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FAX COVER SHEET

NANCY-ANN MIN DEPARLE
ASSOCIATE DIRECTOR FOR HEALTH & PERSONNEL
OFFICE OF MANAGEMENT AND BUDGET
Room 262/OEOB
Washington, D.C. 20503
Phone: 202-395-5178
Fax: 202-395-9119

Date: June 6

To: Sandy Thurman

Fax #: 632 - 1096

Subject: letter on dijunct

Pages:

COMMENTS:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 5, 1997

Dale Oak
Staff Assistant
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Dale:

We have received calls concerning a special data run on budget accounts that we did in response to your request. It is clear from these calls that we have created confusion about whether the resulting report reflects the Administration's proposed discretionary funding levels by account consistent with the Bipartisan Budget Agreement. It does not.

As you know, the report we prepared reflects the defense and non-defense items specified in the Agreement and a mechanical distribution of the remaining reductions in non-defense spending called for in the Agreement. It was prepared by my staff solely as a technical service to Appropriations Committee staff. It does not represent the Administration's proposed funding levels. It was not reviewed by any Administration policy official, and it should not be construed in any way to reflect the Administration's position on the distribution of the discretionary levels for FY 1998 contained in the Bipartisan Budget Agreement.

The Director's letter to Chairman Livingston of May 30 provided the Administration's recommendations for the allocation of discretionary resources consistent with the Agreement among the thirteen subcommittees. This is the only allocation of discretionary resources that reflects the Administration's position. I would appreciate if in using the data, you would clarify that it reflects a mechanical distribution, and does not reflect the Administration's policies. Thank you.

Sincerely,

Barry

Barry B. Anderson
Assistant Director for Budget

National Organizations Responding to AIDS (NORA)
FAX MEMORANDUM

Date: 22 May 1997

To: NORA coalition members

From: NORA Executive Committee

Re: Labor-HHS-Education Appropriations sign-on letter for the Coalition for Health Funding
DEADLINE: Wednesday, May 28, 1997

Attached please find a Coalition for Health Funding sign-on letter to House Labor-HHS-Education Subcommittee Chair Robert Livingston (R-LA) requesting funding protections and appropriate funding levels for public health and education programs within the Labor-HHS-Education appropriations bill. If you would like for your organization to sign on, please fax the form below to the attention of **Marcia Mabee at the Coalition for Health Funding, at 703-476-8078 by close of business Wednesday, May 28, 1997.**

_____ Yes, I would like to sign on to the CHF letter requesting appropriate funding levels for public health and education programs in the Labor-HHS appropriations bill

_____ No, I do not wish to sign on to the letter

____
Organization (please print

____
Name

Please fax this form to the attention of Marcia Mabee at Coalition for Health Funding, 703-476-8078.

COALITION FOR HEALTH FUNDING
COMMITTEE FOR EDUCATION FUNDING

May 27, 1997

The Honorable Robert Livingston
Chairman, Committee on Appropriations
U.S. House of Representatives
H-218 The Capitol
Washington, DC 20515

Dear Mr. Chairman:

We sincerely appreciate the very difficult choices facing you and all the Members of Congress as efforts are made to lower the federal deficit. But we urge you to make every possible effort to support the public health and education programs under the jurisdiction of the Labor-HHS-Education Appropriations Subcommittee.

The undersigned organizations represent national, state, and local groups concerned about the appropriate level of investment in our future through quality education of America's children, youth, and adults and in public health prevention, research, services and workforce training. The federal programs and activities these organizations support are fundamental to the well-being of all Americans and strengthen our nation's productivity, both now and in the future. Investment in biomedical and behavioral research, development, and public health practitioners, and health care services for the medically underserved in rural and urban areas are investments in a healthier population and a significant down payment on lowering the health care costs threatening to explode in the next century. Investment in enrollments, growing proportions of students with special needs, rapidly advancing educational technology, and a dynamic information-based economy requiring a more educated workforce.

The undersigned organizations, most of whom represent the memberships of the Committee for Education Funding, the Coalition for Health Funding, and other health and education coalitions, urge you to provide the highest possible allocation to the Subcommittee on Labor-HHS-Education Appropriations when the Committee deliberates under the 602B process, funding levels for FY 1998.

Sincerely,

Karen Hendricks
President
Coalition for Health Funding

Carnie Hayes
President
Committee for Education Funding

(here we would list all organizations signing on)

OMB

FY 1998 Budget Funding for Selected HIV/AIDS Activities
(BA -- $ in Millions)

	FY 1993 Act.	FY 1997 Enacted	FY 1998 Budget	*% +/- FY 1998 vs. FY 1997*	*% +/- FY 1998 vs. FY 1993*
Ryan White	386	996	1,036	4%	168%
NIH AIDS Research	1074	1,501	1,541	3%	43%
CDC HIV Prevention	498	617	634	3%	27%
HUD HOPWA	100	196	204	4%	104%

2/4/97

FEDERAL HIV FUNDING BY AGENCY
(Obligations in $ millions)

	FY93 Actual	FY96 Actual	FY97 Enacted	FY98 Budget	*$ FY98 Budget +/- FY97*	*% FY98 Budget +/- FY97*	*$ FY98 Budget +/- FY93*	*% FY98 Budget +/- FY93*
Health and Human Services								
HHS Discretionary	2,108	2,898	3,270	3,365	*+95*	*+3%*	*+1,257*	*+60%*
Medicaid (Federal Share)	1,000	1,600	1,800	1,900	*+100*	*+6%*	*+900*	*+90%*
Medicare	600	1,100	1,300	1,400	*+100*	*+8%*	*+800*	*+133%*
Social Security	670	976	1,070	1,163	*+93*	*+9%*	*+493*	*+74%*
Veterans	299	331	350	358	*+8*	*+2%*	*+59*	*+20%*
Defense	155	98	98	100	*2*	*+2%*	*-55*	*-35%*
HUD (HOPWA)**	100	171	196	204	*+8*	*+4%*	*+104*	*+104%*
OPM-FEHB	175	226	241	253	*+12*	*+5%*	*+78*	*+45%*
Other***	124	122	126	127	*+1*	*+1%*	*+3*	*+2.4%*
AID/State/Prisons								
Total HIV Funding	5,231	7,522	8,451	8,870	*+419*	*+5%*	*+3,639*	*+70%*

Federal HIV Funding Breakdown By Category

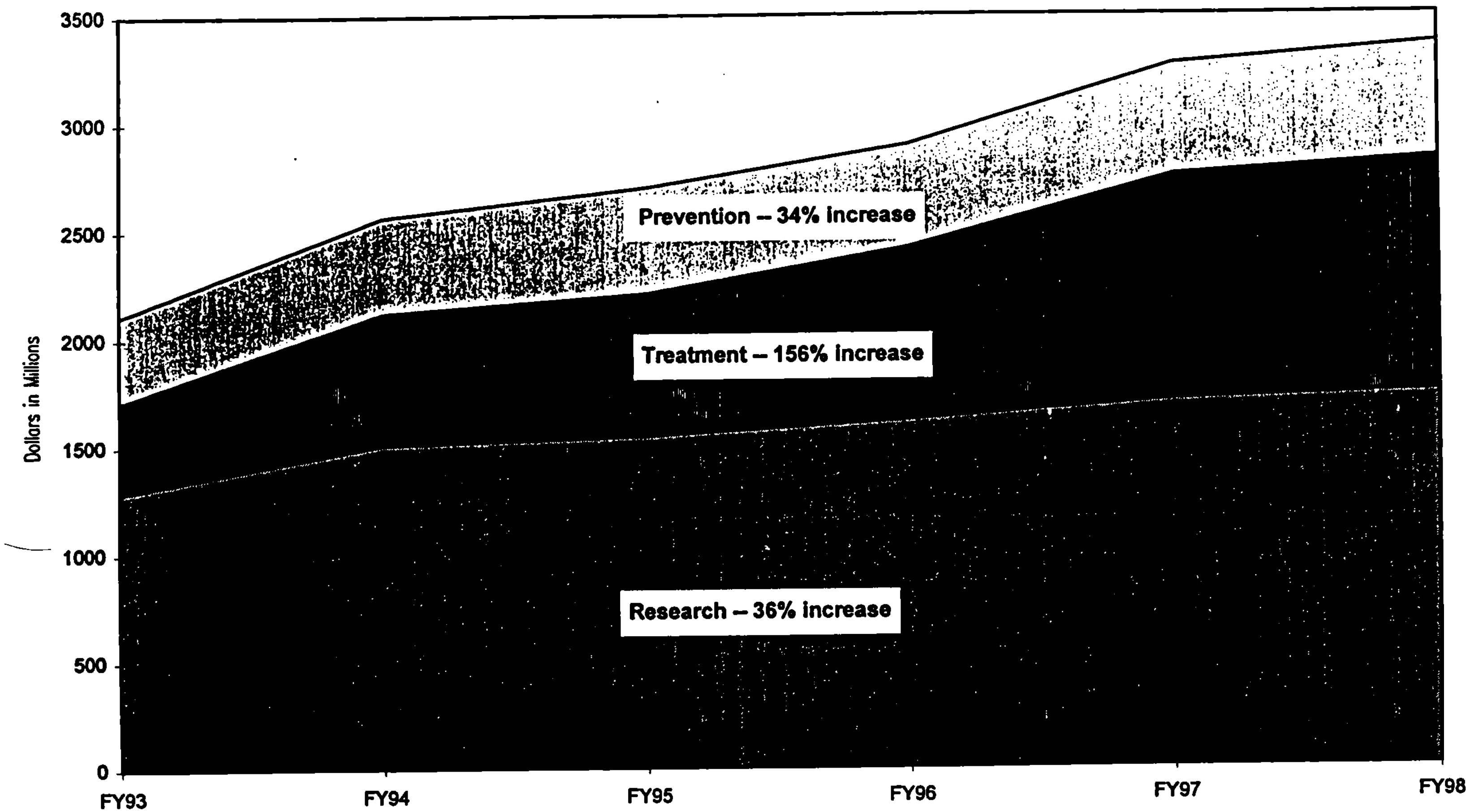
Category	FY 1996 Actual		FY 1997 Enacted		FY 1998 Budget		*$ +/- FY 1998 vs. FY 1997*	*% +/- FY 1998 vs. FY 1997*
	BA	% of Total	BA	% of Total	BA	% of Total		
(Research)	1,653	22%	1,738	21%	1,774	20%	*+36*	+2%
(Prevention)	635	8%	678	8%	697	8%	*+19*	+3%
(Medical Care)	4,087	54%	4,769	56%	5,032	57%	*+263*	+6%
(Income Maintenance)	1,147	15%	1,266	15%	1,367	15%	*+101*	+8%

*HCFA has developed a new method for estimating AIDS costs to Medicaid and Medicare. They have only done estimates of these new methods for 1994-2002.
**The FY97 Enacted level for HOPWA assumes that $25 million of Section 8 Rental Assistance is reacaptured and transferred to HOPWA as provided in section 214(b) (2) of the VA/HUD/Independent Agencies Appropriation Act of 1997.
***Includes USAID, Bureau of Prisons, State, and Labor.

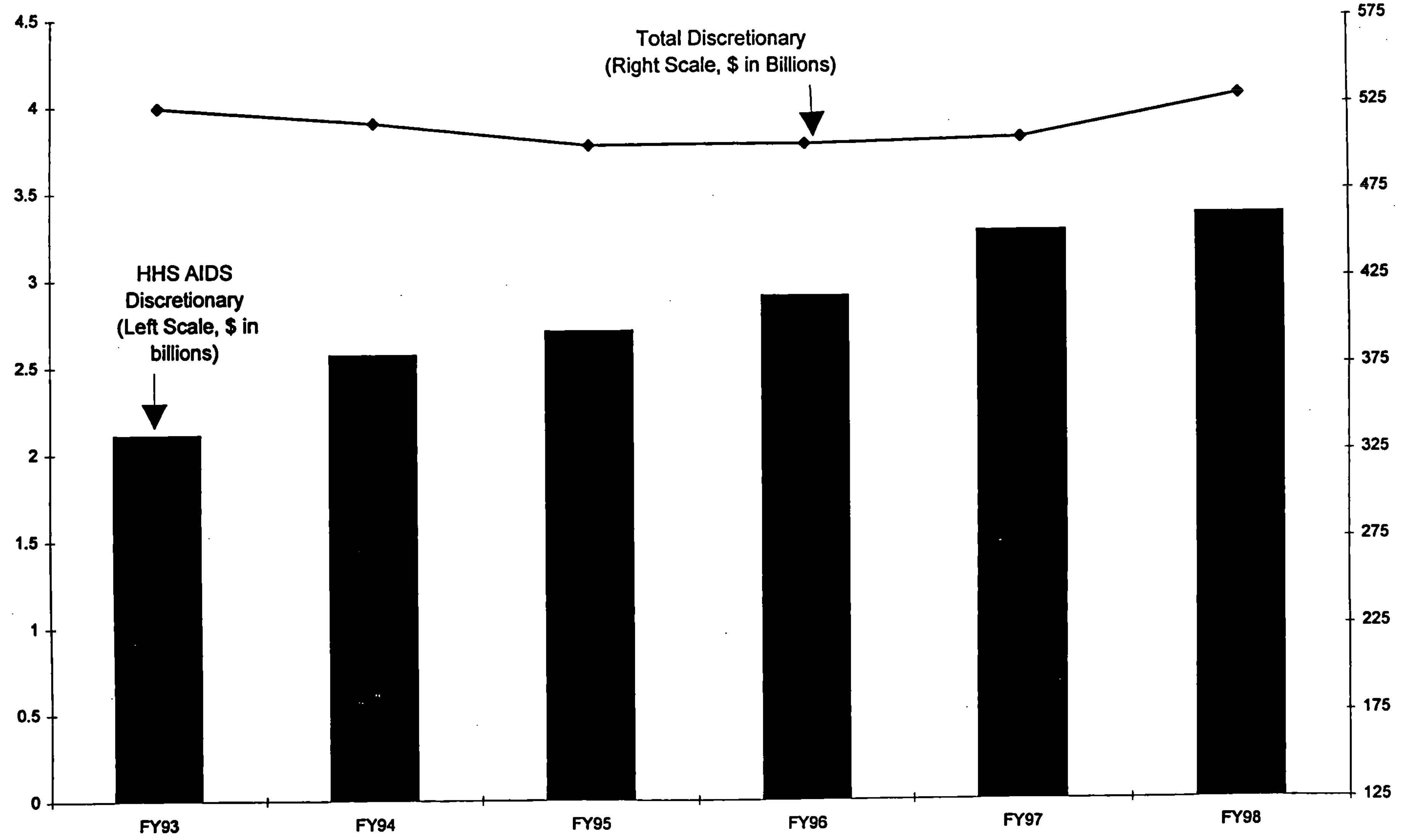
Discretionary HHS HIV/AIDS Funding in The FY 1998 Budget
(Dollars in Millions)

	FY93 Actual	FY96 Actual	FY97 Enacted	FY98 Budget	FY98 $ +/- FY97 Enacted	FY98 % +/- FY97 Enacted	FY98 $ +/- FY93 Enacted	FY98 % +/- FY93 Enacted
FDA	73	73	73	73	0	0%	0	0%
HRSA								
Ryan White	386	757	996	1,036	+40	+4%	+650	+168%
Other HRSA	4	5	5	5	0	0%	+1	+25%
TOTAL HRSA	390	762	1,001	1,041	+40	+4%	+651	+167%
IHS	3	3	4	4	+0.1	+4%	+0	+14%
CDC	498	584	617	634	+17	+3%	+136	+27%
NIH	1,071	1,411	1,501	1,541	+40	+3%	+469	+44%
SAMHSA	55	54	66	67	+2	+2%	+12	+23%
AHCPR	10	6	4	1	-3	-73%	-8	-88%
OS								
National AIDS Program Office	2.9	0.5	0.6	0.6	0.0	+3%	-2	-80%
Office of Minority Health	2.4	2.3	2.3	2.3	0.0	+0%	-0	-5%
Office of Civil Rights	2.6	1.0	1.0	1.0	0.1	+5%	-2	-60%
Total OS	7.9	3.8	3.8	3.9	0.1	+2%	-4	-51%
Total HHS Discretionary	2,108	2,898	3,270	3,365	+95	+3%	1,257	+60%

Overall Discretionary AIDS Funding at HHS Grew 60% (to $3.4 billion) between 1993 and 1998, with AIDS Treatment Spending Growing the Fastest



HHS Discretionary AIDS Spending Increases by 60% (from $2.1 Billion to $3.4 Billion) over FY 1993-98. Total Discretionary Funding Increases by 1% from $524.5 Billion to $530.5 Billion Over the Same Period.



2/5/97

FY 1998 BUDGET DISTRIBUTION OF RYAN WHITE FUNDS (BA -- $ in Millions)						
	FY 1993	FY 1996	FY 1997	FY 1998		
Title	Enacted*	Enacted	Enacted	Total FY98 Budget	*% Increase FY98 over FY97*	*% Increase FY98 over FY93*
I (Cities)	184.757	391.700	449.943	454.943	*+1.11%*	+146.2%
II (States)						
Regular Grant	115.288	208.847	249.954	264.954	*+6.00%*	+129.8%
ADAP Set-Aside	0.000	52.000	167.000	167.000	*+0.00%*	NA
Total Title II	115.000	260.847	416.954	431.954	*+3.60%*	+275.6%
IIIb (Clinics')	47.968	56.918	69.568	84.568	*+21.56%*	+76.3%
IV (Pediatric)	20.897	29.000	36.000	40.000	*+11.11%*	+91.4%
V (Dental)	0.000	6.937	7.500	7.500	*+0.00%*	NA
VI (AIDS ETCs)	16.975	12.000	16.287	17.287	*+6.14%*	+1.8%
TOTAL	385.597	757.402	996.252	1036.252	***+4.02%***	**+168.7%**

*Displayed comparably to current law. In FY 1993, Titles IV,V and VI were not authorized or funded under the Ryan White CARE Act.

February 1996

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Craig Henry Examiner
Phoebe Vickers—Div Dir

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- Health Programs & Services Branch
- HHS Unit

VA/Personnel Division
- OPM, Postal Service, and EXOP Branch
- Veterans Affairs Branch

Tim Hegstead
VA Branch Chief

HUMAN RESOURCES
Human Resources Division
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- Labor Branch
- Income Maintenance Branch

GENERAL GOVERNMENT AND FINANCE
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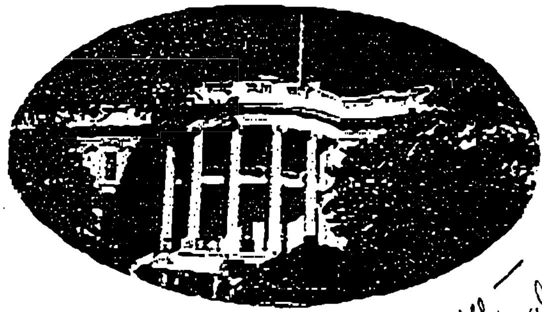
- Transportation Branch
- Commerce Branch
- Justice/GSA Branch

Housing, Treasury, & Finance Division
- Financial Institutions Branch
- Treasury Branch
- Housing Branch

HOPWA



DATE:

TO: Sandy Thurman

AGENCY:

FAX NO: 632-1096

FROM: Nancy-Ann Min
Associate Director for Health and Personnel
Office of Management and Budget
Executive Office of the President
Rm. 262/OEOB
Washington, D.C. 20503

Phone: 202-395-5178
Fax: 202-395-9119

COMMENTS:

Secretary — traditionally AIDS programs + HS have been only protected classes In order to shut Republicans up + save Medicaid everything

Melisa Scofield HHS —

Dec — Presidential vaccine talk

Feb —

April 1 —

Ruth Kirshstein

Harold Varmus — 301 496-2433

Bill Paul —

Have not give up —

Funds have just come out

determine need

assess data

currently

in light of guidelines

2 times last year —

Number of pages (including cover): ___

May 15, 1997

partisan Budget Agreement between the President and the Leadership of Congress

mmary Tables

escription of Agreement by Major Category
Discretionary Programs
Mandatory Programs

udget Process

etters pertaining to tax issues

ments of this Bipartisan Budget Agreement provide for deficit reduction amounts that are estimated to n a Balanced Budget by fiscal year 2002.

partisan Budget Agreement is approved by the President, the Speaker of the House of Representatives, the Majority Leader, and the Senate Minority Leader. The President and the Congressional leadership agree to in a coordinated effort seeking to enact the Bipartisan Budget Agreement. Their coordinated effort shall produce support for the Agreement by a majority of Democrats and Republicans in both the House and the . This agreement represents commitments to good faith efforts; it does not purport to amend or suspend f the House or Senate. If bills, resolutions, or conference reports are deemed to be inconsistent, remedial shall be made by all parties to assure consistency. Such efforts shall include bipartisan Leadership :ation and concurrence on amendments and scheduling as necessary.

l upon budget levels are shown on the tables included in this agreement, including deficit reduction levels, category levels for discretionary, mandatory, and tax and receipt changes.

tionary priority spending will be protected by the amounts set forth in this Agreement.

l budget process items will be included in the budget resolution (as appropriate) and reconciliation, and are h in the budget process description included in this Agreement.

rease in the debt limit sufficient to extend the limit at least to December 15, 1999 will be included in a iliation bill carrying out this Agreement.

Iouses shall pass the 1998 budget resolution with reconciliation instructions fully reflecting the Bipartisan t Agreement. Such budget resolution shall contain 602(a) allocations consistent with this Agreement and istruct appropriate Committees to report, with or without a recommendation, legislation necessary to nent this Agreement. Conference reports on the reconciliation bills and appropriations bills that reflect the isan Budget Agreement shall be voted in both houses of Congress.

8. It is the intention of the leaders that Congress shall present the revenue reconciliation bill to the President after the spending reduction reconciliation bill. This assumes a good faith effort by all parties to enable such a legislative process to succeed.

9. If during the reconciliation process it is determined that the target of a balanced budget in fiscal year 2002 cannot be achieved, all parties to the agreement commit to seeking additional savings necessary to achieve balance.

10. To the extent possible, efforts will be exercised to exclude other mandatory savings and appropriations riders unacceptable to the Congressional Leadership or the Administration, as so identified in official Administration announcements, letters, Statements of Administration Policy, or other communications.

SUMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MA

(Dollars in billions)

	1997	1998	1999	2000	2001	2002
Baseline deficits a/	67	89	109	121	95	105
Discretionary:						
Defense	--	-3	-10	-18	-18	-28
Nondefense	--	-1	-3	-8	-17	-32
Mandatory:						
Presidential initiatives	--	6	6	7	7	6
Medicare	--	-7	-17	-23	-29	-40
Medicaid	--	--	-2	-2	-4	-6
Other mandatory	--	-1	-6	-14	1	-19
Revenues:						
Net tax relief	--	7	11	22	23	21
Total policy changes	--	1	-19	-36	-37	-99
Debt service	--	0	-0	-2	-4	-7
Total deficit reduction	--	1	-19	-38	-41	-106
Resulting deficit/surplus	67	90	90	83	53	-1

NOTE: Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as positive because it increases the deficit.

a/ Baseline includes fiscal dividend, CBO revenue update, and assumes discretionary spending increases at the rate of inflation.

Long Range Summary, 1997-2007
(In billions of dollars)

		Agreement					Projections					Totals	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	98-02	98-07
Current Services Deficit	67.2	69.0	109.1	121.9	94.5	104.9	103.2	106.8	133.3	127.8	117.0		
Discretionary savings:													
Defense	--	-3.0	-9.9	-17.9	-16.3	-27.7	-32.1	-33.0	-34.0	-36.0	-36.1	-76.8	-247.0
Nondefense	--	-1.0	-2.6	-8.0	-17.4	-32.3	-36.6	-39.9	-42.6	-46.1	-47.6	-61.2	-272.8
Subtotal, discretionary savings	--	-4.0	-12.6	-25.9	-35.7	-59.9	-68.6	-72.9	-76.6	-80.1	-83.6	-138.0	-519.9
Mandatory savings:													
Medicare, net	--	-6.5	-16.6	-22.7	-26.0	-40.0	-50.0	-60.0	-65.0	-70.0	-74.0	-116.0	-434.0
Medicaid, net	--	--	-1.6	-2.4	-3.6	-6.2	-7.1	-8.6	-10.2	-12.0	-13.8	-13.7	-65.6
Other mandatory:													
Spectrum	--	--	-3.6	-3.6	-4.6	-14.8	-1.9	-1.0	-1.0	-1.0	-1.0	-26.3	-32.2
Other	--	-1.3	-2.1	-10.9	-8.5	-4.4	-1.6	-3.2	-17.7	-4.9	12.3	-13.3	-28.2
Subtotal, mandatory savings	--	-7.8	-23.9	-39.6	-31.6	-66.4	-60.6	-72.8	-93.9	-87.9	-76.6	-168.3	-559.9
Debt service, net	--	0.0	-0.6	-2.0	-3.8	-7.4	-12.5	-18.2	-26.0	-32.5	-39.9	-13.8	-141.8
Subtotal, savings proposals	--	-11.8	-36.6	-67.4	-71.1	-132.8	-141.6	-163.9	-196.6	-200.5	-200.0	-319.9	-1,221.4
Domestic initiatives	--	5.9	6.1	6.7	6.6	6.0	6.6	7.0	7.0	7.0	7.0	31.2	65.8
Net tax cut	--	7.4	11.3	22.4	23.4	20.6	27.2	28.8	31.4	36.2	41.6	85.0	249.8
Total changes	--	1.5	-19.4	-38.3	-41.2	-106.3	-107.8	-128.4	-157.1	-157.3	-151.4	-203.7	-905.7
Resulting deficit/surplus (-)	67.2	80.4	89.7	83.6	53.3	-1.3	-4.6	-19.6	-23.9	-28.5	-34.4		

NOTE: 2000 and 2006 have 13 benefit payments and 2001 and 2007 have 11. The baseline has been adjusted to effect normalization to 12 benefit payments in each year.

G:\LOTUS\FINALOFF.WK4
05/16/97
10:47 AM

Domestic Initiatives and Restorations in Agreement

(in billions of dollars)

	1998	1999	2000	2001	2002	5-year total
nigrants:						
abled						
:aid	0.4	0.4	0.3	0.3	0.3	1.7
	1.7	1.6	1.6	1.2	1.2	7.5
.ds (SSI only)[1]	0.1	0.1	0.1	0.1	0.1	0.3
sylees	0.0	0.0	0.0	0.0	0.0	0.2
'ants	2.2	2.2	2.0	1.7	1.6	9.7
nce:						
slots for 18-50's	0.2	0.2	0.2	0.2	0.2	1.0
ption for 18-50's	0.1	0.1	0.1	0.1	0.1	0.5
on assistance	0.3	0.3	0.3	0.3	0.3	1.5
add to TANF	0.7	0.7	1.0	0.6	--	3.0
rants, nutrition, and work	3.2	3.3	3.4	2.4	2.0	14.2
th	2.3	2.7	3.2	3.7	3.9	16.0
quisition & exchange[2]	0.3	0.2	0.2	0.1	--	0.7
reserve	0.2	0.2	0.2	0.2	0.2	1.0
ne Medicare premiums	0.2	0.3	0.3	0.3	0.4	1.5
Initiatives and restorations	6.3	6.6	7.3	7.0	6.5	33.6

's reflected in elderly/disabled medicaid line

AM

16-May-97
10:26 AM
AGREE.xls

Agreement on Discretionary Funding
(In millions of dollars)

For functions specified below, implementing legislation will protect the function levels.

	FY 1998 BA	FY 1998 OL	FY 1999 BA	FY 1999 OL	FY 2000 BA	FY 2000 OL	FY 2001 BA	FY 2001 OL	FY 2002 BA	FY 2002 OL
-- National Defense	269,000	266,823	271,500	266,518	275,367	265,996	281,047	270,968	289,910	273,100
Non-Defense Discretionary	257,857	286,445	261,409	292,803	261,826	298,270	260,186	293,73	261,494	287,999
Total Discretionary	526,857	553,268	532,909	559,321	537,193	564,266	542,032	566,38	551,074	560,799
Protected Functions:										
150 -- International Affairs	19,038	19,179	18,601	19,042	18,533	18,509	18,346	18,6	18,218	18,442
300 -- Natural Resources and Environment	22,807	21,393	22,222	21,857	21,568	21,944	21,188	21,92	21,162	21,472
400 -- Transportation	13,569	38,267	14,074	38,935	14,168	39,310	16,069	39,48	16,047	39,418
500 -- Education, Training, Employment and Social Services	46,721	43,186	47,016	46,107	47,056	47,065	48,479	47,77	49,199	48,859
750 -- Administration of Justice	24,406	22,170	24,795	24,191	23,987	24,096	24,094	23,68	24,676	24,713
Subtotal, Protected Functions	126,527	144,194	127,007	149,710	126,832	152,125	127,470	153,2	128,591	152,604
All Other	400,330	409,074	405,392	409,591	410,361	412,140	414,562	411,12	422,463	408,195
Total Discretionary Spending	526,867	553,268	532,999	559,321	537,193	564,266	542,032	564,31	551,074	560,799
Anomalies Included Above:										
Subsidized Housing (Function 600)	6,682	---	9,652	---	12,047	---	13,295	--	14,604	--
Fixed Assets (Up-front Funding and Advance Appropriations):										
050 -- Defense	2,216	---	---	---	---	---	---	---	---	---
250 -- General Science, Space, and Technology	---	---	2,736	---	2,226	---	1,917	--	1,271	---
270 -- Energy	110	---	62	---	6	---	---	--	---	---
300 -- Environment	61	---	681	---	455	---	285	--	64	---
370 -- Commerce and Housing Credit	---	---	724	---	561	---	460	--	375	---
400 -- Transportation	---	---	875	---	724	---	424	--	108	---
550 -- Health	---	---	129	---	71	---	---	--	---	---
750 -- Administration of Justice	---	---	48	---	---	---	---	--	---	---
800 -- General Government	---	---	600	---	---	---	---	--	---	---
Total, Anomalies	9,061	---	15,091	---	16,085	---	16,299	---	16,440	---
Total Discretionary Less Anomalies	516,796	553,268	517,809	559,321	521,108	564,266	525,733	564,36	534,634	560,799

7

(Funded at levels proposed in the President's FY 1998 budget.)

Commerce
onal Institute of Standards and Technology (NIST)

Education
ation Reform (includes Technology Literacy Challenge Fund)
gual and Immigrant Education
($300 increase in 1998 maximum award amount, to $3,000)
d literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

Health and Human Services
NIH, CDC, RW, (50 programs)
l Start

the Interior
onal Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration
l (including Corps of Engineers)
eau of Indian Affairs, Tribal Priority Allocations

Labor
ning and Employment Services, including Job Corps

Treasury
mmunity Development Financial Institution Fund

l Protection Agency
. Operating Program
erfund appropriations will be at the President's level if policies can be worked out.

Reduction Trust Fund, including COPS

5 AM

Spectrum Auctions

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Spectrum	---	-3.5	-3.5	-4.5	-14.8	-26.3	-32.3

Note: Estimates for 1998-2002 were developed by the Congressional Budget Office (CBO). CBO has not formally provided estimates for 2003-2007. Tentative estimates for 2003-2007 are provided.

Four auction proposals and a penalty fee are assumed with expected receipts totaling $26.3 billion over five years and $32.3 billion over ten years (CBO scoring).

1. Auction of 78 Megahertz (MHz) of spectrum currently allocated to analog broadcasting: Codify current Federal Communications Commission (FCC) plans to reclaim surplus "analog" broadcast spectrum after broadcasters have migrated to new digital channels.

2. Auction of 36 MHz of spectrum currently allocated to television channels 60-69: 24 MHz will be reserved for public safety uses (e.g., police and emergency vehicle communications).

3. Broaden and Extend FCC Auction Authority: Expand the FCC's current authority to auction non-broadcast spectrum and extend FCC auction authority beyond 1998, when it currently expires. This proposal continues a policy to allocate spectrum via auctions.

4. Auction "Vanity" Toll Free Telephone Numbers: Authorize the FCC to award new generations of toll-free vanity telephone numbers (e.g., 1-888-BALANCE) through an auction.

5. Spectrum Penalty: As authorized by current law, a penalty fee would be levied against those entities who received "free" spectrum for advanced, advertiser-based television services, but failed to utilize it fully.

Student Loans

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Loan savings	- 241	- 240	- 151	- 81	- 1,050	- 1,763	- 1,996

provides for outlay savings of $1.763 billion over five years and $1.996 billion over ten years from the student loan programs:

be achieved without increasing costs, reducing benefits, or limiting access to loans for students and their families

be derived as follows:

nillion over five years from guaranty agency reserves

llion over five years, and $606 million over ten years, from section 458.

illion over five years and $390 million over ten years from elimination of the $10 per loan fee paid to institutions participating irect loan program.

Civil Service Retirement

(deficit reduction in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Increased Agency Contributions	-597	-591	-586	-582	-577	-2,933	-2,933
Increased Employee Contributions	---	-214	-423	-571	-621	-1,829	-1,985

- Increase agency contributions (except Postal Service and D.C.) for Civil Service Retirement System (CSRS) by 1.51 percentage points effective October 1, 1997 through September 30, 2002.
- Phase in increased employee contributions to the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).
- Employee contributions would increase 0.25 percentage points January 1, 1999; an additional 0.15 percentage points January 1, 2000; and a final 0.10 percentage points for a total cumulative increase of 0.50 percentage points January 1, 2001. Increased contributions remain in effect through December 31, 2002.
- Legislation provides that agency contributions to FERS would remain unaffected by this change.
- The CBO March Baseline is explicitly assumed for all Civil Service Retirement options, including any potential FEHB options.

U.S. Postal Service

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
End Transitional Payment for Worker's Compensation	---	-25	-33	-32	-31	-121	-261

- The proposal would repeal the payment to the U.S. Postal Service (USPS) to finance workers compensation benefits for employees injured before the USPS was created in 1971. USPS would be required to pay these costs out of the Postal Fund.

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
use refund offset ciency balances...	-90	0	0	0	0	-90	-90

on would allow VA to collect outstanding VA loan guaranty debts by Federal salary offset or Federal income tax offset. A is prohibited from using non-VA Federal offsets to satisfy debts unless the debtor consents in writing, or if a court has that the debtor is liable to VA for the deficiency.

ve the program $90 million in outlays in the first year of implementation.

Veterans Compensation Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
monthly n benefits after LA	-23	-51	-88	-101	-128	-391	-1,469

VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying the annual COLA r, an extension of current law.

e of rounding down monthly benefit checks is consistent with all other major pension programs including veterans pensions y and civilian retirement benefits.

Medical Care Cost Recovery

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Mandatory Admin. Savings from moving receipts to discretionary	-118	-123	-128	-133	-139	-641	-1,427

- This proposal allows Medical Care to retain user fees to offset the cost of care provided in VA facilities. Currently, all receipts in excess of administrative costs are returned to Treasury. Under this structure, the administrative costs of debt collection are mandatory spending. Allowing the discretionary VA Medical Care account to retain all of these receipts and fund the cost of this activity out of its collections will result in a mandatory savings of $641 million over five years and $1,427 million over ten years.

Veterans Pension Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extension of OBRA Provisions for VA Pensions (See Note 1)	---	-133	-211	-143	-190	-677	-1,866

There are two OBRA savings provisions related to the veterans pension program. The overwhelming majority of the above savings are attributed to the $90 benefit limit described below.

- This provision extends the current limitation on VA pension benefits to Medicaid-eligible recipients in nursing homes. Under this provision veterans get to keep a greater monthly benefit (the $90 VA benefit). The full cost of the beneficiaries' nursing home care would be paid by the Medicaid program, where costs are shared with the states.

- This provision extends the authorization for VA to match income information submitted by beneficiaries with IRS and SSA records.

Note 1: The savings reflected in the table are net of Medicaid costs.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Asset Sale Authority	-5	-5	-5	-5	-5	-25	-50

sion would extend VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their

bligations of VA's home loan program, VA secures its direct or "vendee" loans and guarantees the certificates sold to VA has its own securitization vehicle which issues multiple-class pass-through securities and is taxed as a Real-Estate Investment Conduit (REMIC). VA's REMIC currently carries the full faith and credit of the United States.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Loans Fees/Resale is (OBRA) & Increase s for non-veterans	-11	-228	-227	-224	-219	-909	-1,993

two proposals—extend OBRA provisions and increase the fee for non-veterans financing through "vendee" loans.

provisions permanently extend three provisions that sunset September 30, 19998. This extends VA's authority to:

rge borrowers using VA's home loan guaranty program a 2% instead of a 1.25% fee,
rge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, and
lude expected losses on the resale of foreclosed properties.

is provision increases the fee for non-veterans using VA's vendee loan program to match FHA fees. When VA takes of properties resulting from defaulted veterans loans, the homes are ultimately sold to the general public. VA finances these through its vendee loan program, charging fees that are lower than those offered to veterans. This provision would raise these 5% -- the same up-front funding fee that the general public pays for FHA loans.

FHA Assignment Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend FHA Assignment	-136	-145	-147	-128	-110	-666	-1,126

- This assumes continuation of current law policy to provide FHA with tools to encourage lenders to forbear for only up to 1 year. This would improve the targeting and efficiency of HUD's current program, and allow FHA homeowners experiencing temporary economic distress to stay in their homes.

Vessel Tonnage Duties

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Vessel Tonnage Fees	---	-49	-49	-49	-49	-196	-441

- This proposal would extend vessel tonnage duties at their current levels through 2002. These duties, which would otherwise be reduced after 1998, are collected by the U.S. Customs Service from commercial vessels entering U.S. ports from foreign ports, based on their cargo-carrying capacity.

Lease of Excess Strategic Petroleum Reserve Capacity

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Lease Excess SPR Capacity	---	-1	-2	-4	-6	-13	-43

- Proposal would lease excess Strategic Petroleum Reserve storage capacity to foreign nations for storage of their crude oil.
- Proposal assumes that a total of five million barrels of oil are stored with a fee of $1.20 per barrel.

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
ilings	---	---	-200	-208	-216	-624	-624

ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund to increase trust fund solvency.

Unemployment Benefits

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
ntegrity	-118	-158	-160	-162	-165	-763	-1,658

vings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities sed eligibility reviews, tax audits).

esident's Budget requested level of funding for UI integrity ($89 million in 1998) is provided in addition to continuing tivities already funded in the base UI administrative grants to obtain these savings.

VA Medical Care Cost Recovery and SSA User Fees

(In millions of dollars)

		1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Estimated spending associated with the VA user fee proposal:								
	BA	604	628	654	681	710	3,277	7,282
	OL	544	620	651	678	707	3,200	7,788
Estimated spending associated with the SSA user fee proposal:								
	BA	35	75	80	90	100	380	1,065
	OL	33	73	80	89	99	374	1,054

The proposals described below are included in the 1998 Budget and are assumed in the Budget Agreement.

VA Medical Care Cost Recovery Fees

- The 1998 Budget included a proposal to shift existing offsetting receipts from the mandatory side to the discretionary side. The Agreement assumes that Medical Care Cost Recovery fees are available to support domestic discretionary spending associated with VA Medical Care.

- The shift of the offsetting receipts from mandatory spending to discretionary spending has been incorporated into the Budget Committee's adjusted baseline.

SSA Fees

- The Agreement assumes a proposal to increase existing fees to offset SSA-related spending.

(deficit reduction savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
ne Tax Credit	---	-13	-36	-37	-38	-124	-332

nounced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance al scoring is not available.

ally acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within these total savings

The Smith-Hughes Act of 1918

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
opriations under es	-1	-7	-7	-7	-7	-29	-64

the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending on job training onal education in the Administration's GI Bill for America's Workers.

ng this program would save $29 million over five years and $64 million over ten years.

funded under the Smith-Hughes Act can be supported by the Department of Education's vocational education program.

Environmental Reserve Fund

(outlay increases in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Orphan share spending	200	200	200	200	200	1,000	2,028

- The proposal would provide new mandatory spending for orphan shares at Superfund hazardous waste cleanup sites. Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay.

- The funds will be reserved for this purpose based on the assumption of a policy agreement on orphan share spending.

Priority Federal Land Acquisitions and Exchanges

(outlay increases in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Priority Federal Land Acquisitions and Exchanges	300	150	150	100	--	700	700

- Under this proposal, up to $315 million would be available from the Land and Water Conservation Fund (LWCF) to finalize priority Federal land exchanges in FY 1998 and FY 1999.

- Funding from the LWCF for other high priority Federal land acquisitions and exchanges (totaling $385 million) would be available in fiscal years 1999 through 2001.

- The funding will be allocated to function 300 as a reserve fund exclusively for this purpose.

Medicare

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
iet	-6.5	-16.8	-22.7	-29.0	-40.0	-115.0	-434.2

rojected Medicare spending by $115 billion over five years.

lvency of the Part A Trust Fund for at least 10 years through a combination of savings and structural reforms (including the lth reallocation).

l reforms will include provisions to give beneficiaries more choices among competing health plans, such as provider sponsored lons and preferred provider organizations.

icare program reforms provide beneficiaries with comparative information about their options, such as now provided Federal s and annuitants in the FEHB program.

the Part B premium at 25 percent of program costs and phase in over seven years the inclusion in the calculation of the Part B the portion of home health expenditures reallocated to Part B.

nanaged care payment methodology to address geographic disparities.

ayment methodology by establishing prospective payment systems for areas such as home health providers, skilled nursing and outpatient departments.

for new health benefits including: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for self-management; and (4) higher payments to providers for preventive vaccinations to the extent it will lead to greater use by ries. Invest $4 billion over five years (and $20 billion over ten years) to limit beneficiary copayments for outpatient services, ere is a more cost-effective way to provide such services to beneficiaries as mutually agreed.

Medicaid

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Medicaid, net	0.0	-1.5	-2.4	-3.6	-6.2	-13.6	-65.5

- Include net Medicaid savings of $13.6 billion over five years.
- Net Medicaid savings include a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, Part B premium interactions, and $1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries.
- The $13.6 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants under welfare reform, or the extension of veterans' Medicaid income protections.
- Savings derived from reduced disproportionate share payments and flexibility provisions.
- Include provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren amendment, converting current managed care and home/community-based care waiver process to State Plan Amendment, and elimination of unnecessary administrative requirements.

Immigration, Nutrition Assistance and Work

(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	1[illegible] S[illegible]
Immigrants	2.2	2.1	2.0	1.6	1.6	9.7	
Nutrition Assistance	0.3	0.3	0.3	0.3	0.3	1.5	
Welfare to Work	0.7	0.7	1.0	0.6	---	3.0	
Total	3.2	3.3	3.4	2.5	2.0	14.2	

Immigrants

- Eligibility for legal immigrants. Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or becon who entered the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered the U.S. after August 22, the rolls before June 1, 1997 shall not be removed.

- Refugees and asylees. Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years i SSI and Medicaid.

Nutrition Assistance

- Redirect existing food stamps employment and training funds and add $750 million in new capped mandatory funding t work slots for individuals subject to the time limits.

- Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limits (beyond the cu policy), at a total cost of $0.5 billion.

Welfare to Work

- Add $3.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targe

Children's Health

(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0	38.9

- Spend $16 billion over five years (to provide up to 5 million additional children with health insurance coverage by 2002)
- The funding could be used for one or both of the following, and for other possibilities if mutually agreeable:
  1. Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility; and
  2. A program of capped mandatory grants to States to finance health insurance coverage for uninsured children.
- The resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children with a goal of up to 5 million currently uninsured children being served.

:retionary caps to 2002.

and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement, and extend current uester enforcement mechanism.

discretionary caps, establish separate categories (firewalls) for Defense and Non-Defense Discretionary (NDD) at agreed levels in agreement tables for each year 1998-1999 with associated sequester firewall enforcement as provided in BEA for 1990-93.

current law on separate crime caps (VCRTF) at levels shown in agreement tables.

and update special allowance for outlays; extend existing adjustment for emergencies.

justment for exchanges of monetary assets, such as New Arrangements to Borrow, and for international organization arrears.

.YGO to 2002.

asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows increase the deficit; scoring, if allowed, based on cash effect, not NPV.

fund tax shall not be used as a revenue offset.

ıygo balances to zero, including those derived from budget agreement.

ır debt limit increase sufficient to extend limit to December 15, 1999.

Congress of the United States
Washington, DC 20515

May 15, 1997

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20515

Dear Mr. President:

We would like to take this opportunity to confirm important aspects of the Balanced Budget Agreement. It was agreed that the net tax cut shall be $85 billion through 2002 and not more than $250 billion through 2007. We believe these levels provide enough room for important reforms, including broad-based permanent capital gains tax reductions, significant death tax relief, $500 per child tax credit, and expansion of IRAs.

In the course of drafting the legislation to implement the balanced budget plan, there are some additional areas that we want to be sure the committees of jurisdiction consider. Specifically, it was agreed that the package must include tax relief of roughly $35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

Additionally, the House and Senate Leadership will seek to include various proposals in the Administration's FY 1998 budget (e.g., the welfare-to-work tax credit, capital gains tax relief for home sales, the Administration's EZ/EC proposals, brownfields legislation, FSC software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional tax proposals.

In this context, it should be noted that the tax-writing committees will be required to balance the interests and desires of many parties in crafting tax legislation within the context of the net tax reduction goals which have been adopted, while at the same time protecting the interests of taxpayers generally.

We stand to work with you toward these ends. Thank you very much for your cooperation.

Sincerely,

Newt Gingrich
Newt Gingrich
Speaker

Trent Lott
Trent Lott
Senate Majority Leader

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Congress of the United States
Washington, DC 20515

May 15, 1997

Mr. Erskine Bowles
Chief of Staff to
the President
The White House
Washington, D.C. 20502

Dear Mr. Bowles:

We are writing to express our desire for continued cooperation between Congressional staff and the staff of the various Administration agencies during the development of the current budget agreement.

Much of the most difficult work in connection with the budget agreement will involve the development of the revenue provisions that will satisfy the parameters of the agreement. Historically, the staff of the Joint Committee on Taxation has provided technical legal and quantitative support to the House and Senate. The Budget Act *requires* the use of Joint Committee on Taxation revenue estimates. Ken Kies and his staff are committed to facilitating our work on the tax provisions of this budget agreement. You can be assured that they will cooperate with Administration counterparts in receiving Administration input as they carry out their statutory responsibilities.

The revenue estimating staffs of the Joint Committee on Taxation and the Office of Tax Analysis at Treasury have a long history of cooperation and communication among analysts. It is our understanding that steps have already been taken to insure that the cooperative efforts of these two staffs will be intensified during the current budget process. It is also our understanding that the professional staffs at the Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences. The proposal shall not cause costs to explode in the outyears.

Now that we have agreed upon the overall parameters of this significant agreement, an inordinate number of details concerning specific provisions must be drafted and analyzed by the JCT and the committees of jurisdiction. We look forward to working with the Administration.

Sincerely,

Newt Gingrich

Newt Gingrich
Speaker

Trent Lott

Trent Lott
Senate Majority Leader

UMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MA

(Dollars in billions)

	1997	1998	1999	2000	2001	2002	5
ne deficits a/	67	89	109	121	95	105	
etionary:							
se	--	-3	-10	-18	-18	-28	
efense	--	-1	-3	-8	-17	-32	
latory:							
dential initiatives	--	6	6	7	7	6	
care	-	-7	-17	-23	-29	-40	
caid	--	--	-2	-2	-4	-6	
r mandatory	--	-1	-6	-14	1	-19	
nues:							
ax relief	--	7	11	22	23	21	
l policy changes	--	1	-19	-36	-37	-99	
t service	--	0	-0	-2	-4	-7	
l deficit reduction	--	1	-19	-38	-41	-106	
ulting deficit/surplus	67	90	90	83	53	-1	

E: Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as
.ve because it increases the deficit.
aseline includes fiscal dividend, CBO revenue update, and assumes discretionary spending increases at the rate of inflation.

UMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MA

(Dollars in billions)

	1997	1998	1999	2000	2001	2002
ine deficits a/	67	89	109	121	95	105
etionary:						
ise	--	-3	-10	-18	-18	-28
lefense	--	-1	-3	-8	-17	-32
datory:						
dential initiatives	--	6	6	7	7	6
icare	-	-7	-17	-23	-29	-40
icaid	--	--	-2	-2	-4	-6
r mandatory	--	-1	-6	-14	1	-19
enues:						
tax relief	--	7	11	22	23	21
l policy changes	--	1	-19	-36	-37	-99
t service	--	0	-0	-2	-4	-7
l deficit reduction	--	1	-19	-38	-41	-106
ulting deficit/surplus	67	90	90	83	53	-1

E: Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as
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aseline includes fiscal dividend, CBO revenue update, and assumes discretionary spending increases at the rate of inflation.

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Domestic Initiatives and Restorations in Agreement

(in billions of dollars)

	1998	1999	2000	2001	2002	5-ye tot
nce to immigrants:						
?lderly/Disabled						
Medicaid	0.4	0.4	0.3	0.3	0.3	1.[illegible]
SSI	1.7	1.6	1.6	1.2	1.2	7.[illegible]
)isabled kids (SSI only)'	0.1	0.1	0.1	0.1	0.1	0.[illegible]
?efugees/asylees	0.0	0.0	0.0	0.0	0.0	0.[illegible]
al, immigrants	2.2	2.2	2.0	1.7	1.6	9.[illegible]
on assistance:						
Add work slots for 18-50's	0.2	0.2	0.2	0.2	0.2	1.[illegible]
15% exemption for 18-50's	0.1	0.1	0.1	0.1	0.1	0.[illegible]
al, nutrition assistance	0.3	0.3	0.3	0.3	0.3	1.[illegible]
re to work add to TANF	0.7	0.7	1.0	0.6	--	3.[illegible]
ìal, immigrants, nutrition, and work	3.2	3.3	3.4	2.4	2.0	14
ren's Health	2.3	2.7	3.2	3.7	3.9	16
al land acquisition & exchange[1]	0.3	0.2	0.2	0.1	--	0
onmental reserve	0.2	0.2	0.2	0.2	0.2	1
t low-income Medicare premiums	0.2	0.3	0.3	0.3	0.4	1

?rotected)omestic D'scretionary Priorities

(Funded at levels proposed in the President's FY 1998 budget.)

tment of Commerce

- National Institute of Standards and Technology (NIST)

tment of Education

- Education Reform (includes Technology Literacy Challenge Fund)
- Bilingual and Immigrant Education
- Pell ($300 increase in 1998 maximum award amount, to $3,000)
- Child literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

rtment of Health and Human Services

- Head Start

rtment of the Interior

- National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everg Fund (including Corps of Engineers).
- Bureau of Indian Affairs, Tribal Priority Allocations

rtment of Labor

- Training and Employment Services, including Job Corps

rtment of Treasury

- Community Development Financial Institution Fund

ironmental Protection Agency

- EPA Operating Program
- Superfund appropriations will be at the President's level if policies can be worked out.

ent Crime Reduction Trust Fund, including COPS

Student Loans

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	1(S
Student Loan savings	- 241	- 240	- 151	- 81	- 1,050	- 1,763	-

greement provides for outlay savings of $1.763 billion over five years and $1.996 billion over ten years from the studen

ings will be achieved without increasing costs, reducing benefits, or limiting access to loans for students and their fami

ings will be derived as follows:

$1,000 million over five years from guaranty agency reserves

$603 million over five years, and $606 million over ten years, from section 458.

$160 million over five years and $390 million over ten years from elimination of the $10 per loan fee paid to instituti in the direct loan program.

Veterans Home Loan Benefit Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	1 S
VA to use refund offset lect deficiency balances...	-90	0	0	0	0	-90	

is provision would allow VA to collect outstanding VA loan guaranty debts by Federal salary offset or Federal income rrently VA is prohibited from using non-VA Federal offsets to satisfy debts unless the debtor consents in writing, or if ermined that the debtor is liable to VA for the deficiency.

is will save the program $90 million in outlays in the first year of implementation.

Veterans Compensation Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	
d down monthly pensation benefits after ing COLA	-23	-51	-88	-101	-128	-391	

uthorizes VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying each year, an extension of current law.

he practice of rounding down monthly benefit checks is consistent with all other major pension programs including vet d military and civilian retirement benefits.

05/20/97 14:12 OMB AD HP 033

Veterans Housing Benefit Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings
:nd Loan Asset Sale Authority	-5	-5	-5	-5	-5	-25

ıis provision would extend VA's authority to guarantee VA securities issued in the secondary market directly, thereby ¢ ılue.

› cover obligations of VA's home loan program, VA secures its direct or "vendee" loans and guarantees the certificates vestors. VA has its own securitization vehicle which issues multiple-class pass-through securities and is taxed as a Rea ·origage Investment Conduit (REMIC). VA's REMIC currently carries the full faith and credit of the United States.

	1998	1999	2000	2001	2002	5-Year Savings
ıd Higher Loans Fees/Resale Provisions (OBRA) & increase loan fees for non-veterans	-11	-228	-227	-224	-219	-909

includes two proposals—extend OBRA provisions and increase the fee for non-veterans financing through "vendee" lc

he OBRA provisions permanently extend three provisions that sunset September 30, 19998. This extends VA's authoı

1) charge borrowers using VA's home loan guaranty program a 2% instead of a 1.25% fee,
2) charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, a
3) include expected losses on the resale of foreclosed properties.

econd, this provision increases the fee for n n-veterans using VA's vendee loan program to match FHA fees. When V ossession of properties resulting from defaulted veterans loans, the homes are ultimately sold to the general public. V.

Unemployment Trust Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10 Sa
UTF Ceilings	---	---	-200	-208	-216	-624	-

creases the ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund to increase trust fund solver

Unemployment Benefits

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	1 S
enefits Integrity	-118	-158	-160	-162	-165	-763	-

rovides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integ .g., increased eligibility reviews, tax audits).

ssumes President's Budget requested level of funding for UI integrity ($89 million in 1998) is provided in addition to cc ntegrity activities already funded in the base UI administrative grants to obtain these savings.

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Earned Income Tax Credit

(deficit reduction savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	1 S
d Income Tax Credit	---	-13	-36	-37	-38	-124	

asury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC nonc els. Final scoring is not available.

ier mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within th gets.

The Smith-Hughes Act of 1918

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	
al appropriations under ı Hughes	-1	-7	-7	-7	-7	-29	

minate the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending d vocational education in the Administration's GI Bill for America's Workers.

liminating this program would save $29 million over five years and $64 million over ten years.

ctivities funded under the Smith-Hughes Act can be supported by the Department of Education's vocational education

Medicare

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings
dicare, net	-6.5	-16.8	-22.7	-29.0	-40.0	-115.0

Reduce projected Medicare spending by $115 billion over five years.

Extend solvency of the Part A Trust Fund for at least 10 years through a combination of savings and structural reforms (
home health reallocation).

Structural reforms will include provisions to give beneficiaries more choices among competing health plans, such as pro
organizations and preferred provider organizations.

The Medicare program reforms provide beneficiaries with comparative information about their options, such as now pro
employees and annuitants in the FEHB program.

Maintain the Part B premium at 25 percent of program costs and phase in over seven years the inclusion in the calculati
premium the portion of home health expenditures reallocated to Part B.

Reform managed care payment methodology to address geographic disparities.

Reform payment methodology by establishing prospective payment systems for areas such as home health providers, sk
facilities, and outpatient departments.

... (1) expanded mammography coverage; (2) coverage for colorectal screening

i	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
	2.2	2.1	2.0	1.6	1.6	9.7	16.5
istance	0.3	0.3	0.3	0.3	0.3	1.5	3.1
ork	0.7	0.7	1.0	0.6	---	3.0	3.0
	3.2	3.3	3.4	2.5	2.0	14.2	22.5

r legal immigrants. Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled an the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered the U.S. after August 22, 1996, and are ore June 1, 1997 shall not be removed.

d asylees. Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years in order to pro dicaid.

istance

sting food stamps employment and training funds and add $750 million in new capped mandatory funding to create additi r individuals subject to the time limits.

s to exempt 15 percent of the individuals who would lose benefits because of the time limits (beyond the current waiver total cost of $0.5 billion.

ork

lion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a St poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to es with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions.

ːxtend discretionary caps to 2002.

Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement, and e law sequester enforcement mechanism.

Within discretionary caps, establish separate categories (firewalls) for Defense and Non-Defense Discretionary (NDE shown in agreement tables for each year 1998-1999 with associated sequester firewall enforcement as provided in BE

Retain current law on separate crime caps (VCRTF) at levels shown in agreement tables.

Extend and update special allowance for outlays; extend existing adjustment for emergencies.

Cap adjustment for exchanges of monetary assets, such as New Arrangements to Borrow, and for international organ

ːxtend PAYGO to 2002.

.evise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associa vould not increase the deficit; scoring, if allowed, based on cash effect, not NPV.

'he Superfund tax shall not be used as a revenue offset.

.educe paygo balances to zero, including those derived from budget agreement.

'rovide for debt limit increase sufficient to extend limit to December 15, 1999.

Rance

Bipartisan Budget Agreement

May 15, 1997

I. Bipartisan Budget Agreement between the President and the Leadership of Congress

II. Summary Tables

III. Description of Agreement by Major Category
   A. Discretionary Programs
   B. Mandatory Programs

IV. Budget Process

V. Letters pertaining to tax issues

FINAL VERSION
MAY 16, 1997 11:32 PM

Bipartisan Budget Agreement between the President and the Leadership of Congress

1. The elements of this Bipartisan Budget Agreement provide for deficit reduction amounts that are estimated to result in a Balanced Budget by fiscal year 2002.

2. The Bipartisan Budget Agreement is approved by the President, the Speaker of the House of Representatives, the Senate Majority Leader, and the Senate Minority Leader. The President and the Congressional leadership agree to engage in a coordinated effort seeking to enact the Bipartisan Budget Agreement. Their coordinated effort shall seek to produce support for the Agreement by a majority of Democrats and Republicans in both the House and the Senate. This agreement represents commitments to good faith efforts; it does not purport to amend or suspend rules of the House or Senate. If bills, resolutions, or conference reports are deemed to be inconsistent, remedial efforts shall be made by all parties to assure consistency. Such efforts shall include bipartisan Leadership consultation and concurrence on amendments and scheduling as necessary.

3. Agreed upon budget levels are shown on the tables included in this agreement, including deficit reduction levels, major category levels for discretionary, mandatory, and tax and receipt changes.

4. Discretionary priority spending will be protected by the amounts set forth in this Agreement.

5. Agreed budget process items will be included in the budget resolution (as appropriate) and reconciliation, and are set forth in the budget process description included in this Agreement.

6. An increase in the debt limit sufficient to extend the limit at least to December 15, 1999 will be included in a reconciliation bill carrying out this Agreement.

7. Both Houses shall pass the 1998 budget resolution with reconciliation instructions fully reflecting the Bipartisan Budget Agreement. Such budget resolution shall contain 602(a) allocations consistent with this Agreement and shall instruct appropriate Committees to report, with or without a recommendation, legislation necessary to implement this Agreement. Conference reports on the reconciliation bills and appropriations bills that reflect the Bipartisan Budget Agreement shall be voted in both houses of Congress.

8. It is the intention of the leaders that Congress shall present the revenue reconciliation bill to the President after the spending reduction reconciliation bill. This assumes a good faith effort by all parties to enable such a legislative process to succeed.

9. If during the reconciliation process it is determined that the target of a balanced budget in fiscal year 2002 cannot be achieved, all parties to the agreement commit to seeking additional savings necessary to achieve balance.

10. To the extent possible, efforts will be exercised to exclude other mandatory savings and appropriations riders unacceptable to the Congressional Leadership or the Administration, as so identified in official Administration announcements, letters, Statements of Administration Policy, or other communications.

SUMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MARK

(Dollars in billions)

	1997	1998	1999	2000	2001	2002	5-Yr Total
Baseline deficits a/	67	89	109	121	95	105	
Discretionary:							
Defense	--	-3	-10	-18	-18	-28	-77
Nondefense	--	-1	-3	-8	-17	-32	-61
Mandatory:							
Presidential initiatives	--	6	6	7	7	6	31
Medicare	--	-7	-17	-23	-29	-40	-115
Medicaid	--	--	-2	-2	-4	-6	-14
Other mandatory	--	-1	-6	-14	1	-19	-40
Revenues:							
Net tax relief	--	7	11	22	23	21	85
Total policy changes	--	1	-19	-36	-37	-99	-190
Debt service	--	0	-0	-2	-4	-7	-14
Total deficit reduction	--	1	-19	-38	-41	-106	-204
Resulting deficit/surplus	67	90	90	83	53	-1	

NOTE: Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as positive because it increases the deficit.

a/ Baseline includes fiscal dividend, CBO revenue update, and assumes discretionary spending increases at the rate of inflation.

Prepared by SBC Majority Staff, 15-May-97

Long Range Summary, 1997-2007
(in billions of dollars)

	Agreement						Projections					Totals	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	'98-'02	'98-'07
Current Services Deficit	67.2	89.0	109.1	121.3	94.5	104.9	103.2	108.6	133.3	127.8	117.0		
Discretionary savings:													
Defense	--	-3.0	-9.9	-17.9	-18.3	-27.7	-32.1	-33.0	-34.0	-35.0	-36.1	-76.8	-247.0
Nondefense	--	-1.0	-2.5	-8.0	-17.4	-32.3	-36.5	-39.9	-42.6	-45.1	-47.5	-61.2	-272.8
Subtotal, discretionary savings	--	-4.0	-12.5	-25.9	-35.7	-59.9	-68.6	-72.9	-76.6	-80.1	-83.6	-138.0	-519.9
Mandatory savings:													
Medicare, net	--	-6.5	-16.8	-22.7	-29.0	-40.0	-50.0	-60.0	-65.0	-70.0	-74.0	-115.0	-434.0
Medicaid, net	--	--	-1.5	-2.4	-3.6	-6.2	-7.1	-8.6	-10.2	-12.0	-13.9	-13.7	-65.5
Other mandatory													
Spectrum	--	--	-3.5	-3.5	-4.5	-14.8	-1.9	-1.0	-1.0	-1.0	-1.0	-26.3	-32.2
Other	--	-1.3	-2.1	-10.9	5.5	-4.4	-1.6	-3.2	-17.7	-4.9	12.3	-13.3	-28.2
Subtotal, mandatory savings	--	-7.8	-23.9	-39.5	-31.6	-65.4	-60.6	-72.8	-93.9	-87.9	-76.6	-168.3	-559.9
Debt service, net	--	0.0	-0.5	-2.0	-3.8	-7.4	-12.5	-18.2	-25.0	-32.5	-39.9	-13.6	-141.6
Subtotal, savings proposals	--	-11.8	-36.8	-67.4	-71.1	-132.8	-141.6	-163.9	-195.5	-200.5	-200.0	-319.9	-1,221.4
Domestic initiatives	--	5.9	6.1	6.7	6.5	6.0	6.6	7.0	7.0	7.0	7.0	31.2	65.8
Net tax cut	--	7.4	11.3	22.4	23.4	20.5	27.2	28.5	31.4	36.2	41.6	85.0	249.9
Total changes	--	1.5	-19.4	-38.3	-41.2	-106.3	-107.8	-128.4	-157.1	-157.3	-151.4	-203.7	-905.7
Resulting deficit/surplus (-)	67.2	90.4	89.7	83.0	53.3	-1.3	-4.6	-19.8	-23.9	-29.5	-34.4		

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Domestic Initiatives and Restorations in Agreement

(in billions of dollars)

	1998	1999	2000	2001	2002	5-year total
Assistance to immigrants:						
Elderly/Disabled						
Medicaid	0.4	0.4	0.3	0.3	0.3	1.7
SSI	1.7	1.6	1.6	1.2	1.2	7.5
Disabled kids (SSI only)[1]	0.1	0.1	0.1	0.1	0.1	0.3
Refugees/asylees	0.0	0.0	0.0	0.0	0.0	0.2
Subtotal, immigrants	2.2	2.2	2.0	1.7	1.6	9.7
Nutrition assistance:						
Add work slots for 18-50's	0.2	0.2	0.2	0.2	0.2	1.0
15% exemption for 18-50's	0.1	0.1	0.1	0.1	0.1	0.5
Subtotal, nutrition assistance	0.3	0.3	0.3	0.3	0.3	1.5
Welfare to work add to TANF	0.7	0.7	1.0	0.6	--	3.0
Subtotal, immigrants, nutrition, and work	3.2	3.3	3.4	2.4	2.0	14.2
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0
Federal land acquisition & exchange[2]	0.3	0.2	0.2	0.1	--	0.7
Environmental reserve	0.2	0.2	0.2	0.2	0.2	1.0
Offset low-income Medicare premiums	0.2	0.3	0.3	0.3	0.4	1.5
Total, Domestic Initiatives and restorations	6.3	6.6	7.3	7.0	6.5	33.6

1/ Medicaid costs reflected in elderly/disabled medicaid line

2/ Discretionary

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Agreement on Discretionary Funding
(in millions of dollars)

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For functions specified below, implementing legislation will protect the function levels.

	FY 1998		FY 1999		FY 2000		FY 2001		FY 2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
050 -- National Defense	**269,000**	**266,823**	**271,500**	**266,518**	**275,367**	**268,995**	**281,847**	**270,663**	**289,610**	**273,100**
Non-Defense Discretionary	**257,857**	**286,445**	**261,499**	**292,803**	**261,826**	**295,270**	**260,185**	**293,733**	**261,464**	**287,699**
Total Discretionary	**526,857**	**553,268**	**532,999**	**559,321**	**537,193**	**564,265**	**542,032**	**564,396**	**551,074**	**560,799**
Protected Functions:										
150 -- International Affairs	19,038	19,179	18,601	18,842	18,533	18,809	18,348	18,505	18,218	18,442
300 -- Natural Resources and Environment	22,807	21,393	22,222	21,657	21,566	21,944	21,185	21,822	21,152	21,472
400 -- Transportation	13,556	38,267	14,974	38,933	14,788	39,310	15,066	39,418	15,347	39,418
500 -- Education, Training, Employment and Social Services	46,721	43,185	47,015	46,107	47,858	47,065	48,478	47,776	49,199	48,559
750 -- Administration of Justice	24,405	22,170	24,795	24,191	23,887	24,996	24,094	25,683	24,675	24,713
Subtotal, Protected Functions	**126,527**	**144,194**	**127,607**	**149,730**	**126,632**	**152,125**	**127,170**	**153,204**	**128,591**	**152,604**
All Other	400,330	409,074	405,392	409,591	410,561	412,140	414,862	411,192	422,483	408,195
Total Discretionary Spending	**526,857**	**553,268**	**532,999**	**559,321**	**537,193**	**564,265**	**542,032**	**564,396**	**551,074**	**560,799**
Anomalies Included Above:										
Subsidized Housing (Function 600)	5,682	---	9,652	---	12,047	---	13,295	---	14,504	---
Fixed Assets (Up-Front Funding and Advance Appropriations):										
050 -- Defense	2,218	---	---	---	---	---	---	---	---	---
250 -- General Science, Space, and Technology	---	---	2,735	---	2,226	---	1,817	---	1,271	---
270 -- Energy	110	---	52	---	8	---	---	---	---	---
300 -- Environment	51	---	581	---	458	---	253	---	84	---
370 -- Commerce and Housing Credit	---	---	724	---	551	---	480	---	375	---
400 -- Transportation	---	---	675	---	724	---	424	---	206	---
550 -- Health	---	---	129	---	71	---	---	---	---	---
750 -- Administration of Justice	---	---	48	---	---	---	---	---	---	---
800 -- General Government	---	---	500	---	---	---	---	---	---	---
Total, Anomalies	**8,061**	**---**	**15,096**	**---**	**16,085**	**---**	**16,269**	**---**	**16,440**	**---**
Total Discretionary Less Anomalies	**518,796**	**553,268**	**517,903**	**559,321**	**521,108**	**564,265**	**525,763**	**564,396**	**534,634**	**560,799**

Protected Domestic Discretionary Priorities

(Funded at levels proposed in the President's FY 1998 budget.)

Department of Commerce
- National Institute of Standards and Technology (NIST)

Department of Education
- Education Reform (includes Technology Literacy Challenge Fund)
- Bilingual and Immigrant Education
- Pell ($300 increase in 1998 maximum award amount, to $3,000)
- Child literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

Department of Health and Human Services
- Head Start

Department of the Interior
- National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers)
- Bureau of Indian Affairs, Tribal Priority Allocations

Department of Labor
- Training and Employment Services, including Job Corps

Department of Treasury
- Community Development Financial Institution Fund

Environmental Protection Agency
- EPA Operating Program
- Superfund appropriations will be at the President's level if policies can be worked out.

Violent Crime Reduction Trust Fund, including COPS

Spectrum Auctions

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Spectrum	---	-3.5	-3.5	-4.5	-14.8	-26.3	-32.3

Note: Estimates for 1998-2002 were developed by the Congressional Budget Office (CBO). CBO has not formally provided estimates for 2003-2007. Tentative estimates for 2003-2007 are provided.

Four auction proposals and a penalty fee are assumed with expected receipts totaling $26.3 billion over five years and $32.3 billion over ten years (CBO scoring).

1. Auction of 78 Megahertz (MHz) of spectrum currently allocated to analog broadcasting: Codify current Federal Communications Commission (FCC) plans to reclaim surplus "analog" broadcast spectrum after broadcasters have migrated to new digital channels.

2. Auction of 36 MHz of spectrum currently allocated to television channels 60-69: 24 MHz will be reserved for public safety uses (e.g., police and emergency vehicle communications).

3. Broaden and Extend FCC Auction Authority: Expand the FCC's current authority to auction non-broadcast spectrum and extend FCC auction authority beyond 1998, when it currently expires. This proposal continues a policy to allocate spectrum via auctions.

4. Auction "Vanity" Toll Free Telephone Numbers: Authorize the FCC to award new generations of toll-free vanity telephone numbers (e.g., 1-888-BALANCE) through an auction.

5. Spectrum Penalty: As authorized by current law, a penalty fee would be levied against those entities who received "free" spectrum for advanced, advertiser-based television services, but failed to utilize it fully.

Student Loans

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Total, Student Loan savings	- 241	- 240	- 151	- 81	- 1,050	- 1,763	- 1,996

The Agreement provides for outlay savings of $1.763 billion over five years and $1.996 billion over ten years from the student loan programs:

- savings will be achieved without increasing costs, reducing benefits, or limiting access to loans for students and their families
- savings will be derived as follows:

(a) $1,000 million over five years from guaranty agency reserves

(b) $603 million over five years, and $606 million over ten years, from section 458.

(c) $160 million over five years and $390 million over ten years from elimination of the $10 per loan fee paid to institutions participating in the direct loan program.

Civil Service Retirement

(deficit reduction in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Increased Agency Contributions	-597	-591	-586	-582	-577	-2,933	-2,933
Increased Employee Contributions	---	-214	-423	-571	-621	-1,829	-1,985

- Increase agency contributions (except Postal Service and D.C.) for Civil Service Retirement System (CSRS) by 1.51 percentage points effective October 1, 1997 through September 30, 2002.

- Phase in increased employee contributions to the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).

- Employee contributions would increase 0.25 percentage points January 1, 1999; an additional 0.15 percentage points January 1, 2000; and a final 0.10 percentage points for a total cumulative increase of 0.50 percentage points January 1, 2001. Increased contributions remain in effect through December 31, 2002.

- Legislation provides that agency contributions to FERS would remain unaffected by this change.

- The CBO March Baseline is explicitly assumed for all Civil Service Retirement options, including any potential FEHB options.

U.S. Postal Service

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
End Transitional Payment for Worker's Compensation	---	-25	-33	-32	-31	-121	-261

- The proposal would repeal the payment to the U.S. Postal Service (USPS) to finance workers compensation benefits for employees injured before the USPS was created in 1971. USPS would be required to pay these costs out of the Postal Fund.

Veterans Home Loan Benefit Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Allow VA to use refund offset to collect deficiency balances...	-90	0	0	0	0	-90	-90

- This provision would allow VA to collect outstanding VA loan guaranty debts by Federal salary offset or Federal income tax offset. Currently VA is prohibited from using non-VA Federal offsets to satisfy debts unless the debtor consents in writing, or if a court has determined that the debtor is liable to VA for the deficiency.

- This will save the program $90 million in outlays in the first year of implementation.

Veterans Compensation Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Round down monthly compensation benefits after applying COLA	-23	-51	-88	-101	-128	-391	-1,469

- Authorizes VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying the annual COLA in each year, an extension of current law.

- The practice of rounding down monthly benefit checks is consistent with all other major pension programs including veterans pensions and military and civilian retirement benefits.

Medical Care Cost Recovery

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Mandatory Admin. Savings from moving receipts to discretionary	-118	-123	-128	-133	-139	-641	-1,427

- This proposal allows Medical Care to retain user fees to offset the cost of care provided in VA facilities. Currently, all receipts in excess of administrative costs are returned to Treasury. Under this structure, the administrative costs of debt collection are mandatory spending. Allowing the discretionary VA Medical Care account to retain all of these receipts and fund the cost of this activity out of its collections will result in a mandatory savings of $641 million over five years and $1,427 million over ten years.

Veterans Pension Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extension of OBRA Provisions for VA Pensions (See Note 1)	---	-133	-211	-143	-190	-677	-1,866

There are two OBRA savings provisions related to the veterans pension program. The overwhelming majority of the above savings are attributed to the $90 benefit limit described below.

- This provision extends the current limitation on VA pension benefits to Medicaid-eligible recipients in nursing homes. Under this provision veterans get to keep a greater monthly benefit (the $90 VA benefit). The full cost of the beneficiaries' nursing home care would be paid by the Medicaid program, where costs are shared with the states.

- This provision extends the authorization for VA to match income information submitted by beneficiaries with IRS and SSA records.

Note 1: The savings reflected in the table are net of Medicaid costs.

Veterans Housing Benefit Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Extend Loan Asset Sale Authority	-5	-5	-5	-5	-5	-25	-50

- This provision would extend VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their value.

- To cover obligations of VA's home loan program, VA secures its direct or "vendee" loans and guarantees the certificates sold to investors. VA has its own securitization vehicle which issues multiple-class pass-through securities and is taxed as a Real-Estate Mortgage Investment Conduit (REMIC). VA's REMIC currently carries the full faith and credit of the United States.

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Extend Higher Loans Fees/Resale Loss Provisions (OBRA) & increase home loan fees for non-veterans	-11	-228	-227	-224	-219	-909	-1,993

This includes two proposals—extend OBRA provisions and increase the fee for non-veterans financing through "vendee" loans.

- The OBRA provisions permanently extend three provisions that sunset September 30, 19998. This extends VA's authority to:

  1) charge borrowers using VA's home loan guaranty program a 2% instead of a 1.25% fee,
  2) charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, and
  3) include expected losses on the resale of foreclosed properties.

- Second, this provision increases the fee for non-veterans using VA's vendee loan program to match FHA fees. When VA takes possession of properties resulting from defaulted veterans loans, the homes are ultimately sold to the general public. VA finances these properties through its vendee loan program, charging fees that are lower than those offered to veterans. This provision would raise these fees to 2.25% -- the same up-front funding fee that the general public pays for FHA loans.

FHA Assignment Program

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend FHA Assignment	-136	-145	-147	-128	-110	-666	-1,126

- This assumes continuation of current law policy to provide FHA with tools to encourage lenders to forbear for only up to 1 year. This would improve the targeting and efficiency of HUD's current program, and allow FHA homeowners experiencing temporary economic distress to stay in their homes.

Vessel Tonnage Duties

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Vessel Tonnage Fees	---	-49	-49	-49	-49	-196	-441

- This proposal would extend vessel tonnage duties at their current levels through 2002. These duties, which would otherwise be reduced after 1998, are collected by the U.S. Customs Service from commercial vessels entering U.S. ports from foreign ports, based on their cargo-carrying capacity.

Lease of Excess Strategic Petroleum Reserve Capacity

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Lease Excess SPR Capacity	---	-1	-2	-4	-6	-13	-43

- Proposal would lease excess Strategic Petroleum Reserve storage capacity to foreign nations for storage of their crude oil.

- Proposal assumes that a total of five million barrels of oil are stored with a fee of $1.20 per barrel.

Unemployment Trust Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Raise UTF Ceilings	---	---	-200	-208	-216	-624	-624

- Increases the ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund to increase trust fund solvency.

Unemployment Benefits

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
UI Benefits Integrity	-118	-158	-160	-162	-165	-763	-1,658

- Provides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities (e.g., increased eligibility reviews, tax audits).
- Assumes President's Budget requested level of funding for UI integrity ($89 million in 1998) is provided in addition to continuing integrity activities already funded in the base UI administrative grants to obtain these savings.

VA Medical Care Cost Recovery and SSA User Fees

(in millions of dollars)

		1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Estimated spending associated with the VA user fee proposal:								
	BA	604	628	654	681	710	3,277	7,282
	OL	544	620	651	678	707	3,200	7,788
Estimated spending associated with the SSA user fee proposal:								
	BA	35	75	80	90	100	380	1,065
	OL	33	73	80	89	99	374	1,054

The proposals described below are included in the 1998 Budget and are assumed in the Budget Agreement.

VA Medical Care Cost Recovery Fees

- The 1998 Budget included a proposal to shift existing offsetting receipts from the mandatory side to the discretionary side. The Agreement assumes that Medical Care Cost Recovery fees are available to support domestic discretionary spending associated with VA Medical Care.

- The shift of the offsetting receipts from mandatory spending to discretionary spending has been incorporated into the Budget Committee's adjusted baseline.

SSA Fees

- The Agreement assumes a proposal to increase existing fees to offset SSA-related spending.

Earned Income Tax Credit
(deficit reduction savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Earned Income Tax Credit	---	-13	-36	-37	-38	-124	-332

- Treasury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance levels. Final scoring is not available.
- Other mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within these total savings targets.

The Smith-Hughes Act of 1918
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Repeal appropriations under Smith Hughes	-1	-7	-7	-7	-7	-29	-64

- Eliminate the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending on job training and vocational education in the Administration's GI Bill for America's Workers.
- Eliminating this program would save $29 million over five years and $64 million over ten years.
- Activities funded under the Smith-Hughes Act can be supported by the Department of Education's vocational education program.

Environmental Reserve Fund

(outlay increases in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Orphan share spending	200	200	200	200	200	1,000	2,028

- The proposal would provide new mandatory spending for orphan shares at Superfund hazardous waste cleanup sites. Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay.
- The funds will be reserved for this purpose based on the assumption of a policy agreement on orphan share spending.

Priority Federal Land Acquisitions and Exchanges

(outlay increases in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Priority Federal Land Acquisitions and Exchanges	300	150	150	100	--	700	700

- Under this proposal, up to $315 million would be available from the Land and Water Conservation Fund (LWCF) to finalize priority Federal land exchanges in FY 1998 and FY 1999.
- Funding from the LWCF for other high priority Federal land acquisitions and exchanges (totaling $385 million) would be available in fiscal years 1999 through 2001.
- The funding will be allocated to function 300 as a reserve fund exclusively for this purpose.

Major Mandatory Programs

Medicare

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Medicare, net	-6.5	-16.8	-22.7	-29.0	-40.0	-115.0	-434.2

- Reduce projected Medicare spending by $115 billion over five years.
- Extend solvency of the Part A Trust Fund for at least 10 years through a combination of savings and structural reforms (including the home health reallocation).
- Structural reforms will include provisions to give beneficiaries more choices among competing health plans, such as provider sponsored organizations and preferred provider organizations.
- The Medicare program reforms provide beneficiaries with comparative information about their options, such as now provided Federal employees and annuitants in the FEHB program.
- Maintain the Part B premium at 25 percent of program costs and phase in over seven years the inclusion in the calculation of the Part B premium the portion of home health expenditures reallocated to Part B.
- Reform managed care payment methodology to address geographic disparities.
- Reform payment methodology by establishing prospective payment systems for areas such as home health providers, skilled nursing facilities, and outpatient departments.
- Funding for new health benefits including: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to providers for preventive vaccinations to the extent it will lead to greater use by beneficiaries. Invest $4 billion over five years (and $20 billion over ten years) to limit beneficiary copayments for outpatient services, unless there is a more cost-effective way to provide such services to beneficiaries as mutually agreed.

Medicaid

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Medicaid, net	0.0	-1.5	-2.4	-3.6	-6.2	-13.6	-65.5

- Include net Medicaid savings of $13.6 billion over five years.
- Net Medicaid savings include a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, Part B premium interactions, and $1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries.
- The $13.6 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants under welfare reform, or the extension of veterans' Medicaid income protections.
- Savings derived from reduced disproportionate share payments and flexibility provisions.
- Include provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren amendment, converting current managed care and home/community-based care waiver process to State Plan Amendment, and elimination of unnecessary administrative requirements.

Immigration, Nutrition Assistance and Work

(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Immigrants	2.2	2.1	2.0	1.6	1.6	9.7	16.5
Nutrition Assistance	0.3	0.3	0.3	0.3	0.3	1.5	3.1
Welfare to Work	0.7	0.7	1.0	0.6	---	3.0	3.0
Total	3.2	3.3	3.4	2.5	2.0	14.2	22.5

Immigrants

- Eligibility for legal immigrants. Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered the U.S. after August 22, 1996, and are on the rolls before June 1, 1997 shall not be removed.

- Refugees and asylees. Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years in order to provide SSI and Medicaid.

Nutrition Assistance

- Redirect existing food stamps employment and training funds and add $750 million in new capped mandatory funding to create additional work slots for individuals subject to the time limits.

- Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limits (beyond the current waiver policy), at a total cost of $0.5 billion.

Welfare to Work

- Add $3.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a State to areas with poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions.

Children's Health

(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	**5-Year Spending**	**10-Year Spending**
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0	38.9

- Spend $16 billion over five years (to provide up to 5 million additional children with health insurance coverage by 2002)

- The funding could be used for one or both of the following, and for other possibilities if mutually agreeable:

    1. Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility; and

    2. A program of capped mandatory grants to States to finance health insurance coverage for uninsured children.

- The resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children with a goal of up to 5 million currently uninsured children being served.

Budget Process

- Extend discretionary caps to 2002.
  - Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement, and extend current law sequester enforcement mechanism.
  - Within discretionary caps, establish separate categories (firewalls) for Defense and Non-Defense Discretionary (NDD) at agreed levels shown in agreement tables for each year 1998-1999 with associated sequester firewall enforcement as provided in BEA for 1990-93.
  - Retain current law on separate crime caps (VCRTF) at levels shown in agreement tables.
  - Extend and update special allowance for outlays; extend existing adjustment for emergencies.
  - Cap adjustment for exchanges of monetary assets, such as New Arrangements to Borrow, and for international organization arrears.
- Extend PAYGO to 2002.
- Revise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows would not increase the deficit; scoring, if allowed, based on cash effect, not NPV.
- The Superfund tax shall not be used as a revenue offset.
- Reduce paygo balances to zero, including those derived from budget agreement.
- Provide for debt limit increase sufficient to extend limit to December 15, 1999.

Congress of the United States
Washington, DC 20515

May 15, 1997

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20515

Dear Mr. President:

We would like to take this opportunity to confirm important aspects of the Balanced Budget Agreement. It was agreed that the net tax cut shall be $85 billion through 2002 and not more than $250 billion through 2007. We believe these levels provide enough room for important reforms, including broad-based permanent capital gains tax reductions, significant death tax relief, $500 per child tax credit, and expansion of IRAs.

In the course of drafting the legislation to implement the balanced budget plan, there are some additional areas that we want to be sure the committees of jurisdiction consider. Specifically, it was agreed that the package must include tax relief of roughly $35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

Additionally, the House and Senate Leadership will seek to include various proposals in the Administration's FY 1998 budget (e.g., the welfare-to-work tax credit, capital gains tax relief for home sales, the Administration's EZ/EC proposals, brownfields legislation, FSC software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional tax proposals.

In this context, it should be noted that the tax-writing committees will be required to balance the interests and desires of many parties in crafting tax legislation within the context of the net tax reduction goals which have been adopted, while at the same time protecting the interests of taxpayers generally.

We stand to work with you toward these ends. Thank you very much for your cooperation.

Sincerely,

Newt Gingrich
Speaker

Trent Lott
Senate Majority Leader

Congress of the United States
Washington, DC 20515

/May 15, 1997

Mr. Erskine Bowles
Chief of Staff to
the President
The White House
Washington, D.C. 20502

Dear Mr. Bowles:

We are writing to express our desire for continued cooperation between Congressional staff and the staff of the various Administration agencies during the development of the current budget agreement.

Much of the most difficult work in connection with the budget agreement will involve the development of the revenue provisions that will satisfy the parameters of the agreement. Historically, the staff of the Joint Committee on Taxation has provided technical legal and quantitative support to the House and Senate. The Budget Act *requires* the use of Joint Committee on Taxation revenue estimates. Ken Kies and his staff are committed to facilitating our work on the tax provisions of this budget agreement. You can be assured that they will cooperate with Administration counterparts in receiving Administration input as they carry out their statutory responsibilities.

The revenue estimating staffs of the Joint Committee on Taxation and the Office of Tax Analysis at Treasury have a long history of cooperation and communication among analysts. It is our understanding that steps have already been taken to insure that the cooperative efforts of these two staffs will be intensified during the current budget process. It is also our understanding that the professional staffs at the Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences. The proposal shall not cause costs to explode in the outyears.

Now that we have agreed upon the overall parameters of this significant agreement, an inordinate number of details concerning specific provisions must be drafted and analyzed by the JCT and the committees of jurisdiction. We look forward to working with the Administration.

Sincerely,

Newt Gingrich
Speaker

Trent Lott
Senate Majority Leader

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 30, 1997

THE DIRECTOR

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Bipartisan Budget Agreement between the President and the Leadership of Congress provides an historic opportunity to balance the budget while protecting priority programs. I look forward to working with the appropriations, authorization, budget and tax committees as the Congress develops legislation implementing the Agreement.

As the House and Senate Appropriations Committees prepare to begin the fiscal year 1998 appropriations process, I wanted to provide you with the Administration's recommendation for the allocation of discretionary resources among the thirteen subcommittees. The recommendation reflects those funding levels that are protected in the Agreement and, for the remainder, is based on the levels recommended in the President's budget, as modified by the levels contained in the Agreement. We will shortly be sending you budget amendments that reflect that Agreement.

I look forward to meeting with you at your earliest convenience as you proceed to markup your fiscal year 1998 appropriations bills.

Sincerely,

Franklin D. Raines
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Ted Stevens,
and The Honorable Robert C. Byrd

COMPARISON OF DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE

(in millions of dollars)

30-May-97
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Appropriations Subcommittee	FY 1997 Enacted		FY 1998 Budget: OMB Scoring		FY 1998 Budget: CBO Scoring		Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee	
	BA	OL	BA	OL	BA	OL		
riculture and Rural Development	13,594	14,417	13,839	13,898	14,024	14,287	13,837	14,204
mmerce, Justice, State and the Judiciary	29,716	27,740	31,600	31,160	31,190	29,513	31,142	29,494
fense	243,819	245,144	243,290	239,909	243,698	243,862	246,316	244,409
strict of Columbia	719	719	770	532	770	393	759	390
ergy and Water Development	19,969	21,305	23,000	19,697	23,055	20,735	22,711	20,701
reign Operations	12,244	13,194	16,846	13,165	16,845	13,171	13,324	13,171
erior and Related Agencies	12,751	13,628	13,107	13,520	13,107	13,538	13,758	13,803
bor, HHS, and Education	74,407	73,206	79,746	75,687	79,780	75,933	79,537	75,724
gislative	2,169	2,247	2,386	2,373	2,386	2,341	2,358	2,327
itary Construction	9,984	10,920	8,383	9,521	8,383	9,888	8,383	9,888
ansportation and Related Agencies	12,735	35,458	12,416	35,561	12,416	36,061	12,438	37,009
easury, Postal Service, and General Gov't	12,088	12,231	13,050	12,556	13,084	12,615	12,948	12,551
terans Affairs, HUD, Independent Agencies	64,580	80,536	72,046	80,671	78,521	81,042	69,393	79,593
allocated	—	—	—	—	—	—	-47	4
otal, Discretionary	508,776	550,745	530,479	548,250	537,259	553,379	526,857	553,268

Technical adjustment to bridge automated calculation of FY 1998 Budget Agreement by subcommittee/function to FY 1998 Budget Agreement total.

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FUNCTIONAL DISTRIBUTION OF DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE
(in millions of dollars)

Appropriations Subcommittee	FY 1997 Enacted		FY 1998 Budget: OMB Scoring		FY 1998 Budget: CBO Scoring		Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee	
	BA	OL	BA	OL	BA	OL	BA	OL
Function 750 -- Justice	2,993	2,806	3,192	3,116	3,192	3,141	3,192	3,141
Function 800 -- General Government	8,928	9,220	9,700	9,235	9,700	9,269	9,566	9,207
Total, Treasury, Postal Service, and General Gov't	12,088	12,231	13,050	12,556	13,084	12,615	12,948	12,551
terans Affairs, HUD, Independent Agencies:								
Function 050 -- Defense	128	131	129	128	129	128	129	128
Function 250 -- General Science, Space, etc.	15,633	15,524	15,436	15,462	15,436	15,942	15,217	15,831
Function 300 -- Environment	6,799	6,477	7,645	6,744	7,645	6,652	7,645	6,652
Function 370 -- Commerce and Housing Credit	-305	-237	186	279	6	4	6	4
Function 400 -- Transportation	1,283	1,348	1,369	1,285	1,369	1,408	1,369	1,408
Function 450 -- Community/Reg'l Development	6,590	9,235	8,216	8,706	14,016	8,110	5,663	7,107
Function 500 -- Education, Training, etc.	402	360	572	433	572	423	572	423
Function 550 -- Health	43	43	45	45	45	44	44	44
Function 600 -- Income Security	14,960	28,455	19,549	28,809	20,404	28,790	20,114	28,590
Function 700 -- Veterans Benefits	18,910	19,071	18,750	18,643	18,750	19,398	18,485	19,263
Function 750 -- Justice	130	124	141	129	141	135	141	135
Function 800 -- General Government	7	5	8	8	8	8	8	8
Total, Veterans Affairs, HUD, Independent Independent Agencies	64,580	80,536	72,046	80,671	78,521	81,042	69,393	79,593
Unallocated [1]	--	--	--	--	--	--	-47	4
Total, Discretionary	508,776	550,746	530,479	548,250	537,259	553,379	526,857	553,268

Technical adjustment to bridge automated calculation of FY 1998 Budget Agreement by subcommittee/function to FY 1998 Budget Agreement total.

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FUNCTIONAL DISTRIBUTION OF DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE

(In millions of dollars)

Appropriations Subcommittee	FY 1997 Enacted		FY 1998 Budget: OMB Scoring		FY 1998 Budget: CBO Scoring		Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee	
	BA	OL	BA	OL	BA	OL	BA	OL
iculture and Rural Development:								
·unction 150 -- International Affairs	881	1,096	877	881	877	879	877	879
·unction 270 -- Energy	66	137	59	102	65	115	64	114
·unction 300 -- Environment	850	1,128	841	914	841	911	841	911
·unction 350 -- Agriculture	4,186	4,146	4,115	4,160	4,115	4,171	4,057	4,145
·unction 370 -- Commerce and Housing Credit	612	681	640	669	640	662	631	658
·unction 450 -- Community/Reg'l Development	815	915	867	856	867	907	842	902
·unction 550 -- Health	1,462	1,490	1,258	1,290	1,453	1,437	1,432	1,427
·unction 600 -- Income Security	4,722	4,824	5,182	5,026	5,166	5,205	5,093	5,168
Total, Agriculture and Rural Development	13,594	14,417	13,839	13,898	14,024	14,287	13,837	14,204
mmerce, Justice, State and the Judiciary:								
·unction 050 -- Defense	263	274	257	283	257	286	257	286
·unction 150 -- International Affairs	4,977	5,266	5,240	5,245	4,826	5,121	4,826	5,121
·unction 300 -- Environment	2,017	2,002	2,096	2,087	2,093	2,049	2,093	2,049
·unction 370 -- Commerce and Housing Credit	1,985	2,070	2,417	2,316	2,434	2,324	2,401	2,310
·unction 400 -- Transportation	120	284	123	192	123	200	123	200
·unction 450 -- Community/Reg'l Development	701	777	516	673	516	710	501	705
·unction 500 -- Education, Training, etc.	36	56	36	47	36	44	36	44
·unction 550 -- Health	6	8	6	6	6	6	6	6
·unction 750 -- Justice	19,587	16,977	20,885	20,287	20,875	18,749	20,875	18,749
Function 800 -- General Government	24	26	24	24	24	24	24	24
Total, Commerce, Justice, State and the Judiciary	29,716	27,740	31,600	31,160	31,190	29,513	31,142	29,494

FUNCTIONAL DISTRIBUTION OF DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE
(in millions of dollars)

Appropriations Subcommittee	FY 1997 Enacted		FY 1998 Budget: OMB Scoring		FY 1998 Budget: CBO Scoring		Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee	
	BA	OL	BA	OL	BA	OL	BA	OL
:se:								
ıction 050 -- Defense	243,819	245,132	243,290	239,909	243,698	243,862	246,316	244,409
ıction 550 -- Health	--	12	--	--	--	--	--	--
otal, Defense	243,819	245,144	243,290	239,909	243,698	243,862	246,316	244,409
ct of Columbia:								
ıction 800 -- General Government	719	719	770	532	770	393	759	390
otal, District of Columbia	719	719	770	532	770	393	759	390
gy and Water Development:								
ıction 050 -- Defense	11,352	11,964	13,615	10,917	13,615	11,813	13,615	11,813
ıction 250 -- General Science, Space, etc	996	989	1,003	988	1,003	1,020	972	1,013
ıction 270 -- Energy	3,051	3,348	3,506	3,285	3,528	3,377	3,569	3,352
nction 300 -- Environment	4,304	4,698	4,605	4,212	4,638	4,232	4,292	4,232
nction 450 -- Community/Reg'l Development	266	306	271	295	271	293	263	291
otal, Energy and Water Development	19,969	21,305	23,000	19,697	23,055	20,735	22,711	20,701
gn Operations:								
nction 150 -- International Affairs	12,244	13,194	16,846	13,165	16,845	13,168	13,324	13,168
nction 600 -- Income Security	--	--	--	--	--	3	--	3
otal, Foreign Operations	12,244	13,194	16,846	13,165	16,845	13,171	13,324	13,171

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FUNCTIONAL DISTRIBUTION OF DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE

(in millions of dollars)

Appropriations Subcommittee	FY 1997 Enacted		FY 1998 Budget: OMB Scoring		FY 1998 Budget: CBO Scoring		Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee	
	BA	OL	BA	OL	BA	OL	BA	OL
gislative:								
Function 370 -- Commerce and Housing Credit	11	11	13	13	13	13	13	13
Function 500 -- Education, Training, etc.	258	269	277	278	277	273	277	273
Function 800 -- General Government	1,900	1,967	2,096	2,082	2,096	2,055	2,068	2,041
Total, Legislative Branch	**2,169**	**2,247**	**2,386**	**2,373**	**2,386**	**2,341**	**2,358**	**2,327**
litary Construction:								
Function 050 -- Defense	9,984	10,920	8,383	9,521	8,383	9,888	8,383	9,888
Total, Military Construction	**9,984**	**10,920**	**8,383**	**9,521**	**8,383**	**9,888**	**8,383**	**9,888**
ansportation and Related Agencies:								
Function 050 -- Defense	300	279	300	299	300	299	300	299
Function 300 -- Environment	72	68	70	68	70	54	70	54
Function 400 -- Transportation	12,359	35,106	12,042	35,190	12,042	35,704	12,064	36,652
Function 750 -- Justice	4	5	4	4	4	4	4	4
Total, Transportation	**12,735**	**35,458**	**12,416**	**35,561**	**12,416**	**36,061**	**12,438**	**37,009**
easury, Postal Service, and General Gov't:								
Function 370 -- Commerce and Housing Credit	59	85	52	86	86	86	85	85
Function 450 -- Community/Reg'l Development	—	5	—	5	—	5	—	5
Function 500 -- Education, Training, etc.	2	3	4	4	4	4	4	4
Function 550 -- Health	20	20	20	20	20	20	20	20
Function 600 -- Income Security	86	92	82	90	82	90	81	89

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FUNCTIONAL DISTRIBUTION OF DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE
(in millions of dollars)

Appropriations Subcommittee	FY 1997 Enacted BA	FY 1997 Enacted OL	FY 1998 Budget: OMB Scoring BA	FY 1998 Budget: OMB Scoring OL	FY 1998 Budget: CBO Scoring BA	FY 1998 Budget: CBO Scoring OL	Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee BA	Proposed Allocation Of FY 1998 Budget Agreement by Subcommittee OL
nterior and Related Agencies:								
Function 270 -- Energy	1,139	1,481	1,138	1,658	1,138	1,587	1,121	1,575
Function 300 -- Environment	7,079	7,385	7,136	7,184	7,136	7,195	7,866	7,495
Function 400 -- Transportation	—	9	—	6	—	7	—	7
Function 450 -- Community/Reg'l Development	941	1,014	1,050	1,007	1,050	1,049	1,020	1,042
Function 500 -- Education, Training, etc	1,314	1,386	1,450	1,355	1,450	1,367	1,450	1,367
Function 550 -- Health	2,054	2,117	2,122	2,091	2,122	2,117	2,092	2,102
Function 800 -- General Government	224	236	211	219	211	216	209	215
Total, Interior	**12,751**	**13,628**	**13,107**	**13,520**	**13,107**	**13,538**	**13,758**	**13,803**
abor, HHS, and Education:								
Function 150 -- International Affairs	11	12	11	11	11	11	11	11
Function 500 -- Education, Training, etc	40,375	39,115	44,086	40,481	44,122	41,043	44,382	41,074
Function 550 -- Health	21,460	20,360	21,619	21,248	21,619	21,156	21,312	21,010
Function 570 -- Medicare	2,598	2,700	2,755	2,753	2,755	2,743	2,716	2,724
Function 600 -- Income Security	6,397	7,432	7,779	7,664	7,777	7,461	7,667	7,409
Function 650 -- Social Security	3,457	3,481	3,303	3,403	3,303	3,378	3,256	3,355
Function 750 -- Justice	105	105	193	126	193	141	193	141
Function 800 -- General Government	4	1	—	1	—	—	—	—
Total, Labor, Health and Human Services, Education	**74,407**	**73,206**	**79,746**	**75,687**	**79,780**	**75,933**	**79,537**	**75,724**

7/14/97 Roll Call

file 97 Budget

Spending Is Skewed Toward the Wrong Research
On a Per-Patient Basis, Funding for AIDS Study Pulls Needed Money Away From Other Terrible Diseases

By Rep. Ernest Istook

Federal funding for medical research is skewed, failing to focus on those diseases that cause the most suffering and death in America. It also doesn't focus on those illnesses that afflict the most citizens, cause the>most deaths, or cost the most to treat. The National Institutes of Health >seems to adjust its priorities to respond well to the political and media>attention focused upon AIDS and HIV.

Something is wrong when NIH funds research at the rate of $1,129 per heart disease death, $723 per stroke death, $4,995 per diabetes death, $4,525 per cancer death -- but $31,381 per HIV/AIDS death. Put differently, for every $1,000 that NIH spends on medical care, $11.15 is for heart disease, $6.18 for stroke, $3.20 for diabetes, $77.13 for cancer, but $125.87 for HIV/AIDS. If you go by the number of patients, rather than the number of deaths, NIH allocates $2,100 per year for each HIV/AIDS patient (of which there are 700,000), $200 per breast cancer patient (two million), $338 per overall cancer patient (eight million), $40 per heart disease patient (22 million), and $20 per diabetes patient (16 million). Of the 43 percent of its budget that NIH spends on disease-specific research, heart disease receives $903 million (16.5 percent of all disease research funding); diabetes, $316 million (5.8 >percent); pneumonia and influenza, $64 million (1.2 percent); stroke, $127 million (2.3 percent); and HIV/AIDS, $1.5 billion (27.5 percent).

As the American Heart Association reports, cardiovascular diseases have >been America's number-one killer for more than 75 years, nearing one>million deaths per year. According to the National Center for Health Statistics, cardiovascular disease deaths are 22 times higher than AIDS deaths. Cancer is the number-two killer, with the number of deaths 13 times higher than those from AIDS. But NIH's $1.5 billion in AIDS research is second only to cancer's $2.7 billion.

Although media coverage of AIDS stresses reports that it is the leading cause of death for males ages 25-44, this segment is only 15 percent of the entire population. Overall, AIDS drops to the number-eight cause of death, which is significant but is still only a small fraction of the deaths caused by America's biggest killer diseases.

We absolutely should provide significant funding for AIDS research. It is a horrible and deadly disease. But we should never forget that it is only one of many horrible and deadly diseases that afflict Americans. Congress gives great discretion over specific research-funding allocations to the NIH Institute directors and in particular to the NIH director, who since 1993 has been Dr. Harold Varmus. Varmus dismisses concerns over priorities as "body-count budgeting," which demeans the significance of hundreds of thousands of deaths each year.
As he has testified to Congress, "Body-count budgeting is not the right way to go."

Although NIH denies it, spending too often follows today's politics. As Rep. John Porter (R-Ill), who chairs the Appropriations Labor, HHS, and Education subcommittee, noted, "I do not want to suggest at all that the process by which NIH arrives at its allocation decisions is absent political considerations. It is not. I think NIH is just as pummeled by political pressures as are Members of Congress."

Nevertheless, NIH officials protest that they are simply following science, so politicians should not get involved in how NIH allocates research funding. But it would take a most-unscientific credulity to believe that NIH's funding priorities don't reflect a political and media environment which bemoans AIDS tragedies but provides no perspective on the far more numerous tragedies from other diseases.

Other federal agencies could also try to justify their own politics by denouncing Congressional input. The Pentagon would enjoy setting military spending priorities by itself. The Environmental Protection Agency would like freedom from oversight on where it directs its dollars. But NIH has been uniquely successful in resisting significant Congressional control over priorities.

In multiple Congressional hearings, I have questioned Varmus about the process for allocating medical research funding. Varmus is a distinguished scientist and Nobel laureate whose own research history focused on cancer research with an emphasis in genetics and retroviruses. As described in biographical material distributed by NIH, "His work has assumed special relevance to AIDS through a focus on biochemical properties of HIV, and to breast cancer through investigation of mammary tumors in mice." However, he does not perceive that he may have any personal bias in allocating billions of research dollars to specific diseases, over which he, not Congress, makes the final call.

Of NIH's nearly $13 billion annual budget, most goes to basic research and administrative overhead, but controversy centers on the 43 percent spent on disease-specific research. There is no formal consultation process for deciding which diseases to research. For example, NIH does not formally coordinate priorities with the Health Care Financing Administration (HCFA), which manages our Medicare and Medicaid spending, or with the Centers for Disease Control, private health care insurance providers, or hospitals. NIH instead relies on panels of experts, chosen by NIH, to make their recommendations to Varmus.

After many of us in Congress began questioning its priorities, NIH recently prepared a report to address how it allocates research money. In the report and in testimony, Varmus emphasizes the need to respond to "scientific opportunities" and to fund the areas that attract the most qualified researchers, thereby focusing research dollars where breakthroughs seem most likely. But as Porter noted during one hearing, "This is a kind of chicken-and-egg situation, though, isn't it? In other words, don't you really create scientific opportunity in a sense when you allocate money to a particular research field, and that encourages talented scientists to move into that area?... Once you put resources there...you tend to get a lot of proposals that follow the resources."

The new NIH report also cites the unquestioned need for year-to-year stability in research funding, since most research projects must be multiyear. And it features an oft- cited claim that it really doesn't matter how NIH divvies up the dollars because it's unpredictable what researchers will actually find. As Varmus likes to say, "Research aimed in one direction frequently provides benefits in an unexpected direction." But if all discoveries are "accidental," then why does NIH divide its organizations into multiple disease-specific institutes? For that matter, why even bother to direct funding toward any disease at all if it really doesn't make a difference?

Varmus recently wrote to the subcommittee that "existing methods for resource allocation at the NIH are preferable to excessive Congressional directives." But what is excessive about following the Constitution and having priorities set by elected officials who will be held accountable? Is that just an argument to hold tightly onto control of funding and avoid the nettlesome questions when priorities are misplaced?

As Rep. Steny Hoyer (D-Md) told Varmus, "The Founding Fathers put the authority here [with Congress]. And what we try to do...[is] to put a great deal of reliance on your judgment, but ultimately the decision resides here and therefore we have these hearings." Instead of the current system, federal spending on disease research should consider how many people are affected and the costs of major diseases. This would alleviate more human suffering and reduce the cost of prevention and treatment of our nation's worst diseases.

NIH trends have not changed in recent years, despite Congressional promptings. Although no one has suggested that Congress specify precise funding proportions, NIH's recalcitrance means that Congress must provide more direct and specific guidance. It's time to re-examine how NIH sets its priorities. The incidence and cost of treating diseases other than AIDS deserve greater consideration. We need to help more Americans who suffer from terrible diseases, not just those which receive the most political and media attention.

AIDS activists have been involved in political campaigns and fundraising far more than those concerned with any other disease. They were major campaign contributors to President Clinton and to many in Congress. Hollywood and the media flock to emphasize this disease but not others. Red AIDS ribbons are a common sight at galas, but who has seen comparable concern and emphasis over the devastation of strokes, cancer, heart attacks, heart disease, and other mass-killers? Furthermore, what about the so-called "orphan" diseases that have fewer victims and cannot muster a constituency to demand greater research funding? And there are many, many more major diseases, from Alzheimer's and Parkinson's to pneumonia and tuberculosis.

In at least one way, I agree with Varmus, who has testified that "a decision to increase support of one area of medical science now usually constrains the support of something else." That is precisely the point. Because funds are limited, proper priorities are essential. The millions of Americans who suffer from other deadly diseases are the losers when political correctness dictates that disproportionate amounts are spent instead on further AIDS research.

AIDS is a horrible disease and deserves significant research funding, yet we could alleviate far more human suffering if we also focused on the far larger number of people suffering from other horrible diseases. As a result, Congress and NIH must constantly review whether our current priorities are still justified or have become outdated.

Medical research is only one portion of the disparity. This year, the Congressional Research Service reported that the federal government is spending more than $8.4 billion a year on HIV/AIDS, including in- and out-patient medical service, transportation, and drug purchases ($4.77 billion); research ($1.74 billion, including more than just NIH's); housing ($196 million); and prevention ($678 million). These are usually subsidies to patients whether they have the ability to pay or not.

Moreover, although it remains deadly and significant, AIDS is clearly on the wane. The 600,000 to 700,000 Americans infected with HIV is below the 1986 Public Health Service estimate of 1 million to 1.5 million. As reported by Dr. Robert Biggar of NIH's National Cancer Institute, new infections have been falling annually since the early 1980s. New cases have been less than the number of deaths each year since 1992. And the death rate itself is dropping, with the CDC reporting a 13 percent decline in the first six months of 1996.

We lack a consistent standard at NIH, and in Congress, and tend to respond to where the publicity and media attention are greatest. Fixing this is not "body-count budgeting." After all, it's proper to consider population when we fund education, transportation, or any other program. Members of Congress have a constitutional duty to ensure that tax dollars are spent properly and to set policy. The money that funds NIH comes not just from the 600,000 to 700,000 people afflicted with HIV/AIDS, but also from the many, many millions more who must deal with other horrible diseases. They also deserve to be remembered.

(Rep. Ernest Istook (R-Okla) is a member of the Appropriations Committee.)

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National Organizations Responding to AIDS (NORA)
FAX MEMORANDUM

Date: July 14, 1997

To: NORA Coalition Members

From: NORA Executive Committee

Re: NORA appropriations sign-on letter regarding increased funding for federal HIV/AIDS programs
Deadline: Tuesday, July 15, 1997

The attached sign-on letter urges Representative Livingston, Chairman of the House Committee on Appropriations, to support increases in funding for all federal HIV/AIDS programs for fiscal year 1998, as well as oppose any negative amendments to the appropriations bill. There is concern that there may be attempts to reduce funding for HIV/AIDS programs at the CDC and NIH. The full Committee mark up is scheduled to start on Thursday, July 17th. The Labor/HHS Subcommittee will be marking up their portion of the bill tomorrow, July 15th.

If you would like for your organization to sign on to the letter, please fax the form below to the attention of Sara Collins at AIDS Action Council, 202-986-1345 by **close of business Tuesday, July 15, 1997.**

____ Yes, I would like to sign on to the NORA appropriations letter supporting increased funding for federal HIV/AIDS programs

____ No, I do not wish to sign on to the letter

____
Organization (please print)

____
Your name

Please fax this form to: Sara Collins, AIDS Action Council, 202-986-1345

July 14, 1997

Honorable Bob Livingston
Chairman, Committee on Appropriations
2406 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Livingston:

On behalf of the National Organizations Responding to AIDS (NORA), we are writing to strongly urge you to support increases in funding for all Federal HIV/AIDS programs for fiscal year 1998. Additionally, we are writing to oppose negative amendments to the appropriations bill.

NORA is a coalition comprised of over 175 health, labor, religious, professional, and advocacy groups who work together on federal HIV/AIDS issues. It is the goal of NORA to advocate for fair and effective HIV/AIDS policy, legislation and funding.

It is clear that the constraints under which the House Appropriations Committee must operate have severely reduced available domestic discretionary dollars. Nonetheless, recent and sustained break-throughs in HIV/AIDS therapies and prevention programs demonstrate both the return on wise and consistent federal investments in the comprehensive HIV/AIDS portfolio (prevention, care, research, housing and substance abuse).

The NORA Coalition undergoes an exhaustive process to determine our appropriation's request (document attached). Specifically, we are writing to request the following funding levels for FY 1998: $160 million dollars for the Agency for Health Care Policy and Research, $829 million dollars for the Centers for Disease Control and Prevention (CDC), $74 million dollars for the Food and Drug Administration, $1,390 million dollars for the Health Resources and Services Administration, $3 million dollars for the Indian Health Service, and $2,335 million dollars for the Substance Abuse and Mental Health Service Administration. Additionally, we are requesting strong support for National Institute of Health (NIH), including $1,636 million dollars for AIDS research at the NIH and support for budget authority for the Office of AIDS research at NIH.

We understand that some members of the Appropriations Committee may attempt to reduce funding for AIDS research at NIH and AIDS prevention programs at CDC in order to increase the funding for research and prevention of other diseases. Please oppose any such attempts to pit one disease against another. AIDS research enhances and stimulates research in other fields, and absent a cure, prevention remains the most effective way to slow the tide of this epidemic. Now is not the time to retreat from our commitment to defeating the nation's leading cause of death of all Americans aged 25 - 44.

We remain adamantly opposed to the appropriations process being used as a vehicle for poorly-conceived amendments or legislation that would undermine both the work of the appropriations committees as well as undermine the impact of the federally-funded programs through this process. The appropriations process cannot be seen as an opportunity to by-pass a logical and open process of committee hearings and public comment.

Your leadership both in funding HIV/AIDS programs at the highest possible levels as well as guaranteeing that the appropriations process will remain focused and with unnecessary amendments will be a clear indication that the 105th Congress remains committed to ending the HIV/AIDS epidemic.

Thank you for you help.

On behalf of NORA,

David Harvey
Co-Chair, NORA

Miguelina Maldonado
Co-Chair, NORA