifting power, influence, and money out of Washington and back to people in their States and communities. That goal is expressed particularly regarding health insurance reform, the transformation of the Federal-State Medicaid program, and reform of Food and Drug Administration [FDA] procedures. It is exceptionally important in these areas because of the vital nature of reform for the Nation's health care.

The discussion below reflects the assumptions underlying the House Budget Committee's recommendations concerning the funding priorities for programs in this function. But the actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending guidelines that flow from the budget resolution's spending limitations.

HEALTH INSURANCE REFORM

The budget resolution incorporates the insurance reforms and spending and revenue estimates of the House-passed Health Coverage Availability and Affordability Act of 1996 (H.R. 3103). The measure expands access to health insurance and helps make it more affordable. It also contains portability provisions to assure that losing a job or changing jobs will not cost a family their health insurance coverage.

Although health insurance reform has been a mounting concern over the past several years, previous Congresses, as well as the current administration, have failed to bring about needed reform, primarily because of their insistence on a centralized, government-controlled bureaucratic system of one-size-fits-all health coverage. The 104th Congress acknowledged the Nation's rejection in 1993 of government control of their health care, and in response developed

this current set of targeted reforms that meet the real needs and address the real fears of Americans who face the prospect of losing their health insurance coverage.

By making health insurance more affordable and accessible, H.R. 3103 will have a significant impact on the health status of the approximately 20 percent of Americans who lack health insurance temporarily or throughout the year. These reforms will also have a positive effect on Federal entitlement spending and on the overall economy; it is estimated that uncompensated health care in the United States is currently costing between $35 billion and $40 billion per year.

Insurance portability provisions in the bill allow individuals who lose or change jobs to maintain health insurance coverage. These provisions will relieve job-lock pressures, allowing many individuals to explore other employment possibilities and realize their full earning potential.

The bill also helps expand health care coverage to small companies. According to the Employee Benefit Research Institute, 49 percent of all uninsured workers in 1994 were either self-employed or working in companies with fewer than 25 employees. Small employer insurance pooling and a higher health insurance tax deduction for the self-employed will help small companies and the self-employed to afford and maintain health insurance.

The bill adjusts the tax code to make medical savings accounts a viable option for purchasing health care. It will allow individuals to control their health care dollars and to benefit financially by making prudent health care purchases. Additional provisions include medical malpractice reform to help lower health costs nationally; tax incentives for the purchase of long-term care insurance; stiffer penalties for fraud and abuse; and administrative simplification of electronic health data transfers.

REFORM OF THE MEDICAID PROGRAM

Medicaid, the Federal-State health care financing system for the poor, is strapped by Federal regulations and explosive cost increases. The reforms assumed in this budget resolution would transform Medicaid into a system that can be tailored to meet the diverse needs of diverse populations—and at the same time slow the unsustainably high growth rate in the system's costs.

Medicaid spending has been growing *at an average annual rate of 19.1 percent* between 1990 and 1994. During 1991, Federal Medicaid outlays grew by 27.8 percent. They grew another 29.1 percent in 1992. For fiscal year 1996, CBO estimates that Federal payments will be $95.7 billion and State payments will be an additional $72.2 billion (for a total of $168.0 billion). The fiscal year 1996 Federal payments include "disproportionate share hospital" payments of $10.7 billion. These supplemental payments are made to hospitals that provide a disproportionate share of medical care to low-income populations, such as Medicaid and indigent patients.

CBO projects Federal Medicaid payments rising by 7.5 percent in fiscal year 1996, rising to an increase of 9.9 percent in fiscal year 2002. These rates of spending growth are unsustainable. But they cannot be controlled by tinkering with the current system. Correcting the problem requires fundamental, systemic reform.

First, State flexibility is essential to improved Medicaid effectiveness, responsiveness, and efficiency. The approach assumed in the budget resolution recognizes that State and local officials, providers, and recipients know best how to structure their Medicaid programs to meet the needs of their own populations. By limiting Federal preconditions that restrict the discretion of State and local authorities, the reform strategy also allows for much-needed innovations to improve the responsiveness of the Medicaid program.

Reform Goals. Medicaid reform, if enacted, would achieve four goals: First, it would guarantee the basic health care needs of the Nation's most vulnerable populations. Second, it would restrain Medicaid health care expenditures to a sustainable rate of growth. Third, it would give States maximum flexibility in the design and implementation of cost-effective systems of care. Fourth, it would protect the States from unanticipated program costs resulting from economic fluctuations in the business cycle, changing demographics, and natural disasters.

Reform Proposal. A comprehensive Medicaid reform plan was anticipated in the fiscal year 1996 budget resolution, and the needed legislative and policy changes were incorporated in the subsequent Balanced Budget Act of 1995. But the President vetoed that legislation. Since then, the Nation's Governors have developed their own Medicaid reform proposal, which is similar in important respects to the Balanced Budget Act. The Governors unanimously adopted the plan on February 6, 1996.

The budget resolution again calls for Medicaid reform, built on the framework of the Balanced Budget Act and the Governors' February 6 agreement. Such a reform will give States and local communities the power they need to run health care programs for the poor in an efficient and effective manner, and also will gain needed control over Medicaid spending growth.

The reform assumed in the budget resolution calls for a base allocation of Federal funds. Distribution among the states would be determined by such factors as the number of people in poverty; caseloads and eligibility categories (disabled, elderly, etc.); cost of providing care; and inflation. This base allocation of Federal funds is then blended with the concept of an insurance umbrella. Within the constraints of the required Federal budget savings, the insurance umbrella would assure adequate Medicaid funding even during recessions. States would continue to add their own funds to the Federal contribution to provide health care for low-income residents.

The reform will make insurance coverage available to many who are currently uninsured. It also will dismantle the current Washington-run system: States will have the flexibility to create innovative health care programs for their low-income citizens. Some of the savings achieved through increased efficiency can be used to expand coverage to those with incomes up to 275 percent of the Federal poverty level.

Contrast With the President's Approach. The approach recommended by the Nation's Governors and the budget resolution contrasts sharply with the President's "per capita cap" proposal. The President proposes to limit Federal funding that States could

receive for each Medicaid recipient. Under the President's plan, any per capita expenses that exceeded this limit would have to be met solely by State and local taxpayers. This creates an unfunded mandate. States would be required by Federal law to provide medical assistance services but would receive no Federal funding to defray the cost of meeting this mandate.

The President would retain most current Federal Medicaid regulations, which would continue to hamstring efforts to make Medicaid more efficient and responsive to local needs.

Illustrative Option. Under the Budget Committee's Medicaid reform plan, Federal Medicaid outlays in fiscal year 2002 would be $140.2 billion, compared with fiscal year 1995 outlays of $89.1 billion, as estimated by CBO. States would continue to match the Federal dollars. Federal payments to the States would rise each year, but the growth would be restrained.

Over the 6-year period fiscal year 1997 through 2002, a total of $731.3 billion would be spent by the Federal Government on Medicaid. The President's fiscal year 1997 budget proposed Medicaid spending of $749.7 billion over the next 6 years.

Federal Medicaid outlays per recipient would rise from an average of $2,475 in fiscal year 1995 to about $3,250 in fiscal year 2002. In addition, a $3.5-billion fund would be established to pay for the cost of providing health care services for undocumented aliens, and a $1.5 billion fund would be established to pay for the cost of providing health care services for native Americans.

Again, the Medicaid reform envisioned in this budget resolution is designed to meet four goals: to guarantee the basic health care needs of the Nation's most vulnerable populations; to restrain Medicaid health care expenditures to a sustainable rate of growth; to give States maximum flexibility in the design and implementation of cost-effective systems of care; and to protect States from unanticipated program costs resulting from economic fluctuations in the business cycle, changing demographics, and natural disasters. Enactment of such reforms would assure that health care assistance for the needy would continue, and would be far more compassionate and responsive to their particular needs.

STRUCTURALLY REFORM THE FOOD AND DRUG ADMINISTRATION'S REVIEW PROCEDURES

Make Lifesaving Drugs and Devices Available to Americans Through Reform of the Food and Drug Administration Review Process. The Food and Drug Administration's [FDA's] stated goal is to protect the public health through the prevention of injury or illness due to unsafe or ineffective products. The FDA has come under criticism, however, because of delays in drug and device approval and heavy-handed regulatory enforcement. An October 1995 General Accounting Office report stated that FDA review time for medical devices has increased in recent years. Although GAO reported a reduction in approval time for new drug applications in recent years, it is still a lengthy and costly process. Work force is not the issue; the FDA has almost 3,000 evaluators, compared with 400 in the United Kingdom. The United Kingdom has the same safety record as the United States, with a comparable review process.

Chairman Bliley of the Committee on Commerce Committee has brought together the work of several Members of Congress and introduced three FDA reform bills (H.R. 3199, H.R. 3200, and H.R. 3201) covering drugs, food, and medical devices.

The FDA reform assumed in this budget resolution would maintain existing or equivalent government standards and oversight, as well as the FDA stamp of approval. The significant feature is the movement to nongovernmental FDA certified organizations for the review and approval of drugs, biologics, medical devices, food additives, and nutritional health claims, as well as the use of FDA certified organizations to conduct good manufacturing practice inspections. The FDA would be the certifier of certifiers, and maintain standards for the reviewing process. It would continue to be the primary reviewer during the transition period, until a sufficient number of accredited organizations are certified. Budgetary savings would be realized by reducing FDA's evaluation and investigation budgets.

Improve Provisions Allowing Domestic Companies to Export Certain Food and Drugs. This provision, contained in legislation sponsored by Representative Upton and included in the Balanced Budget Act, allows pharmaceuticals and medical devices not approved in the United States to be exported to any country in the world if the product complies with the laws of that country and has valid marketing authorization in one of the following countries: Australia, Canada, Israel, Japan, New Zealand, Switzerland, South Africa, or the European Union. Any person who exports a drug or device may request the Secretary of Health and Human Services to certify in writing that the exportation is legal. A fee of up to $175 is authorized for each written export certification.

Expand the Benefits of Already Approved Drugs By Permitting Dissemination of Off-Label Drug Use Information. The FDA prohibits the dissemination of information on the use of drugs for treatments other than the FDA-approved usage. Many drugs are found to be effective on other illnesses, but the FDA requires a new application and full clinical trials for the new use. This is highly expensive, and delays treatment for patients that would benefit from treatment. Most cancer treatments are off-label uses of previously approved drugs. This proposal would allow the dissemination of information for off-label use of an approved drug. The drug has already met the safety standard in the previous clinical trial, and appropriate information should be allowed to be disseminated. This will reduce approval costs for both the government and the private sector.

MAINTAIN INCREASES IN NATIONAL INSTITUTES OF HEALTH FUNDING

The budget resolution maintains the National Institutes of Health [NIH] as a funding priority. Increased funding of 5.8 percent in the 1996 appropriation is maintained in the fiscal year 1997 budget. The report of the Committee on Appropriations for H.R. 2127, the Labor, Health and Human Services, and Education, and Related Agencies appropriations bill of 1996, stated:

> * * * the committee views NIH as one of its very highest priorities and has made difficult resource allocations

throughout the bill to preserve what it believes is the minimum necessary funding level for NIH.

The resolution funding for NIH represents a 15.5 percent increase since the fiscal year 1993 budget. [Note: Because this proposal causes no change in fiscal impact, it is not reflected in the table below.]

FUNCTION 550: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Structurally reform the Food and Drug Administration's review procedures:							
Budget authority	820	0	−66	−139	−564	−139	−139
Outlays	821	0	−49	−414	−135	−139	−139

FUNCTION 550: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reform of the Medicaid Program:							
Budget authority	82,999	−2,000	−4,640	−8,380	−12,580	−18,040	−26,360
Outlays	95,739	−2,000	−4,640	−8,380	−12,580	−18,040	−26,360

	1996 est.	1997	1998	1999	2000	2001	2002
Recommended Medicaid levels:							
Budget authority	95,739	102,850	110,890	118,090	125,690	133,600	140,220
Outlays	95,739	102,850	110,890	118,090	125,690	133,600	140,220

Additional Changes From Current Policy

The budget resolution assumes further savings in areas including: Accepting the administration's funding for the Health Resources and Services Administration; incorporating Indian health care services and facilities into the new Native American Block Grant; consolidating data collection and analysis functions at the Department of Health and Human Services; eliminating unnecessary funding in the Office of the Secretary and accepting the administration's funding level for departmental management; and consolidating duplicative bureaucracy by transferring the Mine Safety and Health Administration to the Occupational Safety and Health Administration and reducing the combined agency.

The resolution also expressly rejects the administration's 25-percent cut in the Centers for Disease Control and Prevention.

Although these proposals reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 570:

MEDICARE

FUNCTION 570: MEDICARE

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$181,254	$193,165	$207,183	$217,250	$229,309	$241,641	$255,121
Outlays	179,109	191,481	205,458	214,978	227,560	239,907	252,270

POLICY PRIORITIES

THE CURRENT STATUS OF MEDICARE

There are just four basic points to be made about the Medicare program:

- First, Medicare is going bankrupt. The Medicare hospital trust fund will be out of cash and unable to pay beneficiaries' hospital bills by 2001, if not sooner.
- Second, to save it from bankruptcy, Medicare must be reformed regardless of any other budgetary objectives. Even if Congress were not trying to balance the budget and roll back the 1993 tax increase, fundamental, systemic reform of Medicare still would be necessary.
- Third, the 104th Congress developed and passed a plan to save Medicare without reducing benefits to individual recipients. Although the President vetoed the original plan, Congress is determined to continue in its efforts to save Medicare. This budget resolution would increase spending on each Medicare beneficiary from $5,200 in 1996 to $7,000 in 2002. Total program outlays would increase from $196 billion in 1996 to $284 billion in 2002. This total spending increase amply covers inflation and the growing number of Medicare recipients. The spending level in this resolution will accommodate maintaining the beneficiary premium at 25 percent of Part B program costs, and will preclude the necessity to increase beneficiary copayments or deductibles, all of which have been agreed to by the leadership of the committees of jurisdiction of the Medicare program.
- Finally, Congress' plan expands health care choices for the Nation's seniors. The plan, built on the demonstrably successful model in the State of Arizona, allows beneficiaries to keep their current Medicare coverage, with no increased coinsurance or deductibles, while also offering new alternatives for receiving

health care—many of which will substantially lower seniors' current out-of-pocket health care expenditures.

The Medicare crisis was cited in last year's House budget resolution in the following passage:

> Medicare is facing bankruptcy. On April 3, 1995, the Social Security and Medicare Trustees reported that the Federal Hospital Insurance Trust Fund (Medicare Part A)—which pays for hospital and institutional care for Medicare beneficiaries and which is funded by the Medicare payroll tax—will run out of money in 7 years, or by 2002, under current law.

Just 1 year later, the Medicare crisis is even more urgent. In October, a Treasury Department report revealed that the Hospital Insurance Trust Fund already was running an operating deficit in fiscal year 1995, a year earlier than previously projected. The March 1996 Treasury report recorded that for the first half of fiscal year 1996, the trust fund ran a $4.2 billion deficit. According to Roland "Guy" King, former chief actuary of the Health Care Financing Administration [HCFA], this means the trust fund now will likely go bankrupt in 2000 instead of the previously estimated 2002.

In testimony before the Committee on Ways and Means on April 30, 1996, the Congressional Budget Office warned that the Medicare program's financial inadequacy must be addressed immediately:

> * * * fixing Medicare's financing problems will not be easy * * *. To ensure solvency of the HI trust fund just through 2006 would require an increase in the HI payroll tax of 0.7 percentage points—about 25 percent—starting in January. Alternatively, the rate of growth of HI outlays would have to be slowed by more than 3 percentage points—from 8 percent to about 4.5 percent a year. Larger changes would be required to bring the growth of SMI [supplemental medical insurance] spending in line with the growth of the economy. Postponing action would make the necessary policy actions even more severe.

But the Medicare crisis is not simply financial. It concerns the need to restore the trust of those who rely on the guarantee of Medicare. It is about preserving a program that is in danger of failing not only its future beneficiaries but also those who depend on Medicare for meeting their health care needs now. It is also about taking power and control from a centralized bureaucracy and returning seniors' health care choices to those best suited to judge their needs—the seniors themselves.

Through the first half of 1995, the administration sought to hide the problem, then resorted to politicizing Congress' efforts to address it. For example, even though the congressional Medicare reform bill—the Medicare Preservation Act—would have allowed the program to grow by over $100 billion through 2002, the administration proclaimed daily that Congress wanted to "cut" Medicare. Such commentary was especially cynical considering that less than 2 years ago, the President, in his Health Security Act, proposed re-

ducing Medicare spending growth by a greater amount than was later recommended in the Medicare Preservation Act.

After vetoing Congress' original Medicare reform, the President demonstrated an unwillingness to help develop a mutually agreeable plan to save Medicare, even after the congressional leadership offered $102 billion more spending than the original MPA. Instead of true reform that would ensure a financially sound future for the Medicare Program, the President proposed to shift $60 billion of part A spending for home health benefits to the part B trust fund. If implemented, this proposal would require billions more in taxpayer-financed payments to sustain the Medicare Part B program.

In addition to saving the program from bankruptcy, the Medicare Preservation Act would have prepared Medicare for the retirement of the baby boom generation and modernized it to provide more health coverage options for beneficiaries. Some of these options, including expanded HMO's, provider service organizations, and medical savings accounts would have significantly reduced beneficiaries' out-of-pocket health care expenses. While beneficiaries could stay with the Medicare fee-for-service system so many of them are now accustomed to, this bill would have allowed them, if they desired, to experiment and tailor their health care coverage to meet their individual financial, medical, and lifestyle needs.

The 1997 budget resolution provides funding levels designed to address fundamental reform of the Medicare Program. Such reform would strengthen the Medicare Part A Trust Fund and provide expanded choices for health care delivery to the Nation's seniors. The spending anticipated in this resolution will accommodate maintaining the beneficiary premium at 25 percent of part B program costs which has been agreed to by the leadership of the committees of jurisdiction of the Medicare Program.

The resolution also calls on the President, as soon as possible, to release the latest findings of the Medicare Trustees so that Congress and the administration may have an up-to-date assessment of what reforms are necessary.

ARIZONA'S SUCCESSFUL MODEL FOR CHOICE

The Medicare plan assumed in this resolution would bring market forces and competition to the Medicare program across the country, with the benefits accruing to seniors. Evidence for this model was recently documented in a report in the New York Times that described in detail the success of Medicare managed care in Tucson, AZ: 42 percent of all Medicare beneficiaries in Tucson have chosen HMO's as their preferred health care delivery option.

A high penetration of private managed care companies offering Medicare coverage has created a climate of competition among providers. As a result, providers offer additional benefits and lower out-of-pocket costs to attract Medicare beneficiaries to their plans. The Times article cited advertisements for plans extolling no monthly premiums or deductibles, free mammograms, and low-cost prescriptions. On the other hand, seniors who choose traditional Medicare spend up to $2,500 per year on their monthly Medicare premium, hospital and physician deductibles, supplementary insurance, and prescription drugs—and they do not receive the benefits of preventive care coverage. This phenomenon echoes the experi-

ence of private-sector companies such as Xerox, Kodak, and IBM, which learned—as detailed in testimony to the Committee on the Budget—that more choices of health coverage and innovations in care increase quality and lower costs.

Only 1.2 percent of beneficiaries who sign up for managed care plans in Arizona return each month to the traditional Medicare plan. In a State poll for the Arizona Hospital and Health Care Organization last November, the Gallup Organization found that the elderly in HMO programs in Arizona were more satisfied than health care consumers in all other kinds of programs, including fee-for-service Medicare, employer-financed HMO's and employer-financed insurance programs permitting workers unrestricted choices of doctors.

Arizona's Medicare managed care system is highly developed because the State was given a regulatory waiver to offer managed care plans to its Medicaid population. This enabled the health plans to develop the networks and infrastructure necessary for efficient health care delivery for all interested Arizona residents. Today, competition for beneficiaries is improving benefits and quality of care.

The Medicare reforms embraced in this budget resolution would spread the success of the Arizona experience across the country to the benefit of all Medicare enrollees. Reforms are necessary because Medicare's current payment system and regulations as well as the program's very limited options for health care delivery create serious barriers to successful implementation of private-based Medicare plans. Congress' reforms would enable and encourage broad competitive markets with more types of health coverage than are now available, and would increase the amount paid to private plans in low-cost areas to make private plans viable where they are not now.

The Medicare proposal would also include reforms to facilitate provider service organizations, repeal of the law restricting the percentage of seniors covered by a plan, and other measures that would open the way for more choices of efficient and high quality health care options.

The specific Medicare reforms to be developed fall under the authority of the authorizing committees with jurisdiction over the program. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the spending guidelines that flow from the budget resolution's spending guidelines. The nature of the Medicare reform anticipated in this budget resolution would follow the illustrative framework described below.

RECOMMENDATION: THE MEDICARE REFORM PLAN

The fact that the Hospital Insurance Trust Fund is going broke and Medicare Part B is growing at 13 percent (four times the rate of inflation) clearly indicates that the program must be reformed if it is to continue providing benefits for current seniors and be available to future retirees.

The Medicare reform recommended in this budget resolution would fully account for the increase in the Medicare population over the budget period. It would increase average Medicare spend-

ing on each beneficiary from $5,200 in 1996 to approximately $7,000 in 2002. Overall, the plan would spend approximately $1.479 trillion on Medicare over 6 years, Medicare spending in 2002 would be an estimated $284 billion—$107 billion more than the 1995 level of $177 billion.

The Medicare reforms would expand choice of health care coverage for seniors, preserve the option to choose one's doctor, and allow beneficiaries to realize savings from prudent health care spending with medical savings accounts. These changes would help bring to Medicare the innovations and cost control already experienced in the private sector.

BENEFICIARIES

Under the proposed reform, Medicare beneficiaries would have the option of remaining in the traditional Medicare fee-for-service plan. If they choose the traditional plan, they would have no increased copayments or deductibles, and their part B premium payment would remain at the current 25 percent of program costs. Alternatively, beneficiaries nationwide would be able to choose from a variety of new private plans according to their needs. For example, for beneficiaries who want preventive benefits—which traditional Medicare does not currently offer—he or she would have the option to choose a private plan that includes such benefits. Some plans also would allow beneficiaries to determine, at the point a service is needed, whether to receive the service from their regular plan or to receive it from outside the plan. The budget resolution's spending guidelines also allow for additional, new preventive screening benefits in the traditional Medicare benefit package.

FRAUD AND ABUSE

Estimates of the annual cost of fraud and abuse in the Medicare program are as high as $18 billion. This problem was addressed in the Medicare Preservation Act in an amendment offered by Representative Shays of the Budget Committee and Representative Schiff of the Judiciary Committee. The amendment established criminal statutes under which the Department of Justice could prosecute perpetrators of health care fraud, instead of continuing to rely on antiquated wire fraud and mail fraud statutes to counter increasingly sophisticated health care fraud schemes.

A similar provision has been subsequently incorporated into the Health Coverage Availability and Affordability Act of 1996 (H.R. 3103), passed by the House on March 28 and assumed in this budget resolution. The bill establishes mandatory appropriations for Medicare payment safeguards and for the antifraud activities of the inspector general of the Department of Health and Human Services and the Federal Bureau of Investigation. According to CBO, data indicate that an additional dollar devoted to the IG's enforcement activities would return $7 in recoveries. Data from the FBI's Health Care Fraud Unit indicate a 9-to-1 ratio of recoveries to cost.

H.R. 3103 increases current civil monetary penalties for fraudulent claims for reimbursement under Medicare and Medicaid and applies these penalties to all Federal health programs. Penalties apply to individuals for bill-coding violations, prescribing services that are not medically necessary, kickbacks, falsifying home health

services, failure by HMO's to fulfill their contracts. In addition, the Secretary of HHS is required to exclude providers from participation for 3 years following felony convictions for fraud, obstructing an investigation, and violations of controlled substance statutes. As in the Medicare Preservation Act, this bill would make certain offenses involving health care fraud Federal crimes.

The budget resolution also recommends the adoption of H.R. 3225, sponsored by Representative Shays, which contains an additional antiwaste and abuse initiative. This initiative would expedite implementation of new payment adjustments for durable medical equipment [DME], ensuring that the Medicare program captures savings available from the competitive DME marketplace. Currently, although Medicare is the largest single purchaser of DME with over $2 billion in annual expenditures, the program pays rates far above private payor rates for DME. The inspector general of the Department of Health and Human Services has called the current DME adjustment system—which modifies prices Medicare pays for DME—"absurd."

PROVIDERS

In General. The budget recommends a variety of provider payment reforms and calls for incentives for providers to deliver services more efficiently and with the utmost attention to quality of care. Under the assumed framework for reform, hospital payments would increase each year by the rate of inflation minus a factor for productivity increases. The plan also allows for special provisions for rural and urban hospitals. These options could include, among others, the Medicare Dependent Small Rural Hospital Program, a rural emergency access hospital program and continued add-on payments for Disproportionate Share Hospitals. Payments to physicians for Medicare services would be made consistent across provider service-types. Primary care physicians in an area with a shortage of providers would receive an additional payment increase to help ensure that Medicare beneficiaries have accessible health care services.

Provider-Sponsored Organizations. A major initiative to strengthen the Medicare program would allow Medicare payment to provider-sponsored organizations. The plan would enable hospitals, doctors, and other provider affiliations to offer plans, thereby competing with HMO's and other health plans for Medicare beneficiaries. This competition would expand market forces among providers and plans and enhance the opportunity for the Arizona Medicare experience to be replicated.

MEDICAL SAVINGS ACCOUNTS

Medical savings accounts would enable seniors to have control over their health care spending and allow them to realize the benefit of prudent health spending. The traditional Medicare plan has deductibles that must be paid out-of-pocket or by beneficiary-purchased MediGap plans. Under the Medicare reform envisioned in this budget, a beneficiary who chose a medical savings account would receive high-deductible catastrophic health insurance coverage, and Medicare would make contributions to a savings account

that the beneficiary could use to pay noncatastrophic medical expenses.

MEDICAL LIABILITY REFORM

The budget resolution also incorporates the revenue estimates of the medical liability reform measures contained in H.R. 3103. This long-needed reform will bring balance to medical liability cases, and lower health costs over the long run.

CONCLUSION

Without enactment of the kinds of reforms outlined above, there is serious danger that the Medicare Program will not be able to serve many of the people who now depend on it. Its availability to future retirees also would be in serious doubt. As noted earlier, Medicare must be reformed regardless of any efforts to balance the budget or roll back the 1993 tax increase. Without such reform, the program will go bankrupt.

But the Medicare reforms called for in this budget aim at more than extending the life of the program. They seek to strengthen and improve Medicare—to make it better serve beneficiaries through more updated and effective health care delivery methods, and through a more sound benefits and payment structure. These benefits can occur only if serious, credible Medicare reforms such as these are enacted.

FUNCTION 570: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Strengthen and improve Medicare for America's seniors:							
Budget authority	178,223	−6,800	−11,278	−20,989	−29,114	−39,320	−50,600
Outlays	176,083	−6,800	−11,278	−20,989	−29,114	−39,320	−50,600

	1996 est.	1997	1998	1999	2000	2001	2002
Recommended Medicare levels: [1]							
Budget authority	198,191	210,746	227,579	240,249	255,081	270,096	286,655
Outlays	196,051	209,062	225,854	237,977	253,332	268,362	284,254

[1] Includes total Medicare spending funded from trust fund revenues and premiums.

FUNCTION 600:

INCOME SECURITY

FUNCTION 600: INCOME SECURITY

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$219,334	$232,612	$241,254	$244,842	$262,510	$262,260	$281,100
Outlays	228,879	240,107	244,185	251,716	263,060	265,271	277,213

POLICY PRIORITIES

The budget assumes a comprehensive welfare reform plan designed to shift decisionmaking authority from Washington to States and local communities while increasing the ability of welfare recipients to break out of the cycle of poverty. Major proposals also are offered in this function as well as in Functions 920, 950, and Revenues, to strengthen the integrity of Federal retirement programs. Proposals in this function also seek to reassess the Federal role in assisted and public housing. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations. The discussion below reflects the assumptions underlying House Budget Committee's recommendations concerning the funding priorities for programs in this function.

WELFARE REFORM

The hazards of an expansive welfare state were succinctly expressed by President Franklin D. Roosevelt in his 1935 State of the Union Address:

> Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit.

President Roosevelt's view was prophetic. The current welfare system is a failure. It traps recipients in a cycle of dependency. It undermines the values of work and family that form the foundation of communities. It rends the social fabric of the Nation by breeding drug addiction, illegitimacy, crime, and child abuse. It contributes to the public's frustration with their government for siphoning an ever-increasing share of national wealth into a bureaucratic system

that has failed over the past 30 years to significantly lower the proportion of those living in poverty.

In 1994, total spending on benefits for low-income persons climbed to a record high of 5.1 percent of gross domestic product, or more than double the share of gross domestic product [GDP] of such programs in 1968. Federal dollars made up 71 percent of that total spending. Yet, despite this explosion of welfare spending, AFDC enrollment during the past three decades has increased fivefold, illegitimacy has increased 400 percent, and violent crime has risen 560 percent.

A primary cause of this failure is that the total package of welfare and income support programs pays more than work in many of America's communities. According to a Cato Institute study of benefits available to low-income persons in the 50 States, welfare pays more than the average first-year salary for a teacher in 9 States. The Cato study also reported: in 29 States welfare pays more than the average salary for a secretary; in 40 States, welfare pays more than an $8.00 per-hour job; and in the most generous States, welfare pays more than the entry level salary for a computer programmer. Clearly, if welfare reform is about work, real reform must reverse the current system's disincentives to work.

This budget assumes the goals and overall framework of H.R. 4, the Personal Responsibility and Work Opportunity Act of 1995, passed by Congress but twice vetoed by the President. These proposals attack the two main causes of long-term welfare dependency—child bearing out of wedlock and lack of participation in work.

The policies assumed in the budget resolution would go significantly farther than do the proposals contained in the President's fiscal year 1997 budget submission toward achieving the goal of "ending welfare as we know it." To better ensure that a significant share of welfare families would eventually become self-sufficient, they would implement tougher work requirements than those suggested by the President. They would end the individual entitlement to cash welfare benefits, which the President's plan would not. They would make meaningful reforms in the Food Stamp Program and restrain the growth of spending over time without cutting individual benefit levels, unlike the President's proposal. They would end welfare as an immigration magnet: Persons immigrating to the United States should come for the work opportunities the Nation's economy has to offer, not for the taxpayer-subsidized benefits a generous society has chosen to provide to its own less-fortunate few.

The descriptions below provide an illustrative framework for the kind of welfare reform envisioned in this budget resolution. Most of the items fall within Function 600; the Child Protection Block Grants are reflected in Function 500, as is the AFDC JOBS Program and the Social Services Block Grant.

Block Grants for Temporary Assistance for Needy Families. This component of the reform would consolidate four Federal cash welfare assistance programs into a single block grant to the States and set a fixed funding level through fiscal year 2000. States would be empowered to design their own basic cash assistance programs to encourage work and self-sufficiency. The plan would discourage il-

legitimacy by requiring beneficiaries to establish paternity, by allowing States to deny benefits to unwed teenage mothers and to deny additional benefits to mothers who have additional children while receiving welfare benefits. By 2002, States would be required to have 50 percent of their welfare caseloads working at least 35 hours per week. The plan would establish a 5-year lifetime limit on welfare eligibility per individual. The block grant also would replace the AFDC JOBS program [further discussed in Function 500].

Supplemental Security Income [SSI] Reforms. This part of the plan would make several reforms to SSI, including increasing penalties for persons who fraudulently obtain SSI benefits, and denying benefits to fugitive felons and parole violators. Eligibility criteria for disability benefits for children would be tightened to ensure that children who qualify for benefits meet the legally defined criteria of disability. Current lax program rules allow children to qualify for disability benefits based on individual functional assessments [IFA's] which permit benefits of up to $450 per month to children who display "age inappropriate behavior" or other disciplinary problems that do not represent genuine disabilities. Numerous examples have come to light of parents coaching children to misbehave in order to qualify for benefits.

Child Support. This component would improve the collection and dissemination of information on court-ordered child support to increase compliance with support orders. It also would include provisions to improve performance of paternity establishment among mothers giving birth out of wedlock.

Restricting Welfare and Public Benefits for Aliens. This reform would make aliens categorically ineligible to receive Supplemental Security Income [SSI] and Food Stamp benefits until they obtain United States citizenship. Exceptions would be made for persons who served in the U.S. military or their dependents and persons who have worked in the United States and paid Social Security taxes for at least 40 quarters. Alien sponsorship agreements would be made legally enforceable and the "deeming" period—during which the sponsor's income is considered available to the alien when applying for means-tested public benefits—would be extended to the aliens obtaining citizenship. Under current immigration laws, becoming a public charge is a deportable offense, although this is rarely enforced. By strengthening the enforceability of alien sponsorship agreements, this reform would require an alien's family or charitable agency sponsor to provide for the economic well-being of aliens they brought into the United States.

Reductions in Federal Government Positions. This component would reduce the number of Federal positions in administrative agencies that currently oversee the Aid to Families with Dependent Children [AFDC] Program.

Reform of Public Housing. This reform would ensure that persons receiving Federal housing assistance would not see those benefits increased if they were sanctioned for failure to comply with requirements of other welfare programs, such as the work requirements for cash welfare benefits.

Establish Two Child Protection Block Grants. The plan would create a child protection program consisting of three major elements: open-ended entitlements to foster care maintenance and adoption assistance payments; a Child Protection block grant consolidating programs authorized under the Social Security Act; and a Child and Family Services block grant consisting of programs authorized under the Child Abuse Prevention and Treatment Act and other laws authorizing both services and funding for research and training in the area of child protection. Creating the block grants would permit consolidation of 20 separate child protection programs, providing States with greater flexibility to respond to incidences of child neglect and abuse. [Please note: The fiscal impact of this portion of the welfare proposal occurs in Function 500.]

Child Care Block Grant. This component would consolidate eight current Federal child care assistance programs into a single administrative structure with two funding streams. With these funds, States would finance child care benefits for persons who were required to get off or remain independent of welfare. The reform would eliminate current requirements that siphon more than 25 percent of Federal child care funding for centralized government planning and program administration. It would enhance parental freedom to choose the child care providers they preferred.

Child Nutrition Programs. This reform would lighten the Federal regulatory burden on local school lunch and breakfast programs and makes illegal aliens ineligible to receive free or reduced price meals in federally funded child nutrition programs. Meal reimbursement rates would be reduced for child care providers participating in the Family Day Care Home Program who live in middle- or upper-income neighborhoods. This step would be taken to introduce a means test in a program that currently provides free meals to children receiving day care in a home setting regardless of that child's family's income. Thus, the reform would better target child nutrition spending to low-income children.

Food Stamp Reforms. This component would create a simplified Food Stamp Program under which States would link the administration of their food stamp benefits with their cash welfare programs for the 40 percent of food stamp recipients who also received cash welfare benefits. Additionally, persons between the ages of 18 and 50 would be required to work at least 20 hours per week after receiving food stamp benefits for 4 months. Reforms would be made to limit the number of indexing provisions in the program, which expand benefits over time. Future benefit increases would be linked only to increases in the cost of food. A State could qualify to receive its food stamp funding as a block grant if it established a system for electronic benefits transfer and if it met certain program integrity standards. Penalties for food stamp fraud and trafficking would be increased.

Miscellaneous Provisions. These provisions would include a 10-percent reduction in funding for the Title XX Social Services Block Grant [reflected in Function 500], requiring the Secretary of HHS to develop a strategy for reducing unwed teenage pregnancies, and reserving $75 million in funding in the Maternal and Child Health

block grant for educational programs encouraging teenagers to abstain from sexual activity.

ENSURING THE SOUNDNESS OF THE FEDERAL RETIREMENT SYSTEM

Representative John L. Mica, chairman of the Government Reform and Oversight Subcommittee on Civil Service, presented a clear warning about the Federal retirement system in testimony to the House Committee on the Budget on March 22, 1996:

> The Civil Service Retirement Disability Fund [CSRDF] suffers from a history of fiscal practices that relied on the deferral of actual costs of annuities to future generations of taxpayers. We are that future generation, and we can no longer defer these costs.

The current Federal civilian retirement system is a composite of various components implemented between the 1920's and the 1980's. It reflects an evolution of ideas about the purpose of a pension system in the context of an overall employee compensation package. In the 1930's and 1940's, pensions served a dual purpose of providing a secure retirement future for Federal employees and discouraging turnover in the work force at a time when wages may not have been fully competitive with private sector compensation. The needs of today are changing as work force trends indicate a growing desire for greater pension portability.

Equally significant, the characteristics of the system led to the buildup of a $540 billion unfunded liability. Although some of the characteristics of the system have been changed, the method of financing current and future benefits still poses substantial risk to system participants of future benefit reductions. In 1997, the Treasury will pay out $41.3 billion in pension benefits to retirees and survivors. The retirement system will take in approximately $10 billion in cash receipts from employee payroll deductions and from cash contributions from the U.S. Postal Service. The general fund of the Treasury will make up the $30 billion difference needed to finance benefit payouts.

According to the Annual Report of the Office of Personnel Management [OPM], by the year 2002, that $30 billion difference will become $41.6 billion. That amount will continue to climb rapidly in coming decades, to $73.5 billion in 2010 and to more than $164 billion by the year 2030. The President's budget submission for fiscal year 1997 notes that taxpayers paid $408 billion to fund Federal civilian pension benefits during the last 35 years; 35 years from now, that $408-billion subsidy will cover only 3 years of benefits promised to retirees. Clearly, the burden of providing current benefit levels with such a system of financing is unsustainable over time. Congress cannot assume that future taxpayers will simply acquiesce to the ever-increasing tax burden needed to make good on these benefit promises.

The Federal civilian retirement system is primarily composed of two major retirement plans, the Civil Service Retirement System [CSRS] and the Federal Employees Retirement System [FERS]. CSRS was established in the 1920's as a pay-as-you-go system, with a defined benefit paid to current retirees financed through retirement contributions of current employees, plus a government

contribution representing the employer's share. System participants do not participate in Social Security. Due to the system's original design, employing agencies have never paid the full normal cost necessary to ensure sufficient reserves to pay promised benefits. Until 1969, an amount less than necessary to finance future benefits was deposited in the CSRDF, causing the buildup of an unfunded liability which grew to $540 billion by 1984. The CSRS system was closed to new entrants on January 1, 1984.

The successor system to CSRS is known as the Federal Employees Retirement System. FERS participants also participate in Social Security. They have the option of making tax-deferred contributions to the Thrift Savings Plan, which invests their contributions in marketable government and private sector bonds and securities. The Federal Government matches employee contributions to TSP of up to 5 percent. FERS participants also qualify for a defined benefit whose structure is similar to the CSRS benefit, but which provides a significantly lower salary replacement rate and employee contribution because of the availability of Social Security and the Thrift Savings Plan. Employing agencies bear the full brunt of the amount of the full normal cost of the system not paid by the employees themselves in their employee contributions.

Although the development of FERS was a significant improvement over CSRS, the plan still contains the basic shortcoming of depending on a pay-as-you-go defined benefit for an important portion of its future promised benefits. Thus, rather than investing the employer and employee contributions in real, marketable securities that will grow in value over time to enable the payment of future benefits, the system continues to rely on "investment" of the contributions in nonmarketable government securities. These nonmarketable securities are simply IOU's promising future payments to plan participants from the taxes levied on future generations of American workers.

To count on the generosity of future generations is clearly a risky proposition for today's Federal workers. Moreover, it also may offer a lower future rate of return than might be available through the buildup of appreciating assets in the marketplace. The recent history of the Thrift Savings Plan has shown that the longer-term performance of retirement contributions invested in marketable private sector and government securities can earn an average annual return of between 10 percent and 13 percent.

The budget resolution makes assumptions in Federal retirement programs designed to lower the costs of the system to taxpayers in an effort to protect future benefits for retirees and for current Federal workers. Many of these proposals were agreed upon during budget negotiations between the congressional leadership and the President in December 1995.

Chief among these initial reforms is an increase in the contributions current employees make into the retirement system. The current distribution of the burden of financing Federal retirement benefits relies on taxpayers to provide 72 percent of total funding. The increase in the employee share is the first since 1969, although during the first five decades of the Federal retirement system the employee contribution was increased on the average of once every

6 years. The increase appears in the Revenues section of the budget resolution.

To enable employees now in CSRS who would like to take advantage of the full benefits of the Thrift Savings Plan by converting to the FERS system, the budget resolution also assumes an open season permitting such transfers. This will reduce overall long-term pension costs for agencies employing persons who choose this option, because the full normal cost of CSRS accruing benefits is 25.4 percent of payroll, while the full normal costs of accruing FERS benefits is only 12.4 percent of payroll. This provision appears in Functions 920, 950, and Revenues.

While the budget resolution assumes no comprehensive overhaul of FERS, it is noted that the Government Reform and Oversight Subcommittee on Civil Service is exploring potential options for creation of a new retirement system for prospective Federal employees. Clearly, such an approach is the only long-term solution to the financing problems inherent in pay-as-you-go defined benefit retirement plans. The committee encourages the Subcommittee on Civil Service to develop proposals for creating a retirement system in which employer and employee contributions are invested in real marketable private sector and government securities. It is hoped that plans can be developed to increase pension portability and better shield future retirees from benefit changes resulting from the political process.

Those portions of the retirement reforms that appear in Function 600 are described below:

Maintain Current Payment Date of Civilian Retiree Cost-of-Living Adjustments Through 2002 as Recommended by the President. The 1993 budget reconciliation act placed a 3-month delay on COLA's for civilian retirees through fiscal year 1996. This proposal extends that delay through 2002. Federal retirees will still receive a COLA every 12 months, as they have since 1994. This proposal was included in the Balanced Budget Act and in the President's 1997 budget submission.

Conform Military Retirement COLA Receipt Date to Current Law. This proposal extends the COLA equity provisions of H.R. 1530, the National Defense Authorization Act, through fiscal year 2002. These provisions ensure that military and civilian retirees will be treated alike by providing for a 3-month COLA delay for military retirees beginning in fiscal year 1998.

Congressional Pension Reform. Currently, Members of Congress and their staff receive more generous Federal pension benefits than most other Federal employees. When Congress created the Congressional Pension System in 1946, it established a 2.5-percent benefit accrual rate for Members and congressional employees. That means that after 20 years of service, Member and staff pensions would equal 50 percent of the base salary, and after 30 years service, benefits would be 75 percent of base pay. The benefit formula for most other Federal employees equals 36 percent of base salary after 20 years and 56 percent of base pay after 30 years.

This proposal conforms Member and staff accrual rates for those covered by the Civil Service Retirement System to the accrual rate of most other Federal employees, currently 2 percent. The Civil

Service Retirement System includes all employees who began service prior to January 1, 1984. The proposal also eliminates a similar favorable accrual rate for Members and congressional staff under FERS. Currently, Members and staff have an accrual rate of 1.7 percent, while all other Federal employees have an accrual rate of 1 percent if they retire before age 62 and 1.1 percent if they retire after 62. The proposal conforms Members of Congress and staff accrual rates and pension contribution amounts to those applied to most other Federal employees. The proposal was included in the BBA and in the President's budget submission.

REASSESS AND REFORM THE FEDERAL ROLE IN ASSISTED AND PUBLIC HOUSING

The current era reflects abundant examples of the failure of centralized government. Even so, the Department of Housing and Urban Development is singular in its spectacular failure to address the problems associated with housing the Nation's least fortunate families. Further, it is a living testament to the way the most sincere advocates of government solutions can actually devastate those they seek to help. The unintended consequences of many Federal housing policies have been blighted neighborhoods, crime-infested projects, and hopelessness among the inhabitants of the Nation's inner cities. This has been wrought by a Federal bureaucratic superstructure that imposes solutions without regard to the unique elements of a community. Every neighborhood is diverse and complex, a fact that dooms any attempt to dictate answers from a distant capital. But this does not have to be the case. The budget resolution recognizes that these neighborhoods are teeming with possibilities. By removing government impediments, Congress can enable local citizens to take back their neighborhoods and break the stranglehold of crime, drugs, and despair.

The Federal Government's role in housing policy began in 1934 with the creation of the Federal Housing Administration, followed in 1937 by the creation of the Public Housing Administration. The Department of Housing and Urban Development was created in the 1960's, presumably to coordinate efforts and increase the prominence of "urban issues." Since its inception, HUD has suffered a host of well-documented problems, from management ineffectiveness and unclear mission to scandal and outright failure. The National Academy of Public Administration's 1994 comprehensive study of the Department found flaws in its very structure that created a "prescription for problems." HUD's mission is scattered and unclear and its focus is on programs and policies, not problems and solutions. The unintended consequence of many of HUD's programs is intensely concentrated poverty in certain neighborhoods, which creates stretches of urban landscape devoid of economic opportunity. A recent Urban Institute report noted:

> National housing programs have tended to concentrate rather than disperse the poor, which reduces their social and economic opportunities and increases racial and economic segregation.

HUD has even earned the enmity of many residents of the inner city. In fact, recently Secretary of Housing and Urban Development

Henry G. Cisneros toured a major American city in a white unmarked car. He asked one of the HUD representatives traveling with him why he did not put a HUD seal on the car so that people could see HUD's presence when they traveled to community meetings. The representative said:

> First, we don't go to community meetings. And second, if residents knew it was a HUD vehicle, we would probably be inviting them to vandalize it.

As spending has vastly increased over the past three decades, and as programs have proliferated, a tangle of special interests has grown up around the housing bureaucracy. These groups are beholden not to the communities and families they ostensibly serve, but to the Federal authorities, both in Congress and at HUD, controlling access to taxpayer money. They have consistently smothered efforts at major reforms.

This failure to reform Federal housing policy has led to an untenable budgetary situation. A massive increase in budget authority will be required to maintain the present structure of assisted housing, both tenant- and project-based. Past Congresses appropriated large amounts of budget authority for long-term assisted housing contracts. As these contracts came due in the early 1990's, instead of making the hard choice of either maintaining the budget authority spending required to sustain assisted households or to reform the program, Congress appropriated less budget authority while outlays from previous years continued to flow. This created a mismatch between budget authority and outlays. While it appropriated less than $20 billion in budget authority in 1995, HUD spent more than $30 billion in outlays. In the next 5 years, because of expiring contracts, budget authority must rise if this level of outlays is to be sustained.

This is the primary cause of the exploding budget authority needs for the Department. With overall discretionary spending under tight constraints, other essential programs would have to be reduced to sustain this growth. At present, the Department consumes about 10 percent of all domestic discretionary spending, up from only 4 percent in 1980. If present trends continue, this is expected to rise to as much as 20 percent of domestic discretionary spending, in excess of $45 billion per year. Every dollar in increase would have to be taken from education, the environment, scientific research, and other essential programs. This is an unacceptable result, especially in light of the gross mismanagement of HUD's budget documented by numerous sources, including the General Accounting Office, the National Association of Public Administration, and the HUD Office of the Inspector General. A Price-Waterhouse study recently reported HUD's problems include: inadequate assurance about the propriety of $14 billion in section 8 rental assistance and $900 million in subsidy payments under the elderly and disabled rental program; and an inability to accurately account for $8.4 billion under its section 202 loan program. The report also noted that as recently as fiscal year 1994, HUD was still using 1980 census data to allocate Community Development Block Grants to cities. Clearly the Federal Government can no longer bear the present burden of increasing housing costs alone. The

budget resolution recommends the consideration of methods to more effectively use Federal resources to leverage private investment and to increase the role and funds committed to this effort by both State and local governments.

Departing from the Great Society model is crucial for the viability of Federal assistance to neighborhoods and cities. Federal assistance must be marked by a clear mission, a limited scope, and a focused, attainable set of goals. Effective solutions can only come from the communities in which families live: The power to transform blighted neighborhoods lies among the storefronts, churches, houses, playgrounds, and schoolyards of local communities. Solutions must be found by bringing together leaders from small businesses, local government, civic organizations, and church groups to devise plans for their own neighborhoods. The Federal Government can support such efforts by providing resource grants, promoting tenant ownership, and increasing the use of mechanisms such as vouchers, which emancipate families from often wretched housing conditions.

Concurrent with the restoration of power to communities must be a reduction in the stifling administrative bureaucracy. Almost $1 billion a year is spent simply on sustaining a vast clutter of bureaucrats and program administrators. These resources could be better used to issue vouchers or to aid communities through grants and loan guarantees. A total of 13,000 staff positions administer hundreds of programs that are applied to many thousands of cities. They dispense billions of dollars to different special interest groups and issue thousands of pages of regulations. This consititutes an oppressive array of bureaucracy that has succeeded only in perpetuating the cycle of poverty and despair in central urban centers around the Nation.

In conjunction with welfare reform, public housing projects must become way stations to opportunity, not warehouses for the poor. Currently, a jumble of grants is given to public housing authorities for operation, modernization, rehabilitation, development, security and drug elimination, and even youth sports. These programs should be combined into one or two flexible grants to provide for the operation of public housing in the near term. Ways of better using this funding should be explored in conjunction with State, local, and private resources to maintain and renovate the existing housing stock. The budget resolution recognizes this housing stock must not be lost, but the Federal Government should no longer support the construction of new public housing units. Instead, dilapidated public housing buildings should be demolished as a first step in the reinvigoration of urban neighborhoods. Vacant and degraded public housing units contribute to the decline of neighborhoods by providing havens to drug dealers, gang members, and others engaging in criminal activity.

The budget resolution therefore recommends the passage of the United States Housing Act (H.R. 2406), sponsored by Representative Lazio, as a significant first step toward the restructuring that is required. The resolution also recommends that, to follow through on this initiative, the Committee on Banking and Financial Services bring to the floor legislation providing for major comprehensive housing reforms to remove the present structure of centralized bu-

reaucratic control. Among the specific elements that might be included in a comprehensive restructuring of Federal housing policy are the following:

Consolidate Native American Housing and Development Programs Into a Single Community Grant. Indian housing funding, now scattered among more than 10 different programs, should be consolidated into one dedicated program, directed to tribal governments or Indian Housing Authorities. These local authorities should be given the flexibility to pursue community development and housing strategies that reflect their own needs and priorities. Though general problems of unemployment, economic stagnation, and blighted communities are similar to some urban areas within the United States, the nature of Indian reservations differs not only from urban centers, but very often from each other. Currently a variety of different programs may provide resources to Indian tribal governments or Indian Housing Authorities, each with its own requirements dictated by a Washington-based bureaucracy. By using a formula, to be determined at an administrative level to best reflect the rapidly shifting needs and economic status of Indian tribes, a single fund can efficiently disperse resources to where they are needed. This proposal reflects legislation prepared by the House Banking Committee and is generally supported by the administration.

Reject Administration's Reductions in Elderly and Disabled Funding. The administration recommends cutting funding levels for housing the elderly and the disabled by nearly 50 percent by the year 2000. The administration's proposals would slash housing desperately needed by the elderly and the disabled by $2.5 billion over 6 years and come at the same time the administration is recommending additional funds in community development programs for "bonus pools" to be handed out by the Secretary and subject to the worst possible political abuse. The administration itself has recently issued a report identifying a crisis in the housing needs of lower-income Americans. Even though fiscal discipline is a necessity, essential programs can be protected while implementing reforms that will streamline wasteful programs and eliminate duplicative ones.

FUNCTION 600: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reassess and reform the Federal role in assisted and public housing:							
Budget authority	NA	1,371	6,446	2,471	8,910	4,715	11,606
Outlays	NA	−802	290	3,111	4,920	4,473	4,962

FUNCTION 600: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Welfare reform:							
Budget authority	76,036	−516	−5,861	−8,073	−9,503	−10,212	−11,940
Outlays	76,098	−603	−5,821	−8,072	−9,503	−10,268	−11,984
Maintain current payment date of civilian retiree cost of living adjustments through 2002 as recommended by the President:							
Budget authority	40,233	−289	−334	−338	−342	−359	−374
Outlays	40,154	−289	−334	−338	−342	−359	−374
Conform military retiree COLA receipt dates with current law:							
Budget authority	28,787	0	−209	−209	−209	−216	−223
Outlays	28,707	0	−209	−209	−209	−216	−223
Congressional pension reform:							
Budget authority	111	0	−1	−1	−2	−2	−3
Outlays	111	0	−1	−1	−2	−2	−3

Additional Changes From Current Policy

The budget resolution assumes additional savings from provisions such as the following: reforming the Earned Income Credit [EIC]; treating persons who voluntarily leave military service the same as civilians with regard to unemployment insurance; reducing unneeded surplus funding for the Department of Labor's alien labor certification program; reforming the section 8 assisted housing programs; reducing administrative expenses associated with the Department of Housing and Urban Development; restoring equity in unemployment insurance; empowering public housing authorities to reform their housing developments; and consolidating lead-based paint abatement responsibilities by transferring lead programs from the Department of Housing and Urban Development to the Environmental Protection Agency.

Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 650:

SOCIAL SECURITY

FUNCTION 650: SOCIAL SECURITY

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$354,584	$372,450	$390,941	$410,440	$431,006	$453,307	$476,614
Outlays	351,311	368,139	386,144	405,059	425,100	446,769	469,455

POLICY PRIORITIES

PROMISES KEPT

Congressional Republicans have repeatedly pledged to protect Social Security from any benefit cuts or tax increases. The promise has been kept. None of the House Republican budgets developed during the current administration has touched this highly valued program. This budget again keeps the Republican pledge not to affect Social Security benefits.

THE EARNINGS TEST

Senior citizens should be able to engage in productive work in order to supplement their Social Security benefits. That is why this belief was felt so strongly that it was incorporated into the House Republicans' Contract With America.

Currently, those who earn higher income levels pay more than a dollar in taxes for each additional dollar they earn—so their net income decreases if they work for pay. The 1995 annual earnings limit for senior citizens (age 65–69) was $11,280. In short, the current earnings limit punishes those who rely on wage income, those who are engaging in productive work.

The Senior Citizens Right to Work Act—which was incorporated into H.R. 3136, the Contract With America Advancement Act of 1996—allows senior citizens to work for wages up to $30,000 without a tax penalty. This proposal preserves the long-term financial integrity of the Social Security trust funds. It would gradually raise the earnings limit for those between full retirement age (65 and 70) to $30,000 by the year 2002.

The increase would be phased in over 7 years as follows: 1996 would be $12,500, 1997 would be $13,500, 1998 would be $14,500, 1999 would be $15,500, 2000 would be $17,000, 2001 would be $25,000, and in 2002 it would reach the goal of $30,000.

FUNCTION 700:

VETERANS' BENEFITS AND SERVICES

FUNCTION 700: VETERANS' BENEFITS AND SERVICES

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$38,502	$39,117	$38,458	$37,712	$37,713	$38,002	$39,713
Outlays	37,782	39,654	39,321	38,063	39,427	36,882	39,912

POLICY PRIORITIES

"President Clinton's budget would be devastating for the VA."

JESSE BROWN,
Secretary of Veterans Affairs, March 29, 1996.

The budget resolution calls for $5.1 billion more in discretionary spending over 6 years for veterans' affairs than does the President's budget. The resolution also rejects the President's proposed cuts in medical and prosthetic research and the National cemetery system, and provides for a number of expanded benefits, including an increased auto allowance for certain severely disabled veterans, improved compensation payments for surviving spouses, and a $500 scholarship for college seniors with at least a "B" average under the GI Bill or the Post-Vietnam Era Education Assistance Program [VEAP].

These measures are intended to correct the President's failure to provide adequately for the needs of the Nation's veterans. The administration's budget submission proposes huge, devastating reductions in VA spending for hospitals and medical care, medical and prosthetic research, the National Cemetery System, the inspector general, and other accounts. Only through the active intervention of the Republican-led Congress can these cuts be checked.

The contrast between the President's devastating cuts in discretionary spending and the adequate funding approach recommended in this budget is dramatic. [Please see the table below.]

Two aspects are especially important. First, because discretionary spending is dealt with on an annual basis, what is the level of funding for fiscal year 1997? Second, for planning purposes, what is the level for fiscal years 1998 through 2002? Compared with the President's budget, the budget resolution recommends much higher levels each year.

PROPOSED VA TOTAL DISCRETIONARY OUTLAYS

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Administration	$19.0	$19.3	$18.2	$16.3	$14.8	[1] $16.3	[1] $18.4
House Republican Budget	19.0	19.4	18.8	17.4	17.1	17.2	18.5

[1] Figures reflect President's budget path to an $81-billion deficit in 2002. Additional cuts would be necessary to reach balance by 2002.

MEDICAL CARE

Although the number of veterans is projected to begin declining by the year 2000, the veteran population is getting older. The aging of the veteran population is important because on average, the older the veteran, the greater will be the need for hospital services and medical care. On balance, according to the Department of Veterans Affairs, the demand for medical care will rise because the aging factor will be more important than the declining population in determining the need for hospital and medical care services.

The budget resolution recommends that the VA begin to implement policies recommended by the GAO, IG, and CBO to improve efficiency in the VA health care system. In additional to the implicit funds gained through these efficiency gains, discussed in more detail under eligibility reform below, the budget resolution recommends an increase in explicit funding for VA medical care for fiscal year 1997 to a level of $17.3 billion. The President's proposed level for fiscal year 1997 was $17.2 billion. This difference of $100 million could make the difference between closing hospitals and outpatient clinics or keeping them open.

PROPOSED VA OUTLAYS FOR HOSPITALS AND MEDICAL CARE

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Administration	$16.9	$17.2	$16.2	$14.4	$13.0	[1] $14.4	[1] $16.5
House Republican Budget	16.9	17.3	16.8	15.4	15.2	15.3	16.7

[1] Figures reflect President's budget path to an $81 billion-deficit in 2002. Additional cuts would be necessary to reach balance by 2002.

The truly devastating funding cuts under the President's budget would occur in fiscal years 1998, 1999, and 2000. At the funding levels shown in the table below, outlays for VA hospitals and medical care would fall by about $8.4 billion from CBO projections but by about $3.3 billion in this budget resolution.

REJECT THE ADMINISTRATION'S PROPOSED CUTS IN MEDICAL AND PROSTHETIC RESEARCH

The Nation's service men and women who have lost arms or legs in battle have been able to rely on restorative prosthetic devices and procedures developed through VA-funded research.

In contrast with the President's budget which would cut VA medical and prosthetic research, the budget resolution proposes to fully fund this activity. For example, the President's budget would reduce spending from $233 million in fiscal year 1996 to $202 million in fiscal year 2000. The budget resolution proposes increased funding to $255 million in fiscal year 1997, $257 million in fiscal year 1998, and $258 million each year thereafter.

REJECT THE ADMINISTRATION'S PROPOSED CUTS IN THE NATIONAL CEMETERY SYSTEM

The National Cemetery System is an expression of appreciation and respect for veterans who gave of themselves to protect the ideals of liberty. The President's budget would begin reducing funding for the Cemetery System in fiscal year 1998 and continue cutting through 2001, reducing it by $15 million in fiscal year 2000 alone.

In contrast, because of the growing need for interments over the budget period, the budget resolution would fully fund the National Cemetery System, with an outlay increase of $3 million in fiscal year 1997 and then funding the system at the CBO projected outlay levels of $73 million over the remainder of the budget years. For example, the resolution calls for spending of $73 million in the year 2000, instead of the $58 million proposed by the President.

INSPECTOR GENERAL AND OTHER ACCOUNTS

The inspector general is a key element in efforts to eliminate waste, fraud, and abuse in the VA. The budget resolution proposes fully funding this activity at the fiscal year 1996 level of $32 million. In contrast, the President's budget proposes reductions each year, including fiscal year 1997.

Under the President's budget, outlays would fall to $31 million in fiscal year 1997 and continue falling to $23 million in fiscal year 2000, a 28-percent cut. The budget resolution recommends fully funding the other VA accounts at CBO-projected levels without reduction. This is again in sharp contrast with the President's budget, which recommends deep cuts to numerous other appropriated accounts.

ELIGIBILITY REFORM

The budget resolution continues to support budget neutral eligibility simplification and reform. Such reform would allow the VA to treat veterans eligible for hospital or medical services in the most efficient manner possible, frequently substituting more appropriate outpatient care for inpatient hospital care. Eligibility reform is strongly supported by the veterans' service organizations.

The VA administers a vast health care system for veterans who meet certain eligibility criteria. Care is provided largely in facilities owned and operated by the VA. For fiscal year 1995, the VA-operated facilities included 173 hospitals, 131 nursing homes, 375 outpatient clinics, and 39 domiciliaries. Eligibility rules for veterans' health care services are complex. In general, eligibility is based on characteristics of the veteran (such as having a health condition related to service in the Armed Forces, or level of income) and the kind of health care service being provided (inpatient, outpatient, et cetera). The VA is required to provide free hospital care to veterans with service-connected disabilities (and to certain other veterans, including those with incomes below about $21,000). The VA may provide hospital care to all other veterans but only on a space available basis and if they pay required deductibles and copayments. In fiscal year 1993, about 2.8 million veterans used the VA

health care system, representing just over 10 percent of the total veteran population.

In fiscal year 1996 the veterans hospitals and medical care received a $400 million increase over the fiscal year 1995 level. As part of the fiscal year 1996 operating plan, the Secretary is required by the appropriation to submit a plan to implement improvements identified by the inspector general, the General Accounting Office, the Congressional Budget Office, and the veterans' service organizations. These administrative savings are estimated by the Appropriations Committee as yielding hundreds of millions of dollars in savings. These potential savings, when captured by VA, will allow the VA to use its medical care funding more efficiently. Much of the emphasis must be on shifting the emphasis from VA hospitals to VA outpatient health care. To quote the Veterans Affairs Under Secretary for Health: "We're not in the hospital business; we are in the health care business."

ADDITIONAL VETERANS BENEFITS IMPROVEMENTS

Several new initiatives are recommended for veterans:

Raise Disabled Veterans' Auto Allowance. This proposal would raise the one-time auto allowance for severely disabled veterans from $5,500 to $10,000.

Improving Compensation for Surviving Spouses. This proposal would allow a surviving spouse to retain compensation or pension payment prorated to the day of death, instead of cutting off at the end of the previous month, as required by current law.

Extend Back Benefit Payment Limits. This proposal would extend, from 1 year to 2 years, the current law limits on payment of back benefits to surviving spouses of those who die while their claim is being adjudicated.

Provide Scholarship for College Seniors. This proposal calls for providing a $500 scholarship for college seniors with at least a "B" average under the GI Bill or the Post-Vietnam Era Education Assistance Program [VEAP].

Convert Education Benefits. This proposal recommends converting those participating in VEAP education benefits program, which has a 2-to-1 government match for benefits, to the Montgomery GI Bill, which has a 9-to-1 match for benefits.

Establish Permanent Teacher Certification. This proposal would make permanent the Alternative Teacher Certification Program, which encourages veterans to become teachers.

Fund the Pro Bono Program. This proposal calls for funding the Pro Bono Program at the Court of Veterans Appeals.

FUNCTION 700: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Raise disabled veterans' auto allowance: [1]							
Budget authority	1,360	6	6	6	6	6	6
Outlays	1,290	6	6	6	6	6	6

FUNCTION 700: MANDATORY SPENDING PRIORITIES—Continued

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Improve compensation for Surviving Spouses: [2]							
Budget authority	14,979	11	11	12	12	12	13
Outlays	13,794	10	11	12	13	11	13
Extend back benefit payment limits: [2]							
Budget authority	14,979	3	3	3	3	3	3
Outlays	13,794	2	3	3	3	3	3
Provide scholarship for college seniors: [1]							
Budget authority	1,360	8	11	11	11	11	10
Outlays	1,290	8	11	11	11	11	10
Convert education benefits: [1]							
Budget authority	1,360	5	5	5	5	5	5
Outlays	1,290	5	5	5	5	5	5
Establish permanent teacher certification: [1]							
Budget authority	1,360	1	1	1	1	1	1
Outlays	1,290	1	1	1	1	1	1
Fund the pro bono program:							
Budget authority	NA	1	1	1	1	1	1
Outlays	NA	1	1	1	1	1	1

[1] This proposal impacts the readjustment benefits account.
[2] This proposal impacts the compensation account.

Additional Changes From Current Policy

The budget resolution also assumes savings from various other provisions, including the following: Rounding down the fiscal year 1997 compensation COLA to the nearest whole dollar amount; applying the new dependency and indemnity compensation COLA rate to all eligible recipients; lifting prohibitions on VA's use of offsets to tax refunds and Federal employee wages and salaries to pay VA mortgage payments; using real estate mortgage investment conduits; reforming VA's medical liability for injuries resulting from VA treatment, and restricting vocational rehabilitation benefits to veterans with service-connected disabilities related to their employment handicap. Additional savings are assumed from permanently extending expiring law to authorize collection of prescription drug copayments and per diems, recovery of costs from health insurers of veterans for nonservice-related conditions, verification of veteran's income for medical cost recovery and pension eligibility determination, VA's pension limits for persons in Medicaid nursing homes, and the current 0.75 home loan fee increase and the use of the least expensive way to dispose of foreclosed VA property. Although these proposals reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these recommended policy changes are contained in Appendix 1.

FUNCTION 750:

ADMINISTRATION OF JUSTICE

FUNCTION 750: ADMINISTRATION OF JUSTICE

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$20,969	$22,125	$22,302	$23,186	$23,235	$20,746	$20,740
Outlays	17,694	19,930	21,162	22,241	22,944	20,704	20,700

POLICY PRIORITIES

The threat of crime, especially violent crime, remains one of the most insidious conditions in modern American society; and one of the most important functions of government is to assure personal security. Federal law enforcement efforts should focus on areas of Federal jurisdiction. State and local enforcement is best handled by local agencies. The best assistance Washington can provide comes from activities outside budgetary choices—activities such as appointing judges whose compassion and sense of justice is focused on the victims of crime.

The discussions below reflect the assumptions and recommendations of the Committee on the Budget. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

VIOLENT CRIME REDUCTION TRUST FUND

The budget resolution provides $4.7 billion for the Violent Crime Reduction trust fund to support Federal law enforcement and State and local efforts to reduce and prevent crime. The congressional approach to reducing crime—the Local Law Enforcement Block Grant—gives States and localities the power and resources to choose how they spend the money to combat violent crime according to their local needs and priorities, rather than letting Washington usurp those decisions.

The 10-percent match required under the Republican block grant enables more communities to hire police. The block grant is designed to attack high crime problem areas. It distributes funds to local governments based on population and their numbers of violent crimes compared with the number of violent crimes reported by other localities in their States.

The congressional approach vastly improves on the administration's typically Washington-centered strategy. The administration's response has been more Federal spending and control under the guise of putting 100,000 new police officers on the street by the year 2000. In fact, little of the President's "cops on the beat" funding has gone to the cities that need it the most. *Among the cities with the highest violent crime rates, many have received a disproportionately small amount of the "cops on the beat" funding.*

The President's community policing ("cops on the beat") program requires a local match of 25 percent for communities to receive any of the Federal funds, and the 1994 crime bill allows the Attorney General to give preference to applicants that provide contributions exceeding the 25-percent match. Hence, a disproportionate share of the Federal money can go to wealthier communities, not those with more serious crime problems.

The "cops on the beat" program includes so many conditions on receiving funds that many officials have chosen not to apply because the program is too expensive. Further, if the "cops on the beat" program is to result in 100,000 new officers, it will require $28 billion of additional local spending.

Furthermore, under the administration's "cops on the beat," funding for police is gradually phased out over the 3-year funding period so that the States eventually assume the full costs of the officers. Therefore, the communities that hired the police officers under the President's program will, in the end, have to either pay their full cost or let them go.

FULL FUNDING FOR IMMIGRATION REFORM

The budget resolution assumes the reforms contained in the House's recently passed Immigration in the National Interest Act. This legislation maintains America's generous welcome mat for productive, hard-working immigrants. At the same time, it ensures that American taxpayers are not burdened with the bill for illegal aliens or immigrants who come to the United States to retire on welfare.

After years of congressional neglect of the issue, the legislation toughens the response to illegal immigration. It doubles the number of border patrol agents, provides border patrol with 21st century technology to combat those who break our laws, and implements border patrol initiatives that have proved most effective. Because illegal immigrants enter through airports, not just at the border, the legislation improves the ability of the INS to screen new arrivals. The legislation cracks down on smugglers of illegal aliens, increases penalties for those who illegally enter the United States, and creates State-Federal partnerships to end the problem of illegal immigration.

In addition to discouraging illegal immigration, the legislation ensures that legal immigrants who enter the United States will be productive, self-reliant Americans. Consistent with the Nation's longstanding immigration laws and policy, immigrants who are likely to become public charges are denied admission. Sponsorship requirements are strengthened so that the sponsors of new immigrants—not U.S. taxpayers—will be responsible for their support, if they are unable to care for themselves.

FULL FUNDING FOR THE ANTITERRORISM ACT

The Antiterrorism and Effective Death Penalty Act of 1995 provides the Federal Government significant new resources to fight domestic and international terrorism. The budget resolution fully funds law enforcement efforts to fight the battle against these atrocities. The funding will provide resources to give Federal law enforcement new tools to prevent, prosecute, and punish terrorists.

The law enforcement agencies will be better prepared to stop terrorists before they strike and to bring them to justice. Prosecutors will have new tools and expanded penalties against those who terrorize Americans. The criminals sentenced to death row for terrorist acts will no longer be able to use legal loopholes to delay their sentences.

The Antiterrorism Act allows the Federal Government to deny visas to foreigners who belong to groups designated as terrorist, and stops terrorists from raising money in the United States to finance their crimes. Furthermore, the act provides new laws to better control chemical and biological weapons.

THE FEDERAL JUDICIARY

The budget resolution recognizes the judiciary's essential role in providing justice to all citizens. It also acknowledges the increasing workload and additional responsibilities thrust on the judicial system. The judiciary cannot control the number of cases filed, yet it must assure that the pursuit of swift justice does not overwhelm due process. The resolution therefore recommends that the Committee on Appropriations assures adequate funding to meet anticipated caseloads.

REFORM THE U.S. MARSHALS SERVICE

This proposal eliminates the political appointment process for U.S. marshals and promotes the professionally trained deputy marshals to the U.S. marshal positions. The total number of employees in the Marshals Service is reduced by 70. This concept to reform the Marshals Service has been discussed since the Truman administration, and was proposed in the Vice President's National Performance Review.

FUNCTION 750: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Violent crime reduction trust fund:							
Budget authority	3,117	1,566	1,583	2,483	2,483	0	0
Outlays	1,333	514	1,314	1,174	2,173	0	0
Full funding for immigration reform:							
Budget authority	NA	699	774	856	960	978	996
Outlays	NA	532	637	940	994	956	976
Full funding for the Antiterrorism Act:							
Budget authority	NA	229	271	198	204	204	204
Outlays	NA	107	184	238	239	240	240
Reform the U.S. Marshals Service:							
Budget authority	423	−5	−5	−5	−5	−5	−5
Outlays	421	−5	−5	−5	−5	−5	−5

ADDITIONAL CHANGES FROM CURRENT POLICY

The budget resolution also assumes additional savings from phasing out the Federal funding of the Legal Services Corporation; eliminating the position and Office of the Associate Attorney General; restoring local and State authority in community relations; terminating ineffective funding for the State Justice Institute; terminating the U.S. Parole Commission; and accepting several spending reductions proposed by the President. These proposals reflect the assumptions and recommendations of the Committee on the Budget, but the actual policy changes are the discretion of the committees of jurisdiction. The recommendations are detailed in Appendix 1.

FUNCTION 800:

GENERAL GOVERNMENT

FUNCTION 800: GENERAL GOVERNMENT

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$12,494	$11,372	$13,314	$12,592	$12,987	$12,549	$13,020
Outlays	12,648	11,747	13,640	12,928	13,364	12,454	12,321

POLICY PRIORITIES

The President's concern for "reinventing government" always had an appealing sound, but the administration's approach has been a disappointment. The disappointment stems mainly from the weakness of the President's strategy. His goal was to tinker around the edges, to make the existing bloated bureaucracy marginally more "efficient." What is needed is fundamental reform of programs and operations. The proposals in this budget resolution—including those that fall here, in Function 800—seek fundamental, systemic reform.

The discussions below reflect the assumptions and recommendations of the Committee on the Budget. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

REFORM OPERATIONS OF THE GENERAL SERVICES ADMINISTRATION [GSA]

The GSA was established in 1946 to provide goods and services across the government in the most effective and cost-efficient manner. Now 50 years later, however, the monopoly status of GSA is causing government agencies to in fact pay excessive costs for various goods and services that easily can be provided by the private sector at a much lower cost. Given the scale of the government's purchases through GSA, there is great opportunity for significant savings systemwide through competition. GSA's current budget is approximately $200 million, but the agency controls more than $45 billion in annual purchases by government agencies. As the Vice President's National Performance Review has argued:

> It is not enough that GSA try to become a better monopoly; true change will not occur until agencies are free to choose where and how they spend their money.

The budget resolution recommends the following proposals as part of an overall reform of the government services of the General Services Administration. The resolution assumes no savings from these proposals at this time, however, pending legislative action by the committees of jurisdiction.

Improve Travel Management Governmentwide Using Private Sector Methods and Incentives to Reduce Both Administrative and Direct Costs. The Federal Government spends about $10 billion per year in travel costs on airfare, hotels, relocation of Federal employees, and various other travel expenses. This does not include administrative costs. There are a number of commonsense steps agencies can take to save millions of dollars per year. These steps involve creating incentives for Federal employees to find the best deal possible on any travel service and simplifying administrative procedures, which account for approximately 30 percent of total travel costs.

Increase the Participation of Private Bidders in Real Property Disposal. This proposal involves allowing private bidders to exceed a proposed offering price in a sale conducted using restricted negotiating procedures. In recognition of the local government's special role in the base closure process, the local government would be allowed to meet the final purchase price offered by a bidder. This would protect the taxpayers' interests, and maintain the special role of the local government. A second element of this proposal would establish the responsibility of an agency that donated or gave away property to provide Congress with an appraisal conducted under established appraisal standards. Agencies should seek an appropriation to cover any shortfall resulting from a giveaway of Federal real estate.

Reform Federal Motor Vehicle Fleet Management. The Federal fleet costs more than $1 billion a year for the acquisition, operation, maintenance, and disposal of its vehicles. Through its Interagency Fleet Management System [IFMS] established in 1954, the GSA leases approximately one-third of the fleet to Federal agencies. The GAO has reviewed the impact of a 1985 law requiring that all agencies with more than 300 vehicles develop true cost accounting for their fleet operations and, to make the most cost-effective contract decisions, explicitly compare costs between GSA's IFMS and private-sector firms. Only the Internal Revenue Service has fully obeyed this law. To encourage long-delayed reform and the adoption of greater cost efficiencies throughout the government's fleet systems, the budget resolution recommends that the inventory and operations of the IFMS be transferred to a temporary government corporation and be sold within 3 years to a private organization. Private-sector firms allege that the IFMS is not truly cost competitive because it does not do full-cost accounting; a self-study by GSA, reviewed by Arthur Andersen but not yet made public, asserts otherwise. In either case, a nongovernmental

IFMS would have the competitive incentives to make a more aggressive contribution to cost reforms.

Reform the Public Building Service [PBS] for Leased Properties. Recent studies conducted by commercial brokers have indicated that PBS overpays for real estate at leased property. The studies concluded that potential, if not significant savings can be achieved by using private-sector tools and resources on PBS operations. Several private firms have contacted GSA, offering to provide professional private-sector experience to find savings in federally leased space on a contingent-fee basis. The resolution recommends that GSA continue its pilot project to explore this approach.

Maximize Proceeds From the Sale of Federal Government Personal Property Surplus. Federal agencies give away to non-Federal entities substantial amounts of personal property (such as computers, helicopters, and office equipment) per year. According to GSA figures, Federal agencies donated $865 million of former personal property in fiscal year 1995, and $3.41 billion over the past 5 years. Some of this equipment has not been screened by other Federal agencies for possible reuse (which means that one agency must seek additional appropriations to purchase equipment being given away by another agency). A consistent policy should be established whereby Federal agencies screen all equipment prior to disposal as surplus. Further, agencies which seek to give away surplus personal property should seek an appropriation in the amount of the property. There may be reasons to transfer equipment to non-Federal entities, but agencies' extensive giveaways are undermining oversight by Congress, a duty assigned to Congress under Article IV of the Constitution.

END THE GOVERNMENT'S MONOPOLY ON PRINTING

This proposal requires that, 9 months after enactment, all government work be offered for competitive bidding. Approximately 20 percent is currently not sent out to private contractors. GPO's labor costs are 50 percent greater than comparable private printers' costs; GPO's paper waste averages 40 percent more than the most lax industry standard. Although significant employee reductions will become possible through this procedure (reductions that should be identified by the appropriate committees of jurisdiction), this proposal assumes only those savings that would result from contracting out to the private sector. It is expected that employing the competitive market for government printing would save about 30 percent of printing costs annually.

REFORM THE OFFICE OF PERSONNEL MANAGEMENT [OPM] AND TRANSFER CERTAIN RESPONSIBILITIES TO OTHER AGENCIES

Under this proposal, OPM's Retirement and Insurance Service would move to the Social Security Administration; the Human Resources Systems Service would move to the Office of Management.

FUNCTION 800: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
End the Government's monopoly on printing:							
Budget authority	NA	−95	−190	−190	−190	−190	−190
Outlays	NA	−90	−185	−190	−190	−190	−190
Reform the Office of Personnel Management and transfer certain responsibilities to other agencies:							
Budget authority	88	−3	−8	−8	−8	−8	−8
Outlays	85	−3	−7	−8	−8	−8	−8

FUNCTION 800: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
End the Government's monopoly on printing:							
Budget authority	NA	−95	−190	−190	−190	−190	−190
Outlays	NA	−90	−185	−190	−190	−190	−190
Reform the Office of Personnel Management and transfer certain responsibilities to other agencies:							
Budget authority	88	−3	−8	−8	−8	−8	−8
Outlays	85	−3	−7	−8	−8	−8	−8

Additional Changes From Current Policy

The budget resolution also assumes savings from various other provisions, including eliminating the Council of Economic Advisors; eliminating the Joint Committee on Printing and the Library; reducing funding for the Executive Office of the President and the General Accounting Office; accepting the President's proposals to reduce funding in 11 accounts; and repealing Title V of the McKinney Act.

These proposals further reflect the assumptions and recommendations of the Committee on the Budget, but the actual policy changes are the discretion of the authorizing and appropriating committees of jurisdiction. The provisions are detailed in Appendix 1.

FUNCTION 900:

NET INTEREST

FUNCTION 900: NET INTEREST

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	$239,734	$242,098	$244,047	$242,917	$239,025	$237,319	$235,579
Outlays	239,734	242,098	244,047	242,917	239,025	237,319	235,579

Net interest is the price the government pays for the spending it did yesterday. It buys no goods or services for current or future generations. Money spent to pay interest is money that is not available to pay for national defense, infrastructure improvements, education, law enforcement, or other vital programs.

Balancing the budget and paying down the national debt are important steps in reducing the cost of net interest payments. Reducing the deficit directly reduces the growth in net interest costs by reducing the amount of money that is borrowed. Balancing the deficit also reduces the growth of interest costs because a balanced budget leads to lower interest rates. The cost of interest on our accumulated national debt is now larger than the annual budget deficit. In 1995, net interest costs were $232 billion. Between 1996 and 2002 the Congressional Budget Office projects the Federal Government will spend $1.7 trillion on interest payments.

Balancing the budget will enable the government to reduce interest payments by $47 billion over the next 6 years from what would otherwise be required. This will reduce the amount that the government needs to borrow, thus reducing the amount of interest we have to pay on the money we have borrowed to pay the interest on the money previously borrowed.

FUNCTION 920:

ALLOWANCES

FUNCTION 920: ALLOWANCES

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	−$214	$2,671	−$1,934	−$2,025	−$2,038	−$2,026	−$2,182
Outlays	−46	−1,032	−833	−183	−271	−1,770	−2,139

POLICY PRIORITIES

The discussions below reflect the assumptions and recommendations of the Committee on the Budget. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

REPEAL THE DAVIS-BACON ACT

The Davis-Bacon Act requires that an inflated "prevailing wage" be paid on all federally funded or federally assisted construction projects. This government regulation represents a hidden tax on construction jobs, inflates the costs of Federal construction, and destroys opportunities for employment for minorities, small firms, and less-skilled workers. The act also imposes an unfunded mandate on State and local governments.

REPEAL THE SERVICE CONTRACTS ACT

The McNamara-O'Hara Service Contract Act of 1965 is a tax on jobs similar to Davis-Bacon except that it applies to service, rather than construction, contracts. The act requires covered contractors and their successors to provide inflated wages and benefits at least equal to the locality's prevailing standards or those in a collective bargaining agreement of the previous contractor.

FUNCTION 920: DISCRETIONARY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Repeal the Davis-Bacon Act:							
Budget authority	NA	−726	−726	−725	−724	−725	−726

FUNCTION 920: DISCRETIONARY SPENDING PRIORITIES—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Outlays	NA	−166	−425	−566	−634	−675	−701
Repeal the Service Contracts Act:							
Budget authority	NA	−687	−687	−687	−687	−687	−687
Outlays	NA	−652	−687	−687	−687	−687	−687

FUNCTION 920: MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Repeal the Davis-Bacon Act:							
Budget authority	NA	−41	−31	−28	−28	−28	−27
Outlays	NA	−13	−32	−34	−31	−29	−28

Additional Changes From Current Policy

The budget resolution assumes further savings in this function from allowing an open season for CSRS participants to convert to FERS; reducing the number of political appointees; and requiring Federal agencies to use a credit card for all printing purchases of less than $1,000. Although these provisions reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

FUNCTION 950:

UNDISTRIBUTED OFFSETTING RECEIPTS

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Budget Authority	−$41,484	−$52,197	−$42,599	−$42,304	−$44,729	−$47,012	−$50,013
Outlays	−41,484	−52,197	−42,599	−42,304	−44,729	−47,012	−50,013

POLICY PRIORITIES

The discussions below reflect the assumptions and recommendations of the Committee on the Budget. The actual policy changes for programs in this function fall under the authority of the authorizing and appropriating committees with jurisdiction over the programs. The committees of jurisdiction retain the authority to pursue alternative specific policies from those reflected in this report as long as they stay within the budget resolution's spending limitations.

IMPROVE FEDERAL DEBT COLLECTION PROCEDURES

Improve Federal Debt Collection Procedures. This budget resolution assumes amendment of the debt collection legislation contained in H.R. 3019, the Balanced Budget Downpayment Act, II. The proposal would explicitly repeal a percentage limitation on collection of outstanding debt from Federal benefit payments in excess of $9,000 annually.

The legislation permits the use of expedited collection procedures, including granting the IRS continuing levy authority to collect outstanding tax debt. The legislation enhances the ability of Federal agencies to collect debts owed by employees, contractors, or beneficiaries of Federal programs. It also allows agencies to contract with private debt collection services to recover outstanding debts.

The legislation also includes a provision to increase the use of electronic funds transfer in Federal benefit programs.

FUNCTION 950. MANDATORY SPENDING PRIORITIES

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Improve Federal debt collection procedures:							
Budget authority:	0	−210	−5	−5	−5	−5	−5
Outlays	0	−210	−5	−5	−5	−5	−5

Additional Changes From Current Policy

The budget resolution also assumes savings in this function from the following: allowing an open season for CSRS employees to convert to FERS; increasing the agency contributions to the Civil Service Retirement and Disability Trust Fund for active CSRS employees; enhancing Federal debt collection procedures; broadening and extending spectrum auctions; selling the Alaska Power Administration; privatizing the Naval Petroleum and Oil Shale Reserves; selling Governors Island, NY; and selling air rights adjacent to Union Station.

Although these proposals reflect the recommendations and assumptions of the Committee on the Budget, the actual policy changes are the discretion of the appropriations and authorizing committees with jurisdiction over the programs involved. Further descriptions of these specific recommended policy changes are contained in Appendix 1.

REVENUES

REVENUES

[In millions of dollars]

1996 est.	1997	1998	1999	2000	2001	2002
$1,424,189	$1,470,373	$1,532,708	$1,599,656	$1,674,768	$1,754,153	$1,845,563

EARN MORE, KEEP MORE, DO MORE

In the *Contract With America,* Republicans promised to transfer power, money, and influence out of Washington and back to the people in their States and communities—to reverse the pendulum toward individual empowerment and personal responsibility. The tax provisions assumed in this budget resolution represent a key contribution to that effort. The 21st century is not about big government and higher taxes; it's about the power of individuals and families. Federal tax burdens cannot be eliminated altogether so long as legitimate Federal Government functions exist. But the bias should always be in favor of taking less from people, especially families and small businesses—the real engine of economic growth and job creation. The goal of this budget is to allow Americans to earn more and keep more so they can do more.

The House Budget Committee's revenue assumptions provide a permanent $500 per child tax credit for working families. The budget resolution calls for net tax relief of $122 billion over 6 years. But additional tax relief—for capital gains rate reductions, other incentives to spur economic growth and job creation, and small business tax relief—can be financed through closing inappropriate corporate loopholes and extending other expired tax provisions.

ROLLING BACK THE CLINTON TAX INCREASE

In 1993, without the support of a single Republican in Congress, the President proposed and signed into law the largest tax increase in the Nation's history. It was a defining moment of his Presidency—clearly showing his basic philsophy of higher taxes and more Washington spending.

Just as the Republican members of the Budget Committee argued 3 years ago, this budget resolution rejects the President's view. Our position is that the tax burden on Americans must be reduced for four reasons: taxes are too high; individuals, families, and businesses spend their money more wisely than the Federal Government does; tax reductions strengthen Congress' resolve to eliminate waste and restrain out-of-control entitlement spending;

and cutting taxes will spur investment and job creation, thereby boosting revenue and aiding in deficit reduction.

The total tax burden on families has grown considerably in the past half century, as demonstrated by the following statistics:

- According to the Tax Foundation, Tax Freedom Day, an annual snapshot of the portion of the American budget that taxes claim, has progressed from March 8 in 1940 (an effective tax rate nationwide of 18.3 percent) to May 6 in 1995 (an effective tax rate of 34.4 percent for the United States).
- Families now pay more in taxes (39 cents out of every dollar of the typical two-income family's budget) than they do for food, housing, and medical care combined (34 cents out of every dollar).
- The typical one-income family paid 36.2 percent of its income in taxes in 1995, compared to 27.6 percent in 1955. Similarly, the typical two-income family now pays almost 39 percent of its income in taxes, compared to 27.7 percent in 1955.

As government is downsized, the American family must be a direct beneficiary because the best providers of health, education, and welfare are families, not bureaucrats. If any institution deserves support as the Nation approaches the 21st century, it is the American family. That's why the centerpiece of our tax relief is a $500 per child tax credit for working families.

Critics contend that cutting taxes is contrary to balancing the budget. They argue that as expected revenue levels diminish, eliminating the deficit becomes that much more difficult. Such reasoning is typical of the narrow, Washington-centered perspective on the nature of taxation.

First, opponents of tax relief are not proposing faster deficit reduction. They simply want to spend the money rather than returning it to the people who earned it. The bottom line is that tax relief will force reductions in Federal spending that would not occur otherwise.

Second, the nature of specific tax provisions creates incentives and disincentives that affect behavior and economic growth and, in turn, revenue available for deficit reduction. The effectiveness of tax reduction should be evaluated over the long-term, not based on results obtained for a short period of time. Over time, reducing taxes improves the efficiency of the economic system. This means that taxpayers have a greater incentive to work, save, and invest, enhancing growth in the multiple and diverse facets of the private-sector economy.

TAX RELIEF FOR AMERICAN FAMILIES

Contrary to the incessant claims of tax-cut opponents, the primary beneficiaries of the tax cuts assumed in this budget resolution would be *middle-income families.* More than 75 percent of the tax relief assumed in the proposal focuses on building, strengthening, and restoring the American family. The biggest individual income tax cuts, as a percentage of taxes paid, would go to taxpayers earning $30,000 to $75,000 annually. Those earning more would receive a smaller reduction as a percentage of taxes paid.

The recent rise in gasoline prices (15 percent since late February) highlights the need to provide tax relief to American families. President Clinton, in his tax plan of 1993, imposed a permanent 4.3 cent increase in the Federal motor fuels excise tax. This increase raised the total Federal excise tax on gasoline for automobiles and trucks to 18.3 cents. The President's tax increase serves to exacerbate the recent increase in gasoline prices. The resolution assumes repeal of the 4.3 cent excise tax increase through December 31, 1996. An analysis by the Joint Committee on Taxation shows that, because it is a regressive tax, the largest beneficiaries of the repeal would be low-income families.

So that overtaxed middle-income families do not have to wait for their share of the balanced budget bonus, the resolution assumes a $500 per child tax credit starting on January 1, 1996.

TAX RELIEF FOR JOB CREATION

An often forgotten fact of economic life is this: In good times, the rich get richer; in bad times, the rich get richer. The only time all Americans can get ahead is when the economy is growing, expanding opportunities. A capital gains tax reduction can be financed within the framework of this budget resolution by eliminating various inappropriate corporate tax loopholes and extending expiring tax provisisons.

The capital gains tax reduction would encourage risk taking and help get the economy moving again. It would benefit 9 million taxpayers, 6 million of whom will have incomes less than $100,000 a year.

A capital gains tax cut increases the return on saving and investment, thereby promoting saving and investment. This is the source of capital formation, which leads to business expansion and, hence, faster job creation. A study by the American Council for Capital Formation predicts that cutting the capital gains rate would create hundreds of thousands of new jobs annually. The capital gains proposal would provide everyone with a lower rate on capital gains. Currently, only individuals in the highest income tax rate brackets get a percentage reduction in their overall tax liability when they declare capital gains.

The resolution also assumes that additional measures to enhance economic growth will be adopted including reform of the Alternative Minimum Tax and an increase in the expensing deduction to help small businesses grow and hire more workers.

REDUCING CORPORATE TAX SUBSIDIES

Corporations receive favorable tax treatment in the form of exclusions, credits, deductions, preferential tax rates, or deferrals of tax liability under the current tax structure. This resolution assumes a reduction in provisions in the tax code that can be clearly identified as inappropriately benefiting one industry or a limited number of corporations. These include the phase-in repeal of section 936 and the elimination of interest deductions for corporate-owned life insurance policy loans.

OTHER KEY PROVISIONS AFFECTING RECEIPTS OR REVENUES

The budget resolution also assumes a host of additional provisions to strengthen American families. One of the most significant is H.R. 3286, which creates a $5,000 tax credit for adoption expenses. Qualified adoption expenses include adoption fees, court costs, and attorneys' fees. The bill would also provide a maximum $5,000 exclusion from the gross income of an employee for specified certain adoption expenses to be paid by the employer. One hundred thousand families that seek to adopt children will benefit from this legislation.

In addition, the assumptions in this budget resolution reflect revenue effects from the following: allowing an open season for CSRS employees to convert to FERS; improving Federal debt collection procedures; increasing Federal employee contributions to their retirement trust funds; reforming the Earned Income Credit; selling the Alaska Power Administration; technical adjustment for railroad unemployment reforms; and replacing dollar bills with dollar coins. The budgetary effects of these proposals are reflected in Appendix 1.

The budget resolution also rejects the President's proposed tax increase on undyed kerosene used for home heating fuel. Dyed kerosene is largely unavailable for home heating fuel. Even if it were available, however, the Consumer Products Safety Commission and the New England Fire Marshals have expressed concern that the change in tax treatment of kerosene could cause health problems for low-income families who would use a dyed kerosene in unvented heaters.

BASELINE REVENUES

The committee's baseline revenues are based on CBO's March baseline. The revenue baseline has been adjusted to include the provisions affecting revenues contained in H.R. 3103 and H.R. 2337.

H.R. 3103 contains provisions to implement medical savings accounts [MSA's], create a deduction for long-term care insurance, and increase the deduction for health cost for self-employed Americans. MSA's, by allowing tax-free treatment of money set aside to pay medical bills, would encourage cost-cutting competition in health care while providing patients with new options. An estimated 1 million taxpayers will take advantage of this new program.

H.R. 2337 contains a set of provisions, entitled the "Taxpayer Bill of Rights," that would provide greater rights and reforms to aid the taxpayer against the IRS. Most provisions create greater responsibility for the IRS in its actions against taxpayers such as by increasing the burden of proof by the IRS. Also, a few provisions increase the authority of the IRS to act in the best interest of the taxpayer and the government.

It also should be noted that this bugdet incorporates the enactment of H.R. 3136, which would relax the current limitations on the receipt of Social Security benefits for those age 65 to 69 with earnings above $11,280. Above this threshold, Social Security benefits are reduced $1 in benefits for each $3 of earnings. The reduc-

tion in benefits that occurs for earnings above the threshold was equivalent to an increase in the beneficiaries' marginal tax rate of 34 percent. The beneficiaries' overall marginal tax rate was as high as 70 percent. Under this bill, the earnings limitation for these retirees would be increased in stages during the 1996–2002 period to $30,000 in 2002. The exempt amount would be increased automatically thereafter by the rate of increase in average wages.

REVENUE PRIORITIES

[In millions of dollars]

	1996 est.	Revenue change [1]					
		1997	1998	1999	2000	2001	2002
Tax relief	−2,500	−15,863	−19,971	−23,685	−23,389	−23,079	−16,456
Adoption Promotion and Stability Act of 1996	52	176	−34	−43	−53	−48	−40
Proposed motor fuel tax repeal	−1,655	−1,285	26	9	3	1	0
Outlays							

[1] Negative number denotes revenue losses.

REVENUE COMPARISONS

TABLE 1.—Comparison of Total Budget Revenues
[In billions of dollars]

	Amount
Fiscal year:	
1991 actual	$1,054.3
1992 actual	1,090.5
1993 actual	1,153.5
1994 actual	1,257.7
1995 actual	1,355.2
Fiscal year 1996:	
Administration's request (February 1996)	1,426.8
Committee level	1,424.2
Fiscal year 1997:	
Administration's request (February 1997)	1,495.2
Committee level	1,470.4
Fiscal year 1998:	
Administration's request (February 1998)	1,577.9
Committee level	1,532.7
Fiscal year 1999:	
Administration's request (February 1999)	1,652.5
Committee level	1,599.7
Fiscal year 2000:	
Administration's request (February 2000)	1,733.8
Committee level	1,674.8
Fiscal year 2001:	
Administration's request (February 2001)	1,819.8
Committee level	1,754.2
Fiscal year 2002:	
Administration's request (February 2002)	1,912.2
Committee level	1,845.6

TABLE 2.—Comparison of On-Budget Revenues
[In billions of dollars]

	Amount
Fiscal year:	
1991 actual	$760.4
1992 actual	788.0
1993 actual	841.6
1994 actual	922.7
1995 actual	1,004.1

[In billions of dollars]—Continued

	Amount
Fiscal year 1996:	
Administration's request (February 1996)	1,059.3
Committee level	1,059.0
Fiscal year 1997:	
Administration's request (February 1997)	1,107.2
Committee level	1,085.4
Fiscal year 1998:	
Administration's request (February 1998)	1,171.6
Committee level	1,130.4
Fiscal year 1999:	
Administration's request (February 1999)	1,224.8
Committee level	1,176.1
Fiscal year 2000:	
Administration's request (February 2000)	1,283.9
Committee level	1,229.7
Fiscal year 2001:	
Administration's request (February 2001)	1,348.6
Committee level	1,289.0
Fiscal year 2002:	
Administration's request (February 2002)	1,417.6
Committee level	1,358.2

TABLE 3.—REVENUES BY SOURCE UNDER PAST AND CURRENT LAW

[Includes on- and off-budget revenues, fiscal years, billions of dollars]

	Historical					Projected
	1950	1960	1970	1980	1990	1997
Individual income tax	$15.8	$40.7	$90.4	$244.1	$466.9	$660.2
Corporate income tax	10.4	21.5	32.8	64.6	93.5	174.4
Social insurance tax and contributions	4.3	14.7	44.4	157.8	380	531.0
Excises	7.6	11.7	15.7	24.3	35.3	50.9
Estate and gift taxes	0.7	1.6	3.6	6.4	11.5	17.2
Custom duties	0.4	1.1	2.4	7.2	16.7	20.2
Miscellanous reciepts	0.2	1.2	3.4	12.7	27.3	31.4
Total [1]	39.4	92.5	192.8	517.1	1,031.3	1,485.4
On-budget revenues	37.3	81.9	159.3	403.9	749.7	1,100.4
Off-budget revenues [2]	2.1	10.6	33.5	113.2	281.7	385.0

[1] Details may not add to totals due to rounding.
[2] Social Security [OASDI] revenues.

Source: CBO March 1996 baseline revenues.

TABLE 4.—REVENUES SOURCE AS PERCENT OF GDP UNDER PAST AND CURRENT LAW

[Includes on- and off-budget revenues, fiscal years]

	Historical					Projected
	1950	1960	1970	1980	1990	1997
Individual income tax	5.9	8	9.2	9.2	8.6	8.4
Corporate income tax	3.9	4.2	3.3	2.4	1.7	2.2
Social insurance tax and contributions	1.6	2.9	4.5	6	7	6.8
Excises	2.8	2.3	1.6	0.9	0.6	0.6
Estate and gift taxes	0.3	0.3	0.4	0.2	0.2	0.2
Custom duties	0.1	0.2	0.3	0.5	0.5	0.3
Miscellanous reciepts	0.1	0.2	0.3	0.5	0.5	0.4
Total [1]	14.9	18.3	19.6	19.6	18.9	18.9
On-budget revenues	14.1	16.2	16.2	15.3	13.7	14.0
Off-budget revenues [2]	0.8	2.1	3.4	4.3	5.2	4.9

[1] Details may not add to totals due to rounding.
[2] Social Security [OASDI] revenues.

Source: CBO March 1996 baseline revenues.

THE CONGRESSIONAL BUDGET PROCESS

The spending and revenue levels in the budget resolution are executed through two parallel, but separate, mechanisms: allocations to the appropriations and authorization committees, and reconciliation directives to the authorizing committees. The budget resolution includes instructions directing the authorizing committees to report legislation complying with the entitlement, revenue, and deficit reduction targets. This report allocates to the Appropriations Committee and authorization committees their respective shares of spending authority.

SPENDING ALLOCATIONS

As required under Sections 302(a) and 602(a) of the Congressional Budget Act of 1974, the spending levels established in the budget resolution are allocated to the Appropriations Committee and each of the authorization committees with spending authority.

The allocations serve as a committee-level ceiling on subsequent spending legislation. Under Section 310001(f) of the Violent Crime Reduction Act of 1994 (Public Law 103–322), a separate allocation is provided to the Appropriations Committee to fund programs authorized out of the Violent Crime Reduction Trust Fund.

Current Law Versus Discretionary Action. Section 302(f) of the Budget Act requires that the allocation be broken down into two categories: amounts provided under current law and amounts subject to discretionary action. Amounts provided under current law encompass programs that affect direct spending—entitlement and other programs that have permanent new budget authority or offsetting receipts. Amounts subject to discretionary action concern programs whose spending levels are set in annual appropriations bills.

APPROPRIATIONS COMMITTEE

The Appropriations Committee is allocated a lump sum of new budget authority and corresponding outlays. The portion of this sum that is of concern to the Appropriations Committee is listed under assumed law and represents the total amount of budget authority that may be appropriated for the forthcoming budget year.

Term. Since most discretionary appropriations are provided 1 year at a time in annual appropriations bills, the allocations cover only the budget year commencing on October 1 of 1996.

602(b) Allocations. Upon receiving its 602(a)/302(a) allocation, the Appropriations Committee is required to divide the 602(a) allocation among its 13 subcommittees. The amount that each sub-

committee receives constitutes its 602(b) allocation. The subcommittees must stay within their respective 602(b)'s when they mark up individual appropriations bills.

Continuing Disability Reviews. Public Law 104–121 established a process to provide additional funding for continuing disability reviews for specified disability programs. Under Public Law 104–121, the chairman of the Budget Committee will increase the 602(a) allocations and aggregate spending levels whenever an appropriations bill or conference report is filed providing additional funding for continuing disability reviews [CDR's], which will be reduced if the bill is not enacted. The Director of the Office of Management and Budget will make a similar adjustment in the discretionary spending limits upon enactment of such legislation.

The reason for the special adjustment is that the cost of the CDR's is discretionary while the savings are mandatory. Consequently, the Appropriations Committee has little incentive to divert funding from other discretionary programs to CDR's because the savings are not credited against their allocation and the statutory appropriations cap.

The House-passed CDR provisions circumvented the Appropriations Committee with a mandatory appropriation. The Budget Committee opposed this approach because of the precedent it would have set for funding administrative activities on an entitlement basis. The special adjustment was substituted for the mandatory appropriation in an effort to assure adequate funding for CDR's, while preserving the discretionary status of the CDR reviews.

The Budget Committee does not view special adjustments in the allocations and discretionary spending limits as a panacea for every program in need of additional funding and will be reluctant to agree to similar adjustments in the future. It will consult with the Appropriations Committee to fashion an appropriate policy regarding similar issues that may arise in the future.

AUTHORIZATION COMMITTEES

The authorizing committees are allocated a lump sum of new budget authority and, in some cases, new entitlement authority along with the corresponding outlays. Most of this spending is authorized under current law. The budget authority allocated to these committees is categorized as subject to discretionary action when the resolution assumes a new or expanded entitlement program.

Term. Since the spending authority for the authorization committees is multiyear and frequently permanent, the allocations are for the forthcoming budget year commencing on October 1 and the 5-year total for fiscal years 1997 through fiscal year 2001.

The Budget Committee does not enforce the requirement that the authorization committees file 602(b) allocations.

Types of Spending Authority. The authorizing committees may receive two types of direct spending in their allocations: new budget authority and new entitlement authority. New budget authority is defined as authority provided by law to enter into financial obligations that will result in immediate or future outlays involving Federal Government funds.

New entitlement authority, which is a form of new budget authority, is defined as the authority to make payments, the budget authority for which is not provided by appropriations acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

The allocations for fiscal year 1997 and 1997 through 2001 are as follows:

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1997

[In millions of dollars]

		Budget authority	Outlays	Entitlement authority
	APPROPRIATIONS COMMITTEE			
Current level (enacted law):				
050	National defense	196	196	0
150	International affairs	170	170	0
300	Natural resources and environment	1,997	2,008	0
350	Agriculture	3,124	1,732	0
370	Commerce and housing credit	32	−318	0
400	Transportation	605	602	0
500	Education, training, employment, and social services	10,741	10,796	0
550	Health	109,098	109,029	0
570	Medicare	58,309	58,309	0
600	Income security	85,391	85,305	0
650	Social Security	21	21	0
700	Veterans benefits and services	19,508	19,552	0
750	Administration of Justice	414	411	0
800	General government	8,666	8,666	0
900	Net interest	10	10	0
	Subtotal	298,282	296,489	0
Discretionary appropriations action (assumed legislation):				
050	National defense	267,962	265,668	0
150	International affairs	17,660	19,311	0
250	General, science, space, and technology	16,497	16,658	0
270	Energy	3,778	5,051	0
300	Natural resources and environment	19,787	20,701	0
350	Agriculture	2,978	3,211	0
370	Commerce and housing credit	2,441	2,575	0
400	Transportation	12,945	36,443	0
450	Community and regional development	6,368	10,161	0
500	Education, training, employment, and social services	35,372	37,984	0
550	Health	22,230	22,711	0
570	Medicare	3,031	3,031	0
600	Income security	29,780	39,867	0
650	Social security	5	2,736	0
700	Veterans benefits and services	19,079	19,404	0
750	Administration of justice	21,862	19,728	0
800	General government	10,508	10,918	0
920	Allowances	2,712	−1,019	0
	Subtotal	494,995	535,139	0
Discretionary action by other committees (assumed entitlement legislation):				
370	Commerce and housing credit	−32	−32	0
500	Education, training, employment, and social services	−105	−33	0
550	Health	−2,001	−2,001	0
600	Income security	−2,316	−2,289	0
700	Veterans benefits and services	218	219	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1997—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Subtotal	−4,236	−4,136	0
Committee total	789,041	827,492	0
AGRICULTURE COMMITTEE			
Current level (enacted law):			
150 International affairs	−476	−476	0
270 Energy	0	−972	0
300 Natural resources and environment	683	648	0
350 Agriculture	7,383	5,440	7,177
400 Transportation	30	30	0
450 Community and regional development	253	204	0
600 Income security	67	17	1,173
800 General government	270	270	0
900 Net interest	0	0	10
Subtotal	8,210	5,161	8,360
Committee total	8,210	5,161	8,360
NATIONAL SECURITY COMMITTEE			
Current level (enacted law):			
050 National defense	11,513	11,470	0
300 Natural resouraces and environment	3	3	0
400 Transportation	0	−19	0
500 Education, training, employment, and social services	4	3	0
600 Income security	29,940	29,855	0
700 Veterans benefits and services	180	180	180
Subtotal	41,640	41,492	180
Discretionary action (assumed legislation):			
050 National Defense	−79	−79	0
950 Undistributed offsetting receipts	−1,500	−1,500	0
Subtotal	−1,579	−1,579	0
Committee total	40,061	39,913	180
BANKING AND FINANCIAL SERVICES COMMITTEE			
Current level (enacted law):			
150 International affairs	−588	−2,438	0
370 Commerce and housing credit	405	−6,084	0
450 Community and regional development	6	−58	0
600 Income security	50	−15	0
900 Net interest	3,256	3,256	0
Subtotal	3,129	−5,339	0
Discretionary action (assumed legislation):			
370 Commerce and housing credit	175	−3,125	0
450 Community and regional development	0	−72	0
600 Income security	−18	−107	0
Subtotal	157	−3,304	0
Committee total	3,286	−8,643	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1997—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
ECONOMIC AND EDUCATIONAL OPPORTUNITIES COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	3,104	2,487	4,050
600 Income security	174	162	9,930
Subtotal	3,278	2,649	13,980
Discretionary action (assumed legislation):			
500 Education, training, employment, and social services	−894	−840	0
600 Income security	−4	−4	−152
Subtotal	−898	−844	−152
Committee totals	−2,380	−1,805	−13,828
COMMERCE COMMITTEE			
Current level (enacted law):			
370 Commerce and Housing Credit	4,700	4,700	4,700
500 Education, training, employment, and social services	1	1	0
500 Health	675	675	105,397
800 General government	9	9	0
Subtotal	5,385	5,385	110,097
Discretionary action (assumed legislation):			
550 Health	0	0	−2,000
Subtotal	0	0	−2,000
Committee total	5,385	5,385	108,097
INTERNATIONAL RELATIONS COMMITTEE			
Current level (enacted law):			
150 International affairs	10,900	12,330	0
400 Transportation	7	7	0
600 Income security	523	523	511
800 General government	6	6	0
Subtotal	11,436	12,866	511
Committee total	11,436	12,866	511
GOVERNMENT REFORM AND OVERSIGHT COMMITTEE			
Current level (enacted law):			
550 Health	0	−54	3,914
600 Income security	41,907	40,887	40,887
750 Administration of justice	40	40	40
800 General government	13,042	13,040	0
900 Net interest	28	28	0
950 Undistributed offsetting receipts	−20	−20	0
Subtotal	54,997	53,921	44,841
Discretionary action (assumed legislation):			
600 Income security	−289	−289	−289
800 General government	−3	−3	0
950 Undistributed offsetting receipts	−816	−816	0
Subtotal	−1,108	−1,108	−289

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1997—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Committee total	53,889	52,813	44,552
OVERSIGHT COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	28	22	0
800 General government	67	3	95
Subtotal	95	25	95
Committee total	95	25	95
RESOURCES COMMITTEE			
Current level (enacted law):			
270 Energy	8	114	0
300 Natural resources and environment	908	807	0
370 Commerce and housing credit	75	51	0
450 Community and regional development	388	358	0
550 Health	4	4	0
800 General government	742	766	179
950 Undistributed offsetting receipts	−1,355	−1,355	0
Subtotal	770	745	179
Discretionary action (assumed legislation):			
300 Natural resources and environment	−92	−91	−12
800 General government	10	18	0
Subtotal	−82	−73	−12
Committee total	688	672	167
Current level (enacted law):			
370 Commerce and housing credit	195	195	0
600 Income security	59	21	9
750 Administration of justice	1,556	1,538	238
800 General government	619	619	0
Subtotal	2,429	2,373	247
Committee total	2,429	2,373	247
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE			
Current level (enacted law):			
270 Energy	280	222	0
300 Natural resources and environment	245	248	0
400 Transportation	27,102	2,142	602
450 Community and regional development	5	75	0
600 Income security	14,984	14,962	0
800 General government	−1	−1	0
Subtotal	42,615	17,648	602
Discretionary action (assumed legislation):			
400 Transportation	2,277	−3	−3
Subtotal	2,277	−3	−3
Committee total	44,892	17,645	599

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1997—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
SCIENCE COMMITTEE			
Current level (enacted law):			
250 General science, space, and technology	40	39	0
500 Education, training, employment and social services	1	1	0
Subtotal	41	40	0
Committee total	41	40	0
SMALL BUSINESS COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	3	−125	0
450 Community and regional development	0	−171	0
Subtotal	3	−296	0
Committee total	3	−296	0
VETERANS' AFFAIRS COMMITTEE			
Current level (enacted law):			
700 Veterans benefits and services	1,437	1,604	20,869
Subtotal	1,437	1,604	20,869
Discretionary action (assumed legislation):			
700 Veterans benefits and services	0	0	224
Subtotal	0	0	224
Committee total	1,437	1,604	21,093
HOUSE WAYS AND MEANS COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	0	0	8,044
570 Medicare	217,200	215,516	215,516
600 Income security	46,232	45,194	37,091
650 Social Security	7,786	7,786	0
750 Administration of Justice	420	380	0
800 General government	473	472	0
900 Net interest	352,514	352,514	352,514
Subtotal	624,625	621,862	613,165
Discretionary action (assumed legislation):			
500 Education, training, employment, and social services	−1,221	−851	−33
570 Medicare	−6,470	−6,470	0
600 Income security	−445	−559	−2,257
Subtotal	−8,136	−7,880	−2,290
Committee total	616,489	613,982	610,875
UNASSIGNED			
Current level (enacted law):			
050 National defense	−12,392	−12,455	0
150 International affairs	−13,966	−13,897	0
250 General science, space, and technology	−37	3	0
270 Energy	−1,666	−1,715	0
300 Natural resources and environment	−3,031	−3,024	0
350 Agriculture	−1,685	−183	0
370 Commerce and housing credit	−194	−137	0
400 Transportation	−1,266	−202	0
450 Community and regional development	−320	−397	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1997—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
500 Education, training, employment, and social services	−31	−70	0
550 Health	−106	−64	0
570 Medicare	−78,870	−78,886	0
600 Income security	−13,435	−13,430	0
650 Social security	−12	−43	0
700 Veterans benefits and services	−1,322	−1,259	0
750 Administration of justice	−2,192	−2,197	0
800 General government	−23,008	−23,083	0
900 Net interest	−73,108	−73,108	−60,765
920 Allowances	29	32	0
950 Undistributed offsetting receipts	−41,909	−41,909	0
Subtotal	−267,412	−265,949	−60,765
Discretionary action (assumed legislation):			
920 Allowances	−41	−13	0
Subtotal	−41	−13	0
Committee total	−267,453	−265,962	−60,765
Total—current level	830,960	790,676	752,361
Total—discretionary action	480,240	516,124	−4,522
Grand total	1,311,200	1,306,800	747,839

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT

[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	1997–2001
Appropriation Committee:						
Current level:						
Budget authority	298,282	297,973	320,594	348,874	370,294	1,636,017
Outlays	296,489	291,204	312,952	342,279	361,183	1,604,107
Discretionary action, general purpose:						
Defense:						
Budget authority	267,962	269,731	272,380	275,064	277,832	1,362,969
Outlays	265,668	264,462	267,808	271,537	270,744	1,340,219
Nondefense:						
Budget authority	222,350	217,818	210,606	215,631	211,031	1,077,436
Outlays	266,398	257,831	251,600	247,632	242,969	1,266,430
Subtotal:						
Budget authority	490,312	487,549	482,986	490,695	488,863	2,440,405
Outlays	532,066	522,293	519,408	519,169	513,713	2,606,649
Violent Crime Reduction Trust Fund:						
Budget authority	4,683	4,700	5,600	5,600	0	20,583
Outlays	3,073	4,128	4,911	5,293	0	17,405
Total discretionary action:						
Budget authority	494,995	492,249	488,586	496,295	488,863	2,460,988
Outlays	535,139	526,421	524,319	524,462	513,713	2,624,054
Discretionary action by other committees:						
Budget authority	−4,236	23,984	21,857	18,964	14,863	75,432
Outlays	−4,136	22,706	21,468	18,816	14,802	73,656

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	1997–2001
Committee total:						
Budget authority	789,041	814,206	831,037	864,133	874,020	4,172,437
Outlays	827,492	840,331	858,739	885,557	889,698	4,301,817
Agriculture Committee:						
Current level (enacted law):						
Budget authority	8,210	8,359	8,104	7,460	6,402	38,535
Outlays	5,161	5,395	5,109	4,556	3,519	23,740
New entitlement authority	0	1,192	1,236	1,267	1,301	4,996
National Security Committee:						
Current level (enacted law):						
Budget authority	41,640	43,186	44,769	46,343	48,017	223,955
Outlays	41,492	43,001	44,595	46,221	47,899	223,208
Discretionary action:						
Budget authority	−1,579	62	48	34	−72	−1,507
Outlays	−1,579	62	48	34	−72	−1,507
Committee total:						
Budget authority	40,061	43,248	44,817	46,377	47,945	222,448
Outlays	39,913	43,063	44,643	46,255	47,827	221,701
New entitlement authority	0	−209	−209	−209	−216	−843
Banking and Financial Services Committee:						
Current level (enacted law):						
Budget authority	3,129	4,401	4,147	4,682	4,486	20,845
Outlays	−5,339	−1,679	−2,425	−2,804	−2,179	−14,426
Discretionary action:						
Budget authority	157	−286	−347	−515	−521	−1,512
Outlays	−3,304	−31	−305	−351	−343	−4,334
Committee total:						
Budget authority	3,286	4,115	3,800	4,167	3,965	19,333
Outlays	−8,643	−1,710	−2,730	−3,155	−2,522	−18,760
Economic Opportunity Committee:						
Current level (enacted law):						
Budget authority	3,278	2,968	3,631	3,889	4,221	17,987
Outlays	2,649	2,649	3,008	3,351	3,648	15,305
Discretionary action:						
Budget authority	−898	−444	−803	−791	−832	−3,768
Outlays	−844	−356	−649	−774	−817	−3,440
Committee total:						
Budget authority	2,380	2,524	2,828	3,098	3,389	14,219
Outlays	1,805	2,293	2,359	2,577	2,831	11,865
New entitlement authority	−152	1,270	2,016	2,211	2,279	7,624
Commerce Committee:						
Current level (enacted law):						
Budget authority	5,385	5,893	6,684	7,380	8,080	33,422
Outlays	5,385	5,895	6,701	7,398	8,098	33,477
Discretionary action:						
Budget authority	0	−1,401	−2,909	−4,713	−5,517	−14,540
Outlays	0	−1,401	−2,909	−4,713	−5,517	−14,540
Committee total:						
Budget authority	5,385	4,492	3,775	2,667	2,563	18,882
Outlays	5,385	4,494	3,792	2,685	2,581	18,937
New entitlement authority	−2,000	−4,640	−8,380	−12,580	−18,040	−45,640
International Relations Committee:						
Current level (enacted law):						
Budget authority	11,436	10,321	9,393	9,953	9,877	50,980
Outlays	12,866	11,880	11,033	10,638	10,390	56,807
Government Reform and Oversight Committee:						
Current level (enacted law):						
Budget authority	54,997	57,320	59,793	62,342	65,094	299,546
Outlays	53,921	56,383	58,742	61,132	63,670	293,848

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	1997–2001
Discretionary action:						
Budget authority	−1,108	−919	−912	−906	−920	−4,765
Outlays	−1,108	−919	−912	−906	−920	−4,765
Committee total:						
Budget authority	53,889	56,401	58,881	61,436	64,174	294,781
Outlays	52,813	55,464	57,830	60,226	62,750	289,083
New entitlement authority	−289	−335	−339	−344	−361	−1,668
Oversight Committee:						
Current level (enacted law):						
Budget authority	95	97	98	99	97	486
Outlays	25	25	54	264	34	402
Public Lands and Resources Committee:						
Current level (enacted law):						
Budget authority	770	2,021	2,066	2,169	2,393	9,419
Outlays	745	1,931	2,014	2,113	2,322	9,125
Discretionary action:						
Budget authority	−82	−774	−26	−422	−65	−1,369
Outlays	−73	−774	−27	−430	−78	−1,382
Committee total:						
Budget authority	688	1,247	2,040	1,747	2,328	8,050
Outlays	672	1,157	1,987	1,683	2,244	7,743
New entitlement authority	−12	−9	−13	−11	−14	−59
Judiciary Committee:						
Current level (enacted law):						
Budget authority	2,429	3,922	4,014	4,066	4,131	18,562
Outlays	2,373	3,861	3,951	4,002	4,066	18,253
Discretionary action:						
Budget authority	0	0	−119	−119	−119	−357
Outlays	0	0	−119	−119	−119	−357
Committee total:						
Budget authority	2,429	3,922	3,895	3,947	4,012	18,205
Outlays	2,373	3,861	3,832	3,883	3,947	17,896
Transportation and Infrastructure Committee:						
Current level (enacted law):						
Budget authority	42,615	15,837	15,875	16,046	16,277	106,650
Outlays	17,648	17,406	16,862	16,610	16,612	85,138
Discretionary action:						
Budget authority	2,277	30,134	30,186	31,348	32,029	125,974
Outlays	−3	115	−289	350	413	−506
Committee total:						
Budget authority	44,892	45,971	46,061	47,394	48,306	232,624
Outlays	17,645	17,521	16,573	16,960	17,025	85,644
New entitlement authority	−3	−4	−4	−4	−4	−19
Science Committee:						
Current level (enacted law):						
Budget authority	41	42	44	45	46	218
Outlays	40	40	41	43	45	209
Discretionary action:						
Budget authority	0	−13	0	0	0	−13
Outlays	0	−13	0	0	0	−13
Committee total:						
Budget authority	41	29	44	45	46	205
Outlays	40	27	41	43	45	196
Small Business Committee:						
Current level [enacted law]:						
Budget authority	3	2	2	2	0	9
Outlays	−296	−402	−232	−181	−153	−1,264

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	1997–2001
Veterans' Affairs Committee:						
Current level [enacted law]:						
Budget authority	1,437	1,365	1,280	1,205	1,141	6,428
Outlays	1,604	1,573	1,466	1,458	1,462	7,563
Discretionary action:						
Budget authority	0	0	−265	−276	−288	−829
Outlays	0	0	−265	−276	−288	−829
Committee total:						
Budget authority	1,437	1,365	1,015	929	853	5,599
Outlays	1,604	1,573	1,201	1,182	1,174	6,734
New entitlement authority	224	615	542	827	1,267	3,475
Ways and Means Committee:						
Current level [enacted law]:						
Budget authority	624,625	653,353	680,343	705,358	735,148	3,398,827
Outlays	621,862	650,656	677,189	702,840	732,743	3,385,290
Discretionary action:						
Budget authority	−8,136	−16,704	−28,409	−37,776	−48,277	−139,302
Outlays	−7,880	−16,608	−28,379	−37,736	−48,346	−138,949
Committee total:						
Budget authority	616,489	636,649	651,934	667,582	686,871	3,259,525
Outlays	613,982	634,048	648,810	665,104	684,397	3,244,341
New entitlement authority	−2,290	−2,486	−2,200	−2,250	−2,298	−11,524
Unassigned to Committee:						
Current level [enacted law]:						
Budget authority	−267,412	−275,617	−281,296	−292,508	−304,520	−1,421,353
Outlays	−265,949	−267,614	−273,586	−284,701	−296,879	−1,388,729
Discretionary action:						
Budget authority	−41	−31	−28	−28	−28	−156
Outlays	−13	−32	−34	−31	−29	−139
Committee total:						
Budget authority	−267,453	−275,648	−281,324	−292,536	−304,548	−1,421,509
Outlays	−265,962	−267,646	−273,620	−284,732	−296,908	−1,388,868
Total current level:						
Budget authority	830,960	831,443	879,541	927,405	971,184	4,440,533
Outlays	790,676	822,204	867,474	915,219	956,480	4,352,053
Total discretionary action:						
Budget authority	480,240	525,857	506,859	501,095	479,116	2,493,167
Outlays	516,124	528,796	511,726	498,181	472,320	2,527,147
Grand totals:						
Budget authority	1,311,200	1,357,300	1,386,400	1,428,500	1,450,300	6,933,700
Outlays	1,306,800	1,351,000	1,379,200	1,413,400	1,428,800	6,879,200
Total new entitlement authority	−4,522	−4,606	−7,351	−11,093	−16,086	−43,658

Reconciliation Directives

As provided in Section 310(a) of the Budget Act of 1974, the budget resolution includes reconciliation instructions to the 13 authorizing committees to report changes in law necessary to achieve the direct spending, revenue, and deficit reduction targets in the budget resolution. Each of these committees is directed to achieve aggregate direct spending, aggregate revenue or deficit reduction levels. These directives trigger the authorizing legislation necessary to comply with the direct spending and revenue assumptions in the budget resolution.

Separate Bills and Separate Deadlines. The budget resolution establishes a structure for reporting three separate authorization bills as follows:

- By May 24, 1996, the Committees on Agriculture, Commerce, Economic and Educational Opportunities, and Ways and Means are required to submit welfare reform legislation and the Committee on Commerce is required to submit Medicaid reform legislation.
- By June 14, 1996, the Committees on Commerce and Ways and Means are required to submit Medicare preservation legislation.
- By July 12, 1996, the Committees on Banking and Financial Services, Commerce, Economic and Educational Opportunities, Government Reform and Oversight, International Relations, Judiciary, National Security, Resources, Science, Transportation and Infrastructure, and Veterans Affairs are required to submit miscellaneous direct spending and the Committee on Ways & Means is required to submit both miscellaneous direct spending reform and tax relief measures.

Optional Omnibus Reconciliation Bill. To provide additional flexibility in the reconciliation process, the budget resolution also provides a contingent instruction in which the committees may be instructed to submit their recommendations to the Budget Committee for inclusion in a single, omnibus reconciliation bill. The date for submitting the recommendations would be determined by the chairman of the Committee on the Budget in a letter to the Speaker, which must be printed in the Congressional Record.

The authority to provide a procedure for an omnibus bill in the resolution is set forth in section 301(b)(4) which provides that the budget resolution may "set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this act."

The authorizing committees would still be required to meet all reconciliation levels as if the bills were moved separately. The resulting bill would be privileged in the House as a reconciliation instruction under Section 310 of the Congressional Budget Act. Committees that previously submitted recommendations could revise their submissions as long as they met their targets in the latter bill.

Directives. The budget resolution contains three kinds of directives. The 13 authorizing committees are instructed not to exceed a specified direct spending level. The Committee on Ways and Means is also reconciled to not fall below a revenue floor. Two committees are also directed to achieve deficit reduction levels which can be met through any combination of revenues and direct spending.

These instructions are described below:

- All 13 committees that received reconciliation instructions are required to make changes in law to achieve direct spending targets. Direct spending is defined in the Balanced Budget and Emergency Deficit Control Act as the combination of budget authority provided by law other than appropriations acts, entitlement authority, and the Food Stamp Program.
- In the case of reconciliation instructions for direct spending targets, the reconciliation instructions direct the authorizing

committees to report changes in law such that the specified spending limits are not exceeded. This contrasts with prior budget resolutions, which have directed the authorizing committees to make reductions from an inflated projection of future spending. To determine the magnitude of required changes, committees should compare the amounts these programs would spend under current law with the amounts set forth for their committees in the reconciliation instructions.

- The Committee on Ways and Means is directed to report changes in law such that the aggregate level of revenue is not less than the specified level.
- The Committees on Banking and Financial Services and Government Reform and Oversight are also directed to achieve a specified level of deficit reduction. Deficit reduction targets may be met through any combination of changes in laws that affect direct spending or revenues. Savings necessary to comply with these instructions are in addition to the savings they must achieve under their respective direct spending targets.

There are no reconciliation instructions for authorization changes that are subject to annual appropriations. Last year several committees reconciled authorization changes only to see the provision dropped in conference under threat of the Byrd rule (which prohibits consideration in the Senate of extraneous measures in a reconciliation bill).

Policy Assumptions. Amounts reconciled to each committee represent the total amount available to spend on all programs within its jurisdiction. Where two or more committees have jurisdiction over a program, funding for that program is reconciled to each committee. Medicare is an exception because parts A and B are allocated to both the Ways and Means and Commerce Committees, though Commerce has no jurisdiction over part A.

Term. The reconciliation targets are for fiscal year 1997 and the 6-year total for fiscal years 1997 through 2002 and fiscal year 2002. Committees have discretion in the levels they would achieve in fiscal years 1998, 1999, 2000, and 2001 as long as they comply with their targets for the first year, sixth year, and 6-year total.

Flexibility. The authorizing committees are free to substitute their own policies as long as they meet their reconciliation target. If the authorization committees fail to report legislation achieving their reconciliation directives, then the Congressional Budget Act authorizes the Committee on Rules, in concert with the Budget Committee, with the authority to make in order a substitute that would achieve the necessary savings.

Under Section 310(c) of the Budget Act, the Committee on Ways and Means has additional flexibility in choosing between changes in laws affecting taxes and entitlements. As interpreted by the Budget Committee, section 310(c) provides that the Ways and Means Committee may increase its tax reduction by 20 percent if it increases its spending restraints by the same amount. Conversely, it may decrease its spending reduction if it decreases the tax cuts by the same amount. In either case, the committee may

not increase the deficit beyond the levels implicit in its direct spending and revenue instructions.

The reconciliation instructions are summarized below:

RECONCILIATION BY HOUSE COMMITTEE

WELFARE AND MEDICAID REFORM

Recommendations Due May 24, 1996

[In millions of dollars]

Committee	1996 base	1997	2002	1997–2002
Agriculture Committee: Direct spending	35,117	35,604	35,597	216,199
Commerce Committee: Direct spending	296,817	324,314	476,428	2,392,181
Economic and Educational Opportunities Committee: Direct spending	14,772	15,812	19,677	105,343
Ways and Means Committee: Direct spending	349,740	382,631	563,077	2,810,370

MEDICARE PRESERVATION

Recommendations Due June 14, 1996

[In millions of dollars]

Committee	1996 base	1997	2002	1997–2002
Commerce Committee Direct spending	296,817	317,514	425,828	2,234,080
Ways and Means Committee: Direct spending	349,740	375,831	512,477	2,652,269

TAX RELIEF AND MISCELLANEOUS DIRECT SPENDING REFORM

Recommendations Due July 12, 1996

[In millions of dollars]

Committee	1996 base	1997	2002	1997–2002
Banking and Financial Services:				
Direct spending	−14,780	−12,249	−6,116	−42,310
Deficit reduction [1]	0	0	−115	−305
Commerce: Direct spending	296,817	316,013	419,609	2,213,093
Economic and Educational Opportunities: Direct spending	14,772	14,968	18,818	101,044
Government Reform and Oversight:				
Direct spending	62,540	65,130	82,548	442,000
Deficit reduction [1]	0	−255	−575	−2,886
International Relations: Direct spending	13,799	13,025	10,311	67,953
Judiciary: Direct spending	2,851	2,784	4,586	24,982
National Security: Direct spending	39,680	39,787	49,551	270,749
Resources: Direct spending	1,746	2,132	2,057	11,739
Science: Direct spending	39	40	46	242
Transportation and Infrastructure: Direct spending	18,649	18,254	17,890	106,903
Veterans Affairs: Direct spending	19,841	21,375	22,217	130,468
Ways and Means:				
Direct spending	349,740	373,764	509,912	2,638,286
Revenues	1,028,322	1,050,476	1,319,852	7,047,865

[1] Deficit reduction targets are in addition to and not reflected in the Committee's total direct spending level.

ENFORCING THE BUDGET RESOLUTION

The budget resolution for fiscal year 1997 will be enforced through points of order that may be raised under the Congressional Budget Act of 1974. The Congressional Budget Act limits spending and tax legislation to the aggregate and committee levels set forth in the budget resolution. To enforce the budget resolution, Members must raise the appropriate point of order during consideration of the bill or measure.

POINTS OF ORDER

The major Budget Act requirements are as follows:

Section 302(f). Prohibits consideration of legislation that exceeds a committee's allocation of new budget authority or new entitlement authority. Section 302(f) applies to the budget year and the 5-year total for the authorizing committee. For appropriations bills, however, it applies only to the budget year. An exception is provided for legislation that is offset by savings above and beyond those required by the budget resolution.

Section 303(a). Prohibits consideration of spending and tax legislation before the House has passed a budget resolution. Section 303(a) does not apply after May 15.

Section 311(a)(1). Prohibits consideration of legislation that exceeds the ceiling on budget authority and outlays or reduces revenue below the revenue floor. Section 311(a)(1) applies to the budget year and 5-year total for bills increasing revenue, but only to the budget year for appropriations bills. Section 311 does not apply if legislation does not exceed the committee's 602(a) allocation.

Section 401(a). Prohibits consideration of legislation that creates borrowing authority or contract authority that is not subject to appropriations.

Section 401(b)(1). Prohibits consideration of legislation creating new entitlement authority in the year preceding the budget year.

ENFORCEMENT

The budget is a planning document. To achieve its goal of balancing the budget, the Congress must ensure that subsequent legislation complies with the spending and revenue levels in the budget resolution.

Sections 303(g), 308(b)(2), and 311(c) of the Budget Act require the Budget Committee to advise the presiding officer on the application of points of order against specific legislation pending before the House. House Budget Committee rules also authorize the chair-

man to poll the committee on recommendations to the Rules Committee to enforce the Budget Act by not waving points of order against specific legislation.

As a matter of general policy, the committee opposes waivers of the Budget Act that permit the Congress to consider legislation that is inconsistent with the budget resolution. The chairman will continue to assume an aggressive role in enforcing the spending and revenue levels established in the budget resolution.

STATUTORY CONTROLS OVER THE BUDGET

Since 1985 a series of statutory budget controls has been superimposed on the congressional budget process through amendments to the Balanced Budget and Emergency Deficit Control Act. The latest generation of these controls, which were adopted as part of the Omnibus Budget Reconciliation Act of 1990 [OBRA '90], consists of limits or caps on discretionary appropriations and a Pay-As-You-Go [PAYGO] requirement for tax and entitlement legislation. Both the caps and PAYGO requirements are enforced through sequestration. As amended by the Omnibus Budget Reconciliation Act of 1993 [OBRA '93], these controls will expire at the end of fiscal year 1998.

The Budget Committee exercised for the first time its original jurisdiction over budget process last year when it reported two bills to extend PAYGO requirements and the discretionary caps. On March 16, the committee ordered reported H.R. 1219, a bill extending the caps and PAYGO requirements though fiscal year 2000. H.R. 1219 was folded into H.R. 1215 as part of the offsets for the tax measures in the Contract With America, which passed the House on April 5, 1995. The Senate did not act on H.R. 1215, although elements of the bill were included in freestanding bills.

On October 12, 1995, the committee ordered reported H.R. 2459, legislation further extending PAYGO requirements and the discretionary caps. This bill was folded into the Seven-Year Balanced Budget Act, H.R. 2491, which passed the House on October 17. The budget enforcement provisions were dropped from the conference report, H. Rept. 104–350, at the insistence of the Senate.

The Budget Committee continues to believe that an extension of the caps and PAYGO requirements is necessary to enforce any negotiated agreement on a balanced budget.

DISCRETIONARY SPENDING LIMITS

OBRA 1990 established in Section 251 of the Balanced Budget and Emergency Deficit Control Act separate limits on appropriations for defense, international affairs, and domestic-discretionary appropriations through fiscal year 1993 and a single limit on all appropriations for fiscal years 1994 and 1995.

OBRA 1993 extended the single limit through fiscal year 1998. Any breach of the appropriations cap triggers an across-the-board cut in all discretionary programs. A fairly small number of programs are exempt from sequestration and several others are protected by special rules that limit the amount of any sequester.

Under existing law, the caps are automatically adjusted for changes in inflation not anticipated in previous projections; emer-

gencies; estimating differences; and changes in concepts and definitions.

As part of the Omnibus Crime Control and Prevention Act of 1994, a separate cap was established for programs funded out of the Violent Crime Control Act (and discretionary spending limits were reduced by an equivalent amount). Any breach of this cap will also trigger an across-the-board sequester for programs authorized out of the trust fund. This cap will expire at the end of fiscal year 1998, although the trust fund is authorized through fiscal year 2000.

H.R. 1219, as passed by the House, reduced and then extended both the discretionary spending limits and the Violent Crime Control and Prevention Trust Fund limits through fiscal year 2000. H.R. 2491, as passed by the House, further reduced and extended the discretionary spending limits through fiscal year 2002 and the Violent Crime Control and Prevention Trust Fund limits through fiscal year 2000. Both bills also eliminated automatic adjustments in the caps for changes in inflation.

Last year, H. Con. Res. 67, the Concurrent Resolution on the Budget for Fiscal Year 1996, reestablished a separate limit on defense spending which is enforceable by a point of order only in the Senate. Absent a change in law, the defense limit is not enforced through sequestration.

With the sharp reduction in the allocations in last year's budget resolution, the importance of the statutory caps has diminished. Because the allocations are significantly lower than the caps, the 602(a) allocations effectively drive the discretionary spending levels. In fiscal year 1996, the discretionary spending limits are $15 billion lower than the statutory levels.

The Budget Committee continues to support extending the discretionary caps through fiscal year 2002 with the modifications reflected in both the bills it reported last year.

PAY-AS-YOU-GO REQUIREMENTS

OBRA 1990 established in Section 252 of the Balanced Budget and Emergency Deficit Control Act [GRH] a PAYGO requirement for tax and entitlement legislation. Under PAYGO, tax and entitlement legislation may not increase the net deficit in any fiscal year. Any net increase in the deficit attributable to tax or entitlement legislation triggers an automatic sequester in all nonexempt entitlement programs.

Only 3 percent of all entitlement spending is subject to sequestration. Among the larger programs that are by statute exempt from sequestration are Social Security, Medicaid, military and civil service retirement, the refundable portion of the Earned Income Credit and most welfare programs. Special rules also limit the amount that can be sequestered from Medicare.

Last year the House twice passed legislation extending PAYGO requirements. PAYGO would have been extended through fiscal year 2000 as part of H.R. 1219, and permanently extended as part of H.R. 2491.

While the Budget Committee supports the permanent extension of PAYGO, it supports modifications that would provide flexibility in allocating resources between mandatory and discretionary com-

ponents of the Federal budget. Under current law, discretionary spending cannot be used to pay for entitlement initiatives or tax cuts, nor can taxes be increased to pay for discretionary spending initiatives. Consequently, these budgetary controls prevent Congress and the President from making the very tradeoffs the budgetary process was intended to facilitate.

The administration and Congress have both proposed ways to increase flexibility in budgeting while preserving the budgetary discipline inherent in separate controls on mandatory and discretionary programs. Both H.R. 1219 and H.R. 2491, as passed by the House, would have allowed cuts in discretionary spending to offset tax cuts. In its fiscal year 1996 budget submission, the administration suggested an interpretation of PAYGO requirements that would permanently score statutory changes in the discretionary spending limits as an offset under PAYGO requirements.

OMB Circumvention of PAYGO Requirements. The Budget Committee is concerned about recent action taken by the Office of Management and Budget to circumvent a potential PAYGO sequester. OMB scored the recently enacted Federal Agriculture Improvement and Reform Act (Public Law 104–127) as reducing the deficit by $1.9 billion in fiscal year 1996 and $3.7 billion in fiscal year 1997 even though CBO estimated that the bill would increase the deficit for those same years by $3.2 billion and $1.5 billion.

In its estimate of Public Law 104–127, OMB contends that it is relying on a recent Federal court decision to justify the differences between its cost estimate and that of CBO. But the court decision cited by OMB *(Morris* v. *Glickman)* is an unreported Federal district court order, without an accompanying written opinion, denying an injunction sought by one of the parties. This constitutes a questionable basis upon which to make a decision with a $5 billion impact in fiscal year 1997 alone.

The immediate effect of OMB's estimate was to eliminate a potential sequester that otherwise would have been triggered if $4.7 billion in offsets were not enacted by the end of the session. The long-term effect may be more serious: policymakers may no longer be deterred from deficit spending on the assumption that the administration will circumvent spending controls.

MISCELLANEOUS BUDGET PROCESS ISSUES

TAXPAYER CHECK-OFF

Perhaps the most innovative budget process reform would be to give the American people who actually pay the bill for the Federal Government a direct voice in deficit reduction. Taxpayers would be given the opportunity to designate up to 10 percent of their tax payments to paying down the national debt. This plan was introduced in the 104th Congress by Representative Walker and passed the House last year as part of the Seven-Year Balanced Budget Reconciliation Act.

Amounts designated by taxpayers for debt reduction would be placed in a national public debt reduction fund established by the Department of Treasury. On May 1 of each year the Treasury Department would be required to provide Congress with an estimate of the amount designated by taxpayers. Congress and the President

would have until the end of session to find sufficient spending cuts in entitlements or discretionary programs.

Any shortfall in the amount of spending cuts necessary to offset amounts earmarked for deficit reduction would trigger an across-the-board sequester. The only exemptions would be for Social Security, deposit insurance, and net interest. Any reductions pursuant to a sequester would be permanent and could not be replaced with tax increases.

Members of Congress would still retain their designated constitutional authority and responsibility to determine what Federal activities to fund and the amount to be spent on each program. But if Congress failed to cut overall spending by the amount called for by the taxpayers, across-the-board cuts would be made in all government programs. Social Security retirement benefits, interest on the public debt, deposit insurance, and other contractual obligations of the government would be exempt from the sequester.

The checkoff will initially mandate, until the Federal budget is balanced, spending reductions and debt retirement only to the extent the total amount designated by the taxpayers exceeds the savings that Congress otherwise enacts. For example, if Congress passed reconciliation and appropriation bills that implemented savings of $50 billion in fiscal year 1999, and the checkoff next year (for tax year 1996) totaled $60 billion, the $50 billion in reconciliation and discretionary savings would count toward the checkoff requirement, leaving an additional $10 billion to be cut.

The impact of the "public debt taxpayer buydown" on the deficit and debt could be enormous depending on the year-by-year decisions of individual taxpayers. The Congressional Budget Office has calculated that if taxpayers consistently checked off the maximum 10 percent, the deficit would decline from current projections for the next several years and be virtually eliminated by 2001. After that, the public debt would be rapidly reduced as well.

SALE OF GOVERNMENT ASSETS

Section 5 provides that asset sales will be counted for all purposes under the Congressional Budget Act.

Section 5 specifies that the proceeds from asset sales will be counted for purposes of determining compliance with the reconciliation instructions and enforcing points of order under the Congressional Budget Act. Both the proceeds and costs arising from asset sales will be reflected in committee allocations, in reconciliation instructions, and in estimates used to determine whether legislation complies with the budget resolution.

Prior to the 104th Congress, budget resolutions routinely prohibited using asset sales to meet reconciliation targets and comply with other Budget Act requirements. This restriction was lifted last year by H.Con.Res. 67, but must be extended each year in the House unless it is codified by statute.

The Budget Enforcement Act of 1990 similarly precluded using asset sales to meet discretionary spending limits and Pay-As-You-Go requirements. These restrictions will remain in effect unless the Balanced Budget and Emergency Deficit Control Act is amended.

While the Budget Committee wants to encourage asset sales, it does not want to encourage committees to substitute one-time asset

sales for policies that achieve permanent savings in meeting their reconciliation targets. It will work with OMB to fashion a rule in which only those assets that contribute to long-term deficit reduction will be counted under the Budget Act and the Emergency Balanced Budget and Deficit Control Act.

CREDIT REFORM AND DIRECT STUDENT LOANS

Section 6 conforms the treatment of direct administrative costs for direct student loans with that of guaranteed student loans. The Budget Committee will employ this scoring convention to correct a disparity that has arisen under the Federal Credit Reform Act of 1990 for the scoring of student loans.

Currently, direct administrative costs for direct student loans are measured on a cash basis, with the budget reflecting only that year's costs of administering the loan. For guaranteed student loans, the direct administrative costs are measured on a net present value basis.

Scoring direct administrative costs on a net present value basis captures the estimated long-run costs of managing a loan at the time a loan is made. Because many of the costs of administering a loan occur when the loan is in repayment, direct lending initially appears to be much less expensive than lending under the guaranteed student loan program. Both the Congressional Research Service and the Congressional Budget Office have acknowledged the bias created by this treatment of administrative expenses.

SENSE OF CONGRESS ON BASELINES

Section 7 provides sense-of-Congress language relating to baselines. Baselines are defined as projections of future spending based on current law. These budgetary conventions have been the source of much criticism in Congress because they constitute the base against which the costs of public policies are calculated by the CBO and OMB.

The basic problem with baselines is that they are inherently biased against policies that would restrain spending. Legislation that reduces growth in entitlements is scored as "cutting" the program—even if total spending level for the program would continue to rise—because automatic growth is incorporated into the baseline.

Under such scoring practices, policymakers have grown reticent about supporting structural changes in programs that, no matter how reasonable, could be viewed as spending "cuts." Opponents of Medicare and other entitlements reforms are quick to terrify the elderly by warning of dire entitlement cuts when the policies in question are essential to program solvency and ensuring the long-term sustainability of benefits.

The House has recently made considerable headway in combating the baseline mentality. In the 104th Congress, the Rules of the House were amended to require CBO to display total funding levels in addition to changes from the baseline and to include comparisons of proposed funding levels to the corresponding levels of the prior year.

The rules of the House Budget Committee were also amended to reflect, as a matter of general policy, that the starting point for de-

liberations on the budget should be the prior year and to require that the report accompanying the budget resolution compare aggregates and function totals to the corresponding levels from the prior year. The Budget Committee has further broken with the baseline concept by reconciling aggregate funding levels instead of changes from a baseline.

SENSE OF CONGRESS ON EMERGENCIES

Section 8 provides sense-of-Congress language that Congress should consider alternative approaches on the budgetary treatment of funding for emergencies.

Under current law, funding emergencies are exempt from both the discretionary spending limits and the PAYGO requirements. "Emergencies" is not a defined term with respect to the discretionary spending limits and PAYGO requirements. To take advantage of the emergency exemption, Congress and the President need only agree to designate funding as an emergency. The designations are usually enacted as part of the legislation providing the spending authority.

Since 1990, Congress and the President have enacted 29 separate bills which designated a total of $91.9 billion as emergencies. Of this amount, $45.9 billion was for Desert Storm, which was ultimately offset by contributions from allied countries. Only $4 billion of the total was for direct spending programs.

The budgetary treatment of emergencies has led to a number of abuses, including piggybacking onto dire emergency relief bills appropriations for items that would not pass on their own merits, and designating as emergencies funding requests that are not genuine emergencies for the sole purpose of circumventing the discretionary spending limits and PAYGO requirements.

Among the alternative approaches to emergencies are codifying the definition of an emergency, establishing contingency funds, and requiring offsetting spending cuts to accommodate emergency funding requirements.

SENSE OF CONGRESS ON LOAN SALES

Section 9 consists of sense-of-Congress language directing committees to report legislation selling portfolios of loans to achieve budgetary savings when such action is appropriate. During both the 103d and 104th Congresses, committees of the House and Senate recommended that agencies should investigate the possibility of privatizing loan servicing or selling appropriate loan portfolios. The Department of Housing and Urban Development has already initiated the sale of some loan portfolios. The Office of Management and Budget is conducting a study, required by the Treasury Postal Service Appropriations Act, comparing government loan servicing with private loan servicing. Evidence gathered to date indicates that savings from privatizing loan servicing or selling appropriate portfolios can generate significant budgetary savings.

SENSE OF CONGRESS ON MEDICAID REFORM

Section 10 provides sense-of-Congress language that Congress should provide various protections in Medicaid reform. Medicaid

coverage would be guaranteed for pregnant women with incomes below 133 percent of the poverty line; children under age 6 in families with income below 133 percent of poverty; children age 6 through 12 in families with incomes below 100 percent of the poverty line; the elderly who meet Supplemental Security Income [SSI] income and resource standards; and persons with disabilities as defined by the State in their State plan. To qualify for Federal matching funds under both the base allotment and the umbrella insurance policy, States must match at the rates applicable for their State. Use of illusory financing schemes by States to raise State matching funds is disallowed.

Federal minimum standards for nursing homes, including those established under the Omnibus Budget Reconciliation Act of 1987, will be retained in the reformed Medicaid. The Medicare Catastrophic Coverage Act of 1988 established new rules for the treatment of income and resources of married couples when one of the spouses requires nursing home care and the other remains in the community. These Federal protections, which prevent wives or husbands from being required to impoverish themselves to obtain and keep Medicaid benefits for their spouses requiring nursing home care, are retained in the reformed Medicaid. Last, Medicaid coverage remains guaranteed for Medicare cost sharing (premiums and cost-sharing payments) for low-income Medicare beneficiaries.

SENSE OF CONGRESS ON DOMESTIC VIOLENCE AND FEDERAL ASSISTANCE

Section 11 provides sense-of-Congress legislation opposing the enactment of welfare reform legislation that would increase violence against women and children. It further provides that Congress should require that State-implemented welfare, education, and jobs programs address the impact of domestic violence on welfare recipients.

SENSE OF CONGRESS ON IMPACT OF LEGISLATION ON CHILDREN

Section 12 provides sense-of-Congress language that Congress should not adopt legislation that has an adverse effect on children. It further provides that if any legislation is enacted that harms this population, then remedial action should be taken through subsequent legislation.

SENSE OF CONGRESS ON DEBT REPAYMENT

Section 13 provides sense-of-Congress language that a procedure for paying off the national debt should be developed once the budget is balanced.

SENSE OF CONGRESS ON COMMITMENT TO A BALANCED BUDGET BY FISCAL YEAR 2002

Section 14 reaffirms the commitment of the Congress to balance the Federal budget by fiscal year 2002 using the economic assumptions of the Congressional Budget Office.

On November 20, 1995, the President signed legislation (Public Law 104–56) committing Congress and the President to "enact legislation in the first session of the 104th Congress to achieve a bal-

anced budget not later than fiscal year 2002 as estimated by the Congressional Budget Office."

Reaching a balanced budget in 2002 as estimated by the nonpartisan Congressional Budget Office has been the underlying goal of the congressional leadership since the very beginning of the 104th Congress. The statutory commitment mentioned above was the first time that the President agreed with that goal, after several prior changes of position.

As a candidate, the President pledged that, if elected, he would balance the budget in 5 years. As President, he made no attempt to balance the budget until last summer. Upon assuming office in 1992, the President's first major legislative initiative was a $16.3 billion supplemental appropriations bill. The President's first budget submission would have resulted in deficits of $229 billion by fiscal year 1998. The President's health care initiative, which was presented as a means of reducing the deficit, was projected by CBO to increase the deficit by $70 billion over 6 years.

The President continued to argue through early 1995 that it was not necessary to balance the budget. Finally, last summer, the President started making a string of promises regarding the budget. Initially, he said he could balance the budget in 10 years using his own numbers. Then it was 9 years. Then it was 7 years (by 2002), but again using the partisan estimates of his own Office of Management and Budget.

Even after the November 20 agreement, the President tried to back away from it and did not provide any details until January on how he would achieve a balanced budget by 2002 as scored by CBO. Congress provided detailed plans for a balanced budget by 2002 as scored by CBO as early as May 1995, and actual legislation meeting that goal as early as October 1995. The President vetoed that legislation.

Because the November 20 agreement sets forth the first session of the 104th Congress (1995) as the timeframe for enacting legislation to meet the goal of a balanced budget by 2002 as estimated by CBO, the Budget Committee believes that it is important to reiterate Congress' commitment to achieving that plain and unambiguous goal this year.

COMMITTEE VOTES

Clause 2(l)(2)(B) of House rule XI requires each committee report accompanying any measure or matter of a public character to include the total number of votes cast for and against on each rollcall vote on a motion to report and any amendment offered to the measure or matter, together with the names of those voting for and against.

On May 9, 1996, the committee met in open session, a quorum being present. The committee ordered reported the House Concurrent Resolution on the Budget for Fiscal Year 1997, with the recommendation that the resolution be agreed to and that the resolution do pass.

The following votes were taken by the committee:

1. Mr. Sabo offered an amendment to instruct the Committee on Economic and Educational Opportunities to report legislation to the House of Representatives increasing the minimum wage by at least

$0.90 per hour over a 2-year period. The amendment was defeated by a rollcall vote of 15 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm		X
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder		
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek		
Mr. Hoke			Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

2. Messrs. Olver and Pomeroy offered an amendment to add a sense of the Congress regarding changes in Medicaid. The amendment was defeated by a rollcall vote of 18 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

3. Ms. Woolsey offered an amendment to reduce spending in Function 050 (National Defense) and increase spending in Functions 500 (Education, Training, Employment, and Social Services), 550 (Health), and 600 (Income Security). The amendment was defeated by a rollcall vote of 15 ayes and 24 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm		X
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan		
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning			Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton		X
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

4. Mr. Orton offered an amendment to require CBO to certify that reconciliation legislation would balance the total budget by the year 2002. The amendment was withdrawn.

5. Mr. Orton offered an amendment to require the chairman of the Committee on the Budget to certify, based upon CBO estimates, that reconciliation legislation would balance the total budget by the year 2002. The amendment was defeated by a rollcall vote of 18 ayes and 22 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning			Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

6. Messrs. Olver and Stenholm offered an amendment to increase spending in Function 270 for solar and renewable energy programs, energy conservation research and development, and fossil energy

research and development. The amendment was defeated by a rollcall vote of 18 ayes and 22 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio			Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

7. Mrs. Mink offered an amendment to add sense-of-the-Congress language regarding the impact of legislation on children. The amendment was agreed to by voice vote.

8. Mrs. Meek offered an amendment to remove any reform of the Earned Income Tax Credit and to offset any deficit increase resulting from the elimination of the EITC reform by reducing tax relief. The amendment was defeated by a rollcall vote of 18 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

9. Ms. Roybal-Allard offered an amendment to add sense-of-the-Congress language regarding domestic violence and Federal assistance. The amendment was agreed to by voice vote.

10. Mr. Mollohan offered an amendment to increase spending in Function 750 (Administration of Justice) for the Community Policing Program. The amendment was defeated by a rollcall vote of 18 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

11. Mr. Doggett offered an amendment regarding tax treatment of wealthy Americans who renounce their U.S. citizenship to avoid taxes. The amendment was defeated by a rollcall vote of 18 ayes and 22 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis			Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			

Member	Aye	No	Member	Aye	No
Mr. Bass		X			
Mr. Neumann		X			

12. Mr. Olver offered an amendment regarding level funding of transit programs. The amendment was defeated by a rollcall vote of 18 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

13. Ms. Rivers offered an amendment to add report language regarding the Coastal Zone Management Act. The amendment was accepted by unanimous consent.

14. Mr. Stenholm offered an amendment to increase spending in Function 550 (Health) to continue funding for the Office of Rural Health Policy and Rural Outreach Grants. The amendment was defeated by a rollcall vote of 18 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			

Member	Aye	No	Member	Aye	No
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

15. Mr. Doggett offered an amendment to increase the level of revenue to reflect the elimination of corporate tax expenditures. The amendment was defeated by a rollcall vote of 18 ayes and 23 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann		X			

16. Mr. Sabo offered an amendment to adjust the resolution to reflect the House vote on H.R. 842, which would move transportation trust funds off-budget. The amendment was defeated by a rollcall vote of 19 ayes and 22 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)		X	Mr. Sabo	X	
Mr. Hobson		X	Mr. Stenholm	X	
Mr. Walker		X	Ms. Slaughter	X	
Mr. Kolbe		X	Mr. Coyne	X	
Mr. Shays		X	Mr. Mollohan	X	
Mr. Herger		X	Mr. Costello	X	
Mr. Bunning		X	Mrs. Mink	X	
Mr. Smith (TX)		X	Mr. Orton	X	
Mr. Allard		X	Mr. Pomeroy	X	
Mr. Miller		X	Mr. Browder	X	
Mr. Lazio		X	Ms. Woolsey	X	
Mr. Franks		X	Mr. Olver	X	
Mr. Smith (MI)		X	Ms. Roybal-Allard	X	
Mr. Inglis		X	Mrs. Meek	X	
Mr. Hoke		X	Ms. Rivers	X	
Ms. Molinari			Mr. Doggett	X	
Mr. Nussle		X	Mr. Levin	X	
Mr. Largent		X	Mr. Thompson	X	
Mrs. Myrick		X			
Mr. Brownback		X			

Member	Aye	No	Member	Aye	No
Mr. Shadegg		X			
Mr. Radanovich		X			
Mr. Bass		X			
Mr. Neumann	X				

17. Mr. Shays offered an amendment to add a sense of the Congress regarding changes in Medicaid. The amendment was agreed to by voice vote.

18. Mr. Hobson moved that the committee adopt the aggregates, function totals, and other appropriate matters (the Chairman's Mark). The Chairman's Mark was adopted by voice vote.

19. Mr. Hobson moved that the committee adopt the Concurrent Resolution on the Budget for Fiscal Year 1997. The Concurrent Resolution was adopted by a rollcall vote of 23 ayes and 18 noes.

Member	Aye	No	Member	Aye	No
Mr. Kasich (Chairman)	X		Mr. Sabo		X
Mr. Hobson	X		Mr. Stenholm		X
Mr. Walker	X		Ms. Slaughter		X
Mr. Kolbe	X		Mr. Coyne		X
Mr. Shays	X		Mr. Mollohan		X
Mr. Herger	X		Mr. Costello		X
Mr. Bunning	X		Mrs. Mink		X
Mr. Smith (TX)	X		Mr. Orton		X
Mr. Allard	X		Mr. Pomeroy		X
Mr. Miller	X		Mr. Browder		X
Mr. Lazio	X		Ms. Woolsey		X
Mr. Franks	X		Mr. Olver		X
Mr. Smith (MI)	X		Ms. Roybal-Allard		X
Mr. Inglis	X		Mrs. Meek		X
Mr. Hoke	X		Ms. Rivers		X
Ms. Molinari			Mr. Doggett		X
Mr. Nussle	X		Mr. Levin		X
Mr. Largent	X		Mr. Thompson		X
Mrs. Myrick	X				
Mr. Brownback	X				
Mr. Shadegg	X				
Mr. Radanovich	X				
Mr. Bass	X				
Mr. Neumann	X				

20. Mr. Hobson moved that the committee report the resolution to the House with the recommendation that the resolution be agreed to and that the resolution do pass. The motion was agreed to by a voice vote.

OVERSIGHT FINDINGS AND RELATED MATTER

BUDGET COMMITTEE OVERSIGHT FINDINGS

Clause 2(1)(3)(A) of rule XI requires each committee report to include oversight findings and recommendations required pursuant to clause 2(b)(1) of rule X. The oversight findings of the Budget Committee are as follows:

The Budget Committee has held several hearings since the Fiscal Year 1996 Budget Resolution was reported by the committee in May 1995. These hearings have touched upon a wide variety of topics relating to the Federal budget, and the testimony has been invaluable in assisting the committee in preparing the Fiscal Year 1997 Budget Resolution.

Perhaps the most important hearings held by the Budget Committee have been the committee's field hearings. At the field hearings held on February 3, 1996, in Concord, NH, and on April 26, 1996, at Villanova University, citizens asked questions and offered suggestions on balancing the budget. The overwhelming sentiment expressed at the field hearings was the importance of balancing the Federal budget in a timely manner so as to not unfairly burden our children and generations to come.

Most of the participants argued that the budget should not be balanced by increasing taxes. Indeed, speaker after speaker testified about the heavy burden of taxation on the average taxpayer and the need for a tax cut to help working families. Citizens were also concerned about the impending bankruptcy of the Medicare program, and appreciated the fact that the Budget Committee has a plan to address the long-term solvency of the program while continuing to increase benefits.

Members of Congress have also had an opportunity to make their views on the Federal budget known. On March 22, 1996, the Budget Committee held a Members' Day hearing, at which 29 Republican, Democrat, and Independent Members of Congress gave testimony and offered proposals for the fiscal year 1997 budget. In addition, several Members who were unable to be present at the hearing offered written testimony for the record.

Testimony offered at Members' Day touched on such subjects as: a plan by Representative Goss to reduce discretionary spending by $300 billion over 5 years; a proposal by Representative Johnson of Texas to privatize public broadcasting; the Democratic Coalition ("Blue Dog") budget, presented by Representatives Hoyer, Tanner, and Peterson of Minnesota; a plan by Representative Gekas to increase funding for the National Institutes of Health; budget process reforms offered by Representatives Gutknecht and Barton; and legislation introduced by Representative Evans that reduces corporate subsidies.

One of the most important goals of the 104th Congress has been the desire to shift power and influence from Washington back to the people in the States and localities. To that end, the Budget Committee held a hearing on March 5, 1996, on federalism, and heard testimony from witnesses on the benefits of a more limited role for the Federal Government.

Some of the issues discussed in connection with federalism included: the threat of tyranny when too much power is concentrated in a strong central government; the oppressive burden of unfunded Federal mandates, both in terms of financial cost and their incongruity to local conditions; the need for Federal legislators to remember that the Constitution provides for a Federal Government with limited, enumerated powers; and the need for local legislators to have the flexibility to deal with local issues.

The Budget Committee is also concerned about the consequences for future generations of chronic deficits and the failure to control growth in entitlement spending. Accordingly, hearings were held on March 13, 1996, on the effects the unsustainability of current government spending and the need for policymakers to consider generational accounting principles to reflect the costs of current policies on future generations.

Testimony centered on the deleterious future effects of current policies including: the issue of sharply higher Federal spending on entitlements when the baby boomers begin to retire in 15 years; the possibility of future generations facing a net tax burden of 84 percent to pay for benefits for future retirees; the effects of a rise in the national debt on the performance of the economy and the stagnation of personal incomes; the possibility of entitlement spending and interest consuming more than three-quarters of all Federal spending in the future; and the need to base fiscal policies on generational accounting principles.

The Budget Committee is convinced that everyone should contribute their fair share to achieving a balanced budget. Consequently, a hearing was held on March 7, 1996, on the issue of identifying and eliminating unnecessary corporate subsidies. Robert Shapiro with the Progressive Policy Institute identified specific cuts and reforms that would produce $265 billion in savings over 5 years and about $400 billion in savings over 7 years from unproductive Federal corporate subsidies. Stephen Moore of the Cato Institute argued that stronger efforts should be made to cut unneeded corporate subsidies. Robert Greenstein of the Center on Budget and Policy Priorities advocated attacking corporate subsidies in both spending and in tax policies. Former Representative Beau Boulter of CapitolWatch noted that corporate subsidies represent an unwarranted intrusion of the government into private sector economic activity.

The hearing on March 28, 1996, regarding the implications of taking the transportation trust funds off-budget was an important demonstration of bipartisan cooperation by the members of the Budget Committee. Committee members of both parties were overwhelmingly opposed to taking the trust funds off-budget, as were most of the witnesses testifying before the committee.

Members of the Appropriations Committee who testified (Representatives Livingston, Wolf, and Coleman) emphasized the loss of

control over the budget process that would result from removing the trust funds from the unified budget. Dr. Allen Schick, the foremost expert on budget process reforms, stated that exempting off-budget trust funds from spending constraints would pressure Congress to raise taxes and make deeper cuts in discretionary spending. David Luberoff of Harvard University noted that:

> Sound budgeting principles require a unified budget, particularly in an era when deficit reduction clearly is the primary challenge facing the Congress and the executive branch. As Congress and the executive branch make the difficult decisions required to balance the budget, all sources of spending and revenue should be on the table.

Other hearings held by the Budget Committee included: The Administration's Budget Proposals on August 3, 1995; Longstanding Government Performance Issues on September 13, 1995; Effects of Potential Government Shutdown on September 19, 1995; President Clinton's Fiscal Year 1997 Budget on March 21, 1996; Prospects for Economic Growth on March 27, 1996; and the Economic and Budget Outlook on April 17, 1996.

OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Clause 2(1)(3)(D) of rule XI requires each committee report to contain a summary of oversight findings and recommendations made by the Government Reform and Oversight Committee pursuant to clause 4(c)(2) of rule X, whenever such findings have been timely submitted. The Committee on Budget has received no such findings or recommendations from the Committee on Government Reform and Oversight.

FEDERAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Section 301(e)(7) of the Congressional Budget and Impoundment Control Act of 1974 requires that the report accompanying the concurrent resolution on the budget include a statement of any significant changes in the proposed levels of Federal assistance to State and local governments.

The following proposed changes may affect the levels of Federal assistance to State and local governments:

TRANSPORTATION

- Eliminate Federal funding for outdated airline subsidies.
- Phase out Federal mass transit operating subsidies by 2002.
- Make the following changes in mass transit capital expenditures: no new starts in fixed guideway mass transit capital grants; phase in a reduction in the matching rate for remaining capital expenditures to 50 percent.
- Eliminate the following programs and return responsibility to the States: the International Highway Transportation Outreach Program; the Congestion Pricing Program; the Applied Research Program; the National Highway and Transit Institutes; and the On-The-Job Training Program.

COMMUNITY AND REGIONAL DEVELOPMENT

- Combine the Community Development Block Grant Program, the HOME Program, and the Community Development Financial Institutions Program into one flexible fund allocated to and administered by State housing and development agencies and local governments.
- Create a new Rural Development block grant.
- Create a new Native American block grant.

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

- Create a block grant for elementary and secondary education without reducing total funding from the levels of the programs collectively.
- Consolidate library programs into a single block grant.

HEALTH

- Eliminate unauthorized Rural Outreach grants that duplicate other federally supported services.
- Eliminate funding intended to establish State offices of rural health.
- Eliminate duplicative grants to State bureaucracies for administering state trauma care systems.
- Eliminate special funding for Native Hawaiian Health Care made obsolete by employer and State insurance reforms.
- Eliminate funding for the Pacific Basin Initiative that duplicates other Federal funding sources.
- Incorporate Indian health care facilities into the new Native American block grant.
- Consolidate and target funding for the Substance Abuse and Mental Health Service Administration.
- Reduce Federal funding for Community Support Demonstrations.
- Transform Medicaid to provide greater flexibility and authority to the States.

INCOME SECURITY

- Consolidate four Federal cash welfare assistance programs into a single block grant for temporary assistance for needy families.
- Restrict welfare and public benefits for aliens.
- Consolidate eight current Federal child care assistance programs into a single block grant.
- Consolidate native American housing and development programs into a single block grant.

ADMINISTRATION OF JUSTICE

- Fund a Local Law Enforcement block grant.

ESTABLISHMENT OF STATUTORY LIMIT ON THE PUBLIC DEBT

Clause 2 of House rule XLIX requires the report of the Committee on the Budget of the House accompanying any current resolution on the budget to include a clear statement of the effect of adoption of the current resolution upon the statutory limit on the debt. House Rule XLIX provides for the automatic engrossment of a bill raising the statutory limit upon the adoption of a conference report on the concurrent resolution on the budget.

The adoption of this budget resolution will have no effect on the statutory limit on the debt if, as expected, the rule providing for the consideration of the Concurrent Resolution on the Budget for Fiscal Year 1997 waives the applicability of House Rule XLIX. House Resolution 149 waived the applicability of House XLIX during the consideration of the conference report accompanying H.Con.Res. 67, the Concurrent Resolution on the Budget for Fiscal Year 1996. The statutory limit on the debt was last raised by Public Law 104–121 on March 29, 1996, and a further increase will not be necessary until at least October 1997.

EXCEPTIONS TO TAX LAW

The Congressional Budget Act of 1974 requires a listing of items called "tax expenditures" in the President's budget submission and in reports accompanying congressional budget resolutions. These items are defined in the act as:

> * * * revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provides a special credit, a preferential rate of tax, or a deferral of tax liability.

Under this definition, the concept of a expenditures refers to revenue losses attributable exclusively to provisions in the corporation and individual income taxes.

This terminology should be changed because its line of reasoning is faulty. It assumes, first, that the government can "lose" money that did not belong to the government in the first place. The funds in fact belong to taxpayers; the government cannot lose what it never had. Second, in the transaction involved, no money really changes hands. Taxpayers simply keep more of their own funds.

Nearly all these tax provisions are intended either to encourage certain economic activities or to reduce income tax liabilities for taxpayers in special circumstances. The use of a tax provision, rather than a direct expenditure, often is more efficient. The use of a tax provision also keeps the behavior voluntary. Estimates of individual tax benefits are prepared by the Treasury Department and the Joint Committee on Taxation. The estimates normally presented here are those of the Joint Committee on Taxation and in this case are based on that committee's most recent report of September 1995. The Joint Committee on Taxation has estimated the revenue "losses" rather than outlay equivalent amounts of tax expenditures.

Table 1 shows the revenues involved in targeted tax benefits for fiscal years 1996 through 2000. The economic assumptions upon which these calculations are based were the most recent Congressional Budget Office assumptions available to the Joint Committee in August 1995. Because of the interaction among the provisions, the revenue effect from two or more repeals would not necessarily equal the exact sum of the revenue losses for each item. Furthermore, because tax legislation seldom applies retroactively to taxpayer decisions made earlier, the added revenues available for the initial years from legislation to eliminate such a tax provision may be substantially less than shown in the following table.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1996–2000

[Billions of dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel	.....	.....	.....	.....	.....	2.0	2.0	2.1	2.1	2.2	10.4
Exclusion of military disability benefits	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
International affairs											
Exclusion of income earned abroad by U.S. citizens	.....	.....	.....	.....	.....	1.6	1.7	1.8	1.9	1.9	8.9
Exclusion of certain allowances for Federal employees abroad	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	1.5	1.5	1.5	1.6	1.6	.....	.....	.....	.....	.....	7.7
Deferral of income of controlled foreign corporations	1.1	1.1	1.2	1.2	1.2	.....	.....	.....	.....	.....	5.8
Inventory property sales source rule exception	3.6	3.7	3.7	3.8	3.8	.....	.....	.....	.....	.....	18.6
Interest allocation rules exception for certain nonfinancial institutions	0.2	0.2	0.2	0.2	0.2	.....	.....	.....	.....	.....	1.0
General science, space, and technology											
Expensing of research and development expenditures	2.5	2.7	2.9	3.1	3.2	(1)	(1)	(1)	(1)	(1)	14.5
Energy											
Expensing of exploration and development costs:											
Oil and gas	0.1	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Excess of percentage over cost depletion:											
Oil and gas	0.3	0.4	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	2.4
Other fuels	(1)	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Credit for enhanced oil recovery costs	(1)	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Credit for non-conventional fuels production	0.9	0.8	0.8	0.8	0.7	0.1	0.1	0.1	0.1	0.1	4.5
Credits for alcohol fuels [2]	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	0.1
Exclusion of interest on State and local government industrial development bonds for energy production facilities	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of energy conservation subsidies provided by public utilities	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Credit for investments in solar and geothermal energy facilities	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Credits for electricity production from wind and biomass	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Deductions and credits for clean-fuel vehicles and refueling property	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Investment credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of multiperiod timber-growing costs	0.4	0.5	0.5	0.5	0.5	(1)	(1)	0.1	0.1	0.1	2.8

Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.8
Investment credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Agriculture											
Expensing of soil and water conservation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of fertilizer and soil conditioner costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of the costs of raising dairy and breeding cattle	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.2	0.8
Exclusion of cost-sharing payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.3
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Commerce and housing											
Financial institutions:											
Bad-debt reserves of financial institutions	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Exemption of credit union income	08.	0.8	0.9	0.9	0.9	.....	.....	.....	.....	.....	4.3
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.5	0.8	1.0	1.4	1.6	8.7	13.1	18.1	23.7	28.3	97.3
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.3
Special treatment of life insurance company reserves	2.2	2.5	2.8	3.1	3.4	.....	.....	.....	.....	.....	14.0
Deduction of unpaid property loss reserves for property and casualty insurance companies	1.8	1.9	2.1	2.3	2.5	.....	.....	.....	.....	.....	10.6
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Special deduction for Blue Cross and Blue Shield companies	0.3	0.4	0.4	0.3	0.2	.....	.....	.....	.....	.....	1.7
Housing:											
Deductibility of mortgage interest on owner-occupied residences	.....	.....	.....	.....	.....	59.2	62.7	66.4	70.3	74.5	333.1
Deductibility of property tax on owner-occupied homes	.....	.....	.....	.....	.....	14.4	15.1	15.9	16.6	17.4	79.5
Deferral of capital gains on sales of principal residences	.....	.....	.....	.....	.....	15.3	15.9	16.4	17.0	17.6	82.2
Exclusion of capital gains on sales of principal residences for persons age 55 and over ($125,000 exclusion)	.....	.....	.....	.....	.....	5.1	5.3	5.5	5.7	5.9	27.5
Exclusion of interest on State and local government bonds for owner-occupied housing	0.6	0.6	0.6	0.6	0.7	1.5	1.5	1.5	1.5	1.5	10.8
Exclusion of interest on State and local government bonds for rental housing	0.4	0.3	0.3	0.3	0.3	0.8	0.8	0.7	0.7	0.7	5.3
Depreciation of rental housing in excess of alternative depreciation system	1.2	1.2	1.1	1.0	1.0	0.8	0.8	0.8	0.7	0.7	9.3
Low-income housing tax credit	0.9	1.0	1.1	1.2	1.4	1.7	1.9	2.2	2.4	2.5	16.3
Other business and commerce:											
Maximum 28% tax rate on long-term capital gains	.....	.....	.....	.....	.....	9.1	10.2	11.4	12.7	14.3	57.6
Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.7	3.2	2.6	1.9	1.5	1.5	1.4	1.1	0.9	0.7	18.5
Depreciation of equipment in excess of alternative depreciation system	22.5	22.2	21.6	21.4	21.1	5.6	5.8	5.8	5.8	5.8	137.6
Expensing of up to $17,500 of depreciable business property	0.8	0.5	0.3	0.2	0.2	0.5	0.3	0.2	0.1	0.1	3.2
Exclusion of capital gains at death	.....	.....	.....	.....	.....	14.0	15.4	17.1	18.3	19.5	84.3
Deferral of capital gains on gifts	.....	.....	.....	.....	.....	1.5	1.5	1.6	1.7	1.7	8.0

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1996–2000—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Reduced rates on first $10,000,000 of corporate taxable income	4.1	4.3	4.4	4.6	4.7	.....	.....	.....	.....	.....	22.1
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.4	0.4	0.5	0.5	0.5	0.3	0.3	0.4	0.4	0.4	4.1
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.5
Exclusion of interest on State and local government small-issue industrial development bonds	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.4	0.4	0.4	3.3
Deferral of gain on like-kind exchanges	0.5	0.5	0.5	0.6	0.6	0.3	0.3	0.3	0.4	0.4	4.5
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.4	0.5	0.5	0.5	0.5	.....	.....	.....	.....	.....	2.4
Transportation											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Exclusion of employer-paid transportation benefits	.....	.....	.....	.....	.....	2.1	2.2	2.3	2.4	2.5	11.5
Exclusion of interest on State and local government bonds for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Community and regional development											
Investment credit for rehabilitation of structure, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities	0.3	0.3	0.3	0.3	0.4	0.7	0.7	0.7	0.8	0.9	5.4
Regional economic development tax incentives: empowerment zones, enterprise communities, and Indian investment incentives	0.2	0.2	0.3	0.3	0.4	0.2	0.2	0.3	0.3	0.4	2.8
Education, training, employment, and social services											
Education and training:											
Exclusion of scholarship and fellowship income	.....	.....	.....	.....	.....	0.8	0.9	0.9	1.0	1.1	4.6
Parental personal exemption for students age 19 to 23	.....	.....	.....	.....	.....	0.8	0.8	0.8	0.8	0.8	4.1
Exclusion of interest on State and local government student loan bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.2	0.1	1.4
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.3	0.3	0.3	0.3	0.3	0.6	0.6	0.7	0.7	0.7	4.8
Deductibility of charitable contributions for educational institutions	0.5	0.5	0.5	0.5	0.5	2.0	2.1	2.1	2.2	2.3	13.5
Exclusion of interest on educational savings bonds	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Employment:											
Exclusion of employee meals and lodging (other than military)	.....	.....	.....	.....	.....	0.6	0.6	0.6	0.7	0.7	3.2
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.2	(1)	(1)	(1)	(1)	(1)	5.4
Exclusion of benefits provided under cafeteria plans [3]	.....	.....	.....	.....	.....	4.4	5.0	5.7	6.5	7.2	28.8

Exclusion of rental allowances for ministers' homes	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of miscellaneous fringe benefits	.....	.....	.....	.....	.....	5.2	5.5	5.8	6.2	6.5	29.1
Exclusion of employee awards	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of income earned by voluntary employees' beneficiary associations	.....	.....	.....	.....	.....	0.5	0.5	0.6	0.6	0.6	2.7
Targeted jobs tax credit	0.1	(1)	(1)	.....	.....	(1)	.....	.....	.....	.....	0.1
Social services:											
Deductibility of charitable contributions, other than for education and health	0.5	0.5	0.5	0.5	0.5	14.0	14.7	15.3	16.0	16.7	79.3
Credit for child and dependent care expenses	.....	.....	.....	.....	.....	2.7	2.8	2.8	2.9	3.0	14.2
Exclusion of employer-provided child care [4]	.....	.....	.....	.....	.....	0.7	0.8	0.9	1.0	1.2	4.6
Exclusion of certain foster care payments	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of costs for removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of employer contributions for medical insurance premiums and medical care [5]	.....	.....	.....	.....	.....	48.4	52.0	55.7	59.8	64.0	279.8
Exclusion of medical care and CHAMPUS medical insurance for military dependents, retirees, and retiree dependents	.....	.....	.....	.....	.....	0.5	0.6	0.6	0.6	0.6	2.9
Deductibility of medical insurance premiums by the self-employed	.....	.....	.....	.....	.....	05.	0.6	0.6	0.7	0.7	3.1
Deductibility of medical expenses	.....	.....	.....	.....	.....	3.5	3.8	4.1	4.4	4.8	20.7
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.6	0.6	0.6	0.6	0.7	1.3	1.3	1.4	1.5	1.6	10.2
Deductibility of charitable contributions to health organizations	0.4	0.4	0.4	0.4	0.4	1.4	1.5	1.6	1.6	1.7	9.8
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance	.....	.....	.....	.....	.....	9.0	10.0	11.0	12.1	13.3	55.3
Supplementary medical insurance	.....	.....	.....	.....	.....	4.2	4.9	5.7	6.5	7.5	28.7
Income security											
Exclusion of workers' compensation benefits	.....	.....	.....	.....	.....	3.9	4.0	4.1	4.2	4.3	20.5
Exclusion of special benefits for disabled coal miners	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cash public assistance benefits	.....	.....	.....	.....	.....	0.5	0.5	0.6	0.6	0.7	3.0
Net exclusion of pension contributions and earnings:											
Employer plans	.....	.....	.....	.....	.....	69.6	70.5	73.5	76.7	80.0	370.3
Individual retirement plans	.....	.....	.....	.....	.....	8.8	9.3	9.8	10.3	10.9	49.1
Keogh plans	.....	.....	.....	.....	.....	3.5	3.7	3.9	4.2	4.4	19.7
Exclusion of other employee benefits:											
Premiums on group term life insurance	.....	.....	.....	.....	.....	2.0	2.0	2.1	2.1	2.2	10.5
Premiums on accident and disability insurance	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of employer-provided death benefits	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.2
Additional standard deduction for the blind and the elderly	.....	.....	.....	.....	.....	1.7	1.9	2.0	2.1	2.3	10.0
Tax credit for the elderly and disabled	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Deductibility of casualty and theft losses	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.4
Earned income tax credit (EITC) [6]	.....	.....	.....	.....	.....	3.6	4.0	4.1	4.3	4.6	20.6

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1996–2000—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Social Security and railroad retirement											
Exclusion of untaxed Social Security and railroad retirement benefits	.....	.....	.....	.....	.....	23.1	24.2	25.2	26.4	27.5	126.4
Veterans' benefits and services											
Exclusion of veterans' disability compensation	.....	.....	.....	.....	.....	1.7	1.8	1.8	1.9	1.9	9.1
Exclusion of veterans' pensions	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of GI bill benefits	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government bonds for veterans' housing	[1]	[1]	[1]	[1]	[1]	0.1	0.1	0.1	0.1	0.1	0.5
General purpose fiscal assistance											
Exclusion of interest on public purpose State and local government debt	4.4	4.4	4.6	4.9	5.4	10.3	10.3	10.8	11.5	12.5	79.1
Deduction of nonbusiness State and local government income and personal property taxes	.....	.....	.....	.....	.....	27.5	29.0	30.5	32.1	33.8	152.8
Tax credit for section 936 income	3.4	3.5	3.8	4.1	4.4	.....	.....	.....	.....	.....	19.3
Interest											
Deferral of interest on savings bonds	.....	.....	.....	.....	.....	1.5	1.5	1.6	1.6	1.7	7.9

[1] Less than $50 million.

[2] In addition, the 5.4-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effects of $0.6 billion per year in fiscal years 1996 and 1997, and $0.5 billion per year in fiscal years 1998 through 2000.

[3] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent flexible spending accounts. These amounts are also included in other line items in this table.

[4] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[5] Estimate includes employer-provided health insurance purchased through cafeteria plans.

[6] The figures in the table show the effect of the EITC on receipts. The increase in outlays is: $19.9 billion in 1996, $21.9 billion in 1997, $22.9 billion in 1998, $23.9 billion in 1999, and $24.9 billion in 2000.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

COMPARISON TO PRESIDENT'S BUDGET—TOTAL

[Dollars in billions]

	Fiscal year—							1997–2002
	1996	1997	1998	1999	2000	2001	2002	
Budget authority	−6.361	−13.690	−17.386	−26.652	−25.170	−43.687	−27.495	−154.080
Outlays	0.869	−14.046	−24.756	−28.519	−32.542	−35.069	−31.813	−166.745
Revenues	−3.537	−7.059	−15.009	−19.444	−15.017	−20.359	−31.681	−108.569
Deficit (−)/Surplus (+)	−4.406	6.987	9.747	9.075	17.525	14.710	0.132	58.176
Debt subject to limit	4.400	−7.100	−16.100	−26.000	−45.600	−62.500	−78.000	−235.300
050 National Defense:								
Budget authority	0.395	12.843	10.420	7.876	4.089	−2.231	−7.663	25.334
Outlays	0.271	4.069	7.299	9.255	7.583	3.446	−8.097	23.555
150 International Affairs:								
Budget authority	−0.216	−1.614	−2.997	−3.311	−3.181	−4.733	−6.106	−21.942
Outlays	−0.148	−0.717	−1.396	−2.076	−2.570	−3.519	−4.642	−14.920
250 General Science, Space, and Technology:								
Budget authority	0.071	−1.381	0.341	0.980	1.587	0.138	−1.566	0.099
Outlays	0.033	−0.158	−0.138	0.254	1.007	0.482	−0.917	0.530
270 Energy:								
Budget authority	−0.109	−0.855	−1.282	−1.000	−1.031	−1.551	−2.197	−7.916
Outlays	−0.039	−0.402	−0.668	−0.997	−1.050	−1.322	−1.894	−6.333
300 Natural Resources and Environment:								
Budget authority	0.325	−1.420	−2.714	−1.711	−2.532	−2.767	−4.104	−15.248
Outlays	0.214	−0.880	−2.627	−1.664	−2.549	−2.555	−3.677	−13.952
350 Agriculture:								
Budget authority	0.010	−1.121	−0.861	−0.717	−0.485	−1.087	−1.861	−6.132
Outlays	−0.001	−0.885	−0.885	−0.760	−0.563	−0.965	−1.687	−5.745
370 Commerce and Housing Credit:								
Budget authority	0.213	−0.792	−0.812	−0.681	−0.501	−0.841	−1.231	−4.858
Outlays	0.317	−0.388	−0.711	−0.801	−0.730	−0.955	−1.306	−4.891
400 Transportation:								
Budget authority	−0.450	−0.481	7.361	10.748	13.223	10.343	7.108	48.302
Outlays	0.009	−0.565	−1.006	−0.759	0.621	0.873	−1.244	−2.080
450 Community and Regional Development:								
Budget authority	−1.003	−2.536	−2.154	−1.699	−1.243	−2.409	−3.242	−13.283
Outlays	−0.035	−0.453	−1.675	−2.068	−2.274	−2.020	−2.165	−10.655
500 Education, Training & Social Services:								
Budget authority	−2.938	−6.299	−7.070	−8.267	−9.344	−11.313	−13.307	−55.600
Outlays	−0.044	−1.758	−5.566	−7.224	−8.455	−10.202	−12.111	−45.316
550 Health:								
Budget authority	−0.003	−6.968	−6.626	−6.186	−5.885	−3.814	−8.180	−37.659
Outlays	0.310	−5.996	−6.714	−6.539	−6.259	−3.153	−7.141	−35.802
570 Medicare:								
Budget authority	−0.091	0.045	−2.101	−5.317	−7.243	−11.032	−17.170	−42.818
Outlays	−0.257	0.059	−2.101	−5.317	−7.243	−11.025	−17.161	−42.788
600 Income Security:								
Budget authority	−1.601	1.057	−2.874	−10.617	−7.617	−15.660	−12.700	−48.411
Outlays	0.490	1.098	−2.899	−4.745	−6.511	−10.472	−12.918	−36.447
650 Social Security:								
Budget authority	−0.250	−0.001	−0.001	−0.001	−0.001	−0.001	−0.001	−0.006
Outlays	0.288	−0.340	−0.363	−0.349	−0.369	−0.446	−0.532	−2.399
700 Veterans Benefits and Services:								
Budget authority	−0.278	0.104	0.595	1.123	2.501	0.729	0.303	5.082
Outlays	−0.182	0.097	0.581	1.073	2.347	0.881	0.161	5.140
750 Administration of Justice:								
Budget authority	0.090	−1.385	−2.225	−2.267	−2.305	−4.037	−3.406	−15.624
Outlays	0.002	−1.307	−3.194	−2.585	−2.536	−5.008	−4.281	−18.911
800 General Government:								
Budget authority	0.021	−4.119	−1.844	−2.559	−2.263	−3.270	−3.291	−17.346

COMPARISON TO PRESIDENT'S BUDGET—TOTAL—Continued

[Dollars in billions]

	Fiscal year—							1997–2002
	1996	1997	1998	1999	2000	2001	2002	
Outlays	0.020	−3.050	−1.242	−2.013	−1.819	−2.801	−3.636	−14.571
900 Net Interest:								
Budget authority	0.234	0.308	−0.405	−1.333	−2.580	−3.722	−4.816	−12.548
Outlays	0.234	0.308	−0.405	−1.333	−2.580	−3.722	−4.816	−12.548
920 Allowances:								
Budget authority	−0.214	3.161	−1.914	−2.015	−2.018	10.908	34.601	42.723
Outlays	−0.046	−0.542	−0.813	−0.173	−0.251	14.751	34.644	47.616
950 Offsetting Receipts:								
Budget authority	−0.567	−2.236	−0.223	0.302	1.659	2.663	21.607	23.772
Outlays	−0.567	−2.236	−0.223	0.302	1.659	2.663	21.607	23.772

COMPARISON OF THE FY 1997 BUDGET WITH THE FY 1996 SPENDING LEVELS

[Dollars in billions]

	Fiscal year—							1997–2002
	1996	1997	1998	1999	2000	2001	2002	
Spending	1,574.7	43.4	100.8	139.0	187.6	219.1	267.7	2,532.3
Percent	NA	2.8	6.4	8.8	11.9	13.9	17.0	60.8
National Defense:								
Spending	263.6	1.3	0.0	3.5	7.2	6.4	6.5	24.9
Percent	NA	0.5	0.0.	1.3	2.7	2.4	2.5	9.5
150 Internation Affairs:								
Spending	15.9	−0.9	−2.4	−3.4	−4.9	−5.3	−5.6	−22.6
Percent	NA	−5.9	−15.2	−21.6	−30.6	−33.4	−35.3	−142.0
250 General Science, Space, and Technology:								
Spending	16.6	0.1	−0.1	−0.3	−0.5	−0.6	−0.9	−2.3
Percent	NA	0.8	−0.5	−2.1	−2.8	−3.8	−5.4	−13.7
270 Energy:								
Spending	3.5	−0.8	−1.4	−2.2	−2.7	−2.8	−3.3	13.2
Percent	NA	−22.5	−41.0	−62.3	−76.9	−79.0	−93.4	−375.2
300 Natural Resources and Environment:								
Spending	21.8	−0.5	−2.2	−1.4	−2.9	−2.6	−2.9	−12.5
Percent	NA	−2.3	−10.0	−6.5	−13.2	−12.0	−13.4	−57.3
350 Agriculture:								
Spending	10.8	−0.5	−0.9	−1.3	−1.9	−3.0	−3.6	−11.2
Percent	NA	−4.8	−8.3	−11.8	−17.7	−28.1	−33.2	−104.0
370 Commerce and Housing Credit:								
Spending	−7.1	5.5	14.4	11.4	13.9	15.5	14.3	75.0
Percent	NA	−77.4	−203.7	−161.9	−196.7	218.7	202.1	−1060.5
400 Transportation:								
Spending	39.3	−0.3	−1.7	−3.2	−4.1	−4.8	−5.3	−19.3
Percent	NA	−0.8	−4.3	−8.1	−10.4	−12.2	−13.4	−49.1
450 Community and Regional Development:								
Spending	11.1	−1.0	−2.5	−3.3	−4.1	−4.5	−5.0	−20.2
Percent	NA	−8.7	−22.3	−29.7	−36.7	−40.1	−44.6	−182.0
500 Education, Training & Social Services:								
Spending	50.6	−1.1	−2.4	−2.7	−2.3	−1.9	−1.2	−11.7
Percent	NA	−2.1	−4.8	−5.4	−4.6	−3.7	−2.4	−23.1
550 Health:								
Spending	123.0	7.3	15.1	22.2	29.9	37.8	44.5	156.8
Percent	NA	5.9	12.3	18.0	24.3	30.7	36.2	127.5
570 Medicare:								
Spending	179.1	12.4	26.3	35.9	48.5	60.8	73.6	257.5
Percent	NA	6.9	14.7	20.0	27.1	33.9	41.1	143.7

COMPARISON OF THE FY 1997 BUDGET WITH THE FY 1996 SPENDING LEVELS—Continued

[Dollars in billions]

	Fiscal year—							1997–2002
	1996	1997	1998	1999	2000	2001	2002	
600 Income Security:								
Spending	228.9	11.2	15.3	22.8	34.2	36.4	48.3	168.3
Percent	NA	4.9	6.7	10.0	14.9	15.9	21.1	73.5
650 Social Security:								
Spending	351.3	16.8	34.8	53.7	73.8	95.5	118.1	392.8
Percent	NA	4.8	9.9	15.3	21.0	27.2	33.6	111.8
700 Veterans Benefits and Services:								
Spending	37.8	1.9	1.5	0.3	1.6	−0.9	2.1	6.6
Percent	NA	5.0	4.1	0.7	4.4	−2.4	5.6	17.4
750 Administration of Justice:								
Spending	17.7	2.2	3.5	4.5	5.3	3.0	3.0	21.5
Percent	NA	12.6	19.6	25.7	29.7	17.0	17.0	121.6
800 General Government:								
Spending	12.6	−0.9	1.0	0.3	0.7	−0,2	−0.3	0.6
Percent	NA	−7.1	7.8	2.2	5.7	−1.5	−2.6	4.5
900 Net Interest:								
Spending	239.7	2.4	4.3	3.2	−0.7	−2.4	−4.2	2.6
Percent	NA	1.0	1.8	1.3	−0.3	−1.0	−1.7	1.1
920 Allowances:								
Spending	0.0	−1.0	−0.8	−0.1	−0.2	−1.7	−2.1	−6.0
Percent	NA	2,143.5	1,710.9	297.8	489.1	3,747.8	4,550.0	12,939.1
950 Offsetting Receipts:								
Spending	−41.5	−10.7	−1.1	−0.8	−3.2	−5.5	−8.5	−30.0
Percent	NA	25.8	2.7	2.0	7.8	13.3	20.6	72.2

APPENDIX 1

DESCRIPTIONS OF ADDITIONAL CHANGES FROM CURRENT POLICY

BY FUNCTION

The discussion below provides explanations of various additional policy changes—those apart from the priority policy reforms—that complete the assumptions underlying this budget. The actual policy changes are the discretion of the authorizing and appropriating committees with jurisdiction over these programs. These proposals, however, reflect the recommendations and assumptions of the Committee on the Budget.

FUNCTION 050: NATIONAL DEFENSE

Sell Commodities From the National Defense Stockpile. The Department of Defense has identified large amounts of materials in the National Defense Stockpile as obsolescent and excess to anticipated national defense requirements. This proposal would sell selected items from the stockpile in quantities that would have minimal or no impact on domestic producers and users. Proceeds from the sales would be directed to the Treasury for purposes of deficit reduction. Commodities to be sold include cobalt, aluminum, columbium, germanium, palladium, platinum, and rubber.

FUNCTION 050: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Sell commodities from the national defense stockpile:							
Budget authority	[1] −150	−79	−79	−79	−80	−166	−166
Outlays	[1] −150	−79	−79	−79	−80	−166	−166

[1] Negative number denotes cash in-flow to the Federal Government.

FUNCTION 150: INTERNATIONAL AFFAIRS

Cease Supporting the International Development Association [IDA] and Other "Soft-Loan" Windows of the Various Multilateral Banks. IDA, an affiliate of the World Bank, is supposed to make low-interest loans—known as soft loans—to the world's poorest nations. Recently, the two largest recipients of IDA funds have been the People's Republic of China and India.

In 1946, the Truman administration resolved that concessionary loans to foreign governments had no place among the techniques of American statecraft. Soft loans vitiate the need for hard choices. There is little evidence they have special merit in promoting development. Rather, they have become a magnet for those proposals that were least justified and most likely to waste money. Indeed, soft loans tend to promote and maintain economically unsound policies that deter private capital investments. If a project is economically sound, it should be just as workable under ordinary (near-market) World Bank lending.

Opponents of this proposal will argue that underdeveloped countries are too poor to save or attract capital. But currently developed countries—like the United States—were once poor. Where did their capital come from? The real problem involves incentives and proper use. Domestic capital can be augmented by foreign capital if the economic conditions are right. Many low-income countries cannot attract foreign capital; in many of these, locally owned capital is invested abroad, and for the same reason—there is not a favorable economic environment. Under this proposal the United States would not replenish IDA funds or the other "soft" lending programs after 1997. The budget resolution notes that World Bank loans increase the fungible funds available to China, India, Pakistan, and other countries intent on spending their own taxpayers' funds on aggressive nuclear weapons programs.

Recognize That the Capital Replenishments for Several Multilateral Lending Institutions Will Soon Be Completed. The International Bank for Reconstruction and Development [IBRD] finances development projects in less-developed countries. According to the President's budget, full funding of capital subscriptions for the U.S. share of a $74.8 billion general capital increase was provided by 1989–1996 appropriations. Likewise, the outstanding commitments for the International Finance Corporation [IFC], the North American Development Bank and the Enterprise for the Americas Multilateral Investment Fund [MIF] will soon be completed. The banks would continue to operate from their reflows, as officials with the European Bank for Reconstruction and Development [EBRD] indicated they plan to do. Funds, however, are assumed for the proposed Bank for Economic Cooperation and Development in the Middle East. Finally, despite the election of a new president in August 1995, the Budget Committee remains concerned about the performance of the African Development Bank.

Accept the Administration's Long-Term Proposals for Peacekeeping Operations, Migration and Refugee Assistance, and Foreign Military Financing [FMF] Loans. The President has recommended reductions in each of these accounts. This proposal assumes the President's recommendations for FMF loans in 1997 and for the other programs beginning in 1998.

Privatize or Eliminate the United States Information Agency [USIA] Educational and Cultural Exchanges, and Significantly Reduce Overseas Nonmilitary Broadcasting. USIA was created in 1953 during the cold war to explain and advocate U.S. policies. The USIA oversees television broadcasting services similar to the radio broadcasts of Voice of America. Today, USIA also administers edu-

cational and cultural exchange programs. Funding for these exchange programs grew by about 35 percent in real terms between 1991 and 1995.

The recommendation recognizes that the cold war is over, and countries such as those in Eastern Europe and the former Soviet Union have ready access to world news [for example, CNN]. This increased communication and private travel has decreased the need for exchange programs. This proposal privatizes or eliminates funding for USIA exchange programs by 1999. Likewise, this proposal would privatize or eliminate most radio broadcasts and overseas construction by fiscal year 2000. Overseas broadcasting played an important role during the cold war, but has become an expensive anachronism with the advent of global satellite television broadcasting. Funding is available, however, for Radio and TV Marti. As stated previously, it is assumed that USIA will be consolidated within the Department of State.

The President's budget recommends a one-time increase in funding for USIA's salaries and expenses, broadcasting, and educational and cultural exchanges program. Such increases would be followed by subsequent reductions. It makes little sense to increase funding this year only to reduce it next year.

Reduce Subsidies for International Exports and Investment, Including Public Law 480. This proposal assumes major changes in the Public Law 480 program. According to the Congressional Budget Office:

> * * * [c]hanges in the world over the past 40 years may have rendered the program obsolete. * * * The market development aspect of Public Law 480 is relatively insignificant for two reasons: exports under titles I and III are a small portion of total U.S. agricultural exports, and the countries currently receiving Public Law 480 commodities are unlikely to become commercial customers.

The General Accounting Office was even more critical of the program; in a recent report they stated:

> Title I's importance to helping develop long-term U.S. agricultural markets has not been demonstrated. * * * [N]one of the many studies GAO reviewed was able to establish a link between title I assistance and the establishment of a long-term commercial market share for U.S. agricultural products over the 40-year history of the title I program.

This proposal assumes the termination of title III after 1997 and phases out title I. The budget resolution assumes adequate funding for title II, which is used to feed starving people.

This function also contains three international export/investment agencies: the Export-Import Bank, the Overseas Private Investment Corporation [OPIC], and the U.S. Trade and Development Agency. The Export-Import Bank promotes U.S. exports by providing subsidized financing to foreign buyers of U.S. goods. The bank makes direct loans with below-market interest rates and provides guarantees of private lending without receiving full compensation for the contingent liabilities. Last year, the Committee on Appro-

priations stated: "[T]he Committee will be hard pressed to sustain appropriations for the Eximbank at current levels in future years." The Budget Committee encourages the Bank to continue to examine risk-related fees and the concept of "graduating" companies that are receiving assistance. The budget resolution also encourages the committees of jurisdiction to seek ways to privatize portions of the bank.

OPIC is a government corporation that provides financing and political risk insurance to U.S. companies investing in developing regions. OPIC's new insurance and finance commitments have recently increased rapidly. The Budget Committee is concerned about these trends. The services OPIC offers would be better suited to the private sector than the public sector and that a transitional plan providing for complete privatization is warranted. Under this proposal, OPIC's finance commitments would be phased out. The notion of "graduation" would also be applied to its insurance commitments. Finally, the U.S. Trade and Development Agency [TDA] provides grants for feasibility studies for major development projects in the developing world. The House Committee on Appropriations has encouraged TA to cooperate with the Congress in developing a method of recouping a portion of its costs from American companies that benefit from its financial support, thereby reducing TA's future appropriation requirements. The budget resolution accepts this recommendation and notes that TDA is moving in this direction.

FUNCTION 150: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Cease supporting the International Development Association [IDA] and other "soft-loan" windows of the various multilateral banks:							
Budget authority	800	0	−800	−800	−800	−800	−800
Outlays	1,380	0	−66	−204	−347	−478	−594
Recognize that the capital relinquishments for several multilateral lending institutions will soon be complete:							
Budget authority	308	3	−37	−95	−173	−256	−308
Outlays	342	45	23	−57	−150	−172	−240
Accept the administration's long-term proposals for peacekeeping operations, migration and refugee assistance and foreign military financing loans:							
Budget authority	805	−24	−54	−63	−72	−72	−72
Outlays	823	−1	−31	−47	−63	−67	−70
Privatize or eliminate the United States Information Agency [USIA] education and cultural exchanges, and significantly reduce overseas non-military broadcasting:							
Budget authority	1,059	−175	−303	−452	−582	−682	−712
Outlays	1,092	−122	−245	−389	−546	−659	−703
Reduce subsidies for international exports and investment, including public law 480:							
Budget authority	2,044	0	−161	−398	−405	−411	−418
Outlays	1,693	0	−67	−238	−351	−389	−404

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Allow Private Producers to Build and Operate Cogeneration Facilities at Federal Civilian Installations. The Department of Defense has entered into agreements with private power producers wherein the private investors provide the capital needed to upgrade heating and power producing facilities on Federal installations at no cost to the Federal Government in return for the right to sell excess power and heat off the installation commercially in the civilian market. That reduces the government's cost of energy and the need for the government to upgrade aging power and heating plants. The National Aeronautics and Space Administration, the Department of Veterans Affairs, and other civilian departments could make similar cost-saving arrangements if an amendment were made to Title VIII of the Shared Savings Amendment of the National Energy Conservation Policy Act of 1978. That title currently prohibits this activity at civilian agencies.

FUNCTION 270: ENERGY

Accept the Administration's Funding Levels for the Rural Utilities Service. There are potential long-term financial problems at the electric and telecommunications portion of the Rural Utilities Service [RUS], formerly the Rural Electrification Administration. The agency's financial statements for the year ended September 30, 1994 stated:

> Economic weakness in the rural electric and telephone market segments, and the effect on REA borrowers of adverse market conditions, may result in certain borrowers experiencing difficulties in meeting their obligations to REA. As a consequence, REA may require additional provisions for loan losses in the future.

The President has recommended reductions in these programs. Given the uncertainty of the RUS's financial needs, the budget resolution assumes the President's recommendations.

Extend Nuclear Regulatory Commission [NRC] Fees. This proposal, which was contained in the Balanced Budget Act that the President vetoed, would extend the Nuclear Regulatory Commission's [NRC] authority to charge fees to offset 100 percent of its appropriation. Under current law, after 1998, the NRC would only be authorized to set fees equal to 33 percent of the budget.

Lease Excess Capacity in the Strategic Petroleum Reserve. The Balanced Budget Act authorized the Secretary to lease unused capacity within the Strategic Petroleum Reserve. The Budget Committee again reiterates its support for this provision.

FUNCTION 270: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Accept the Administration's Fund Levels for Rural Utilities Service:							
Budget authority	125	−54	−57	−61	−64	−61	−55
Outlays	122	−5	−16	−31	−46	−56	−59

FUNCTION 270: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Extend Nuclear Regulatory Commission [NRC] fees:							
Budget authority	[1] −462	0	0	−306	−306	−306	−306
Outlays	[1] −462	0	0	−306	−306	−306	−306
Lease excess capacity in the Strategic Petroleum Reserve:							
Budget authority	0	0	−1	−3	−7	−11	−17
Outlays	0	0	−1	−3	−7	−11	−17

[1] Negative number denotes cash in-flow to the Federal Government.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

Eliminate Unneeded Bureaucracy in the Department of the Interior. This proposal recommends significant changes in the Office of the Secretary and construction management. It assumes that the layer of management associated with the Assistant Secretaries will be eliminated. It calls for significant reductions in the Office of the Secretary and a 10-percent reduction in construction management. The budget resolution recommends that all travel budgets should be closely examined and that positions involving congressional liaison and public affairs be reduced. The budget resolution also recommends a 15-percent reduction in the Office of the Solicitor.

The administration's lack of commitment to consolidating the management of adjacent Federal lands is disappointing. In 1993, the Vice President's National Performance Review criticized the existence of "uncoordinated land actions." Lands managed by the Department of the Interior and the Department of Agriculture often lie "side by side." It noted:

> This dispersed ownership pattern prevents efficient operations and results in fragmented assistance to customers. In many cases, the land administered by the two agencies share the same users, resources, and management problems. The agencies maintain two separate staffs in more than 70 communities, resulting in inefficient use of Federal resources and overall confusion to land users.

Last year, the General Accounting Office indicated that:

> * * * efficiencies could be derived through a collaborative Federal approach to land management. * * * Savings could be achieved from closing or combining offices and duties with corresponding reductions in overhead and staff.

> While estimated cost savings would depend on the specific restructuring plan, the potential savings from the elimination of duplication and increased efficiencies is a compelling reason to consider consolidation.

The budget resolution recommends that the House Committee on Resources examine the efficiencies that could be achieved through consolidation.

Last year, the budget resolution noted that the Department of Interior is the accumulation of 200 years of public land history. Many features of the Department no longer make sense. This is still true. Like the House Committee on Appropriations, the budget resolution recognizes "the growing concern that some of [the BLM] lands can and should be administered differently" and endorses the development of new and innovative management techniques that are being considered. But the development of management techniques should be reviewed before any specific recommendations are made.

Finally, a consistent theme of this budget resolution is that power, influence, and money should be shifted out of Washington and closer to the people who use government services. This is particularly true for the Department of the Interior. The vast majority of the services and functions of the Department are located far from the District of Columbia. The U.S. Government, for example, owns fully one-third of the Nation's land mass, most of that west of the Mississippi.

There is no reason why, in an age of advanced telecommunications, the bureaucracy that administers these programs must be located in Washington. Faxes and teleconferencing have already become the most common means of communications between Washington and the various field offices.

In an attempt to better serve the users of government services, the budget resolution recommends that the committee of jurisdiction investigate moving the primary operations of the Department of the Interior closer to the users of those services. The budget resolution assumes this move will ultimately improve the efficiency of the Department and save taxpayers substantial money over time, while increasing the level and quality of service to those most directly affected by their decisions.

Encourage Land Swaps Instead of New Purchases. The budget resolution encourages greater use of land swaps when it is environmentally appropriate. Most Federal lands are managed by the National Park Service, the Forest Service, or the Bureau of Land Management. The General Accounting Office recently reported that the Federal Government has increased its land ownership significantly in the lower 48 States over the last 30 years. Partly as a result of this, those agencies are finding it difficult to maintain and finance operations on their existing landholding. Land management agencies should improve their stewardship of lands they already own before facing added management responsibilities. The budget resolution recognizes, however, that emergency and hardship cases do arise annually and funds are assumed for this purpose.

Prioritize Conservation Operations Within the Department of Agriculture. Conservation programs are conducted through a number of accounts in the Department of Agriculture. Three accounts, however, were subsumed in the new mandatory EQUIP program—the Agricultural Conservation Program, the Colorado River Basin Salinity Control Program, and the Great Plains Conservation Program. Within the Natural Resources Conservation Service, technical assistance is provided for conservation operations through 2,955 conservation districts to land users. In addition, the Department of Agriculture cooperates with other Federal, State, and local agencies to develop coordinated water and land resources programs and in conducting surveys and investigations of watersheds. This proposal would terminate the watershed surveys and planning program. The President's long-term funding recommendations significantly reduce funding for conservation operations and resource conservation and development. This proposal reduces resource conservation and development by no more than 10-percent. The budget resolution, however, generally accepts the administration's reductions for conservation operations. Finally, because the Department is no longer engaged in large public works projects, the resolution assumes a 50-percent reduction in watershed and flood prevention operations.

Target Funding for Facilities Construction on Projects Needed to Protect Life or Safety or Critical or Historic Resources. Construction funding in the Departments of Agriculture and the Interior has two budgetary effects. The first involves the initial cost of the project; the second involves the long-term maintenance of any new facility. In the case of a new visitor center, for example, new construction sometimes increases operational costs if the new facility must be staffed. The budget resolution assumes that all new construction of facilities would be limited to projects required to protect life or safety or the protection of critical or historical resources.

Restructure the Department of the Interior's Minerals-Related Agencies. For fiscal year 1996, the Congress provided $64 million for "the orderly closure of the Bureau of Mines." This proposal assumes that no additional funds are required to close the Bureau. It also calls for the discontinuation of helium production, and assumes that reforms will be enacted concerning the collection of royalties associated with mining on public lands. It also assumes that the "royalty fairness" proposal in the Balanced Budget Act will be enacted. This proposal would devolve royalty collections, inspections, and enforcement to the States. The initiative was first proposed in the Vice President's National Performance Review [NPR]. In addition to creating a more efficient collection process, this proposal will decrease the costs to administer the Minerals Management Service [MMS]. The President has proposed a reduction in his budget for the MMS, which the budget resolution assumes. The President has also proposed reductions for regulation and technology and the abandoned mine reclamation fund, which the budget resolution generally accepts. The U.S. Geological Survey conducts research and provides basic scientific information concerning natural hazards and environmental issues. Concerning the National Mapping Division [NMD], the budget resolution again calls

for the NMD to aggressively price its products, contract out services, and consolidate overlapping mapping efforts. Concerning the Water Resources Division [WRD], which performs water resources investigations under both Federal programs and Federal/State cooperative programs, the budget resolution continues to believe that the cooperative program provides broader benefits to the taxpayer. Since cost sharing is involved, State and local governments must be convinced of the need for a particular study. The President has proposed much greater reductions in this account starting in fiscal year 1998.

Reform the Various Land Management Agencies.

- Bureau of Land Management. The Bureau of Land Management [BLM] is responsible for carrying out a variety of programs for the conservation, management, development, and protection of both surface and subsurface mineral resources on approximately 270 million acres of public lands in 28 States. This land makes up 13 percent of the total land surface of the United States. The BLM also administers mineral leasing and supervises mineral operations on an additional 300 million acres of Federal mineral estate underlying other Federal, State, and private lands. The President has recommended a reduction in funding for the Automated Land & Mineral Records System [ALMRS]; the budget resolution assumes this recommendation. The budget resolution suggests that the agency undertake steps to reduce its bureauwide fixed costs and administrative support.
- U.S. Forest Service. The Forest Service manages 156 national forests, 20 national grasslands, and 9 land utilization projects located in 44 States, Puerto Rico, and the Virgin Islands. The Service must improve the efficiency of forest management. Studies have shown that State-managed forests adjacent to federally managed forests are managed at a profit, while Federal forests are not. This occurs because the Federal Government's costs exceed those of the States. The Budget Committee has requested a complete and detailed analysis of the Forest Service's revenues and costs by the General Accounting Office [GAO]. This investigation will also examine options for managing the program in a more cost-effective manner. In addition, the budget resolution recommends that all funding for trails be eliminated and urges that the authorizing committees evaluate mechanisms to inject market-based decisionmaking into public land management in the area of multiple use activities, including the timber road programs. In the area of multiple use and recreation use, the budget resolution recommends to the authorizing committees that direct involvement by user groups in management activities could achieve cost reductions while maintaining all existing environmental and natural resource protection standards. Pilot programs could be created to test market-based approaches for such activities. Finally, the President has proposed reductions for both forest research and State and private forestry. This proposal assumes those recommendations.

Reform the Bureau of Reclamation [BOR]. The BOR is the largest supplier and manager of water in the 17 Western States, delivering approximately 30-million-acre feet of water annually to 28 million people for agricultural, municipal, industrial, and domestic uses. The BOR is also the sixth largest producer of electric power in the Western States, generating over half-a-billion dollars in annual power revenues. Its multipurpose projects also provide flood control, recreation, and fish and wildlife benefits. The Vice President's 1993 National Performance Review [NPR] indicated the BOR:

> * * * should develop legislation to sell or transfer title of all distribution and drainage facilities to State or local water organizational entities (such as irrigation districts).

The budget resolution agrees with this proposal, but questions why the administration has not implemented it aggressively. The Budget Committee is also concerned about the BOR's lack of efficiency. The NPR stated:

> The original mission of the Bureau of Reclamation [BOR], to develop water resources and provide for economic development in the West, is almost complete. BOR has completed currently planned capital construction on all major water projects except the central Arizona and Utah projects. It is anticipated that all ongoing construction projects will be completed in the next 5 to 8 years.

It appears that this is not the case. The budget resolution encourages the Committee on Resources to investigate this problem. The President has proposed small changes for the BOR's construction, loan program account, upper Colorado River Basin fund, operations and maintenance, general administrative expenses, Central Valley project restoration fund, the Central Utah project completion account, and the Utah reclamation mitigation and conservation account. The budget resolution generally assumes these recommendations. The resolution recognizes, however, that the House and Senate Committees on Appropriations will ultimately allocate these funds between projects.

Refocus the National Oceanic and Atmospheric Administration [NOAA] on Its Core Mission as Part of Terminating the Department of Commerce. NOAA, which is in the Department of Commerce, consists of the National Ocean Service; the National Marine Fisheries Service; the Office of Oceanic and Atmospheric Research; the National Weather Service; and the National Environmental Satellite, Data, and Information Service.

In this Function, NOAA also has a construction account that funds the construction of new facilities and repairs, modifications, and additions to existing facilities. [NOAA also has an account for fleet modernization, shipbuilding, and conversion in Function 370.] Funding for NOAA continues to include congressional add-ons, grant programs for selected States and regions, industry assistance, and inefficient weather service operations.

A $55 million reduction from the fiscal year 1996 funding level can be achieved by limiting NOAA activities, services, and research to its relevant, tightly focused constitutional missions of public safety, basic research, and commercial regulation. Programs not

critical to these missions should be terminated including: the National Undersea Research Program [NURP]; the VENTS (volcanic ocean heating) program; Global Learning and Observation to Benefit the Environment [GLOBE]; Southeastern U.S./Caribbean Fisheries Oceanographic Coordinated Investigations [FOCI]; National Coastal R&D Research Institute; specialized weather specific constituent groups such as agriculture which can be privatized; Chesapeake Bay buoys; the 374 FTE NOAA Corps by the end of fiscal year 1997; unjustified or unnecessary State and industry fisheries management assistance; and various construction and maintenance projects. Priority funding support is given to Weather Service modernization and NOAA's basic research programs (climate and air quality research at the current level, marine prediction research at the President's request, and increases in actual sea grant research and the coastal ocean program).

In light of the enormous growth of coastal populations, the committee acknowledges the continued importance of the Coastal Zone Management Act in helping States plan for development in coastal areas and to reduce conflicts among competing uses of the coastal zone. Consequently, the committee assumes funding for Coastal Zone Management Act activities consistent with H.R. 1965, the Coastal Zone Management Reauthorization Act of 1996, which recently passed the House by a vote of 407–0.

Reform the Corps of Engineers. The Corps of Engineers currently performs nine missions related to civil works. This proposal recognizes the fact that a continued Federal role in several of the functions related to these missions may no longer be justified, and the termination, transfer, privatization, or streamlining of certain functions may be necessary.

Fund EPA Research on Risk-Based Regulation. The EPA Science and Technology account should support and justify EPA's regulatory mission and decisions with good, objective science and best estimated risk; programs not relevent to that mission should be terminated, including the Environmental Technologies Initiative (corporate welfare), climate change research (not regulatory) and indoor air research (an OSHA responsibility).

Open a Small Portion of the Coastal Plain of ANWR for Exploration. This proposal assumes that a small portion of the Arctic National Wildlife Refuge [ANWR] in Alaska will be leased for oil and gas exploration, development, and production. ANWR is the most prospective oil and gas province in North America, and is adjacent to the hugely successful Prudhoe Bay field, currently supplying 20 percent of domestic oil. Leasing is overwhelmingly supported by residents of the State of Alaska and the Native people who live in the area proposed for leasing. Leasing could provide enormous revenues to the Treasury, jobs to the U.S. economy, and a valuable domestic energy resource to offset the current transfer of wealth to other nations.

Maintain Current Payment Date of Civilian Retiree Cost-of-Living Adjustments Through 2002 as Recommended by the President. This is the Function 300 component of this provision, which is principally contained in Function 600. This portion applies to NOAA retiree COLA's.

Reduce Department of Interior Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel and transportation of persons and things; shipping; printing and reproduction; and operation and maintenance of facilities. These savings will result from improved performance, not from any changes to the programmatic activities of the Department. Reductions have not been assumed in those costs that are closely related to the Department's central function. The budget resolution recommends that the Department head should decide on how to distribute these assumed savings among the categories identified above, as well as other overhead costs.

Prepay the Central Utah Water Conservancy District Contracts. The Balanced Budget Act amended the existing authority of the Secretary to accept prepayment from the Central Utah Water Conservancy District. This provision reiterates support for that proposal.

FUNCTION 300: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Eliminate unneeded bureaucracy in the Department of the Interior:							
Budget authority	90	−33	−33	−33	−33	−33	−33
Outlays	95	−30	−33	−33	−33	−33	−33
Encourage land swaps instead of new purchases:							
Budget authority	137	−77	−77	−77	−77	−77	−77
Outlays	183	−17	−50	−71	−76	−76	−76
Prioritize conservation operations within the Department of Agriculture:							
Budget authority	848	−139	−157	−201	−246	−246	−246
Outlays	995	−80	−138	−199	−239	−243	−243
Target funding of facilities construction on projects needed to protect life or safety or crucial historic resources:							
Budget authority	352	−121	−121	−121	−121	−121	−121
Outlays	507	−36	−67	−96	−110	−121	−121
Reform the Department of the Interior's Minerals-Related Agencies:							
Budget authority	1,234	−84	−108	−146	−185	−185	−185
Outlays	1,259	−72	−97	−124	−157	−174	−179
Reform the various land management agencies:							
Budget authority	1,082	−56	−66	−77	−95	−95	−95
Outlays	1,145	−43	−60	−74	−89	−95	−95
Reform the Bureau of Reclamation:							
Budget authority	722	−20	−51	−109	−166	−166	−166
Outlays	748	−18	−46	−96	−153	−164	−166
Refocus the National Oceanic and Atmospheric Administration [NOAA] on its core mission as part of terminating the Department of Commerce:							
Budget authority	1,917	−75	−146	−201	−251	−251	−251
Outlays	1,921	−38	−98	−168	−222	−242	−248
Reform the Corps Engineers:							
Budget authority	2,956	−24	−154	−347	−554	−554	−554
Outlays	3,161	7	−127	−293	−490	−550	−554
Fund EPA's research on risk-based regulation:							
Budget authority	525	−38	−38	−38	−38	−38	−38

FUNCTION 300: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Outlays	263	−19	−34	−38	−38	−38	−38
Reduce the Department of Interior overhead:							
Budget authority	NA	−279	−279	−335	−335	−419	−558
Outlays	NA	−237	−279	−327	−335	−406	−537

FUNCTION 300: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reform the department of the interior's minerals-related agencies:							
Budget authority	[1] −1,438	−7	−7	−41	−41	−39	−38
Outlays	[1] −1,482	−7	−12	−46	−48	−47	−47
Open a small portion of the coastal plain of ANWR for exploration:							
Budget authority	[1] −1,058	0	−1,150	−1	−800	−1	−1
Outlays	[1] −1,058	0	−1,150	−1	−800	−1	−1
Open a small portion of the coastal plain of ANWR for exploration:							
Budget authority	0	0	5	5	5	5	5
Outlays	0	0	0	2	4	5	5
Maintain current payment date of civilian retiree cost-of-living adjustments through 2002 as recommended by the President:							
Budget authority	1,867	(2)	(2)	(2)	(2)	(2)	(2)
Outlays	1,851	(2)	(2)	(2)	(2)	(2)	(2)
Prepayment of central Utah water conservancy district contracts:							
Budget authority	2	−72	−134	13	13	−26	13
Outlays	4	−72	−134	13	13	−26	13

[1] Negative number denotes cash in-flow into the Federal Government.
[2] Less than $1 million.

FUNCTION 350: AGRICULTURE

Reform the Foreign Agricultural Service. The Foreign Agricultural Service maintains attaches at 63 foreign posts to assist overseas development of markets for U.S. farm commodities. Annually, the Service files about 5,000 reports. This proposal calls for a 30-percent reduction in such attaches and a 10-percent reduction in all other activities, except the general sales manager.

Reduce Unnecessary Bureaucracy in the Department of Agriculture. This proposal reduces funding to administer the Department of Agriculture. It would eliminate all funds for the InfoShare program, which has been abandoned by the Office of the Secretary. It would fund the Chief Economist at the fiscal year 1995 level; it would reduce funding for the National Appeals Division and budget and program analysis. Funding for the Chief Financial Officer and Departmental Administration would be reduced, and all funding for the strategic space plan would be eliminated. The Office of Public Affairs would be reduced by 80 percent; the Economic Research Service would be reduced by 50 percent; the National Agricultural

Statistics Service would be reduced by 20 percent. Finally, reductions are assumed in the Office of the General Counsel.

Refocus Federal Support for Agricultural Research and Extensions. The Department of Agriculture conducts and supports agricultural research and education. According to the Congressional Budget Office, research undertaken by the Agricultural Research Service [ARS] may be replacing funding from the private sector. A subsequent analysis by the General Accounting Office [GAO] has indicated that a significant portion of the budget supports either applied or low priority research areas. Requiring the government to refocus this research would permit the private sector to finance more of its own research. The Budget Committee is also concerned about the number of the Department's laboratories. According to the GAO:

> * * * 17 Federal departments and independent agencies identified 515 Federal R&D laboratories that spent a total of $26.6 billion of an estimated $69.4 billion that Federal agencies obligated for R&D in fiscal year 1995. * * * In addition, 65 Federal R&D laboratories have a total of 221 satellite facilities. Overall, the Department of Agriculture's 185 R&D laboratories were the most reported by an agency. However, these laboratories were among the smallest in size, with a median operating budget of $2.1 million in fiscal year 1995.

Within the Cooperative State Research, Education, and Extension Service [CSREES], this proposal would eliminate all special research grants, thereby requiring all grants to be awarded competitively. For CSREES Building and Facilities, funding would be terminated after fiscal year 1997, as discussed in the conference report that accompanied H.R. 1976. Finally, this proposal calls for major reforms in the Extension Service. No cuts, however, are assumed for the 4–H program.

Reform Farmers Home Administration. The Farmers Home Administration lends money directly to new farmers or farmers with limited means who cannot obtain loans elsewhere for purchasing land or materials to operate a farm. Nearly 70 percent of the money spent on direct loans, however, is for loans to so-called limited resource borrowers. According to a GAO report from 1995, about 47 percent of the direct loan program is held by delinquent borrowers; about 4 percent of the guaranteed loan program is held by delinquent borrowers. As such, the GAO concluded that "[g]uaranteed loans have performed better than direct loans." This proposal would convert all direct loans to loan guarantees through the private sector and reduce personnel costs consistent with this conversion. In addition, there is the issue of graduation. According to the Congressional Budget Office, Congress and the FmHA:

> * * * intended direct loans to be available only temporarily—until those farmers could improve their operations and qualify for commercial credit. But evidence reported by the General Accounting Office suggests that the "graduation rate" of current borrowers from direct to graduated loans is low, in part because incentives are lacking to en-

courage borrowers of FmHA money to shift from below-cost to guaranteed loans.

Downsize the Farm Service Agency. The Farm Service Agency currently administers the various production programs conducted by the Department of Agriculture, including the system of commodity supply and price controls, acreage allotments, production quotas, restrictions on imports, and export subsidies. The new direction in farm programs envisioned by the Freedom to Farm Act will give farmers the freedom to plant in response to market demand, not government programs or what government bureaucrats think farmers ought to be planting. According to the General Accounting Office [GAO], the adoption of the Freedom to Farm provisions could reduce the Department's staffing requirements by more than 1,600 staff years between fiscal year 1997 and fiscal year 2002, because fewer people would be required to "manage" the programs. These changes are in addition to efforts that are currently under way in the Department to reorganize and streamline their administrative and delivery functions. The President has recommended significant reductions in this account for future years. The budget resolution assumes those funding levels.

Finally, a consistent theme of this budget resolution is that power, influence, and money should be shifted out of Washington and closer to the people who use government services. This is particularly true for the Department of Agriculture. The vast majority of the services and functions of these departments are located far from the District of Columbia.

There is no reason why, in an age of advanced telecommunications the bureaucracy that administers these programs must be located in Washington. Faxes and teleconferencing have already become the most common means of communications between Washington and the various field offices.

In an attempt to better serve the users of government services, the budget resolution recommends that the committee of jurisdiction investigate moving the primary operations of the Department of Agriculture closer to the users of those services.

In order to serve farmers more efficiently and effectively, the Farm Service Agency [FSA] and the Natural Resources Conservation Service [NRCS] operations in Washington should be relocated and headquartered in the Central United States. Moving farm support agencies closer to America's farms will enhance service to farmers and further promote efforts to conserve, improve, and sustain natural resources on private lands within the United States. Melding the headquarters of FSA and NRCS into preexisting Commodity Credit Corporation [CCC] locations in the Heartland will facilitate further consolidations of personnel and will provide for long-term budget savings. This will allow USDA to consolidate Washington, DC, personnel to existing permanent USDA office space.

Terminate Low-Priority Programs in the Department of Agriculture. The Department of Agriculture provides annual funding for State mediation grants, outreach for socially disadvantaged farmers, and compensation for construction defects [Function 370]. State mediation grants are made to States that have been certified

by the Farm Service Agency. Concerning compensation for construction defects, the Secretary of Agriculture is currently authorized to pay claims to owners arising from defects on newly constructed dwellings purchased with Rural Housing Service financial assistance. Given the size of the Federal deficit and the need to balance the budget, it is essential that Congress reduce or eliminate low-priority programs.

Reduce the Department of Agriculture Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel and transportation of persons and things; shipping; printing and reproduction; and operation and maintenance of facilities. These savings will result from improved performance, not from any changes to the programmatic activities of the Department. Reductions have not been assumed in those costs that are closely related to the Department's central function. The budget resolution recommends that the Department head should decide on how to distribute these assumed savings among the categories identified above, as well as other overhead costs.

FUNCTION 350: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reform the Foreign Agricultural Service:							
Budget authority	116	−20	−20	−20	−20	−20	−20
Outlays	119	−13	−18	−20	−20	−20	−20
Reduce unnecessary bureaucracy in the Department of Agriculture:							
Budget authority	442	−116	−126	−129	−129	−129	−129
Outlays	434	−76	−120	−128	−129	−129	−129
Refocus Federal support for Agricultural Research and Extensions:							
Budget authority	1,618	−215	−273	−273	−273	−273	−273
Outlays	1,637	−136	−204	−232	−247	−261	−273
Reform the Farmers Home Administration:							
Budget authority	399	−38	−67	−97	−127	−127	−127
Outlays	392	−27	−53	−83	−113	−116	−116
Downsize the Farm Service Agency:							
Budget authority	795	0	0	−46	−121	−121	−121
Outlays	815	0	0	−43	−117	−121	−121
Terminate low priority programs in the Department of Agriculture:							
Budget authority	3	−3	−3	−3	−3	−3	−3
Outlays	5	−3	−3	−3	−3	−3	−3
Reduce the Department of Agriculture overhead:							
Budget authority	NA	−579	−579	−695	−695	−868	−1,158
Outlays	NA	−492	−579	−677	−695	−842	−1,114

FUNCTION 370: COMMERCE AND HOUSING CREDIT

Provide Funding for the Decennial Census. This provision allocates the funds necessary to conduct the 2000 Decennial Census.

Shift to the Postal Service the Cost of Transition Payments for Workman's Compensation Benefits Paid to Pre-1971 Postal Employees. Currently, the Treasury reimburses the Postal Service for workman's compensation benefits paid to employees of the old U.S.

Post Office Department. This proposal would shift the cost of those benefits to the Postal Service, where they appropriately belong. The proposal was included in the BBA and in the President's 1997 budget submission. [Note: In the table below, this proposal is reflected in two components.]

Terminate Fleet Modernization. Rather than building and buying new government ships or maintaining existing vessels at great cost, the budget resolution assumes that the National Oceanic and Atmospheric Administration [NOAA] should sell its assets and contract out for the use of vessels to conduct its oceanographic research and fisheries management missions. This makes a uniformed NOAA Corps unnecessary. Other provisions applying to NOAA are described in Function 300.

Encourage Private Financing of Small Business Development Centers. Small Business Development Centers are intended to provide management counseling and training to existing and prospective small business owners. Current Federal funding accounts for 25 to 50 percent of SBDC funding. By contracting out, tying funding to locally funded economic development programs, leveraging all available resources, and charging the clients a small fee, SBDC's can thrive without Federal assistance. This proposal would eliminate the Federal share of the program, but allow State and private capital to fund existing SBDC's.

Make Multifamily Mortgage Insurance Program Self-Financing. Costs of the program should be entirely financed through premium income derived from extending the mortgage insurance as is the FHA Single Family Mortgage Insurance Program.

Reform FHA Multifamily Property Disposition. The Federal Government can achieve savings by reforming the rules under which HUD may sell the property that has come into its possession through mortgage default.

At present, a foreclosed property may stay in the FHA inventory for years. During the time it is vacant, the property may be vandalized, or used for drug dealing or other criminal activities, or it may otherwise contribute to the degradation of urban neighborhoods. By giving the FHA more authority and flexibility in the way they dispose of these properties, the Federal Government can achieve budget savings and protect surrounding neighborhoods from deleterious effects generated by longstanding vacant houses.

Consolidate Federal Regulation of Business and Eliminate the Federal Trade Commission. The Federal Trade Commission is an independent agency that regulates business practices that affect competition and consumer information. Its functions may be duplicative and may be carried out by other Federal agencies. This proposal is intended to reduce overhead. Nothing in this proposal is intended to diminish Federal oversight of antitrust or consumer protection issues.

Reform the Federal Housing Administration Assignment Program. The budget resolution recommends implementing a reform of the FHA Assignment Program to allow the FHA the flexibility to pay partial mortgage insurance claims, preventing properties from

coming into the FHA inventory as the borrower resumes mortgage payments to the lender.

Accept the Administration's Recommendation on the General and Special Risk Program Account. The administration projects greater activity in the program account for FHA mortgage insurance and certain administrative cost reductions. The budget resolution accepts these projections and reforms.

Accept the Administration's Recommendation on the Mutual Mortgage Insurance Accounts. The administration recommends different projects for activity in the mutual mortgage insurance accounts and provides for some administrative savings. The budget resolution accepts these recommendations.

Reform Deposit Insurance to Provide for the Long-Term Stability of the Savings Association Insurance Fund. The budget resolution recommends a one-time assessment on savings associations to provide for the capitalization of the Savings Association Insurance Fund. In addition, to provide for the long-term stability of financial institutions and deposit insurance funds, the resolution recommends the adoption of reforms associated with spreading the obligations associated with bonds issued by the Finance Corporation to all institutions insured by the Federal Deposit Insurance Corporation.

Create a Rural Development Block Grant. This line reflects the savings in Function 370 from the block grant, most of which is contained in Function 450. This function, however, contains the Rural Housing Insurance Fund. The budget resolution assumes the reduction for salaries and expenses, as recommended by the President, and the elimination of certain direct loan subsidies.

Terminate Low-Priority Programs in the Department of Agriculture. This is the Function 370 component of this proposal, which is fully described under Function 350. The Secretary of Agriculture is currently authorized to pay claims to owners arising from defects on newly constructed dwellings purchased with Rural Housing Service financial assistance. Given the size of the Federal deficit and the need to balance the budget, it is essential that Congress reduce or eliminate low-priority programs.

Reduce Department of Housing and Urban Development and Small Business Administration Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel and transportation of persons and things; shipping; printing and reproduction; and operation and maintenance of facilities. These savings will result from improved performance, not from any changes to the programmatic activities of the agencies. Reductions have not been assumed in those costs that are closely related to the agencies' central function. The budget resolution recommends that each agency's head should decide on how to distribute these assumed savings among the categories identified above, as well as other overhead costs.

FUNCTION 370: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Provide funding for Decennial Census:							
Budget authority	150	99	208	658	1,979	99	99
Outlays	144	80	184	562	1,701	493	98
Terminate fleet modernization:							
Budget authority	8	−8	−8	−8	−8	−8	−8
Outlays	33	−1	−3	−5	−6	−7	−8
Encourage private financing of Small Business Development Centers:							
Budget authority	219	−66	−73	−73	−73	−73	−73
Outlays	238	−48	−67	−73	−73	−73	−73
Make Multifamily Mortgage Insurance Program self-financing:							
Budget authority	85	−85	−85	−85	−85	−85	−85
Outlays	101	−85	−85	−85	−85	−85	−85
Eliminate redundancies in Federal regulation of businesses and eliminate the Federal Trade Commission:							
Budget authority	31	−23	−31	−31	−31	−31	−31
Outlays	34	−21	−30	−31	−31	−31	−31
Accept the administration's recommendation on the general and special risk program account:							
Budget authority	173	−130	−26	−48	−67	−71	−75
Outlays	189	−135	−21	−47	−66	−70	−74
Accept the administration's recommendation on the Mutual Mortgage Insurance accounts:							
Budget authority	[1] −1,066	0	−28	−57	−87	−87	−87
Outlays	[1] −1,066	0	−28	−57	−87	−87	−87
Create a Rural Development Block Grant (single-family home loans and S&E):							
Budget authority	640	−166	−186	−186	−186	−186	−186
Outlays	712	−138	−181	−181	−181	−181	−181
Terminate low-priority programs in the Department of Agriculture:							
Budget authority	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Outlays	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Reduce the Department of Housing and Urban Development and Small Business Administration Overhead:							
Budget authority	NA	−18	−18	−21	−21	−27	−36
Outlays	NA	−16	−18	−21	−21	−26	−34

[1] Negative number denotes cash in-flow to the Federal Government.
[2] Less than $1 million.

FUNCTION 370: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Shift to the Postal Service the cost of transition payments for workman's compensation benefits paid to pre-1971 postal employees (off-budget);							
Budget authority	0	32	31	7	0	0	0
Outlays	0	32	31	7	0	0	0

FUNCTION 370: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Shift to the Postal Service the cost of transition payments for workman's compensation benefits paid to pre-1971 postal employees (on-budget):							
Budget authority	34	−32	−31	−29	−28	−26	−24
Outlays	34	−32	−31	−29	−28	−26	−24
Reform FHA multifamily property disposition:							
Budget authority	41	−80	0	0	0	0	0
Outlays	[1] −197	−80	0	0	0	0	0
Reform the Federal Housing Administration Assignment Program:							
Budget authority	NA	−128	−127	−138	−157	−161	−161
Outlays	[1] −920	−128	−127	−138	−157	−161	−161
Reform deposit insurance to provide for the long-term stability of the Savings Association Insurance Fund:							
Budget authority	NA	0	0	0	0	0	0
Outlays	[1] −3,400	−3,300	600	500	600	700	100

[1] Negative number denotes cash in-flow to the Federal Government.

FUNCTION 400: TRANSPORTATION

Eliminate Highway Demonstration Projects. Approximately 95 percent of highway funds are allocated to the States using formulas which, in conjunction with a comprehensive planning process outlined in ISTEA, are designed to reconcile the competing transportation needs of States. The remainder of the funds are allocated by earmarks, also known as demonstration projects, in which Members of Congress designate specific highway projects in authorizing and appropriations bills. Earmarking circumvents the planning process by allocating funds on a political, not economic basis, and ignores the process that seeks a balance between needs and limited resources. In its 1995 Transportation Policy Book, the American Association of State Highway and Transportation Officials [AASHTO] stated that "special demonstration projects outside the normal authorization should be eliminated." According to the General Accounting Office:

> In addition to worsening the financial status of the highway account, demonstration projects often provide limited benefits. One reason is that these projects frequently are not aligned with key transportation priorities. For example, in 1991, we found that a majority of the demonstration projects we reviewed did not appear on State or regional transportation plans before they were authorized. Thus, these projects did not receive the same degree of scrutiny as do projects undertaken through established Federal-aid highway plans and programs.
>
> A second reason why the payoff from demonstration projects is limited is that they often have problems causing them to languish in an early project development stage long after authorization * * *. For example, one proposed highway construction project we reviewed would have cut

through a low-income housing project undergoing renovation with Federal funds.

Make Amtrak More Businesslike: Provide Labor Relief, Phase Out Operating and Capital Subsidies Between 1999 and 2002. Amtrak was established in 1970 as a for-profit corporation to take over the Nation's ailing passenger rail system. But Amtrak has been burdened by costly Federal laws and highly subsidized to insulate it from market forces.

The cumulative cost to the taxpayer of this Amtrak experiment has been in excess of $17 billion. Recently, Amtrak has undertaken an aggressive plan for reducing expenses, adjusting routes, retiring its oldest cars, and setting itself on a more businesslike footing. Amtrak has also been successful, preliminarily, in negotiating to obtain subsidies from States where it operates routes at a loss.

But Amtrak's ability to operate like a commercial enterprise remains hamstrung by excessive labor concessions. For example, Appendix C–2 of the Rail Passenger Service Act requires that Amtrak pay 6 years severance to any employee laid off due to a termination of a route. Because of the "30-mile rule," an employee can invoke full severance benefits if Amtrak seeks to move his work location 30 miles or more. Amtrak is also prohibited from contracting out if contracting results in the termination of any employees. With relief from these provisions (and others), Amtrak will be in a better position to continue reducing costs, improving service, and become self-financing

This proposal calls for Amtrak to continue its plan of strategic downsizing and negotiating with States where it operates at a loss. This proposal further calls for a significant revision of the laws governing passenger rail labor protection, and phasing out Federal subsidies between 1999 and 2002. Additionally, the proposal calls for a new temporary Board of Directors to be appointed by the President in consultation with the congressional leadership. Board members will be required to have expertise and professional standing in the areas of intercity common carrier transportation and corporate management.

Complete Northeast Corridor Improvement Program in 1999. According to the Northeast Corridor Transportation Plan, by the Department of Transportation, the infrastructure will be ready for 3-hour Boston to New York City service on selected trains by 1999. This proposal would terminate funding for the Northeast Corridor Improvement Program in 1999 to coincide with this milestone.

Reduce Funds for the Office of the Secretary of Transportation. This reduction could be achieved by eliminating funding for transportation planning, research, and development. This account finances systems development and those research activities and studies concerned with planning and analysis and information development. This function is duplicated in the modal agencies within the DOT.

Extend Vessel Tonnage Fees. The proposal extends vessel tonnage charges imposed on users of U.S. ports. Recipients of government services such as Coast Guard harbor maintenance should share the cost of providing these services rather than the general public.

Focus NASA's Aeronautics on Revolutionary New Concepts. In certain areas, such as fundamental scientific research and collective risk endeavors, the government does play an important role. This proposal assumes that certain aeronautical research, especially high-speed research, is an area where the collective risks are still high, and where agencies such as the National Aeronautics and Space Administration have been able to make great technical strides with public funds that have resulted in great scientific discovery and new knowledge. Indeed, DOD's and NASA's national security and space transportation mission-required efforts in aeronautical research have resulted in American preeminence in the aerospace field. Still, even in aeronautics, policies are advocated that encourage faster private technology development as risk becomes better understood and more controllable. Finding ways to involve industry in space activities should be a major priority. Finally, the budget resolution assumes that funding for a National Aeronautics Facility is rescinded. [Note: The figures above reflect the portion of this provision that occurs in Function 400. Another portion appears in Function 250. In the table below, this proposal is reflected in two components.]

Terminate Wooden Bridge Research and Demonstration Projects. This program provides funding for research and development of bridges constructed out of wood. This proposal would terminate that program. This proposal was included in the Clinton administration's fiscal year 1997 budget.

Eliminate Federal Corporate Subsidies for Development of "Intelligent Transportation Systems." The Intelligent Vehicle Highway System Act of 1991 established a Federal program to research, develop, and operationally test so-called "intelligent" transportation systems and to promote their implementation. The system encompasses technologies, ranging from electronic toll collection to fully automated futuristic highways. Its Federal advisory committee to the Department of Transportation estimates that about $6 billion ($4.7 from Federal, State, and local governments) will be needed through 2011 to complete all research and development projects and operational tests and develop a system architecture. This architecture is expected to include a massive government-owned and operated telecommunication infrastructure. The public sector is expected to contribute about 80 percent of the needed development funding. Implementing the system once developed is estimated to cost an additional $8.5 to $26 billion. In short, development costs are high and widespread commercial success is uncertain: Federal involvement would be long-term and costly.

Deregulate Ocean Shipping and Eliminate the Federal Maritime Commission. The Federal Maritime Commission is charged with regulating a system of steamship conferences that establish and publish ocean transportation rates. This proposal would deregulate Federal maritime policy, terminate the Commission, and transfer critical function to the Department of Transportation. On May 1, 1996, the House passed H.R. 2149, the Ocean Shipping Reform Act. Enactment of this legislation would achieve the goals outlined in this proposal.

Eliminate Maritime Corporate Subsidy Programs and Terminate the Maritime Administration. The Maritime Administration [MARAD] was established in 1950 to promote a strong U.S. merchant marine. MARAD emphasizes promoting maritime industries and ensuring seafaring manpower for peacetime and national emergencies. But rather than bolstering the U.S. shipping industry, these programs have undermined the competitiveness of U.S. shipping and shipbuilding.

Today, only about 4 percent of waterborne cargoes imported and exported from the United States are carried on U.S. flag carriers. According to GAO, between 1982 and 1992 the number of U.S. privately owned ships decreased by 31 percent. The inspector general of the Department of Transportation has stated: "Overall, most of MARAD's mission can readily be transferred or eliminated with little, if any, noticeable impact to the tax-paying public."

This proposal calls for transferring the Maritime Academy to the Department of Defense and requiring DOD to charge tuition to offset Academy costs, eliminating subsidy programs for operation of U.S.-flag operators, selling off the National Defense Reserve Fleet, and eliminating loan guarantees.

Eliminate Funding for Experimental Rail Programs With Doubtful Market Potential. The high-speed rail program invests in the development of train systems capable of traveling at 150 mph or faster. The program is intended to "focus on next generation rail service compatible with existing infrastructure." But according to GAO, existing U.S. rights-of-way have many curves and carry slow traffic, precluding travel at speeds in excess of 150 mph. To accommodate faster traffic, new tracks or magnetic guideways would need to be installed, at an estimated cost of at least $20 million per mile. In short, implementing high-speed rail will require an extremely costly, long-term investment by the Federal Government, while conventional passenger rail service already requires exorbitant Federal, State, and local subsidies. According to GAO, "private investors have avoided [high speed rail] projects, considering them unlikely to be profitable." This proposal would terminate that program.

Provide Funding for Advanced Train Control Safety Research. This proposal would provide $8 million per year to fund continued research of advanced train control systems. These systems will produce substantial safety benefits for freight and passenger operations. This proposal would fund two research projects: One for dense urban areas, the other for flexible block operations.

Eliminate Outdated Airline Subsidy Program. The Essential Air Service Program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received Federally mandated air service prior to deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria. The subsidy per passenger ranges from $5 to nearly $320. This program was established to provide a smooth phase-out of Federal subsidies to airlines that service small airports. This proposal would end the program.

Eliminate Funding for the Civil Aeromedical Institute and the FAA Management Training Institute. These eliminations were recommended by the inspector general of the Department of Transportation. These services could be obtained through private providers.

Redefine the Federal Role in Transit. This proposal calls for a dramatic downsizing in the Federal role in mass transit. The Federal Transit Administration itself has been criticized for ineffective oversight and for allowing misuse of millions of dollars of Federal funds. Remaining functions not eliminated below should be transferred elsewhere in the Department of Transportation.

- Phase Out Federal Mass Transit Operating Subsidies by 2002; Provide Regulatory Relief and Flexibility. Since 1965, the Federal Government has spent over $50 billion on urban mass transit. Yet, during that time, transit's work trip market share has declined by 30 percent. The Federal Government's involvement in transit has led to unwise State and local decisions, while precluding the adoption of cost-effective operating methods. Federal operating subsidies are barely 5 percent of total operating costs. But the Federal "baggage" raises transit costs two or three times the amount received by transit agencies from the Federal Government. This is largely the result of expensive Federal mandates. For example, Federal transit labor projections require transit agencies to pay 6 years of severance payments for transit employees dismissed because of efficiency gaining measures. Phasing out operating subsidies and allowing States and localities more flexibility in transportation spending would encourage local authorities to lower operating costs, privatize and contract out, and generally improve local investment choices. In addition, providing relief from Federal regulations such as section 13c labor projections of the 1964 Transit Act and select Clean Air Act provisions, extending bus life requirements and extending ADA compliance deadlines will enable local transit authorities to do more with less.

- Mass Transit Capital Expenditures. No new starts in fixed guideway mass transit capital grants; phased-in change in matching rate for remaining capital expenditures to 50 percent. New urban mass transit systems are not economically justified for at least three reasons: First, urban areas have "suburbanized" and sources of employment have spread beyond the traditional downtown area. This limits the customer market for traditional high-capacity transit rail services. Second, transit has experienced cost escalation so extreme that the same services can be provided by the competitive market for savings of up to 50 percent. Finally, a DOT study by Harvard economists indicated that busways can be built and operated for one-fifth the cost of new rail systems. Additionally, according to Census Bureau statistics, no U.S. metropolitan area that built or expanded urban rail systems in the 1980's experienced an increase in transit's market share. Furthermore, there is no evidence from anywhere in the world that building new urban rail systems reduces traffic congestion. Yet by subsidizing 80 percent of transit construction projects, the Federal Government has encouraged expansion of economically unjustifiable

mass transit rail systems. Rail systems have become a federally financed mechanism to enhance local civic pride. This proposal would terminate funding for new mass transit systems and phase in over 3 years a reduction in the Federal matching share of remaining capital expenditures to 50 percent. This would encourage local authorities to invest in new transit systems which are likely to be economically viable and could attract private capital.

- Complete Washington Metro in 1999. This proposal would fully fund the Federal Government's current authorization for development of the final 13.5 miles of the 103 mile system. Current policy assumes that Federal funding would be available indefinitely.
- Eliminate Transit Planning and Research. This program allows the Federal Government to serve as a catalyst for research and development of transit technologies. It is significant, however, that Federal subsidization and participation in transit planning and research have failed to stem the decline in transit market share and lower transit per-unit operating costs.

Reduce Duplication in Small and Minority Business Programs and Consolidate Functions Within the Small Business Administration. This proposal calls for eliminating funding for the Department of Transportation's Minority Business Resource Center Program, and the Department of Commerce's Minority Business Development Administration, and recommends that clients of these services utilize Small Business Administration programs. Both of these programs duplicate functions already performed by the Small Business Administration.

Eliminate Select Functions and Overhead for Department of Transportation Research and Special Programs Administration [RSPA]. RSPA serves as a research, analytical, and technical development arm of the Department for multimodal research and development, as well as special programs. According to the inspector general of the Department of Transportation:

> Collection of data [by RSPA] poses significant cost to the airline industry and requires DOT staff resources. In an unregulated environment, much of the data collected is not needed and should be eliminated. For the remaining data that meets essential Federal needs * * * consolidation of the collection process in the Bureau of Transportation statistics or by a private contractor may be more efficient than the current RSPA operations.

Safety and hazardous materials functions should be transferred to the FHWA or elsewhere in DOT, the Volpe National Transportation Systems Center should be privatized, and remaining functions should be closed.

Encourage Efficient Management of the Federal Aviation Administration. The facilities and equipment account is the primary source of funding for the modernization of the Air Traffic Control system. The research, engineering and development account funds longer range scientific efforts. These two accounts previously were

managed separately at the FAA, but they recently were brought under the auspices of a single executive—the Associate Administrator for Research and Acquisitions. This is projected to result in increased efficiencies, coordination, and elimination of duplication. This proposal reflects a reduction in outyear funding in the Research, Engineering, and Development Account based on these projected efficiencies. The proposal is not intended to change which committees have jurisdiction over each of these accounts.

Eliminate the Interstate Commerce Commission From Outyear Deficit Projections. This year legislation was enacted eliminating the Interstate Commerce Commission and transferring remaining functions to a Surface Transportation Board within the Department of Transportation. This proposal would correct outyear deficit projections to reflect the enactment of this legislation.

Rescind Funds for Discretionary Demonstration Projects Not Under Contract. Beginning last year, the Appropriations Subcommittee on Transportation discontinued the practice of earmarking highway projects in appropriations bills. This proposal rescinds funds for demonstration projects that were funded prior to 1996 but were never constructed.

Maintain Current Payment Date of Civilian Retiree Cost-of-Living Adjustments Through 2002 as Recommended by the President. This is the Function 400 component of this provision, which sets the COLA payment date for retirees of the U.S. Coast Guard. The bulk of policies affecting COLA payment dates appear in Function 600.

FUNCTION 400: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Make Amtrak more businesslike: provide labor relief, phase out operating and capital subsidies between 1999 and 2002:							
Budget authority	635	0	0	−130	−261	−390	−520
Outlays	608	0	0	−108	−231	−361	−490
Complete Northeast Corridor Improvement Program in 1999:							
Budget authority	115	0	0	0	−115	−115	−115
Outlays	163	0	0	0	−23	−81	−115
Reduce funds for the Office of the Secretary of Transportation:							
Budget authority	8	−6	−8	−8	−8	−8	−8
Outlays	8	−5	−7	−8	−8	−8	−8
Focus NASA's aeronautics on revolutionary new concepts:							
Budget authority	1,293	−60	−83	−111	−184	−206	−219
Outlays	1,087	−17	−62	−100	−155	−192	−214
Rescind funding for NASA's national aeronautics facility:							
Budget authority	0	−365	−365	−365	−365	−365	−365
Outlays	1	−7	−135	−568	−405	−365	−365
Terminate wooden bridge research and demonstration projects:							
Budget authority	0	0	0	0	0	0	0
Outlays	8	−1	−6	−7	−8	−8	−8

FUNCTION 400: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Eliminate corporate subsidies for development of "intelligent transportation systems":							
Budget authority	0	0	0	0	0	0	0
Outlays	17,297	−35	−141	−171	−181	−188	−194
Deregulate ocean shipping and eliminate the Federal Maritime Commission:							
Budget authority	15	−10	−15	−15	−15	−15	−15
Outlays	16	−9	−14	−15	−15	−15	−15
Eliminate the maritime corporate subsidy programs and terminate the Maritime Administration:							
Budget authority	111	−79	−88	−95	−102	−109	−111
Outlays	124	−63	−60	−76	−88	−99	−105
Eliminate funding for experimental rail programs with doubtful market potential:							
Budget authority	23	−19	−19	−19	−19	−19	−19
Outlays	22	−10	−19	−24	−24	−27	−24
Provide funding for advanced train control safety research:							
Budget authority	8	8	8	8	8	8	8
Outlays	8	3	6	8	8	8	8
Eliminate outdated airline subsidy program:							
Budget authority	23	−39	−39	−40	−41	−42	−43
Outlays	25	−18	−23	−23	−23	−23	−23
Eliminate Civil Aeromedical Institute and FAA Management Training Institute:							
Budget authority	21	−17	−21	−21	−21	−21	−21
Outlays	21	−14	−21	−21	−21	−21	−21
Phase out Federal mass transit operating subsidies by 2002: [1]							
Budget authority	942	−78	−158	−235	−313	−391	−460
Outlays	812	−41	−107	−182	−259	−338	−411
Mass transit capital expenditures: Phased in change in matching rate: [1]							
Budget authority	972	−60	−120	−181	−181	−181	−181
Outlays	2,755	−22	−114	−292	−510	−714	−847
Mass transit capital expenditures: no mass transit new starts [1]							
Budget authority	1,665	0	0	0	0	0	0
Outlays	1,943	−33	−180	−326	−460	−566	−600
Complete Washington Metro in 1999: [1]							
Budget authority	200	0	0	0	−150	−200	−200
Outlays	181	0	0	0	−3	−19	−54
Eliminate transit planning and research: [1]							
Budget authority	86	−86	−86	−86	−86	−86	−86
Outlays	95	−8	−46	−76	−84	−86	−86
Reduce duplication in small and minority business programs and consolidate functions within the Small Business Administration:							
Budget authority	5	−4	−5	−5	−5	−5	−5
Outlays	5	−4	5	−5	−5	−5	−5
Eliminate select functions and overhead for Department of Transportation Research and Special Programs Administration [RSPA]:							
Budget authority	24	−18	−24	−24	−24	−24	−24
Outlays	21	−14	−22	−24	−24	−24	−24
Encourage efficient management of the Federal Aviation Administration:							
Budget authority	186	0	−6	−26	−26	−26	−26

FUNCTION 400: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Outlays	253	0	−4	−18	−25	−27	−27
Eliminate Interstate Commerce Commission from outyear deficit projections:							
Budget authority	6	−6	−6	−6	−6	−6	−6
Outlays	9	−5	−6	−6	−6	−6	−6
Rescind funds for discretionary demonstration projects not under contract:							
Budget authority	NA	−95	−190	0	0	0	0
Outlays	NA	−16	−82	−113	−33	−12	−9

[1] Part of the proposal to redefine the Federal role in transit.

FUNCTION 400: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Eliminate highway demonstration projects:							
Budget authority	1,605	−1,109	0	0	0	0	0
Outlays	2,357	−75	−274	−221	−145	−99	−74
Extend vessel tonnage fees:							
Budget authority	[1] −49	0	0	−49	−49	−49	−49
Outlays	[1] −49	0	0	−49	−49	−49	−49
Maintain current payment date of civilian retiree cost-of-living adjustments through 2002 as recommended by the President:							
Budget authority	520	−3	−4	−4	−4	−4	−4
Outlays	499	−3	−4	−4	−4	−4	−4

[1] Negative number denotes cash in-flow to the Federal Government.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

Phased-In Downsizing of the Appalachian Regional Commission [ARC]. The Federal Government provides annual funding to the ARC for activities that promote economic growth in the Appalachian counties. Yet there is little evidence that the ARC can be credited with improvements in the economic health of Appalachia.

The programs supported by the ARC duplicate activities funded by other Federal agencies, such as the Department of Transportation's Federal Highways Program and the Department of Housing and Community Development Block Grant Program. ARC resources go to poor rural communities that areas are no worse off than many others outside the Appalachian region and, therefore, no more deserving of special Federal attention.

This proposal would gradually reduce the size of the Appalachian Regional Commission from a $170 million program currently to a $100 million program by 2001.

Focus the Tennessee Valley Authority on Its Power-Related Activities. The Tennessee Valley Authority [TVA] is the Nation's largest electric utility. It also is responsible for a variety of natural resource maintenance and development, recreational, community development, and environmental activities. In 1995 Congress appropriated $143 million for these activities.

This proposal would end this annual subsidy for TVA. Other equally deserving regions of the country fund these activities either through higher rates for electric power, local tax revenues, or user fees.

Downsize the Economic Development Administration. This proposal, included as part of the elimination of the Department of Commerce, includes reforming the criteria for projects and reducing the number of communities eligible for Economic Development Administration funding, streamlining the agency, and transferring the functions to the Small Business Administration.

Reduce by 50 Percent the Flood Insurance Subsidy on Pre-FIRM Structures. The National Flood Insurance Program [NFIP] offers insurance at heavily subsidized rates for buildings constructed before January 1, 1975, or the completion of a participating community's "Flood Insurance Rate Map" [FIRM]. Owners of post-FIRM construction pay actuarial rates for their insurance. Currently, 18 percent of total flood insurance coverage is subsidized. The Federal Emergency Management Agency [FEMA], which administers the Flood Insurance Program, reported in 1994 that 41 percent of policyholders were paying subsidized rates for some or all of their coverage. The program subsidizes only the first $45,000 of coverage for a single-family or two- to four-family dwelling, and the first $130,000 of a larger residential, nonresidential, or small business building. Coverage in the subsidized tier is currently priced at about one-third of its actuarial value. Under this proposal, the subsidy would be reduced by 50 percent.

Accept Administration's Proposed Funding for the Federal Emergency Management and Planning Assistance Program. The administration recommends savings in the FEMA Management and Planning Assistance account. The budget resolution accepts these recommendations.

Restore Equity in Unemployment Benefits. This is the Function 450 component of this proposal, which applies to technical assistance to firms affected by foreign competition. The remaining portion of the proposal is contained in Function 600.

FUNCTION 450: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Phase in downsizing of the Appalachian Regional Commission [ARC]:							
Budget authority	170	0	−15	−35	−50	−70	−70
Outlays	180	0	−1	−6	−16	−29	−41
Focus the Tennessee Valley Authority on its power-related activities:							
Budget authority	109	−89	−109	−109	−109	−109	−109
Outlays	112	−24	−104	−109	−109	−109	−109
Downsize the Economic Development Administration: [1]							
Budget authority	367	−14	−27	−27	−27	−367	−367
Outlays	414	−11	−26	−29	−30	−45	−120

FUNCTION 450: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Accept Administration's proposed funding for the Federal Emergency Management and Planning Assistance Program:							
Budget authority	179	5	−10	−25	−40	−21	1
Outlays	190	3	−4	−15	−29	−26	−10
Restore equity in unemployment assistance:							
Budget authority	9	−9	−9	−9	−9	−9	−9
Outlays	10	0	−2	−4	−7	−9	−9

[1] Part of the proposal to terminate the Department of Commerce.

FUNCTION 450: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est	Spending change					
		1997	1998	1999	2000	2001	2002
Reduce by 50 percent the flood insurance subsidy on prefirm structures:							
Budget authority	331	0	0	0	0	0	0
Outlays	398	−72	−192	−193	−199	−205	−209

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Maintain Current Level of Funding for Head Start. The budget resolution recommends that Head Start be funded at the current level and the appropriate investigation and evaluation on long-term effects be carried out. [Note: Because this proposal has no fiscal impact compared with current projections, it is not reflected in the table below.]

Phase Out the National Endowment for the Arts and Humanities Along With Several Other Smaller Programs. Under this proposal, funding for the National Capital Arts and Cultural Affairs would be terminated. Funding for the National Endowment for the Arts would be terminated after fiscal year 1997 and funding for the National Endowment for the Humanities would be terminated after fiscal year 1998. In addition, funding for National Telecommunications and Information Administration's [NTIA] information infrastructure grants would be terminated. With the user explosion of the Internet and other information technologies and networks, there is more than sufficient economic incentive for the private sector to develop, demonstrate, and offer virtually every conceivable telecommunications service. The Federal Government does not need to subsidize these technology application demonstrations. As noted in their Views and Estimates, the Committees on Commerce and Science have approved actions to terminate all of NTIA's grantmaking programs, including the assistance programs for public telecommunications facilities, Endowment for Children's Educational Television, and Information Infrastructure Grants.

Restore Equity in Unemployment Assistance. Trade Adjustment Assistance provides additional unemployment benefits and training

assistance to workers who lose their jobs as a result of foreign competition, including workers affected by NAFTA. There is no justification, however, for providing more assistance to an unemployed worker who lost a job because of foreign competition than for a worker whose unemployment resulted from domestic competition. Trade Adjustment Assistance provides 78 weeks of unemployment benefits while the majority of other Americans qualify for only 26 weeks of unemployment benefits. Moreover, a 1993 evaluation of the training components of the program by the Department of Labor inspector general determined that neither the Department nor the States could demonstrate that the program was effective helping unemployed workers find suitable employment. The inspector general's audit found that only 1 in 10 of former program participants surveyed found new training-related employment that paid suitable wages. The IG also noted that although the program requires participants to enroll in approved training courses, participants who did not wish to attend training were almost always granted waivers to continue receiving the income support allowance. (Please note: other components of this proposal appear in Function 450 and 600.)

Eliminate Funds for Politicized Activities Under the Name of "Community Service." The Corporation for National and Community Service was supposed to be an example of "reinvented government" and a model enterprise, not only for government, but also for private industry. The Corporation has failed to live up to any reasonable standard of accountability. Based on the reports of two independent accounting firms, six areas of accounting and financial irregularities have been identified. Because the budget resolution seeks to ensure the integrity and accountability in all expenditures of taxpayers' funds, it calls for correcting these irregularities.

In 1993–94, AmeriCorps employed about 20,000 "volunteers" all over America. A significant number of these paid volunteers worked in Federal or State bureaucracies, government-funded programs, or political action organizations. Ignoring the Corporation's mission statement to address the Nation's problems through direct community service, several AmeriCorps programs have actively engaged in direct partisan politics and advocacy activities at the expense of the taxpayers. The President declared AmeriCorps to be America at its best. Like many other government programs, however, AmeriCorps has failed to live up to its promises.

Restore State and Local Authority Over Education Standards (Goals 2000). Education reform will be achieved by encouraging innovation and rewarding results. Goals 2000 increases funding for bureaucracy and imposes new regulations on States and localities—exactly the wrong approach. To receive Goals 2000 funding, States must complete an education reform plan in compliance with Goals 2000 Federal mandates. This represents a new and unwarranted intrusion into State and local education decisionmaking. Goals 2000 should be eliminated.

Support the President's Program Terminations. The President's 1997 budget eliminates funding for Migrant Education, College Assistance Migrant Program, Innovative Education Program Strategies State Grants, Instruction in Civics, Dropout Prevention Dem-

onstrations, Ellender Fellowships, Telecommunications Demo for Math, National Diffusion Network, 21st Century Community Learning Centers, and National Writing Project.

Free Local School Districts to Promote English Proficiency. The Bilingual Instructional Services Program requires that schools spend 75 percent of their Federal funding on transitional bilingual education instructional methods, where students are taught both in English and their native language. Numerous studies have shown that heavy reliance on the pupil's native language can delay English proficiency. Eliminating Federal funding for bilingual education could free local school districts to offer the most effective programs for their students. Usage of title 1 funds for English immersion or English as a second language instruction could be increased. Currently, 34.7 percent of all limited English language proficient students are served by title 1, while only 9.6 percent are served by bilingual education. The largest number of limited English students—72 percent—are served by special State funds.

Maintain Funding for Pell Grants. The Omnibus Appropriations bill carried forward Pell grant funding from previous years, offsetting $1.3 billion in new spending. The budget resolution does not assume this one-time savings in future years, thus allowing Pell grants to be continued at the program level assumed in the Omnibus Appropriations bill. [Note: Because this proposal has no fiscal impact compared with current projections, it is not reflected in the table below.]

Discontinue Unneeded Capital Subsidies, as Proposed in the President's 1995 Budget. The President's fiscal year 1995 budget recommended discontinuing funding for Capital contributions for Perkins loans, saying:

> Federal direct student loans and Federal family education loans, together with new Perkins loans funded from $6 billion in existing institutional revolving funds, will provide adequate sources of capital for new student borrowing.

This proposal would not affect the two other campus-based programs, the work-study program and supplemental education opportunity grants. This proposal also would not reduce the Perkins loan cancellation payments, nor would it eliminate the $6 billion loan revolving fund.

Eliminate Duplicative Postsecondary Education Grant Programs, as Recommended in the President's Fiscal Year 1997 Budget. The State Incentive Grant Program was set up in 1972 to encourage States to offer scholarships to postsecondary students in financial need. Today, all 50 States and the District of Columbia offer this kind of assistance. For this reason, the National Performance Review and the President have recommended terminating this program. The State Postsecondary Review [SPRE] Program reimburses States for activities that supplement existing institutional licensing and review functions conducted by States to enable institutions to participate in the student loan program. Critics have argued that the program is poorly focused and overly burdensome. This proposal would eliminate funding for the program.

Eliminate Burdensome Categorical Grant Programs, as Called for in the Careers Bill and the President's Budget. The President proposed eliminating 15 postsecondary scholarship and fellowship programs, explaining that he intended to eliminate "a number of smaller, categorical programs that are administratively burdensome and duplicative of the broader student financial aid programs." In addition, this budget resolution notes that numerous merit scholarships already are provided by private groups, State governments, and universities.

Accept the President's Fiscal Year 1996 Proposal Concerning Aid to Institutions. The purpose of these programs is to help institutions of higher education with limited financial resources become financially self-sufficient. Although the goal is worthy, the resolution concurs with the administration's view that the best way to support these institutions is through investing in student financial assistance. According to the administration:

> Tuition revenues from a student receiving financial aid may be used for "developmental" purposes, such as those currently supported by part A, as well as the endowment-building activities currently supported by part C.

Phase Out Duplicative Robert C. Byrd Scholarships. This proposal would eliminate new awards from the Robert C. Byrd Scholarship Program. This program duplicates the numerous merit scholarships available from private groups, State governments, and universities.

Increase Funding for Historically Black and Hispanic Colleges by Eliminating Earmarked Funding for Howard University. Howard University funds 55 percent of its education and general expenses through its Federal appropriation. At the same time, Howard's privately raised funds trail those of its peer institutions. Howard's alumni response rate of 8 percent is far below that of other institutions. It is difficult to justify continuing a Federal subsidy of more than $15,000 per enrolled Howard University student when the funding needs at other Historically Black Colleges are so great. This proposal would eliminate Howard University's earmarked funding and redirect half the savings to the Strengthening Historically Black Colleges Fund.

Eliminate Nonperforming Job Corps Centers. The Senate Job Training Consolidation bill would close 10 Job Corps centers that are not effectively training participants. The administration supports this provision, but only if a review indicates that such closings are warranted.

Eliminate the Obsolete Office of the American Workplace. The primary function of the Office of the American Workplace is to promote "progressive" labor-management relationships. Under current budgetary pressures, this is clearly a service the Department of Labor can no longer afford to provide. The Office also administers and enforces provisions of the Labor-Management Reporting and Disclosure Act. These duties have been transferred to the Employment Standards Administration.

Maintain Funding for Title 1 and Drug-Free Schools at Current level. This budget assumes Title 1, Aid to Disadvantaged Children, and the Drug-Free Schools will be funded at the level in the 1996 Omnibus Appropriations bill. As the Budget Committee noted in last year's report, the title 1 program has done little to help the education performance of disadvantaged children. The recent reauthorization of elementary and secondary education programs, Improving America's Schools Act, contained a number of reforms to title 1. The budget resolution hopes that the program will be reexamined to see if the reforms have improved the program. If not, funding for the program should be redirected toward education programs with a proven track record of helping children. [Note: Because this proposal has no fiscal impact compared with current projections, it is not reflected in the table below.]

Reduce Department of Education Administration Account. As funding and responsibility for education is returned to local communities, the size and scope of the Washington education bureaucracy should be reduced.

Fund the Employment Standards Administration at a Level That Reflects the Repeal of Davis-Bacon. Funding for the Employment Standards Administration can be reduced since this budget repeals Davis-Bacon and the Service Contract Act.

Reduce Department of Labor Management Account. As the size and scope of the Department of Labor is reduced through consolidation and program elimination, the costs of running the Department can be significantly decreased. Within this account, several programs that duplicate existing activities or are simply unneeded could be eliminated. Possible targets for elimination include the Bureau of International Affairs and the Women's Bureau.

Maintain Funding for National Labor Relations Board at Level in House-Passed Labor/HHS Appropriations Bill. This agency receives, investigates, and prosecutes unfair labor practice charges filed by labor unions, individuals, and businesses. [Note: Because this proposal has no fiscal impact compared with current projections, it is not reflected in the table below.]

Provide Funding Increase to Bureau of Labor Statistics for the Consumer Price Index Revision. The budget resolution provides $5 million to the Bureau of Labor Statistics in fiscal years 1997 and 1998 to update the measurement of the Consumer Price Index [CPI]. The CPI update includes new market baskets of goods and services, as well as improvements in collecting and processing data for the CPI and for surveys that support the CPI. This revision is critical to the Nation's economy and to the Federal budget. The Bureau is expected to give this matter the highest priority.

Create a New Native American Block Grant. The education portion of the new Native American Block Grant appears in this Function; portions also appear in Function 450 and Function 550. It is assumed that this portion will be included in the block grant in fiscal year 2000.

Welfare Reform-Related Provisions. The following three provisions of the welfare reform plan have their spending impact in Function 500:

- Replace the AFDC JOBS Program Under Welfare Reform's Block Grant to the States. The welfare reform framework envisioned in this budget would establish a single cash welfare block grant to the States. The Aid to Families With Dependent Children [AFDC] Programs are terminated, including AFDC JOBS, which falls within Function 500. Savings from these terminations are channeled to the Temporary Assistance to Needy Families block grant which appears under Function 600.
- Establish Two Child Protection Block Grants. The welfare reform framework envisioned in this budget would create a child protection program consisting of three major elements: open-ended entitlements to foster care maintenance and adoption assistance payments, a Child Protection block grant consolidating programs authorized under the Social Security Act, and a Child and Family Services block grant consisting of programs authorized under the Child Abuse Prevention and Treatment Act and other laws authorizing both services and funding for research and training in the area of child protection. Creation of the block grants permits consolidation of 20 separate child protection programs, providing States with greater flexibility to respond to incidences of child neglect and abuse.
- Reduce Funding for the Title XX Social Services Block Grant.

Reform the Federal Employees Compensation Act. This is the Function 500 component of this provision, which principally appears in Function 600. This portion represents the cost of employing caseworkers to conduct roll management.

Reduce Unneeded Surplus Funding for the Department of Labor's Alien Labor Certification Program. Funding for the Alien Labor Certification Program within the Department of Labor would be reduced by 50 percent. The program funds efforts by State Unemployment Insurance offices to research claims by companies seeking authority from the Department of Labor to bring foreign workers into the United States on the grounds that no qualified American workers are available to fill job openings. State UI offices report that the money they receive for this dedicated activity is more than sufficient for their needs, and as a result balances are building up in their trust funds.

Eliminate Social Services Research Funding at Administration for Children and Families. The budget resolution assumes discontinuation of earmarked social services research funding within the Administration for Children and Families at the Department of Health and Human Services. As noted in the committee report accompanying H.R. 2127, the Labor/HHS appropriations bill for fiscal year 1996, research and demonstration activities can be centralized at HHS in the Secretary's office under the Assistant Secretary for Planning and Evaluation. That office has an extensive research program, and thus providing additional funding for research elsewhere in the Department is unnecessary and duplicative.

Accept the Administration's Fiscal Year 1998 Proposal for Smithsonian Institution Salaries and Expenses. The budget resolution maintains 1997 costs for salaries and expenses at the Smithsonian at the 1996 level and accepts the administration's proposed levels for fiscal years 1998 and 1999, then maintains the administration's proposed fiscal year 2000 level through 2002.

Accept the Administration's Fiscal Year 1997 Proposal for Construction. The budget resolution accepts the administration's proposed funding levels for construction through 1999, and then maintains level funding starting in 2000.

Accept the Administration's Fiscal Year 1998 Proposed Funding Level for Salaries and Expenses for the National Gallery of Art. The budget resolution maintains 1997 costs for salaries and expenses at the 1996 level, then accepts the administration's funding levels for fiscal years 1998 and 1999, and then maintains the administration's proposed fiscal year 2000 level through 2002.

Accept the Administration's Fiscal Year 1998 Proposed Funding Level for the John F. Kennedy Center for the Performing Arts. The budget resolution maintains 1997 funding for the center at the 1996 level, funds the center at the administration's proposed levels for 1998 and 1999, and then maintains the administration's proposed fiscal year 2000 level through 2002.

Accept the Administration's Proposed Funding Level Beginning in 1998 for the Institute of Museum Services. The budget resolution maintains 1997 funding at the 1996 level, then accepts the administration's proposes level for fiscal years 1998 through 1999, and maintains the administration's proposed 2000 level through 2002.

FUNCTION 500: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Phase out the National Endowment for the Arts and Humanities along with several other smaller programs:							
Budget authority	260	−62	−210	−260	−260	−260	−260
Outlays	359	−19	−94	−195	−238	−258	−260
Eliminate funds for politicized activities under the name of "community service":							
Budget authority	353	−353	−353	−353	−353	−353	−353
Outlays	380	−34	−208	−300	−331	−340	−344
Restore local and State authority over education standards (Goals 2000):							
Budget authority	530	−350	−350	−350	−350	−350	−350
Outlays	432	−42	−280	−343	−350	−350	−350
Support the President's program terminations:							
Budget authority	7,566	−299	−299	−299	−299	−299	−299
Outlays	8,658	−36	−238	−292	−297	−299	−299
Free local school districts to promote English proficiency:							
Budget authority	178	−178	−178	−178	−178	−178	−178
Outlays	209	−21	−142	−174	−177	−178	−178
Discontinue unneeded capital subsidies, as proposed in the President's 1995 budget: [1]							
Budget authority	7,065	−119	−119	−119	−119	−119	−119

FUNCTION 500: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Outlays	6,943	−12	−115	−119	−119	−119	−119
Eliminate duplicative post-secondary education grant programs, as recommended in the President's 1997 budget: [1]							
Budget authority	7,065	−31	−31	−31	−31	−31	−31
Outlays	6,943	−6	−31	−31	−31	−31	−31
Eliminate burdensome categorical grant programs, as called for in the careers bill and the President's budget: [2]							
Budget authority	842	−39	−39	−39	−39	−39	−39
Outlays	905	−5	−31	−38	−38	−39	−39
Accept the President's fiscal year 1996 proposal concerning aid to institutions: [2]							
Budget authority	842	−46	−46	−46	−46	−46	−46
Outlays	905	−6	−37	−45	−46	−46	−46
Phase-out duplicative Robert C. Byrd scholarships: [2]							
Budget authority	842	−9	−19	−22	−22	−22	−21
Outlays	905	−1	−9	−17	−21	−21	−22
Increase funding for Historically Black and Hispanic Colleges by eliminating the earmarked funding for Howard University							
Budget authority	1,022	−90	−90	−90	−90	−90	−90
Outlays	1,081	−158	−108	−92	−90	−90	−90
Eliminate nonperforming Job Corps centers:							
Budget authority	972	−88	−88	−88	−88	−88	−88
Outlays	958	−11	−87	−88	−88	−88	−88
Eliminate the obsolete Office of the American Workplace:							
Budget authority	23	−23	−23	−23	−23	−23	−23
Outlays	24	−20	−22	−22	−23	−23	−23
Reduce Department of Education administration account:							
Budget authority	327	−78	−78	−78	−78	−78	−78
Outlays	336	−52	−74	−78	−78	−78	−78
Fund the Employment Standards Administration at a level that reflects the repeal of Davis-Bacon:							
Budget authority	225	−20	−20	−20	−20	−20	−20
Outlays	230	−17	−20	−20	−20	−20	−20
Reduce Department of Labor management account:							
Budget authority	134	−11	−11	−11	−11	−11	−11
Outlays	137	−9	−10	−10	−11	−11	−11
Provide funding increase to Bureau of Labor Statistics for consumer price index revision:							
Budget authority	297	5	5	0	0	0	0
Outlays	297	4	5	1	0	0	0
Create a new native American block grant:							
Budget authority	569	0	0	0	−31	−31	−31
Outlays	584	0	0	0	−5	−26	−31
Reform the Federal Employees Compensation Act:							
Budget authority	225	4	4	4	4	4	4
Outlays	230	3	4	4	4	4	4
Reduce unneeded surplus funding for the Department of Labor's Alien Labor Certification Program:							
Budget authority	1,167	−23	−23	−23	−23	−23	−23
Outlays	1,128	−23	−23	−23	−23	−23	−23

FUNCTION 500: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Eliminate social services research funding at Administration for Children and Families:							
Budget authority	4,571	−11	−11	−11	−11	−11	−11
Outlays	4,740	−2	−10	−11	−11	−11	−11
Accept the administration's fiscal year 1998 proposal for Smithsonian Institution salaries and expenses:							
Budget authority	308	0	−5	−33	−60	−60	−60
Outlays	309	0	−4	−30	−57	−60	−60
Accept the administration's fiscal year 1997 proposal for construction:							
Budget authority	13	0	−1	−2	−3	−3	−3
Outlays	15	0	0	−1	−2	−3	−3
Accept the administration's fiscal year 1998 proposal for salaries and expenses for the National Gallery of Art:							
Budget authority	51	0	−1	−6	−10	−10	−10
Outlays	52	0	−1	−5	−10	−10	−10
Accept the administration's fiscal year 1998 proposal for the John F. Kennedy Center for the Performing Arts:							
Budget authority	10	0	0	−1	−2	−2	−2
Outlays	10	0	0	−1	−2	−2	−2
Accept the administration's fiscal year 1998 proposal for the Institute of Museum Services:							
Budget authority	22	0	−1	−3	−5	−5	−5
Outlays	26	0	−1	−3	−5	−5	−5

[1] This proposal impacts the Student Financial Assistance account.
[2] This proposal impacts the Higher Education account.

FUNCTION 500: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Restore equity in unemployment assistance:							
Budget authority	126	−105	−121	−97	−97	−97	−97
Outlays	118	−33	−92	−112	−101	−97	−97
Welfare reform:							
Budget authority	7,221	−1,221	−1,215	−1,204	−1,194	−1,233	−1,207
Outlays	7,159	−851	−1,113	−1,169	−1,149	−1,236	−1,231

FUNCTION 550: HEALTH

Accept Administration's Funding for the Health Resources and Services Administration [HRSA]. For HRSA, the budget resolution assumes the policy reforms detailed below and accepts the administration's spending levels for fiscal year 1999, and maintains that level through 2002. The resolution does not assume the additional $156 million HRSA spending cut in the President's budget for fiscal year 2000.

- Continue Funding for Community Health Centers. The budget resolution recommends continued support for community health centers. Funding should be prioritized according to needs in both rural and urban areas.

- Eliminate Unauthorized Rural Outreach Grants that Duplicate Other Federally Supported Services. Reforms contained in H.R. 3160, the Health Coverage Availability and Affordability Act of 1996, and Medicare and Medicaid reform will drive the private sector to develop rural health networks. The Rural Outreach Grants funded by the Health Resources and Services Administration fund local consortia of rural health care providers to coordinate and enhance the availability of health services. But the administration's justification correctly states:

  > Locally developed health care plans are more likely to succeed over a period of years in providing appropriate, cost-effective health care in rural communities.

The program has never been specifically authorized, and the funds were terminated in the fiscal year 1995 rescission bill. Services can be supported through community health centers, the Maternal and Child Health Block Grant, Medicaid, and other programs.

- Eliminate Funding Intended to Establish State Offices of Rural Health. All 50 States have received grants to establish State Offices of Rural Health, thus the purpose of the program has been accomplished. The program was intended to help States establish, not maintain, offices. None of the funding goes for the direct provision of care to patients. Therefore States can continue these offices if they believe they are useful. These funds were terminated in the fiscal year 1995 rescission bill.
- Eliminate Duplicative Grants to State Bureaucracies for Administering State Trauma Care Systems. This program provides grants to States to develop statewide trauma care and emergency medical service systems, but none of the funding goes for the direct care of patients; rather it funds State bureaucracies. Services are duplicative of those provided through the Preventive Health Services Block Grants. These funds were terminated in the fiscal year 1995 rescission bill.
- Eliminate Special Funding for Native Hawaiian Health Care Made Obsolete by Employer and State Insurance Reforms. This program was created to provide primary care services and disease prevention services for Native Hawaiians. Hawaii has a highly developed employer-based health service system which provides coverage to residents not insured through the employer mandate. These funds were terminated in the fiscal year 1995 rescission bill.
- Eliminate Funding for Pacific Basin Initiative That Duplicates Other Federal Funding Sources. This program provides funds to build health preventive services capacity in Pacific territories and to train health professionals. The territories receive funding under the Preventive Health Services Block Grant. These funds were terminated in the fiscal year 1995 rescission bill.
- Reprioritize Ineffective Funding for the National Health Services Corps. The NHSC attempts to alleviate the shortage of health care professionals by recruiting physicians and other health care professionals to provide primary care services in

what are designated as "Health Professional Shortage Areas." The NHSC is fraught with waste and abuse. The program spends $41,290 per health professional recruited with no discernible affect on staffing rural areas with physicians. GAO testified that the Department of HHS has no long-term retention data to judge the impact of the program. These funds were terminated in the fiscal year 1995 rescission bill. This proposal would reduce the funds by 50 percent.

- Terminate Narrowly Targeted Chiropractic Demonstration Grants. The Chiropractic Demonstration Grants funds the Palmer Chiropractic School to conduct chiropractic demonstrations. This is not a national priority.
- Remove Duplicative Funding for Centers of Excellence. This program was established to fund institutions that train minority health professionals. The administration has called for consolidating the program with other health professions programs and reducing funding in response to the Gore task force concerns over reducing the number of title VII programs. Institutional aid for postsecondary study is available under several other programs in HHS and the Department of Education.
- Consolidate Bureaucracy by Ending Department of Health and Human Services' Funding for the Office of Rural Health Policy. HHS's Office of Rural Health Policy was established to improve the delivery of health services to rural communities and populations. The administration request is $42,000 below last year's spending and $1.5 million below fiscal year 1995. The funds, terminated in the fiscal year 1995 rescission bill, support State bureaucracies. Similar research is conducted at HCFA, and market reforms continue to improve rural health services delivery.
- Eliminate Federal Funding for Nonessential Health Facilities Construction. The 1995 appropriation provided funding for two projects, one in Pennsylvania and one in West Virginia. It is not appropriate to award special funding for these localities, and the funds were terminated in the fiscal year 1995 rescission bill.
- Eliminate Subsidies to Health Professions Education Institutions That Do Not Go Directly to Students. This proposal eliminates subsidies for various health professions education. Subsidies go mainly to institutions and do not go directly to students. Also, market forces with high and rising wages provide strong incentives for individuals to seek training and jobs in health professions.
- Streamline Administrative Costs for Health Resources and Services Administration. Salaries and expense accounts should be reduced as programs and functions are consolidated and reformed. This proposal reduces S&E expenditures 5 percent for HRSA.

Incorporate Indian Health Care Services and Facilities Into New Native American Block Grant. Savings from this provision are in conjunction with the Native American Block Grant described in

Function 450. In the year 2000, Indian health care services and facilities will be covered under self-determination and will be incorporated in the new Native American Block Grant.

Reject the Administration's Proposed 25-Percent Cut in Centers for Disease Control and Prevention. The budget resolution rejects the administration's 25-percent cut in Centers for Disease Control and Prevention, which funds childhood immunizations, breast and cervical cancer screening, HIV prevention programs, among other efforts to control the spread of infectious diseases and reduce chronic diseases. The cuts proposed in the President's budget display questionable priorities in light of increased instances of cancer in women and unrelenting spread of sexually transmitted diseases. The resolution recommends maintaining sufficient funding for CDC, reprioritizing spending for increased disease-prevention efforts, and the policy recommendation below. [Note: Because this proposal has no fiscal impact compared with current projections, it is not reflected in the table below.]

Terminate the National Institute for Occupational Safety and Health [NIOSH]. The Institute is responsible for "conducting research and making recommendations for the prevention of work related illnesses and injuries." It is questionable whether this constitutes a "disease" and hence its CDC location. The program duplicates stated functions of the Occupational Safety and Health Administration [OSHA].

Consolidate Health Data Collection and Analysis Functions in HHS. The budget resolution recommends consolidation of health data collection and analysis activities, and elimination of duplicative and unnecessary functions. The committee does not support funding for the Agency for Health Care Policy and Research [AHCPR] outcomes guidelines research and distribution. The budget resolution recognizes, however, a certain limited role for AHCPR data analysis. These functions, along with all data collection activities should be consolidated and streamlined across the Department, including those in CDC, NIH, and HCFA.

Eliminate Unnecessary Funding in the Office of the Secretary and Accept Administration's Funding for Departmental Management. The budget resolution recommendation includes the policy reforms detailed below, accepts the administration's spending levels for fiscal year 1999, and maintains that level through 2002. The resolution does not accept the additional $14 million spending cut in the President's budget for fiscal year 2000.

- Reduce Bureaucracy and Unnecessary Spending by Eliminating the Office of the Surgeon General. The administration has not nominated a new appointee, and the office's function is not essential to the Nation's health.
- Terminate Ineffectual Federal Funding for Physical Fitness and Sports. The council has demonstrated no notable impact on the Nation's health. The Appropriations Committee eliminated funding in the fiscal year 1996 House-passed bill.
- Eliminate Data Analysis Funding for the President's Failed Health Plan. These are funds appropriated to assist the Presi-

dent with the failed Health Security Act, which the administration has abandoned. The act was not passed, and the funds are no longer needed. These funds were cut in the fiscal year 1995 rescission bill.

- Streamline Administrative Costs for the Office of the Secretary. Salaries and expense accounts should be reduced as programs and functions are consolidated and reformed. This proposal reduces S&E expenditures for the Office of the Assistant Secretary for Health.

Consolidate Duplicative Bureaucracy by Transferring the Mine Safety and Health Administration to the Occupational Safety and Health Administration, and Reduce the Combined Agency. The Mine Safety and Health Administration protects the safety and health of miners. The Occupational Safety and Health Administration performs much the same role in promulgating health and safety standards for nonmining industries. According to a recent report by the Heritage Foundation, this separate treatment is unnecessary. "Of the 6,271 job-related fatalities, only 80, or 1.3 percent, occurred in the coal/metal-nonmetal mining industry," the report said. "In contrast, 15 percent of the fatalities took place in construction, 14 percent in agriculture, and 12 percent in manufacturing." Yet none of these industries has a separate agency to oversee safety and health.

Maintain Current Payment Date for Civilian Retiree Cost-of-Living Adjustment Through 2002. As recommended by the President, this is the Function 550 component of this provision setting COLA receipt dates for Public Health Service retirees. The primary portion of the policy setting COLA receipt dates is contained in Function 600.

Reduce Department of Health and Human Services Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel and transportation of persons and things; shipping; printing and reproduction; and operation and maintenance of facilities. These savings will result from improved performance, not from any changes to the programmatic activities of the Department. Reductions have not been assumed in those costs that are closely related to the Department's central function. The budget resolution recommends that the Department head should decide on how to distribute these assumed savings among the categories identified above, as well as other overhead costs.

FUNCTION 550: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Accept the administration's funding for the Health Resources and Services Administration:							
Budget authority	3,087	−215	−215	−250	−250	−250	−250
Outlays	3,054	−32	−114	−226	−238	−249	−249

FUNCTION 550: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Incorporate Indian health care services and facilities into a new native American block grant:							
Budget authority	1,987	0	0	0	−112	−112	−112
Outlays	2,032	0	0	0	−96	−104	−109
Terminate the National Institute for Occupational Safety and Health:							
Budget authority	129	−169	−169	−169	−169	−169	−169
Outlays	117	−49	−101	−126	−126	−126	−126
Consolidate health data collection and analysis function in the department of Health and Human Services:							
Budget authority	65	−68	−68	−68	−68	−68	−68
Outlays	123	−12	−51	−68	−68	−68	−68
Eliminate unnecessary funding in Office of the Secretary, accept administration's funding level for departmental management:							
Budget authority	160	−3	−8	−22	−22	−22	−22
Outlays	121	−2	−6	−17	−20	−22	−22
Consolidate duplicative bureaucracy by transferring the Mine Safety and Health Administration to the Occupational Safety and Health Administration, and reduce the combined agency:							
Budget authority	449	−90	−90	−90	−90	−90	−90
Outlays	455	−81	−90	−90	−90	−90	−90
Reduce Department of Health and Human Services overhead:							
Budget authority	NA	−398	−398	−478	−478	−597	−797
Outlays	NA	−339	−398	−466	−478	−580	−767

FUNCTION 550: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Maintain the current date of civilian retiree cost of living adjustments through 2002 as recommended by the President:							
Budget authority	167	−1	−1	−1	−1	−1	−1
Outlays	167	−1	−1	−1	−1	−1	−1

FUNCTION 600: INCOME SECURITY

Treat Persons Who Voluntarily Leave Military Service the Same as Civilians With Regard to Unemployment Insurance Benefits. Currently, only members of the Armed Forces can file for and receive unemployment insurance benefits when they voluntarily leave their jobs. Providing these benefits to persons who have chosen to quit their jobs can lead to prolonging their period of unemployment. All persons who choose to leave their current jobs should be treated equally under unemployment insurance.

Reform the Earned Income Credit. President Clinton has proposed several reforms to the Earned Income Credit [EIC] to reduce fraud and limit payment of the credit to persons with substantial

sources of unearned income. The budget assumes adoption of these recommendations, including requiring a valid taxpayer identification number on all returns seeking EIC payments and limiting the amount of investment income persons can receive while qualifying for the EIC. In addition to these proposals from the President, the budget assumes eliminating EIC eligibility to persons with no qualifying children. The expansion of the EIC to childless workers in 1993 included a class of part-time workers who were specifically excluded from EIC eligibility when the credit was created in the 1970's. Only persons who work part time qualify for the maximum EIC childless workers benefit, and persons who work full time year-round at the minimum wage qualify for a benefit worth about $40 in 1996. This represents less than 2 cents per hour of earned income. We should not increase taxes on families with children whose breadwinners work full time or on two jobs to provide a wage subsidy for childless part-time workers. The budget also assumes a faster phaseout of EIC benefits to take into account the effect of the $500 per-child family tax credit policy contained in the revenues section.

Reform the Federal Employees Compensation Act [FECA]. Currently, there is no permanent system for reviewing workers compensation claims from Federal employees periodically to ensure that they remain disabled and eligible for benefits. FECA beneficiaries currently receive a nontaxable benefit worth up to 80 percent of their salary for as long as they remain disabled. This proposal establishes a permanent system of roll management for FECA beneficiaries, which reviews the status of persons whose conditions are likely to improve every 3 years.

Fund Commodity Assistance Program at President's Level Through 2000. The budget resolution assumes adoption of the President's recommended outyear policy change for this program through fiscal year 2000, with funding frozen at the President's recommended level for that year through fiscal year 2002.

Fund Food Program Administration at President's Level Through 2000. The budget resolution assumes adoption of the President's recommended outyear policy change for this program through fiscal year 2000, with funding frozen at the President's recommended level for that year through fiscal year 2002.

Accept President's Reduction in Outyear Funding for the Child Care and Development Block Grant. The budget resolution assumes adoption of the President's recommended outyear policy change for this program through fiscal year 2000, with funding frozen at the President's recommended level for that year through fiscal year 2002.

Accept President's Proposal for Railroad Retirement Windfall Benefits. The budget resolution assumes adoption of the President's recommended outyear policy change for this program through fiscal year 2000, with funding frozen at the President's recommended level for that year through fiscal year 2002.

Restore Equity in Unemployment Assistance. This is the Function 600 component of the provision affecting benefit payments. The remainder of the proposal appears in Function 500.

Create a Rural Development Block Grant. The rental assistance portion of the rural development block grant appears in this Function; other portions of the grant also appear in Functions 300, 370, and 450. The President has recommended reductions in this program; the budget resolution assumes his recommendation.

Technical Adjustment for Railroad Unemployment Reforms. This represents the Function 600 portion of this adjustment. See "Revenues" for the revenue associated with these reforms. These reforms are intended to be deficit neutral over time and will allow the Railroad Unemployment System to mirror State unemployment systems.

Accept the Administration's Proposal for Refugee Assistance. The budget resolution accepts the administration's proposed levels for refugee assistance through 2000, then maintains that level through 2002.

FUNCTION 600: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Fund Commodity Assistance Program at President's level through 2000:							
Budget authority	166	0	−8	−22	−37	−37	−37
Outlays	168	0	−7	−21	−36	−37	−37
Fund Food Program Administration at President's level through 2000:							
Budget authority	108	0	−6	−15	−23	−23	−23
Outlays	107	0	−5	−14	−22	−23	−23
Accept President's reduction in out year funding for child care and development block grant:							
Budget authority	935	0	0	−57	−145	−145	−145
Outlays	1,030	0	0	−37	−111	−141	−145
Accept President's proposal for railroad retirement windfall benefits:							
Budget authority	4,558	−8	−29	−46	−64	−64	−64
Outlays	4,536	−8	−29	−46	−64	−64	−64
Create a rural development block grant:							
Budget authority	541	0	−43	−88	−133	−133	−133
Outlays	489	0	−11	−26	−45	−64	−83
Reduce refugee assistance:							
Budget authority	405	−23	−54	−85	−117	−117	−117
Outlays	405	−13	−37	−67	−98	−111	−116

FUNCTION 600: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Treat persons who voluntarily leave military service the same as civilians with regard to unemployment insurance benefits:							
Budget authority	317	−210	−201	−203	−207	−213	−221
Outlays	317	−210	−201	−203	−207	−213	−221
Reform the earned income credit:							
Budget authority	20,397	−1,712	−1,752	−1,779	−1,847	−1,901	−2,009
Outlays	20,397	−1,712	−1,752	−1,779	−1,847	−1,901	−2,009

FUNCTION 600: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reform the Federal Employees Compensation Act:							
Budget authority	163	−4	−20	−15	−5	−6	−7
Outlays	163	−4	−20	−15	−5	−6	−7
Restore equity in unemployment benefits:							
Budget authority	214	−112	−208	−185	−184	−187	−190
Outlays	214	−112	−208	−185	−184	−187	−190
Technical adjustment for railroad unemployment reforms:							
Budget authority	NA	12	12	10	12	10	12
Outlays	NA	12	12	10	12	10	12
Reduce annual adjustment factors to cover operating costs only: [1]							
Budget authority	10,156	0	0	0	0	0	0
Outlays	19,642	−26	−83	−124	−147	−151	−153
Reduction of section 8 annual adjustment factors (AAF) for units without tenant turnover: [1]							
Budget authority	10,156	−18	−159	−209	−358	−360	−545
Outlays	19,642	−81	−229	−350	−448	−526	−589

[1] These two components are part of the overall reform of assisted housing.

FUNCTION 700: VETERANS' BENEFITS AND SERVICES

Round Down Fiscal Year 1997 Compensation COLA. The VA pays monthly cash benefits to veterans who have service-connected disabilities. The basic amounts of compensation paid are based on percentage-of-disability ratings (multiples of 10 percentage points) assigned to the veteran. A veteran whose disability is rated 30 percent or more disability also receives additional compensation for a spouse, children, and dependents. OBRA 1993 provided that the COLA would be rounded down to the next lower whole percentage point. This proposal would permanently extend this provision.

Apply New DIC COLA Rate to all DIC Recipients. The VA pays dependency and indemnity compensation [DIC] to the survivors of service members or veterans who died from a disease or injury incurred or aggravated during military service. For deaths on or after January 1, 1993, surviving spouses are paid $810 per month and, if the deceased veteran was totally disabled for a continuous period of at least 8 years immediately prior to death, an additional $177 per month. For deaths prior to January 1, 1993, surviving spouses may receive the higher of DIC under the new system or the old system determined by the pay grade of the deceased veteran. OBRA 1993 limited the fiscal year 1994 COLA for DIC paid under the older determination process to one-half the COLA applying to DIC paid for deaths after January 1, 1993.

Lift Prohibition on Home Loan Debt Collections. This proposal authorizes the VA to refer a veteran's home loan debt to the Internal Revenue Service for offset against income tax refunds or, in the case of debtors who are Federal employees, to the debtor's employing agency for offset against salary or wages.

Extend Real Estate Mortgage Investment Conduits. This recommendation authorizes the VA to guarantee the timely payment of principal and interest to purchasers of real estate mortgage investment conduits [REMIC's]. REMIC's are used to bundle and market home loan mortgages.

Repeal the Davenport Decision. This proposal would restrict vocational rehabilitation benefits to only those veterans who have service-connected disabilities that are substantially linked to their employment handicaps. Since 1917, when the first vocational rehabilitation law was passed, a causal nexus between a veteran's service-connected disability and an employment handicap has been included in the authorizing legislation as a precondition to entitlement to vocational rehabilitation benefits for service-disabled veterans. When this legislation was rewritten in 1980 this express language was omitted, inadvertently the VA believes. In March 1995, the Court of Veterans Appeals invalidated VA regulations that based a veteran's entitlement to vocational rehabilitation services under chapter 31 on a requirement that the veteran's service-connected disability materially contributed to employment handicap *(Davenport* v. *Brown)*. As a result, Mr. Davenport, who has a 10-percent disability rating based on a fungus infection on one of his toes, was eligible for the considerable VA rehabilitation benefits. Indeed, as a result of the Court of Veterans Appeals ruling in *Davenport,* almost any veteran who has at least a service-connected disability of 10 percent is eligible for vocational rehabilitation benefits as long as that veteran also has a disabling condition, service-connected or nonservice-connected, that causes an impairment to employment which has not been overcome by prior developed skills.

Permanently Extend Authority to Collect Copayments for Prescription Medications. The VA is currently authorized to collect a $2 copayment for each 30-day supply of outpatient prescription drugs prescribed for conditions which are not related to the treatment of a service-connected disability. (Veterans with a service-connected condition rated 50 percent or more and low-income veterans are exempted.) This proposal would permanently extend this authority, which has already been approved by Congress on a temporary basis on three separate times.

Permanently Extend Authority to Recover Costs From Health Insurers of Veterans for Nonservice-Related Conditions. The VA has permanent authority to collect payment from private health insurance companies for medical care given to veterans with no service-related disabilities. The VA also has temporary authority, through fiscal year 1998, to recover from private health insurance companies the medical costs of veterans who do have service-related disabilities, when such veterans receive care for conditions not related to their service-related disabilities. This OBRA-1993 provision would be made permanent under this proposal.

Permanently Extend Income Verification for Medical Care Cost Recovery. This recommendation would extend permanently VA's authority to check the income of veterans using Social Security numbers/internal revenue service records to determine eligibility of veterans for means-tested medical care.

Permanently Extend Income Verification for Pension Eligibility. The VA currently is able to access IRS data to verify incomes reported by beneficiaries for establishing eligibility for pensions. This OBRA-1990 provision, extended through fiscal year 1998 by OBRA 1993, would be made permanent under this proposal.

Permanently Extend Pension Limit to Persons in Medicaid Nursing Home. OBRA 1990 placed a $90 monthly limit on VA needs-based pension benefits paid to veterans or survivors without dependents receiving care in a Medicaid-approved nursing home. This limit of $90 is effective through fiscal year 1998. This proposal would permanently extend the limit.

Permanently Extend 0.75-Percent Loan Fee for Housing Loans and Extend Authority for Higher No-Bid Rate in Housing Programs. The VA's mortgage guarantee program makes it possible for veterans to buy homes with little or no downpayment, and at favorable rates. The primary cost of the program comes from defaults and subsequent property foreclosures. The VA charges veterans who do not have a service-connected disability a basic fee to use the VA Home Loan Guarantee Program. OBRA 1993 increased these fees by 0.75 percent of the loan amount for loans closed between October 1, 1993 and September 30, 1998. This proposal would permanently extend this 0.75-percent addition to the basic fees.

The VA uses a "no-bid" formula to determine the least expensive alternative to dispose of foreclosed property. This proposal would make permanent a modification to the no-bid formula which requires VA to consider its "losses sustained on the resale of the property" when establishing the rate.

OBRA 1993 established a fee of 3 percent of the amount of the loan, with less than 5-percent downpayment, for a veteran who previously obtained a VA-guaranteed home loan. The increased fee applies in the case of second and subsequent loans closed between October 1, 1993 and September 30, 1998. This provision would make this higher rate permanent.

Repeal the Gardner Decision. In 1994, the Supreme Court issued the *Gardner* decision which extended disability compensation to veterans in cases where no liability was found on the part of the VA hospital. This provision clarifies statutory intent that compensation is only available when VA is found at fault.

FUNCTION 700: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Round down fiscal year 1997 compensation COLA: [1]							
Budget authority	14,979	−17	−38	−58	−77	−105	−139
Outlays	13,794	−16	−36	−56	−81	−98	−136
Apply new DIC COLA rate to all DIC recipients: [1]							
Budget authority	14,979	−7	−14	−22	−31	−38	−44
Outlays	13,794	−6	−14	−22	−33	−34	−43
Lift prohibition on home loan debt collections:							
Budget authority	61	−90	0	0	0	0	0

FUNCTION 700: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	1997	1998	1999	2000	2001	2002
Outlays	61	−90	0	0	0	0	0
Extend real estate mortgage investment conduits:							
Budget authority	89	−5	−5	−5	−5	−5	−5
Outlays	89	−5	−5	−5	−5	−5	−5
Repeal the Davenport Decision:							
Budget authority	1,360	−20	−39	−56	−56	−56	−57
Outlays	1,360	−20	−39	−56	−56	−56	−57
Permanently extend authority to collect copayments for prescription medications:							
Budget authority	[2] −32	0	0	−38	−40	−42	−44
Outlays	[2] −32	0	0	−38	−40	−42	−44
Permanently extend authority to recover costs from health insurers of veterans for nonservice related conditions:							
Budget authority	[2] −196	0	0	−220	−229	−238	−247
Outlays	[2] −196	0	0	−220	−229	−238	−247
Permanently extend income verficaition for medical care cost recovery:							
Budget authority	[2] −6	0	0	−7	−7	−8	−8
Outlays	[2] −6	0	0	−7	−7	−8	−8
Permanently extend income verification for pension eligibility:							
Budget authority	3,012	0	0	−10	−20	−30	−40
Outlays	2,771	0	0	−10	−20	−30	−40
Permanently extend pensino limit to persons in medicaid nursing homes:							
Budget authority	3,012	0	0	−462	−513	−452	−504
Outlays	2,771	0	0	−462	−513	−452	−504
Permanently extend 0.75-percent loan fee for housing loans and etend authority for higher no-bid rate in housing programs:							
Budget authority	89	0	0	−164	−160	−156	−153
Outlays	89	0	0	−164	−160	−156	−153
Repeal the Gardner Decisison: [1]							
Budget authority	14,979	−24	−63	−103	−144	−187	−223
Outlays	13,794	−22	−60	−100	−152	−173	−220

[1] This proposal impacts the compensation account.
[2] Negative number denotes cash in-flow to the federal government.

FUNCTION 750: ADMINISTRATION OF JUSTICE

Phase Out Federal Funding for the Legal Services Corporation. The Legal Services Corporation [LSC] is one of several organizations intended to provide the poor with access to free legal aid in civil matters. Too often, however, lawyers funded through Federal LSC grants have focused on political causes and class action lawsuits rather than helping poor Americans solve their legal problems. Lawyers have used the LSC grants to file lawsuits against welfare reform. A phaseout of Federal funding for the LSC will not eliminate free legal aid to the poor. State and local governments, bar associations, and other organizations already provide substantial legal aid to the poor. The phaseout of Federal funding would just end the most controversial and counterproductive legal representations. This proposal continues the 3-year Federal funding phaseout proposed in the fiscal year 1996 budget resolution.

Eliminate the Associate Attorney General Position and Office. The Presidentially appointed Associate Attorney General position is an

unneeded level of bureaucracy, which should be eliminated. This position is not part of the formal Department of Justice structure and is unnecessary to implement Departmental policies. Instead, this position has been used to reward politically connected friends of the President.

Restore Local and State Authority in Community Relations. The Federal Community Relations Service [CRS] provides assistance to communities in preventing and resolving disputes and difficulties between ethnic and racial groups. These laudable goals, however, can be far better addressed by local, State, and nongovernmental institutions "on the ground," where potential problems exist, than by a centralized, "one-size-fits-all" approach.

Terminate Ineffective Funding for the State Justice Institute [SJI]. The State Justice Institute funds research and demonstration projects and distributes information about ways to administer justice. The Institute provides no actual services and has not improved the administration of justice at the Federal or State level, and should be eliminated.

Terminate the U.S. Parole Commission. The Comprehensive Crime Control Act of 1984 abolished the U.S. Parole Commission and instituted mandatory sentencing for all offenders whose crimes were committed after November 1, 1987. Although the Commission is to be abolished on November 1, 1997, 10 years after the implementation of the U.S. Sentencing Guidelines, there is a proposal to extend its life. This proposal opposes the extension of the U.S. Parole Commission. Abolishing the Commission and distributing its current workload to other offices will have little or no effect on pending cases.

Accept Administration Savings Proposals. This proposal adopts the President's funding reduction in such programs as the Department of Justice—general administration; U.S. Secret Service—salaries and expenses; Equal Employment Opportunity Commission—salaries and expenses; and HUD, Management and Administration—salaries and expenses.

FUNCTION 750: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Phase out Federal funding for the legal Services Corporation:							
Budget authority	278	−183	−278	−278	−278	−278	−278
Outlays	293	−161	−267	−278	−278	−278	−278
Eliminate the Associate Attorney General position and office:							
Budget authority	2	−2	−2	−2	−2	−2	−2
Outlays	2	−2	−2	−2	−2	−2	−2
Restore local and State authority in community relations:							
Budget authority	5	−4	−5	−5	−5	−5	−5
Outlays	8	−3	−5	−5	−5	−5	−5
Terminate ineffective funding for the State Justice Institute:							
Budget authority	5	−4	−5	−5	−5	−5	−5
Outlays	11	−1	−3	−4	−5	−5	−5

FUNCTION 750: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Terminate the U.S. Parole Commission:							
Budget authority	5	−3	−5	−5	−5	−5	−5
Outlays	6	−3	−5	−5	−5	−5	−5
Accept the Administration's savings proposals:							
Budget authority	892	−16	−56	−84	−125	−125	−125
Outlays	797	−14	−51	−81	−120	−125	−125

FUNCTION 800: GENERAL GOVERNMENT

Repeal Title V of the McKinney Act. This proposal repeals a provision of the McKinney Homeless Assistance Act that gives right of first refusal in the disposal of surplus Federal properties to groups providing aid to the homeless. These groups would retain eligibility to obtain these properties, but would lose preferential treatment. The proposal saves funds primarily by limiting the Federal Government's exposure to litigation and increasing the appraisal value of surplus Federal property.

Eliminate the Council of Economic Advisers. The Council of Economic Advisers was established to advise the President on the economy and policies for economic growth. The is a duplicative program since the President already has at his disposal numerous experts on economic matters located throughout the administration.

Eliminate the Joint Committees on Printing and Library. With reduced responsibilities for the Government Printing Office [GPO], Congress can eliminate the Joint Committees on Printing and the Joint Committee on the Library of Congress. Oversight of a smaller GPO would be performed by the Senate Committee on Rules and Administration and the House Committee on Oversight.

Reduce Funding for the Executive Office of the President by 15 Percent. When he took office, the President promised major reductions in executive branch staff, especially in the White House. This proposal would carry out the President's pledge.

Reduce Funding for the General Accounting Office. The General Accounting Office is undergoing a 25-percent staff reduction that started in 1992. This reduction would absorb savings that should result from these reductions.

Restructure the Department of the Interior's Territorial and International Affairs. The Department of the Interior is responsible for promoting the economic and political development of insular areas under the jurisdiction of the United States. The Secretary originates and implements Federal policy for the territories; coordinates certain operating and construction projects; and provides information services and technical assistance. This proposal would eliminate all territorial assistance and funding, except funding for the brown tree snake. It would terminate grants to the Northern Mariana Islands, but fund American Somoa.

Open a Small Portion of the Coastal Plain of ANWR for Exploration. This is the Function 800 component of the proposal that appears in Function 300. In this function, payments are made to the State of Alaska.

Accept Administration Savings Proposals. This proposal adopts the President's funding reduction in such programs as Treasury Buildings and Annex Repair and Restoration; Library Buildings and Grounds; Administering the Public Debt; Senate Office Building; White House Repair and Restoration; Capitol Power Plant; GSA—Policy and Operations; OPM—Salaries and Expenses; National Archives and Records Administration—Operating Expenses; and JFK Assassination Review Board. This recommendation also eliminates the Office of Technology Assessment, which was included in the fiscal year 1996 budget resolution to be eliminated.

Impose a 6-Year Moratorium on Construction and Acquisition of New Federal Buildings. This recommendation places a hold on General Services Administration's acquisition and construction of all new office spaces and courthouses. This proposal allows an exemption in the cases of Federal buildings destroyed by unforeseen disasters or acts of God.

Reduce the Department of Treasury Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel and transportation of persons and things; shipping; printing and reproduction; and operation and maintenance of facilities. These savings will result from improved performance, not from any changes to the programmatic activities of the Department. Reductions have not been assumed in those costs that are closely related to the Department's central function. The budget resolution recommends that the Department head should decide on how to distribute these assumed savings among the categories identified above, as well as other overhead costs.

Reform the Department of Interior's Minerals-Related Agencies. The budget resolution assumes reforms in Function 300 that will lead to a more efficient royalty collection process. These reforms will lead to higher rents and royalties derived from the Outer Continental Shelf [OCS] [Function 950], and also higher mineral leasing payments being paid to the States [Function 800].

FUNCTION 800: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Eliminate the Council of Economic Advisers:							
Budget authority	3	−2	−3	−3	−3	−3	−3
Outlays	3	−2	−3	−3	−3	−3	−3
Eliminate the Joint Committee on Printing and Library:							
Budget authority	1	−1	−1	−1	−1	−1	−1
Outlays	1	−1	−1	−1	−1	−1	−1
Reduce funding for the Executive Office of the President by 15 percent:							
Budget authority	201	−30	−30	−30	−30	−30	−30
Outlays	191	−30	−30	−30	−30	−30	−30

FUNCTION 800: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY—Continued

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Reduce funding for the General Accounting Office:							
Budget authority	374	−30	−30	−30	−30	−30	−30
Outlays	363	−26	−27	−29	−30	−30	−30
Restructure the Department of the Interior's Territorial and International Affairs:							
Budget authority	25	−16	−16	−16	−16	−16	−16
Outlays	46	−10	−16	−16	−16	−16	−16
Accept the Administration's savings proposals:							
Budget authority	696	−44	−90	−138	−186	−186	−186
Outlays	740	−32	−81	−129	−176	−183	−184
Impose a 6-year moratorium on construction and acquisition of new Federal buildings:							
Budget authority	66	−545	−545	−545	−545	−545	−0
Outlays	151	−16	−71	−186	−354	−491	−512
Reduce Department of Treasury overhead:							
Budget authority	NA	−271	−271	−325	−325	−406	−541
Outlays	NA	−230	−271	−317	−325	−394	−521

FUNCTION 800: ADDITIONAL MADATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Repeal title V of the McKinney Act:							
Budget authority	[1] −10	−3	−3	−3	−3	−3	−3
Outlays	[1] −10	−3	−3	−3	−3	−3	−3
Restructure the Department of the Interior's Territorial and International Affairs:							
Budget authority	28	7	7	7	7	7	7
Outlays	46	15	20	16	11	4	−1
Open a small portion of the coastal plain of ANWR for exploration:							
Budget authority	508	0	575	0	400	1	1
Outlays	508	0	575	0	400	1	1
Reform the Department of the Interior's minerals-related agencies:							
Budget authority	508	3	4	2	1	0	0
Outlays	508	3	4	2	1	0	0

[1] Negative number denotes cash in-flow to the Federal Government.

FUNCTION 920: ALLOWANCES

Allow an Open Season for CSRS Participants to Convert to FERS. An open season would permit current employees who are participants in CSRS to convert to FERS. This will reduce the unfunded liability in CSRS to the degree that the option is exercised, and move people from a system that costs the government 25.4 percent of payroll to one that costs 12.4 percent of payroll. An advantage for employees is that they could fully participate in TSP, gaining the 5-percent employer match and qualifying for the tax deferral of up to 10 percent. The open season that CSRS participants were granted when FERS was created resulted in 5 percent of CSRS participants selecting the new system. At that time, there was no C or F funds in TSP, and no 10-year track record of TSP

performance such as we now have for the C fund, which has earned an average annual return of 13 percent in that time period. Portions of this option also appear in Function 950 and Revenues.

Reform the Federal Employees Compensation Act. This is the Function 920 component of this proposal, which involves savings from agency reimbursements for FECA payments as a result of ongoing roll management. Other components of this policy appear in Functions 500 and 600.

Contract Out Government Printing Orders of Less than $1,000. This proposal calls for savings governmentwide by contracting out printing services and requiring that all Federal agencies use a credit card to purchase small printing jobs of less than $1,000.

Reduce the Number of Political Appointees. This proposal would cap the number of political appointees at 2,300. The term "political appointee" refers to employees of the Federal Government who are appointed by the President and certain policy advisors. Some political appointees must have Senate confirmation. This proposal would not only eliminate about 500 positions, but it would also save time in the Senate used for confirmation.

Reduce Independent Agencies' Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel and transportation of persons and things; shipping; printing and reproduction; and operation and maintenance of facilities. These savings will result from improved performance, not from any changes to the programmatic activities of agencies. Reductions have not been assumed in those costs that are closely related to each agencies' central function. The budget resolution recommends that the department head should decide on how to distribute these assumed savings among the categories identified above, as well as other overhead costs. This recommendation does not assume overhead reduction in Environmental Protection Agencies and National Aeronautics and Space Administration.

Provide Contingency and Emergency Funds. This proposal provides more than $4.5 billion in contingency and emergency funds. The Conference Report to H.R. 3019, the Balanced Budget Down Payment Act, II, rescinded $1 billion of disaster relief funds that were provided in the disaster relief and disaster relief contingency accounts in Public Law 104–19. The conferees indicated that the rescission:

> * * * will leave the Federal Emergency Management Agency approximately $1,300,000,000 short of known or expected requirements by the end of fiscal year 1997. As such, it is expected that FEMA will request an approximate supplemental budget request to meet necessary requirements at an early point during fiscal year 1997.

This proposal provides for the anticipated request by FEMA. In addition, eight subcommittees of the House Committee on Appropriations—Agriculture; Commerce, Justice, State; Defense; Energy and Water; Foreign Operations; Interior; Military Construction; and Transportation—provided emergency appropriations as part of H.R.

3019. For fiscal year 1997, the budget resolution provides for $3.2 billion to pay for emergencies that may occur.

FUNCTION 920: ADDITIONAL DISCRETIONARY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	est. 1996	Spending change					
		1997	1998	1999	2000	2001	2002
Allow an open season for CSRS participants to convert to FERS:							
Budget authority	0	50	50	50	50	60	60
Outlays	0	50	50	50	50	60	60
Reform the Federal Employees Compensation Act:							
Budget authority	NA	0	−2	−10	−23	−25	−28
Outlays	NA	0	−2	−10	−23	−25	−28
Contract out Government printing orders of less than $1,000:							
Budget authority	NA	−40	−55	−55	−55	−55	−55
Outlays	NA	−38	−54	−55	−55	−55	−55
Reduce the number of political appointees:							
Budget authority	318	−3	−39	−80	−81	−7	−45
Outlays	318	−3	−38	−78	−81	−10	−43
Reduce independent agencies' overhead:							
Budget authority	NA	−230	−230	−276	−276	−345	−460
Outlays	NA	−195	−230	−269	−276	−334	−442
Provide contingency and emergency funds:							
Budget authority	NA	4,562	0	0	0	0	0
Outlays	NA	200	800	1,681	1,681	200	0

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

Allow an Open Season for CSRS Participants to Convert to FERS. This is the Function 950 component of the proposal, which is fully described in the Function 920 discussion in this appendix. This portion of the proposal includes agency employers share Social Security tax payments and agency contributions to the CSRDF for employees who choose to switch from CSRS to FERS.

Increase Agency Contributions to Retirement Trust Funds by 1.5 Percentage Points for CSRS Employees Beginning in Fiscal Year 1997. Under the Federal Retirement System, the government is required to contribute the full normal cost of accruing pension benefits for its employees in the Civil Service Retirement and Disability Trust Fund. The full normal cost for a CSRS employee is 25.4 percent of payroll. Currently, those costs are distributed 7 percent to the employee, 7 percent to the agency, and 11.4 percent to the Treasury. This proposal shifts 1.5 percent of that contribution from the Treasury to the employee's agency, thus making the cost of that employee to the agency closer to the true cost of his future retirement benefits. This results in a mandatory savings of $3.867 billion since the additional cost is transferred from the Treasury to the agencies without raising the discretionary spending caps. This proposal was included in the Conference Report for the Balanced Budget Act.

Broaden and Extend Spectrum Auctions. The Omnibus Budget Reconciliation Act of 1993 granted the Federal Communications Commission [FCC] limited authority to auction new licenses to use the radio spectrum. The authority, however, was limited to a 5-year

period ending on September 30, 1998, and did not extend to many classes of new licenses. The law excluded licenses issued to profit-making businesses that did not charge a subscription fee for telecommunications services. This proposal, which was also contained in the Balanced Budget Act that President Clinton vetoed, broadens and extends spectrum auctions, requires the Federal Communications Commission to auction 100 megahertz of spectrum located below 3 gigahertz and requires the Department of Commerce to reallocate from Federal to non-Federal use a single frequency band of at least 20 megahertz.

Sell the Alaska Power Administration [APA]. As provided for in the Balanced Budget Act [BBA], the committee again reiterates its support for the sale of APA. The administration's National Performance Review stated that: "[t]he Federal Government should divest its interest in the Alaska Power Administration." There is no need for Federal involvement in this issue since it deals solely with assets located within one State. This proposal sells the APA in accordance with the terms of the purchase agreements negotiated in 1989 between the Department of Energy and the proposed purchasers. [Note: This Function includes only the proceeds from the asset sale; the remaining transactions appear in Function 270.]

Privatize the Naval Petroleum and Oil Shale Reserves and Sell Additional Assets. This reflects the asset sale component of this proposal.The remaining transactions appear in Function 270.] In addition, the President has recommended selling additional assets. The budget resolution assumes the sale of additional assets. It recognizes, however, that the committees of jurisdiction will select the specific assets.

Reform the Department of Interior's Minerals-Related Agencies. The budget resolution assumes reforms in Function 300 that will lead to a more efficient royalty collection process. These reforms will lead to higher rents and royalties derived from the Outer Continental Shelf [OCS] (Function 950), and also higher mineral leasing payments being paid to the States (Function 800).

Sell Governors Island. Governors Island, situated in New York harbor, houses the largest Coast Guard facility in the world. To reduce its operating costs, the Coast Guard has developed a streamlining plan that includes closing and relocating the Coast Guard facilities on Governors Island.

This proposal would require the Administrator of the General Services Administration to sell Governors Island at fair market value. It also would give the State of New York and the City of New York a right of first refusal to purchase the property. The sale would be exempt from the law and regulations that currently apply to the disposal of real property by the Federal Government.

Sell Air Rights Adjacent to Union Station. This provision directs the Administrator of the General Services Administration to sell approximately 16.5 acres of air rights adjacent to Union Station at fair market value, in a manner to be determined by the Administrator.

FUNCTION 950: ADDITIONAL MANDATORY CHANGES FROM CURRENT POLICY

[In millions of dollars]

	1996 est.	Spending change					
		1997	1998	1999	2000	2001	2002
Allow an open season for CSRS participants to convert to FERS:							
Budget authority	21,684	−40	−40	−40	−40	−50	−50
Outlays	21,684	−40	−40	−40	−40	−50	−50
Increase Agency contributions to retirement trust funds by 1.5 percentage points for CSRS employees:							
Budget authority	15,702	−566	−536	−525	−514	−501	−489
Outlays	15,702	−566	−536	−525	−514	−501	−489
Broaden and extend spectrum auctions:							
Budget authority	[1] −4,900	0	−1,400	−2,600	−4,400	−5,200	−5,600
Outlays	[1] −4,900	0	−1,400	−2,600	−4,400	−5,200	−5,600
Sell Alaska Power Administration:							
Budget authority	0	0	−70	0	0	0	0
Outlays	0	0	−70	0	0	0	0
Privitize the Naval petroleum and oil shale reserves and sell additional assets:							
Budget authority	0	−1,500	0	0	0	0	−600
Outlays	0	−1,500	0	0	0	0	−600
Reform the Department of the Interior's minerals-related agencies:							
Budget authority	[1] −2,700	0	−5	−7	−7	−7	−7
Outlays	[1] −2,700	0	−5	−7	−7	−7	−7
Sale of Governors island:							
Budget authority	0	0	0	−500	0	0	0
Outlays	0	0	0	−500	0	0	0
Sell air rights adjacent to Union Station:							
Budget authority	0	0	−40	0	0	0	0
Outlays	0	0	−40	0	0	0	0

[1] Negative number denotes cash in-flow to the Federal Government.

Additional Revenue Provisions

Allow an Open Season for CSRS Participants to Convert to FERS. An open season would permit current employees who are participants in CSRS to convert to FERS. This will reduce the unfunded liability in CSRS to the degree that the option is exercised, and move people from a system that costs the government 25 percent of payroll to one that costs 12 percent of payroll. An advantage for employees is that they could fully participate in TSP, gaining the 5 percent employer match and qualifying for the tax deferral of up to 10 percent. The open season that CSRS participants were granted when FERS was created resulted in 5 percent of CSRS participants selecting the new system. At that time, there was no C or F funds in TSP, and no 10-year track record of TSP performance such as we now have for the C fund, which has earned an average annual return of 15 percent in that time period. Portions of this proposal also appear in Functions 920 and 950.

Increase Employee Contributions to Retirement by One-Half Percentage Point for CSRS, FERS and Postal Service Employees as Proposed by the President. When the Federal Retirement System was created in 1920, costs of maintaining the system were expected to be shared 50–50 between Federal employees and the government. Historically, as system costs grew, the employee contribution was increased. Employee contributions were increased in 1929,

1939, 1949, 1959, & 1969. However, the employees share has not been raised since 1969, even though benefits have increased substantially as a result of significant levels of inflation and frequent COLA adjustments in the 1970's and 1980's. In contrast, Social Security payroll taxes (the "employees share" of Social Security) have risen 59 percent since 1970. Employees currently contribute 28 percent of the resources needed to finance Federal retirement benefits, while taxpayers contribute 72 percent of the needed funds. By increasing the contributions current employees make by half of a percentage point phased in over the next 3 years, we can narrow the amount of Federal bailout needed to make good on future retirement benefits for Federal employees. Civil Service Retirement System employees will see their contributions increase from 7 percent of pay to 7.5 percent of pay, while FERS employees will see their contributions increased from .8 percent to 1.3 percent. This proposal was in the Balanced Budget Act and the President's 1997 budget submission.

Improve Federal Debt Collection Procedures. Among the debt collection proposals which are assumed in this function is enactment of a continuous levy authority for the Internal Revenue Service to enhance collection of delinquent tax debt. A nonrevenue debt collection enhancement proposal is assumed in Function 950.

Technical Adjustment for Railroad Unemployment Reforms. This represents the revenue portion of this adjustment. See Function 600 for the benefit change associated with these reforms. These reforms are intended to be deficit neutral over time and will allow the Railroad Unemployment System to mirror State unemployment systems.

Replace the One-Dollar Bill with a New Dollar Coin. Dollar bills constitute approximately 45 percent to 50 percent of all notes produced annually by the Bureau of Engraving and Printing. One-dollar notes circulate on average only 18 months and must be frequently printed and purchased. By contrast, the costs of coins are substantially lower because coins have lower handling expenses and remain in circulation for up to 30 years. The savings for this recommendation stem from reductions in the costs of producing and maintaining the Nation's supply of currency at the Federal Reserve. [In addition to the above savings, replacing one-dollar notes with one-dollar coins would produce indirect effects on the Federal budget. These indirect effects save $1.1 billion over 6 years. Consequently, the savings are reflected in two components in the table below.]

Reform the Earned Income Credit. This is the revenue portion of the proposal to reform the Earned Income Credit. The proposal is described fully in Function 600.

ADDITIONAL REVENUE CHANGES

[In millions of dollars]

	1996 est.	Revenue change [1]					
		1997	1998	1999	2000	2001	2002
Allow an open season for CSRS participants to convert to FERS	.....	−10	−10	−10	−10	−10	−10

ADDITIONAL REVENUE CHANGES—Continued

[In millions of dollars]

	1996 est.	Revenue change [1]					
		1997	1998	1999	2000	2001	2002
Increase employee contributions to retirement by one-half percentage point for CSRS, FERS, and Postal Service employees	.....	265	427	543	558	568	585
Improve Federal debt collection procedures	.....	301	302	302	202	103	105
Technical adjustment for railroad unemployment reforms	.....	0	3	10	23	22	−2
Replace the one-dollar bill with a new one-dollar coin	.....	0	0	0	80	110	115
Replace the one-dollar bill with a new one-dollar coin (seniorage)	.....	0	0	−77	−224	−343	−418
Reform the earned income credit	.....	1,400	1,434	1,456	1,511	1,555	1,645
Sell Alaska Power Administration	.....	0	−1	−1	−1	−1	−1

[1] Negative number denotes revenue losses.

Sell the Alaska Power Administration. The budget resolution assumes that this transaction will go forward using tax-free financing.

APPENDIX 2

MANDATE AND REGULATORY REFORM

UNFUNDED MANDATE AND REGULATORY BUDGETING

The fiscal budget reflects only one part of the Federal Government's impact on the nation and the economy. Government also extends its size and scope through its power to issue regulations on private businesses and families and to promulgate mandates on State and local governments. The enactment of the Unfunded Mandates Reform Act of 1995 (Public Law 104–44) is a strong step toward controlling the number and magnitude of future unfunded mandates by ensuring greater congressional accountability about the actual costs of mandates on State and local governments in the legislative process. The 104th Congress also has made significant progress in repealing or reforming a variety of mandates that have been particularly onerous for States and localities. These reforms, which were recommended in the report accompanying the House Budget Resolution for Fiscal Year 1996 (H. Con. Res. 67) are described below. In the current budget resolution report, the Budget Committee offers further recommendations for reform of unfunded Federal mandates. Congress's achievements in mandate and regulatory reform could be made a regular practice through the budget process itself—by reflecting the costs of regulations and mandates should be reflected in the Federal budget, with an eye toward reducing their impact on the economy (as indicated by the costs measured as a percentage of Gross Domestic Product [GDP]), and subjected to annual votes in the Congress.

Federal regulations and mandates represent indirect government spending. They divert monies away from private families, businesses, neighborhoods, and communities, and toward governmentally mandated objectives. Regulations and mandates transfer power and decisionmaking from neighborhoods, local communities, and States to Washington, DC. In short, regulations and mandates represent hidden taxes and spending.

Federal regulations have skyrocketed over the past 25 years, exploding at the same unsustainable rate as government spending. An estimated 10 percent to 20 percent of national output is consumed and controlled by government regulation. According to the Clinton administration's own estimates, annual regulatory costs have reached $647 billion, or $6,565 to $8,869 per family. When the costs of regulations and mandates are added to the costs of taxes, the average American must work until July 13 each year to pay the costs of government.

Other indicators of regulatory costs confirm the explosion in Federal regulations. The Federal Register, the annual compilation of

new regulations, climbed from 12,000 pages in 1950 to 70,000 pages in 1993 to about 90,000 now. The number of Federal regulators—government officials paid to enforce regulations—increased from 70,000 in 1970 to 130,000 in 1995. The budgets of Federal regulatory agencies has ballooned by nearly 200 percent over this same period.

Just as Federal spending raises taxes and deficits, which slow economic growth and limit opportunity, government regulations and mandates often slow the improvement of living standards. Regulations add an estimated 33 percent to the cost of building an airplane engine, 95 percent to the costs of a new vaccine, and $3,000 to the costs of a new car. Regulations impede job creation. Private-sector job growth has been inversely proportional to the proliferation Federal regulators. Job creation grew during the 1980's, when the number of regulators and regulations were reduced, and it shrank during the regulatory heydays of the 1970's, the late 1980's, and the Clinton years.

What's worse, many regulations are issued without public accountability. Too often, past Congresses have passed legislation authorizing private sector regulatory mandates without regard for the cost. Instead, unelected, unaccountable government officials at agencies have been provided with unchecked, unlimited power to impose regulatory mandates. In other situations, Congress has considered regulatory costs, carefully balancing proposed legislation to achieve maximum governmental objectives at minimum private sector costs. But Congress has not incorporated this balance in law. Accordingly, agencies are provided unlimited power to issue regulations, regardless of the pricetag, even when Congress has carefully crafted legislation to minimize costs. Because regulations are not subject to cost caps or the budget process, there current system produces regulation without representation.

If the budget is to reflect an accurate and complete blueprint of the costs and expenses of the Federal Government, the budget must also include the costs imposed by government regulations and mandates. A full and complete accounting of the government's size and scope requires a statement of the costs of government regulations and mandates. The costs of regulations and mandates should be determined as part of—and should be reflected in—the Federal budget process.

One kind of Federal regulatory budget proposal would allocate to congressional authorizing committees fixed amounts of "regulatory authority." The allocations would be capped so that the total regulatory costs on the economy would be reduced from their current level of 9 percent of Gross Domestic Product to 5 percent of GDP over 7 years. Such discipline could reduce the regulatory burden on the economy, while simultaneously permitting important health, safety, and environmental objectives to be met.

A regulatory budget also would make government regulations and mandates accountable to the American people through the democratic process. Just as the president is required to submit, and the Congress is required to vote on, the level of taxes and Federal spending, Congress should vote on the level of regulations and mandates, which have the same effect as taxes and spending. The American people should be told—and their elected officials should

be held accountable for—the level of hidden taxing and spending which regulations represent.

In the 104th Congress, Budget Committee member Lamar S. Smith has introduced the Regulatory Accountability Act. This legislation provides the first step to establishing a regulatory budget. It restores accountability to the rulemaking process. It also provides agencies with appropriate flexibility to ensure that regulations can be improved to better improve public health, safety, and the environment. The Budget Committee will work over the coming months to consider this proposal, and other ideas to restore public accountability by providing a full accounting of the activities of the Federal Government.

ACCOMPLISHMENTS IN REGULATORY REFORM

Last year, the report on the House Budget Resolution provided a list of the most expensive and onerous unfunded Federal mandates and Federal regulations that the committee on the Budget recommended for repeal or reform. In the year since then, the 104th Congress has successful acted on a number of these regulations. Below is a summary of the key repeals or reforms:

Repeal of the Crumb Rubber Mandate, Section 1038(b) [ISTEA]. The Intermodal Surface Transportation Efficiency Act of 1991 included a Federal mandate on States that required crumb rubber from scrap tires be used in an annual fixed percentage of asphalt. This unprecedented mandate was opposed by State transportation departments, county officials, and the highway construction industry due to its added cost and mixed performance, and because of unanswered questions regarding the environmental and health consequences and recyclability. By 1997, the additional costs due to the crumb rubber mandate could have been as high as $1 billion, according to the U.S. Department of Transportation. This mandate was repealed in the National Highway System Designation Act (H.R. 2274, Public Law 104–59).

Repeal of the National Maximum Speed Limit Mandate. Title 23 of the U.S. Code, section 154, prohibited States from establishing speed limits beyond 55 miles an hour on specified highways, even if higher speed limits were appropriate and safe. Some routes fitting certain population and other criteria were allowed to post maximum limits of 65 miles an hour. States carrying maximum limits higher than allowed by the mandate were subject to termination of Federal highway funding. Because of the mandate, States had to divert significant resources that could have been used for crime prevention and law enforcement, additional motorist services, DUI enforcement, and a variety of other public services. This mandate also was repealed under the National Highway System Designation Act (H.R. 2274, Public Law 104–59).

Repeal of the Motorcycle Helmets Mandate. Under the mandate, States that failed to have mandatory front seat belt and motorcycle helmet laws in place by October 1, 1993, were notified by the Federal Highway Administration that 1.5 percent of their highway construction funds would be transferred to their highway safety pro-

gram. This mandate also was repealed under H.R. 2274 (Public Law 104–59).

Restoration of State Authority in Meeting Certain Clean Air Act Mandates. Under H.R. 2274 (Public Law 104–59) and H.R. 325 (Public Law 104–70), States are now allowed to meet ambient air quality standards without being required to implement either centralized test-only inspection and maintenance programs or the Employee Commute Option Program. The Employee Commute Option Program required private companies to undertake aggressive, affirmative efforts to reduce the number of work-related vehicle trips.

Repeal of the California Clean Air Federal Implementation Plan [FIP]. Under the mandate, the EPA was required to put three areas of California—Los Angeles, Sacramento, and Ventura—in compliance with the air quality requirements in the 1977 Clean Air Act. The 1,700-page draft plan would have imposed draconian limits on emissions, ranging from factories to automobiles and trucks and even to lawnmowers. The EPA estimated that the FIP could have cost Californians between $4 billion and $6 billion annually. According to the State of California, when fully implemented in 2010, the loss would have totaled "at least $8.4 billion in direct costs, $17.2 billion in output, and 165,000 jobs." The estimate did not include the impact on transportation companies in the rest of the State that would have been affected by the rule. This mandate was repealed under H.R. 889 (Public Law 104–6).

Withdrawal of the Enhanced Monitoring Rule. The Enhanced Monitoring Rule was proposed by EPA to establish uniform pollution monitoring, recordkeeping, and reporting requirements for "major sources" of air pollution. Existing regulations have been highly effective in controlling air pollution, and EPA's own studies documented the likely massive costs of this new regulation. The EPA withdrew the rule.

Prohibition on Development of OSHA Ergonomics Rule. The Occupational Safety and Health Administration was working on a rule that would require employers to take a number of actions to address repetitive motion injuries. These are injuries due to repeated hand, wrist, or other physical motions that cause or aggravate musculoskeletal disorders. Employers would have been required to write plans to prevent these injuries and to redesign work areas, modify work processes as needed. Private industry estimated that a similar rule proposed by California OSHA would cost $3.1 billion annually in that State alone. Other sources estimated the Federal rule would cost $21 billion. OSHA announced in June 1995 that it would not issue any regulation, but that it would continue to study the matter. Public Law 104–134, the Omnibus Appropriations Act passed in Apri 1996, includes language prohibiting OSHA from developing an ergonomics rule.

Modification of the Teenage Cardboard Bailer Rule. As currently implemented, this regulation prevents teenagers from certain kinds of safe and gainful employment. The 40-year-old regulation prohibits teenagers from loading paper bailers or compactors even when the machines are turned off, despite the fact that new technology and advanced features make the machines safe. The com-

mittee recommended that Hazardous Occupation Order No. 12 be modified to allow 16- and 17-year-olds to load bailers that meet current American National Safety Institute worker safety standards. The House passed legislation making this needed change on October 24, 1995. The Labor-HHS appropriations bill for fiscal year 1996 also included language to prevent the use of funds to enforce this regulation. The committee hopes for a final resolution of this matter during this session.

Repeal of the Boren Amendment Regulating Medicaid Payment Levels. The Boren amendment provides that Medicaid payment rates for hospitals and nursing facilities must be "reasonable and adequate" to meet the costs of "efficiently and economically operated" facilities in providing care that meets Federal and State quality and safety standards. Although the goal is laudable, it is disruptive to States' management of Medicaid for two reasons. First, the language is ambiguous and therefore has been the subject of numerous costly lawsuits against States by providers seeking higher payment levels. Second, the requirements of Boren do not make the payment levels dependent on the ability of the State to pay providers at this level. For example, it does not take into account the number of Medicaid recipients or the fiscal capacity of the State. The State is better able to determine the health care circumstances and needs prevailing in the State and the payment levels that would provide appropriate care. The Balanced Budget Act of 1995 included language repealing this amendment. In addition, the President Clinton's Medicaid proposal and the National Governors Association's proposal would also repeal the Boren amendment.

Withdrawal of Sunglass Labeling Regulation. The FDA prepared a proposal that would have required sunglasses to meet certain ultraviolet transmittance characteristics in order to be exempt from current medical device premarket notification requirements. The FDA has withdrawn its proposed regulation.

Termination of the FDA Reference List. Since April 1992, the Food and Drug Administration had been executing what the agency called the Medical Device Reference List. The reference list was a set of programs that the FDA's Center for Devices and Radiological Health used to link current good manufacturing practices [GMP] inspections to the agency's normal scientific review of premarket notification (510(k)) submissions. From April 1992 until the publication of a Public Notice in the Federal Register in October 1993, the existence of a reference list program had been kept secret from the medical device community and the public. Medical device manufacturers were placed on the reference list by being in violation of one or more of the FDA's good manufacturing practices regulations. Whether or not a medical manufacturer was placed on the reference list because of an alleged violation was completely at the discretion of the agency. The list was solely an internal FDA document, and no company was sure when, or even if, it had been placed on the list. Placement on this "black list" meant that the FDA would immediately halt work on any of the company's pending 510(k) applications. The FDA announced in June 1995 that it would no longer maintain this list, and it released the names of companies that previously had been on the list.

RECOMMENDED REFORMS OF MANDATES ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The following recommendations were compiled after a review of various sources, including Governors, State legislators, local officials, and the Advisory Commission on Intergovernmental Relations' report titled "The Role of Federal Mandates in Intergovernmental Relations." The specific recommendations, offered to the authorizing committees with jurisdiction over the mandates and regulations involved, are those of the majority members of the House Committee on the Budget.

LABOR AND EMPLOYMENT MANDATES ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Restore State and Local Authority over Labor Standards for State and Local Government Employees. Fair Labor Standards Act [FLSA]. The Federal Fair Labor Standards Act [FLSA] establishes minimum standards for wages, overtime compensation, equal pay, record keeping, and child labor for nearly every workplace in the United States. In 1974 FLSA was extended to the public sector and treated State and local governments the same as the private sector. FLSA overtime pay provisions have resulted in substantial litigation, with may State and local employees winning retroactive pay for work deemed by courts as overtime. The liability for many States is in the millions of dollars. The provisions of the FLSA applying to State and local government employees should be repealed. These are sovereign government units; their authority to determine labor standards for their own employees should not be usurped. The public accountability of elected officials and collective bargaining powers of employee unions provides adequate protection for workers.

Restore State and Local Authority over Leave Policies for State and Local Government Employees. The Family and Medical Leave Act of 1993 requires State and local governments to provide eligible employees with up to 12 weeks of unpaid leave each year to care for a newborn, adopted or foster child. Leave also must be granted to care for a seriously ill child, parent, or spouse. In addition, employees may use unpaid family leave for serious personal illnesses. Medical insurance benefits must also be continued during the leave and employees must be reinstated into the same or an equivalent position after leave. The law forced State and local governments to revise longstanding personnel policies and created unfunded costs related to extending medical insurance coverage to employees on family and medical leave, to temporary hiring of replacement workers, and to additional training and personnel counseling activities. The provisions of the FMLA applying to State and local government employees should be repealed. These are sovereign government units; their authority to determine leave policies for their own employees should not be usurped. The public accountability of elected officials and collective bargaining powers of employee unions provides adequate protection for workers.

Restore State and Local Authority over Occupational Safety and Health Standards for State and Local Employees. The Occupational

Safety and Health Act [OSHA] of 1970 establishes standards for safe, healthy and productive work environments. State government and their political subdivisions are specifically excluded from the definition of "an employer" under the act. In the case of State governments and their political subdivisions, OSHA has no requirements unless a State volunteers to participate in the Federal program. States that volunteer to administer the Federal OSHA program within their jurisdictions are required to extend Federal requirements to all public employees in the State; 23 States have assumed responsibility for operating the Federal OSHA program. Two additional States have federally approved OSHA plans only for State and local government employees. Even in the remaining States, however, there many be an impact, or a perception of an impact, because some OHSA requirements are replicated in State laws or are perceived as mandatory even though they are not. Numerous complaints expressed about OSHA policies in both participating and nonparticipating States attest to the widespread misunderstanding about the law's coverage and substantial compliance costs. All States, not just the nonparticipating States, should be exempt from OSHA with regard to their own employees. This would allow all States to set there own health and safety standards, taking into consideration their priorities and budgetary constraints.

Provide Local Flexibility in Overtime Pay for the Off-Duty Home Care of Canine and Rescue Unit Dogs. Under the Fair Labor Standards Act, local governments must treat time spent by officers in the care of canine and rescue unit dogs as compensable time and as part of their regular work hours. In the majority of cases the local governments already pick up the cost of the dogs' veterinary care and feeding and the upkeep of the canine units. The Federal requirement that officers be paid overtime for keeping the dogs in their homes has forced the closure of canine unit in many local communities. Therefore, local governments should have flexibility in determining overtime pay for these officers. Local governments are fully capable of reaching fair compensation agreements with the officers while keeping the canine units on the job.

Restore State and Local Authority in Drug and Alcohol Testing of Government-Employed Commercial Drivers Drug and Alcohol Testing of Commercial Drivers. The Omnibus Transportation Employee Testing Act of 1991 (Public Law 102–142, Title V) directs the Department of Transportation [DOT] to issue regulations establishing a program which "requires motor carriers to conduct reemployment, reasonable suspicion, random, and post-accident testing of the operators of commercial motor vehicles for use * * * of alcohol or a controlled substance." The motor carrier requirements cover a substantial number of State and local government employees who have commercial drivers' licenses, and require them to undergo random drug and alcohol testing by certain deadlines. The law is inconsistent in that it includes some employer such as public works drivers, but excludes law enforcement and emergency workers from testing requirements. Strict drug and alcohol testing requirements for small rural communities and transportation systems with few employees create situations where cost of compliance are disproportionately high relative to potential findings. State and

local governments are concerned about drug and alcohol problems and will take their own measures to insure that there drivers are not a threat to public safety. Therefore, the provisions of Public Law 102–142 making some State and local employees subject to Federal drug and alcohol testing requirements for commercial drivers should be repealed on the understanding that State and local governments will pursue appropriate testing on their own authority.

Repeal the Davis-Bacon Act. Davis Bacon only applies to Federal Government contracts over $2,000 for construction, alteration, and/or repair work. The law requires such contracts to specify the minimum wages to be paid to various classes of laborers and mechanics employed under the contract. The minimum wages must be based on the wages determined by the Secretary of labor to be prevailing for the corresponding classes of laborers and mechanics employed on similar contacts in the city, town and village, or other civil subdivision of the State in which the work is to be performed. The Davis-Bacon regulation represents a hidden tax on construction jobs, inflates the costs of Federal construction, and destroys employment opportunities for minorities, small companies, and less skilled workers. The Act also has a serious impact on State, local, and tribal governments. Approximately 60 related Federal laws make compliance with Davis-Bacon provisions a condition-of-aid for grants to State and local governments (e.g., construction programs related to low-income housing, highways and waste water treatment facilities). Some of the Davis-Bacon related laws contain special exceptions concerning the way in which a grantee must comply with Davis-Bacon requirements, but most of them apply the law without modification. Compliance with the provisions is generally required even if the dollar amount of the Federal grant is a minimal share of the total project costs. State, local, and tribal governments should be able to manage their construction projects cost without Davis-Bacon preconditioned when the major share of the project is being funded by the State or local government. Besides potentially increasing cost, Davis-Bacon requirements impose extensive reporting and record keeping that may be especially burdensome for small projects, and may make it difficult for small local; businesses to compete.

Repeal the Service Contracts Act. The McNamara Service Contract Act of 1965 is a tax on jobs similar to Davis-Bacon, except that it applies to service, rather than construction, contracts. The Act requires covered contractors and their successors to provide inflated wages and benefits at least equal to a locality's prevailing standards of those in a collective bargaining agreement of a previous contractor. As with Davis-Bacon, the inflated labor costs resulting from the Service Contract Act tends to deny employment opportunities for small companies, minorities, and less skilled workers.

ENVIRONMENTAL MANDATES ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Restore State and Local Authority in Developing Control Methods and Timetables for Implementing Federal Clean Water Act Stand-

ards. The Clean Water Act requires States to designate the uses of water, to develop water quality criteria to protect those uses, to monitor the condition of water, and to report on water quality every 2 years. States may administer a permit program for industrial and municipal pollution discharges and develop programs for the control of pollution from diffuse or nonpoint sources. Local governments are required, either directly by the Federal Government or indirectly through State implementation of Federal laws, to treat sewage to national standards and to control discharges from combined sewers and storm water drains. In the Federal Water Pollution Control Act Amendments of 1972, Congress provided for a comprehensive national program to protect water quality. Key provisions included national minimum standards for control of pollutants from industrial and municipal sources, additional controls in permits as needed to meet State standards, and significant grant assistance to support construction of municipal sewage treatment facilities. In effect, State and local governments ceded responsibility for water pollution controls to the Federal Government in return for substantial Federal financial aid. In 1987, the Federal Government changed the arrangement by making a transition from direct grants to capitalization of State loan funds. Loan funds reduce total costs for some projects, but they still require local government to pay virtually the entire costs of future pollution control projects since loans must be repaid to States, while grants were not repaid. In addition, the 1987 amendments required municipalities to remove harmful amounts of toxins from their sewage and to establish storm water management programs. Consequently, a national program originally supported and encouraged by State and local governments is no longer a balanced partnership to clean up the Nation's waterways. Federal requirements, especially those dealing with storm water drainage, have become increasingly stringent and expensive to implement. At the same time, the Federal funding to aid in the cleanup has virtually disappeared. Fully restoring the successful partnership requires a relaxation of inflexible standards and deadlines on State and local governments. State and local governments should be able to use the least costly alternatives and to work within their fiscal constraints. State and local governments traditionally have been concerned about reducing pollution, and they should be given authority to work constructively with Federal officials to design realistic programs that can be completed within technical and budgetary constraints.

Enact Legislation Toward a Long-Term Goal of Returning to States the Full Responsibility for Safe Drinking Water. The Federal Safe Drinking Water Act regulates drinking water standards for the 58,530 waterworks serving 25 or more persons year-round, and for the nearly 140,000 additional public water systems that serve 25 or more persons on a less regular basis (schools, hospitals, restaurants). It establishes maximum levels for contaminants known or anticipated to occur in public water systems, establishes wellhead protection programs, certifies and identifies appropriate analytical and treatment techniques, and establishes public notification procedures. It requires drinking water suppliers to assume a wide range of responsibilities, including monitoring of the water supply. The safety of drinking water is a public health issue. Prior

to 1974, States had responsibility for the safety of drinking water, but they generally relied on standards set by the Public Health Service. Because drinking water endangers not only residents of a local community and State but also those traveling interstate, the regulation of drinking water may be justified as a national concern. It should be recognized, however, that other vital public health concerns, such as restaurant inspections, are the responsibility of State and local governments. Over the long term, this State and local authority should apply, once again, to drinking water as well. State and local concerns over the Safe Drinking Water Act hinge on what constitutes safe drinking water and how to achieve it in the most cost-effective way. These governments do not object to assuming the costs of providing safe drinking water, but some do object to incurring costs that in their opinion do not improve water quality. The existing law overreached in the standards and compliance requirements it imposed on local water systems. Amendments recently approved by the Senate will repeal some of the most onerous provisions, including mandatory additional tests for contaminants that are not a threat in local areas, and eased provisions for treatment of surface water supplies.

Restore States' Role in Developing Measures for Meeting Federal Clean Air Standards. The Clean Air Act of 1977 requires States to submit for Federal approval plans for meeting air quality standards established by the Federal Government. The government will prepare a plan for any State that fails to comply. The Act spells out how to measure different types of pollution, the standards that must be met for each type of pollution, the specific compliance measures that may be taken, and the deadlines for those actions. Some Federal financial assistance for planning and implementation is authorized in the law, but each State must provide assurances that "the state of general purpose local governments will have adequate personnel, funding, and authority under State and, as appropriate, local law to carry out such implementation plan." The initial demand for Federal help in controlling air pollution came from cities that were unable to act effectively on an individual basis. Because the Federal Government recognized the need to act on regional bases, and in recognition of the Federal system as viewed at that time, the States were encouraged by the Federal Government to assume responsibility for controlling air pollution and were given Federal grants to assist in implementing such controls. By 1970, only 21 States had submitted implementation plans, and the Federal Government decided it was necessary to set standards (including vehicle emissions) and to enforce State implementation. In 1990, amendments to the law targeted smaller pollution sources, including facilities owned by local governments. Governments in areas with moderate carbon monoxide pollution were required to adopt vehicle inspection and maintenance programs; areas with serious carbon monoxide pollution must use cleaner oxygenated fuels. Areas with moderate ozone pollution were required to set up inspection and maintenance programs and to require use of gasoline-pump devices to capture vapors. Failure to implement these programs can result in the loss of Federal highway funds. As the requirements have become increasingly detailed and specific, States have become implementers of Federal laws, and have increasingly

lost discretion over how to implement them. As a result, the requirements often do not reflect conditions in a particular State or the preferences of the State's citizens. At the same time, States have received less Federal financial assistance for the administration of these laws. [Please Note: This recommendation assumes that any legal actions concerning Clear Air Act violations that are currently under way will not be affected.]

Restore Local-State-Federal Partnership in Addressing Endangered Species. The Endangered Species Act of 1973 requires every Federal agency to ensure that any action it authorizes, funds, or carries out is not likely to jeopardize the continued existence of listed threatened and endangered species or the destruction or adverse modification of critical habitat. Under the law, State, local and tribal governments would also risk citizen lawsuits if the Fish and Wildlife Service (or the National Marine Fisheries Service) finds that the issuance of a Federal permit, license, or grant would lead to jeopardy of the listed species. There is an exemption process allowing consideration of economic factors, but these provisions are rarely used. State and local governments have an inadequate share of the decisionmaking authority in the management and planning decisions affecting threatened and endangered species. The listing process is rigid and limits State and local flexibility to apply the Act's provisions in their jurisdictions to meet local conditions. There is concern that valuable economic development activities within their boundaries, both public and private, are being impaired by strict Federal regulation. State, local and tribal governments should be full partners with the Federal Government in the preservation of threatened and endangered species. These governments should have shared authority for species protection, as well as flexibility to implement conservation plans for specific species within their boundaries. In addition, exemptions to ESA should be applied more extensively to minimize social and economic impact on State, local and tribal governments of recovery planning and listing procedures. Broader participation by State, local, and tribal governments will improve the data collection process and will allow biological science, economic constraints, and available management resources to be taken in account on a regional basis.

EDUCATION MANDATES ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Of all government activities, education is the one that most clearly should fall under the jurisdiction of State and local governments and, above all, parents. Hence, the Committee on the Budget makes the following recommendations:

Allow Local Communities to Educate Their Children by Eliminating the Goals 2000 Mandates. Education reform will be achieved by encouraging innovation and rewarding results of those educators at the local level. Goals 2000 increases funding for bureaucracy and imposes new regulations on States and localities. Public Law 104–134, the Omnibus Appropriations Act passed in April 1996, removes the requirement that the Secretary of Education must approve a plan before a State may continue to receive Goals 2000 funding, if the plan is approved by the Governor and State education director. Meanwhile, many States have already chosen to re-

ject the Federal Goals 2000 program because of its intrusiveness in local education.

Eliminate the Bilingual Education Mandates and Allow Local Communities to Determine Haw to Best Educate Their Children. The bilingual instructional services program requires that the Secretary of Education award at least 75 percent of the funds provided to bilingual education programs, where students are taught both English and their native language. Numerous studies have shown that heavy reliance on the pupil's native language can delay English proficiency. Eliminating the mandate for bilingual education would free local school districts to offer the most effective programs for their students.

Promote Swifter and Less Costly Resolution of Disputes Under the Individuals with Disabilities Education Act. The Individuals with Disabilities Education Act [IDEA] as amended, requires local school systems to provide a free appropriate education for children with disabilities. The law provides that Federal aid to States for elementary and high school education will be available only after a State has a Federally approved plan for educating children with disabilities. In addition, IDEA requires participating States to establish specific administrative procedures by which parents or legal guardians may challenge the identification, evaluation, or educational placement of the children. Requirements of the law are conditions of Federal assistance or duties arising from participation in this voluntary program. IDEA has provided millions of students with disabilities access to a free and appropriate education, but the law imposes significant cost and administrative burdens on State and local governments. The law also limits the flexibility of States and local governments to combine IDEA funds with other funding streams to meet the unique need of their children. The resolution of disputes under the Act also has become overly litigious and has added to implementation cost. Currently, local agency decisions may be challenged in either State or Federal court after the exhaustion of administrative appeals, and, in some cases, parents bringing actions on behalf of their children may be entitled to reimbursement for their costs, including attorney and court fees. The publication titled "Federal Court Rulings Involving State, Local and Tribal Government: Calendar Years 1994," by the Advisory Commission on Intergovernmental Relations, emphasizes the litigious nature of this law. The appropriate reform would relieve States from prescriptive and costly administrative mandates. It also would require alternative dispute resolutions practices and that any court challenge based on the Federal law should be brought by State agencies, not by individuals. The 104th Congress is currently considering amendments to the IDEA that include some of these reforms.

Reform the Individuals with Disabilities Education Act [IDEA] Mandates. Inflexibility of Federal mandates dealing with behavior disorder students, often purposefully violent, have tied the hands of school officials trying to create a safe structured atmosphere for the education of all students. Steps need to be taken to reform the Individuals with Disabilities Education Act [IDEA] and the "Stay-Put" provision which impairs and often stops local education offi-

cials from disciplining students that endanger the safety other students and the faculty. Similar mandates on the local education officials regarding the education of attention deficit disorder students have impaired local educators from maintaining the attention of other students while the attention disordered students have free rain to purposefully disrupt the educational atmosphere necessary for other students to learn. Currently, local challenges to dangerous and disruptive behavior at the local level have failed in may cases because of the costs and fear of a lawsuits based on the Federal law. Provisions should be made for voluntary mediation for parents and school officials with legal dispute regarding discipline of such students. Behaviorally disabled students must also not be exempted from the same punishments as other disabled students with disciplinary problems in such areas as mandatory suspensions for bringing drugs, weapons and firearms to school or assaulting students and teachers. This current variation sends the wrong message. Parents, States, and local school officials should adjust the disciplinary terms so that they are equally applied to all students. The 104th Congress is currently considering amendments to the IDEA that include some of these reforms.

Restore Original Congressional Intent Regarding Athletic Opportunities Under Title IX. A policy interpretation clarifying regulation implementing Title IX of the Education Amendments of 1972 has resulted in the elimination of some athletic opportunity, primarily as a result of heavy reliance on the proportionality rule. The rule is supposed to be one option under a three-pronged test of accommodation of interests and abilities, but has been given undue deference. Proportionality has caused many colleges and universities to respond with the elimination of entire athletic teams. As the original intent of Congress was to eliminate discrimination, not athletic opportunity, Congress should move to clarify that implementation of Title IX should not allow for the elimination of athletic opportunities for anyone.

TRANSPORTATION MANDATES ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Provide Flexibility and Relief from Federal Mass Transit Mandates on Local Public Agencies. The Federal Government's involvement in transit has led to unwise State and local decisions, while precluding the adoption of cost effective operating methods. This is largely the result of expensive Federal mandates. Federal transit labor protections require transit agencies to pay up to 6 years of severance payments for some laid-off transit employees.

Repeal Requirements That State and Local Governments Convert to Metric on a Federal Timetable as a Condition of Receiving Federal Aid. The Omnibus Trade and Competitiveness Act of 1988 requires that each Federal agency use the metric system of measurement in its procurement, grants, and other business-related activities, except to the extent that such use is impractical. The act permits the continued use of traditional weights and measure in nonbusiness activities. Based on this law, the Department of Transportation [DOT] had required State and local governments to covert to metric for local construction plans and specification by October 1,

1996. Public Law 104–59, the National Highway Designation Act of 1995, extends this deadline to October 1, 2000.

The Unfunded Mandates Reform Act of 1995 specifically requires the Advisory Commission on Intergovernmental Relations to consider requirements that State, local, and tribal governments use metric system measurements. The principal concern, expressed primarily by local governments, is the requirement to use metric measurements in the design and construction of Federally aided projects. Although most local governments may be technically able to prepare plans and specification in metric by the deadline, they cite several problems, including substantial costs. Another problem is that local contractors and suppliers are not used to working with metric measurements. As a result, the potential for mistakes in the bidding and construction process is significantly increased. In addition, metric measures will create problems for right-of-way acquisitions with property owners, surveyors, and local deed registries. States have made considerable progress in the transition to metric, but more than 2,200 waivers have been necessary to relieve hardship situations. Despite the waivers, the deadline for conversions will create substantial problems for many local governments without corresponding benefits. Rather than require all States to implement metric requirements on the same timetable, a better approach is to encourage States that are well along on their conversions to continue assisting their local governments with the process. Successful implementation in these States will provide support for others to complete the conversions voluntarily.

Cancel Implementation of Mandate on Minimum Reflectivity for Traffic Signs and Pavement Markings. The FHWA is currently developing minimum standards for the retroreflectivity of pavement markings (striping) and signs, which all States are to follow. The States are capable of making their own judgments about the visibility of their signs and road markings. A Federal mandate is not required.

Restore State Authority Over Outdoor Advertising. ISTEA prohibits erection of new signs on designated scenic highways. If States fail to prohibit such signs, 10 percent of major highway apportionments would be withheld.

Repeal Highway Program Administrative Costs Mandate. Title 23 of the U.S. Code requires State transportation departments to maintain administrative staff beyond the minimum level necessary to deliver highway projects.

Additional Transportation Mandates. The Intermodal Surface Transportation Efficiency Act of 1991 [ISTEA] amendments to the Highway Transit Act contain more than 100 mandates on State and local governments. In addition, Federal law contains approximately 50 mandates on State and local governments. One requires the payment of up to 6 years severance pay to some transit employees laid off. Other mandates discourage more efficient methods of operation. All these mandates should be reviewed for possible repeal.

ADDITIONAL RECOMMENDED REGULATORY AND MANDATE REFORMS

Repeal the Motor Voter Act Mandate. This unfunded mandate on States increases the likelihood of electoral fraud and is unnecessary for effective civic participation. Many States have complained about this program and its costs. It is a well-known mandate that should be eliminated.

Restore State Authority in Dealing with Problem Drivers. The Problem Drivers Pointer System [PDPS] creates a national registry for records on all problem drivers. States must check this system before issuing licenses. Under a threat of losing 10 percent of their Federal highway funds, States were required to complete a link to the system by April 30, 1995. The National Highway Traffic Safety Administration has granted extensions to this deadline and has yet to apply any sanctions. The Federal Government does cover implementation costs. But the system may be unnecessary as long as States require drivers to be insured, which clearly would require insurers to do background checks. If a national system is warranted, it could be handled by a private-sector agency.

Repeal Mandated Membership in the International Fuel Tax Agreement Mandate. States are required to become members of the International Fuel Tax Agreement by no later than October 1996. Failure to comply could cost them some of their Federal highway funds. States should not be required, at their own cost, to participate in such international agreements.

Restore State and Local Responsibility in Implementing the Americans with Disabilities Act of 1990. The Americans with Disabilities Act prohibits discrimination against individuals with disabilities in employment, public services, and public accommodations. Any State or local government policies found to be inconsistent with ADA provisions are to be modified as soon as feasible. Each government program is to be examined for physical barriers to access and for remedial measures that need to be taken, but States and localities do not have to make facilities or programs accessible if it would constitute a "fundamental alteration" or an "undue burden." Structural changes are not required if there are other ways of providing access. The ADA takes important and warranted steps toward removing barriers to persons with disabilities. Yet despite the apparent flexibility allowed for its application, it has created implementation problems for State and local governments because of expensive retrofitting and service delivery requirements, confusing and ambiguous statutory language, and insufficient technical assistance provided by the Federal Government. With tight budgets and limited time to correct structural obstacles to improve public accommodations, it has been difficult for many governments to implement the extensive changes required. Structural changes to existing buildings to meet "program accessibility" requirements were to be made by January 26, 1995, a deadline not met by many State and local governments. Also, the use of terms "reasonable accommodation," "undue hardship," "readily achievable," and countless other broad expressions in the law have subjected State and local governments to numerous lawsuits over legal interpretations of ADA. The penalties for noncompliance are severe, and legal costs

can be substantial. Therefore, deadlines and requirements under the ADA should be modified to allow State and local governments to meet its goals in a manner that recognizes technical and budget constraints without abridging the national commitment to assuring access and opportunity for individuals with disabilities.

Repeal the Public Utility Regulatory Policies Act [PURPA]. This act mandates that public utilities purchase power from cogeneration and small power (renewable energy) facilities at a price set by the States which may not exceed the utility's cost of producing or obtaining the power from alternative sources. This mandate, enacted during the government-created energy scare of the late 1970's, is based on the notion that insufficient energy resources caused the energy shortage. Today it forces companies into inefficient and "politically correct" resources.

APPENDIX 3

WHO'S REALLY WORKING TO BALANCE THE BUDGET?

CONGRESS VERSUS THE ADMINISTRATION—A CHRONOLOGY

	104th Congress	Clinton Administration
	JANUARY 1995	
19–	House Speaker Newt Gingrich commits Congress to writing a comprehensive plan to achieve a balanced budget by 2002.	
26–	House passes Balanced Budget Amendment (H.J. Res. 1) by a vote of 300–132.	Administration officials publicly oppose balanced budget amendment.
	FEBRUARY 1995	
1–	Congress begins work on Contract With America tax cuts and 7-year balanced budget plan.	
6–	House passes Line-Item Veto bill (H.R. 2) by a vote of 294–134.	**President's Budget**—President submits 5-year budget request that maintains deficits of $200 billion a year by his own administration's estimates. CBO estimates it would have deficit of $276 billion in 2000. Administration officials insist that balancing the budget is not necessary.
22–	House passes DOD Emergency Supplemental/Rescissions bill (H.R. 889) by a vote of 262–165.	

	104th Congress	Clinton Administration
	MARCH 1995	
16–	Senate passes DOD Emergency Supplemental/Rescissions bill (H.R. 889) by a vote of 97–3. House passes first Rescissions/Disaster Relief Emergency Supplemental (H.R. 1158) by a vote of 227–200.	
23–	Senate passes Line-Item Veto bill (S. 4) by a vote of 69–29.	
24–	House passes Welfare Reform (H.R. 4) by a vote of 234–199 to restore the American family, reduce illegitimacy, control welfare spending, and reduce welfare dependence.	
	APRIL 1995	
5–	House passes Contract With America tax cuts, fully offset with spending cuts (H.R. 1215) by a vote of 246–188.	
6–	House passes conference report on DOD Emergency Supplemental/Rescissions bill (H.R. 889) by a vote of 343–80. Senate passes conference report on DOD Emergency Supplemental/Rescissions bill (H.R. 889) by voice vote. Cleared for President. Senate passes first Rescissions/Disaster Relief Emergency Supplemental (H.R. 1158) by a vote of 99–0.	
10–		President signs into law DOD Emergency Supplemental/Rescissions bill (H.R. 889) (Public Law 104–6).

	104th Congress	Clinton Administration
	MAY 1995	
18–	House passes conference report on first Rescissions/Disaster Relief Emergency Supplemental (H.R. 1158) by 235–189. By a vote of 238–193, House passes budget resolution (H. Con. Res. 67), which lays out a detailed plan for balancing the budget by the year 2002 and provides tax relief to American families.	
19–	Senate defeats the President's budget request by a vote of 0–99.	
25–	By a vote of 57–42, Senate passes budget resolution (H. Con. Res. 67), which lays out a detailed plan for balancing the budget by the year 2002 and provides tax relief to American families. Senate passes conference report on first Rescissions/Disaster Relief Emergency Supplemental (H.R. 1158) by a vote of 61–38. Cleared for President.	
	JUNE 1995	
7–		President vetoes first Rescissions/Disaster Relief Emergency Supplemental (H.R. 1158).
13–		**"Plan" Two**—President submits a 10-year budget "outline" that administration claims will balance budget by 2005. CBO estimates more than $200 billion in deficits in each year of the "plan."

	104th Congress	Clinton Administration
21–	House passes Military Construction appropriations bill (H.R. 1817) by a vote of 319–105.	
22–	House passes first Legislative Branch appropriations bill (H.R. 1854) by a vote of 337–87.	
29–	House passes second Rescissions/ Disaster Relief Emergency Supplemental (H.R. 1944) by a vote of 276–151. By a vote of 239–194, House passes conference report on budget resolution (H. Con. Res. 67), which lays out a detailed plan for balancing the budget by the year 2002 and provides tax relief to American families. By a vote of 54–46, Senate passes conference report on budget resolution (H. Con. Res. 67), which lays out a detailed plan for balancing the budget by the year 2002 and provides tax relief to American families. Final adoption.	
	JULY 1995	
11–	House passes Foreign Assistance appropriations bill (H.R. 1868) by a vote of 333–89.	
12–	House passes Energy and Water appropriations bill (H.R. 1905) by a vote of 400–27.	
18–	House passes Interior appropriations bill (H.R. 1977) by a vote of 244–181.	
19–	House passes Treasury-Postal appropriations bill (H.R. 2020) by a vote of 216–211.	

	104th Congress	Clinton Administration
20–	Senate passes first Legislative Branch appropriations bill (H.R. 1854) by voice vote.	
21–	Senate passes and clears the second Rescissions/Disaster Relief Emergency Supplemental (H.R. 1944) by a vote of 90–7. Senate passes Military Construction appropriations bill (H.R. 1817) by a vote of 84–10. House passes Agriculture appropriations bill (H.R. 1976) by a vote of 313–78.	
25–	House passes Transportation appropriations bill (H.R. 2002) by a vote of 361–61.	
26–	House passes Commerce-Justice-State appropriations bill (H.R. 2076) by a vote of 272–151.	
27–		President signs into law the second Rescissions/Disaster Relief Emergency Supplemental (H.R. 1944) (Public Law 104–19).
31–	House passes VA–HUD appropriations bill (H.R. 2099) by a vote of 228–193.	
	AUGUST 1995	
1–	Senate passes Energy and Water appropriations bill (H.R. 1905) by voice vote.	
4–	House passes Labor-HHS appropriations bill (H.R. 2127) by a vote of 219–208.	
5–	Senate passes Treasury-Postal appropriations bill (H.R. 2020) by voice vote.	

	104th Congress	Clinton Administration
9–	Senate passes Interior appropriations bill (H.R. 1977) by a vote of 92–6.	
10–	Senate passes Transportation appropriations bill (H.R. 2002) by a vote of 98–1.	
	SEPTEMBER 1995	
6–	House passes conference report on first Legislative Branch appropriations bill (H.R. 1854) by a vote of 305–101.	
7–	House passes Defense appropriations bill (H.R. 2126) by a vote of 294–125.	
8–	Senate passes Defense appropriations bill (H.R. 2126) by voice vote.	
19–	Senate passes Welfare Reform (H.R. 4) by a vote of 87–12.	
20–	Senate passes Agriculture appropriations bill (H.R. 1976) by a vote of 95–3. House passes conference report on Military Construction appropriations bill (H.R. 1817) by a vote of 326–98.	
21–	Senate passes Foreign Assistance appropriations bill (H.R. 1868) by 91–9.	
22–	Senate passes conference report on Military Construction appropriations bill (H.R. 1817) by a vote of 86-14. Cleared for President. Senate passes conference report on first Legislative Branch appropriations bill (H.R. 1854) by 94–4. Cleared for President.	

	104th Congress	Clinton Administration
27–	Senate passes VA–HUD appropriations bill (H.R. 2099) by a vote of 55–45.	
28–	Senate attempts to end Democrat filibuster of the Labor-HHS appropriations bill (H.R. 2127), but fails by a vote of 54–46. House passes first continuing resolution (H.J. Res. 108) by a voice vote.	
29–	Senate passes Commerce-Justice-State appropriations bill (H.R. 2076) by voice vote. Senate passes first continuing resolution (H.J. Res. 108) by a voice vote.	
30–		President signs into law the first continuing resolution (H.J. Res. 108) (Public Law 104–31).
	OCTOBER 1995	
3–		President vetoes the first Legislative Branch appropriations bill (H.R. 1854), signs the Military Construction appropriations bill (H.R. 1817) (Public Law 104–32).
12–	House passes conference report on Agriculture appropriations bill (H.R. 1976) by a vote of 288–132. Senate passes conference report on Agriculture appropriations bill (H.R. 1976) by voice vote. Cleared for President.	
19–	By a vote of 231–201, House passes comprehensive legislation (H.R. 2425) to preserve and protect Medicare.	

	104th Congress	Clinton Administration
21–		President signs into law the Agriculture appropriations bill (H.R. 1976) (Public Law 104–37).
25–	House passes the conference report on Transportation appropriations bill (H.R. 2002) by a vote of 393–29.	
26–	By a vote of 227–203, House passes Balanced Budget Act (H.R. 2491), providing tax cuts of $245 billion over 7 years and achieving a balanced budget by 2002.	
28–	By 52–47, Senate passes Balanced Budget Act (H.R. 2491)	
31–	House passes conference report on Energy and Water appropriations bill (H.R. 1905) by a vote of 402–24. Senate passes conference report on Energy and Water appropriations bill (H.R. 1905) by a vote of 89–6. Cleared for President. Senate passes conference report on Transportation appropriations bill (H.R. 2002) by 87–10. Cleared for President. House passes second Legislative Branch appropriations bill (H.R. 2492) by 315–106.	
	NOVEMBER 1995	
2–	Senate passes and clears second Legislative Branch appropriations bill (H.R. 2492) by voice vote. House passes DC appropriations bill (H.R. 2546) by a vote of 224–191. Senate passes DC appropriations bill (H.R. 2546) by voice vote.	

	104th Congress	Clinton Administration
8–	House passes second continuing resolution (H.J. Res. 115) by a vote of 230–197.	
9–	Senate passes second continuing resolution (H.J. Res. 115) by a vote of 50–46. House passes temporary increase in the public debt (H.R. 2586) by a vote of 227–194. Measure includes termination of Commerce Department and prohibition against divesting retirement trust funds to cover government debt. Senate passes temporary increase in the public debt (H.R. 2586) with an amendment by a vote of 49–47.	
10–	House agrees to the Senate amendment to the temporary increase in the public debt bill (H.R. 2586) by a vote of 219–185. Cleared for President.	
13–		President vetoes second continuing resolution (H.J. Res. 115). President vetoes temporary increase in the public debt (H.R. 2586). President signs into law the Energy and Water appropriations bill (H.R. 1905) (Public Law 104–46)
15–	House passes conference report on Treasury-Postal appropriations bill (H.R. 2020) by a vote of 374–52. Senate passes conference report on Treasury-Postal appropriations bill (H.R. 2020) by a vote of 63–35. Cleared for President.	Administration raids government employee retirement trust funds, divesting them of $61 billion to cover government debt. President signs into law the Transportation appropriations bill (H.R. 2002) (Public Law 104–50).

	104th Congress	Clinton Administration
16–	House passes conference report on Defense appropriations bill (H.R. 2126) by a vote of 270–158. Senate passes conference report on Defense appropriations bill (H.R. 2126) by a vote of 59–39. Cleared for President.	
17–	By a vote of 237–189, House passes conference report on Balanced Budget Act (H.R. 2491) which provides tax cuts of $245 billion over 7 years and makes policy changes to achieve a balanced budget by 2002. By a vote of 52–47, Senate passes conference report on Balanced Budget Act (H.R. 2491) which provides tax cuts of $245 billion over 7 years and makes policy changes to achieve a balanced budget by 2002, with an amendment.	
18–	House passes continuing resolution (H.J. Res. 123) for Medicare and Social Security administrative funds, and VA benefits by a vote of 416–0.	
19–	Senate passes and clears continuing resolution for Medicare, Social Security, and VA (H.J. Res. 123) by unanimous consent. Senate passes further continuing resolution (H.J. Res. 122) incorporating language—agreed to by the President—saying Congress and the administration "shall enact" legislation balancing the budget by not later than 2002 "as estimated by the Congressional Budget Office," by unanimous consent.	President signs into law continuing resolution (H.J. Res. 123) for Medicare, Social Security, and VA (Public Law 104–54). President signs into law the Treasury-Postal appropriations bill (H.R. 2020) (Public Law 104–52). President signs into law the second Legislative Branch appropriations bill (H.R. 2492) (Public Law 104–53).

	104th Congress	Clinton Administration
20–	House passes further continuing resolution (H.J. Res. 122) incorporating language—agreed to by the President—saying Congress and the administration "shall enact" legislation balancing the budget by not later than 2002 "as estimated by the Congressional Budget Office," by 421–4.	President signs continuing resolution (H.J. Res. 122) with language committing Congress and the administration to enacting a plan that balances the budget by 2002 "as estimated by the Congressional Budget Office." The President's signature gives the balanced budget commitment the force of law.
	House agrees to amendments to conference report on Balanced Budget Act (H.R. 2491) which provides tax cuts of $245 billion over 7 years and makes actual policy changes to achieve a balanced budget by 2002 by a vote of 235–192. Cleared for President.	Administration officials begin publicly and privately trying to redefine the terms of the balanced budget commitment and offer no balanced budget plan.
28–	Budget negotiations between administration officials and bicameral, bipartisan congressional leadership begin. Administration refuses to lay down a plan by the President balancing the budget in 7 years using CBO economics.	
29–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
30–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
	DECEMBER 1995	
1–		President fails to sign or veto the Defense appropriations bill (H.R. 2126). Hence, the bill becomes law (Public Law 104–61).
5–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
6–	House passes conference report on Commerce-Justice-State appropriations bill (H.R. 2076) by a vote of 256–166.	President vetoes the Balanced Budget Act (H.R. 2491).

	104th Congress	Clinton Administration
7–	Senate passes conference report on Commerce-Justice-State appropriations bill (H.R. 2076) by a vote of 50–48. Cleared for President. House passes conference report on VA–HUD appropriations bill (H.R. 2099) by a vote of 227–190.	**"Plan" Three**—White House submits a package claiming to balance the budget by 2002, but the plan fails to use CBO assumptions, as agreed to in the continuing resolution. Under CBO scoring the deficit would be $115 billion in 2002 alone.
	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
11–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
12–	Congressional Budget Office issues revisions of its economic projections and reestimates the Balanced Budget Act using the new figures. The new figures show the BBA works even better than expected—it still balances the budget by 2002 and results in deficits that are cumulatively $135 billion lower than previously estimated.	
	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
13–	House passes conference report on Interior appropriations bill (H.R. 1977) by a vote of 244–181.	
14–	Senate passes conference report on Interior appropriations bill (H.R. 1977) by a vote of 58–40. Cleared for President. Senate passes conference report on VA–HUD appropriations bill (H.R. 2099) by a vote of 54–44. Cleared for President.	

	104th Congress	Clinton Administration
15–	Congressional negotiators furnish the administration with a revised balanced budget plan, adding back $75 billion in Medicare, Medicaid, welfare, education, and elsewhere.	**"Plan" Four**—Administration offers a three-page summary of what it contends is a revised balanced budget offer. But the "plan" contains virtually no differences from the administration's previous, unbalanced proposal and still rejects the use of CBO estimates, as agreed to in the November 20 continuing resolution. CBO scores this "plan" as $69 billion out of balance in 2002.
	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
18–	House passes resolution (H.J. Res. 132) reaffirming that budget negotiations shall be based on CBO numbers and shall achieve a balanced budget by 2002 using those numbers by a vote of 351–40.	President vetoes Interior appropriations bill (H.R. 1977). President vetoes VA–HUD appropriations bill (H.R. 2099).
19–	House defeats President's fourth budget "plan," which CBO says will still have a deficit of $69 billion in 2002, by a vote of 0–412.	President vetoes Commerce-Justice-State appropriations bill (H.R. 2076).
20–	House passes continuing resolution (H.J. Res. 134) for VA benefits by a vote of 411–1.	
21–	Senate passes resolution (H.J. Res. 132) reaffirming that budget negotiations shall be based on CBO numbers and shall achieve a balanced budget by 2002 using those numbers by a vote of 94–0. House passes conference report on Welfare Reform (H.R. 4) by a vote of 245–178.	

	104th Congress	Clinton Administration
22–	Senate passes continuing resolution (H.J. Res. 134) for VA benefits by unanimous consent.	
	House and Senate pass and clear continuing resolution (H.J. Res. 136) for welfare benefits, DC, and VA benefits.	President signs into law the continuing resolution (H.J. Res. 136) for welfare benefits, DC, and VA benefits (Public Law 104–69).
	Senate passes conference report on Welfare Reform (H.R. 4) by a vote of 52–47. Cleared for President.	
29–		Administration withholds $14.5 billion in interest payments to an employee trust fund to cover government debt.
	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
30–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
31–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
	JANUARY 1996	
2–	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
	By voice vote, Senate passes H.R. 1643, bringing all Federal workers back to work with pay and back pay, through January 26.	
3–	House attempts to override veto of Commerce-Justice-State appropriations bill (H.R. 2076) but fails by a vote of 240–159.	President delays meeting with congressional negotiators to harshly criticize Republicans in a nationally televised news conference.

	104th Congress	Clinton Administration
	House passes continuing resolution (H.J. Res. 153) for DC by voice vote.	
	Negotiations continue, but impasse remains over President's refusal to lay down his plan balancing the budget with CBO numbers.	
4–	House attempts to override veto of Interior appropriations bill (H.R. 1977) but fails by a vote of 239–177.	
5–	Congress clears H.J. Res. 153, allowing the District of Columbia to use locally generated funds to run the city government through January 25.	President signs H.J. Res. 153 (Public Law 104–90).
	–By 401–17, House passes H.R. 1643, bringing all Federal workers back to work with pay and back pay, through January 26. The bill also includes nonsalary funds for all of fiscal year 1996 for specified programs such as Meals on Wheels, child welfare, unemployment insurance, and National Parks' visitors' centers. Passage includes an amendment; Senate passes amended measure by unanimous consent. Cleared for President.	
	–H.R. 1358, including funds for all of fiscal year 1996 for 17 specific programs, including Medicaid payments to States, Medicare funds for claims processing and contract employees, the FBI, Federal prisons, Federal courts, INS, and virtually all other law enforcement programs. Passage occurs through passage of rule, H. Res. 338, by a vote of 344–24. Senate passes amended measure by unanimous consent. Cleared for President.	

	104th Congress	Clinton Administration
	–H.J. Res. 134, providing operating funds for all Federal programs through January 26. Passes House by voice vote on rule H. Res. 336. Senate passes by unanimous consent. Cleared for President. –H. Con. Res. 131. Provides that H.J. Res. 134 will not be sent to President until he submits a 7-year balanced budget plan scored by CBO. Passage in House is deemed by passage of rule H. Res. 336. Senate passes by unanimous consent. Cleared for President.	
6–	Congress sends full continuing resolution (through January 26) to President after receiving "Plan" 5, which CBO scores as achieving a balanced budget by 2002.	**"Plan" 5**—President submits a slightly modified Daschle plan, which CBO scores as achieving a balanced budget by 2002. President signs H.R. 1643 (Public Law 104–92), H.R. 1358 (Public Law 104–91), and H.J. Res. 134 (Public Law 104–94), which provide continuing appropriations through January 26, full pay and back pay for Federal employees, and full-year funds for specified programs.
	Negotiations resume. Republicans present a counter-offer containing bipartisan savings levels for Medicare, Medicaid, and welfare, and smaller tax cut number.	
8–	White House negotiations between congressional leaders and the President continue. No agreements are reached.	
9–		President vetoes welfare reform bill, H.R. 4.
	Negotiations resume. White House presents another "offer," a combination of the Daschle plan and the administration's earlier "Plan" 2. House and Senate Republicans reiterate their offer of January 6. Both sides agree to a "recess" in balanced budget negotiations after Republicans conclude that further talks are pointless until the President shows real movement from his current position.	

	104th Congress	Clinton Administration
16–	Congressional leadership sends a letter to the President urging him to offer a new budget proposal that can attract bipartisan support. The letter is prompted by comments from Richard Gephardt, leader of the House Democrats, that the President's Plan 5 would be unlikely to get the votes of a majority of House Democrats.	
17–	Negotiators engage in a 40-minute telephone conversation without results, because the President still has not shown that he really wants a serious budget plan that reaches balance in 7 years. No further negotiations are scheduled.	
25–	By a vote of 371–42, House passes continuing resolution (H.R. 2880) funding most Federal programs through March 15, including a downpayment toward balancing the budget.	
26–	Senate passes continuing resolution (H.R. 2880) funding most Federal programs through March 15, including a downpayment toward balancing the budget, by a vote of 82–8. Cleared for President. As part of H.R. 2880, Congress clears for the President the fiscal year 1996 Foreign Assistance Appropriations bill (H.R. 1868).	President signs into law (Public Law 104–99) continuing resolution (H.R. 2880) funding most Federal programs through March 15, that includes a downpayment toward balancing the budget.
31–	House passes conference report on DC appropriations bill (H.R. 2546) by a 211-201 vote.	
	FEBRUARY 1996	
1–	Congress passes (House 396–0; Senate by unanimous consent) a bill to guarantee timely payment of Social Security benefits in March (H.R. 2924).	

	104th Congress	Clinton Administration
5–		President submits a placeholder budget overview for fiscal year 1997 that lacks any details.
8–		President signs H.R. 2924 guarantying timely payment of Social Security benefits in March (Public Law 104–103).
12–		President signs into law the fiscal year 1996 Foreign Assistance Appropriations bill (H.R. 1868) (Public Law 104–107).
	MARCH 1996	
7–	Congress passes (House 362–51, Senate by voice vote) a bill (H.R. 3021) to guarantee continued full investment of the Social Security and other government trust funds by temporarily extending the debt limit. House passes the Balanced Budget Down Payment Act, II—an omnibus appropriations bill (H.R. 3019) to complete the fiscal year 1996 funding process—by a vote of 209–206.	
12–		President signs a bill (H.R. 3021) to guarantee continued full investment of the Social Security and other government trust funds by temporarily extending the debt limit.
14–	Congress passes (House 238–179; Senate by unanimous consent) a continuing resolution (H.J. Res. 163) as negotiations on the Balanced Budget Down Payment Act, II continue.	

	104th Congress	Clinton Administration
15–		President signs the continuing resolution (H.J. Res. 163) (Public Law 104–116).
19–	Senate passes the Balanced Budget Down Payment Act, II—an omnibus appropriations bill (H.R. 3019) to complete the fiscal year 1996 funding process—by a vote of 79–21.	
21–	Congress passes (House 244–180; Senate by unanimous consent) a continuing resolution (H.J. Res. 165) as negotiations on the Balanced Budget Down Payment Act, II continue.	
22–		President signs the continuing resolution (H.J. Res. 165) (Public Law 104–116).
27–	Senate passes conference report on Line-Item Veto bill (S. 4) by a vote of 69–31.	
28–	House passes conference report on Line-Item Veto bill (S. 4) as part of H. Res. 391. Congress passes (House 328–91; Senate by unanimous consent) a bill (H.R. 3136) containing the Senior Citizens' Right to Work Act, the Small Business Growth and Fairness Act, and a permament increase in the public debt limit.	
29–		President signs a bill (H.R. 3136) containing the Senior Citizens' Right to Work Act, the Small Business Growth and Fairness Act, and a permament increase in the public debt limit (Public Law 104–121).

	104th Congress	Clinton Administration
	APRIL 1996	
9–		President signs Line-Item Veto bill (S. 4) (Public Law 104–130).
25–	Congress passes (House 399–25; Senate 88–11) the conference report on Balanced Budget Down Payment Act, II—an omnibus appropriations bill (H.R. 3019) to complete the fiscal year 1996 funding process.	
26–		President signs the Balanced Budget Down Payment Act, II—an omnibus appropriations bill (H.R. 3019) to complete the fiscal year 1996 funding process (Public Law 104–134).

APPENDIX 4

RESPONSE TO THE PRESIDENT

REBUTTALS TO PRESIDENT CLINTON'S 82 REASONS FOR VETOING THE BALANCED BUDGET ACT OF 1995

INTRODUCTION

On December 6, 1995, President Clinton vetoed the Balanced Budget Act of 1995, the congressionally passed bill that details legislative provisions needed to achieve a balanced Federal budget by 2002, to reform welfare, to preserve and protect Medicare, and to provide tax relief for working American families and for economic growth. In addition to his formal veto message, the President released an accompanying document titled "President Clinton's Reasons for Vetoing the Republican Budget: 82 Selected Issues."

The President's veto claims repeatedly distort and misrepresent the policies contained in the Balanced Budget Act. Worse, the President's claims are at odds with his own actions. For example, he boasts of his concern for enforcing environmental regulations even though he has proposed reducing enforcement personnel by 400 FTE's; he touts his "cops on the beat" program, but fails to note the program fails to assure that funds for additional police officers will go to those areas with the highest crime problems. Where candidate Bill Clinton promised to "end welfare as we know it" and provide a middle-class tax cut, President Clinton has done neither; he has only rejected congressional proposals to carry out these promises.

This document is designed as a resource for Members, their staffs, and others to analyze the President's veto claims and weigh them against the facts of the Balanced Budget Act and related Republican proposals. The discussion that follows provides rebuttals to each of the 82 reasons given for the President's veto. Each of the President's veto claims is indicated by number, and in most cases the entire claim is repeated *ver batim.* (In some cases, the veto claims have been condensed to their substantive content, eliminating mere rhetorical claims.) Each claim is then answered with specific points. The rebuttals also include information regarding the final balanced budget offer made to the President by the Republican leadership.

Although this document provides responses to the President, it is important to reiterate in a positive way, the reasons the majority in the 104th Congress is trying to balance the budget. A balanced budget path serves as a catalyst for the policies voters endorsed in the congressional elections of 1994. Seeking a balanced budget will drive Congress toward devolving important government activities

back to where they belong—at the State and local levels—rather than financing the one-size-fits-all, Washington-knows-best approach that has proved a failure over the past 30 years. It will promote the kind of systemic reforms that are needed in the Federal Government's excessively bureaucratic programs. Such reforms will not happen as long as the tax-and-spend/borrow-and-spend policies of past Congresses persist.

Balancing the budget also is necessary for protecting the Nation's economic future. For decades, the Federal Government has been spending more than it takes in, and piling up a huge debt in the process.

Right now the debt is approximately $4.9 trillion. Interest payments on the debt total about $235 billion just for this year. If the growth of government spending is not curtailed, the debt will reach $7.533 trillion by 2005, with interest payments of $412 billion. Over the next 15 years—if current patterns are allowed to continue—accumulated interest payments will total $5.2 trillion. As early as 1997, Americans will pay as much interest on the debt each year ($270 billion) as they pay for national defense.

The burden of this debt will fall on our children and grandchildren. A child born this year immediately inherits a lifetime tax bill of $187,150 just to pay the interest on the debt the government has run.

But even now, Americans are paying for this debt in another way: in the form of higher taxes to pay off the debt, and interest rates that are about 2 percentage points higher than they would be if the budget were balanced. Eliminating those 2 percentage points, by balancing the budget, will reduce the cost of a mortgage on a $75,000 home by as much as $37,000 over 30 years; will allow a family to save $2,160 over the life of an $11,000 college loan; will save the average family as much as $900 over 5 years on a $15,000 auto loan; will lead to the creation of 4.25 million more jobs over the next 10 years; and will increase per-capita incomes 16.1 percent.

These economic benefits—the expansion of opportunity and hope—are the greatest protection the Federal Government can offer future generations.

[This document was prepared by the majority staff of the Committee on the Budget, in consultation with committees with jurisdiction over programs involved. The document was originally published on February 29, 1996, and applies to the status of the budget debate at that point.]

MEDICARE AND MEDICAID REFORMS

The President's claims concerning the Republican reforms of Medicare and Medicaid are designed to deflect attention from the real issues surrounding these two programs. Therefore, before addressing the President's veto claims, it is important to reiterate the critical factors underlying the congressional reforms. They are the following:

1. *Without prompt reform, the Medicare program will be bankrupt by 2002 or sooner.*
   - The Trustees of the Medicare Hospital Insurance Trust Fund reported to Congress in April 1995 that the program would run a deficit in 1996, and be bankrupt in 2002. They stated: "The trustees believe that prompt, effective, and decisive action is necessary" to save Medicare from bankruptcy.
   - A Treasury report in October 1995 documented that the trust fund was in deficit in 1995, pointing to a potential bankruptcy date even earlier than previously assumed.
   - President Clinton is clearly aware of these facts but has ignored them, choosing instead to let the problem fester.
2. *The congressional majority is not cutting either Medicare or Medicaid.*
   - The congressional Medicare plan increases average Medicare spending on each beneficiary from $4,800 in 1995 to $7,100 in 2002. This is more—not less—Medicare spending per beneficiary. It would fully account for the increase in the Medicare population over the period.
   - The reform plan spends $1.651 trillion on Medicare over 7 years. This translates to $725 billion more over the next 7 years than Medicare spent over the past 7 years. Medicare spending in 2002 would be an estimated $289.3 billion—$111.9 billion more than the 1995 level of $177.4 billion. Overall, Medicare spending would grow an average of 7.2 percent each year over 7 years.
   - Medicaid spending in the reform plan would grow from $89.1 billion in fiscal year 1995 to $127.4 billion in fiscal year 2002, a 43-percent increase. Medicaid funding would increase from $443 billion over the past 7 years to $791 billion over the next 7 years, a 74-percent increase. Federal per-capita Medicaid payments would increase from $2,516 in fiscal year 1995 to $3,242 in fiscal year 2002.

- President Clinton knows these are not spending cuts. In 1993, defending his own proposed government takeover of health care, he said: "Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation * * * Only in Washington do people believe that no one can get by on twice the rate of inflation. So, when you hear all this business about cuts, let me caution you that that is not what is going on." (October 5, 1993). The congressional plan allows Medicare to grow at more than twice the rate of inflation; yet the President now calls this a "cut."

3. *Medicare must be reformed regardless of tax cuts or efforts to balance the budget.*

- The fact that the Hospital Insurance Trust Fund is going broke and Medicare Part B is growing at 13 percent (four times the rate of inflation) clearly indicates the program is unsustainable on its current track. The program must be reformed so it will be there for current seniors, and for when the baby boomers retire.
- The congressional tax cuts were fully paid for in the Contract With America tax relief bill, which did not touch Medicare. The tax cuts also are fully financed in the Balanced Budget Act exclusive of the act's Medicare reforms.

4. *The Republicans have real plans to reform Medicare and Medicaid; the President has only gimmicks and sound bites.*

- The Balanced Budget Act contained the reforms necessary to save the trust fund until 2017. The BBA would offer seniors choices among health care plans like those available in the private sector, but the BBA will still allow seniors to keep the same fee-for-service Medicare they have today if they prefer—with no increased deductibles or copayments, and with premiums held at no more than 31.5 percent of program costs.
- The congressional Medicaid plan would block grant Medicaid to the States and provide greater flexibility for States to tailor their Medicaid program for their own populations.
- The President has ignored the need for these reforms, and has resorted instead to expediency. For example, his response to the impending Medicare bankruptcy has been to transfer spending—not save money—from one part of the program to the other to claim a later bankruptcy date. Meanwhile, he has blocked efforts to put the program on a sound financial foundation.

5. *The quality of Medicare will improve with the reforms contained in the BBA—just as it has in the private sector.*

- The private sector has proved that more choices of health coverage and innovations in care will increase quality and lower costs. This has been the experience of companies such as Xerox, Kodak, and IBM, detailed in testimony to the Budget Committee.

- Medicare beneficiaries do not currently enjoy many of the choices available in the private sector, and the BBA would bring this innovation and quality to the program.

The President's specific veto claims are as follows:

VETO CLAIM No. 1: *Magnitude of $433 Billion Medicare and Medicaid Cuts.*

The Republican budget cuts Medicare and Medicaid [a] combined $433 billion over 7 years—four times greater than anything ever enacted by any Republican or Democratic President—to fund a tax cut for the wealthy. These cuts will deny health care coverage for nearly 8 million people by 2002, threaten urban and rural hospitals with closure, reduce the quality of care for everyone, and increase health care costs for the privately insured through cost shifting.

- $433 billion combined Medicare and Medicaid cuts could force many rural and urban hospitals to close.
- $433 billion Medicare and Medicaid cuts would reduce the quality of care for everyone.
- $433 billion Medicare and Medicaid cuts will increase health care costs for the privately insured by cost shifting billions of dollars.
- * * * Medicare and Medicaid cuts in the reconciliation bill could lead doctors and hospitals to raise their fees on privately insured patients by at least $85 billion over 7 years through cost-shifting. Cost shifting is the process by which health care providers charge privately insured people more in order to make up for losses from serving Medicare and Medicaid beneficiaries and the uninsured.
- $67 billion of the $85 billion in increased costs would be passed on to workers by employers in the form of lost wages and higher health care premiums.

REBUTTAL *to Veto Claim No. 1*

- Congress is not cutting either Medicare or Medicaid.

  The congressional Medicare plan increases average Medicare spending on each beneficiary from $4,800 in 1995 to $7,100 in 2002. This is more—not less—Medicare spending per beneficiary. It would fully account for the increase in the Medicare population over the period.

  The reform plan spends $1.651 trillion on Medicare over 7 years. This translates to $725 billion more over the next 7 years than Medicare spent over the past 7 years. Medicare spending in 2002 would increase to $289.3 billion—$111.9 billion more than the 1995 level of $177.4 billion. Overall, Medicare spending would grow an average of 7.2 percent each year over 7 years.

  Medicaid spending in the plan would grow from $89.1 billion in fiscal year 1995 to $127.4 billion in fiscal year 2002, a 43-percent increase. Medicaid funding would increase from $443 billion over the past 7 years to $791 billion over the

next 7 years, a 74-percent increase. Federal per-capita Medicaid payments would increase from $2,516 in fiscal year 1995 to $3,242 in fiscal year 2002.

- Under the congressional Medicare plan:

  Hospital payments would increase at least 12 percent over 7 years. The plan establishes special provisions for rural and urban hospitals, including the Medicare Dependent Small Rural Hospital Program, a rural emergency access hospital program, a graduate medical education trust fund for teaching hospitals, and continued add-on payments for disproportionate share hospitals at 70 percent of current law levels.

  Hospitals could join with doctors and other providers to offer Medicare benefit plans. This will enable rural and urban hospitals to compete with HMO's and other health plans for Medicare beneficiaries and ensure financial stability.

- Competition in the private sector is the major factor in reducing the number of insupportable health facilities.

  As the health care market responds to changes in delivery and technology, and the ability to offer services on an outpatient basis increases, facilities requirements will change.

  Competition brings increased quality in every other market, and the quality of health care will increase in the congressional plan as competition brings new benefits, lower out-of-pocket costs, and expanded choice of providers. Providers can be expected to compete for Medicare beneficiaries, and will offer new and innovative opportunities for beneficiaries to attract them to their health plan.

- With medical savings accounts, Medicare beneficiaries will have greater control over their health care spending, and will receive the benefits for making prudent health care purchases.

- Under the Balanced Budget Act, payments to providers will increase.

- The cost-shifting argument assumes Medicare payments are below provider cost, and there is no inefficiency or waste in the system.

  In fact, in markets with high penetration of private sector managed care, Medicare is the highest payer. The BBA creates incentives for providers to become more efficient, and provide sufficient payments to cover costs.

  According to Foster Higgins Inc., the company that surveys and reports on private sector health spending, corporations had lower premium costs in 1995 than the years before. Private sector costs reflect flaws in the private health insurance market, rather than cost shifting in Medicare. Congress should pass targeted private health care reform, but the first responsibility is the Federal health programs that are spending out of control—Medicare and Medicaid.

MEDICARE

VETO CLAIM No. 2: [The Balanced Budget Act] *Cuts Medicare Well Below Private Sector Rates.*

- BBA's $270 billion cut will turn Medicare into a second class health care program.
- The BBA reduces Medicare spending growth per beneficiary far below projected private sector growth rates. Based on CBO data, private sector per capita health care spending is projected to increase 7.1 percent per year over the next 7 years, but the BBA reduces Medicare spending growth per beneficiary to 5.5 percent, on average.
- Federal Medicare spending per beneficiary would be $1,700 less than under current law in 2002.

REBUTTAL *to Veto Claim No. 2*

- The Balanced Budget Act does not cut Medicare.

  The Balanced Budget Act would allow Medicare spending per beneficiary to increase from an average of $4,800 in 1995 to an average of $7,100 in 2002. This is more—not less—Medicare spending per beneficiary. It would fully account for the increase in the Medicare population over the period.

  The Balanced Budget Act would spend a total of $1.651 trillion over 7 years. The plan would spend $725 billion more over the next 7 years than Medicare spent over the past 7 years. Medicare spending in 1995 was $177.4 billion; under the Republican plan, spending in 2002 would be an estimated $289.3 billion—$111.9 billion higher in 2002 than 1995. Spending would grow an average of 7.2 percent each year over 7 years.
- The trustees of the Medicare Hospital Insurance Trust Fund reported to Congress in April 1995 that the program would run a deficit in 1996, and be bankrupt in 2002. They stated: "The trustees believe that prompt, effective, and decisive action is necessary" to save Medicare from bankruptcy. A Treasury report in October 1995 documented that the trust fund was in deficit in 1995, pointing to a potential bankruptcy date even earlier than previously assumed.
- The President's response to the impending Medicare bankruptcy has been to offer gimmicks and rhetoric. The President would transfer spending—not save money—from one part of the program to the other in order to claim a later bankruptcy

date and has blocked efforts to put the program on a sound financial foundation.

- When the administration, in 1993 and 1994, proposed a government takeover of the country's entire health care system and a new entitlement from Medicare and Medicaid spending, the President said the following:

  "Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation * * * Only in Washington do people believe that no one can get by on twice the rate of inflation. So, when you hear all this business about cuts, let me caution you that that is not what is going on." (October 5, 1993)

  The Balanced Budget Act passed by Congress would allow Medicare to grow at more than twice the rate of inflation. Yet, contrary to his own prior assertions, the President now calls this a "cut."

- Medicare reforms in the BBA would save the trust fund to 2017. This is the first step to ensure the program is there for today's retirees, and prepares the way for the needs of the baby boom generation's retirement.

- Medicare reforms in the BBA would expand choice of health care coverage for seniors, preserve the option to choose one's doctor, and allow beneficiaries to realize savings from prudent health care spending with medical savings accounts. The BBA would bring these innovations, many of which are available in the private sector today, to Medicare. The surest way to have Medicare become a "second class" health care program is to block these reforms, as the President is now doing.

- Many private and public insurers (such as the State of California) have proven that by demanding efficiencies and by negotiating rates with their health care providers they can reduce their health care costs to much lower than 7-percent growth per year.

  Foster Higgins Inc., a health care research firm, reported this year that health care premiums for private employers actually declined in 1994.

  Medicare is the largest purchaser of health care services and products in the country. By following the lead of many innovative health care insurers and employers, it is reasonable to believe that Medicare can reduce its rate of growth to a substantially lower rate the current projected 11-percent growth rate.

VETO CLAIM No. 3: [The Balanced Budget Act] *Slashes Funding for Poor Elderly and Disabled Medicare Beneficiaries.*

- Under current law, Medicaid pays all Medicare premiums, coinsurance, and deductibles for people below 100 percent of poverty (known as QMB's) and premiums for people with incomes between 100 percent and 120 percent of poverty.

- As many as 5.4 million elderly and disabled people currently have their Medicare cost sharing covered by Medicaid. This assistance ensures that they can afford Medicare.
- Does not set aside any funds for their copayments and deductibles. The congressional budget completely eliminates the requirement that States cover coinsurance and deductibles for poor elderly and disabled people, and does not set aside any money for this purpose.

  More than 5 million elderly and disabled people would immediately lose their guarantee of assistance with copayments and deductibles.
- Sets aside less than half of what is needed for their premiums. While Congress claims to cover poor elderly and disabled premiums, they set aside less than half of the money needed to cover their premiums by 2002.

  As many as 950,000 could lose assistance with their premiums—just when premiums are increased. HHS estimates that as many as 950,000 poor elderly and disabled people could lose funding for their Medicare premiums in 2002—at the same time that the Republicans plan increases these premiums.
- Could force the poor to leave fee-for-service plans. Without assistance with premiums, copayments, and deductibles, poor Medicare beneficiaries may be forced to leave their fee-for-service plan and enroll in a managed care plan that does not require cost-sharing—if one exists in their area.

REBUTTAL *to Veto Claim No. 3*

- Under MediGrant—the congressional plan's block grant Medicaid reform—States would be required to provide protection for aged Medicare beneficiaries with incomes below 100 percent of poverty through a set-aside mechanism. Each State must spend a minimum of 90 percent of its 3-year (1993 through 1995) average Medicaid payments for Medicare Part B premiums for the aged.
- This set-aside is a minimum, a floor and not a ceiling. With total Federal spending of $791 billion for Medicaid over 7 years under the Balanced Budget Act of 1995 (and $834 billion over 7 years under the latest revision to the planned funding), States will have adequate funding to cover the Medicare Part B premiums contemplated by both Congress and the administration in their budgets. The funds will also be more than adequate to cover coinsurance and deductibles.
- It is disingenuous for the President to argue that "poor Medicare beneficiaries may be forced to leave their fee-for-service plan and enroll in a managed care plan that does not require cost-sharing." In 1993, the administration proposed a health program that would have effectively forced most of the under-65 population into managed care. Further, President Clinton continues to endorse managed care.

VETO CLAIM No. 4: [The Balanced Budget Act] *Allows Doctors to Overcharge.*

- Allows doctors to "balance bill" or charge Medicare beneficiaries above the Medicare payment rates.
- Without protections from balance billing, beneficiaries in the new Medicare plans would be subject to higher charges.
- The opportunity to balance bill in the new Medicare plans will give doctors incentives to leave the traditional Medicare fee-for-service plans, forcing many patients to change their doctor or leave the fee-for-service program.

REBUTTAL *to Veto Claim No. 4*

- Once again, President Clinton is trying to scare Medicare beneficiaries by claiming the congressional plan takes away Medicare as they know it—and allows doctors and hospitals to charge beneficiaries any amount they wish. These claims are false.

  The reform plan strictly maintains existing laws that prohibit providers from "balance billing" (charging an amount over and above the Medicare payment allowance) Medicare beneficiaries who remain in the traditional fee-for-service plan.

  Furthermore, if a beneficiary chooses a coordinated care network option (such as an HMO or provider service organization) the beneficiary cannot be subject to balance billing as long as they stay within the network of that organization.

  The only balance billing arrangement allowed under the Republican plan would apply to certain private fee-for-service plans and medical savings accounts. The Republican plan allows for such arrangements to all greater choice for a greater number of beneficiaries. Many beneficiaries oppose current law, which strictly prevents Medicare beneficiaries from paying a non-Medicare participating provider out of their own pocket even if it is the beneficiaries' wish to do so.

  In other words, the choice is left to beneficiaries: they can choose to stay in traditional Medicare where they will not be subject to balance billing, or they can choose from a number of private plans—some of which are allowed to balance bill and some of which are not.
- It is ridiculous to assume that there will be enough "balance billing opportunities" to cause a major migration of doctors to private fee-for-service plans. As estimated by CBO, most beneficiaries will remain in traditional fee-for-service Medicare or choose a private network which does not allow balance billing. Total physician income in the United States is very dependent upon Medicare payments so that most doctors do not have the choice to not accept Medicare patients.

VETO CLAIM No. 5: [The Balanced Budget Act] *Increases Medicare Premiums.*

- Increases Medicare premiums and burdens older and disabled Americans—just to pay for a tax cut for the wealthy.
- Increases premiums from 25 percent of Part B program costs to 31.5 percent, increasing costs in 1996 by $264 per couple. The President's plan maintains the current policy and permanently sets premiums at 25 percent of program costs—three quarters of all Medicare beneficiaries have incomes below $25,000.
- Since 1984, the Part B premium has been set to finance 25 percent of Part B program costs. The premiums were set, in advance, at specific dollar amounts that were anticipated to equal 25 percent of program cost for 1991 to 1995—as a result of misforecasting, the premium equaled 31.5 percent in 1995—even though Congress never intended to raise premiums above 25 percent. OBRA '93 directed that the Part B premium would be 25 percent of program costs each year, from 1996 through 1998, instead of setting specific dollar amounts in advance. As a result, the Part B premium dropped from $46.10 in 1995 to $42.50 in 1996.
- Among the 36 million Medicare recipients who will face higher premiums, 8.8 million veterans—one-third of all veterans in the United States—will be forced to pay higher out of pocket costs for lower quality care.

REBUTTAL *to Veto Claim No. 5*

- Low- and moderate-income working families should not have to subsidize Medicare premiums for high-income seniors. Therefore, the congressional plan calls for relating Medicare premiums to the incomes of beneficiaries.

  Currently, taxpayers subsidize 75 percent of the premium for all Mediare beneficiaries, regardless of the beneficiaries' incomes.

  The congressional plan phases out this subsidy starting at income levels of $60,000 for individuals and $90,000 for couples. The subsidy is fully phased out at income levels of $110,000 for individuals and $150,000 for couples.
- Because all individuals, whether they have high incomes or low incomes, are entitled to Medicare benefits at the age of 65, and because 90 percent of Medicare is paid for through payroll and income taxes, many working families with less wealth than retired Medicare beneficiaries, are being increasingly taxed to support health care for seniors. For this reason, Republicans intend to give back to working families some of their hard-earned money, and at the same time, try to reduce the growth of Medicare spending to a level closer to that of similar spending in the private sector.

  Many struggling families have incomes around or below $25,000—and these families are far less likely to own a home or car than those of previous generations. While many sen-

iors have incomes around or below $25,000, they are more likely to own their own homes and cars, and to have fixed living expenses, than are working families with similar incomes. Also, the Medicaid program pays the Part B Medicare premium for the poor elderly.

The congressional plan simply keeps the Medicare premium at 31.5 percent of program costs—the same percentage of Part B program costs as they did in 1995. This would prevent the taxpayers from having to foot more of the Part B Medicare bill than they are already paying.

- Historically speaking, the President's claim that Congress never intended the premium to rise above 25 percent is false.

When the Medicare program was first created in 1965, it was structured so that beneficiaries paid 50 percent of all Part B program costs.

The premium remained at 50 percent until 1975, when for a time the premium was unlinked from the cost of the program and increased by a cost of living standard. The "25-percent standard" did not begin until 1984.

If the congressional plan were to go into effect, beneficiaries would see their monthly premiums increase by about $6—about the same amount they are used to seeing their premiums increase each year.

- Because the Medicare program does not discriminate against or classify veteran Medicare beneficiaries any differently from any other Medicare beneficiaries, veterans who are eligible for Medicare would receive the same expanded, high-quality health care delivery options as all Medicare beneficiaries.
- Under the congressional plan, veterans would be able to choose from a variety of private plans, which might offer them more services than they are currently receiving from Medicare, and they may even have a plan in their area that would require far lower out-of-pocket costs than they currently pay.
- Veterans would also, of course, have the option of remaining in the traditional Medicare fee-for-service plan.

If they chose the traditional plan, their only increased out-of-pocket costs would be about a $6 increase in monthly premiums—which all Medicare beneficiaries experience each year as the cost of the Medicare Part B program increases.

VETO CLAIM No. 6: [The Balanced Budget Act] *Constrains Spending in Traditional Medicare More than in New Plans.*

- The congressional plan disadvantages the traditional Medicare fee-for-service program compared to the new MedicarePlus by constraining spending in the early years in the fee-for-service program far more than in the new plans.
- In 1996 alone, the congressional plan allows spending in the new plans to increase at an average per capita rate of 8.0 percent—one third higher than the increases for traditional Medicare.

- The uneven treatment * * * will harm quality and create incentives for doctors to leave traditional Medicare.

REBUTTAL *to Veto Claim No. 6*

- The President's claims are inaccurate. In the BBA, Medicare spending for the entire program would increase 7.2 percent on average per year. The BBA would have allowed Medicare fee-for-service to grow 8.3 percent in 1996—not one-third lower than private plans. This amount is more than two times greater than inflation. Payments in fee-for-service Medicare are sufficient to account for increased population, price increases, and an add-on factor.
- The President would allow the program to continue the inefficient and unsustainable spending growth in both fee-for-service and managed care plans. The BBA would reform the payment method in both fee-for-service and MedicarePlus.
- The claim that "uneven treatment * * * will harm quality" is unsupported by the reforms in the plan. According to the Congressional Budget Office analysis of the plan, there would be no harm to quality of care.
- It has been demonstrated that areas with high penetration of managed care plans have lower fee-for-service costs. The objective in the congressional plan is to maintain the same spending restraint on both fee-for-service and MedicarePlus plans.

VETO CLAIM No. 7: *Medical Savings Accounts.*

- Medical savings accounts tend to attract only the healthiest individuals, who expect few medical expenses in the coming year and who typically cost the Medicare program little.
- To the extent that MSA vouchers are set at a level that exceeds the cost of these healthy beneficiaries under the current Medicare system, MSA's will increase spending on healthy beneficiaries.
- In fact, CBO estimates that MSA's will raise Medicare costs by nearly $5 billion over 7 years. A Lewin-VHI study concluded that MSA's would cost the Medicare system $15–20 billion over 7 years.
- Since the congressional plan caps Medicare spending, MSA costs would have to be offset by further cuts in services for the less healthy beneficiaries remaining in the traditional fee-for-service plans.

REBUTTAL *to Veto Claim No. 7*

- Medical savings accounts would enable seniors to have control over their health care spending and allow them to realize the benefit of prudent health spending. The attitude of the President is that seniors do not know what type of health care is best for themselves and should not be able to have that choice.
- The claim that only healthy Medicare beneficiaries will choose MSA plans is only an assumption, not based on fact. Because

there are no true MSA's in the marketplace, there is no evidence for this claim.

- The only real evidence in the marketplace comes from a number of companies that offer MSA-type plans. For these companies, individuals with expected health expenses choose MSA's because the money in the account is available for use, and they do not have to meet the $250 deductible out of pocket.

  Medicare also has deductibles that must be paid out of pocket or by beneficiary-paid MediGap plans. MSA's would give beneficiaries more control of their health spending, and allow them to receive the benefit for wise health purchases.

  Amounts above 60 percent of the deductible could be withdrawn for nonhealth purposes, or used to purchase long-term health care.

- Medicare payments to MSA's will be adjusted to account for the health status of the covered beneficiary. Healthier beneficiaries will receive a lower payment to reflect lower anticipated costs.
- The estimate that MSA's will cost $4.4 billion is based on the assumption that only healthy beneficiaries will choose them, and when health expenses do occur, the beneficiary would switch back to fee-for-service Medicare. But everyone acknowledges that high-deductible insurance is less costly than low-deductible plans, and the incentives for MSA's will produce substantially lower costs over time.
- Even though Republicans do not accept the estimate that MSA's will cost the Medicare program billions, the BBA fully offsets the estimate with reductions in payment increases to providers. The Republican plan does include "cuts in services" but requires all Medicare plans to fully cover all Medicare benefits.

VETO CLAIM No. 8: [The Balanced Budget Act] *Locks Beneficiaries Into Plans.*

- Under current law, beneficiaries are permitted to leave a managed care plan at any time, with termination effective as of the first of the month following the request to leave.
- Under the Balanced Budget Act, beneficiaries who enroll in one of the new MedicarePlus plans, including managed care plans, provider-sponsored organizations, or a high-deductible medical savings account plan, would generally be locked into that plan for a year. In general, they could not leave the program except during the annual open enrollment period.
- The President's proposal retains current law and allows beneficiaries to leave at any time.

REBUTTAL *to Veto Claim No. 8*

- Under the congressional plan, a beneficiary can be committed to a plan for a year only if that beneficiary chooses to be.

If among the many options offered, a beneficiary chooses a closed network with an annual enrollment, the beneficiary has the option to disenroll from that plan within the first 90 days.

Once the beneficiary has had 90 days to try the new plan, they are enrolled for a full year.

- If a beneficiary does not want to commit to a plan for a full year, there are other care delivery options to choose from. The congressional plan provides more options for health care delivery than beneficiaries have ever had before. These include traditional Medicare, point of service options, private fee-for-service plans, and medical savings accounts.
- For years the Health Care Financing Administration has been recommending that the current Medicare HMO option be changed from a month-to-month enrollment to an annual enrollment. An annual enrollment is good for both the patient and the health plan. The patient receives a better coordinated continuum of care which has proven to be a positive factor in quality of care; and the plan can better anticipate its enrollment size and therefore provide its enrollees with the proper size staff to meet enrollees' needs.

VETO CLAIM No. 9: [The Congressional Medicare Plan] *Increases Costs for Beneficiaries Without Expanding Benefits or Prevention.*

- The Republican budget increases beneficiary costs while only adding one new benefit: coverage of oral nonsteroidal antiestrogen for the treatment of breast cancer.
- Currently, Medicare does not cover the array of preventive benefits now offered by many private plans, particularly managed care plans. These preventive benefits can both increase beneficiary's health and reduce costs at the same time.
- President Clinton's proposal updates the Medicare benefit package to make it more comparable to private sector benefit packages, including: mammography, certain colorectal screening, preventive injections, respite benefit for beneficiaries with Alzheimer's disease.

REBUTTAL *to Veto Claim No. 9*

- Under the congressional plan the President vetoed, Medicare beneficiaries would have the option to remain in the traditional Medicare fee-for-service plan. If they were to choose the traditional plan, they would have no increased copayments or deductibles. The only increase they would have realized would be the slight increase (about $6) in their Part B premium which is about what they experience in every new year.
- What the Clinton plan does not offer is new choices of health care delivery that can actually decrease beneficiaries' out-of-pocket costs. Under the congressional plan, beneficiaries would be able to choose from a variety of private plans, which might offer them more services than they are currently receiving with far lower out-of-pocket costs than they currently pay.

- The President increases Medicare costs by adding more "Washington-knows-best, one-size-fits-all" "benefits."

  These include $6.6 billion for new preventive benefits and $6.4 billion to allow family/informal care givers of Alzheimer victims to employ 32 hours of professional care per year (this Alzheimer benefit has the potential to explode in the same manner as home health care has exploded).

  The Alzheimer respite benefit is a typical example of establishing ballooning programs for all beneficiaries—regardless of whether they want them or need them.

- In contrast, the congressional majority has designed a plan of options from which beneficiaries can choose according to their particular needs.

  For example, if a beneficiary wants a plan that will offer preventive benefits, he or she will have access to private plans that will coordinate health care and include these kinds of benefits.

  Some plans will even allow beneficiaries to determine, at the point a service is needed, whether or not they want to receive the service from their regular plan, or go outside of the plan to receive this service elsewhere.

- In the latest offer, Congress has included additional, new preventive screening benefits in the traditional Medicare benefit package. But unlike the President's plan, the costs of these benefits are offset through real savings and increased efficiencies elsewhere in the program.

MEDICAID

The majority's reform for Medicaid calls for block-granting the program to States, allowing States greater flexibility to tailor services according to their needs. The new program would be called MediGrant.

VETO CLAIM No. 10: *Magnitude of $163 Billion Cuts—Lowering Average Annual Spending Growth Per Recipient to 1.6 Percent Could Cause Millions to Lose Coverage.*

- The Balanced Budget Act cuts Federal support for Medicaid by an unprecedented $163 billion—over 10 times anything ever enacted by any Republican or Democratic President.
- The congressional plan achieves these savings by capping overall spending. This means that spending growth per beneficiary would fall from the current 7.0 percent to 1.6 percent annually—far below the rate of inflation.
- States cannot sustain coverage when Federal funds are increasing at only 1.6 percent per beneficiary. States will be forced to reduce benefits and/or provider payments and eliminate coverage for millions of people on Medicaid.

REBUTTAL *to Veto Claim No. 10*

- The administration's claims are misleading. Under the Republican plan to modernize and add State flexibility to Medicaid, as proposed in the Balanced Budget Act of 1995, Medicaid Federal outlays will not be cut; they will grow.

  The growth proposed is from $89.1 billion in fiscal year 1995 to $127.4 billion in fiscal year 2002, a 43-percent increase.

  Funding would increase from $443 billion over the past 7 years to $791 billion over the next 7 years, a 74-percent increase.
- In negotiations with the administration, Republicans agreed to allow faster increases than those provided for in the Balanced Budget Act.

  The growth proposed in the latest offer is from $89.1 billion in fiscal 1995 to $143.0 billion in fiscal year 2002, a 60-percent increase.

  Funding would increase from $443 billion over the past 7 years to $839 billion over the next 7 years, an 89-percent increase.

- Under the latest offer, Federal per-capita Medicaid payments would increase from $2,516 in fiscal year 1995 to $3,242 in fiscal year 2002. Under these new funding levels, Federal Medicaid payments to the States will allow per-capita payments to Medicaid beneficiaries (as forecast by the CBO) to grow at or above the CBO forecast of inflation in each of the next 7 years.
- Governors and State Medicaid directors have testified to the Commerce Committee that, under the funding levels proposed in the Balanced Budget Act—with Medicaid outlays of $791 billion over 7 years—they can improve their programs and will not be forced to throw people off the roles. Instead, by introducing common sense and less Federal one-size-fits-all regulations, an improved Medicaid program will be the result.
- The administration's charge that States will be forced to reduce benefits and/or provider payments and eliminate coverage for millions of people on Medicaid fails to recognize that there is a third alternative—to provide the services more efficiently.
- Several States, including Arizona, Tennessee, and Oregon, have shown they can cover more people and also slow the rate of Medicaid outlays. Under the Medicaid reform plan all States will be able either to replicate these successful strategies or develop their own approach without seeking expensive and time-consuming waivers.

VETO CLAIM No. 11: *Medicaid Cuts Could Double if States Reduce Their Spending.*

- The $163 billion reflects only the Federal cuts. Medicaid is a Federal-State plan, and if States only contribute the amounts that the Federal Government will match and provide no additional funding, the Center on Budget and Policy Priorities estimates the total reduction in Federal and State Medicaid funds would exceed $400 billion over 7 years, compared with current law.
- While States are unlikely to limit funding to the match, with the squeeze from other cuts, the overall Federal-State cuts could total far beyond $163 billion.

REBUTTAL *to Veto Claim No. 11*

- Under Congress' plan to modernize and add State flexibility to Medicaid, as proposed in the Balanced Budget Act of 1995, some of the power currently vested in Washington will be returned to the States. States will then have the option to provide Medicaid services through increased use of managed care or through other innovative ways. These approaches have been tried in a few States and they work. States should have the flexibility to use these and other program-improving approaches without going through the expensive and time-consuming waiver process which characterize the current Medicaid program. Further, Medicaid Federal outlays will not be cut; they will grow, as discussed above.
- It is true that States are likely to share in the benefits that can be achieved through introducing common sense and effi-

ciencies into the Medicaid program. This will save State taxpayers money.

- Savings can be expected from several areas—especially from managed care. For example, the General Accounting Office [GAO] reported on October 4, 1995, that between 1994 and 1995 the capitation rates—the rate of payments made per person for specified services—fell by about 11 percent in the Arizona statewide Medicaid demonstration. This program provides the best data on savings from managed care in Medicaid.

VETO CLAIM No. 12: [The Balanced Budget Act] *Ends National Guarantee of Coverage.*

- The congressional plan repeals the Medicaid program, replacing it with a "block grant."
- Completely eliminates Medicaid's guarantee of defined, meaningful coverage for Americans who are sick, elderly, poor, blind, or disabled in other ways.
- Because the block grant constrains spending growth per beneficiary to 1.6 percent per year, providing 28 percent less funding than under current law by 2002, States will be forced to significantly reduce Medicaid eligibility and benefits.
- Under current law, all States are required to cover a minimum set of services, including hospital, physician, and nursing home services. States have the option of covering an additional 31 services, including prescription drugs, hospice care, and personal care services.
- States could eliminate almost any benefit currently covered by Medicaid. The only required services would be immunizations and limited family planning.

REBUTTAL *to Veto Claim No. 12*

- It is true that the congressional plan would replace Medicaid with a block grant to the States. This is part of the real reform. It also is part of a broader movement toward moving power back to the States, reforming regulations, and introducing common sense in government.
- Each State would develop eligibility and coverage policies that meets the needs of the people in that State. This approach rests on the principle that good public policy need not rest on Federal regulations.
- Under the current Medicaid program, all States cover population groups that they are not required by Federal Medicaid regulations to cover. All States also provide services that they are not required to cover. Why then would one question the basic desire of the States to do what is right for their citizens under a block grant?

  Funding levels will provide for growth in per-capita outlays that meet or exceed current forecasts of price inflation for each of the next 7 years. There is adequate Federal funding. State Governors and Medicaid directors have testified to the adequacy of the funding levels proposed in the Balanced

Budget Act. Subsequently, the level of funding has been increased even more.

When coupled with expected gains in efficiency through the elimination of the Federal regulation, more than basic eligibility and coverage can be expected. Indeed, many of the Nation's uninsured whose incomes are above the poverty level and not eligible for Medicaid will likely become eligible.

The Medicaid reform plan specifies that States can provide coverage to those with family incomes up to 275 percent of poverty—far above the level in the current Medicaid regulations.

VETO CLAIM No. 13: [The Balanced Budget Act Provides] *No Guarantee of Even Minimal Health Care Coverage for Poor Children Under Age 13, Pregnant Women, and People With Disabilities.*

- While the proposal includes language calling for States to provide MediGrant services to poor children under 13, pregnant women, and people with disabilities, financially strapped States could satisfy this requirement with *de minimis* coverage, which could mean millions fewer people receiving a meaningful benefits package.
- The President believes it is wrong to change the laws in ways that could lead to less coverage for poor children, pregnant women, and Americans with disabilities.

REBUTTAL *to Veto Claim No. 13*

- No one is proposing ending or reducing eligibility or coverage for America's vulnerable populations.

  Under the Medicaid reform proposed in the Balanced Budget Act, States would be required to set aside funds to ensure coverage of broad groups of people currently covered under Medicaid: children and pregnant women, the elderly, and the disabled.

  The goal is to free States from Federal regulations that are overly constraining and inhibit the efficiency gains to free up funds to extend coverage and eligibility.
- The Medicaid reform proposed in the Balanced Budget Act attempts to expand, not shrink, Medicaid coverage.

  It specifies that States can provide coverage to those with family incomes up to 275 percent of poverty—far above the level in the current Medicaid regulations.

  Medicaid demonstration programs sanctioned by the Clinton administration in Tennessee, Arizona, and other States clearly show that through managed care efficiencies coverage can be extended to literally millions of poor children, pregnant women, and Americans with disabilities who have no health insurance and are currently not qualified for traditional Medicaid.

- It is wrong not to change laws in ways that can lead to more coverage for more poor children, pregnant women, and Americans with disabilities.

VETO CLAIM No. 14: *Deep Cuts Plus Elimination of Guarantee Could Lead to Millions Getting Less Coverage or No Coverage.*

With Federal Medicaid funding per beneficiary growing on average at one-fourth the rate of private health insurance spending per person, based on Congressional Budget Office data, States cannot continue to guarantee coverage.

- Of the 36 million recipients, more than 18 million are children: one out of every five children in the Nation.
- Another 6 million current Medicaid recipients are disabled. Medicaid functions as the primary insurer for many people with disabilities, since private insurance is generally not affordable for people with pre-existing conditions.
- About one-third of all babies born in the United States are covered by Medicaid.
- Over 90 percent of children with AIDS are covered by Medicaid.
- Loss of Medicaid coverage under reform plan: The reduction in Federal support under the Republican plan could force States to deny coverage for nearly 8 million Americans in 2002 alone, according to HHS estimates. These nearly 8 million people include:

  3.8 million children who could be denied coverage;

  1.3 million people with disabilities who could be denied coverage;

  850,000 elderly who could be denied coverage;

  330,000 nursing home residents—over 70 percent of them likely to be women; and

  150,000 veterans could be denied coverage.

REBUTTAL *to Veto Claim No. 14*

- Contrary to the impression given by the reference to "private health insurance spending per person, based on Congressional Budget Office data," CBO does not survey private sector firms to determine levels of private health insurance spending per person.

  But a draft table from CBO reviewing the 1995 premium and health care cost changes reports declining premiums for major public employee groups: Federal Employees Health Benefits Plan (minus 3 percent); CalPERS (minus 4 percent); Minnesota State Employees Insurance Plan (minus 5 percent).

  The table also shows slow growth in employer health care costs as reported by two major benefits consulting firms: Hay Huggins (plus 2 percent) and Towers Perrin (plus 2 percent).

- A recent survey of private sector HMO costs and premiums in 1995 suggest that both are declining. According to a Milliman & Robertson survey of 376 HMO's required revenue (what is needed to cover expected medical and administrative costs) declined 2.7 percent, from $132 to $128 per member per month. The average annual premium shrank 0.7 percent. The declines were due to shorter hospitalizations, greater efficiency from the use of guidelines, and modest cost reductions in other areas, including a decline in inpatient costs per day from $1,299 to $1,244.
- Under the Medicaid reform proposed in the Balanced Budget Act, payments per recipient would rise. Under the $90-billion saving plan, Federal MediGrant outlays per recipient would rise from $2,516 in 1995 to $3,242 in 2002. These increases in per-person outlays meet or exceed in each year the increases in the consumer prices [CPI] that the CBO forecasts. Therefore, there is no reason to believe that there would be any loss in coverage under the Republican plan.

VETO CLAIM No. 15: [The Balanced Budget Act] *Weakens Quality Protections for Nursing Homes Against Abuse and Negligence.*

- Current law: The nursing home reform law of OBRA '87 sought to address at times deplorable treatment in nursing homes, including unjustified physical restraints, and gross negligence in caring for nursing home residents, by establishing the Federal quality standards in place today. Prior to the OBRA '87 reforms, the Institute of Medicine reported that all States had some facilities with serious deficiencies in nursing home quality of care.
- Progress: Since OBRA '87 reforms were implemented, nursing home quality has improved dramatically. The use of physical restraints has declined 25 percent; dehydration has declined 50 percent; hospitalization rates have declined 31 percent. [Research Triangle Institute: HCFA].
- Federal enforcement and protections would be repealed: The bill takes away key OBRA '87 projections and enforcement. In addition, States would no longer be required to optimize individual resident's health and well-being. While States may want to maintain these guarantees, inadequate resources could lead them to fail to set and enforce quality standards that protect elderly and disabled people in nursing homes.

  States could turn over their survey and enforcement responsibilities to private accreditation organizations with no Federal review, thereby reducing accountability and increasing variations in quality and enforcement.

  Nursing homes would no longer be required to optimize individual resident's health and well-being. The bill repeals the current requirement that nursing homes provide services to "attain or maintain the highest practicable physical, mental, and psychosocial well being of each resident." Thus, resi-

dents could be denied skilled nursing and rehabilitative services necessary to improve their ability to function.

Residents would no longer be guaranteed the same comprehensive assessment of their health and functional status now required nationally.

Uniform data collection would not be required, making monitoring more difficult.

Federal training requirements for hands-on care givers would be eliminated; each State could determine who would be trained and how.

REBUTTAL *to Veto Claim No. 15*

- President Clinton is now defending what he once criticized. The Medicaid nursing home standards are overly prescriptive. A 1989 National Governors' Association resolution signed by 48 Governors (including the former Governor of Arkansas, Bill Clinton) attacked them as both laden with trivia and having too much micromanagement. Instead, the resolution called for the establishment of State standards.
- The Medicaid nursing home standards were mandated in 1987 but the regulations, which comprise hundreds of pages of detailed instructions, were not put on the books until 1995.
- The Medicaid nursing home standards are exceedingly complex and difficult to enforce.
- Even so, the BBA kept the structure and many of the provisions of the Omnibus Budget Reconciliation Act of 1987 Medicaid nursing home protections. For the remainder it gives the States the authority to enact enforceable, reasonable, commonsense nursing home quality assurance standards in compliance with broad, comprehensive Federal guidelines.

VETO CLAIM No. 16: [The Balanced Budget Act Provides] *No Adequate Quality of Care for Medicaid Managed Care Plans.*

- Unlike the explicit protections in current law for residents of nursing homes and institutions caring for mentally retarded individuals, the current Federal Medicaid contracting rules for Medicaid managed care plans use proxy measures—such as enrollment composition requirements (the "75/25 rule")—that vaguely, at best, relate to quality of care for Medicaid beneficiaries who are enrolled in managed care systems.
- The conference agreement includes no quality-of-care standards for managed care systems—even though 23 percent of all Medicaid enrollees received their health care through managed care programs in 1994, and an even greater proportion in enrolled in managed care in 1995.

States would not be required to establish or enforce quality standards for capitated managed care plans.

The Federal Government would have no authority to enforce managed care access standards or quality requirements.

The administration's proposal would ensure quality of care for managed care enrollees and nursing home residents by replacing outdated statutory rules with real quality-of-care projections for managed care enrollees—quality improvement programs that have been field tested in several States and were developed with extensive industry participation.

REBUTTAL *to Veto Claim No. 16*

- State laws already regulate quality of care in health maintenance organizations and other kinds of managed care.
- The suggestion being made by those attacking the Medicaid reform proposal is that those on Medicaid should receive a quality of health care that is higher than that received by those paying for Medicaid through their taxes.
- Managed care plans for most workers are regulated by State governments. This level of regulation will work well for those on Medicaid as well.

VETO CLAIM No. 17: [The Balanced Budget Act] *Eliminates Quality Standards for Facilities That Serve Mentally Ill and Mentally Retarded Individuals.*

- Federal law calls for explicit, outcome-oriented quality-of-care protections for mentally ill and mentally retarded Medicaid beneficiaries who live in institutions.
- While the congressional Medicaid proposal maintains some projections for nursing homes, it completely eliminates the current statute that includes explicit, outcome-oriented quality-of-care protections for nursing home residents and mentally ill and mentally retarded beneficiaries who live in institutions.

REBUTTAL *to Veto Claim No. 17*

- With almost no exception, the current Medicaid program does not require States to cover mental health services. Such services are an "optional" service. The Balanced Budget Act conference report states: "It is the expectation of the conferees that States will respond to the needs of the chronically mentally ill. For this purpose, State MediGrant plans will provide under section 2139 (c) quality assurance programs for individuals with chronic mental illness."

VETO CLAIM No. 18: [The Balanced Budget Act] *Weakens Protections Against Spousal Impoverishment.*

- The congressional budget undermines protections against spousal impoverishment that were signed into law by President Reagan in 1987.
- The congressional budget leaves it entirely up to States to determine which persons in institutions receive MediGrant assistance. Individuals could be denied coverage for long-term care services altogether. Spouses of individuals denied coverage would receive no protection from the "spousal impoverishment" provisions. Because the budget repeals the guarantee of nurs-

ing home coverage, it also effectively eliminates the guarantee of protection from spousal impoverishment.

- The congressional budget also repeals the right of individuals to enforce spousal impoverishment projections in court when they believe they have been wrongfully denied, making the protections unenforceable.

REBUTTAL *to Veto Claim No. 18*

- Currently, a nursing home resident is required to "spend down" his or her assets before qualifying for Medicaid coverage for nursing home costs. Spouses, however, are permitted to keep minimum levels of income and assets.
- Under the congressional Medicaid reform, each State will be required to include eligibility standards in the plan that protect the income and resources of a married individual who is living in the community and whose spouse is residing in an institution in order to prevent the impoverishment of the community spouse.
- Under the congressional Medicaid reform proposal, the key structure of existing community spouse protections is retained. For example, no income of the community spouse shall be deemed available to the institutional spouse. Property exclusions in existing law are retained (house, auto, household goods, and personal effects), with asset levels for nonexcluded assets ranging from about $15,000 to about $75,000 and indexed by the CPI. In general, protected income levels would range from 15 percent of poverty for a family unit of two people (about $1,230 per month) to about $1,871 per month.
- Individuals will continue to be able to enforce spousal impoverishment projections in State courts when they believe they have been wrongfully denied benefits.

VETO CLAIM No. 19: [The Balanced Budget Act] *Eliminates Financial Protections—Puts Medicaid Beneficiaries' Homes and Family Farms at Risk.*

- Under the congressional budget, the sick could be forced to sell their homes, family farm, car, and all their savings in order to qualify for Medicaid. The congressional proposal repeals all Federal laws protecting a minimum level of income and assets (such as the family home or farm) in determining Medicaid eligibility.

  It allows States to count the value of one's home or family farm in determining Medicaid eligibility.

- People whom States define as no longer "poor enough" to qualify for medical assistance would be faced with paying all their medical costs themselves, or seeking help from relatives or charity.
- In the worst cases, families would have to mortgage or sell their homes to be able to pay for care, or elderly people needing long-term care would have no choice but to turn to their children for help.

- Nursing facilities could require additional payments from residents or their families in order to be admitted, or in order to continue living in the facility.
- The congressional Medicaid plan would remove all restrictions on how large a share of the costs of medical care States can require from eligible individuals, other than children and pregnant women.
- Cuts in the scope of the nursing home benefits could mean that families of poor patients will have to pay for services such as personal hygiene, laundry, or various therapies, that States now pay.

REBUTTAL *to Veto Claim No. 19*

- Under current Federal law, a nursing home resident is required to "spend down" his or her assets before qualifying for Medicaid coverage for nursing home costs. Spouses, however, are permitted to keep minimum levels of income and assets.
- Under the congressional Medicaid reform plan, each State will be required to include eligibility standards in the plan that protect the income and resources of a married individual who is living in the community and whose spouse is residing in an institution in order to prevent the impoverishment of the community spouse.
- Under the congressional Medicaid reform plan, the key structure of existing community spouse protections is retained:

  No income of the community spouse shall be deemed available to the institutional spouse.

  Property exclusions in existing law are retained (house, auto, household goods, and personal effects), with asset levels for nonexcluded assets ranging from about $15,000 to about $75,000 and indexed by the CPI.

  In general, protected income levels would range from 15 percent of poverty for a family unit of two people (about $1,230 per month) to about $1,871 per month.

VETO CLAIM No. 20: [The Balanced Budget Act] *Repeals Requirement That All Communities in a State Receive Comparable Benefits.*

- The congressional Medicaid plan eliminates all requirements that comparable services be provided across the different geographic areas of a State. Thus, people in politically weak communities could receive fewer benefits than those in more powerful communities.

REBUTTAL *to Veto Claim No. 20*

- The requirement that comparable services be provided across the different regions of a State has impeded efforts toward greater efficiency through managed care.

  Not all geographic areas of a State have HMO's. Hence, comparability of service requirements, and others—such as that allowing Medicaid recipients to choose any provider—

have made it more difficult for States to enroll recipients into managed care.

Only through expensive and time-consuming waivers can States overcome these impediments.

- In several States, the Clinton administration has granted waivers allowing States to provide different services in different regions. Thus, the administration has done what the President now criticizes.

VETO CLAIM No. 21: [The Balanced Budget Act] *Hurts Urban Areas.*

- Approximately 75 percent of Medicaid recipients live in cities. Assuming a proportional allocation of the $163 billion Republican cuts, Medicaid spending in urban areas will drop by $122 billion.
- The congressional budget will deny Medicaid coverage to 6 million people living in urban areas, according to HHS, including:

  Almost 3 million urban children;

  975,000 urban people with disabilities; and

  650,000 urban elderly.

REBUTTAL *to Veto Claim No. 21*

- Under the congressional plan outlays are projected to increase by 7 percent each year, instead of the 9.9 percent currently forecast. Contrast the proposed 7 percent increase in Medicaid with health care costs in the private sector, which are declining.

  A recent survey of private sector HMO costs and premiums in 1995 suggest that both are declining in the private sector. According to a Milliman & Robertson survey of 376 HMO's required revenue (what is needed to cover expected medical and administrative costs) declined 2.7 percent, from $132 to $128 per member per month. The average annual premium shrank 0.7 percent.

  The declines were due to shorter hospitalizations, greater efficiency from the use of guidelines, and modest cost reductions in other areas, including a decline in inpatient costs per day from $1,299 to $1,244.
- Under the congressional Medicaid reform plan, payments per recipient would rise. Under the $90 billion saving plan, Federal MediGrant outlays per recipient would rise from $2,516 in 1995 to $3,242 in 2002. These increases in per-person outlays meet or exceed in each year the increases in the consumer prices [CPI] that the CBO forecasts. Therefore, there is no reason to believe that there would be any loss in coverage in urban areas under the Republican plan.
- President Clinton is resorting to disingenuous tactics in criticizing the congressional plan, which proposes Medicaid growth averaging 7 percent each year over the next 7 years (a rate that is more than twice the expected rate of inflation).

Only a little over 2 years ago President Clinton said: "Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation * * * Only in Washington do people believe that no one can get by on twice the rate of inflation." (President Clinton, speech to the American Association of Retired Persons, October 5, 1993). Nevertheless he now refers to the congressional Medicaid spending increases as "cuts."

TAXES

VETO CLAIM No. 22: *The Size of the Tax Cut, Which Explodes Outside the Budget Window, Cannot Be Justified.*

- At a time when we are working to balance the budget, the "Contract" tax cuts are too costly, forcing excessive cuts in Medicare, Medicaid, education, technology, and the environment, as well as the earned income tax credit.
- Over 7 years, these tax cut provisions, including capital gains cuts, estate tax cuts, and individual retirement account provisions, cost $258 billion. Moreover, the cost of these tax provisions, particularly those for the most affluent, is designed to explode outside the 7-year budget window—to more than $400 billion over 10 years.

REBUTTAL *to Veto Claim No. 22*

- The majority of the congressional tax cut is the child tax credit, which benefits middle-class working families—precisely the people to whom candidate Clinton promised a tax cut when he was running for President. President Clinton never delivered on his promise; the congressional majority did.
- More than three-fourths of the congressional tax cuts will go to families earning less than $100,000 a year.
- The tax cut will reduce projected government revenues by only about 2.2 percent over the next 7 years (the tax cut is $245 billion; projected revenues are $11.2 trillion). Subsequent congressional majority offers have reduced the ratio to about 1.5 percent. Yet, astonishingly, Clinton contends this tax cut is unjustifiably large.
- Unlike President Clinton, Republicans believe families are better suited to spend their money wisely than the government is. President Clinton doesn't want the tax cuts because he wants the money for more government spending.
- The numbers identified by the administration make a poor case for backloading.

  If the decline in projected revenue were perfectly balanced—that is, if an equal proportion occurred in each of the 10 years—then it would be 70 percent in the first 7 years and 30 percent in the last three.

  In the administration's own example, the $258 billion that occurs in the first 7 years represents 64.5 percent of the total $400 billion revenue change over 10 years, leaving 35.5 percent for the last 3 years. That is not significant backloading.

- The President's tax package has a similar pattern: 60 percent of the revenue losses in the President's tax package occurs in the first 7 years.
- A good part of the reason is that both plans recommend provisions to expand individual retirement accounts. The President's IRA proposal reduces projected revenue by $11.1 billion over 7 years; the BBA proposals regarding IRA's reduce projected revenue by $11.7 billion over 7 years. Taxpayers enjoy a larger tax cut related to IRA's in later years because they are required to own IRA's for 5 or more years before withdrawals can be made tax-free.
- The spending restraint in the BBA does not stop in the year 2002 or 2005.

  A CBO analysis requested by congressional Democrats shows that under the BBA, the budget remains balanced through 2005, despite the alleged "backloading" of the tax cuts.

  The fiscal dividend that follows from balancing the budget continues to grow as time goes on.

VETO CLAIM No. 23: *It Is Wrong to Single Out Low- and Moderate-Income Working Families Earning Under $30,000 a Year for a Special Tax Increase.*

- The Balanced Budget Act raises income taxes on low- and moderate-income working families by $30.8 billion through cuts in the earned income tax credit [EIC], a provision that President Ronald Reagan called "the best antipoverty, the best pro-family, the best job creation measure to come out of the Congress."
- President Clinton expanded the EITC to move families from welfare to work and to help ensure that parents who work full time do not have to raise their children in poverty.
- Under the congressional plan, 12.6 million working Americans with 14.5 million children would lose, on average, $332 of the EIC in 1996. Moreover, even after accounting for the fully phased in congressional tax cuts, about 7.7 million families who earn under $30,000 a year would face an average net tax increase in 1996 of $318 per family under their plan.
- On average, families in the lowest 20 percent of income distribution would face a net tax increase, not a tax cut, under their plan.

REBUTTAL *to Veto Claim No. 23*

- Under the congressional plan, working families with children will not suffer tax benefit losses as a result of the EIC reform. When considered together, the GOP proposals for modifying the EIC and providing a $500 per child tax credit will result in tax liability remaining either the same or declining for virtually all EIC claimants with children.

  The 3.5 million who would experience a "tax increase" as described by the administration are filers without children,

most of whom have incomes below the threshold for income tax liability.

Another 600,000 are families with three or more children. This group would be held harmless by a technical correction to the BBA policy, which is part of the latest GOP offer.

The remainder are persons with substantial itemized deductions used to reduce their income to taxable levels qualifying for the EIC, or persons with substantial sources of outside income or qualifying children over age 18 (the EIC is provided to families with children up to age 20—or 24 in the case of full-time students—while the $500 per child credit applies to children up to age 18).

- OBRA '93—President Clinton's tax bill—expanded the EIC to cover persons without dependent children, even though taxpayers without dependent children were explicitly excluded from EIC eligibility when the program that Ronald Reagan commended was originally created.

  Persons with no qualifying children claiming the maximum EIC credit are not working full time. Most of the EIC for childless workers is fully phased out at an income lower than would be earned by a full-time minimum wage worker.

  Persons working part time with no children should supplement their incomes by getting another part-time job rather than looking for a federally funded benefit payment.

- In 1986, when President Reagan lauded the earned income credit, the program cost $2.5 billion. In 1996, under current law, the EIC is projected to cost $24 billion, and less than 15 percent of that figure represents reduced income tax liability.

VETO CLAIM No. 24: *Tax Cuts Are Targeted Too Heavily to Benefit the Wealthiest Taxpayers, and Not Enough on Helping Middle Class Families.*

- At a time when we are all working to balance the budget, any tax relief must be focused on middle income Americans.
- Our plan targets 85 percent of the benefits to families earning under $100,000 a year.
- The congressional bill gives nearly half the tax benefits to the top 12 percent of families with incomes of $100,000 or more. The highest income 1 percent of families, those with incomes over $349,000, would receive an average tax break of almost $8,500 per family.

Their bill provides $13 billion in retroactive capital gains relief, a huge windfall for past investments, with no conceivable economic purpose. This windfall cannot be justified in light of cuts on working families and the poor.

Overall, they provide capital gains tax cuts costing $47 billion over 7 years and $77 billion over 10 years, cuts that overwhelmingly benefit the wealthy. In fact, 75 percent of the benefit of the capital gains cuts go to the wealthiest 12 percent of households earning over $100,000 a year.

REBUTTAL *to Veto Claim No. 24*

- The majority of the tax cut is the child tax credit, which benefits middle-class working families—precisely the people to whom candidate Clinton promised a tax cut when he was running for President. President Clinton never delivered on his promise; the new congressional majority did.
- More than three-fourths of the tax cuts will go to families earning less than $100,000 a year.
- The capital gains tax relief in the plan is needed to get the current sluggish economy moving again.
- According to the Joint Committee on Taxation [JCT] distributional analysis, more than three-fourths of the benefit of the tax changes in the Balanced Budget Act go to families with incomes below $100,000.
- The administration is using its unique concept of "family economic income" to do its analysis of the distributional effects of the BBA tax package.

  The administration's "family economic income" is the broadest measure of income and includes: accrued capital gains (whether or not realized); net rental income from owner-occupied housing (imputed rental income); accrued pension and other fringe benefits, and income that is unreported or underreported on tax returns and in survey data. Potentially every family has more "income" under the administration measure than under the JCT measure.

  The JCT uses a narrower income concept for its analysis. For example, JCT includes capital gains and pension benefits in income when they are realized instead of as they accrue. JCT also does not include imputed rental income from owner-occupied housing in income.

  The administration says that 12 percent of all families have "incomes" above $100,000. JCT says that 5 percent of all families have incomes above $100,000. Because the administration puts more than twice as many families above $100,000 to begin with, it is not surprising that their analysis shows tax policy changes affecting people above this income level.

VETO CLAIM No. 25: *Special Interest Tax Loopholes.*

- The American people elected this Congress and this President to balance the budget and move the country forward, not to provide special tax breaks for special interests.
- The Balanced Budget Act contains dozens of special tax breaks for particular taxpayers and special interests, costing the rest of American taxpayers more then $3 billion over 7 years. These special-interest provisions, both large and small, are designed to benefit, among others:

  Multinational corporations that stockpile assets overseas;

  The airline industry;

Certain coal companies;

Real estate developers;

Insurance companies;

Certain convenience stores;

Newspaper companies; and

Certain pharmaceutical companies with operations in Puerto Rico.

- These special-interest favors for the well-connected are inappropriate in this deficit-reduction bill, especially since this bill would result in tax increases for many needy working families. These provisions have little or nothing to do with stimulating the economy or creating new jobs. Now is the time to close loopholes and special interest provisions, not open up new ones.

REBUTTAL *to Veto Claim No. 25*

- A "special tax break" is one targeted to the benefit of specific companies. To make this veto claim, the administration cites tax provisions that affect whole industries, rather than a few selected companies. This is much broader than the typical understanding of targeted tax breaks.
- The congressional tax provisions being criticized are designed to fix glitches in the tax code and end abuses that favor a few companies. This is a sharp departure from the practice under the formerly Democrat-controlled Congress of providing specifically targeted tax relief, such as the $3 billion worth of special—often company-specific—tax breaks built into the 1986 Tax Reform Act.
- Congressional tax provisions dealing with multinational companies that stockpile assets overseas are designed to reform the administration's failed 1993 provision (tax code section 956A) that has prompted movement of assets overseas by these companies.
- Provisions dealing with real estate developers make a technical correction, favored by the Treasury Department in the past, to allow more appropriate depreciation.
- Provisions dealing with certain convenience stores recognize that a gas station with a convenience store (up to a certain size) should be treated, for depreciation purposes, not as a regular commercial building but, instead, as a regular gas station. Adopting commonsense rules in the tax code is hardly creating a loophole.
- The Balanced Budget Act phases out the section 936 credit, which is used by pharmaceutical companies with operations in Puerto Rico. Rather than providing a tax benefit to these companies, the BBA takes away one.

VETO CLAIM No. 26: *All Profitable Corporations Should Pay at Least Some Income Tax, but Under the Congressional Alternative Minimum Tax Provision, Some Profitable Corporations Would Pay No Income Tax, While Millions of Workers Pay Their Fair Share.*

- This administration is committed to simplifying the Alternative Minimum Tax [AMT] without compromising fairness. The congressional majority's bill goes too far.
- Under their bill, some profitable corporations would be able to pay little or no income tax, at a cost to the rest of America's taxpayers of $15 billion over 7 years and $18 billion over 10 years.
- Their provision rewards investments that are 7 years old and makes the tax code more complex, not less.

REBUTTAL *to Veto Claim No. 26*

- The current AMT is a job killer. Companies are penalized for making needed investments in productive assets.
- In no other country in the industrialized world is investment penalized as heavily as in the United States under current law.

  For example, a company investing in factory robots in the United States will recover only 50 percent of the cost of its investment after 5 years, while the same investment in Singapore will have recovered 100 percent after only 3 years.

  In Korea, Taiwan, and Germany more than 80 percent will be recovered after 5 years.

VETO CLAIM No. 27: *A $90,000 Per Estate Tax Cut Cannot Be Justified.*

- We ought to help farmers and small businesses whose heirs want to continue running the family business, but we would not provide tax breaks to the wealthiest estates at high cost when we are trying to balance the budget.
- Their provision would give an average of $90,000 in estate tax relief to the wealthiest on percent of decedents who owe estate tax each year—about 30,000 wealthy estates—costing $13 billion over 7 years and $27 billion over 10 years.
- Only the wealthiest 1 percent of taxpayers who die each year pay any estate tax. An estate that could take full advantage of proposed changes could save over $1 million in taxes, with some estates cutting their bill by over 75 percent.

REBUTTAL *to Veto Claim No. 27*

- Small businesses and family-owned farms are run by people who work hard and play by the rules all their lives. When the owner dies, the family should not have to sell the business to pay their taxes.
- The proposal increases the estate tax exemption amount from $600,000 to $750,000 and then indexes it for inflation. The

$600,000 current law amount was established in 1987 and has not been increased since then, despite the impact of inflation.

- Absent the change in the bill, an even greater portion of families would become subject to the estate tax, the greatest penalty the tax code now imposes on savings.

VETO CLAIM No. 28: *Wealthy Americans Should Not Be Able to Avoid Paying U.S. Tax on Their Gains by Renouncing Their U.S. Citizenship.*

- Wealthy Americans who seek to avoid their taxes by renouncing their citizenship should pay the same tax on income accrued while they were subject to U.S. tax laws that those who remain will pay.
- The congressional bill effectively leaves open a loophole for expatriates. Their provision would reward tax avoiders who are willing to wait 10 years before realizing gains; it rewards those who invest in foreign assets; and it makes enforcement very difficult.

REBUTTAL *to Veto Claim No. 28*

- The congressional proposal would apply to any individual who renounces his or her U.S. citizenship on or after February 6, 1995, and any long-term resident whose U.S. residency is terminated on or after June 13, 1995.
- It is more comprehensive than the President's plan because it covers a wider class of individuals who forego their citizenship or residence.
- The congressional expatriate proposal raises $1 billion more in revenue than does the President's plan.

VETO CLAIM No. 29: *Multinational Corporations Should Not Be Able to Avoid Paying Their Fair Share of Income Taxes by Sheltering Passive Assets in Offshore Tax Havens.*

- This administration put in place a new rule in 1993 to reduce the incentive for multinational companies to stockpile passive assets in excess of reasonable business needs, primarily to avoid taxes, not to invest, grow, and compete.
- The congressional bill repeals this provision, enhancing the incentive for these companies to move capital overseas and to keep their profits in passive assets there.

REBUTTAL *to Veto Claim No. 29*

- This provision repeals a failed administration tax policy (Tax Code Section 956A), passed as part of Clinton's 1993 Tax Act, that was intended to reduce the incentive for companies to stockpile passive assets in offshore subsidiaries. Perversely, the administration's policy has actually encouraged companies to move active assets offshore—the opposite of the intended result.

VETO CLAIM No. 30: *All Americans Who Work Hard and Play by the Rules Ought to Be Able to Count on Their Pensions When They Retire.*

- During the 1980's, corporations removed more than $20 billion from employee pension plans, often to fund corporate takeovers, until Congress effectively put an end to this. And just last year, we took further steps to improve pension funding and reduce taxpayer risk through the administration's 1994 Retirement Protection Act.
- Now, the conference agreement permits employers to transfer without any excise tax, pension assets in excess of 125 percent of a pension plan's "termination liability" to pay certain employee benefits. In effect, this would allow companies to use pension assets to free up other corporate funds for other purposes.
- Their provision would increase risk to the Pension Benefit Guaranty Corporation, and ultimately to American taxpayers. A plan's financial condition can change rapidly as interest rates and markets fluctuate. Today's "overfunded" plan can become tomorrow's underfunded plan, and experience shows that the financial condition of plans can deteriorate significantly prior to termination.
- Their provision would permit corporations to use valuable tax benefits granted to help American workers accumulate retirement savings for nonpension, corporate purposes.
- * * * would permit corporations to remove billions from the retirement system at a time when it is critical to increase national savings and retirement security.

REBUTTAL *to Veto Claim No. 30*

- Excess retirement plan assets increase because of better than average investment returns. The excess assets—those above what is needed to keep retirement plans actuarially sound—are the property of the employer.
- Current law severely restricts the ability of employers to use excess retirement plan assets.

  Generally the assets may be used only for retiree health benefits (Tax Code Section 420).

  Current law section 420 treats unfavorably companies that have relatively younger work forces because it provides for additional benefits for retirees', but not current employees', health benefits.
- The asset reversion proposal requires employers to maintain the same asset security cushion as current section 420 (125 percent of retirement plan benefits), thus preventing retirement plans from being underfunded. Employees are protected by the same 125-percent cushion.
- The asset reversion proposal will allow employers to fund a wider variety of employee benefits (health care, pensions, et cetera) than current section 420 does.

- There have been no underfunding problems with current section 420 and there is no reason to believe the proposal will cause any retirement plan underfunding.
- The proposal creates jobs by freeing up capital companies cannot otherwise use. It also puts the United States in line with many of our trading partners—for example, Britain, which requires disgorgement of surplus pension assets.

VETO CLAIM No. 31: *We Ought to Be Helping Low-Income Working Families Raise Their Children in Affordable Housing and Rebuild Their Communities.*

- This administration made the low-income housing tax credit permanent in 1993. Since its enactment in 1986, State housing agencies report that the credit has been used to construct or rehabilitate nearly 100,000 units of low-income rental housing per year.
- The Balanced Budget Act terminates the low-income housing tax credit at the end of 1997, a cut of $3.5 billion over 7 years. Their budget also ends an incentive for community development that builds bridges between businesses and communities.

REBUTTAL *to Veto Claim No. 31*

- The proposal does not immediately terminate the credit. Rather, the credit will once again become a temporary credit, as it was before OBRA '93 made it permanent.
- The low-income housing tax credit is being treated similarly to the research and experimentation tax credit and other popular incentives. The R&E tax credit expired earlier this year, and the proposal would extend it through 1997. Thus, both the R&E tax credit and the low-income housing tax credit would be subject to the same sunset and review process in 1997.

WELFARE

Before addressing the President's specific veto claims, it is crucial to reiterate four basic conditions underlying the need for fundamental reform of the welfare system. These four conditions have guided the congressional welfare reform plan. They are the following:

1. *The current welfare system is a failure, and virtually everyone agrees about that. That's why in 1992 candidate Bill Clinton promised to "end welfare as we know it." President Clinton has yet to deliver on that pledge.*

   The Great Society's war on poverty has failed. While total social spending at all levels of government increased five-fold between 1960 and 1990, the poverty rate has failed to decline.

   Between 1960 and 1990, illegitimate births rose 400 percent, the divorce rate quadrupled, the number of children living in single-parent households tripled, and violent crime increased 560 percent.

2. *In many communities today, welfare pays more than work.*

   In nine States, welfare pays more than the average first-year salary for a teacher, according to an analysis by the Cato Institute. In 29 States, it pays more than the average starting salary for a secretary. In the six most generous States, welfare pays more than the entry level salary for a computer programmer.

   In 40 States, welfare pays more than an $8.00 per hour job. In 17 States, the welfare package is more generous than a $10-an-hour job, according to Cato.

3. *Congress has a plan that attacks the two main causes of long-term welfare dependency—lack of participation in work and illegitimacy.*

   The GOP welfare reform legislation requires States to have 50 percent of their single-parent welfare recipients working 35 hours per week by 2002. Welfare recipients will be required to work within 2 years of going on welfare or lose benefits.

   Under the GOP plan, able-bodied food stamp recipients between 18 and 50 who have no dependent children will be required to work at least 20 hours per week after receiving benefits for 4 months or lose their benefits.

The BBA toughens child support enforcement to ensure that noncustodial "deadbeat dads" provide economic support for their children. Moreover, it places new requirements on establishing paternity as a condition of obtaining welfare.

The congressional plan discourages illegitimacy by giving States the option to deny cash welfare benefits to teenagers who give birth out of wedlock, as well as the option to cap welfare benefits to mothers on welfare who have additional children while on public assistance.

4. Despite candidate Bill Clinton's promise to "end welfare as we know it," President Clinton has vetoed meaningful welfare reform legislation not once but twice. Indeed, the only person standing in the way of welfare reform is President Clinton himself.

Major welfare reform legislation was included in the Balanced Budget Act vetoed by the President in December, 1995.

Separate welfare reform legislation was enacted by Congress and vetoed by the President in January 1996.

In January 1996, the President threatened to veto a third welfare reform plan—a version that he had endorsed in August 1995. When congressional leaders considered sending him that exact bill, he added new conditions and demanded changes as a prerequisite for a signature.

The President's specific veto claims concerning welfare reform are as follows:

VETO CLAIM No. 32: [The Balanced Budget Act Contains] *Excessive Cuts for Disabled Children.*

- The budget cuts aid to severely disabled children by 25 percent, slashing $12 billion from disabled children's SSI benefits.
- The tightening of eligibility would apply to children currently receiving benefits, so that 160,000 children currently in the program would lose eligibility 1 year after enactment.
- The provision makes an illogical division between severely disabled children, making some of them eligible for only 75 percent of the Federal benefit rate. The low-income parents of all of these children experience special costs and reduced employment opportunities because of their responsibility for these children.

REBUTTAL *to Veto Claim No. 32*

- SSI Disability benefits were never intended for children, since the purpose of SSI is to replace the incomes of adults who are unable to work. We do not expect children to earn incomes to support their families, and therefore families with disabled children lose income only when the child's disability is so severe that a parent must leave the work force to care full time for the child.

For families with severely disabled children who face this dilemma, the BBA makes no changes.

But families whose children are not so disabled, and where parents can continue to work will have their benefits calculated at 75 percent of the amount received by families with children requiring round-the-clock care.

This change is made only for new applicants; and all families currently on the benefit rolls with eligible children whose conditions are not so severe would see their benefits continue unchanged. The BBA simply recognizes that future applicants' benefit levels should be calculated based on the level of financial hardship the family faces as a result of a child's disability.

- Tightening the eligibility standards for children in the SSI disability program is proposed in both the BBA and the administration's proposals in response to widespread reports of abuse resulting from lax eligibility criteria.

  Current rules give parents an incentive to coach their children into appearing to have disabilities, because benefit levels for disabled children are substantially higher than those provided for children on AFDC.

  Because the current weak criteria for SSI disability includes behavioral problems as disabling conditions, this can lead to parents encouraging their children to engage in negative behavior to obtain benefits. Moreover, once a child is classified as disabled, it is likely that less will be expected or demanded of the child in school, leading to diminished future prospects for that child.

  The administration's criticism suggests that the administration is prepared to correct the problem that allowed for abuse of the program, but unwilling to terminate benefits for persons currently on the rolls who got there by virtue of that abuse.

  The BBA simply requires families to be able to demonstrate that their children do in fact meet the legal criteria for being considered disabled in order to continue receiving SSI disability benefits for their children.

  The administration's current 7-year budget plan, proposed in January 1996, has accepted reviewing eligibility for all children currently on SSI disability to ensure they meet the legal criteria, with termination of benefits for those who do not by 1998. This simply delays the policy contained in the BBA for 1 additional year.

VETO CLAIM No. 33: *Too Little Child Care for Real Welfare Reform That Would Move People From Welfare to Work.*

- The Balanced Budget Act does not provide the child care that is essential to move people from welfare to work.
- The bipartisan Senate welfare reform bill would have increased child care funding from $3 billion over the next 5

years. The Balanced Budget Act cuts that funding by $1 billion, which would mean thousands of mothers will stay at home and on welfare instead of going to work.

- The budget also weakens important bipartisan work provisions of welfare reform such as requiring States to maintain their stake in moving people from welfare to work, rewarding States for putting more people to work, requiring recipients to sign personal responsibility agreements, and providing a contingency fund for economic downturns.

REBUTTAL *to Veto Claim No. 33*

- The BBA increases by $1 billion the amount available for child care, and does so in a way that expands parental choice of child care providers while increasing the amount of Federal child care spending that is actually used to provide care by reducing spending on bureaucratic micromanagement and Federal rulemaking.
- The President vetoed a second welfare reform proposal that increased the amount available for child care by $2 billion. The administration's January offer is $1 billion above that contained in the GOP bill, but no objective criteria have been presented by the administration to justify why spending $18 billion on child care over the next 7 years is insufficient, but spending $19 billion will meet the perceived level of need.
- The work requirements in the GOP welfare reform bill are significantly tougher than current law.

  By 2002, States will be required to have at least 50 percent of their single-mother welfare caseload working or face sanctions.

  Moreover, welfare recipients will be limited to no more than 2 years on welfare without working at least 35 hours per week.
- States will have a strong stake in moving their welfare populations into work under the BBA since they will lose a portion of their Federal cash welfare block grant if they fail to meet the timetable in the bill for moving welfare recipients into work.
- The administration believes States that are successful moving recipients from welfare to work should be rewarded with additional money to spend on welfare benefits.

  In contrast, the congressional plan rewards States that successfully move welfare recipients into work by allowing the State to spend less of its own money on welfare.

  Clearly, the administration still fails to get the message that successful welfare reform means more people working and less tax dollars spent on benefits to people who do not work.
- The congressional plan contains contingency funds for economic downturns. But the issue of contingency funds should

not become a smokescreen to block reforms, as the administration apparently seeks to use it.

Cyclical fluctuations in the economy are not responsible for the long-term welfare dependency that the GOP plan seeks to address. Two-thirds of the families receiving AFDC at any one point in time will receive benefits for 8 years or more, and their welfare dependency is not linked to the business cycle.

Contingency funds are irrelevant in addressing the causes of most welfare dependency, and if the plan is successful at beginning to move long-term recipients into the work force, the level of funding provided in welfare block grants should be sufficient to respond to economic downturns.

VETO CLAIM No. 34: *Excessive Cuts in Nutrition Assistance for 14 Million Children in 2002.*

- The Balanced Budget Act cuts food stamp benefits by about $35 billion over 7 years. And it cuts child nutrition and the school lunch program by $5 billion. Every one of the 14 million children now receiving food stamps would receive considerably less under the congressional proposals.
- Current law states that families with children that pay over 50 percent of their income for housing will receive food stamps in order to keep these families from having to choose between food and shelter. The congressional budget repeals this provision.

REBUTTAL *to Veto Claim No. 34*

- The BBA does not cut nutrition assistance for children. Under the BBA, spending on food stamps will be 32 percent higher over the next 7 years than it was over the past 7 years, and funding for child nutrition programs will increase by an annual average of 4 percent.
- The BBA does, however, begin to address the autopilot spending increases locked into food stamps.

  The Food Stamp Program contains five separate indexing mechanisms that increase the value of food stamp benefits over time.

  The BBA freezes four of those indexes at current levels, while allowing benefits to be increased annually to reflect the rising cost of food.
- The BBA does not repeal the shelter deduction in food stamps. It simply freezes it at the fiscal year 1996 level of $247 rather than allowing current law to remain in force, which would have permitted an unlimited shelter deduction after 1997.
- The welfare reform bill passed by the Congress, which represents the most recent congressional offer on child nutrition programs, contains no reductions in payments to schools for the school lunch program, and makes only one policy change to the program that generates savings: barring illegal aliens from receiving free and reduced price school lunches.

- The administration's proposal contains most of the recommended policy changes for child nutrition and the school lunch program that were contained in the BBA. The primary policy dispute that the administration has with the BBA on child nutrition is not one of spending levels but instead one of maintaining Federal control to micromanage local school lunch programs from Washington.

  The administration opposes optional block grants for child nutrition programs that would return authority over the programs from Washington to States and local communities.

  The primary area where funding is an issue is whether or not to exclude illegal aliens from participation in free or reduced price school lunches. The administration favors illegal aliens participating in the program, while the BBA would end this taxpayer subsidy of persons violating U.S. immigration laws.

VETO CLAIM No. 35: *The Balanced Budget Act Jeopardizes Immunizations for Children.*

- The congressional budget repeals the Vaccines for Children Program, putting at risk at least $1.5 billion over 7 years that would otherwise provide vaccinations for children.

REBUTTAL *to Veto Claim No. 35*

- Under MediGrant—the reform plan for Medicaid—States would be required to cover childhood immunizations for eligible children.
- Under MediGrant, the Federal entitlement program enacted in OBRA '93 for the distribution of pediatric vaccines to the States, called the Vaccines for Children [VFC] Program, is repealed. VFC was designed to remove vaccine cost as a barrier to immunization by making federally purchased vaccines free of charge to eligible children. During fiscal year 1995, VFC outlays are estimated at $457.3 million.
- The Vaccines for Children Program fails to address the root problem of why children do not receive vaccines. A 1995 GAO study of VFC found that the primary barrier to the vaccination of children is not availability or cost; it is that parents are not taking their children to physicians' offices or to clinics to be vaccinated.
- Further, there have been both quality and availability concerns regarding VFC.

  The Federal Government was storing the vaccines inappropriately—in Federal Government paint warehouse not designed for drug storage.

  Federal involvement has, in some cases, actually restricted the availability of vaccines because the Federal Government is unable to distribute them efficiently. Many States complained that the vaccines, which had previously been available to the States for use in their Medicaid programs

through the pharmaceutical market, were now not available from the Federal Government in adequate quantities.

VETO CLAIM No. 36: [The Balanced Budget Act] *Slashes Child Protection by 20 Percent.*

- The budget slashes child protection, including foster care, adoption, and investigations of reports of child abuse and neglect. HHS estimates that total spending is slashed by about 20 percent, or about $4 billion over 7 years. These cuts would occur at a time when GAO and others report that resources are already failing to keep pace with the need. Between 1983 and 1993, foster care caseloads mushroomed by two-thirds. Over 1,300 children die each year due to child abuse and neglect. Yet the budget slashes and caps these programs, eliminating the guarantee of child protection services.

REBUTTAL *to Veto Claim No. 36*

- The BBA does not cap funding for or end the entitlement to Federal foster care maintenance payments or adoption assistance payments. The BBA combines the remaining 20 programs which provide funding for the administrative costs of State child protection programs into two block grants.
- Under the congressional welfare reform bill, which represents the current GOP offer on child protection programs, spending for foster care and child protection programs will increase from $3.2 billion in 1995 to $6.3 billion in 2002.

  Clearly, this is not a 20-percent cut as claimed by the administration.

  Under the GOP plan, States will be granted significantly more latitude to adapt their programs to local needs and priorities, such as child abuse prevention programs.
- Under the currently existing programs the administration is defending, more than 1,300 children die each year due to child abuse and neglect.

EDUCATION AND TRAINING

VETO CLAIM No. 37: *Education and Training Funding Should Be Strengthened: Not Cut by $30 Billion.*

- While Congress claims that it is balancing the budget to protect our children and grandchildren, their budget proposals would make devastating cuts in education that would deny many children the tools needed to rise to their full stature as human beings. These cuts would halt years of progress preparing children for learning, raising educational goals and standards, and making student loans more affordable.
- Republicans propose to sell our Nation's seedcorn. They cut education and training by more than $30 billion over 7 years, denying millions of children and youths opportunities to succeed.

REBUTTAL *to Veto Claim No. 37*

- The congressional majority wants every child in America, whether they are rich or poor, live in the inner city, on a farm, or on a suburban cul de sac, to have access to a first-rate education.
- Where Congress differs with the President is who can best spend taxpayers' money to improve education for the Nation's children—parents and local school districts or the education bureaucrats in Washington.

  As noted by David S. Broder in the Washington Post: "[Education Secretary] Riley has a deputy secretary, an undersecretary, 11 assistant secretaries, and 14 deputy assistant secretaries. Beyond that there are 21 boards, commissions and councils, each with its own hierarchy. Each of the department's 10 regional offices boasts separate representatives for the secretary and deputy secretary plus an array of directors. That's a lot of chiefs for very few Indians."
- Congress believes the quality of education can best be increased by reducing Washington's wasteful education bureaucracy and sending tax dollars back home.

  As Alice Rivlin—President Clinton's former budget director—explains in her book, "Reviving the American Dream":

  "Improving education will take bottom-up reform. Presidential speeches and photo opportunities, national testing and assessment; federally funded experimental schools, even new grants spent in accordance with Federal guidelines, can make only marginal contributions to fixing the schools. Edu-

cation in America will not improve significantly until States and communities decide they want better schools. Making education more effective will take parents who care, committed teachers, community support, and accountable school officials. An 'education President' can help focus media attention on schooling, but he risks diluting State and local responsibility by implying that Washington can actually produce change."

VETO CLAIM No. 38: *Direct Loans: Choice and Competition Must Not Be Eliminated.*

The Balanced Budget Act cuts off direct lending opportunities for 2.5 million students in 1,350 institutions in 1996 alone.

- The proposal effectively replaces the Direct Lending Program with the more costly, inefficient guaranteed loan program by "capping" direct lending at 10 percent of total loan volume; 90 percent of all schools will be denied the opportunity to choose the student loan program.
- On November 15, 1995, over 450 college presidents wrote the President, Speaker, and Senate majority leader making clear that direct lending was very popular.
- This year 1,450 colleges and universities will offer direct loans, with an estimated loan volume of $12 billion. With 2 million borrowers, direct loans now account for 35 to 40 percent of total student loan volume.

REBUTTAL *to Veto Claim No. 38*

- Republicans strongly support the student loan program. The debate is not whether students will get college loans, but how these loans should be delivered. No student will be denied access to a loan because of the congressional reforms.
- A critical concern is whether the Department of Education can manage a large-scale direct-lending program. The administration likes to argue that the Direct Loan Program is successful because students get their loan checks more quickly. But the true test of the Direct Lending Program will be when loans are up for repayment. Will the Department of Education be able to prevent massive student loan defaults? Already there are serious doubts:

  In 1994 the Department of Education disbursed $700 million in direct loans, yet has failed to account for nearly 15 percent of the loans. In other words, the government already has "lost" almost $100 million of the taxpayers' money—and the loans aren't even due yet.

  Schools with high default rates, particularly proprietary schools, have flocked to the Direct Lending Program.

  According to the Advisory Committee on Student Financial Assistance, the Department of Education has allowed institutions with poor performance records to enter the Direct Lending Program.

Almost 300 schools had default rates of 25 percent or higher in at least one of the three recent fiscal years for which data were available; 10 schools selected to participate in year two of the program had default rates exceeding 40 percent.

- No student will be denied a student loan because of the cap on direct lending in the BBA. Every student will have access to a guaranteed student loan. In fact, a number of the schools that will transition to guaranteed lending currently participate in both the direct and guaranteed lending program.
- Supporters of the status quo complain that Congress is taking away the schools' right to choose the Direct Lending Program. On July 25 last year, Secretary Riley and Secretary Rubin sent a bill to Congress that would force 80 percent of the schools in this country to participate in the Direct Loan Program next year, with the remaining 20 percent forced to join in 1997. The President's new-found support for choice only occurred after the administration realized that Congress was not going to support a massive Federal takeover of the student loan program.
- The Balanced Budget Act approved by Congress requires that the guaranteed lending program offer the exact same repayment terms as the Direct Lending Program. So even if direct lending is capped, students would have access to flexible repayment terms under the guaranteed loan program.
- Capping direct lending at 10 percent will save more than $1 billion over the next 7 years, according to CBO.

VETO CLAIM No. 39: *Income Contingent—Pay As You Earn—Option Should Not Be Withdrawn for Millions of Students.*

- The Balanced Budget Act also effectively eliminates one of the most promising features of the Direct Lending Program, which gives students the options of adjusting their repayment to reflect their ability to pay. That simple change will make it more difficult for many students to take low-paying public service jobs or start a new business or take a year off to raise a child.

REBUTTAL *to Veto Claim No. 39*

- Although the President claims to support income contingent repayment terms for students, he has blocked reform efforts to require that banks in the guaranteed lending program offer flexible repayment terms. This is because the President will do anything to promote the Direct Lending Program over the guaranteed lending program, even if students have to pay the price.

VETO CLAIM No. 40: *Unbiased Scoring of Savings.*

- Congress claims that capping or eliminating direct lending will save taxpayers' money. But that conclusion is based on a scoring gimmick—a special interest scoring rule imposed on the Congressional Budget Office by the Congress.

- That biased rule requires CBO to include certain kinds of expenses when calculating the cost of direct lending but not when calculating the cost of ordinary guaranteed loans.
- The proposals put the special interests—the banks—ahead of student interests. The Senate proposal to cap direct lending would increase loan volume under the guaranteed loan program by more than $100 billion. That would ensure as much as $6 billion in additional profit for banks, lenders, and others who hold guaranteed student loans.

REBUTTAL *to Veto Claim No. 40*

- The administration has ignored the back-end costs of direct lending—the costs of collecting the loans—to create phony budget savings. This gimmick makes the Direct Lending Program appear cheaper than guaranteed lending. The nonpartisan Congressional Budget Office recommended a correction be made so the programs could be compared on an equal footing.
- Even Senator Edward Kennedy, a strong advocate of the Direct Lending Program, has admitted that "* * * the 1993 estimates inadvertently disadvantaged the guaranteed loan program compared to the Direct Loan Program in one respect—the manner in which the administrative costs of the programs are calculated. An adjustment was needed to provide a more accurate comparison of the costs of the two programs."

VETO CLAIM No. 41: *Education—Discretionary Cuts.*

- Nearly all Americans agree that investing in education is critical to our future economic prosperity.
- Despite this consensus, the caps on discretionary spending proposed by Congress would have a devastating impact on educational opportunity for children and students of all ages.

  The massive cuts in education proposed in just the first year of the congressional budget plan constitute nothing less than a downpayment on the elimination of effective Federal support for education.

  The congressional plan is an attack on programs that will improve academic achievement, create safer school environments, improve the quality of our teachers, promote parental involvement, and provide innovative technology in our classrooms.

  Moreover, Congress is proposing severe cuts in precisely those areas that parents, teachers, and business leaders agree are most important for making real improvement in our education system, such as improving basic skills, raising standards for all students, keeping schools safe and drug-free, raising the qualifications of teachers, and bringing technology into the classroom.

REBUTTAL *to Veto Claim No. 41*

- None of the so-called "cuts" the President is attacking are part of the Balanced Budget Act. The only education funding dealt

with in the Balanced Budget Act is in connection with reforms of the student loan program. All other changes in education funding are contained in the Labor/HHS appropriations bill, not the Balanced Budget Act.

- The President and Congress both support increasing educational opportunities for Americans. The questions, as noted above, is who can best spend taxpayers' money to improve education for children—parents and local school districts or the Department of Education bureaucrats in Washington.

  Congress believes the quality of education can be increased by reducing Washington's wasteful education bureaucracy and by sending taxpayers' dollars back home.

  As Alice Rivlin—President Clinton's former Budget Director—explains in her book, "Reviving the American Dream":

  "Improving education will take bottom-up reform. Presidential speeches and photo opportunities, national testing and assessment; federally funded experimental schools, even new grants spent in accordance with Federal guidelines, can make only marginal contributions to fixing the schools. Education in America will not improve significantly until States and communities decide they want better schools. Making education more effective will take parents who care, committed teachers, community support, and accountable school officials. An 'education President' can help focus media attention on schooling, but he risks diluting State and local responsibility by implying that Washington can actually produce change."

VETO CLAIM No. 42: *Cuts in Head Start Would Leave Thousands of Children Without a Chance.*

Congressional budget proposals cut $135 million from Head Start in 1996—$535 million below the President's request for 1996.

Assuming spending on Head Start remains frozen at 1996 levels, this proposal would deny comprehensive education, health, and social services to 180,000 children by the year 2002.

Most of the children participating in Head Start are only 3 and 4 years old; 95 percent of these children come from families below the poverty line and 13 percent have a diagnosed disability.

Head Start is a good investment in our Nation's future. As the Council of Economic Advisors concluded, after reviewing the literature on Head Start, "Participants in Head Start-style programs are less likely to be held back in school and less likely to be classified as special-education students, and more likely to graduate from high school."

REBUTTAL *to Veto Claim No. 42*

- The Balanced Budget Act does not cut children from Head Start; it reduces the bureaucracy.

From 1993 through 1999, the dollars requested for Head Start will provide a 246-percent funding increase but will result in only a 53-percent increase in the number of slots for children. Based on figures from HHS, $594 million has been spent since 1990 on increasing teacher salaries in the program. The majority of the expansion funds have gone to teacher salaries and benefits.

The President's 1995 budget request showed a 54-percent increase in funding and only a 12-percent increase in the number of slots for children.

- It is disingenuous to claim that participants of Head Start-style programs are less likely to be held back in school, less likely to be classified as special education students, and more likely to graduate from high school.

These claims are based on comparisons with programs that are somewhat similar to Head Start, and from results of the highly touted study of the Perry Preschool Project in Ypsilanti, MI, which was very different from a Head Start program.

The similar programs were much more intense, more highly structured and better funded than Head Start. The Perry study indicated that early intervention could lower delinquency, joblessness, and teen-pregnancy rates. But according to researchers, achieving these results requires that intervention be early, consistent, and long-term.

The Perry Project was more highly organized and much more expensive than the typical Head Start program. Only 123 children were included in this study with 58 attending a high-quality preschool program at ages three and four; the other 65 poor children made up a control group of students who did not attend preschool. This was a half-day program attended for 2 years and the staff-child ratio was one adult for every five or six children.

Over the 30-year existence of the Head Start program, many studies have evaluated the effects of Head Start on the lives of thousands of poor children. Not one has found long-term gains for children comparable to the results from the Perry Project.

VETO CLAIM No. 43: *Ending Goals 2000 Would Cripple State and Local Efforts to Raise Academic Standards.*

- The congressional proposal to eliminate Goals 2000 would cut off 9,000 schools currently using Federal funds to raise educational standards, just as States and communities have completed their planning and begun to implement comprehensive reforms based on their own high academic standards.
- The President's proposal would extend funding to a [sic] additional 8,000 schools, for a total of 17,000 schools serving an estimated 8 million children.

REBUTTAL *to Veto Claim No. 43*

- The idea of developing standards in core subjects for students is reasonable. But who should be developing these standards—State education agencies and local school boards or the Federal Government?

  Without any Federal funding or Federal mandates, the State of Virginia has proposed a set of rigorous academic standards.

  The danger of empowering the Federal Government with this task is best illustrated by the history standards developed by the UCLA History Department. Lynne Cheney, former Chairman of the National Endowment for the Humanities testified that: "The United States history standards imply that Joseph McCarthy (mentioned 19 times in the standards) is more important to our Nation's story than George Washington (mentioned twice) or Robert E. Lee (mentioned not at all). Some of America's (and the world's) greatest achievements in science are ignored. Alexander Graham Bell, the Wright brothers, Thomas Edison, Albert Einstein, Jonas Salk, and Neil Armstrong are never mentioned in the U.S. history standards, although the standards do contain references to Roseanne Arnold and Bart Simpson."

VETO CLAIM No. 44: *Slashing Funds for Basic and Advanced Skills Hits Those Students Who Need Help the Most.*

- Congress has proposed to cut more than $1 billion and 1 million students from the Title I Education for the Disadvantaged Program that helps low-achieving poor children reach the same high standards expected of other students.
- More than 14,000 school districts and more than 50,000 schools rely on title I funding to help improve basic skills for disadvantaged students.
- The President has requested increased funding and greater targeting of those funds on communities with the highest concentrations of poor children, but Congress would both cut funding and reject greater targeting.

REBUTTAL *to Veto Claim No. 44*

- There is little evidence the chapter 1 program improves the academic performance of low-income students, in fact, in some cases the program may hinder the progress students. According to the Department of Education's own assessment of the chapter 1 program: "Chapter 1 participants did not improve their relative standing in reading or math in the fourth grade or in math in the eight grade; only eighth grade reading participants showed improvement. Chapter 1 participants improved on standardized tests or on criterion-referenced objectives no more than nonparticipants with similar backgrounds and prior achievements * * *, test scores for students in high-poverty schools actually decline from the early grades to the later grades."

- Congress should not continue to ratchet up funding for Title I, Education for the Disadvantaged, until there is more evidence it increases education achievement for disadvantaged students.

VETO CLAIM No. 45: *Sharp Reductions in Safe and Drug-Free Schools Would Cripple Efforts to Reduce Drug Abuse, Prevent Violence, and Improve Discipline in America's Schools.*

- The budget cuts spending on Safe and Drug-Free Schools by more than half, from $466 million to just $200 million.
- These funds currently support drug abuse and violence prevention activities for 39 million students in nearly all elementary and secondary schools.
- The budget amounts to a surrender to the drugs and violence that plague so many of our communities, despite the fact that school safety and student abuse of drugs and alcohol are among the greatest concerns of parents and teachers.
- The President's budget rejects surrender and raises Safe and Drug-Free Schools funding to $500 million per year.

REBUTTAL *to Veto Claim No. 45*

- Discouraging kids from using drugs is an activity almost everyone supports. The question is: Does the Safe and Drug-Free Schools achieve this goal? A total of $3 billion has been spent on this program since 1987, yet statistics indicate that the fear of marijuana use is declining among young people and substance abuse is increasing.

VETO CLAIM No. 46: *Teachers Would Be Denied the Training They Need to Help Students Reach Higher Academic Standards.*

- Congress cuts the Eisenhower Professional Development State Grant Program by 80 percent, from $251 million to just $50 million.
- The President, by contrast, would nearly triple funding for the Eisenhower to $735 million, providing States and communities with substantial new resources for teacher training.

REBUTTAL *to Veto Claim No. 46*

- The Eisenhower Professional Development State Grant for teacher training is included in a Professional Development and Program Innovation Block Grant. This will give States more flexibility to spend education dollars where they can make the most difference in improving the quality of education.
- The Clinton administration would prefer to dictate to States precisely how to spend their education moneys.

VETO CLAIM No. 47: *Education Technology Cuts Threaten to Leave Schools, Libraries and Communities Off the "Information Superhighway."*

- The private sector will build, own, and operate the emerging National Information Infrastructure. President Clinton has made clear, however, that he will not allow the emerging infor-

mation superhighway to bypass middle-class Americans, to extend the gap between the well off and the needy, or to let the United States become a nation of information "haves" and "have-nots."

- That is why he strongly opposes plans to gut the National Telecommunications and Information Infrastructure Assistance Program [TIIAP]. Cuts, like those proposed for TIIAP, would mean that hospitals, clinics, schools, libraries, local governments, and nonprofits may be excluded from the development of the advanced NII.

REBUTTAL *to Veto Claim No. 47*

- Experience shows that the government is not good at picking winners and losers in the technology marketplace.
- The administration's policy allows the administration to dole out millions in corporate welfare.
- In appropriations, the House and Senate voted to reduce spending on information infrastructure grants from $49 million in 1995 to $22 million. In contrast, the administration requested a doubling of this program to $99 million.

VETO CLAIM No. 48: *Cuts to the Pell Grant Program Deny Deserving Students a College Education.*

- Pell Grants are one of the bedrock Federal student aid programs, providing assistance to more than 3.7 million financially needy students.
- Proposals in 1996 have cuts [sic] $450 million from Pell Grants. By 2002, these cuts would deny Pell Grants to 380,000 deserving students.

REBUTTAL *to Veto Claim No. 48*

- There are no cuts to the Pell Grant Program when the fiscal year 1995 carryover of $800 million is added to the 1996 funding level proposed by the House.
- In fact, the House bill increases the maximum Pell Grant award to $2,440, the highest level in the program's history.

VETO CLAIM No. 49: [The Balanced Budget Act] *Eliminates AmeriCorps—Preventing Students From Learning Responsibility Through Community Service.*

- The proposal would eliminate the AmeriCorps national service program.
- These cuts would deny nearly 50,000 young people the opportunity to serve their communities while earning money toward college education.
- Gen. David Jones, former Chairman of the Joint Chiefs of Staff, captured the spirit of the national service program best when he said: "AmeriCorps programs work. They show what we can accomplish when the government operates as a true partner of communities. Most important, they build partnerships by enacting an old truth that men and women in our

Armed Forces learned so well: to earn opportunity you must take responsibility for yourself and others."

- In contrast to the congressional cuts, the President would increase funding for national service by $345 million next year, providing nearly 50,000 community service and college opportunities next year.

REBUTTAL *to Veto Claim No. 49*

- AmeriCorps undermines General Jones' fundamental point. Personal responsibility is not enhanced when the government pays people to exercise it. AmeriCorps is little more than a make-work program.
- Community service on college campuses is thriving without government payments. According to surveys by the Independent Sector in 1994, 89.2 million Americans age 18 and over volunteered in some capacity, putting in an average of 4.2 hours a week. They do not expect pay in return for their services.
- AmeriCorps commissioned a cost-benefit analysis in the effort to portray the national service program as a boon to Americans. An analysis of the report shows that most of the data used come from studies examining a preschool program from some 30 years ago—the Perry Preschool Project. Not only is the information out of date, it has, at best, a tangential relationship to the endeavors of AmeriCorps volunteers.
- Even if the benefits of this program were monumental, the costs have been seriously underestimated.

  A recent GAO audit found that, depending on the type of grant, the average volunteer cost the Federal Treasury from $26,000 to $31,500. Volunteers are funded by the taxpayers at amounts ranging from $19 to $23 per hour.

  The average Corporation for National and Community Service grant administered through a Federal agency cost $31,500. Some of the grants are much more expensive and some are less. AmeriCorps is not a bargain.

VETO CLAIM No. 50: [The Balanced Budget Act] *Eliminates Funding for Women's Educational Equity Act.*

- The budget eliminates the Women's Educational Equity Program, denying schools funding for research and training programs designed to promote educational equity for women and girls.

REBUTTAL *to Veto Claim No. 50*

- This is a very small, highly specialized program. President Clinton's defense of the program is more symbolic than substantive since the limited funding is probably spread too thinly to have much of an impact.
- Rather than dictating narrower funding requirements, Congress favors more broadly based block grants that empower States to spend education dollars in ways they think will make the most difference in improving education.

VETO CLAIM No. 51: *Elimination of the Summer Jobs Program Will Hurt Disadvantaged Youths.*

- Proposals to eliminate the Summer Jobs Program would deny 600,000 disadvantaged young people meaningful work opportunities that prepares [sic] them to be active contributors to the work force and the community.
- By eliminating the Summer Jobs Program, Republicans deny nearly 4 million disadvantaged youth summer job opportunities by 2002, compared to the President's request.
- Contrary to some claims, studies show that the Summer Jobs Program does not displace private market employment but, rather, employs youth who would otherwise be unemployed and on the streets.

REBUTTAL *to Veto Claim No. 51*

- This program provides government jobs for disadvantaged youth age 14 to 21. This program has not provided permanent skills training or education for young people. It is basically an income supplement.
- According to the Labor Department's analysis of job training programs, "What's Working (and what's not)":

  "Little is known about the effect of in-school employment on academic achievement or future employment success. We do know, though, that subsidized work experience alone has not been particularly successful in improving the employability of out-of-school disadvantaged high school dropouts once the subsidized work had ended."
- The administration proposed cutting the JTPA youth program by $310 million in 1996 because of questions about its effectiveness.

VETO CLAIM No. 52: *Cuts in Employment and Training Programs Leave Workers Unprepared for the New Economy.*

- The congressional budget proposed to cut employment and training programs by $1.6 billion—or 26 percent below the 1995 funding levels.
- The budget reduces funding to help dislocated workers find new jobs by $379 million—or 31 percent—compared with 1995 levels.
- For the dislocated workers program alone would deny 155,000 workers help obtaining the skills they need to adjust to the new economy and to corporate downsizing.

REBUTTAL *to Veto Claim No. 52*

- The Department of Labor's own reviews show short-term job training under the Job Training Partnership Act has had minimum success. The most recent comprehensive inspector general's audit report indicated that only 53 percent of participants obtained jobs; of the participants that got jobs, half said that they found them without JTPA assistance.

- It is much the same story for dislocated worker training. According to the Department: "In the case of workers displaced from high-tenure jobs, on average even a year or two of successful training often does not create income gains large enough to restore earning to their predisplacement level."
- An inspector general's audit revealed that many participants were unable to obtain jobs related to retraining and that less than half were working in jobs related to their training. Participants also believed that they could have obtained 60 percent of the jobs without the benefit of retraining.

ENVIRONMENT AND PUBLIC HEALTH

VETO CLAIM No. 53: [The Balanced Budget Act] *Opens the Arctic Refuge to Oil Drilling.*

- The Arctic National Wildlife Refuge is a rare, pristine wilderness that the President supports protecting permanently, for the benefit of future generations.
- The reconciliation bill would open the Arctic Refuge to drilling by the oil industry in hopes of generating $1.3 billion in Federal revenues. The $1.3 billion is overstated by several hundred million dollars due to oil price assumptions and other factors. It also assumes that the State of Alaska will not sue for 90 percent of the revenues (up from 50 percent in the bill)—even though the Alaska statehood legislation gave them 90 percent.
- Exploration and development would disturb the area and create unacceptable risks of oil spills and pollution.

REBUTTAL *to Veto Claim No. 53*

- Pristine? There are no natural wonders in the coastal plain of the refuge, where the actual oil prospects lie. Instead, this area is a barren and desolate stretch of tundra bordering the Arctic Ocean. Only a few hundred tourists annually visit ANWR.
- The estimate of Federal revenues was provided by the Congressional Budget Office. As recently as February 17, 1993, the President stated: "I'll point out that the Congressional Budget Office was normally more conservative in what was going to happen and closer to right than previous Presidents have been. * * *"
- Concerning the revenue split, the Governor of the State of Alaska has indicated that "a 50–50 split of the revenue is necessary to attain favorable congressional action" and he "will introduce and pursue legislation [to amend the Alaska Statehood Act] if Congress adopts a 50–50 revenue split." Finally, the President of the Alaska State Senate and the Speaker of the Alaska State House support the 50–50 revenue split.
- Alaska has the safest oilfields in the world: 20 years of experience at nearby Prudhoe Bay have proven that oil development can be done in an environmentally sound manner in the Arctic. According to the Governor of Alaska, the caribou in the region have increased from 6,000 to over 22,000 since drilling was initiated at Prudhoe Bay. ANWR provides the best opportunity for a major onshore U.S. discovery.

VETO CLAIM No. 54: [The Balanced Budget Act] *Continues to Turn Over Billions of Dollars of Taxpayer-Owned Minerals for a Pittance, Even While It Raises Taxes on Working Families.*

- The bill includes sham mining reform that provides for the sale of Federal mineral rights at their "market value" defined as the value of the surface land, not the minerals. It's like selling Fort Knox for the price of the roof.
- The provision—which sets a 5-percent royalty imposed after minerals are processed and after numerous deductions—is so riddled with loopholes that the Congressional Budget Office estimates that it will produce less than $1 million per year for the Treasury for all Federal hard rock mines in the Nation.
- This, together with the mining provision in the Interior appropriations, provides for the continued giveaway of public treasures under a law signed by Ulysses S. Grant in 1872. Just last Friday, Interior Secretary Bruce Babbitt was forced to turn over nearly $3 billion worth of copper and silver for less than $2000.

REBUTTAL *to Veto Claim No. 54*

- To claim that the proposal is "sham" reform is totally disingenuous, especially following 40 years of Democrat control of the Congress. The BBA requires payment of fair market value for the land within mining claims and charges—for the first time since 1846—a 5-percent net proceeds royalty on gold, silver, lead, and copper mined on public lands. The BBA also extends claim rental payments.
- The "loopholes" or deductions that are so derided by the administration are the same as those allowed under Nevada's very successful net proceeds tax.
- The last claim sounds incredible—and it is. Where is the Secretary getting his numbers from? Recently, Senator Bumpers made the claim that the value of patents granted to the Stillwater Mining Co. was $38 billion. That was for a company whose total fair market value is approximately $400 million.

VETO CLAIM No. 55: [The Balanced Budget Act] *Mandates Transfer of Ward Valley, CA, Site for a Low-Level Radioactive Waste Dump—Without Public Safeguards.*

- The administration has engaged in negotiations with the State of California to transfer the site with conditions recommended by a distinguished panel of the National Academy of Scientists. This provision would bypass good science and mandate unconditional transfer.

REBUTTAL *to Veto Claim No. 55*

- Any new commercial low-level radioactive waste disposal facility—including Ward Valley—must be licensed by the Nuclear Regulatory Commission [NRC] and meet the Federal safety standards and technical requirements for disposal site selection, design, waste acceptance limits, operation, closure, and financial assurances for long-term environmental monitoring

and maintenance set forth in the U.S. Nuclear Regulatory Commission's Title 10 CFR Part 61 regulations.

- Furthermore, according to Gov. Pete Wilson: "It would be imprudent to abandon this provision on either public policy or fiscal grounds. All legitimate scientific and public health issues have been addressed, and the unconditional transfer of this site to California is critical to the successful execution of longstanding Federal policy."

VETO CLAIM No. 56: [The Balanced Budget Act] *Fails to Take Steps to Build on Our Efforts to Protect and Restore the Florida Everglades.*

REBUTTAL *to Veto Claim No. 56*

- One must question the administration's efforts and sincerity to "protect and restore the Florida Everglades." The May 3, 1994, issue of the Washington Post noted that the "Everglades Forever Act brokered by Interior Secretary Bruce Babbitt, effectively ends a mammoth 6-year lawsuit brought by the Federal Government against the State of Florida, which was charged with failing to protect America's greatest marshland from the polluted waters of south Florida's vast sugar cane fields." The article went on to note, however, that "critics [of the act] say the Chiles and Clinton administrations caved in to wealthy sugar growers, in particular Alfonso Fanjul, Jr., chairman of Flo-Sun Corp. and one of the most influential fundraisers for Democrats and Bill Clinton in south Florida."

VETO CLAIM No. 57: *Environmental Budget Is a Catchall for Various Objectionable Policies, Many Having Nothing to Do With Balancing the Budget.*

- Other provisions in the bill pander to special interests at taxpayer expense, including special loophole water deals for corporate agriculture and certain water districts and changes to Federal oil and gas royalty collection that invite evasion by making collection more difficult and costly.

REBUTTAL *to Veto Claim No. 57*

- The BBA transfers ownership of two water projects (Sly Park in California and Colbran in Colorado) to their current operators, a concept proposed by the President in the National Performance Review Phase II. In the case of Sly Park, the current operators have been operating the facilities since the 1950's. After the transfer of ownership, the operation of the facilities must still conform with all existing environmental laws.
- Along with the transfer of title is a transfer of water interests. These water interests are currently held "in trust" by the Federal Government until the repayment of the construction cost is complete. The water rights, however, are already owned by the irrigation districts. The government has no independent ownership of the water.

- The oil and gas provision raises $51 million for the Federal Government and $33 million for States, reduces costs and empowers the States to perform royalty activities.

  This bill eliminates an antiquated, inefficient royalty collection system resulting in a more aggressive cost effective program, requires royalty collections be completed within 7 years, establishes reciprocity for interest payments to encourage proper payment, and greatly reduces the time to resolve disputed royalty claims.

  A bipartisan group of 12 Governors support the bill, which gives to States the opportunity to perform Federal oil and gas post-lease activities.

  Through performance of these activities, States will be able to further reduce administrative costs by eliminating duplication and increase collections.

- During budget negotiations, the White House expressed that the President supported this legislation as part of a package to balance the budget. The administration expressed four areas of concern and, in late January, the House, Senate, and administration reached agreement on three of the four areas.

- The open issue is the delegation of "downstream" Federal oil and gas activities to States.

  A bipartisan group of Governors met during the National Governors Association meeting to discuss this legislation.

  Given that the delegation is consistent with the Vice President's reinventing government proposals to devolve royalty collections, inspections, and enforcement to States, the Governors hope to find common ground with the administration over the next couple of weeks.

VETO CLAIM [Unnumbered, Concerning VA–HUD and Interior Appropriations]

The President and the Vice President believe that the impact of deep Republican cuts in nondefense discretionary spending imposed by the caps in the Republican reconciliation bill would have a devastating effect on the public health and safety over 7 years. In fact, the Republican multiyear budget resolution specifically called for cuts to clean and safe water infrastructure, land management and national parks. Furthermore, the addition of special interest riders and policy provisions severely limits EPA's ability to set and enforce environmental standards, and DOI's and USFS's ability to manage lands in a sound manner. Their budget also cuts the President's own environmental advisors, the Council on Environmental Quality, by more than 50 percent.

REBUTTAL *to Unnumbered Veto Claim*

The President has indicated he vetoed the Republican "budget" for 82 selected issues. In reality, he vetoed the Balanced Budget Act. Many of the issues he identified are not, as he surely knows, even in the Balanced Budget Act.

Over the past 7 years, the Federal Government spent $134.8 billion in the area of natural resources and the environment. The original congressional budget envisions spending $131.6 billion over the next 7 years in this area. By any measure, this represents a considerable commitment of resources. Subsequent proposals have added an additional $25 billion, with a portion of those funds being allocated for environmental programs.

In the President's plan titled "A Balanced Budget That Puts People First," the President even proposed some of the same cuts for which he now criticizes Republicans. With regard to wastewater and water treatment construction, he "would reduce funding over time to $1.5 billion a year as States gain access, as a permanent source, to the repayments of previous loans." In addition, the document states: "The President proposes to phase-down spending on Federal land acquisition to $100 million a year, focusing on high-priority projects and the expanded use of land exchanges." The Conference Report of the Concurrent Resolution on the Budget for Fiscal Year 1996 notes that "[t]he administration proposed a 5-percent reduction in the National Park Service [NPS] operations and an 11-percent reduction for NPS construction by 2000."

Such a commitment, however, is only one factor in maintaining a healthy environment. Equally important is whether the government is spending money wisely on those items that pose the greatest risk to the public. As stated by the respective appropriations committees, the approach envisioned by Congress for the Environmental Protection Agency closely parallels recommendations made by the National Academy of Public Administration in a report titled: "Setting Priorities, Getting Results: A New Direction for EPA." NAPA recommended important management changes for EPA, including that environmental priorities be selected based on the level of risk to the public.

Finally, concerning the President's Council on Environmental Quality, the Senate Committee on Appropriations noted that "many of the CEQ's activities duplicate those of EPA and other agencies, a luxury which can no longer be afforded."

VETO CLAIM No. 58: *Irresponsible Enforcement Cuts Would Lead to Dirty Water, Unhealthy Air and Unsafe Land.*

- Cutting fair and consistent enforcement would hurt families who depend on clean air and water, and hurt companies that obey the law. Enforcement cuts would help only those companies who continue to evade environmental laws and pollute irresponsibly.
- The Balanced Budget Act contains a 25-percent cut in EPA's enforcement budget from the President's request.
- According to the Philadelphia Inquirer, budget cuts have already forced EPA to cut back on hundreds of inspections at toxic waste sites and for industrial air pollution and drinking water supplies; the budget would put even more people at risk. (11/28/95)

REBUTTAL *to Veto Claim No. 58*

- The vast majority of Federal environmental regulations are enforced by the States, under authority delegated to them by EPA. The proposed reductions would encourage further efforts by EPA to set enforcement priorities based on areas of highest risk.
- Much of the money spent on environmental "enforcement" is spent on litigation. Between 1990 and 1992, the Justice Department spent over 800,000 man-hours on Superfund litigation. An overwhelming portion of the cost of environmental protection goes not to protecting the environment, but rather to lining the pockets of environmental lawyers.
- The President's alleged concern for environmental "cops on the beat" does not square with the fact that he requested a 400 FTE reduction for environmental enforcement for fiscal year 1996.

VETO CLAIM No. 59: [The Balanced Budget Act] *Cuts Funds by 17 Percent to Set Public Health Standards for Air Pollution, Pesticides, and Clean and Safe Water.*

REBUTTAL *to Veto Claim No. 59*

- The Federal Government already has in place standards for air pollution, pesticides, and clean and safe water.
- In addition, the States can also set stricter standards for the protection of public health. According to the Competitive Enterprise Institute, Americans spent over $150 billion complying with environmental laws in 1994.

VETO CLAIM No. 60: *Drinking Water Cuts Would Lead to More Contaminated Water.*

- Safe drinking water is the first line of defense for protecting public health. President Clinton believes that when Americans turn on their taps, there should be no doubt that the water is safe.
- The Republican budget cuts by 45 percent ($225 million) the money that goes directly to States to protect communities' drinking water. There funds are used by communities to upgrade facilities and better treat contaminants such as cryptosporidium, which in 1993 killed 100 people and sickened 400,000 others in Milwaukee.
- In the last 2 years, millions of residents of major U.S. cities, such as New York and Washington, DC, have been ordered to boil their drinking water.

REBUTTAL *to Veto Claim No. 60*

- The President requested $500 million for safe drinking water. Congress provided $500 million for safe drinking water. Of that amount, $275 million was "new" money and $225 million was "old" money.
- The "old" money represented money that had been appropriated in prior years but was not going to be spent. The $225

million of "old" money is being called a "cut" by the administration, even though Congress provided exactly what was requested.

VETO CLAIM No. 61: *Clean Water Cuts Would Block Efforts to Keep Raw Sewage and Other Pollution Off Beaches and Out of Waterways.*

- The Clean Water Act is a great American success story: 25 years ago, the Cuyahoga River was so polluted it burned. Lake Erie was dead. Garbage floated in the Chesapeake Bay. Today, those waters are on the rebound.
- The Balanced Budget Act specifically cuts funds that go to States for wastewater treatment—making it difficult for States to comply with the Clean Water Act.
- The budget cuts the President's request for wastewater treatment support to the States by 30 percent. This money is used to construct and upgrade wastewater treatment facilities that keep raw sewage from flowing into our rivers, lakes, and streams.
- The bill also adds a particularly objectionable rider that will prevent EPA from stopping the dumping of harmful fill into rivers and wetlands.

REBUTTAL *to Veto Claim No. 61*

- In the President's plan titled, "A Balanced Budget That Puts People First," the President even proposed some of the same cuts for which he now criticizes.
- With regard to wastewater and water treatment construction, he "would reduce funding over time to $1.5 billion a year as States gain access, as a permanent source, to the repayments of previous loans."
- The report that accompanies the VA–HUD appropriations bill states: "Presidential annual budget submissions show that as of the end of fiscal year 1994 there were about $1.6 billion in unobligated annual appropriations plus about $6.1 billion in unliquidated obligations in State revolving funds. Preliminary indications are that these balances are the result of States being unable to make loans fast enough to keep pace with annual congressional appropriations. The EPA inspector general recently reported that in one State about $283 million in excess grant money had built up in the State revolving fund because of unmade loans, and indications are that excess grant funds may exist in other States as well."
- The so-called "wetlands rider" simply prevents EPA from vetoing a permit that has already been approved by the Corps of Engineers. The result is a more coordinated permit process—run by one agency rather than two—that retains all the important safeguards.

VETO CLAIM No. 62: *Budget Cuts Would Stop or Slow Cleanup of Toxic Waste Dumps.*

- Fifteen years after Love Canal, one in four Americans—and 5 million children under the age of 4—still live within 4 miles of a Superfund toxic dump site.
- The budget cuts the President's request for the Superfund toxic dump cleanup program by 25 percent ($382 million), needlessly exposing citizens living near these sites to dangerous chemicals.
- Meanwhile, Congress continues separately to change Superfund to relieve polluters—including the company responsible for Love Canal—of the responsibility to pay for the pollution they caused and shift that burden to the American people.

REBUTTAL *to Veto Claim No. 62*

- The environmental cleanup program called "superfund" has suffered from gross bureaucratic inefficiency. In the 15-year life of the program, only 75 sites have been completely cleaned up, at a cost of $60 billion in public and private funds.

  In 1994, the House Committee on Commerce, then controlled by Democrats, stated: "[T]he program's weaknesses are recognized by virtually all Superfund stakeholders."

  The program illustrates how a centralized bureaucracy attracts a lot of litigation while achieving little cleanup. As President Clinton's 1996 budget correctly stated, the "program attracts criticism for costing too much and accomplishing too little." The effectiveness of the program cannot be improved by simply throwing money at the problem.
- The Congress is committed to reforming the program in a manner that will reform the high cleanup and legal costs, correct the unfairness of the liability scheme, reduce the overlapping authority and responsibility between various levels of government, and alter the economic incentives to use undeveloped—or "greenfield"—sites to avoid potential Superfund liability.
- The current proposal, pending in the House Commerce and Transportation and Infrastructure Committees, will result in more cleanup than under the existing program. The reformed program will be paid for by polluters and business—not by American families—through a Superfund tax.

VETO CLAIM No. 63: *Extraneous Policy Provisions Threaten Our Water, Air and Land—and the Public's Right to Know.*

- On August 8, President Clinton signed an Executive order on pollution disclosure to protect peoples' access to information about toxic emissions in their communities. He had once before expanded the public's "right to know." The law is the most cost-effective pollution reduction program we have.
- The congressional budget originally included 17 separate special-interest riders—including one blocking the public's right to know. The conference budget contains several back door ways to include previously attached riders.

- The conference report threatens the next phase of the Clinton administration's effort to expand information available to communities—information not currently reported to the public about dangerous chemicals. The bill may prevent EPA from moving forward.
- Efforts to prevent the reduction of toxic pollutants from hazardous waste facilities and block upgraded pollution control facilities have also been transferred to report language.
- Echoing two riders on the House budget proposal, the report language advises the EPA to delay for nearly 1 year the Clinton administration's combustion strategy, which would issue overall protections to reduce pollutants from hazardous waste incinerators.

REBUTTAL *to Veto Claim No. 63*

- Concerning the combustion strategy, the conference report states: "* * * the National Academy of Sciences is conducting currently a study on the health effects of waste combustion scheduled for completion in September 1996. To ensure that policies are based on the best up-to-date science and to incorporate appropriate Academy findings, the conferees believe the sensible approach would be to await the results of the study before finalizing a rule addressing the combustion of hazardous waste."
- The conference report also addresses other "riders." For example, it states that for the Agency's rule concerning maximum achievable technology [MACT] "the agency drafted much of the rule relying on data that was as much as 15 years old, even when agency-acceptable 3-year-old data was available."
- Despite the President's continued protests, he has effectively signed two of the other riders into law.

VETO CLAIM No. 64: *Reduces Environmental Research and Technology.*

- Environmental research and technology funding is cut by nearly $1 billion or 20 percent from the President's request for fiscal year 1996.
- The cuts include a 92-percent reduction from the President's request for the Environmental Technology Initiative [ETI], which would thwart efforts to encourage the development of new technologies.
- The budget also proposes to slash scores of other environmental research programs that provide objective information in forestry, agriculture, minerals management, global climate change, natural disasters, fisheries, weather forecasting, and other areas. This would stifle our efforts to better understand and cope with environmental change.

REBUTTAL *to Veto Claim No. 64*

- The Federal Government may have a role in basic research, but it should not be engaged in applied research and product development.

- Considerable evidence shows the Federal Government is not capable of picking projects with the most potential for technological and commercial success. Excluding this classic example of corporate welfare, Republicans have proposed spending more on environmental science and technology.

VETO CLAIM No. 65: *Interior Appropriations Bill Joins Reconciliation Bill to Continue Mining Giveaway.*

- The Interior appropriations report would allow the moratorium on new mining patents to be lifted prematurely. This, together with the mining provision in reconciliation, provides for the continued giveaway of public treasures under a law signed by Ulysses S. Grant. Just last Friday, Interior Secretary Babbitt was forced to turn over almost $3 billion worth of minerals to a foreign mining company for less than $2,000.

REBUTTAL *to Veto Claim No. 65*

- The Interior bill continues the existing moratorium on issuing mining patents until mining law reform is enacted into law. This is the same moratorium carried in the Interior bill in 1995.
- The administration supports continuing the exemption for the 373 grandfather applications that have been partially approved. These are the same applications which were grandfathered under the 1995 Interior bill.

VETO CLAIM No. 66: [The Balanced Budget Act] *Waives Environmental Laws and Opens Tongass Rainforest to Clearcutting.*

- The budget proposes to dictate timber-cutting levels in Alaska's Tongass National Forest beyond sustainable levels. It would waive environmental laws and expand clearcuts through an extraneous policy provision in the Interior appropriation bill.
- The proposal could hurt sport and commercial fishing interests in the area and region's tourism industry, which has grown 40 percent in 4 years.
- According to tour operators, the visitor industry is more profitable and has a higher payroll by far than the timber industry, but increased logging will directly hurt their business. (New York Times, September 12, 1995)

REBUTTAL *to Veto Claim No. 66*

- No provision in any appropriations bill "dictates" any level of timber harvest in the Tongass National Forest. The administration's claim to the contrary is categorically wrong.
- No provision in any appropriations bill proposes to dictate timber harvests in the Tongass beyond sustainable levels. The sustainable harvest level on lands that are suitable is 704 million board feet. Current logging levels are between 350 million and 425 million board feet.
- The Tongass provision will not hurt commercial or sport fisheries in southeast Alaska. All Tongass fish streams in timber

harvest areas receive a minimum 100-foot no-harvest zone and additional on-site protection.

- There is no evidence that existing fish stream protection is insufficient. In fact, salmon runs in Alaska increase every year, which is the best evidence of a vibrant fishery.
- The Tongass appropriations provision actually lowers the maximum harvest level on the Tongass by 7 percent and freezes the timber land base available for harvest at 1.7 million acres.
- The Tongass appropriations provision also releases a timber sale originally done for one timber purchaser that the Forest Service wants to change to different timber purchasers. The sale is withheld in the Ninth Circuit Court of Appeals on a technicality that has nothing to do with the minimal environmental consequences associated with the sale.
- Regarding the administration's statement on tourism in southeast Alaska, it may be true that tourism has grown recently, but that has little to do with timber harvesting. Since the 1950's, timber harvesting in the Tongass has remained relatively stable at 9,000–12,000 acres per year. The fact the tourism and timber have coexisted at such a harvest level for 45 years is evidence to the contrary of the administration's claim that tourism will suffer at continuing rates of harvest.
- The administration's reliance on an allegations reported in The New York Times as if they were true does not mean they are credible. In fact, like most other Times pieces about the Tongass, it lacks factual accuracy and even the lowest level of understanding about the Tongass. It is no basis for use in a veto message.

VETO CLAIM No. 67: [The Balanced Budget Act] *Blocks Efforts to Protect Pacific Northwest Salmon.*

- For centuries, salmon have been among the most valued resources in the Pacific Northwest, as the Oregonian says, "a treasured part of our natural heritage."
- The Interior appropriations bill includes a policy rider that would block efforts to protect salmon and ensure sustainable economic growth in the Columbia River Basin, by terminating comprehensive planning for the management of public lands in that area.

REBUTTAL *to Veto Claim No. 67*

- The Interior bill does not block the Columbia Basin Ecosystem Management Project:

  In fact, the bill provides $4 million for the completion of the Draft Environmental Statement.

  To date, $24 million has been spent on this study with no on-the-ground results.
- In addition, the current study proposes a one-size-fits-all solution to the resource problems in the Columbia Basin. The Interior bill provides money to finish the draft EIS, and allows in-

dividual forest supervisors to use this scientific information to amend the forest management plans to address resource issues at the forest levels.

VETO CLAIM No. 68: [The Balanced Budget Act] *Undermines the California Desert—the Nation's Newest National Park.*

- Last year, Congress passed, and the President signed, the California Desert Protection Act, the largest single designation of parks and wilderness areas ever in the lower 48 States.
- The new reserve protects broad desert vistas, rugged mountain ranges, and unique archeological sites.
- The budget provides $1 for the National Park Service to operate the new Mojave National Preserve.

REBUTTAL *to Veto Claim No. 68*

- Early last year, the National Park Service's sudden, aggressive management of the area caused problems with local homeowners and small businesses. Almost overnight, certain historical uses of the area including recreational, vehicle use, signage, et cetera, were restricted or eliminated.

  The public outcry resulted in language being included in the Interior appropriation bill which temporarily transferred the day-to-day operation of the Mojave back to the Bureau of Land Management, which had run the area for more than 50 years, until the National Park Service establishes the Citizen Advisory Commission which was specified in the legislation and completes a management plan for the area.

  The Interior bill also included the $500,000 necessary for the first year of planning and allows the National Park Service to have park interpreters on site during peak visitation. This plan of action is more sensitive to property owners and traditional recreational users by allowing a longer, more orderly transition period.

VETO CLAIM No. 69: [The Balanced Budget Act] *Would Compromise Management of Healthy Ancient Forests.*

- The Republican Interior appropriations includes a rider that would prohibit the administration from using the most current and appropriate science to protect forests in the Pacific Northwest, a practice that could lead to expanded logging of healthy ancient forests.

REBUTTAL *to Veto Claim No. 69*

- The Interior bill encourages—it does not prohibit—use of "the most current and appropriate science" in the Pacific Northwest. In fact, the bill provides funding ($4 million for fiscal year 1996) and directs the Forest Service and Bureau of Land Management to complete a comprehensive environmental analysis of the Columbia River Basin.

  The results of this assessment are then to be used by the Forest Service and BLM when the agencies amend or revise each applicable forest management plan.

The management plans are amended or revised in accordance with the National Forest Management Act of 1976 and the National Environmental Policy Act of 1969.

- Completion of the scientific assessment and use of the assessment results will lead to better conservation of old growth forests in the Pacific Northwest.

Agency scientists have determined that overstocking, insect and disease infestations, and catastrophic fire pose the greatest risk to these forests. Therefore, application of the most current and best science is needed to ensure that current old growth conditions can be maintained and enhanced.

The Interior bill provides the funding and direction needed to ensure that the scientific information is made available on a timely basis to National Forest and BLM land managers to that they may best address these critical forest health concerns.

VETO CLAIM No. 70: *Shortsighted Budget Cuts Undercut Efforts to Head Off Changes to the Earth's Weather.*

- Last week, a panel representing 2,500 scientists from 100 nations confirmed that human activity is affecting the global climate. Earlier this year, scientists won a Nobel Prize for their work on ozone depletion.
- Climate change could bring an increase in heat waves, fires and pest outbreaks, increase the number of heat-related deaths and illnesses, and expand the range of infectious diseases like malaria, yellow fever, and encephalitis.
- The congressional budget cuts by more than 40 percent the programs designed to slow global warming through innovative, voluntary energy efficiency programs and prevent depletion of the ozone layer.
- These programs reduce pollution, save money, and create jobs.

REBUTTAL *to Veto Claim No. 70*

- "Voluntary energy efficiency" programs are wasteful efforts to promote the specific agency rather than save the environment.
- In fact, the EPA recently launched the Energy Star Program, to be funded at $100 million over 5 years, whose charter specifically directs some of the funds to be spent on banners, pencils with logos, and a bus.

VETO CLAIM No. 71: *Budget Cuts Energy Efficiency, Will Cause Energy Use and Energy Costs Rise.*

- The budget cuts DOE energy conservation by almost 40 percent ($187 million) from the President's request.
- Energy efficiency programs such as these and the programs listed above, save consumers money, create jobs, and reduce emissions that contribute to air pollution and climate change. The Department of Energy estimates that Federal energy efficiency programs would save homeowners $17 billion and busi-

nesses $12.5 billion per year by the year 2005 and would create 57,000 jobs.

- In addition, the oil that could be saved by these programs is greater than the oil that can be recovered in the Arctic National Wildlife Refuge.

REBUTTAL *to Veto Claim No. 71*

- Energy conservation in the United States has been a clear success. In the 1980's, for example, the economy grew by a third while energy use remained flat due to market-driven energy conservation.
- Business has incentives to market, and customers have incentives to buy, conservation technologies that work well. DOE is left to fund less reliable and less promising technologies. According to the Congressional Budget Office, DOE may "be crowding out private sector firms or, alternatively, conducting R&D that those private sectors are likely to ignore—a common fate of the technologies generated within DOE's national laboratories."

RESEARCH, TECHNOLOGY, AND INNOVATION

VETO CLAIM No. 72: [The Balanced Budget Act] *Cuts Nondefense R&D by One-Third.*

- The Republican budget plan would cut nondefense research and development [R&D] by one-third in real terms over the next 7 years, from $34 billion in fiscal year 1995 to $23 billion in fiscal year 2002, according to independent analysis by the American Association for the Advancement of Science. This is an amount equivalent to eliminating all Federal spending on university research.
- Americans hold millions of jobs in industries that have grown as a result of wise public and private investment in R&D, including (as of 1992): biotechnology (79,000 jobs), computers (479,000 jobs), communications (366,000 jobs), software (450,000 jobs), aerospace (895,000 jobs), semiconductors (317,000 jobs).
- In 1992 average pay for workers in these and other high-technology industries was 60 percent higher than the average for all American workers.

REBUTTAL *to Veto Claim No. 72*

- The administration correctly includes R&D categories such as aerospace as a key to economic growth. But President Clinton's defense cuts have resulted in the loss of approximately 1 million defense-related jobs, including tens of thousands of defense-aerospace jobs. The White House priorities are clear: the President has slashed R&D that protects the national security in favor of corporate welfare grant programs.

VETO CLAIM No. 73: [The Balanced Budget Act] *Eliminates Partnerships With Industry That Promote Investment in High-Risk Research With Broad Economic Potential.*

- American competitiveness in the 21st century depends on our ability to continue to fund the development of high-risk, innovative technologies. Yet, despite historical bipartisan support, Congress has proposed to eliminate the Advanced Technology Program [ATP], a merit-based, competitive, cost-shared industry-led partnership that is enabling the private sector to invest in high-risk technologies with broad-based future economic potential.
- Meanwhile, public and private investment in R&D—in particular long-term R&D—has been anemic for more than a decade, with industry's R&D investment growth rate negative for the

past 4 years. This trend has made the ATP a small, but critical, part of the Nation's R&D portfolio that must be maintained.

- By eliminating the Advanced Technology Program, Congress will force the government to renege on its commitment to fund up to 250 ATP projects involving 700 different small and large companies, universities, and other organizations in 36 States, who have committed nearly a billion dollars of their own money to these projects. Perhaps more importantly [sic], without the ATP, American companies will find it even more difficult to invest in the breakthrough technologies upon which this Nation's future depends.

REBUTTAL *to Veto Claim No. 73*

- In appropriations, the House and Senate voted to eliminate the Advanced Technology Program [ATP]. Although the Clinton administration euphemistically calls it a "partnership with industry," the ATP is in reality the most egregious form of corporate welfare and State-run industrial planning.

  The ATP provides millions in grants to many of America's richest industrial giants. Recent grantees include IBM, 3M, Unisys, DuPont, AT&T, and Xerox. Clearly, these companies have the resources and incentives to develop new technologies without government handouts, and have been for years.

  In defense of the ATP, the administration claims that the program funds projects which are too risky for corporate America. In response to this, T.J. Rodgers, CEO of Cypress Semiconductor, testified that "* * * [These are] bad investments that fall below the corporate cut line for good reasons." The operative attitude in the corporate community seems to be, "It's free money; let the government pay for it. If it works, fine."

- The ATP program was first appropriated $10 million in 1990. The Clinton administration has stated its plan to increase spending on the program by nearly $500 million by 2002, a 10,000 percent increase in a little more than a decade.

- Corporate Welfare/Industrial Planning by the State does not work because, according to T.J. Rodgers, "It penalizes a country's winners with excess taxes in order to fund that country's losers with inefficiently run government programs. 'They've got subsidies; we need subsidies' is exactly wrong."

FIGHTING CRIME AND EMPOWERING COMMUNITIES

VETO CLAIM No. 74: [The Balanced Budget Act] *Abolishes Commitment to 100,000 New Cops on Street.*

- The plan calls for a block grant that would repeal the national commitment to fund 100,000 new police.
- President Clinton's crime bill is well on the way to placing 100,000 new police officers on the streets. The congressional plan would bring that program to a halt and not guarantee a single additional new officer on America's streets.

REBUTTAL *to Veto Claim No. 74*

- In fact, little of the "cops on the beat" funding has gone to the cities that need it the most. Among the cities with the highest violent crime rates, many have received a disproportionately small amount of the "cops on the beat" funding.

  The President's community policing ("cops on the beat") program requires a local match of 25 percent for communities to receive any of the Federal funds, and the 1994 crime bill allows the Attorney General to give preference to applicants that provide contributions exceeding the 25-percent match. As a result, a disproportionate share of the Federal money can go to wealthier communities rather than those with more serious crime problems.

  The "cops on the beat" program includes so many conditions on receiving funds that many officials have chosen not to apply because the program is too expensive.

  If the "cops on the beat" program is to result in 100,000 new officers, it will require $28 billion of additional local spending.

  The "cops on the beat" funding for police is gradually phased out over the 3-year funding period so that the States eventually assume the full costs of the officers. When the funding runs out, local government will be strapped with the salaries and pension of these officers. In the end, the communities that hired the police officers under the President's program will have to either pay their full cost or let them go.
- The congressional plan—the Local Law Enforcement Block Grant—gives States and localities the power and resources to choose how they spend the money to combat violent crime according to their local needs and priorities, rather than letting Washington usurp those decisions.

The 10-percent match required under the block grant enables more communities to hire police.

The block grant is designed to attack high crime problem areas. It distributes funds to local governments based on population and their numbers of violent crimes compared with the number of violent crimes reported by other localities in their States.

VETO CLAIM No. 75: [The Balanced Budget Act] *Reduces the Effectiveness of the Violence Against Women Act.*

- Slashes $72 million from the domestic violence prevention and intervention programs in police stations, courthouses and homeless shelters reducing the effectiveness of the Violence Against Women Act.
- The budget proposes $50 million less than the President for law enforcement and prosecution programs that fund domestic violence prevention programs in police stations and courthouses.
- The budget also eliminates programs that attempt to reduce the sexual abuse of youth.

REBUTTAL *to Veto Claim No. 75*

- Funding for the act is $175 million for the fiscal year 1996. This is $100,000 greater than the President's request and $149 million over the 1995 level.
- Under the plan, no prevention programs are eliminated. Funding for many programs has been added to the block grant to empower the localities to set their own priorities to fight crime. But the Violence Against Women Act is not part of the block grant; it is funded separately.

VETO CLAIM No. 76: [The Balanced Budget Act] *Abolishes New Community Development Banks Proposal to Leverage More Private Sector Investment in Distressed Communities.*

- The budget eliminates the Community Development Financial Institutions Fund which was created to bring credit and growth to distressed communities by promoting the formation and expansion of community development financial institutions [CDFI's].
- The Treasury Department estimates that each dollar of Federal money generates $10 in new development activity, creating jobs and economic growth.

REBUTTAL *to Veto Claim No. 76*

- The conference agreement for the Veterans and Housing and Urban Development appropriation bill provides no funding for the Community Development Financial Institutions Fund.
- The CDFI is another example of duplication in Federal programs.

The fund, created in 1994 and funded at $125 million in 1995, extends loans and loan guarantees to financial institu-

tions to provide credit for economic development in low-income areas.

This purpose is already served by numerous Federal programs and agencies, including: the Neighborhood Reinvestment Corporation, programs within the Small Business Administration, the section 108 program within the Community Development Block Grant program, and a number of programs within the Economic Development Administration, as well as others.

- Federal economic development assistance, whether through direct loans, loan guarantees or grants, must be reformed to ease the bureaucratic complexity and ensure efficiency in directing resources where they are needed. The CDFI is unnecessarily duplicative and should not be funded.

VETO CLAIM No. 77: [The Balanced Budget Act] *Slashes Funding to Demolish the Most Severely Distressed Housing Projects.*

- The Republican budget cuts nearly in half the President's request for funding to reform public housing and revitalize communities by demolishing the most severely distressed housing.

REBUTTAL *to Veto Claim No. 77*

- The Severely Distressed Housing Program, for which $500 million was appropriated in 1995, does not go for the demolition of dilapidated public housing projects.

  The President's own budget describes it as a program to repair existing public housing units: "This program provided Federal resources to rehabilitate and restore severely dilapidated public housing projects."

  The reality is that the funding may even be used to build what are essentially new public housing units. The President's own housing reform proposal would eliminate this as a separate program.

- The real problem with the elimination of distressed public housing units is the requirement that units eliminated be replaced by another unit. Public housing authorities need more flexibility to eliminate unusable units and renovate their housing projects.

FARMING/AGRICULTURE

VETO CLAIM No. 78: [The Balanced Budget Act] *Threatens Conservation Benefits Achieved Under the Conservation Reserve Program.*

- The Conservation Reserve Program is designed to achieve long-term conservation benefits by authorizing long-term contracts with farmers to keep environmentally sensitive land out of production.
- The bill would allow producers to withdraw from 10- to 15-year Conservation Reserve Program contracts—which were entered into voluntarily—simply by giving USDA 60 days notice.
- The main purpose of the CRP is to achieve long-term conservation benefits. This self-declared withdrawal process completely undermines that concept. It also invalidates the whole concept of a long-term contract between the public and the farmer.
- Currently, only the Secretary of Agriculture has the authority to grant such "early outs." He continues to use that authority judiciously to ensure that only those lands that truly belong in the CRP remain there. But a standing provision that allows contract holders to withdraw whenever they want and at no cost is bad public policy and should not be law.

REBUTTAL *to Veto Claim No. 78*

- Contrary to what the President stated, the CRP was not originally designed to achieve long-term conservation benefits. CRP was originally designed as a balancing measure to slow burgeoning farm program costs (caused by people putting too much land into production) while maintaining an adequate supply of productive cropland in a manner that focused on environmentally sensitive land. Since that time, two things have happened:

  Congress has continually decreased the amount of money available for farm programs, which has taken pressure off of putting environmentally sensitive land into production.

  People have realized that CRP has resulted in conservation and environmental benefits, so that the focus today is using CRP as a conservation policy tool.
- Today, however, the United States as well as the rest of the world, is not "awash in grain" as it was in the mid-1980's when CRP was started.
- The President states that giving farmers the choice of opting out of CRP completely undermines the long-term conservation

benefits of CRP. This is wrong. Today, Federal farm program payments do not distort agricultural land use as much as they did in the 1980's; therefore, CRP land which is poorly suited for crop production will likely stay out of production, even if the owner is given the option of getting out of the CRP. Given that the world needs grain right now, it certainly makes sense to allow individual farmers to make the decision about whether their CRP land would be more productive as cropland. This option will result in fragile land staying in, while lowering the costs to the government for CRP payments for land which is better suited for growing much-needed grain. In addition, farmers who opt out of the CRP will have to farm their land in accordance with conservation plans before they can receive benefits.

VETO CLAIM No. 79: [The Balanced Budget Act] *Prevents Farmers From Granting Permanent Easements Under the Wetlands Reserve Program.*

- The budget would prevent permanent easements under the Woodlands Reserve Program.
- Right now this important—and completely voluntary—woodlands restoration program relies on 30-year or permanent easements. The response to the program from farmers has been overwhelming: For every acre USDA has agreed to fund, farmers have offered 7.
- Moreover, from the standpoint of protecting the interests of the American taxpayer, permanent easements offer the government its best value—taxpayers only have to pay for woodlands protection once.
- The budget would federally mandate the exclusive use of 15-year contracts or easements. This would require repeated renewals and additional costs to achieve permanent protection. The bill does not make sense—either to farmers, who like the current program, or to taxpayers, who want the most for their money.
- The Clinton administration also opposes the bill's prohibition on permanent easements and its exclusive reliance on 15-year easements for woodlands preservation. We believe that far sounder public policy would be to give farmers choices for protecting woodlands—ranging from cost-sharing assistance to long-term and permanent easements.

REBUTTAL *to Veto Claim No. 79*

- The President states that substituting 15-year easements for permanent easements would require "repeated renewals and additional costs to achieve permanent protection." This is just not true. The main reason for making this change was to save money while achieving the same level of conservation and wildlife benefits.
- Also, this change makes good sense in today's world. The Wetlands Reserve Program was created because Congress determined that too many wetlands were being drained, including

those that were converted into agricultural production. Today, however, wetlands are not being drained to grow crops—a separate law (the "Swampbuster" provisions) that prevents farmers from getting Federal farm program payments on wetlands that are converted.

- While it is good public policy to have an incentive for creating wetlands, there is no need for the government to pay for a permanent easement—the distorted farm program incentives that caused wetlands to be drained in the past are not here today. It is very unlikely that, after 15 years, a landowner will drain a wetland just because the easement expires.

VETO CLAIM No. 80: [The Balanced Budget Act] *Shreds the Farm Safety Net by Cutting the Link Between Commodity Payments and Farm Conditions.*

- The budget slashes the farm safety net. In contrast to the present system, which provides assistance to farmers only during period of low prices, the Republican proposal provides a fixed payment to producers during good years and bad—and then eliminates this critical safety net for American farmers altogether.
- Fixed payments do not respond to changing market conditions. By cutting the link between farm payments and market prices, the Republican budget leads to undesirable results. Producers could receive windfall profits in good years when prices are high, while family farmers' incomes would not be protected when prices are low.
- Fixed payments can mean producers get unnecessarily large amounts of money when market prices—and profits—are very high. This invites public criticism of all farm programs when budgets are tight.

REBUTTAL *to Veto Claim No. 80*

- The President states that the BBA slashes the farm safety net. Actually, the BBA would provide a 7-year safety net with the certainty of fixed payments, which would allow farmers and their lenders to be able to plan accordingly.
- The President states that the BBA leads to undesirable results because farmers could get windfall profits in good years when prices are high, while family farmers' incomes would not be protected when prices are low. But his Secretary of Agriculture, in announcing that he is giving farmers up to 3 years in which to repay advance deficiency payments (required because prices are high) admits that the President's position is completely wrong.

  High prices do not mean windfall profits, and low prices do not mean low farm income.

  In fact, just the opposite seems to be the general rule: low prices generally occur during good harvests when farmers get a lot of income from the market, while high prices generally occur in short-supply situations when farmers cannot benefit because they do not have good harvests.

- The high price/low price situation highlights the biggest fault with current farm programs: they deliver benefits based on commodity prices, not farm income. This frequently ends up giving farmers payments when they are getting plenty of income from the marketplace.
- The President's assertion that giving farmers payments when prices are high will invite public criticism is misplaced, especially since all the defenders of the current programs are now also saying that we cannot force farmers who didn't produce a good crop to repay their farm program payments. Why not just admit that the current programs don't work?
- The BBA would not eliminate this critical safety net altogether after 7 years. At the end of 7 years, Congress would assess the success of the program as well as the proper future role of the Federal Government with respect to farmers.

VETO CLAIM No. 81: *Crop Insurance.*

- Last year's crop insurance reform produced a program that is cost-effective and reliable for both producers and taxpayers. The reform linked insurance benefits to farm program participation in order to ensure maximum producer participation.
- Now, Congress wants to disrupt this program by eliminating the link between farm program benefits and insurance. If this happens, farmers who do not see the advantage of signing up for crop insurance will be financially vulnerable when disaster strikes.
- This will undoubtedly lead to producers asking Congress and taxpayers for crop disaster assistance money. It is bad policy to ask taxpayers to pay for two programs designed for crop losses—the crop insurance program and disaster assistance.

REBUTTAL *to Veto Claim No. 81*

- The President says that by eliminating the link between buying insurance and getting farm program benefits, farmers who do not see the advantage will be financially vulnerable when disaster strikes, and that they will undoubtedly ask Congress and taxpayers to pay for disasters.
- The BBA assumes that American farmers are smart enough to make this decision for themselves. Besides, the BBA would require farmers to sign a waiver, making it impossible for them to get any disaster assistance. The BBA recognizes that a little individual responsibility in this matter is a good thing.

VETO CLAIM No. 82: [The Balanced Budget Act] *Cuts the Export Enhancement Program.*

- The bill cuts funding for the Export Enhancement Program [EEP] to levels well below those agreed to with our trading partners.
- EEP is designed to counteract the unfair pricing practices of trading competitors.

- EEP funding in fiscal year 1996 is set at just $350 million, $633 million less than the level permitted under the Uruguay Round Agreement in 1994. Should our producers need the EEP in future years, lack of funding could hinder U.S. farm export efforts.

REBUTTAL *to Veto Claim No. 82*

- The President says that the BBA cuts funding for EEP to levels below those agreed to with our trading partners, which is not completely true. Yes, EEP funding is cut for the first 3 years, but ask the President if he is even going to be using the money. The fact is that for the next 3 years the funding levels for EEP are more than adequate to cover the anticipated needs.

  Commodity prices right now are hitting record highs, supplies are short, and no one can justify even using EEP to export commodities right now anyway.

  So, cutting EEP funding levels for the first 3 years makes good economic sense, for both the government and the taxpayers.

- More important, though, the BBA fully funds EEP for the 1999 through 2002 fiscal years. In 1999, EEP will be fully funded at the maximum GATT levels, so that the United States can continue to promote free and fair trade with the rest of the world's trading partners.

APPENDIX 5

THE CAUSES OF CURRENT DEFICITS

The conventional argument in Washington dates the beginning of the current deficit spending problem to some time in the early 1980's, and blames President Reagan's tax cuts and defense spending increases. In fact, however, the problem took root in the mid-1970's, and it resulted principally from the dramatic growth of entitlements that was spawned in the late 1960's. It was aided by a change in philosophical assumptions regarding government deficits, and by the "reform" of congressional budgeting procedures, which actually made it more difficult to control spending.

It is important to understand these factors, because any efforts to balance the budget will fail if they attack the wrong problem. For example, in both 1990 and 1993, Congress passed large tax increases and defense spending cuts, presumably to reduce deficits. But neither of these measures brought Federal spending anywhere near a path to balance. Table 6–A below shows that, if no further action is taken soon, deficits will begin climbing again next year and will reach $287 billion by 2002.

TABLE 6–A: PROJECTED DEFICITS (−), 1995–2002, IN BILLIONS OF DOLLARS AND PERCENTAGES OF GROSS DOMESTIC PRODUCT

	1995	1996	1997	1998	1999	2000	2001	2002
Total Outlays	1,519	1,569	1,652	1,738	1,830	1,927	2,018	2,127
Total Revenues	1,355	1,428	1,483	1,544	1,609	1,681	1,758	1,840
Deficit	−164	−140	−169	−195	−221	−246	−261	−287
Deficits as a Percent of GDP	−2.3	−1.9	−2.1	−2.4	−2.6	−2.7	−2.7	−2.9

Source: The Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1997–2006—A Preliminary Report," March 28, 1996.

The discussion below will show that chronic deficits were not caused by a few bad decisions over a limited time. Instead, they resulted from the convergence of various intellectual, fiscal, and procedural forces that combined to make imbalances between spending and revenues inevitable and persistent. It is this fundamental, structural mismatch that must be corrected if Congress hopes to balance the Federal budget.

THE EFFECT OF KEYNESIANISM

Whether the "Keynesian revolution"[1] amounted to a totally new analytical framework for understanding the macroeconomy is a matter of debate. But it undoubtedly marked a change of focus in the economics profession. The emphasis shifted from the longer

[1] Named after economist John Maynard Keynes, 1883–1946.

run, in which the economy was fully employed, to the short run, with its periods of unemployment. Keynes argued that economic downturns were undesirable episodes instead of needed corrections to overheated economies. He said they were common and relatively long-lasting, not transient abnormalities in an otherwise well-functioning economy. Most important, he contended that they could be avoided, or at least ameliorated, through policies designed to boost economy-wide demand.

Preeminent among the tools available to policymakers, according to Keynes, was "fiscal policy"—the manipulation of the government's budget to increase or decrease total demand. Fiscal policy also could have a "pump-priming" effect, causing others to increase spending and demand as their incomes rose due to the government's stimulus.

The late Prof. Aaron Wildavsky traced the emergence of Keynesian economics in Federal budgeting to the 1930's. At that time—despite the Depression—most politicians of both parties shared a conviction that budgets should remain balanced. But Progressive publicists such as Waddill Catchings and William Trufant Foster encouraged deficit spending to boost employment through public works. They argued that the resulting new debt could be repaid more easily through the economic activity generated by increased public spending than through an ongoing depression.[2] Soon, a number of politicians gained interest in the Keynesian view, as Wildavsky explains in the following account:

> By the early 1930's, a number of Americans in the Democratic party began to seek a rationale for encouraging the government to expand public works and thus increase employment. They found this rationale in the work of economist John Maynard Keynes and introduced his thought to key figures, including President Roosevelt. Building on ideas advanced in 1931 by his collaborator R.F. Kahn, Keynes argued that it was appropriate, in a deflationary period when vast economic resources went unused, for the government to create deficits as a means of expanding demand. When economic activity was slow, government should step in to speed it up; when the economy overheated and inflation resulted, government could decrease spending. In short, raising and lowering the deficit would become a prime means of economic control. *The important point, however, is not the practice of Keynesian doctrine—any student of politics knows that it would be much easier to raise than to lower spending—but that it provided a strong intellectual rationale for doing what many people wanted. At long last, politicians could combine spending with virtue.* [Emphasis added.][3]

But deficit spending failed to win enough support at the time to affect the Federal Government's budget significantly. President Roosevelt apparently disagreed with Keynes and continued to pursue balanced budgets, though economic conditions, and then World

[2] Wildavsky, Aaron, "The New Politics of the Budgetary Process" (Glenview, IL: Scott, Foresman and Company, 1988), p. 64.
[3] Ibid., p. 65.

War II, prevented this. After the war, the norm of budget balance remained strong through the administrations of Presidents Truman and Eisenhower. As Truman noted in his memoirs: "There is nothing sacred about the pay-as-you-go idea so far as I am concerned except that it represents the soundest principle of financing that I know."[4] The commitment to this principle lasted until the early 1960's. Wildavsky describes the ensuing events in the following passage:

> In the 1960's balance became partisan in a way that it had not been since before the Civil War, only now the Democrats were the skeptics. Balance was a conservative position used by lower-spending Republicans as a weapon against the higher-spending liberal Democrats. Since the dominant theory of economic management was Keynesian economics, the norm of balance also conflicted with the widespread desire that the government ensure a healthy economy. The balanced-budget norm could no longer constrain and coordinate decisions as it had in the past.[5]

By this time, Keynesians had come to think of unemployment as the norm and overemployment as the aberration, so that "countercyclical" deficit spending became a hallmark of Keynesian economic policy. Indeed, even though Keynesian "demand management" could only work on unemployment caused by deficient demand, many Keynesians came to think of deficit spending as the cure for unemployment regardless of the cause. Any unemployment regarded as "high"—even that due to supply factors—was given as a reason to run Federal budget deficits.

The Keynesian view then got a boost from a presidential endorsement. In a commencement speech at Yale University in June 1962, President Kennedy urged that fiscal traditions and taboos be replaced by the more sophisticated thinking in the intellectual and economic communities. Columnist Robert J. Samuelson, in an article titled "Original Sin Remembered," argued that Kennedy's speech made possible what was politically unacceptable before:

> Politicians could now rationalize careless policies in the guise of enlightened economics. Deficits were okay because they would increase economic growth and ultimately balance the budget. Faster growth made new spending programs affordable.[6]

In content and style, the thinking President Kennedy expressed clearly was drawn from Keynesianism. Put simply, Keynesian thinking colored political decisionmaking in two overlapping ways: It replaced political conviction with the rationalism of economic theory, and it provided an intellectual justification for deficit spending.

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[4] Truman, Harry S, "Memoirs by Harry S Truman," two volumes (Garden City, NY: Doubleday & Company, 1956), 2:41, quoted in Herbert Stein's "The Fiscal Revolution in America" (Chicago: University of Chicago Press, 1969), p. 207, and Aaron Wildavsky's "The New Politics of the Budgetary Process" (Glenview, IL: Scott, Foresman and Company, 1988), p. 67.

[5] Wildavsky, Aaron, "The New Politics of the Budgetary Process" (Glenview, IL: Scott, Foresman and Company, 1988), p. 64.

[6] Samuelson, Robert J., the Washington Post, June 3, 1992, p. A19.

THE GROWTH OF DOMESTIC SPENDING

The first warning of the Federal Government's spending problem came from an interagency task force of President Nixon's Domestic Policy Council. The task force was to advise how best to allocate the surplus resources that were expected to accrue from the winddown of the Vietnam war—a sum that was termed the "peace dividend." As it turned out, this "dividend"—in the sense of extra cash available for tax relief or spending on other programs—did not exist. Economist Herbert Stein, then a member of the policy council's task force, explains that growing claims against post-Vietnam resources already were embodied in law and would swallow up the savings from projected defense spending cuts.[7]

These new claims resulted, for the most part, from Great Society entitlement programs. In a piece called "Remembrance of Peace Dividends Past," Stein also notes the summation made by Daniel Patrick Moynihan, Nixon's Domestic Policy Council Director. Moynihan called the peace dividend "as evanescent as the morning clouds over San Clemente."

Although the term "peace dividend" itself had not been used before, the phenomenon to which it referred—a surplus of resources available for peacetime uses—had been customary, and its absence after Vietnam was unprecedented. Prof. Allen Schick has given the following explanation of how this occurred (see Tables 6–D, 6–E, and 6–F in the Summary Tables at the end of this appendix):

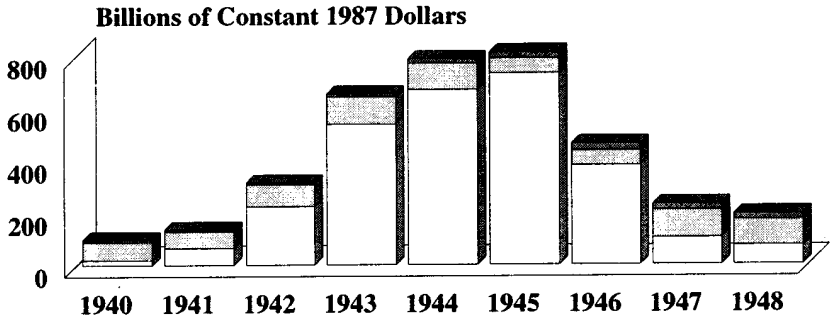
> Vietnam did not conform to the budgetary patterns of previous American wars. Without exception, each previous war had produced a steep rise in Federal spending followed by a sharp postwar decline, though to a trough well above the prewar level. However, in no year following the Vietnam war has spending been lower than in the peak war years * * *. Part of the reason for this deviation from past patterns was a radical change in the composition of the Federal budget. * * * Before the Vietnam conflict, most of the budget was spent on the operations of government agencies. As measured in the national income accounts, 55 percent of the fiscal 1964 outlays (the last year before significant Vietnam escalation) went for purchases of goods and services, with 25 percent for transfer payments, and less than 10 percent for grants to State and local governments. The distribution was quite different in fiscal 1975, the last year before implementation of the congressional budget process. Forty percent of the 1975 budget was spent on transfer payments to individuals, and another 15 percent was granted to States and localities.[8]

[7] Stein, Herbert, "The Washington Economist," March-April 1990, p. 18.

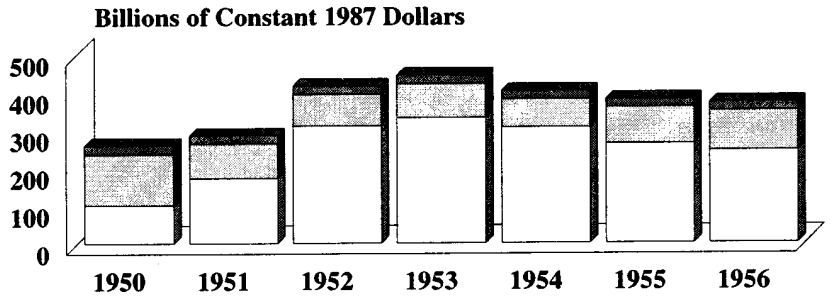
[8] Schick, Allen, "Congress and Money: Budgeting, Spending and Taxing" (Washington, DC: the Urban Institute, 1980), p. 26.

Trends in Federal Spending

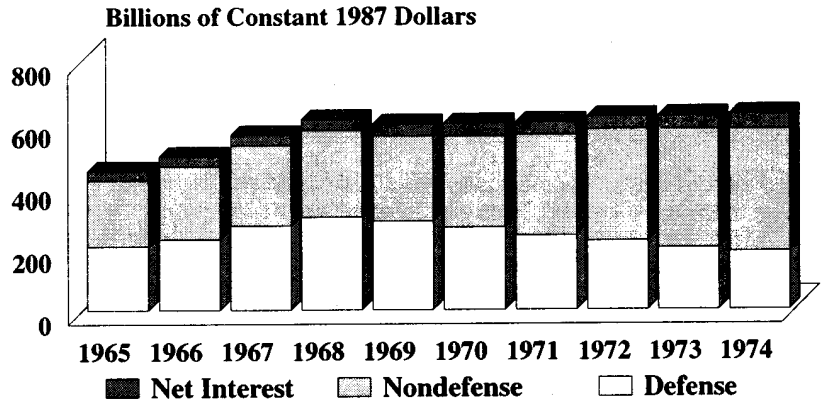
World War II-Era



Korean War-Era



Vietnam War-Era



Federal domestic spending actually had been growing since the mid-1950's in constant dollars, in percentages of gross domestic product, and as shares of total Federal outlays. But by the mid-1970's, this spending reached historic levels. The Great Society programs launched during the Johnson administration were ripening. The budget "superfunction" called "human resources" claimed the majority of total Federal outlays—50.4 percent—for the first time in 1974 (see Table 6–G). Since then, it has never fallen below that mark. In 1975, "human resources" crossed another threshold, rising into double digits of gross domestic product for the first time ever, at 11.5 percent (see Table 6–H). It has not slipped below 10 percent of GDP since then.

TABLE 6–B: OUTLAYS FOR PAYMENTS TO INDIVIDUALS AND TOTAL FEDERAL SPENDING, AS PERCENTAGES OF GROSS DOMESTIC PRODUCT, 1971–1980

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Payments to Individuals	7.7	8.1	8.2	8.6	10.2	10.7	10.3	9.8	9.6	10.5
Total Federal Spending	20.0	20.1	19.3	19.2	22.0	22.1	21.3	21.3	20.7	22.3

Source: "Historical Tables: Budget of the United States Government—Fiscal Year 1997."

The category classified as "payments to individuals" also sheds light on the domestic spending trend. These payments—entitlement programs—also exceeded 10 percent of GDP for the first time in 1975, more than double their claim on national economic resources just 10 years earlier. Only twice since then have they fallen back to single-digit shares of GDP—to 9.8 percent in 1978 and 9.6 percent in 1979 (see Table 6–B above). As these trends occurred, spending on national defense was undergoing a long-term decline. The post-World War II peak for defense spending occurred in the mid-1950's. It was 14.5 percent of GDP and 69.4 percent of total outlays in 1953, and 13.4 percent of GDP and 69.5 percent of outlays in 1954. In 1960, national defense fell below 10 percent of GDP for the first time since the Korean conflict, reaching 9.5 percent. In 1962, it dropped below 50 percent of outlays—its lowest level since Korea—falling to 49 percent. Only twice since then—during the Vietnam war and the 1981–1985 Reagan buildup—has defense received a spending boost relative to GDP or total Federal outlays.

The growth of domestic spending in the 1970's overshadowed long-term defense savings by enough to drive total Federal spending to historic levels. In 1975, total outlays reached 22.0 percent of GDP. It was only the fourth time since World War II that spending levels had crossed the 20-percent threshold (the others were 1968, 1971, and 1972), but this time it was permanent: Since 1975, outlays have never consumed less than a fifth of the Nation's total economic resources—even though defense spending usually has been declining. In short, the shift away from national defense and toward higher domestic spending already was under way by the mid-1970's; but at that point, it reached virtually unprecedented levels, from which it has not retreated.

The largest increase in domestic spending has been in the "payments to individuals" entitlements. The level of spending for these programs rose by $188.9 billion in real terms, or 40.1 percent, between 1987 and 1995. The categories "all other" and "all other

grants"—which represent most of the government's domestic discretionary spending—will have essentially held steady in real terms, at $143.8 billion in 1987 dollars (compared with $148.5 billion in 1987). Net interest will have risen $41.6 billion, or about 30.0 percent, in real terms (see Table 6–C on the next page).

THE BUDGET REFORM OF 1974

It is often correctly noted that maintaining a balance between spending and taxes requires, above all, political will. But the procedures under which budgetary decisions are made can hinder or help, depending on the incentives they provide to policymakers. The budget reform of 1974 altered these incentives in important ways—and in some respects the reform made it more difficult for Congress to restrain spending.

TABLE 6–C: OUTLAYS, RECEIPTS, AND DEFICITS (−) IN BILLIONS OF CONSTANT (1987) DOLLARS, 1987–1996

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 est.
Defense	282	283	286	273	241	250	237	221	207	196
Nondefense	583	597	615	674	718	719	728	759	772	790
Net Interest	139	147	156	163	165	165	160	161	180	183
Total Outlays	1,004	1,027	1,057	1,110	1,123	1,133	1,126	1,140	1,159	1,168
Total Receipts	854	877	916	914	895	895	922	982	1,034	1,063
Total Deficit	−150	−150	−141	−196	−229	−238	−204	−159	−125	104

Source: "Historical Tables: Budget of the United States Government—Fiscal Year 1997."

Note.—Nondefense includes international spending, which is about 1 percent to 2 percent of the nondefense total.

It should be noted that deficit control was not a principal goal of the 1974 Budget Act. At that time, deficits were not considered to be the problem they are today. The Budget Act was chiefly intended to draw together Congress' disparate spending and taxing functions. That is why the legislation created the House and Senate Budget Committees. It also created the Congressional Budget Office so that Congress would have its own fiscal analysis agency.

Nevertheless, some of the act's features did arguably, if unintentionally, make spending and deficits more difficult to control. For example, the 1974 Budget Act did not indicate whether taxing and spending should rise or fall, and did not prescribe the appropriate size of the deficit (as did the Gramm-Rudman-Hollings law adopted 11 years later). Those matters were to be left to the majority in Congress. Partly because there was no penalty for deficits—the kind of penalty that sequestration under GRH imposed—there was no procedural inclination to reduce deficits. This omission might not have been problematic under normal circumstances. In this case, however, it coincided with a period of unusual upward pressure on spending, which the Budget Act did not restrain.

A second factor was the Budget Act's codification of current services budget "baselines," not only as an analytical tool, but as a foundation of the budget itself. As Prof. Schick has put it: "The baseline is a legitimate concept that has been put to questionable use. In the hands of skilled manipulators, it has become the al-

chemy of Federal budgeting, capable of transforming an increase into a reduction."[9] He continues as follows:

> The baseline assumes that existing programs will continue without policy change. It adjusts projected expenditures for estimated inflation and mandated workload changes. A simple example will show how a baseline is constructed and used. A program spending $100 million a year and projected to have an annual 5-percent increase in participants and a 5-percent inflation rate would have approximately a $110-million baseline for the next year, a $121-million baseline for the second year, and a $133-million baseline for the third year. These hypothetical extrapolations are highly sensitive to the assumptions underlying them. Any action projected to reduce spending below these hypothetical levels would be scored as a cutback, even if spending would still be above the previous year's.[10]

The practice came from section 605 of the 1974 budget reform, which requires the President to estimate the "budget outlays and proposed budget authority that would be included in the budget for the following fiscal year if programs and activities of the United States Government were carried on during the year at the same level as the current fiscal year without a change in policy."[11]

Baselines are useful and appropriate for analysis and for projecting future program needs. But they also make it more difficult to constrain spending because they carry an explicit bias that holds all Federal programs harmless from inflation. Therefore, it becomes even more difficult to cut into the base of programs, which is what is needed to truly control the growth of government, according to Schick. Wildavsky has urged Congress to eliminate the current services baseline as a key step toward budget balance. In contrast to Schick, who views the issue from the perspective of the policymakers who deliver the funds, Wildavsky argues from the point of view of the constituencies on the receiving end:

> This [the current services budget] is misconceived. The idea is that everybody who has a claim on the Federal Treasury, for whatever reason, deserves not only to get what they had last year in outlays, but to make up for whatever inflation there has been, and therefore, Congress and its Budget Committees have to chase after them to claw money back if that is necessary. It should be the other way around, that the collective comes first. You speak for the common interests. No individual interest has the right to say "I come first," which is to say, everybody gets the outlays that they had and if they want the inflation, then they have to come to you to get it and you in your political wisdom should decide how much of that they should get.[12]

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[9] Schick, Allen, "The Capacity to Budget" (Washington, DC: the Urban Institute, 1990), p. 95.
[10] Ibid., p. 65.
[11] The section reference is to the 1974 version of the Budget Act, which has been amended several times since then. This language also is contained in Title 31, Chapter 11 of the United States Code, which was amended by the Budget Act.
[12] Wildavsky, Aaron, testimony to the House Committee on the Budget, May 11, 1992.

Baselines may be useful for projecting future spending demands if current policies are maintained. But even when legitimately used, baselines build an assumption of automatic growth into aggregate spending. Their application in the 1974 budget reform—when Federal deficits were growing anyway, mainly because of domestic spending growth—only added to the difficulties in trying to constrain spending.

CONCLUSION

As noted at the outset, it is important to understand the real causes of today's deficit spending problem so that efforts to balance the budget are based on real solutions. Some of the needed changes already have occurred. The Keynesian tolerance for deficit spending has been largely abandoned by the public, and now by the Congress as well: It is now an accepted consensus—as it was before the 1960's—that the Federal budget should be balanced. Second, the 104th Congress has stressed that, despite the conventional "baseline"-oriented talk of spending "cuts," government spending will grow even as Congress pursues a balanced budget. Major entitlement programs such as Medicare and Medicaid will continue to grow, notwithstanding what balanced budget opponents claim about "cuts" in these areas.

But the biggest problem remains. It involves the political will to control the growth of overall spending and the size and scope of government. These challenges were met in the Balanced Budget Act of 1995, and are met again in this budget resolution. The remaining question is whether the President will match his newly found balanced budget rhetoric with appropriate action.

SUMMARY TABLES FOR APPENDIX 5

TRENDS IN FEDERAL SPENDING DURING ERAS OF WORLD WAR II, THE KOREAN WAR, AND THE VIETNAM WAR

TABLE 6–D: WORLD WAR II-ERA FEDERAL SPENDING TREND

[Outlays in billions of constant 1987 dollars]

	1940	1941	1942	1943	1944	1945	1946	1947	1948
Defense	19	65	223	538	670	732	380	102	72
Nondefense	70	63	84	105	101	58	56	106	99
Net Interest	8	8	8	12	17	23	27	23	22
Total Outlays	97	135	315	655	787	813	463	231	193

Source: "Historical Tables: Budget of the United States Government—Fiscal Year 1997."

TABLE 6–E: KOREAN WAR-ERA FEDERAL SPENDING TREND

[Outlays in billions of constant 1987 dollars]

	1950	1951	1952	1953	1954	1955	1956
Defense	101	172	310	332	306	262	244
Nondefense	135	92	84	89	74	97	105
Net Interest	24	22	22	23	22	21	22
Total Outlays	261	286	416	445	401	380	370

Source: "Historical Tables: Budget of the United States Government—Fiscal Year 1997."

TABLE 6–F: VIETNAM WAR-ERA FEDERAL SPENDING TREND

[Outlays in billions of constant 1987 dollars]

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Defense	204	226	269	296	283	263	237	220	197	185
Nondefense	212	234	257	278	273	292	322	357	380	390
Net Interest	30	32	34	36	39	42	41	40	43	50
Total Outlays	446	492	560	609	594	596	599	618	620	625

Source: ''Historical Tables: Budget of the United States Government—Fiscal Year 1997.''

TABLE 6–G: OUTLAYS BY SUPERFUNCTION, AS PERCENTAGES OF TOTAL OUTLAYS, 1960–1977

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
National Defense	52.2	50.8	49.0	48.0	46.2	42.8	43.2	45.4	46.0	44.9	41.8	37.5	34.3	31.2	29.5	26.0	24.1	23.8
Human Resources	28.4	30.5	29.6	30.1	29.8	30.9	32.2	32.6	33.3	36.2	38.5	43.7	46.5	48.6	50.4	52.1	54.8	54.2
Physical Resources	8.7	7.9	8.3	7.2	8.0	9.5	10.0	9.3	9.0	6.5	8.0	8.7	8.5	8.4	9.3	10.7	10.5	10.0
Net Interest	7.5	6.9	6.4	7.0	6.9	7.3	7.0	6.5	6.2	6.9	7.4	7.1	6.7	7.1	8.0	7.0	7.2	7.3
Other Functions	8.4	8.8	11.6	13.0	13.9	14.5	12.6	10.9	10.0	9.9	8.8	7.8	8.2	10.2	9.1	8.3	7.3	8.4
Undistributed Offsetting Receipts	−5.2	−4.9	−4.9	−5.2	−4.8	−5.0	−4.9	−4.6	−4.5	−4.3	−4.4	−4.8	−4.2	−5.5	−6.2	−4.1	−3.9	−3.6
Total Federal Outlays	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: "Historical Tables: Budget of the United States Government—Fiscal Year 1995."

TABLE 6–H: OUTLAYS BY SUPERFUNCTION, AS PERCENTAGES OF GROSS DOMESTIC PRODUCT, 1960–1977

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
National Defense	9.5	9.6	9.4	9.1	8.8	7.5	7.9	9.0	9.7	8.9	8.3	7.5	6.9	6.0	5.7	5.7	5.3	5.1
Human Resources	5.2	5.8	5.7	5.7	5.6	5.5	5.9	6.5	7.0	7.2	7.6	8.7	9.3	9.4	9.7	11.5	12.1	11.6
Physical Resources	1.6	1.5	1.6	1.4	1.5	1.7	1.8	1.8	1.9	1.3	1.6	1.7	1.7	1.6	1.8	2.3	2.3	2.1
Net Interest	1.4	1.3	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.5	1.4	1.3	1.4	1.5	1.5	1.6	1.6
Other Functions	1.5	1.7	2.2	2.5	2.6	2.5	2.3	2.2	2.1	2.0	1.8	1.6	1.6	2.0	1.7	1.8	1.6	1.8
Undistributed Offsetting Receipts	−1.0	−0.9	−0.9	−1.0	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−1.0	−0.8	−1.1	−1.2	−0.9	−0.9	−0.8
Total Federal Outlays	18.3	18.9	19.2	19.0	19.0	17.6	18.3	19.8	21.0	19.8	19.9	20.0	20.1	19.3	19.2	22.0	22.1	21.3

Source: "Historical Tables: Budget of the United States Government—Fiscal Year 1995."

VIEWS OF COMMITTEE MEMBERS

Clause (2)(1)(5) of rule XI requires each committee to afford a 3-day opportunity for members of the committee to file additional minority, or dissenting views and to include the view in its report. The following views were submitted:

ADDITIONAL VIEWS OF REPRESENTATIVE WAYNE ALLARD

First, I want to commend Chairman Kasich for his leadership on this budget. Once again, the Budget Committee has lead the way in downsizing the federal government and returning money and power to states, local communities, and families.

Of course, I would like to do more, but this budget keeps us on the path to balance and ensures that Congress will continue to make the tough choices necessary for deficit reduction.

I have two recommendations for improvement as this budget works its way through the process. First, our welfare reform savings are too modest. While we reduce the growth of welfare programs by over $50 billion, these programs continue to grow and they continue to be subject to excess federal control. I recommend that we freeze welfare spending and then block grant all funding to the states. This would save the taxpayers far more through 2002. It would also permit the states total freedom to reform welfare. The states could require work, job training and education, they could limit the time on welfare, and they could include a cap, or other reforms designed to end welfare and move able-bodied recipients from dependency to work.

The states are where the true reforms are occurring with welfare. Unfortunately, states that now propose dramatic welfare reform must come to the federal government and beg for waivers. This is wrong, states should be free to design their own reforms.

The second recommendation that I make is that we use a portion of these additional welfare savings to make the proposed reduction in the federal gas tax permanent. State and federal gas taxes now total over 40 cents a gallon, this is a tremendous burden on the middle class and working poor, it also hits particularly hard in the high mileage states out West. Repealing the 1993 increase would save taxpayers in my state of Colorado $70 million a year.

Working families deserve welfare reform and they deserve tax relief. Reform the welfare state and let working families keep more of their money.

WAYNE ALLARD.

Additional Views to the
Fiscal Year 1997 Budget Resolution
Reps. Bill Orton and Charlie Stenholm

Last year, we joined with our colleagues in the Coalition and with other fiscally responsible members of the Democratic party to offer an alternative balanced budget proposal that sought to balance the budget in a fair and reasonable manner. When we offered our proposal, we stated our belief that it represented the basis for a middle-ground compromise that could be supported by both parties. Throughout the debate, we stood firm in our support of the provisions of our budget, while both sides in the budget negotiations gradually moved towards the numbers in our budget. The resolution proposed by the majority is a further validation of our assertion that the Coalition budget represents a common ground where a consensus can be reached.

We would sincerely like to compliment the majority for its willingness in this resolution to moderate the savings proposed in previous budgets and move towards the savings levels proposed in the Coalition budget. By proposing $100 billion less savings in Medicare and $110 Medicaid savings compared to last year's proposal, the Majority has addressed many of our concerns about the impact that the savings they proposed last year would have had on the health care system and to the populations which depend on these programs. The savings in discretionary spending, welfare programs, the earned income tax credit and student loans are much lower than the original budget proposed by the majority, although the reductions in these programs are still higher than the Coalition budget. While part of the change in the savings contained in the budget resolution can be attributed to lower CBO estimates of savings as a result of the new baseline and a second part by the fact that we are now discussing a six year budget instead of a seven year budget, the movement that the Majority has made toward the Coalition budget should not be underestimated.

The fact that the numbers in this resolution and the budget submitted by the President

earlier this year move toward the Coalition budget compared to their respective prior positions reinforces our belief that a bipartisan agreement on a balanced budget plan can and should be reached. We have been disappointed by the apparent unwillingness of the majority to engage in discussions toward a budget agreement. We encourage both the majority leadership and the administration to take advantage of the opportunity presented by the movement of both sides and renew the balanced budget negotiations immediately.

Although the majority has made major strides in moderating the savings included in their budget, they have not shown as much willingness to compromise on the issue of tax cuts. The resolution still contains a net tax cut of $122 billion. Summary material released by the Chairman indicates that he envisions a gross tax cut of $176 billion or more. We continue to believe that the federal government should not place additional debt on future generations in order to pay for a tax cut today. As a result of the majority's continued insistence on beginning its effort to balance the budget by borrowing $122 billion to pay for a tax cut, the majority's resolution achieves $137 billion less deficit reduction than the Coalition budget. It is because we share the concern of the Chairman and other members of the majority about the debt burden we are placing on future generations that we oppose cutting taxes before the budget is balanced.

In addition to our concern about borrowing money to pay for a tax cut, we have concerns about many of the policy assumptions in the Republican budget. While we are encouraged that the majority has adopted numbers very close to the Coalition budget, a budget is about more than just numbers. The policies assumed in a budget represent a statement about the type of government we want and the role of government in society. There are still very real policy differences between the Coalition budget and the Republican budget that can not, and should not, be ignored.

Discretionary Spending

While continuing to call on the already tapped discretionary side of the budget to assist in deficit reduction, the Coalition Budget provides $108 billion more budget authority and $78 billion more outlays for domestic discretionary spending authority over the next six years than the Republican Budget. This level of funding allows for adequate funding for investments in education, training, health care, economic development scientific research and other important programs. The Coalition budget provides investments for discretionary programs in the following areas:

EDUCATION AND TRAINING. The Coalition Budget provides $38 billion more for discretionary education and job training spending over the next six years, allowing adequate funding in such programs as Pell Grants, Chapter 1, Goals 2000, Impact Aid, the National Service Program, and the Corporation for Public Broadcasting (CPB). In contrast, the Republican Budget eliminates Goals 2000, National Service, and requires deep cuts in other education programs.

HEALTH CARE. The Coalition Budget provides $8.7 billion more for discretionary spending for health research programs, which are run by NIH, HHS, and other health agencies. The Republican budget makes significant cuts to HHS, and terminates several important rural health programs.

COMMUNITY DEVELOPMENT. The Coalition Budget provides $10 billion more for discretionary spending for economic development programs. In contrast, the Republican budget eliminates the Department of Commerce, the Economic Development Administration (EDA), and the Appalachian Regional Commission.

SCIENCE, SPACE, AND TECHNOLOGY. The Coalition Budget provides $4 billion more for function 250, which include scientific research, technology, and NASA. The Republican Budget cuts funding for these investments in science programs.

ENERGY The Coalition budget provides $10 billion more than the majority's resolution for energy programs. The Coalition budget rejects the Republican proposal to phase out funding for research and development in conservation, renewable energy, fossil energy and other programs to reduce our dependance on foreign oil. Given the current political rhetoric regarding increased gas prices, we have a hard time understanding the decision of the majority to phase out support for these programs.

Welfare Reform

Although the majority praised the welfare reform proposal of the National Governor's Association when it was released, the reality of this budget does not match their rhetoric. The budget resolution reported by the Budget Committee explicitly rejects the National Governor's Association proposal. The bipartisan National Governor's Association resolution recommended several changes to the vetoed welfare reform bill that would have restored over $10 billion for child care, contingency funds for states facing economic downturns, bonuses to reward states with successful programs, and other important programs. The budget proposed by the majority does not provide funds for any of these changes recommended by the governors, returning instead to the vetoed welfare reform bill. The Chairman explicitly stated that the budget assumes the provisions of H.R. 4 instead of the governor's agreement. The Coalition budget provides funds for real welfare reform that

contains the resources that the states have said are necessary to make welfare reform work.

The Republican budget rejects the National Governors Association proposal for additional child care funds. CBO estimated that the funding assumed in the Republican budget will not be sufficient for states to meet the work requirements in the bill. By contrast, the Coalition budget provides the funding that CBO says is necessary for child care and work programs sufficient to help welfare recipients make the transition to work.

The Republican budget leaves states to bear the burden of increased costs during economic downturns, forcing cutbacks in services to the most vulnerable in society when they need assistance most. The Coalition budget provides states facing economic downturns with additional resources to meet the increased needs during an economic downturn.

The Republican budget would undermine the integrity of the food stamp program as a national safety net by placing a cap on food stamp benefits and allowing states to convert the program into a block grant. The Coalition budget preserves the integrity of the food stamp program.

Finally, the Coalition budget recognizes that making work pay more than work through the Earned Income Tax Credit is critical to the success of welfare reform. The Coalition budget rejects the $20 billion cuts in the Earned Income Tax Credit contained in the Republican budget. The Coalition budget contains $4.5 billion in savings in the EITC from fraud reduction and increased compliance recommended by the administration. However, it does not contain the proposals in the majority's budget denying the EITC to childless workers and scale back the credit for families with children. At a time when Congress is debating policies to provide workers with a livable wage and make work pay more than welfare, a budget that requires a $20 billion cut in a program that has proven successful in achieving both of these goals does not make sense.

Medicaid

The majority has moderated the Medicaid savings being proposed substantially, and we commend them. The budget proposes $108 billion less savings than were proposed in the budget resolution passed last year, suggesting that the majority now agrees with the proponents of the Coalition budget that the Medicaid savings proposed last year were unreasonable.

Although the majority has moved dramatically toward the Medicaid savings proposed by the Coalition, the policy differences between the Republican budget and the Coalition budget are perhaps the greatest in the area of Medicaid. The Republican budget proposes to undermine the 30 year commitment to the poor, disabled, and seniors through its proposed Medicaid reforms. Their plan eliminates the enforceable guarentee of coverage of all populations and eliminates guaranteed coverage for poor children between 13 and 18. It also eliminates a national definition of "disabled". It gives states unlimited freedom to set the "amount, duration, and scope" of benefits and to vary services in different parts of the state, as in rural vs. urban areas. The Coalition Budget maintains the current enforceable guarantees of coverage. Just as importantly, the Coalition budget preserves the guarantee of an adequate benefits package for Medicaid beneficiaries.

The Republican plan significantly rolls back the state matching requirement for Medicaid. In fact, the Republican members of the Committee explicitly rejected an amendment expressing the sense of Congress that states should maintain current levels of funding for Medicaid. Thus, in addition to federal cuts of $72 billion, the Republican plan permits states to reduce their Medicaid funding by an additional $178 billion. In contrast, the Coalition Budget maintains current matching requirements. The Coalition budget also retains current prohibitions against provider taxes and other financing schemes that would be allowed under the majority budget.

Finally, the Coalition budget assumes a financing mechanism in which the federal

government fully shares in the changes in program costs resulting from population increases. The Republican budget limits the amount of federal funds that are available for states facing increased population, leaving states to bear the costs of increased caseload resulting from population growth and economic downturns. At the same time, states that experienced lower than projected caseloads would not return any of the savings from the caseload reduction to the federal government. The Coalition budget preserves the current federal-state partnership in which the federal government fully shares with states the burdens of increased caseload and the benefits from reduced caseload.

Medicare

The moderation of the savings from $270 billion in Medicare proposed by the Majority last year is almost as dramatic as the changes in the proposed Medicaid savings. While the $168 billion in savings over six years contained in the Majority's resolution is equal to the savings that the Coalition budget achieved over seven years under the old baseline, when the estimates from the Coalition budget are adjusted to reflect the new baseline and the loss of a year, the savings are reduced to $146.7 billion. In other words, when the two budgets are related on comparable terms, the Republican budget requires over $21 billion more in Medicare savings than was included in the Coalition budget.

The similarity in the aggregate Medicare savings masks differences in policies assumed in achieving the savings. The Coalition budget assumes savings to strengthen the Medicare Trust Fund not contained in the majority budget by applying the Hospital Insurance tax to state and local workers just as it is currently applied to all other workers The Coalition budget also achieves much greater savings from means-testing the Medicare Part B premium for upper income beneficiaries by using existing methods to collect the premiums instead of establishing a new bureaucracy within the Department of Health and

Human Services as the majority would do. As a result of these differences, the Republican budget requires $40 billion more savings from providers than was contained in the Coalition budget. In fact, members of the majority acknowledged that this resolution assumes essentially the same provider cuts that were contained in the reconciliation bill that was vetoed last fall.

In addition to the greater reduction in provider payments in the Republican budget, other major policy differences remain between it and the Coalition budget. The Republican Budget provided no funds for additional preventive care. The Coalition Budget provides $2.1 billion in funding for mammographies, pap smears, and diabetes and prostate cancer screening.

Both the Coalition budget and the majority's budget provide Medicare beneficiaries with increased choice of private options. However, the Coalition budget is much more aggressive in ensuring that seniors in rural areas and other underserved areas can share in the increased choice by correcting regional disparities in payments to private plans under Medicare. In addition, the Coalition budget protects seniors from managed care plans charging Medicare beneficiaries additional amounts beyond the Part B premium. The majority budget allows managed care companies to bill seniors for costs above their per-person payment. None of these additional payments would go where they belong -- back into the Medicare trust fund.

The majority's resolution assumes aggressive implementation of Medical Savings Account's despite the fact that many experts have criticized MSAs as primarily benefitting healthier, wealthier seniors at the expense of older, sicker, poorer seniors. CBO has estimated that the MSAs in the majority budget would have a cost to the Medicare trust fund of $4.6 billion. Given the contradictory claims, the Coalition Budget prudently authorizes MSA's on a limited demonstration basis only.

Budget Enforcement

Finally, the Coalition budget contains a sense of the Congress provision endorsing the strong deficit enforcement provisions that were included in the Coalition reconciliation substitute last year. These provisions locked in the deficit reduction from the Coalition budget through hard deficit targets enforced by sequestration. If the deficit fell off the glide path toward balance and exceeded the deficit target for any year, Congress and the President would be required to take action to put the deficit back on the glide path toward balance. If Congress and the President failed to take corrective action, there would be a sequestration of all programs to eliminate the excess. The reconciliation bill passed by the majority last year did not contain an enforcement mechanism of this type, and the resolution is silent on this point. We hope that the majority will underscore its commitment to achieving a balanced budget in fact by agreeing to budget enforcement provisions included in the Coalition budget.

Conclusion

We will offer the Coalition budget as an alternative again this year. The Coalition budget continues to offer the best roadmap for a balanced budget agreement. The fact that both sides are moving toward the Coalition budget gives us optimism that an agreement can be reached. We should not let this historic opportunity to reach an agreement to balance the budget pass us by.

Summary of Budget Resolution Substitute

May 14, 1996

Deficit Reduction

Achieves $729.8 billion in deficit reduction over six years -- $138 billion more than the Republican budget resolution. Reaches a budget surplus of $4.2 billion in 2002. Provides for a steady deficit reduction glidepath.

Medicare

Calls for $146.4 billion in Medicare savings over the next six years. Assumes the Medicare policies in the Coalition reconciliation bill, updated to reflect an effective date of October 1, 1996 and scored under the April CBO baseline.

Medicaid

Calls for $70 billion over seven years through limits on federal spending and increased targeting of disproportionate share payments while maintaining the national guarantee of coverage. Assumes growth rates from Coalition budget, with the savings target updated to reflect the changes in the April CBO baseline.

Welfare Reform

Provides for $42 billion in savings in welfare programs, which is consistent with the welfare reform provisions in the Coalition reconciliation substitute modified to incorporate the food stamp and child nutrition savings in the administration budget.

Provides for an additional $4.6 billion in savings by assuming adoption of the administration's proposals regarding EITC compliance.

Discretionary spending

Sets total discretionary spending at the levels of the spending caps in the Coalition reconciliation bill, a $254.6 billion reduction from the April CBO capped baseline.

Allows for increases of $45 billion for education and training; $8.7 billion for discretionary health programs; $12.5 for community and economic development; and $14 billion for energy and scientific research.

Consumer Price Index

Assumes $50.8 billion in savings from a legislated change in the CPI to achieve a 0.5% correction in the CPI calculations.

Spectrum Auction

Assumes $19.2 billion in savings from spectrum auctions. Does not assume auction of analog spectrum.

Agriculture

Spending levels reflect enactment of Farm Bill. Does not call for any additional legislation (but does not prohibit deficit neutral changes in agriculture policy).

Veterans

Provides for $3.2 billion in savings over seven years ($1 billion less than the reconciliation conference report). Does not assume extension of copayments for prescription drugs.

Housing

Provides for $3 billion in savings in housing programs by assuming provisions from Coalition reconciliation bill.

User fees

Provides for $2 billion in savings by assuming enactment of all user fees in the Coalition reconciliation bill except the extension of railroad user fees.

Expiring excise taxes

Assumes extension of excise taxes which expired at the end of last year (superfund excise tax, LUST and airline ticket tax)

Miscellaneous

Provides for $3.3 billion in savings by assuming enactment of provisions in the Coalition reconciliation bill selling U.S. Enrichment Corporation, privatizing helium reserves, denying unemployment for voluntary military separation, and other miscellaneous items. Does not include provisions in the Coalition reconciliation bill requiring prefunding of postal health benefits or extending railroad safety fees.

Louise Slaughter

ADDITIONAL DISSENTING VIEWS OF

HON. LOUISE M. SLAUGHTER

Since 1990, overall domestic discretionary spending has been reduced far greater than any other area in the budget. The difficult choices made in 1990 and 1993 have successfully controlled the growth in discretionary spending. Domestic discretionary spending which allows the government to meet basic responsibilities like education, environmental protection, criminal justice, biomedical research, nutritional assistance, boarder patrol and transportation is seriously jeopardized by the levels proposed in the Republican Budget Resolution. Further draconian reductions in domestic discretionary spending is simply not the answer. OBRA 1990 and OBRA 1993 restored integrity in the budget process and the caps guaranteed real discipline. We should not be using domestic discretionary cuts to provide unnecessary tax cuts. We should stay the course and meet the caps. The results of OBRA 1990 and OBRA 1993 have meant a declining deficit for four straight years.

It is claimed that domestic discretionary will be frozen at FY96 levels, however, it appears that the proposed levels of budget authority falls short by $2 billion and outlays are close to $5 billion below a freeze. Non-defense budget authority is $228 billion in 1997, about $3 billion below the 1996 level as annualized after the FY 96 Omnibus Appropriations Bill and $20 billion below the President's request. Yet defense spending is increased by $12 billion over the President's proposed FY97 Budget. Through 2002, non-defense discretionary spending is cut $77 billion below a freeze at 1996 levels. This is deeply troubling and certainly foolish. Most domestic discretionary programs represent investment as opposed to consumption spending. Cutting investments in education, medical research, civilian R&D, transportation, environmental protection, public health and safety as well as criminal justice will do little to maintain our global, competitive advantage and maintain our standard of living.

What kind of impact does a $3 billion cut have on education, WIC, and Head start? Looking at the levels provided for domestic discretionary spending in this budget it is simply unacceptable to argue that there will only be a marginal impact. It is estimated that Function 500 will be reduced, in real dollars, by $20 billion over the next 6 years. How many more children will be denied WIC, Head start, hot lunch? How many cancer research projects will go unfunded? The Republicans argue that they are only slowing the growth in many of these programs, but the bottom line is that there will be significant reductions in key domestic investment programs. There is simply no way they can claim a $108 billion in savings over three years and not classify this as a cut or in some cases an assault. Our economic security will be seriously jeopardized if we are forced to walk away from making real investments in social infrastructure programs.

I accept the argument that in some programs or Functions we may be spending more in today's dollars, but the amounts allocated each year cannot meet the necessary growth in these programs and the populations served by these programs. Do we honestly think that states will fill the gap? A recent review of State budgets shows that growth in investments for education, infrastructure, job training and child nutrition have not even kept pace with inflation. The result will be a rapid decline in our standard of living, which has been the envy of the World.

To give an example of the benefits of real investment in domestic discretionary spending, For first time ever, total deaths from breast cancer have declined slightly. This means that fewer women lost the fight to breast cancer. Was their standard of living improved? What about those of their families? This decline can be directly attributed to an increase in the federal commitment to breast cancer research and educational outreach. Can we honestly guarantee that a cut of $77 billion below a freeze will not force the Appropriations committee to make reductions in funding for the National Institutes of Health (NIH)?

States, the private sector; who will step in and take responsibility for educating our children, feeding our seniors, and children? Who will fill the void and fund critical cancer and AIDS research?

These cuts simply put, go too far. We can have a balanced budget without turning our backs on the most vulnerable in society; the sick, the poor, the young, the old and the disabled.

MINORITY VIEWS

The Republican Budget
"Deja Vu All Over Again"

Over the last year the new Republican majority has learned a great deal about the federal budget and it has made real improvements upon the proposals that were before us in the Contract for America budget of a year ago. The mean-spirited attacks on school lunch and child nutrition programs have been dropped. The ignorant and misguided attacks on student aid and Head Start have been dropped. The draconian cuts proposed for Medicare and Medicaid have been scaled back considerably and the outrageous rip-offs that comprised most of the Contract for America's tax package have been somewhat reduced. Nevertheless, the policy proposals contained in this year's budget remain dangerously radical and out of touch with the American populace and should be rejected by the House.

While the Medicare cuts have been scaled back from $288 billion over seven years to $167 billion over six years, they are still too deep. The Medicaid cuts have been scaled back from $186 billion over seven years to $72 billion over six years. Unfortunately,the plan allows states to reduce their contribution to this program so deeply that more than $250 billion may come out of these services. Clearly, that loss of resources will devastate health care for many very vulnerable people. And while the tax package has been scaled back, when you are in the process of trying to eliminate a large deficit it makes no sense to begin by "digging the hole deeper".

There is no doubt that the federal government can be improved. The American people want and deserve quality services at a reasonable price. And they want the government to "live within its means". It is clear that spending in certain areas can be reduced and programs can be reformed, particularly in the area of health care. But this budget goes too far.

President Clinton and the Democratically-controlled 103rd Congress made a strong start on balancing the federal budget in 1993 and federal deficits are now down for the fourth year in a row. This year the Republican-controlled Congress and President Clinton added to that package by making additional cuts in discretionary spending. In fact, when this fiscal year is over the federal deficit will have been cut in half since the beginning of the Clinton presidency. We should continue on the path to balance with a bi-partisan budget that rejects the radical policies contained in this budget and moves forward with a plan that truly reflects the values of mainstream America.

SUMMARY

Clearly, federal health care programs need reform. Both Medicare and Medicaid are growing at rates of 10 percent a year as far as the eye can see. That is not sustainable and must be addressed. But this budget, while it has become more realistic on the level of federal spending needed for these programs, remains mired in policies that are too radical and too risky.

Medicare

The Republican proposal for Medicare cuts funding $167 billion over the next six years. It continues to rely on the untested and potentially dangerous Medical Savings Accounts (MSA's) as its centerpiece. The proposal would set up a system whereby the healthiest and wealthiest seniors could leave the Medicare system and many of the doctors who treat them could refuse to continue treating other seniors who depend on Medicare. This proposal could truly end universal health coverage for the elderly, effectively reversing 30 years of progress.

The MSA proposal has received few public hearings and very little analysis and is fraught with risk. As one respected columnist, Robert J. Samuelson, recently said in the Washington Post, "we should not unleash a health care upheaval simply as an afterthought." Clearly, this proposal could cause serious harm to America's senior citizen population and goes far beyond any change the electorate wants.

Medicaid

The Republican plan for Medicaid is even more extreme and has the potential to cause as much or more harm than the Medicare package. Medicaid is the basic program whereby the federal government helps states provide health care for the poorest and most vulnerable people in our nation. This budget proposes to cut federal Medicaid funding by $72 billion which is rather severe in itself. But to make matters even worse, the Republican proposal allows states to drain large amounts of money out of the system by significantly reducing the states "maintenance of effort" requirements. At the same time, they allow a return to the state financing gimmicks of the past that were banned in 1992 at the urging of the Bush Administration.

It would send a loosely defined block grant back to the states without the current guarantees of care for low-income children, pregnant women, disabled people, or senior citizens. By relying heavily on the Republican governors for the design of their new Medicaid package, the Republican congress has proposed a program that allows states to reduce their financial

commitment to the program without any guarantee that poor people and seniors will receive the health care taxpayers are paying for. Clearly, the Medicaid program could benefit from large-scale regulatory reform, but this is just plain ridiculous.

Welfare Reform

There is almost universal agreement that the present welfare system needs reform. Most people agree that any serious effort at welfare reform must be designed to help move people who are able to work off the welfare rolls and onto the work rolls.

This budget incorporates much of the Republican welfare package passed in the House last year. The majority has shown some progress and the mean-spirited cuts in school lunch and child nutrition programs have been deleted. But again the cuts of $53 billion when combined with the EITC cuts of $20 billion over the next six years remain too steep, and the structural changes proposed contain serious flaws.

The package eliminates all individual guarantees for assistance to needy families and replaces them with a series of block grants to states. The states are then allowed to make deep cuts in their share of funding for welfare benefits, thereby producing a double hit on the most vulnerable among us. While the budget purports to help people move from "welfare to work", it simply does not contain the resources needed to sustain a serious effort to encourage work. And its grants of widescale flexibility for states when combined with its reductions in state maintenance of effort will most certainly exacerbate pressures among states to "race to the bottom".

Discretionary Spending

In addition to its problems in the areas of Medicare, Medicaid, and welfare reform, this budget contains cuts in discretionary spending which are seriously backloaded and deeply destructive of the federal government's ability to meet its responsibilities. Areas such as energy research and development, transportation, agriculture, rural health care, and housing are seriously short-changed in this budget. By the year 2002, the purchasing power of overall nondefense discretionary appropriations will be reduced by 26 percent below this year's level if this budget is enacted.

Taxes

The Republican budget starts with the premise that we can balance the budget and cut taxes at the same time. Yet, all our historical experience runs counter to that premise. And, in fact, we are still suffering from the last time that tactic was tried in 1981.

While the tax package in this budget is smaller than last year's and somewhat less backloaded, it continues to add to the national debt by borrowing money for tax breaks which disproportionately benefit the affluent. And its proposal to cut $20 billion from the Earned Income Credit for low-income working people while providing enriched capital gains benefits for people at the top seems particularly mean-spirited. When we are making a big push to get people off welfare and into the workforce, isn't it counterproductive to punish people who have stayed off welfare and kept working?

Clearly, the tax package in this budget does not reflect either the fundamental sense of fairness of the American people or their basic common sense. At a time when we are trying to balance the budget, we should not be "digging the hole deeper" with new tax breaks we cannot afford.

Conclusion

We should make every effort to get the federal budget into balance in a reasonable time. But the manner by which balance is achieved is just as important as the act of balancing itself. A budget should be fair to all Americans, it should spread the burden of sacrifices required to reach balance evenly throughout the populace, it should not destroy the government's ability to provide basic government services, and it should be sustainable under stable economic conditions. This budget fails to meet those standards.

There are two attachments to these views. The first is an editorial from the *Minneapolis Star Tribune* which makes several salient points about the Majority's budget resolution. The second is a detailed analysis of this budget prepared by the Democratic staff of the House Budget Committee.

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ATTACHMENT 1

Minneapolis Star Tribune
May 11, 1996

Our perspective

The GOP budget

Sugarcoating can't hide bitter contents

When Bob Dole and Newt Gingrich briefed reporters on the GOP 1997 budget proposal last Wednesday, all was sweetness and light. The Senate majority leader and the House speaker cast their budget as a package of modest tax cuts and reasoned savings designed to find common ground with President Clinton and get Washington back on track to wiping out the federal deficit by 2002.

But when the package was unwrapped at congressional hearings Thursday, some nasty surprises popped out. The House blueprint, for example, would eliminate the National Endowment for the Arts, the Federal Trade Commission, the Legal Services Corporation, the National Institute of Occupational Safety and Health, the National Endowment for the Humanities, the Energy Department, the Commerce Department, the AmeriCorps volunteer service program and the Office of the Surgeon General.

The blueprints would also, for the first time, have Congress send the president a federal budget in three pieces — pieces that look more like veto-bait than honest legislation. The first part, to be completed next month, apparently calls for changes in welfare and Medicaid that Clinton vetoed last year and has vowed to veto again.

An early Clinton veto would make parts two and three of the budget moot — perhaps by design, since they embody the most difficult legislative work. Part two would overhaul Medicare, the federal health-care program for the elderly. Republicans claim to have reduced their savings dramatically in a step toward Clinton's position. But the new savings are squeezed into six years rather than seven and actually embody larger percentage changes than last year's GOP budget, according to the Center on Budget and Policy Priorities, a Washington think tank.

Part three of the budget, to be finished by September, would carry the GOP tax cuts. Here again, the numbers have shrunk — from $253 billion last year to $122 billion — in an apparent effort at compromise. That's enough to pay for the GOP's $500-per-child family tax credit. But it doesn't leave enough money to pay for a cut in the capital gains tax, an expansion of Individual Retirement Accounts, repeal of the 1993 gas-tax increase, and other tax relief the GOP still promises.

This year's budget process does not have to derail from the beginning. The GOP budget savings and tax cuts have shrunk considerably from last year, and they invite a counter-offer from Clinton. But Dole and Gingrich need to demonstrate first that their budget is not merely a vehicle for hidden tax cuts and veto showdowns. So far, it's more packaging than content.

ATTACHMENT 2

HOUSE BUDGET COMMITTEE
DEMOCRATIC CAUCUS

Congressman Martin Olav Sabo, Ranking Minority Member
222 O'Neill House Office Building, Washington, DC 20515 • 202-226-7200

May 14, 1996

THE 1997 REPUBLICAN BUDGET

"DEJA VU ALL OVER AGAIN"

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I. ENTITLEMENT PROGRAMS

In most respects, the 1997 budget resolution is a continuation of the policies that the Republican majority developed last year and that were vetoed by the President. There are some areas where the Republicans have backed off their earlier policies: The current budget no longer includes deep cuts in the school lunch program, elimination of the in-school interest subsidy for the student loan program, or plans to raise Medicare Part B premiums to 31.5 percent. But, in other areas, the majority's philosophies remain clear: For instance, the new budget continues to assume that numerous entitlement programs will become block grants, including Medicaid and AFDC, and it calls for optional block grants for food stamps and school lunches.

The Republicans have claimed credit for moderating the size of their proposed reductions in entitlement programs. Although the amount of the multi-year savings has shrunk in most cases, this does not always reflect a commensurate moderation of the policies producing these savings.

In discussions that occurred during the mark-up of the 1997 budget resolution, Republican members of the Budget Committee made it clear that many of the policies in the new budget are identical to those included in last year's vetoed reconciliation bill (H.R. 2491). For example, the Medicare policies were described as "essentially the same" as in the vetoed bill, with the exception of the Part B premium, which the Republicans are now proposing to maintain at 25 percent rather than increase to 31.5 percent. Similarly, the welfare savings in the budget resolution reflect the same policies as H.R. 4, which was vetoed by the President.

Why do the Savings Drop if the Policies are the Same?

In some cases, the Republican savings estimates have shrunk while the policies remain much the same because the implementation of the policy has been delayed by one year, and the multi-year savings now cover only six years rather than seven years. A one-year delay can mean that the policy is the same, but its effects simply come one year later. Or the policies are phased in more rapidly so that the same savings are achieved by 2002. In either case, the six-year savings will be less than the original seven-year savings.

In addition, the Congressional Budget Office (CBO) has changed its estimates of the cost of maintaining several programs under current law. For instance, CBO now estimates that Medicare, Medicaid, and some of the welfare-related programs will no longer grow as rapidly as it had projected a year ago. As a result, some of the policies intended to reduce the growth in these programs are no longer "scored" as producing as much savings.

For instance, the vetoed welfare bill (H.R. 4) was originally estimated to save $68 billion between 1996 and 2002 (excluding indirect effects on Medicaid). But now H.R. 4 is estimated to save $53 billion between 1997 and 2002. The policies are the same, only the enactment date has been delayed and CBO has changed its projections of the cost of the underlying programs.

House Republican 1997 Budget Resolution
Entitlement Changes
(Savings from baseline in billions of dollars)

	1997	1998	1999	2000	2001	2002	6 yrs
Medicare*	-6.8	-11.3	-21.0	-29.1	-39.3	-50.6	-158.1
Medicaid	-2.0	-4.6	-8.4	-12.6	-18.0	-26.4	-72.0
Welfare reform	-1.5	-6.9	-9.2	-10.7	-11.5	-13.2	-53.0
EITC	-3.1	-3.2	-3.2	-3.4	-3.5	-3.7	-20.0
Banking and housing programs	-3.3	-0.0	-0.3	-0.4	-0.3	-1.0	-5.3
Civilian and military retirement	-1.2	-1.5	-1.7	-1.7	-1.7	-1.7	-9.4
Veterans benefits and services	-0.1	-0.1	-1.1	-1.3	-1.3	-1.4	-5.3
Student loans	-0.8	-0.3	-0.6	-0.8	-0.8	-0.9	-4.2
Spectrum auctions	na	-1.4	-2.6	-4.4	-5.2	-5.6	-19.2
Asset sales	-1.6	-0.4	-0.2	-0.1	0.2	-0.5	-2.7
Other	-1.0	-1.3	-1.5	-1.3	-1.1	-1.0	-7.2
TOTAL CHANGES	-21.4	-31.1	-49.9	-65.6	-82.6	-105.9	-356.4

*Includes spending increases totaling $10 billion over six years for Graduate Medical Education. Excluding this spending increase, Medicare program cuts total $168 billion.

Medicare

The 1997 Republican budget resolution includes Medicare cuts of $168 billion over six years, spending of $10 billion on graduate medical education, and massive restructuring of the Medicare program. The overall cuts are significantly lower than those in the vetoed reconciliation bill ($226 billion). These lower numbers do not necessarily reflect a great change in the principles of the underlying proposal. One reason the cuts are lower is that the new plan covers a six-year time frame versus the seven-year one under last year's vetoed bill. Most of the policies embodied in the budget are essentially the same as those put forth by the Republicans last year, with the exception of maintaining the Part B premium at 25 percent.

- *Cuts* — Spending is cut by $168 billion over the next six years. This cut is similar to the first six years (1996-2001) of the Medicare cut in last year's vetoed bill. For instance, in this year's budget, the spending cut in the sixth year, 2002, is $50.6 billion. In last year's bill, the spending cut in the sixth year was $50.0 billion.

  - *Source of Cuts* — The cuts proposed under this year's Republican resolution are basically the same types of cuts proposed last year. The bulk of the reductions come from cuts in the reimbursement rates paid to various providers (hospitals, doctors, durable medical equipment). Other spending reductions come from beneficiaries shifting to cheaper types of medical care plans offered under the proposal.

    Further savings come from the premiums paid by beneficiaries. Like last year's vetoed bill, this year's Republican resolution calls for income-relating the Part B premium for individuals with incomes above $75,000 and couples with incomes above $125,000. However, unlike last year's bill, the resolution maintains beneficiaries' base premiums at 25 percent of program costs instead of increasing them to 31.5 percent.

- *Restructuring Medicare* — The Republican budget continues to call for tremendous restructuring of the current Medicare program. Great emphasis is placed on repealing regulatory standards, expanding the types of providers who may participate in Medicare, creating incentives for seniors to participate in managed care plans or a medical savings account option, and repealing a prohibition against charging patients for the amount by which a physician's fee exceeds Medicare's established reimbursement rates (balance billing in managed care options). These policies were also embodied in last year's vetoed Medicare plan.

Medicaid

The 1997 Republican budget resolution assumes a massive restructuring of the Medicaid program, and a cut of $72 billion in federal spending for Medicaid over six years. The program becomes a modified block grant instead of an individual entitlement program. The states are given vast flexibility in determining the duration and scope of services and the eligibility of certain groups. States may lower their contributions to the program without losing federal resources. The Republican plan is based on the principles outlined in the February 6, 1996 plan put forward by the National Governors Association. While the cuts are substantially lower than those in the vetoed conference report ($133 billion), many structural changes envisioned in the vetoed plan are embraced in the 1997 Republican budget.

- ***Cuts*** — Federal spending is cut by $72 billion over six years. Cuts are achieved by limiting growth to 7.4 percent in 1997, declining to 4.9 percent in 2002.

- ***Distribution of Funds*** — The allocation formula will be based on factors such as number of people in poverty, caseloads, cost of service and inflation. The base allocation is blended with a "rainy day fund" which is supposed to protect the states from unanticipated increases in their Medicaid expenditures.

- ***Eligibility Terminations*** — The following groups are at risk of losing Medicaid coverage under the Republican budget:

  -- ***Poor Children*** — The plan eliminates the current requirement to provide health care to children aged 13-18 living in poverty.

  -- ***Disabled Persons*** — Federal disability standards are eliminated, leaving states free to establish their own disability definitions. Disabled persons now receiving Medicaid services may not be eligible under the new rules.

  -- ***Low-Income Medicare Beneficiaries*** — The Republican plan does not guarantee that all low-income seniors who cannot afford Medicare will have their premiums covered under Medicaid.

- ***State Match Requirements Reduced*** — Under the Republican plan, states may reduce state funding without losing federal resources. This feature combined with federal cuts may translate into a loss of low-income health care assistance that is much larger than the federal cut of $72 billion over six years.

- ***Repeal of Current Law Limiting "Gaming" of System*** — The Republican budget repeals current law which prohibits states from using creative financing mechanisms to qualify for additional federal Medicaid dollars without expending state resources on health care for low-income people. The elimination of current prohibitions on these schemes gives an incentive to states to reduce their actual health care expenditures and still receive federal resources without penalty.

Welfare Reform

- ***Savings from Welfare Reform*** — The House Republican budget resolution calls for a $53 billion cut in welfare-related spending over six years ($73 billion if cuts in the Earned Income Tax Credit (EITC) are included). (See the revenue section for details of the Republican EITC proposal.) The budget assumes the policies of the H.R. 4 conference agreement, which was vetoed by the President, not the policies of the National Governors' Association.

- ***Cash Assistance & Time-Limited Benefits*** — The Republican resolution assumes the elimination of the individual entitlement to Aid to Families with Dependent Children (AFDC) and assumes that AFDC is replaced with a block grant (Temporary Assistance for Needy Families -- TANF) to the states. Under TANF, eligibility for cash benefits is limited to five years.

- ***State Maintenance of Effort & Transferability*** — The Republican resolution assumes that states only need to maintain state funding for TANF block grant activities from their own funds at a level equal to 75 percent of the amount they spent in 1994 for similar services. Moreover, the resolution assumes that up to 30 percent of federal funds received under the TANF block grant may be transferred by states to the Child Care and Development Block Grant (CCDBG), Child Protection Block Grant (CPBG), and the Social Services Block Grant (Title XX).

- ***Contingency Fund*** — The Republican resolution assumes the establishment of a $1 billion contingency fund to help states in the event of an economic downturn.

- ***Welfare to Work*** — The Republican resolution assumes the elimination of the Job Opportunities and Basic Skills (JOBS) program, and assumes that work-related programs are folded into the TANF block grant to the states. TANF recipients cannot receive cash benefits for more than 24 months (or less, at the option of the state) without participating in work-related activities. In the event that parents fail to find work and lose cash benefits, there is no protection provided for their children. States must achieve a 50 percent work participation rate by 2002.

- ***Performance Penalty*** — The Republican resolution assumes that a state's TANF block grant is reduced by up to five percentage points if the state fails to meet the work participation rate.

- ***Child Care*** — The Republican resolution assumes the elimination of the current entitlement to child care services for AFDC recipients, and assumes that the entitlement is folded into the TANF block grant. States are expected to integrate these funds into programs established by the state under the existing Child Care and Development Block Grant (CCDBG).

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- ***Child Protection*** — The Republican resolution assumes that the entitlement for foster care maintenance and adoption assistance payments is maintained as in current law. However, the resolution also assumes the creation of two new block grants. The Child Protection Block Grant (CPBG) replaces family preservation and support services, as well as the current law entitlements for foster care administrative and training expenses, adoption assistance administrative and training expenses, and independent living services. The Child and Family Services Block Grant (CFSBG) replaces the Child Abuse Prevention and Treatment Act (CAPTA) and several related smaller programs.

- ***Family Cap*** — The Republican resolution assumes that states must deny cash assistance to a child born to a family while the family is receiving cash assistance. However, this prohibition does not apply to circumstances in which the child is the product of rape or incest, or if a state's legislature passes a measure to specifically "opt out" of the prohibition.

- ***Supplemental Security Income (SSI)*** — The Republican resolution assumes a more strict definition of disability for children, assumes that individualized functional assessments (IFAs) for children are discontinued, and assumes more frequent continuing disability reviews (CDRs) for children. The resolution also assumes the creation of a two-tiered system of benefits for children. Eligible children who require personal care assistance and who, without such assistance, would require specialized care outside the home receive 100 percent of the federal SSI benefit. However, children with disabilities who do not meet this personal care assistance test receive 75 percent of the SSI benefit amount.

- ***Food Stamps*** — The Republican resolution assumes new caps on annual program spending. The resolution also assumes that states have the option of receiving food stamp funds in a block grant. Moreover, it assumes states can use most of the new rules and procedures for TANF block grant benefits to determine food stamp eligibility for cash assistance recipients, allowing states to shift costs to the federal government. The resolution further assumes that the current $247/month cap on the deduction for excessive shelter costs is maintained (this cap is scheduled to expire on January 1, 1997).

- ***Child Nutrition*** — The Republican resolution assumes that up to seven states can receive a block grant instead of receiving funds under the current School Lunch program.

- ***Legal and Illegal Aliens*** — The Republican resolution assumes that most federal, state, and local benefits (including School Lunch) are denied to illegal aliens. The resolution also assumes that SSI and food stamps are denied to legal aliens until they become citizens. Furthermore, the resolution assumes that most federal means-tested public benefits are denied to legal aliens (who arrive after enactment) for a period of five years. It also assumes the expansion of mandatory deeming to many more federal means-tested programs than under current law. The deeming holds until an alien becomes a citizen or has worked 40 calendar quarters without receiving public assistance.

Banking and Housing Programs

- ***Housing*** — The budget resolution assumes legislation similar to the President's "FHA portfolio reengineering" proposal to restructure FHA debt and buy down mortgages to reflect market prices. The proposal is limited to HUD assisted multifamily housing with project-based rental assistance. Even though the proposal costs $383 million in 1997, it is intended to prevent future FHA costs and lower section 8 renewal costs. The budget also saves $80 million in 1997 from changes in the FHA multifamily property disposition program.

  The budget resolution assumes three provisions that were in last year's vetoed reconciliation bill and included in the President's 1997 budget request. The first provision reforms the FHA single-family assignment program, giving HUD more flexibility in working with lenders and borrowers to prevent default on FHA mortgages, saving $872 million over six years. It applies only to mortgages originated after October 1, 1996 that are projected to default, because legislation dealing with earlier loans has already been enacted.

  Two other provisions reduce annual rent adjustments for Section 8 units. The first provision reduces by one percentage point the annual rent adjustments for units in which there is no tenant turnover (-$2.2 billion). The second restricts the adjustments to only that portion of the rent that covers operating costs, and not debt service. This restriction applies only to project-based Section 8 units with rents above the fair market rent (-$684 million).

- ***BIF-SAIF*** — The budget resolution assumes $800 million in savings over six years from legislation dealing with the Savings Association Insurance Fund (SAIF) and Banking Insurance Fund (BIF). The proposal is similar to one included in the President's 1997 budget request and in last year's vetoed reconciliation bill. The savings result from provisions that do the following: impose a one-time special assessment on thrifts to recapitalize SAIF bringing it up to the designated 1.25 percent reserve ratio; allow certain banks including most "Oakar banks" (which are banks that purchased thrift deposits during the savings and loans crises and pay SAIF premiums) to receive a 20 percent reduction in the special assessment; require banks to contribute pro rata to FICO thrift debt payments; require SAIF premiums to be no less than BIF premiums until January, 1, 1998; and merge the insurance funds for thrifts and banks on January 1, 1998, unless a federally insured savings association is still in existence.

- ***Reduce Flood Insurance Subsidies*** — The budget reduces the subsidy by 50 percent, raising $1.1 billion over six years. Under current law, the National Flood Insurance program offers insurance at subsidized rates for buildings constructed before January 1, 1975, or before the completion of a participating community's "Flood Insurance Rate Map" (FIRM). Coverage in the subsidized program is currently priced at about one-third

of its actuarial value. Owners of post-FIRM construction pay actuarial rates for their insurance.

Civilian and Military Retirement

In 1997, the Republican plan proposes reforms in the federal retirement system, some of which were included in the vetoed reconciliation bill and in the President's 1997 budget. The 1997 budget resolution raises employee and agency contributions to the federal retirement systems and reduces future pensions for Members of Congress and congressional staff. It also continues the current three-month COLA delay for each year from 1997 though 2002 for both civilian and military retirees.

- ***Civilian and Military COLA Delay*** — The Republican budget resolution proposes to continue the current three-month COLA delay for civil service retirees in each year from 1997 through 2002. This saves $2.1 billion over six years. The budget also proposes to conform military retirement COLAs to the same as that of civilian retirees to save $1.1 billion over six years.

- ***Members of Congress and Congressional Staff*** — The Republican budget proposes to conform future retirement benefits for Members of Congress and congressional staff to the accrual rate of other federal employees to save $9 million over six years.

- ***Employee Contributions*** — The Republican budget proposes to increase employee payroll contributions to the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) for all federal employees by 0.50 percentage point. This increases revenues $2.9 billion over six years.

- ***Agency Contributions*** — The Republican budget increases agency retirement contributions for CSRS employees by 1.5 percentage points. This saves $3.1 billion over six years.

- ***Other*** — The Republican budget proposes reforms to the Federal Employees Compensation Act and an open season to allow employees now in CSRS to transfer to FERS.

Veterans Benefits and Services

- ***Repeal Gardner Decision*** — The Republican budget resolution assumes repeal of the Gardner decision. In that decision, the Supreme Court affirmed a lower court ruling awarding compensation to VA medical patients suffering disabilities from VA medical care although no fault was found with the VA. This provision reduces spending by $744 million over six years.

- ***Repeal Davenport Decision*** — The Republican budget resolution assumes repeal of the Davenport decision. The effect of this repeal would be to re-establish the link the VA requires between a veteran's service-related disability and his or her employment handicap in order to receive rehabilitative assistance. This provision cuts benefits to veterans by $284 million over six years.

- ***Extend Expiring Provisions*** — The Republican budget resolution assumes the extension of several provisions of law set to expire at the end of 1998. These include: health care per diems and prescription drug copayments (-$172 million through 2002); loan origination fees and resale losses (-$633 million over six years); income verification for medical care and pensions (-$130 million over six years); third-party reimbursement for medical care unrelated to service (-$934 million); and the $90 per-month pension limitation for beneficiaries in medicaid nursing homes (-$692 million over seven years).

- ***Other Reductions*** — The Republican budget resolution assumes reductions relating to the following provisions: debt collection (-$90 million in 1997); rounding down of the 1997 compensation COLA (-$434 million over six years); flat-rate COLAs for old-law DIC beneficiaries (-$156 million over six years); REMIC conduits (-$30 million over six years).

- ***Spending Increases*** — The Republican budget resolution proposes to take spending reductions from some veterans programs and increase spending on other veterans programs by about $35 million a year. These increases include: provide a $500 scholarship for college seniors under the GI Bill or VEAP; convert VEAP education participants to Montgomery GI Bill participants; allow surviving spouses to retain compensation/pension prorates to day of death; extend current law limits on payment of back benefits to surviving spouses from one year to two years; make permanent the alternative teacher certification program; fund pro bono legal program at the Court of Veterans Appeals, and raise auto allowance for severely disabled veterans.

Student Loans

The Republican budget saves $4.2 billion over the next six years by eliminating the direct student loan program; reducing subsidies to banks, guarantee agencies and secondary markets; and limiting the Department of Education's administrative costs. The proposal is almost identical to the one included in last year's vetoed reconciliation bill, with one major difference. The new proposal eliminates direct lending while the one in reconciliation capped it at 10 percent. There are currently 1,400 schools participating in the direct lending program and 400 additional schools are planning to enter on July 1.

In addition, the budget resolution continues the scoring change made in the 1996 budget resolution. CBO was directed to include the present value of certain federal administrative costs in its subsidy calculation of the direct loan program. By incorporating this change into the baseline, proposals to shrink or eliminate the direct student loan program would score as savings. Under CBO's official baseline, such proposals — including the one contained in the budget resolution — would have scored as a cost.

Finally, the proposal, like last year's, assumes $3 billion in cuts from changes affecting lenders, guarantee agencies and secondary markets.

Spectrum Auctions

The House Republican budget resolution assumes $19.2 billion in savings over six years from auctioning nonbroadcast spectrum. These savings include the following: broaden and extend the Federal Communication Commission's existing auction authority ($6.0 billion) and authorize the sale of an additional 120 MHz of spectrum ($13.2 billion). These provisions were included in last year's reconciliation conference agreement, as well as in the President's 1997 budget.

Asset Sales

- ***Sell Oil from Arctic National Wildlife Refuge*** — The Republican budget resolution again proposes opening the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and leasing. Projected receipts total roughly $2.0 billion, half of which would be paid to the state of Alaska.

- ***National Defense Stockpile***— The Republican budget resolution assumes the sale of $649 million worth of materials from the national defense stockpiles.

- ***Naval Petroleum Reserves*** — The Republican budget resolution assumes that the Naval Petroleum Reserves (NPR) will be sold. Last year's defense authorization bill provided for the sale of the site at Elk Hills, California. The Republican budget resolution assumes that Elk Hills as well as the other portions will be sold in 1998. The budget resolution assumes $1.5 billion in receipts from the sale of the NPR and $600 million in 2002 from other unspecified asset sales. However, when combined with the loss of receipts currently generated by the NPR, the sale of the NPR and the unspecified other assets garners about $500 million.

- ***Sell the Alaska Power Administration*** — The Republican budget resolution assumes that the Alaska Power Administration (APA) will be sold. Legislation providing for this was enacted last year. This asset sale is estimated to raise $70 million, but will result in loss of $7 million a year in receipts which will no longer flow into the Treasury after the sale.

- ***Sell Air Rights Adjacent to Union Station*** — The Republican budget resolution assumes that the air rights adjacent to Union Station will be sold, earning $40 million in 1998.

- ***Sell Governors Island*** — The Republican budget resolution assumes that Governors Island will be sold, earning $500 million in 1999.

Other

- ***Eliminate Trade Adjustment Assistance*** — The budget resolution eliminates the Trade Adjustment Assistance (TAA) program which provides income replacement, training, and other related services to workers who lose their jobs as a result of import competition, including workers affected by NAFTA. The cut from eliminating training and related services totals $532 million over six years, while the cut from eliminating cash benefits totals $1.1 billion.

- ***Nuclear Regulatory Commission Fees*** — Currently, the costs of the Nuclear Regulatory Commission (NRC) are completely offset by fees it charges to licensees. The authority for the NRC to collect one-third of these fees expires after 1998. The budget resolution assumes the extension of the authority for the NRC to recover all of its costs through 2002. This proposal increases fees by $1.2 billion through 2002.

- ***Lease the Strategic Petroleum Reserve*** — The House Republican budget resolution assumes leasing part of the storage capacity of the Strategic Petroleum Reserve (SPRO). The budget resolution assumes receipts of $39 million over six years.

- ***Debt Collection*** — The Republican budget includes debt collection legislation that would strengthen debt collection tools and increase both tax and non-tax debt collections. The legislation will allow the IRS to contine levying to collect overdue federal taxes, allow agencies to contract with private collection services and to increase the use of electronic fund transfers in federal benefit programs. The proposal is estimated to yield about $1.6 billion in savings over six years, $235 million in outlays and $1.3 billion in revenues.

- ***Reimbursement to the U.S. Postal Service*** — The Republican budget eliminates reimbursement to the U.S. Postal Service for the ongoing costs of pre-July 1971 workers' compensation liabilities to save $100 million over six years.

- ***Extend expiring patent and trademark fees*** — The budget extends the Patent and Trademark Office (PTO) fees included in the Omnibus Reconciliation Acts of 1990 and 1993, raising $476 million from the private sector between 1999 and 2002.

- ***Replace dollar bill with dollar coin*** — The budget assumes the dollar bill is replaced with a dollar coin, saving $757 million between 1999 and 2002.

II. DISCRETIONARY PROGRAMS

The new Republican budget once again proposes drastic reductions in discretionary spending. Under the 1997 budget resolution, total discretionary outlays would fall from $536 billion in 1996 to $511 billion in 2002 even though this budget projects inflation of 3 percent a year. Although the Republicans are proposing slightly higher outlays in 1997 through 2000 than under last year's vetoed plan, the totals for 2001 and 2002 are actually $3 billion and $4 billion lower, respectively.

House Republican 1997 Budget Resolution Discretionary Funding (In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Total Discretionary							
Budget authority	495.8	495.0	492.2	488.6	496.3	488.9	499.0
Outlays	536.0	535.1	526.4	524.3	524.5	513.7	511.4
Defense Discretionary							
Budget authority	264.9	268.0	269.7	272.4	275.1	277.8	280.7
Outlays	264.5	265.7	264.5	267.8	271.5	270.7	270.8
Nondefense Discretionary							
Budget authority	230.9	227.0	222.5	216.2	221.2	211.0	218.3
Outlays	271.5	269.5	262.0	256.5	252.9	243.0	240.6

Defense outlays would increase from $265 billion in 1996 to $271 billion in 2002. This funding for defense is essentially the same as in last year's budget.

Nondefense spending, on other hand, falls precipitously over the period, dropping from $271 billion in 1996 to $241 billion in 2002. This $30 billion cut is even more dramatic when one considers that it comes on top of the amounts needed just to keep up with inflation. Over time, inflation erodes the purchasing power of a dollar. From 1996 to 2002, the Republican budget calls for a 25 percent reduction in purchasing power for nondefense programs. Moreover, these cuts are measured relative to 1996 nondefense program levels that are sharply lower than the 1995 levels provided in the 103rd Congress, prior to enactment of the 1995 rescission bill (P.L. 104-19).

For 1997, the new Republican budget resolution is $4.5 billion in budget authority and $6.9 billion in outlays below the "freeze" level estimated by the Congressional Budget Office (CBO).[1] As shown in the table on the following page, only three program areas are budgeted for increases: defense, veterans, and administration of justice. All other budget functions are below the 1997 freeze level.

By 2002, virtually all of the nondefense functions would face sharply lower funding. These reductions are compounded by the effects of inflation over time. As the table on the following page shows, some program areas would face enormous reductions in purchasing power by 2002. For instance, Agriculture would have its buying power cut by more than 50 percent, while Energy and International Affairs would be cut by more than 40 percent.

To achieve these reductions, the Republicans continue to propose the elimination of two cabinet agencies — Commerce and Energy — and the termination of 135 programs. Among the programs slated for termination or phase-out are the National Endowment for the Arts, the National Endowment for the Humanities, the Legal Services Corporation, Americorps, and at least 30 education programs. But even this long list of program eliminations and reductions is not sufficient to achieve the low spending levels envisioned in the Republican budget. Ultimately, the Budget Committee was forced to rely on unspecified "overhead reductions" totaling $13.5 billion over six years — or a quarter of the $52.5 billion in nondefense outlay cuts below a freeze identified by the Republicans.

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[1] The CBO freeze for 1997 holds budget authority at the 1996 enacted level, plus any advanced appropriations provided in 1996 for 1997. The CBO estimates include the effect of H.R. 3019, the 1996 full-year continuing appropriation enacted in April 1996, and corrected estimates for the subsidized housing program.

HOUSE REPUBLICAN 1997 BUDGET RESOLUTION
PROPOSED FUNDING FOR DISCRETIONARY PROGRAMS
(In billions of dollars)

	1997 Freeze*	1997 Proposed	2002 Proposed	Percent Change in Buying Power from 1996 to 2002
TOTAL DISCRETIONARY				
Budget Authority	499.5	495.0	499.0	-18.8%
Outlays	542.1	535.1	511.4	-19.0%
DEFENSE DISCRETIONARY				
Budget Authority	264.9	268.0	280.7	-11.8%
Outlays	266.0	265.7	270.8	-12.8%
NONDEFENSE DISCRETIONARY				
Budget Authority	234.5	227.0	218.3	-26.4%
Outlays	276.0	269.5	240.6	-25.1%
Nondefense functional categories (budget authority unless otherwise noted):				
150 International Affairs	18.5	17.7	13.3	-40.1%
250 General Science, Space	16.7	16.5	15.6	-22.0%
270 Energy	5.1	3.8	3.2	-47.5%
300 Natural Resources and Environment	20.6	19.8	18.5	-26.1%
350 Agriculture	3.9	3.0	2.1	-56.0%
370 Commerce and Housing Credit	3.1	2.4	2.3	-35.8%
400 Transportation**	36.8	36.4	32.5	-22.6%
450 Community and Regional Development	10.5	6.4	5.9	-52.3%
500 Education and Training	37.5	35.4	34.7	-21.9%
550 Health	23.2	22.2	21.5	-22.5%
570 Medicare	3.0	3.0	3.0	-22.3%
600 Income Security**	40.4	39.9	37.5	-19.7%
650 Social Security**	3.2	2.7	2.7	-29.9%
700 Veterans	18.4	19.1	18.7	-17.5%
750 Administration of Justice	20.7	21.9	20.4	-19.1%
800 General Government	11.6	10.5	10.5	-25.6%
920 Allowances	-0.2	2.7	-2.2	na

* CBO estimate of a "freeze" at 1996 enacted levels plus any advanced appropriations for 1997 provided in 1996. It includes the impact of H.R. 3019, the 1996 full-year continuing resolution, and corrected housing estimates.

** Outlays are shown, because budget authority is not a good indicator of budgetary resources in this function.

HBC Democratic Staff 14-May-96

National Defense

In 1997, the House Republican budget resolution calls for an increase of $3.0 billion in budget authority and a decrease of $350 million in outlays compared to the freeze level for discretionary defense programs. By 2002, the budget proposes an 11.8 percent reduction in real purchasing power for these programs.

The House Republican budget resolution assumes discretionary spending levels for defense programs consistent with those set forth in last year's budget resolution. Compared to the President's budget for 1997, the House Republican budget resolution includes an additional $12.8 billion in budget authority and an additional $4.1 billion in outlays above the level requested by the President.

International Affairs

In 1997, the House Republican budget resolution calls for a decrease of $824 million compared to the freeze level for discretionary international affairs programs. By 2002, the budget proposes a 40.1 percent reduction in real purchasing power for these programs.

- ***Eliminate the United States Agency for International Development, the United States Information Agency and the Arms Control and Disarmament Agency*** — The Republican budget resolution assumes the elimination of the United States Agency for International Development (USAID), the United States Information Agency (USIA), and the Arms Control and Disarmament Agency (ACDA). The budget resolution assumes that the responsibilities carried out by these agencies will be carried out by the Department of State, whose budget is also cut.

- ***Reduce Funding to the Department of State*** — In addition to assuming that the Department of State takes over the responsibilities of three other foreign affairs agencies (see above), the Republican budget resolution assumes reductions to the Department of State for 1997 of 5 percent below the 1996 level growing to a 45 percent cut in 2002.

- ***Reduce Funding for Development Assistance*** — The Republican budget resolution assumes reductions below a freeze for development assistance programs of $422 million in 1997 growing to $1.9 billion in 2002. This represents a 6 percent cut in 1997 and a 27 percent cut in 2002 below the 1996 enacted level.

- ***Eliminate Support for the International Development Association and Reduce Support for Other Multilateral Banks*** — The Republican budget resolution assumes no support for the International Development Association (IDA) after 1997. In addition, the Republican budget resolution assumes reductions in funding to multilateral banks consistent with elimination of "soft-loan" activities administered by these institutions. The Republican budget resolution assumes a total reduction of $800 million below the 1996 funding level in each year beginning in 1998.

General Science, Space, and Technology

In 1997, the House Republican budget resolution calls for a decrease of $251 million compared to the freeze level for discretionary science, space, and technology programs. By 2002, the budget proposes a 22 percent reduction in real purchasing power for these programs.

- ***National Science Foundation (NSF)*** — In 1997, the House Republican budget resolution increases NSF funding by $66 million compared to the freeze level. Funding is increased for NSF civilian research grants, while some cuts are made by ending recent starts for major research equipment and changing other programs.

- ***NASA*** — In 1997, the House Republican budget resolution decreases NASA funding by $349 million compared to the freeze level. Reductions are to come from operating the space shuttle privately and obtaining scientific data from the private sector for the Mission to Planet Earth Program. For 1997 through 2002, cuts total $4.8 billion.

Energy

In 1997, the House Republican budget resolution calls for a decrease of $1.35 billion compared to the freeze level for discretionary non-defense energy programs. By 2002, the budget proposes a 47.5 percent reduction in real purchasing power for these programs.

- ***Eliminate the Department of Energy*** — The Republican proposal assumes the elimination of the Department of Energy (DOE). Most of the functions of the Department of Energy are not eliminated but instead would be transferred to other parts of the federal government.

- ***Eliminate Fossil Energy Research and Development*** — The Republican budget resolution calls for a 47 percent cut below the 1996 level for 1997 and ultimately the elimination of the fossil energy research and development program by 2000.

- ***Eliminate the Clean Coal Technology Program*** — The Republican budget resolution assumes no further funding for the clean coal technology program. The Republicans assume a $500 million cut in 1997, and a $1.2 billion reduction over six years through 2002.

- ***Eliminate Energy Conservation Research*** — The Republican budget resolution assumes a 45 percent cut for energy conservation research in 1997, and elimination of the program by 2000.

- ***Reduce Energy Supply Research and Development*** — The Republican budget resolution assumes a cut of 7 percent below the 1996 level for energy supply research and development programs, dipping to a 27 percent reduction in 2002. Affected programs include solar, geothermal, hydrogen and other renewable resources technology, nuclear energy research, environmental management, civilian waste research and development.

Natural Resources and Environment

In 1997, the House Republican budget resolution calls for a decrease of $817 million for discretionary natural resources programs. By 2002, the budget proposes a 26.1 percent reduction in real purchasing power for these programs.

- ***Reduce Funding for Land Acquisition*** — The budget proposes a $77 million cut in 1997 funding for land acquisition for conservation and recreation purposes, suggesting that the cut be made by encouraging land swaps instead of purchases. The 1996 appropriation for land acquisition by the Park Service, Forest Service, Fish & Wildlife Service and Bureau of Land Management was approximately $139 million, so the proposed cut is more than 50 percent.

- ***Reduce Funding for Facilities Construction*** — The plan calls for reducing the facilities construction budget for national parks, forests, wildlife refuges and the like by $121 million, with the remaining funds focused on projects needed to protect life or safety or critical historical resources. This proposal would cut funding more than 50 percent below 1996.

- ***Cut Agricultural Conservation Operations*** — The Republican plan calls for reducing spending by $139 million by "prioritizing" conservation operations within the Department of Agriculture. This represents a cut of about 22 percent below 1996 in the Conservation Operations program, which provides technical assistance to land owners and local governments in planning and installing soil and water conservation measures.

- ***Environmental Protection Agency*** — The Republican budget resolution assumes a $698 million increase in funding for the Environmental Protection Agency above the 1996 enacted level. This increase is to accomodate proposed Republican changes to Superfund liability requirements. The budget resolution also assumes an increase of $39 million a year for safe drinking water revolving funds and a $38 million cut to be guided by focusing EPA science on "risk-based regulation".

- ***Cut the National Oceanic and Atmospheric Administration*** - The Republican budget resolution assumes cutting the National Oceanic and Atmospheric Administration (NOAA) below the 1996 level by $75 million in 1997, growing to $251 million cut in 2002. (see Function 370 for additional discussion of NOAA)

Agriculture

In 1997, the House Republican budget resolution calls for a decrease of $971 million (a cut of roughly 25 percent) compared to the freeze level for discretionary agriculture programs. By 2002, the budget proposes a 56 percent reduction in real purchasing power for these programs.

Under the Republican plan, total discretionary funding for agriculture programs would fall from $3.9 billion in 1996 to $3.0 billion in 1997. The plan envisions further cuts in each subsequent year, with total funding declining to $2.1 billion in 2002.

- ***Reduce Overhead and "Unnecessary Bureaucracy"*** — According to the majority's description, $695 million of the 1997 cuts -- more than two-thirds of the total -- are supposed to come from "reducing unnecessary bureaucracy" and reducing "overhead". The proposed $695 million cut is extremely large relative to total spending. Funding in 1996 for the Farm Service Agency (which administers farm programs at the local level) totalled $795 million, and funding for various central administration and management accounts represented roughly another $300 million.

- ***Reduce Funding for Research and Extension Services*** — Another $215 million of the 1997 cut is proposed to come from agricultural research and extension services. This represents a reduction of about 13 percent below the 1996 total funding level for the Agricultural Research Service and the Cooperative State Research, Education, and Extension Service.

Commerce and Housing Credit

In 1997, the House Republican budget resolution calls for a decrease of $658 million compared to the freeze level for discretionary commerce and housing programs. By 2002, the budget proposes a 35.8 percent reduction in real purchasing power for these programs.

- ***Eliminate the Department of Commerce*** — The Republican budget eliminates or phases out the following programs: industrial technology services, including the Advanced Technology Program (ATP) and the Manufacturing Extension Partnership (MEP) program; the U.S. Travel and Tourism Administration; the National Telecommunications and Information Administration; the Minority Business Development Administration; the salaries and expenses of the Technology Administration; NOAA's fleet modernization; the Inspector General; and general administration. (For additional cuts, see Functions 300, 450 and 500).

- ***Increase research funding for the National Institute of Standards and Technology (NIST)*** — The budget increases funding for the construction of NIST research facilities by $105 million in 1997. It also provides an additional $30 million for NIST scientific and technical research and services in 1997 and a 3 percent annual increase thereafter.

- ***Provide funding for the Decennial Census*** — The budget adds $99 million in 1997 and $3.1 billion over six years to conduct the 2000 decennial census.

- ***Cut funding for rural housing programs*** — The budget cuts $166 million, or 26 percent, from rural housing programs in 1997, increasing to $186 million, or 29 percent, in subsequent years.

- ***Make FHA's multi-family project mortgage insurance self-financing***

- ***Cut Small Business Administration (SBA) programs*** — The budget eliminates federal funding for Small Business Development Centers. The budget cuts SBA overhead 8 percent below the 1996 level in 1997 and freezes spending at this reduced level for the next five years.

- ***Eliminate the Federal Trade Commission***

Transportation

In 1997, the House Republican budget resolution calls for a decrease of $352 million in outlays compared to the freeze level for transportation programs. By 2002, the budget proposes a 22.6 percent reduction in real purchasing power for these programs. (Note: Outlays are used for these comparisons because spending from the transportation trust funds is controlled by obligation limitations rather than discretionary budget authority.)

- ***"Redefine the Federal Role in Transit"*** — The Republican budget proposes several changes in transit that cut outlays below the freeze level by $0.1 billion in 1997 and a total of $6.5 billion for 1997 through 2002. The steps required to achieve these savings include the following: reduce matching rate for transit capital grants from 80 percent to 50 percent, phase out transit operating assistance, eliminate mass transit new starts, end funding for Washington Metro in 1999, and eliminate transit planning and research.

- ***Eliminate Highway Demonstration Projects*** — The Republican budget proposes to rescind funding for surface transportation demonstration projects. The proposal saves $16 million in outlays in 1997 and a total of $265 million for 1997 through 2002. In addition, the budget resolution assumes mandatory savings of $75 million in 1997 and $888 million for 1997 through 2002 by eliminating highway demonstration projects authorized under ISTEA.

- ***Phase Out Amtrak Operating and Capital Assistance*** — The Republican budget phases out operating and capital assistance for Amtrak between 1999 and 2002. This saves $0.1 billion in 1999 and a total of $1.2 billion for 1999 through 2002.

- ***Terminate Other Rail Programs*** — The budget eliminates high-speed rail development and ends funding for Northeast Corridor Improvement Program in 1999.

- ***Terminate funding for Intelligent Vehicle Development***

- ***Eliminate Federal Maritime Commission and the Maritime Administration***

- ***Provide funding for Advanced Train Control Safety Research***

- ***Eliminate Air Transportation programs*** — The budget eliminates the Civil Aeromedical Institute and the FAA Management Training Institute.

- ***Cut NASA Aeronautics*** — The budget cuts funding for subsonic research and development, saving $17 million in 1997 and a total of $0.7 billion for 1997 through 2002.

- ***Rescind Funds for NASA Wind Tunnel***

Community and Regional Development

In 1997, the House Republican budget resolution calls for a decrease of $4.1 billion compared to the freeze level for discretionary community and regional development programs. By 2002, the budget proposes a 52.3 percent reduction in real purchasing power for these programs. (The freeze baseline includes $2.4 billion in emergency FEMA and SBA disaster assistance. If this emergency money is excluded from the baseline, the decrease in 1997 is $1.7 billion and, by 2002, real purchasing power declines 36.9 percent)

- ***End the Community Development Block Grant (CDBG) and Community Development Financial Institutions (CDFI) programs*** — The Republican budget eliminates these programs, combining them with the HOME program (see Function 600), into one program administered by state housing and development agencies and local governments. The funding is cut by $1.3 billion, or 29 percent, below the 1996 enacted level and frozen at this reduced level for the following five years.

- ***Eliminate the Economic Development Administration (EDA)*** — The budget eliminates EDA and transfers its programs to the Small Business Administration (SBA). It also calls for a 4 percent cut in 1997, increasing to a 7 percent cut in 1998 through 2000. Beginning in 2001, the budget eliminates all funding for these programs.

- ***Cut rural development programs*** — The budget creates a new rural development block grant, cutting the funding by $127 million below the 1996 enacted level and then freezing it at a reduced level thereafter. It cuts rural water and waste disposal loans, community facility loans, and business and development grants and loans. The budget also includes rural housing programs in the block grant (see Functions 370 and 600).

- ***Cut funds for the Appalachian Regional Commission*** — The budget calls for a 9 percent cut in 1998, dipping to a 41 percent cut in 2001 and 2002.

- ***Phase out TVA's non-power programs*** — The budget cuts these programs by 82 percent in 1997 and eliminates all funding beginning in 1998.

- ***Reduce funds for Bureau of Indian Affairs (BIA)*** — The budget proposes a new Native American block grant, reducing the funding by $54 million in 1997 and then freezing it at this reduced level in subsequent years. It reduces BIA central and area office

operations by 50 percent relative to fiscal year 1995 and includes construction in the block grant. Beginning in 2000, Indian education and health programs also are incorporated into the block grant.

Education, Training, Employment and Social Services

In 1997, the House Republican budget resolution calls for a decrease of $2.1 billion in budget authority compared to the freeze level for discretionary education, training, employment and social services programs. By 2002, the budget proposes a 21.9 percent reduction in real purchasing power for these programs.

- ***Eliminate Goals 2000***
- ***Eliminate bilingual and immigrant education***
- ***Eliminate Innovative Education Program Strategies State Grants***
- ***Eliminate new funding for Perkins loans and State Student Incentive Grants***
- ***Eliminate funding for Howard University, redirect half of savings to Historically Black Colleges***
- ***Eliminate new awards from the Robert C. Byrd Scholarship program***
- ***Eliminate 24 other education programs*** — The budget documents claim elimination of 5 elementary and secondary education programs, 7 higher education grants, 8 fellowships and scholarships and 4 education improvement programs. (Note that 14 of these programs were already eliminated in 1996. This means other educational programs will have to be cut further to meet this target).
- ***Cut Aid to Higher Education Institutional Development*** — The budget cuts institutional support by $46 million in 1997 and each year thereafter.
- ***Cut funding for libraries by 20 percent and block-grant the programs***
- ***Reduce Department of Education administration by 24 percent***
- ***Cut job training and education programs*** — The budget cuts the job training and education programs consolidated in the "Careers" bill, which is now in conference, by $1.1 billion, or 25 percent, below 1996 enacted levels. This funding level also is approximately $1.3 billion, or 28 percent, below the authorization levels in the House-passed version of the "Careers" bill (H.R. 1617), which already cut these programs 20 percent below the original 1995 appropriations level. This reduced funding then is frozen for the next five years.

- ***Reduce funding for the Job Corps program*** — The budget cuts the Job Corps program by $88 million, or 8 percent, below the 1996 enacted level and freezes it at this reduced funding level in subsequent years.

- ***Cut other Department of Labor programs*** — The budget reduces both the Employment Standards Administration (ESA) and departmental management by 8 percent below the 1996 level and includes an unspecified cut of $23 million in each year.

- ***Increase funding for the Bureau of Labor Statistics*** — The budget provides a $5 million increase in 1997 and 1998 for the revision of the Consumer Price Index (CPI).

- ***Privatize the Corporation for Public Broadcasting***

- ***Terminate the National Endowments for the Arts after 1997 and the National Endowment for the Humanities after 1998***

- ***Eliminate the National and Community Service programs (Americorps)***

- ***End National Telecommunications and Information Administration programs*** — The budget eliminates three programs administered by the Department of Commerce: information infrastructure grants; public broadcasting facilities, planning and construction; and the endowment for children's educational television.

- ***Repeal Davis-Bacon Act and Service Contract Act*** (These proposals are found in Function 920: Allowances in the budget resolution).

Health

For 1997, the House Republican budget resolution calls for a decrease of $0.9 billion in budget authority compared to the freeze level for discretionary health programs. By 2002, the budget proposes a 22.5 percent decline in real purchasing power for these programs.

- ***Cut Health Resources and Services Administration (HRSA)*** — The 1997 Republican budget calls for cuts in HRSA programs of $215 million, 7.7 percent, below a freeze. In 2002, HRSA funding is cut $250 million below the freeze level. HRSA programs include the Maternal and Child Health Block Grant, Ryan White AIDS programs, community health centers, rural health research, family planning, and training programs for health professions.

- ***Cut Overhead at the Department of Health and Human Services (HHS)*** — For HHS overhead, the 1997 Republican budget resolution calls for unspecified cuts of $398 million below a freeze. In 2002, the unspecified cuts are $797 million below a freeze.

- ***Cut and Restructure the Food and Drug Administration (FDA)*** — The Republican budget freezes FDA funds in 1997, and cuts them $66 million below that level in 1998. In 1999, the cuts are $139 million below the 1997 freeze level, and funding is continued at the lower level thereafter. The plan also assumes enactment of a proposal changing, among other things, FDA's drug and medical device review procedures.

- ***Freeze National Institutes of Health (NIH)*** — For 1997, the Republican plan freezes NIH research at last year's level of $11.9 billion, and continues funding at this level through 2002. This represents a decline in real purchasing power of 15.9 percent by 2002.

- ***Freeze and Cut Indian Health Services and Facilities*** — The Republican plan freezes 1997 funds for these accounts at the 1996 level. Beginning in 2000, funds are cut below the 1996 freeze level by 5.6 percent, and continue at the lower level thereafter. The Republican budget resolution also calls for incorporating Indian Health Services and Facilities into a new Native American block grant (see also Function 450).

- ***Terminate the National Institute for Occupational Safety and Health (NIOSH)*** — In 1997, the Republican budget eliminates NIOSH. No other agency is given responsibility or resources to conduct research on workplace hazards (illness and injury).

- ***Cut and Combine the Mine Safety and Health Administration (MSHA) and the Occupational Safety and Health Administration (OSHA)*** — The Republican plan transfers MSHA to OSHA. In 1997, it cuts the combined program by 20.3 percent below a freeze, and continues funding at the lower level thereafter.

Income Security

In 1997, the House Republican budget resolution calls for a decrease of $500 million in outlays compared to the freeze level for discretionary income security programs. By 2002, the budget proposes a 19.7 percent reduction in real purchasing power for these programs. (Note: Outlays are used in this function because budget authority includes long-term housing contract renewals to maintain current housing assistance. Expiring contracts cluster more in some years than others and expire over different time periods, which can make year-to-year comparisons of budget authority misleading.)

- ***Special Supplemental Nutrition Program for Women, Infants and Children (WIC)*** — The Republican resolution calls for $3.7 billion for WIC, equal to the freeze level for the program.

- ***Low-Income Home Energy Assistance Program (LIHEAP)*** — The Republican resolution calls for $1.3 billion for LIHEAP, an increase of $300 million compared to the freeze level for the program. The resolution does not call for advance appropriations for 1998 as would be the normal budget process for LIHEAP.

- ***Commodity Assistance Program*** — The Republican resolution calls for $166 million for the Commodity Assistance Program, equal to the freeze level for the program.

- ***Reduce funding for housing programs*** — The Republican resolution for 1997 provides $0.8 billion in budget authority and $0.8 billion in outlays less than the amount needed to continue assisted housing programs at their 1996 enacted level and to renew section 8 contracts (at market rates) when they expire. Over six years, the housing reduction is $19 billion in budget authority and $20 billion in outlays. House Budget Committee documents provide very little background on the assumptions behind these numbers. According to the information provided, the budget resolution assumes the administration's "mark-to-market" plan to restructure FHA assistance which would lower Section 8 renewal costs. The budget replaces the present system of private project-based assistance with a system largely based on vouchers and combines the HOME program with the CDBG and community development bank programs into one program (CDBG and community development banks are cut 28 percent, see Function 450). The budget combines public housing programs into one or more block grants, puts rural rental housing programs into a rural development block grant, and consolidates Native American housing and development programs into one grant program.

Veterans Benefits and Services

In 1997, the House Republican budget resolution calls for an increase of $654 million for discretionary veterans programs. By 2002, the budget proposes a 17.5 percent reduction in real purchasing power for these programs.

- ***Veterans Medical Care*** — For 1997, the Republican budget resolution assumes an increase of $740 million above the 1996 level for veterans medical care.

Administration of Justice

In 1997, the House Republican budget resolution calls for an increase of $1.2 billion compared to the freeze level for discretionary justice programs. By 2002, the budget proposes a 19.1 percent reduction in real purchasing power for these programs.

- ***Violent Crime Reduction Trust Fund (VCRTF)*** — The Republican resolution calls for $4.7 billion for the VCRTF, an increase of $594 million compared to the freeze level for the VCRTF. However, this level falls more than $300 million short of the full amount allowed under statute for the VCRTF.

- ***COPS Program*** — The Republican resolution does not call for any funding for the Community Oriented Policing Services (COPS) program, virtually all of which is contained in the VCRTF. Instead, the Republican resolution calls for an unspecified amount of VCRTF funds to go toward a Local Law Enforcement Block Grant, making it unlikely that the goal of putting 100,000 new police officers on the street by the year 2000 will be met.

- ***Legal Services Corporation*** — The Republican resolution calls for $95 million for the Legal Services Corporation, a decrease of $191 million compared to the freeze level for Legal Services. This two-thirds cut in the program is the first step toward elimination of Legal Services by 1999.

General Government

In 1997, the House Republican budget resolution calls for a decrease of $1.1 billion compared to the freeze level for discretionary general government programs. By 2002, the budget proposes a 19.1 percent reduction in real purchasing power for these programs.

- ***Impose a six-year moratorium on construction and acquisition of new federal buildings.***

- ***Require all government printing to be sent out for competitive bidding.***

- ***Reduce Treasury overhead*** — The Republican budget assumes $2.1 billion of unspecified reductions below the freeze level over six years in the overhead cost of the Treasury Department, the largest part of which is the Internal Revenue Service.

- ***Cut the Executive Office of the President by 15 percent and eliminate the Council of Economic Advisers.***

III. REVENUE PROVISIONS

The Republican budget resolution allows for $122.4 billion in net "tax relief" over six years, and suggests that additional tax reductions could be accommodated by extending the airline ticket tax and closing loopholes. It also includes an additional allowance for the cost of suspending 4.3 cents of the gasoline excise tax — but only through the end of this year.

Further, the resolution calls for $20 billion in cuts in the Earned Income Tax Credit for low-income workers. Of this total, $9 billion comes as revenue increases and $11 billion as reduced outlays for direct payments to workers whose EITC exceeds their tax liability.

The resolution's targets also include non-tax revenue increases totaling $3.5 billion over six years, consisting mainly of higher federal employee contributions to their retirement plans and improved federal debt collection. Finally, the resolution includes further revenue losses ($3.9 billion over seven years) to reflect the cost of certain tax legislation recently passed by the House — most notably the Medical Savings Account provisions of the health insurance reform bill.

According to the draft committee report and statements from Chairman Kasich, total tax cuts proposed in the resolution are considerably larger than the $122 billion net figure. According to one fact sheet from the Budget Committee majority, the intended total is $175 billion. These additional tax cuts are intended to be financed through extension of the aviation excise taxes and other expiring provisions and closing of corporate tax loopholes and subsidies.

The Children's Tax Credit is Underfunded

The major revenue policy is a revenue loss for tax relief totaling $122.4 billion over six years (and $124.9 billion over seven years). The explanation offered for this figure, and for the Senate Budget Committee's similar figure, is the $500 per-child tax credit that was included in the "Contract with America" and the vetoed Balanced Budget Act of 1995.

The $124.9 billion seven-year allowance is insufficient, however, to cover a children's credit that begins with tax year 1996. The seven-year revenue loss for such a credit is more than $130 billion. Further, the budget resolution allowance for 1997 is only $15.9 billion, which is clearly insufficient for a full 1996 tax year credit. A full-year credit would reduce 1997 revenues by at least $21 billion.

The credit is also clearly underfunded for the year 2002. The tax cut allowance is only $15.6 billion for this year, but the cost would be significantly higher.

If the full cost of a 1996 children's credit had been included in the new budget, the budget would fail to show progress in reducing deficits. That is, the 1997 deficit would be higher than the 1996 deficit.

If the full cost of the credit had been included for the year 2002, the new budget would not be in balance. Nevertheless, Chairman Kasich has stated that his budget does not "trigger-off" the tax credit in order to reach balance in the year 2002. Therefore, the tax committees will either have to scale back the credit for fiscal year 1997 and fiscal year 2002, or find a tax increase to help offset the revenue loss.

A Permanent Gasoline Tax Cut Is Not Funded

Senator Dole and others recently suggested that permanent repeal of 4.3 cents per gallon of the gas tax be "written into" the new Congressional budget.

However, the specific figures in the new budget accommodate only a temporary, seven-month suspension. Permanent repeal of the 4.3 cents would reduce revenues by another $31 billion through the year 2002. The new budget cannot accommodate both a $500 per child tax credit and a permanent repeal of the 4.3 cents, unless a new major tax increase package, not seen in last year's proposals, is enacted by the Congress or unless most of the other tax cuts from last year's bill are eliminated entirely.

Other Tax Cuts Are Promised But Not Funded

Even setting aside the issue of a permanent gasoline tax cut, it is not possible to include all the major tax cuts in last year's Balanced Budget Act (BBA) without either busting the new budget or coming up with major new revenue raisers not seen last year. Today, the BBA would lose $36 to $61 billion more in revenues than the amount allowed in this new budget — even after assuming extension of the airline ticket tax and enactment of all the revenue-raising provisions from last year's bill.

Nevertheless, the House Budget Committee report states that the new plan accommodates a long list of tax cuts in addition to the children's credit, the measures recently passed by the House and the temporary suspension of part of the gasoline excise tax. Specifically, the committee report promises a reduction in the "marriage penalty," new deductions for at-home care of the elderly, new backloaded tax-preferred retirement accounts, a 50 percent capital gains exclusion and a lower capital gains tax rate for corporations. The report also cites a reduction in the alternative minimum tax, an increase in the "expensing" deduction for small business, and the extension of "several tax provisions due to expire."

If the Republican majority assembles a deficit-neutral package of added tax cuts and tax increases, the package is likely to shift resources in favor of the affluent. The reason is that the

benefits of a capital gains tax cut are highly skewed to the affluent. The Treasury Department estimates that 46 percent of the benefit of a capital gains tax cut goes to the most affluent one percent of all taxpayers.

Corporate Tax Subsidies

The Budget Committee report states that the plan assumes reductions in corporate subsidies such as the interest deduction for corporate-owned life insurance and the section 936 tax credit for profits attributed by corporations to Puerto Rican operations. The report states that $26 billion can be raised from more than two dozen changes in provisions that uniquely benefit corporations.

However, $26 billion is nowhere near enough to cover the unfunded part of the children's credit plus the large costs of all of the other tax cuts in the vetoed Balanced Budget Act of 1995 and promised in the committee report on the new budget resolution. Furthermore, some of these "corporate subsidy" items are already counted elsewhere in the new budget because they are being used to offset some of the revenue losses from proposals like Medical Savings Accounts in legislation recently passed by the House.

An alternative policy would be to reduce corporate tax subsidies and to use the revenue to substitute for deep cuts in programs like Medicaid and Medicare, and to fund assistance to help people get off welfare and into jobs.

Recently-passed House Legislation

The budget plan also includes a net revenue loss of $3.9 billion over seven years to accommodate recently-passed House legislation. Most of this revenue loss is accounted for by the House-passed version of the Kennedy-Kassebaum health insurance portability legislation. Unlike the Senate-passed bill, the House bill includes Medical Savings Accounts (MSAs).

This provision adds another health-insurance-related preference to the tax code. Taxpayers who purchase a "high deductible" health insurance plan get a tax deduction for funds set aside in an MSA. In addition, investment earnings on these funds are free from current income taxes. The funds can be used tax-free for meeting health costs not covered by the high-deductible health insurance. Taxpayers able to accumulate funds in an MSA can withdraw them penalty-free for retirement, having enjoyed the benefit of deferring income taxes on contributions to MSAs and the MSA investment earnings.

Medical Savings Accounts are attractive mainly to the healthy and wealthy. The more affluent can afford to pay their own health bills until a high-deductible health insurance plan kicks in. Because their marginal income tax rates are higher, the affluent get more out of the MSA tax break. The healthy are attracted to MSAs, because they are less likely to have to use

up their MSA funds to pay health bills. They will be able to build up tax-preferred investments for retirement. If MSAs prove to be popular, they will draw healthier Americans out of the insurance pool, driving up health insurance rates for less healthy Americans.

Earned Income Tax Credit (EITC)

The House Budget Committee plan cuts the EITC by $20 billion over seven years, plus another $1.6 billion already included in legislation passed earlier this year by the House. This $21.6 billion is somewhat less than the $28 billion in the vetoed Balanced Budget Act of 1995. However, during the Budget Committee mark-up, the Majority explained that its new plan was essentially the same as in last year's bill.

The $21.6 billion EITC cut cannot be accounted for solely by compliance measures, or even by eliminating the EITC for childless workers. In the Balanced Budget Act (BBA), these measures produced less than $6 billion in savings over seven years.

Because the new Republican Budget is like the old one, families with children and modest incomes will experience EITC cuts that take away most of their benefit from the "children's credit." In addition, millions of families with children would be made worse off.

The children's tax credit will not benefit 34 percent of the nation's children because they live in families that are ineligible because their family's income is too low. And among the 66 percent who do benefit, many are in families with modest incomes like $20,000, who will *not* actually get a full $500 per child.

Further, the new budget uses EITC cuts to take back children's credits from modest-income families. For example, a couple with two children and a $20,000 income would lose 78 percent of the benefit it would otherwise get from the children's credit. Although the children's credit is $500 per child, it is limited to the income tax liability of the family. As a result, the $20,000 income family would get a $458 rather than $1,000 benefit from the children's credit. The EITC changes that are apparently assumed in this new budget would then reduce that family's EITC by an additional $356, taking away most of the benefit. These EITC takebacks affect two-children families with incomes up to $28,000.

Because the EITC credit goes only to working people, the credit is a reward for working rather than relying on welfare. Cutting the credit is a peculiar policy to follow when trying to move people off welfare into the workforce.

DISSENTING VIEWS
RESEARCH AND DEVELOPMENT

This Budget Resolution has been characterized by Republicans as a *more moderate* budget plan, one that avoids the extremism that was so apparent a year ago. Yet the reality is that this budget resolution is every bit as extreme—the claims of moderation have been greatly exaggerated.

This Budget Resolution continues a disturbing pattern of sacrificing long term investments in research and development for short term political gains associated with a major tax cut and other misguided public policies. Over the past year, Republican and Democratic views towards the value of Federal expenditures on research and development and their role in overall economic policy have come sharply into focus. As a part of their balanced budget plan, Democrats have maintained R&D as a critical investment and stimulus to economic productivity.

Republicans, on the other hand, have treated R&D as a low priority expenditure and a form of corporate welfare. R&D has been used as the "cash cow" that would help pay for the tax cut. Republicans have developed both budgetary and philosophical constraints intended to sharply curb Federal investment in R&D.

Last year, Republicans proposed a reduction of over 33% in civilian R&D over the seven year period of the budget resolution. Rigid ideological guidelines concerning the Federal role in funding *basic* research vs. *applied* research were imbedded into the budget resolution and were represented as binding on Authorization and Appropriations committees.

To fill in the void left by the proposed Federal disinvestment in R&D, Republicans have publicly fantasized about the willingness of the private sector to take over a greater role in funding responsibility. The reality is that the programs which Republicans want to eliminate are not the product-oriented, short-term investments that have characterized industrial

R&D. Simply said, the premise of the Republican position is irrational from both an economic and public policy standpoint.

This Republican budget resolution renews the assault on Federal R&D and the misguided public policies that was initiated at the outset of the 104th Congress. The aims of this Republican budget include the following:

- A reduction from the President's request of over $3 billion in civilian science agencies in F.Y. 97 and a reduction of over $15 billion over the next six years.
- A phase out of Department of Energy energy research programs directed at solar and renewable energy technologies, new fossil energy technologies, and energy conservation measures;
- Elimination of Department of Commerce technology partnership programs including the Advanced Technology Program and the Manufacturing Extension Program;
- A major reduction in the scope of the National Oceanic and Atmospheric Administration programs including ocean, coastal and fishery programs;
- A major reduction in Environmental Protection Agency programs including the Environmental Technology Initiative.
- Elimination of environmental programs within the National Aeronautics and Space Administration intended to monitor the Earth and its chemical and physical cycles;

This budget resolution also eliminates two major cabinet level functions that have been critical to our economy over the past decade. The Departments of Energy and Commerce have been instrumental in bridging the gap between policy and research in order to focus on high priority national goals. Energy security, technology development, and building a sustainable future are challenges that will dominate the global balance of power over the next several decades. Success in meeting these challenges is a necessary precondition for creating good, high-paying jobs for working Americans. Without a Federal focus on these issues, we will fail to keep pace.

In summary, this budget resolution will undermine economic growth, job creation, education, protection of the environment and the basic underpinnings of our national R&D infrastructure. Certainly scientists and engineers at universities, national labs, and Federal agencies will be victimized by this budget. But more importantly, every American will pay the price for this retreat from our national commitment to science and technology. Of course the true victims of this budget resolution are future generations of Americans who count on the investments we make today in the ideas, the products, the processes to build the world of tomorrow. This budget resolution breaks faith with the future.

Alan B. Mollohan

John Olver

Lynn Rivers

Lloyd Doggett

Charlie Stenholm

Dissenting Views - Agriculture: Earl Pomeroy, Charlie Stenholm

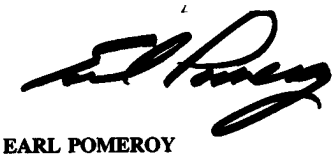
The Budget Resolution for FY97 again makes a deep cut in agriculture spending. This Congress passed, earlier this year, an extreme overhaul of farm programs, setting them on the road to eventual elimination. Now in this Budget Resolution, this Committee has decided to make an extreme reduction in the amount of discretionary spending for agriculture.

The Resolution makes the recommendation to cut total agricultural discretionary spending from $3.9 billion in FY97 to $2.1 billion in 2002, a staggering reduction in budget authority. This discretionary cut takes the form of unspecified reductions in United States Department of Agriculture overhead. The members of the committee and rural America are left to wonder if these cuts will be in the delivery of farm programs, the delivery of conservation programs, or the quality of nutrition and food safety programs. Clearly each and every function of the Department of Agriculture will be impacted by these assumptions. This committee should question if this is the appropriate time to be making these cuts when commodity stocks are at their lowest point in a generation, the livestock industry remains in extreme distress and new plant diseases continue to spread across the nation's heartland.

The Budget Resolution does specify some specific cuts. These cuts are mainly in USDA research programs. With commodity support already cut by the new farm bill, our producers need quality agricultural research more than ever to protect themselves against diseases, insects and changing environmental conditions. The new farm bill addresses many of the concerns related to competitive research projects and facilities buildings projects. The Agriculture Committee currently is undertaking a comprehensive review of agriculture research programs and will be writing specific legislation to address the needs of agricultural research in the future. The agriculture committee should be allowed to do its work without being locked into an extremely restrictive budget scenario before it is finished.

Finally the Budget Resolution phases out both Title I and Title III of the PL-480 Food for Peace Program. Again, the new farm bill promised American farmers that their future profitability would be derived from the world market. Now we are witnessing the elimination of one of the most successful export enhancement programs ever. This Committee should remember that 43 of the 50 largest buyers of U.S. farm goods are countries that used to receive food aid from the United States.

In this Budget Resolution we see the broken promises of the Freedom to Farm Bill. As the Freedom to Farm bill was being passed, sponsors hailed a new era in farm policy, promised strengthened research programs and dangled the riches of the world market in front of American farmers. Now we can see that those promises are broken barely two months after the bill was signed. We are willing to do our share to balance the budget, but rural American cannot continue to take these extreme and unfair budgetary hits.



DISSENTING VIEWS - MEDICAID: EARL POMEROY

At the outset it is important to recognize that, with respect to Medicaid, this budget makes significant progress over last year's effort, at least with regard to the commitment of federal funding -- from the proposed reduction of $182 billion over seven years last year to $72 billion over seven years this year. It thus appears that after a year of rigorous analysis and intense debate, the members of the majority have been persuaded that the federal government simply cannot make cuts on the order of those proposed last year without jeopardizing the health of some of our nation's most vulnerable populations.

Despite the progress this budget represents, however, I remain deeply concerned that it will undermine the central mission of the Medicaid program, which is to provide a minimum level of health care to the children, the elderly and the disabled of this nation. During Committee markup, I offered a sense of the House amendment to preserve the basic program elements critical to the performance of Medicaid's mission. The Committee rejected this amendment, indicating that the level of progress represented by this budget is not as substantial as the reduced federal cuts suggest. Unfortunately, the improved federal funding level in this budget masks a series of policy proposals that will jeopardize the health of children, seniors and the disabled.

Let me be clear that my concerns about this budget stem not from any hesitation about whether to reform Medicaid. Medicaid must be reformed through such measures as utilization of managed care, enhanced state flexibility, and the streamlining of regulations. Yet the goal of reform is to improve the program's effectiveness, not to undermine it.

Perhaps the greatest threat to Medicaid's mission contained in this budget is the dramatic reduction in state contributions it allows. In addition to limiting federal contributions, the budget caps state contributions to Medicaid at 40%, allowing the many states with match rates between 41% and 50% to lower their required contributions. Thus, although the federal cut has been reduced to $72 billion, the total potential reduction in Medicaid spending is $265 billion. It is simply not possible to withdraw these vast sums from the system without endangering the health safety net that Medicaid has historically provided.

This budget would also permit states to use discredited -- and currently illegal -- funding mechanisms to further limit state contributions to Medicaid. Once again, states could establish schemes to "tax" providers or collect intergovernmental "transfers" from state entities, later rebating these funds to the payors, labeling the rebates as Medicaid expenditures, and claiming federal matching funds for them. Given that the payment of such rebates involves no genuine state outlays for health services, legalizing these sham financing systems makes state matching requirements meaningless.

The majority points with pride to the list of groups and services covered under the Medicaid proposal contained in this budget. Upon review, however, several important groups have been excluded and the list of covered services is revealed as a largely empty promise. With respect to covered services, this budget merely says that states must offer

some of the various health services listed, while repealing all of the federal standards that speak to the amount, duration, and scope of these services. As a result, people guaranteed coverage under this plan may find the guarantee to be a hollow one.

One of the groups excluded by this budget is poor children. This budget repeals the guarantee of health care coverage for children over the age of twelve living in low-income families, more than half of whom have parents who work. For low-income parents, knowing that the basic health care of their children will still be covered if they leave the welfare rolls has been an important element in encouraging the transition from government dependence to productive employment. Thus, not only will this repeal endanger the health of these vulnerable children, it would provide a strong disincentive for parents to move from welfare to work. With respect to the disabled, this budget repeals the federal definition of disability, allowing states to narrow this definition as they see fit and thereby exclude many disabled Americans from coverage.

This budget also threatens seniors. While under the plan states are supposed to abide by federal nursing home quality standards, federal monitoring of quality is terminated and states will have nearly unfettered discretion with regard to the monitoring and enforcement. We must not forget that it was precisely because many states proved incapable of ensuring quality nursing home care that Congress was prompted to enact basic quality standards in 1987. In another strike against seniors, this budget substantially reduces payment by Medicaid of copayments, premiums, and deductibles for those Medicare beneficiaries whose income is below the poverty line. Given that many low-income seniors already devote large portions of their monthly budgets to health care costs, this cutback will force seniors into a cruel choice between staying healthy and meeting life's other basic expenses.

I will work diligently to address the flaws outlined above and I am hopeful that the majority will join in this effort. As we move forward to balance the federal budget, we must not abandon the long-standing federal commitment to the basic health of the children, seniors and disabled of our nation.

Dissenting Views - Energy: Earl Pomeroy

The Budget Resolution assumes the elimination of the Department of Energy. The committee report provides few details about which functions of the Department should be eliminated and which should be disbursed to other federal agencies. I have a particular concern with regard to DOE's oversight responsibility of environmental restoration activities at the nation's nuclear facilities.

The Committee report recommends that the authorizing committee consult the bill introduced by Congressman Tiahrt to eliminate the DOE. The Tiahrt bill would transfer responsibility for the oversight of environmental clean-up to the Department of Defense. In my view, this is an ill-advised proposal that ought to be reconsidered.

The clean-up of our nation's nuclear facilities is obviously a critical environmental priority. It should not simply be parceled out and fused onto a large bureaucracy. Under the DOE, the responsibility for nuclear cleanup falls to the Assistant Secretary for Environmental Management who is visible and accountable to the public and Congress. Moreover, because defense-related cleanup constitutes one-third of the DOE budget, the nation is assured that nuclear clean-up receives the focused attention of a cabinet level official.

If, on the other hand, oversight responsibility is transferred to the Department of Defense, the program will be just one more cog in the massive DOD bureaucracy. In addition, if transferred, funding for environmental clean-up of nuclear facilities would constitute a mere 2 percent of the defense budget -- little more than a rounding error in the Pentagon. This should give little comfort to Americans concerned about the safe and adequate clean-up of our nuclear facilities.

Louise Slaughter

DISSENTING VIEWS OF

HON. LOUISE M. SLAUGHTER

The Republican Budget Resolution assumes deep and radical savings in the Medicare program. What will the impact of these reductions be and who will suffer? I do not believe that we have received an appropriate answer to this question. I do not dispute the need to slow the growth in order to maintain the solvency of the system, but the proposed reductions and changes go well beyond this objective.

According to the Chairman of the House Budget Committee, seniors will not be forced to bare the financial burden of the proposed reductions in Medicare spending. He stated that there will be no significant cost shifting from the federal government to seniors. However, I am afraid that this will not be the case. I am pleased that the Chairman recognizes the potential for harm, but the level of cuts and the radical departure from the current structure leave seniors vulnerable.

It is claimed that many insurance companies will work to "coerce" seniors into managed care by offering benefits not currently covered under Medicare. Seniors will be enticed to opt into these restrictive managed care plans without being fully aware of the financial obligations and their limited ability to choose their own physician. The Republican proposal will remove the current prohibition on balanced billing. For the first time in many years, participating physicians and health care providers will be allowed to charge above the Medicare reimbursable rate. Who will be charged the difference? Senior citizens who have little discretionary income.

Because States have the primary responsibility for regulating insurance companies, we are in affect turning over the care of seniors to the States with little or no guarantee that the same level of health care will be provided and the same financial protections maintained. Quality care regulations implemented over the last ten years will be gone. I am concerned that the States are simply not capable of adequate oversight of the insurance industry as they move into a $100 billion a year industry. We have all heard the horror stories of Medigap policies that duplicated Medicare fee-for-service plans. What guarantees do we have that these horror stories will not be repeated.

I have listened to my hospitals and my doctors who have made it clear that there will be serious ramifications if these proposals are acted upon. With little or no Congressional review and limited federal oversight, we will be creating a sub-standard level of care for the sickest and poorest senior citizens.

I can only hope that the Chairman is right. But it is difficult to understand how they plan on achieving a total of $168 billion in savings over the next six years without radically altering the Medicare program and increasing premiums, copayments and deductibles as well as limiting the health care choice of Medicare beneficiaries. I believe that these issues warrant further hearings and that many of these changes must be implemented slowly and with great care. Medicare has been a successful supplemental insurance plan for our Nation's senior citizens and the disabled. We should not jeopardize this success in the name of tax breaks targeted to the most affluent.

Lucille Roybal-Allard

DISSENTING VIEWS - TRANSPORTATION
CONGRESSWOMAN LUCILLE ROYBAL-ALLARD

The Republican budget resolution is fatally short-sighted and fundamentally flawed, specifically as it relates to policy assumptions and priorities made on transportation spending. The resolution singles out mass transit for an excessive share of cuts in transportation programs and retreats from the carefully crafted agreement to balance transportation modes established in the Intermodal Surface Transportation Infrastructure Act of 1991 (ISTEA).

I am particularly concerned with the following transit funding cuts as contained in the Republican FY 1997 Budget Resolution:

- **Cuts transit disproportionately.** Mass transit represents approximately 10 percent of the FY 1996 transportation budget, but is singled out to bear nearly 50 percent of the cuts in the seven year outlays assigned to this function. This raises the fundamental quesion of fairness and balance in the effort to reduce the deficit.

- **Lowers the federal share for all transit capital expenditures from 80 to 50 percent.** Lowering the federal match on mass transit to 50 percent while maintaining the federal match on highway projects at 80% will sharply tilt the playing field and bias decision-making at the local level established under ISTEA. Given the choice between two projects, local officials and planners will inevitably choose the project with the higher federal match.

- **Phases out all operating assistance.** This proposal will affect urban and rural areas and will lead to fare increases, service cuts, and layoffs. Operating assistance is needed to help carry out federal mandates related to serving people with disabilities and enhancing air quality. Operating cutbacks would disconnect thousands of low-income workers from their jobs, isolate many elderly from their daily business and health care, and force the elimination of transit service in many small towns and rural areas.

- **Terminates funding for new starts.** The new starts program is an important piece of a national strategy to provide a balanced transportation system in many of the nation's fastest growing communities. These projects provide transportation alternatives to commuters while freeing up highway capacity for the movement of goods in interstate commerce both within and through the nation's metropolitan areas. Elimination of the new starts program is a short-sighted policy that fails to recognize the important roles played by these projects in providing additional transportation capacity in communities, stimulating economic development, and promoting a sense of community. Furthermore, states hardest hit will be those west of the Mississippi who have the greatest share of new starts projects.

- **Eliminates funding for all transit planning and research.** Without transit planning funds, transit agencies will have a difficult time complying with the planning provisions contained in ISTEA. The Republican majority cuts transit planning and research, but leaves funding for highway planning intact. Again, this would upset the current modal balance and put transit planning at a serious disadvantage in the local decision-making process.

The federal one cent gasoline tax for mass transit was approved to complement the much larger expenditure for highways. It was enacted to achieve federal goals that recognized the need to address inner city congestion, clean air mitigation, and urban revitalization.

The Majority's report is right in saying that the "federal involvement in transportation has occurred over decades and it cannot and should not be reversed overnight." However, it is wrong to pull federal support of transit planning and programs until the needs of urban America are fully met.

DISSENTING VIEWS
Representative Carrie P. Meek

The old song, "Ain't We Got Fun," which contains the line "there's nothing surer, the rich get rich and the poor get poorer," was intended to be entertainment. The Republican Majority apparently liked it so much, however, that they used it as the guiding policy of the fiscal year 1997 budget resolution.

This year's Republican budget resolution repeats last year's ill-conceived proposal by quietly raising Federal taxes on hard working low-income families. At the same time, this year's budget resolution, like last year's, cuts Federal taxes for wealthy Americans through a reduction in the tax on capital gains.

The "Talking Points" on the fiscal year 1997 budget resolution, issued on May 8 by the Republican Members of the Committee on the Budget, declares that one of the "highlights" of this year's budget resolution is a reduction in the capital gains tax rate.

By contrast, the Republican leadership's plan to increase taxes on those who have chosen work over welfare is buried in two different parts of the budget resolution: function 600 (Income

Security) contains a $11 billion reduction in spending through "Reform [of] The Earned Income Credit," and there is a $9 billion increase in tax revenues because of "Reform [of] The Earned Income Credit." The Majority does not explain why this $20 billion tax increase is located in two different parts of its budget. Indeed, the Majority, in the draft report by the Committee on the Budget, offers no discussion whatsoever of their proposed "reform" of the Earned Income Tax Credit ("EITC").

At the Committee's markup, however, the Majority said that this year's proposal on the EITC is essentially the same as the EITC proposal contained in the conference report on H.R. 2491, the so-called Balanced Budget Act of 1995. That bill was, of course, wisely vetoed by President Clinton last December.

A month after passage by the House of Representatives of the conference report on H.R. 2491, the staff of the bipartisan Joint Committee on Taxation released an analysis of the impact on working Americans of the Majority's EITC proposal as set forth in that conference report. The Joint Committee on Taxation found that

6.3 million families with annual incomes below $30,000 would have faced higher taxes because of the proposed changes in the EITC.

The Joint Committee on Taxation further found that the Republican plan would have raised taxes on many working Americans even after taking account of the $500 per child tax credit in H.R. 2491. The Joint Committee on Taxation's report concludes that 2.8 million families with children and with annual incomes below $30,000 would be worse off under last year's proposal even after taking account of the $500 per child tax credit.

The current Republican attack on the EITC is somewhat surprising because the EITC has historically had bipartisan support as a way to encourage people to choose work over welfare. The EITC was originally enacted under President Ford in 1975, when the maximum annual credit was set at $400. Five times -- under each of the next four Presidents -- the maximum credit was raised, and in 1986 the schedule for the EITC was also indexed to keep pace with inflation. This year the maximum annual credit for a family with two or more children is $3,564.

But on a party-line vote the Committee on the Budget rejected my amendment to limit the changes in the EITC to those designed to reduce errors and fraud. According to the Congressional Budget Office, the effect of the changes in my amendment -- which would fight fraud but still protect the working poor -- would save about $2 billion over seven years. The Republican Majority was primarily interested not in reducing fraud, but in balancing the budget on the backs of the poor.

My amendment should have appealed to the many Members of the Majority who are using the existence of the current EITC to justify their opposition to an increase in the Federal minimum wage. For example, on April 23, the Majority Whip made that argument to the House of Representatives. He relied on a Congressional Research Service ("CRS") study he had requested. For each state, CRS added government payments for the EITC, Food Stamps, Aid to Families with Dependent Children ("AFDC"), and day care to the wages of a single person working full time at the minimum wage. For example, CRS finds that a single parent with two small children

living in Florida and working full time at the minimum wage would have annual gross wages of $8,840 and would pay social security payroll taxes of $676. This parent's wages would be supplemented, according to CRS, by an EITC payment of $3,536, Food Stamps worth $2,992, and an AFDC payment of $1,258. So this parent's total annual income after Federal taxes is $15,950.

Living in Miami, a single parent with two small children can't provide food, shelter, full time day care, and clothing for $16,000 a year. If the Republican majority really wants people to choose work over welfare, they would support both an increase in the minimum wage and the current level of EITC.

During the Committee debate on my amendment, the Republicans asked how I proposed paying for the $20 billion in EITC spending (over six years) that my amendment would have protected. The answer to their question is contained in their own discussion on "Reducing Corporate Tax Subsidies." In explaining how the Republicans would pay for their proposed cut in the tax on capital gains, the Majority's draft report on the budget resolution states that

the resolution "assumes a reduction in provisions in the tax code that can be clearly identified as benefiting one industry or a limited number of corporations and derive no public benefits." The draft report goes on to say that the Committee on Ways and Means has identified such changes in the tax code that "raise approximately $26 billion."

The Republicans have clearly stated their preference: to use this $26 billion to pay for tax cuts for wealthy Americans rather than to avoid raising taxes on working Americans.

There are almost one million hard-working families in Florida who will be affected by the Republicans' proposal to cut the EITC by $20 billion over six years; 46,000 of these families are in my Congressional district.

I dissent from the Republicans' effort to cut taxes for the wealthy while raising taxes on low-income working Americans. Under this budget proposal, surely the rich will get richer, and the poor will pay for it.

DISSENTING VIEWS OF U.S. REPRESENTATIVE JERRY F. COSTELLO

The FY 1997 budget resolution represents a continued attack on the health, safety and well-being of the majority of the American people. While not as drastic as the budget proposed by the Republican majority last year, this budget also is too extreme. By cutting Medicare and Medicaid, the safety net for vulnerable populations - the elderly, disabled and poor children and families - will be in jeopardy. I cannot support a budget that includes massive federal spending for new tax breaks while other critical programs, including Medicare, Medicaid, and the Earned Income Tax Credit - are greatly weakened. This is not a realistic budget. We cannot, and should not, enact a budget such as this that promises to cut spending and cut taxes. If we are serious about reducing the deficit - as I am - we should make the hard choices to bring our federal spending in line. This budget, however, promises to make life easier for the affluent, while balancing the budget on the backs of the poor and disadvantaged.

I support a balanced budget. In fact, I have cosponsored and voted in favor of amending the U.S. Constitution to mandate a balanced federal budget. However, while the FY 1997 budget resolution passed by this Committee achieves balance on paper, I cannot support the callous and irresponsible policy assumptions it uses to achieve these savings. The policy implications have very real consequences to the citizens of this nation.

I am especially concerned about the deep cuts in discretionary spending included in this budget. Certainly, we must take serious steps to carefully scrutinize every portion of our federal budget in order to control federal spending and bring our deficit under control. However, the cuts in discretionary spending included here are too harsh and will have a serious impact on millions of Americans, most notably the vulnerable populations that continue to be left behind as we change our federal priorities.

For example, the cuts in education leave me very concerned about the future of this nation. The education of our children must be a top priority. The education our children receive should be adequate in keeping the U.S. economy competitive as we move into the next century. American children rank dismally in math and science achievement compared with students from other nations. The proportion of young people completing high school has remained stagnant for a decade, despite the ever-increasing demands for education in the job market. National education reforms under President George Bush's Goals 2000 program pointed our nation in the right direction. This budget, however, eliminates Goals 2000. Having all our students starting school ready to learn, increasing the high school graduation rate, teaching every adult to read and keeping drugs and violence out of schools are not goals we should abandon. While our deficit needs to be eliminated, we must not decimate the education of future generations.

Under this budget, the Legal Services Corporation is cut drastically in FY 1997 - a large step toward the total elimination of the program by 1999. The Legal Services Corporation is a good example of a federal program that is effectively being administered at the local level. The Leadership of this House claims to want to expand the role of state and local authority while shrinking the size of the federal government. The Legal Services Corporation is a prime example of how local control of a federal program is working. The creators of the LSC recognized that decisions about how legal services should be allocated are best made not by officials in Washington, but at a local level, by the people who understand the problems that face their communities. The LSC provides funds to 323 programs operating over 1200 neighborhood law offices. Together they serve every county in the nation. LSC programs provide services to more tan 1.7 million clients a year, benefitting approximately five million individuals, the

majority of them children living in poverty. The phase-out of the LSC represented in this budget eliminates a much-needed program and threatens the life and well-being of every poor or near-poor person in this country.

A well-maintained transportation network is essential for economic development. If highways cannot be maintained, our goods cannot move in commerce. Similarly, without continued attention to our nation's airports, delays and other difficulties will slow our economy's growth. In addition, transit funding provides immediate benefits for economic development, carrying low-income people to their place of work and reducing congestion in metropolitan areas.

Transportation should not bear higher cuts than other programs. This budget phases out federal assistance the operation of mass transit systems. Operating assistance is essential to transit systems across the nation. Transit systems are already taking serious steps to cope with federal operating cuts of nearly 50 percent in FY 1996 and 12 percent in FY 1995. Transit systems, by necessity, are operating more efficiently yet still must cut services and increase fares. The complete elimination of operating assistance would have a drastic impact and could eliminate necessary public transportation in communities across our nation.

The elimination of funding for mass transit is just one example of the hypocrisy of this budget. As this budget pushes people into the workforce it takes away their means of getting to work. This budget is unfair and should not be passed by this House.

ADDENDUM

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1997.

The Congress determines and declares that the concurrent resolution on the budget for fiscal year 1997 is hereby established and that the appropriate budgetary levels for fiscal years 1998 through 2002 are hereby set forth.

SEC. 2. RECOMMENDED LEVELS AND AMOUNTS.

The following budgetary levels are appropriate for the fiscal years 1997, 1998, 1999, 2000, 2001, and 2002:

(1) FEDERAL REVENUES.--For purposes of the enforcement of this resolution:

(A) The recommended levels of Federal revenues are as follows:

Fiscal year 1997: $1,085,363,000,000.
Fiscal year 1998: $1,130,426,000,000.
Fiscal year 1999: $1,176,236,000,000.
Fiscal year 2000: $1,229,666,000,000.
Fiscal year 2001: $1,288,998,000,000.
Fiscal year 2002: $1,358,219,000,000.

(B) The amounts by which the aggregate levels of Federal revenues should be changed are as follows:

Fiscal year 1997: -$15,031,000,000.
Fiscal year 1998: -$17,817,000,000.
Fiscal year 1999: -$21,488,000,000.
Fiscal year 2000: -$21,291,000,000.
Fiscal year 2001: -$21,114,000,000.
Fiscal year 2002: -$14,466,000,000.

(2) NEW BUDGET AUTHORITY.--For purposes of the enforcement of this resolution, the appropriate levels of total new budget authority are as follows:

Fiscal year 1997: $1,311,284,000,000.
Fiscal year 1998: $1,357,208,000,000.
Fiscal year 1999: $1,386,338,000,000.
Fiscal year 2000: $1,428,397,000,000.
Fiscal year 2001: $1,450,450,000,000.
Fiscal year 2002: $1,497,756,000,000.

(3) BUDGET OUTLAYS.--For purposes of the enforcement of this resolution, the appropriate levels of total budget outlays are as follows:

Fiscal year 1997: $1,306,921,000,000.
Fiscal year 1998: $1,350,905,000,000.
Fiscal year 1999: $1,379,428,000,000.
Fiscal year 2000: $1,413,490,000,000.
Fiscal year 2001: $1,428,809,000,000.
Fiscal year 2002: $1,463,504,000,000.

(4) DEFICITS.--For purposes of the enforcement of this resolution, the amounts of the deficits are as follows:

Fiscal year 1997: $221,558,000,000.
Fiscal year 1998: $220,479,000,000.
Fiscal year 1999: $203,192,000,000.
Fiscal year 2000: $183,824,000,000.
Fiscal year 2001: $139,811,000,000.
Fiscal year 2002: $105,285,000,000.

(5) PUBLIC DEBT.--The appropriate levels of the public debt are as follows:

Fiscal year 1997: $5,434,400,000,000.
Fiscal year 1998: $5,697,600,000,000.
Fiscal year 1999: $5,938,900,000,000.
Fiscal year 2000: $6,159,000,000,000.
Fiscal year 2001: $6,332,800,000,000.
Fiscal year 2002: $6,464,900,000,000.

(6) DIRECT LOAN OBLIGATIONS.--The appropriate levels of total new direct loan obligations are as follows:

Fiscal year 1997: $41,353,000,000.
Fiscal year 1998: $39,179,000,000.
Fiscal year 1999: $42,287,000,000.
Fiscal year 2000: $43,200,000,000.
Fiscal year 2001: $44,359,000,000.
Fiscal year 2002: $45,532,000,000.

(7) PRIMARY LOAN GUARANTEE COMMITMENTS.--The appropriate levels of new primary loan guarantee commitments are as follows:

Fiscal year 1997: $266,271,000,000.
Fiscal year 1998: $264,761,000,000.
Fiscal year 1999: $261,793,000,000.
Fiscal year 2000: $261,676,000,000.
Fiscal year 2001: $262,429,000,000.
Fiscal year 2002: $262,131,000,000.

SEC. 3. MAJOR FUNCTIONAL CATEGORIES.

The Congress determines and declares that the appropriate levels of new budget authority, budget outlays, new direct loan obligations, and new primary loan guarantee commitments for fiscal years 1997 through 2002 for each major functional category are:

(1) National Defense (050):

Fiscal year 1997:

(A) New budget authority, $267,183,000,000.
(B) Outlays, $264,846,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $800,000,000.

Fiscal year 1998:

(A) New budget authority, $268,958,000,000.
(B) Outlays, $263,618,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $200,000,000.

Fiscal year 1999:

(A) New budget authority, $271,677,000,000.
(B) Outlays, $267,049,000,000.
(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $192,000,000.

Fiscal year 2000:

(A) New budget authority, $274,377,000,000.

(B) Outlays, $270,841,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $187,000,000.

Fiscal year 2001:

(A) New budget authority, $277,121,000,000.

(B) Outlays, $270,025,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $185,000,000.

Fiscal year 2002:

(A) New budget authority, $280,101,000,000.

(B) Outlays, $270,122,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $183,000,000.

(2) International Affairs (150):

Fiscal year 1997:

(A) New budget authority, $13,732,000,000.

(B) Outlays, $14,963,000,000.

(C) New direct loan obligations, $4,333,000,000.

(D) New primary loan guarantee commitments $18,110,000,000.

Fiscal year 1998:

(A) New budget authority, $11,551,000,000.

(B) Outlays, $13,484,000,000.

(C) New direct loan obligations, $4,342,000,000.

(D) New primary loan guarantee commitments $18,262,000,000.

Fiscal year 1999:

(A) New budget authority, $10,576,000,000.

(B) Outlays, $12,467,000,000.

(C) New direct loan obligations, $4,358,000,000.

(D) New primary loan guarantee commitments $18,311,000,000.

Fiscal year 2000:

(A) New budget authority, $11,089,000,000.

(B) Outlays, $11,025,000,000.

(C) New direct loan obligations, $4,346,000,000.

(D) New primary loan guarantee commitments $18,311,000,000.

Fiscal year 2001:

(A) New budget authority, $10,890,000,000.

(B) Outlays, $10,584,000,000.

(C) New direct loan obligations, $4,395,000,000.

(D) New primary loan guarantee commitments $18,409,000,000.

Fiscal year 2002:

(A) New budget authority, $11,009,000,000.

(B) Outlays, $10,281,000,000.

(C) New direct loan obligations, $4,387,000,000.

(D) New primary loan guarantee commitments $18,409,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1997:

(A) New budget authority, $16,537,000,000.

(B) Outlays, $16,697,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $16,428,000,000.

(B) Outlays, $16,494,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $16,313,000,000.

(B) Outlays, $16,224,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $16,159,000,000.

(B) Outlays, $16,111,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $15,934,000,000.

(B) Outlays, $15,943,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $15,602,000,000.

(B) Outlays, $15,673,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

(4) Energy (270):

Fiscal year 1997:

(A) New budget authority, $2,380,000,000.

(B) Outlays, $2,729,000,000.

(C) New direct loan obligations, $1,033,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $2,441,000,000.

(B) Outlays, $2,078,000,000.

(C) New direct loan obligations, $1,039,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $2,034,000,000.

(B) Outlays, $1,327,000,000.

(C) New direct loan obligations, $1,045,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $1,697,000,000.

(B) Outlays, $815,000,000.

(C) New direct loan obligations, $1,036,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $1,782,000,000.

(B) Outlays, $740,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $1,430,000,000.

(B) Outlays, $231,000,000.

(C) New direct loan obligations, $1,031,000,000.

(D) New primary loan guarantee commitments $0.

(5) Natural Resources and Environment (300):

Fiscal year 1997:

(A) New budget authority, $20,529,000,000.

(B) Outlays, $21,322,000,000.

(C) New direct loan obligations, $37,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $18,902,000,000.

(B) Outlays, $19,654,000,000.

(C) New direct loan obligations, $41,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $19,713,000,000.

(B) Outlays, $20,409,000,000.

(C) New direct loan obligations, $38,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $18,399,000,000.

(B) Outlays, $18,950,000,000.

(C) New direct loan obligations, $38,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $18,994,000,000.

(B) Outlays, $19,205,000,000.

(C) New direct loan obligations, $38,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $18,860,000,000.

(B) Outlays, $18,910,000,000.

(C) New direct loan obligations, $38,000,000.

(D) New primary loan guarantee commitments $0.

(6) Agriculture (350):

Fiscal year 1997:

(A) New budget authority, $11,840,000,000.

(B) Outlays, $10,238,000,000.

(C) New direct loan obligations, $7,794,000,000.

(D) New primary loan guarantee commitments $5,870,000,000.

Fiscal year 1998:

(A) New budget authority, $11,750,000,000.

(B) Outlays, $9,855,000,000.

(C) New direct loan obligations, $9,346,000,000.

(D) New primary loan guarantee commitments $6,637,000,000.

Fiscal year 1999:

(A) New budget authority, $11,367,000,000.

(B) Outlays, $9,483,000,000.

(C) New direct loan obligations, $10,743,000,000.

(D) New primary loan guarantee commitments $6,586,000,000.

Fiscal year 2000:

(A) New budget authority, $10,714,000,000.

(B) Outlays, $8,843,000,000.

(C) New direct loan obligations, $10,736,000,000.

(D) New primary loan guarantee commitments $6,652,000,000.

Fiscal year 2001:

(A) New budget authority, $9,497,000,000.

(B) Outlays, $7,730,000,000.

(C) New direct loan obligations, $10,595,000,000.

(D) New primary loan guarantee commitments $6,641,000,000.

Fiscal year 2002:

(A) New budget authority, $8,964,000,000.

(B) Outlays, $7,181,000,000.

(C) New direct loan obligations, $10,570,000,000.

(D) New primary loan guarantee commitments $6,709,000,000.

(7) Commerce and Housing Credit (370):

Fiscal year 1997:

(A) New budget authority, $7,838,000,000.

(B) Outlays, -$2,319,000,000.

(C) New direct loan obligations, $1,856,000,000.

(D) New primary loan guarantee commitments $197,340,000,000.

Fiscal year 1998:

(A) New budget authority, $9,464,000,000.

(B) Outlays, $5,752,000,000.

(C) New direct loan obligations, $1,787,000,000.

(D) New primary loan guarantee commitments $196,750,000,000.

Fiscal year 1999:

(A) New budget authority, $10,476,000,000.

(B) Outlays, $6,043,000,000.

(C) New direct loan obligations, $1,763,000,000.

(D) New primary loan guarantee commitments $196,253,000,000.

Fiscal year 2000:

(A) New budget authority, $12,448,000,000.

(B) Outlays, $7,320,000,000.

(C) New direct loan obligations, $1,759,000,000.

(D) New primary loan guarantee commitments $195,883,000,000.

Fiscal year 2001:

(A) New budget authority, $11,268,000,000.

(B) Outlays, $7,283,000,000.

(C) New direct loan obligations, $1,745,000,000.

(D) New primary loan guarantee commitments $195,375,000,000.

Fiscal year 2002:

(A) New budget authority, $11,598,000,000.

(B) Outlays, $7,218,000,000.

(C) New direct loan obligations, $1,740,000,000.

(D) New primary loan guarantee commitments $194,875,000,000.

(8) Transportation (400):

Fiscal year 1997:

(A) New budget authority, $41,737,000,000.

(B) Outlays, $39,007,000,000.

(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $43,541,000,000.

(B) Outlays, $37,635,000,000.

(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $43,961,000,000.

(B) Outlays, $36,111,000,000.

(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $44,103,000,000.

(B) Outlays, $35,236,000,000.

(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $44,531,000,000.

(B) Outlays, $34,526,000,000.

(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $45,045,000,000.

(B) Outlays, $34,042,000,000.

(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments $0.

(9) Community and Regional Development (450):

Fiscal year 1997:

(A) New budget authority, $6,672,000,000.

(B) Outlays, $10,149,000,000.

(C) New direct loan obligations, $1,231,000,000.

(D) New primary loan guarantee commitments $2,133,000,000.

Fiscal year 1998:

(A) New budget authority, $6,605,000,000.

(B) Outlays, $8,640,000,000.

(C) New direct loan obligations, $1,257,000,000.

(D) New primary loan guarantee commitments $2,133,000,000.

Fiscal year 1999:

(A) New budget authority, $6,559,000,000.
(B) Outlays, $7,820,000,000.
(C) New direct loan obligations, $1,287,000,000.
(D) New primary loan guarantee commitments $1,171,000,000.

Fiscal year 2000:
(A) New budget authority, $6,595,000,000.
(B) Outlays, $7,040,000,000.
(C) New direct loan obligations, $1,365,000,000.
(D) New primary loan guarantee commitments $1,171,000,000.

Fiscal year 2001:
(A) New budget authority, $6,243,000,000.
(B) Outlays, $6,655,000,000.
(C) New direct loan obligations, $1,404,000,000.
(D) New primary loan guarantee commitments $2,202,000,000.

Fiscal year 2002:
(A) New budget authority, $6,153,000,000.
(B) Outlays, $6,161,000,000.
(C) New direct loan obligations, $1,430,000,000.
(D) New primary loan guarantee commitments $2,202,000,000.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1997:
(A) New budget authority, $46,965,000,000.
(B) Outlays, $49,504,000,000.
(C) New direct loan obligations, $16,219,000,000.
(D) New primary loan guarantee commitments $15,469,000,000.

Fiscal year 1998:
(A) New budget authority, $47,416,000,000.
(B) Outlays, $48,112,000,000.
(C) New direct loan obligations, $19,040,000,000.
(D) New primary loan guarantee commitments $14,760,000,000.

Fiscal year 1999:
(A) New budget authority, $48,046,000,000.
(B) Outlays, $47,817,000,000.
(C) New direct loan obligations, $21,781,000,000.
(D) New primary loan guarantee commitments $13,854,000,000.

Fiscal year 2000:
(A) New budget authority, $48,696,000,000.
(B) Outlays, $48,209,000,000.
(C) New direct loan obligations, $22,884,000,000.
(D) New primary loan guarantee commitments $14,589,000,000.

Fiscal year 2001:
(A) New budget authority, $49,410,000,000.
(B) Outlays, $48,704,000,000.
(C) New direct loan obligations, $23,978,000,000.

(D) New primary loan guarantee commitments $15,319,000,000.

Fiscal year 2002:

(A) New budget authority, $50,092,000,000.

(B) Outlays, $49,335,000,000.

(C) New direct loan obligations, $25,127,000,000.

(D) New primary loan guarantee commitments $16,085,000,000.

(11) Health (550):

Fiscal year 1997:

(A) New budget authority, $129,918,000,000.

(B) Outlays, $130,276,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $187,000,000.

Fiscal year 1998:

(A) New budget authority, $137,726,000,000.

(B) Outlays, $138,064,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $94,000,000.

Fiscal year 1999:

(A) New budget authority, $144,995,000,000.

(B) Outlays, $145,168,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $152,961,000,000.

(B) Outlays, $152,890,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $161,114,000,000.

(B) Outlays, $160,789,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $167,926,000,000.

(B) Outlays, $167,476,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

(12) Medicare (570):

Fiscal year 1997:

(A) New budget authority, $193,165,000,000.

(B) Outlays, $191,481,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $207,183,000,000.

(B) Outlays, $205,458,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $217,250,000,000.

(B) Outlays, $214,978,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $229,309,000,000.
(B) Outlays, $227,560,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $241,641,000,000.
(B) Outlays, $239,907,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $255,121,000,000.
(B) Outlays, $252,720,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(13) Income Security (600):
Fiscal year 1997:
(A) New budget authority, $232,612,000,000.
(B) Outlays, $240,107,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1998:
(A) New budget authority, $241,254,000,000.
(B) Outlays, $244,185,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, $244,842,000,000.
(B) Outlays, $251,716,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $262,510,000,000.
(B) Outlays, $263,060,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $262,260,000,000.
(B) Outlays, $265,271,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $281,100,000,000.
(B) Outlays, $277,213,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(14) Social Security (650):
Fiscal year 1997:
(A) New budget authority, $7,812,000,000.
(B) Outlays, $10,543,000,000.
(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $8,476,000,000.

(B) Outlays, $11,213,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $9,219,000,000.

(B) Outlays, $11,922,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $9,979,000,000.

(B) Outlays, $12,662,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $10,775,000,000.

(B) Outlays, $13,458,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $11,607,000,000.

(B) Outlays, $14,290,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1997:

(A) New budget authority, $39,117,000,000.

(B) Outlays, $39,654,000,000.

(C) New direct loan obligations, $935,000,000.

(D) New primary loan guarantee commitments $26,362,000,000.

Fiscal year 1998:

(A) New budget authority, $38,458,000,000.

(B) Outlays, $39,321,000,000.

(C) New direct loan obligations, $962,000,000.

(D) New primary loan guarantee commitments $25,925,000,000.

Fiscal year 1999:

(A) New budget authority, $37,712,000,000.

(B) Outlays, $38,063,000,000.

(C) New direct loan obligations, $987,000,000.

(D) New primary loan guarantee commitments $25,426,000,000.

Fiscal year 2000:

(A) New budget authority, $37,713,000,000.

(B) Outlays, $39,427,000,000.

(C) New direct loan obligations, $1,021,000,000.

(D) New primary loan guarantee commitments $24,883,000,000.

Fiscal year 2001:

(A) New budget authority, $38,002,000,000.

(B) Outlays, $36,882,000,000.

(C) New direct loan obligations, $1,189,000,000.

(D) New primary loan guarantee commitments $24,298,000,000.

Fiscal year 2002:

(A) New budget authority, $39,713,000,000.

(B) Outlays, $39,912,000,000.

(C) New direct loan obligations, $1,194,000,000.

(D) New primary loan guarantee commitments $23,668,000,000.

(16) Administration of Justice (750):

Fiscal year 1997:

(A) New budget authority, $22,125,000,000.

(B) Outlays, $19,930,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $22,302,000,000.

(B) Outlays, $21,162,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $23,186,000,000.

(B) Outlays, $22,241,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $23,235,000,000.

(B) Outlays, $22,944,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $20,746,000,000.

(B) Outlays, $20,704,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $20,740,000,000.

(B) Outlays, $20,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

(17) General Government (800):

Fiscal year 1997:

(A) New budget authority, $11,372,000,000.

(B) Outlays, $11,747,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1998:

(A) New budget authority, $13,314,000,000.

(B) Outlays, $13,640,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $12,592,000,000.

(B) Outlays, $12,928,000,000.

(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $12,987,000,000.
(B) Outlays, $13,364,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $12,549,000,000.
(B) Outlays, $12,454,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $13,020,000,000.
(B) Outlays, $12,321,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(18) Net Interest (900):
Fiscal year 1997:
(A) New budget authority, $282,653,000,000.
(B) Outlays, $282,653,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1998:
(A) New budget authority, $288,947,000,000.
(B) Outlays, $288,947,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, $292,607,000,000.
(B) Outlays, $292,607,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $294,004,000,000.
(B) Outlays, $294,004,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $298,041,000,000.
(B) Outlays, $298,041,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $302,443,000,000.
(B) Outlays, $302,443,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(19) Allowances (920):
Fiscal year 1997:
(A) New budget authority, $2,671,000,000.
(B) Outlays, -$1,032,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 1998:
(A) New budget authority, -$1,934,000,000.
(B) Outlays, -$833,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, -$2,025,000,000.
(B) Outlays, -$183,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, -$2,038,000,000.
(B) Outlays, -$271,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, -$2,026,000,000.
(B) Outlays, -$1,770,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, -$2,182,000,000.
(B) Outlays, -$2,139,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

(20) Undistributed Offsetting Receipts (950):
Fiscal year 1997:
(A) New budget authority, -$45,574,000,000.
(B) Outlays, -$45,574,000,000.
(C) New direct loan obligations, $7,900,000,000.
(D) New primary loan guarantee commitments $0.
Fiscal year 1998:
(A) New budget authority, -$35,574,000,000.
(B) Outlays, -$35,574,000,000.
(C) New direct loan obligations, $1,350,000,000.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, -$34,762,000,000.
(B) Outlays, -$34,762,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, -$36,540,000,000.
(B) Outlays, -$36,540,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, -$38,322,000,000.
(B) Outlays, -$38,322,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, -$40,586,000,000.
(B) Outlays, -$40,586,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

SEC. 4. RECONCILIATION.

(a) SUBMISSIONS.--

(1) WELFARE AND MEDICAID REFORM.--Not later than May 24, 1996, the House committees named in subsection (b) shall submit their recommendations to provide direct spending for welfare and medicaid reform to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(2) MEDICARE PRESERVATION.--Not later than June 14, 1996, the House committees named in subsection (c) shall submit their recommendations to provide direct spending for medicare preservation to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(3) TAX RELIEF AND MISCELLANEOUS DIRECT SPENDING REFORMS.--Not later than July 12, 1996, the House committees named in subsection (d) shall submit their recommendations to provide direct spending, deficit reduction, and revenues to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(4) CONTINGENT INSTRUCTION.--In addition to any bill described in paragraph (1), (2), or (3), if the chairman of the House Committee on the Budget submits a letter to the Speaker which sets forth an additional submission date for an omnibus reconciliation bill carrying out all instructions under subsections (b), (c), and (d) and that letter is printed in the Congressional Record, then the House committees named in those subsections shall promptly submit (or resubmit) recommendations to carry out those subsections to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(b) INSTRUCTIONS FOR WELFARE AND MEDICAID REFORM.--

(1) COMMITTEE ON AGRICULTURE.--The House Committee on Agriculture shall report changes in laws within its jurisdiction that provide direct spending for welfare reform such that the total level of direct spending for that committee does not exceed: $35,604,000,000 in outlays for fiscal year 1997, $36,597,000,000 in outlays for fiscal year 2002, and $216,199,000,000 in outlays in fiscal years 1997 through 2002.

(2) COMMITTEE ON COMMERCE.--The House Committee on Commerce shall report changes in laws within its jurisdiction that provide direct spending for medicaid reform such that the total level of direct spending for that committee does not exceed: $324,314,000,000 in outlays for fiscal year 1997,

$476,428,000,000 in outlays for fiscal year 2002, and $2,392,181,000,000 in outlays in fiscal years 1997 through 2002.

(3) COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES.--The House Committee on Economic and Educational Opportunities shall report changes in laws within its jurisdiction that provide direct spending for welfare reform such that the total level of direct spending for that committee does not exceed: $15,812,000,000 in outlays for fiscal year 1997, $19,677,000,000 in outlays for fiscal year 2002, and $105,343,000,000 in outlays in fiscal years 1997 through 2002.

(4) COMMITTEE ON WAYS AND MEANS.--The House Committee on Ways and Means shall report changes in laws within its jurisdiction that provide direct spending for welfare reform such that the total level of direct spending for that committee does not exceed: $382,631,000,000 in outlays for fiscal year 1997, $563,077,000,000 in outlays for fiscal year 2002, and $2,810,370,000,000 in outlays in fiscal years 1997 through 2002.

(c) INSTRUCTIONS FOR MEDICARE PRESERVATION.--

(1) COMMITTEE ON COMMERCE.--The House Committee on Commerce shall report changes in laws within its jurisdiction that provide direct spending for medicare preservation such that the total level of direct spending for that committee does not exceed: $317,514,000,000 in outlays for fiscal year 1997, $425,828,000,000 in outlays for fiscal year 2002, and $2,234,080,000,000 in outlays in fiscal years 1997 through 2002.

(2) COMMITTEE ON WAYS AND MEANS.--The House Committee on Ways and Means shall report changes in laws within its jurisdiction that provide direct spending for medicare preservation such that the total level of direct spending for that committee does not exceed: $375,831,000,000 in outlays for fiscal year 1997, $512,477,000,000 in outlays for fiscal year 2002, and $2,652,269,000,000 in outlays in fiscal years 1997 through 2002.

(d) INSTRUCTIONS FOR TAX RELIEF AND MISCELLANEOUS DIRECT SPENDING REFORMS.--

(1) COMMITTEE ON BANKING AND FINANCIAL SERVICES.--(A) The House Committee on Banking and Financial Services shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: -$12,249,000,000 in outlays for fiscal year 1997, -$6,116,000,000 in outlays for fiscal year 2002, and -$42,310,000,000 in outlays in fiscal years 1997 through 2002.

(B) The House Committee on Banking and Financial Services shall report changes in laws within its jurisdiction that would reduce the deficit by: $0 in fiscal year 1997, $115,000,000 for fiscal year 2002, and $305,000,000 in fiscal years 1997 through 2002.

(2) COMMITTEE ON COMMERCE.--The House Committee on Commerce shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct

spending for that committee does not exceed: $316,013,000,000 in outlays for fiscal year 1997, $419,609,000,000 in outlays for fiscal year 2002, and $2,213,093,000,000 in outlays in fiscal years 1997 through 2002.

(3) COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES.--The House Committee on Economic and Educational Opportunities shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $14,968,000,000 in outlays for fiscal year 1997, $18,818,000,000 in outlays for fiscal year 2002, and $101,044,000,000 in outlays in fiscal years 1997 through 2002.

(4) COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT.--(A) The House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $65,130,000,000 in outlays for fiscal year 1997, $82,548,000,000 in outlays for fiscal year 2002, and $442,000,000,000 in outlays in fiscal years 1997 through 2002.

(B) The House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that would reduce the deficit by: $255,000,000 in fiscal year 1997, $575,000,000 for fiscal years 2002, and $2,886,000,000 in fiscal years 1997 through 2002.

(5) COMMITTEE ON INTERNATIONAL RELATIONS.--The House Committee on International Relations shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $13,025,000,000 in outlays for fiscal year 1997, $10,311,000,000 in outlays for fiscal year 2002, and $67,953,000,000 in outlays in fiscal years 1997 through 2002.

(6) COMMITTEE ON THE JUDICIARY.--The House Committee on the Judiciary shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $2,784,000,000 in outlays for fiscal year 1997, $4,586,000,000 in outlays for fiscal year 2002, and $24,982,000,000 in outlays in fiscal years 1997 through 2002.

(7) COMMITTEE ON NATIONAL SECURITY.--The House Committee on National Security shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $39,787,000,000 in outlays for fiscal year 1997, $49,551,000,000 in outlays for fiscal year 2002, and $270,749,000,000 in outlays in fiscal years 1997 through 2002.

(8) COMMITTEE ON RESOURCES.--The House Committee on Resources shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $2,132,000,000 in outlays for fiscal year 1997, $2,057,000,000 in outlays for fiscal year 2002, and $11,739,000,000 in outlays in fiscal years 1997 through 2002.

(9) COMMITTEE ON SCIENCE.--The House Committee on Science shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $40,000,000 in outlays for fiscal year 1997, $46,000,000 in outlays for fiscal year 2002, and $242,000,000 in outlays in fiscal years 1997 through 2002.

(10) COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE.--The House Committee on Transportation and Infrastructure shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $18,254,000,000 in outlays for fiscal year 1997, $17,890,000,000 in outlays for fiscal year 2002, and $106,903,000,000 in outlays in fiscal years 1997 through 2002.

(11) COMMITTEE ON VETERANS' AFFAIRS.--The House Committee on Veterans' Affairs shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $21,375,000,000 in outlays for fiscal year 1997, $22,217,000,000 in outlays for fiscal year 2002, and $130,468,000,000 in outlays in fiscal years 1997 through 2002.

(12) COMMITTEE ON WAYS AND MEANS.--(A) The House Committee on Ways and Means shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $373,764,000,000 in outlays for fiscal year 1997, $509,912,000,000 in outlays for fiscal year 2002, and $2,638,286,000,000 in outlays in fiscal years 1997 through 2002.

(B) The House Committee on Ways and Means shall report changes in laws within its jurisdiction such that the total level of revenues for that committee is not less than: $1,050,476,000,000 in revenues for fiscal year 1997, $1,319,852,000,000 in revenues for fiscal year 2002, and $7,047,865,000,000 in revenues in fiscal years 1997 through 2002.

(e) DEFINITION.--For purposes of this section, the term "direct spending" has the meaning given to such term in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 5. SALE OF GOVERNMENT ASSETS.

(a) BUDGETARY TREATMENT.--For purposes of the Congressional Budget Act of 1974, amounts realized from sales of assets shall be scored with respect to the level of budget authority, outlays, or revenues.

(b) DEFINITION.--For purposes of this section, the term "sale of an asset" shall have the same meaning as under section 250(c)(21) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) TREATMENT OF LOAN ASSETS.--For purposes of this section, the sale of loan assets or the prepayment of a loan shall be governed by the terms of the Federal Credit Reform Act of 1990.

SEC. 6. CREDIT REFORM AND DIRECT STUDENT LOANS.

For the purposes of any concurrent resolution on the budget and the Congressional Budget Act of 1974, the cost of a direct loan under the Federal direct student loan program shall be the net present value, at the time when the direct loan is disbursed, of the following cash flows for the estimated life of the loan--

(1) loan disbursements;

(2) repayments of principal;

(3) payments of interest and other payments by or to the Government over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries; and

(4) direct expenses, including--

(A) activities related to credit extension, loan origination, loan servicing, management of contractors, and payments to contractors, other government entities, and program participants;

(B) collection of delinquent loans; and

(C) writeoff and closeout of loans.

SEC. 7. SENSE OF CONGRESS ON BASELINES.

(a) FINDINGS.--Congress finds that:

(1) Baselines are projections of future spending if existing policies remain unchanged.

(2) Under baseline assumptions, spending automatically rises with inflation even if such increases are not mandated under existing law.

(3) Baseline budgeting is inherently biased against policies that would reduce the projected growth in spending because such policies are depicted as spending reductions from an increasing baseline.

(4) The baseline concept has encouraged Congress to abdicate its constitutional obligation to control the public purse for those programs which are automatically funded.

(b) SENSE OF CONGRESS.--It is the sense of Congress that baseline budgeting should be replaced with a budgetary model that requires justification of aggregate funding levels and maximizes congressional accountability for Federal spending.

SEC. 8. SENSE OF CONGRESS ON EMERGENCIES.

(a) FINDINGS.--Congress finds that:

(1) The Budget Enforcement Act of 1990 exempted from the discretionary spending limits and the Pay-As-You-Go requirements for entitlement and tax legislation funding requirements that are designated by Congress and the President as an emergency.

(2) Congress and the President have increasingly misused the emergency designation by--

(A) designating as emergencies funding requirements that are predictable and do not pose a threat to life, property, or national security,

(B) designating emergencies with the sole purpose of circumventing statutory and congressional spending limitations and

(C) adding to emergency legislation controversial items that would not otherwise withstand public scrutiny.

(b) SENSE OF CONGRESS.--It is the sense of Congress that in order to balance the Federal budget Congress should consider alternative approaches to budgeting for emergencies, including codifying the definition of an emergency, establishing contingency funds to pay for emergencies, and fully offsetting the costs of emergencies with rescissions of spending authority that would have been obligated but for the rescission.

SEC. 9. SENSE OF CONGRESS ON LOAN SALES.

(a) FINDINGS.--Congress finds that:

(1) The House and Senate Appropriations Subcommittees on Treasury, Postal Service, and General Government have stated that "more consideration should be given to the sale of nonperforming loans held not only by HUD, but by all Federal agencies that provide credit programs" and directed the Office of Management and Budget to direct Federal agencies to evaluate the value of their credit programs and develop a plan for the privatization of such credit programs.

(2) The Senate Appropriations Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies has directed that the Small Business Administration should study and report to Congress on the feasibility of private servicing of SBA loan activities.

(3) The House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies previously directed the Farmers Home Administration to "explore the potential savings that might occur from contract centralized servicing."

(4) The Committee on Agriculture of the House has consistently urged the Secretary of Agriculture to explore contracting out loan servicing operations.

(5) The General Accounting Office has found that "Allowing the public and private sectors to compete for the centralized servicing (of loans) could mean reaping the benefits of the competitive marketplace - greater efficiency, increased focus on customer needs, increased innovation, and improved morale."

(6) The House Committee on Small Business has recommended "that 40 percent of the loan servicing portfolio (for Disaster Loans) be privatized."

(7) The President's Budget for Fiscal Year 1997 proposes to review options for improving the quality of loan portfolio management including contracting to the private sector.

(b) SENSE OF CONGRESS.--It is the sense of Congress that the appropriate committees of the House and the Senate should report legislation authorizing the sale of such loan assets as they deem appropriate in order to contribute to Government downsizing, administrative cost savings, and improved services to borrowers.

SEC. 10. SENSE OF CONGRESS ON CHANGES IN MEDICAID.

It is the sense of Congress that any legislation changing the medicaid program pursuant to this resolution should--

(1) guarantee coverage for low-income children, pregnant women, the elderly, and the disabled as described in the Na-

tional Governors' Association February 6, 1996, policy on reforming medicaid, which was endorsed unanimously by our Nation's governors;

(2) maintain the medicaid program as a matching program while providing a fairer and more equitable formula for calculating the matching rate;

(3) reject any illusory financing schemes;

(4) continue Federal minimum standards for nursing homes;

(5) continue Federal rules that prevent wives or husbands from being required to impoverish themselves in order to obtain and keep medicaid benefits for their spouse requiring nursing home care; and

(6) provide coverage of medicare premiums and cost-sharing payments for low-income seniors consistent with the unanimous National Governors' Association medicaid policy.

SEC. 11. SENSE OF CONGRESS ON DOMESTIC VIOLENCE AND FEDERAL ASSISTANCE.

(a) FINDINGS.--Congress finds that--

(1) domestic violence is the leading cause of physical injury to women; the Department of Justice estimates that over one million violent crimes against women are committed by intimate partners annually;

(2) domestic violence dramatically affects the victim's ability to participate in the workforce; a University of Minnesota survey reported that one-quarter of battered women surveyed had lost a job partly because of being abused and that over half of these women had been harassed by their abuser at work;

(3) domestic violence is often intensified as women seek to gain economic independence through attending school or training programs; batterers have been reported to prevent women from attending these programs or sabotage their efforts at self-improvement;

(4) nationwide surveys of service providers prepared by the Taylor Institute of Chicago, document, for the first time, the interrelationship between domestic violence and welfare by showing that between 50 percent and 80 percent of AFDC recipients are current or past victims of domestic violence;

(5) over half of the women surveyed stayed with their batterers because they lacked the resources to support themselves and their children; the surveys also found that the availability of economic support is a critical factor in poor women's ability to leave abusive situations that threaten them and their children; and

(6) proposals to restructure the welfare programs may impact the availability of the economic support and the safety net necessary to enable poor women to flee abuse without risking homelessness and starvation for their families.

(b) SENSE OF CONGRESS.--It is the sense of Congress that--

(1) no welfare reform provision shall be enacted by Congress unless and until Congress considers whether such welfare reform provisions will exacerbate violence against women and their children, further endanger women's lives, make it

more difficult for women to escape domestic violence, or further punish women victimized by violence; and

(2) any welfare reform measure enacted by Congress shall require that any welfare-to-work, education, or job placement programs implemented by the States will address the impact of domestic violence on welfare recipients.

SEC. 12. SENSE OF CONGRESS ON IMPACT OF LEGISLATION ON CHILDREN.

(a) SENSE OF CONGRESS.--It is the sense of Congress that Congress should not adopt or enact any legislation that will increase the number of children who are hungry, homeless, poor, or medically uninsured.

(b) LEGISLATIVE ACCOUNTABILITY FOR IMPACT ON CHILDREN.--In the event legislation enacted to comply with this resolution results in an increase in the number of hungry, homeless, poor, or medically uninsured by the end of fiscal year 1997, Congress shall revisit the provisions of such legislation which caused such increase and shall, as soon as practicable thereafter, adopt legislation which would halt any continuation of such increase.

SEC. 13. SENSE OF HOUSE OF REPRESENTATIVES ON DEBT REPAYMENT.

It is the sense of the House of Representatives that--

(1) Congress has a basic moral and ethical responsibility to future generations to repay the Federal debt;

(2) Congress should enact a plan that balances the budget, and then also develops a regimen for paying off the Federal debt;

(3) after the budget is balanced, a surplus should be created which can be used to begin paying off the debt; and

(4) such a plan should be formulated and implemented so that this generation can save future generations from the crushing burdens of the Federal debt.

SEC. 14. SENSE OF CONGRESS ON COMMITMENT TO A BALANCED BUDGET BY FISCAL YEAR 2002.

It is the sense of Congress that the President and Congress should continue to adhere to the statutory commitment made by both parties on November 20, 1995, to enact legislation to achieve a balanced budget not later than fiscal year 2002 as estimated by the Congressional Budget Office.

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