

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

*Preparing America For the 21st Century*

February 1, 1999

# TABLE OF CONTENTS

- I. Summary of FY 2000 Budget
- II. Clinton/Gore Fiscal and Economic Record
- III. 1-Page Summary of Clinton/Gore Proposal to Save Social Security Now and Meet America's Challenges
- IV. Clinton/Gore Proposals for Targeted Tax Relief
- V. Issue Papers

# **I. SUMMARY OF FY 2000 BUDGET**

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

*Summary Document: February 1, 1999*

## A Return to Fiscal Strength

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

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

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

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

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

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

### Once Social Security Has Been Strengthened:

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

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

**As a Result of this Fiscal Responsibility:**

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

**Additional Tax Relief for Working Families**

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

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

**Plus, Targeted Tax Cuts for Working Families, Including:**

- **A \$1,000 Long-term Care Tax Credit** to help pay for formal and informal long term care services for about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children at a cost of \$5.6 billion over five years.
- **A \$1,000 Tax Credit for Work-related Expenses for People with Disabilities** to help cover the formal and informal costs that are associated with employment, such as special transportation and technology needs. This tax credit will help 200,000 to 300,000 Americans and costs \$700 million over 5 years.
- **Tax Credits to Build Modern Schools for Our Children.** A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly \$25 billion in bonds to build and renovate public schools at a cost of \$3.7 billion over 5 years.
- **Tax Relief for Child Care for Three Million Working Families, Plus Tax Relief to Parents Who Stay at Home.** The President's proposal increases the child and dependent care tax credit (CDCTC) for families earning up to \$59,000, providing an additional average annual tax cut of \$345 for these families. In addition, parents who stay at home with children under one year old will be able to take advantage of CDCTC by allowing them to claim assumed child care expenses of \$500, providing an average tax credit of \$178 and benefitting 1.7 million families. Overall, this combined proposal costs \$6.3 billion over five years.

**Moving Forward on Investment Agenda**

**Education and Training:**

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

- **21st Century Community Learning Centers/After-School and Summer School Programs:** \$600 million for the 21st Century/After-School program, an increase of \$400 million over FY 1999 levels, as part of a comprehensive approach to fix failing schools and help end social promotion.
- **New Qualified Teachers and Smaller Class Sizes:** \$1.4 billion as the second installment of the President's plan to help schools recruit, hire, and train 100,000 new teachers by 2005 and reduce class size in the early grades.
- **Education Technology:** to ensure teachers will be able to effectively integrate technology into their instruction by providing: \$450 million for the Technology Literacy Challenge Fund; \$65 million for Community-Based Technology Centers; \$75 million for the Pre-Service Teacher Training in Technology initiative; and \$30 million for a new Middle School Teacher Training initiative.
- **Removing Barriers to Work For People With Disabilities:** 1) full funding of the Work Incentives Improvement Act which will be introduced by Senators Jeffords Kennedy, Roth and Moynihan. 2) expanded access to information and communications technologies.
- **A \$965 Million Three-Part Initiative To Close America's Skills Gap:** 1) \$190 million increase for adult education and family literacy initiative. 2) \$368 Million increase for a universal re-employment initiative. 3) \$405 million increase for a youth employment initiative.

#### Child Care:

- **Child Care and Development Fund:** A \$1.2 billion increase to a total of \$4.5 billion in funds to provide child care subsidies for 500,000 more poor and near-poor families in 2000.
- **Early Learning Fund:** \$600 million to States to provide challenge grants to communities to support child care providers and programs serving children ages 0 to 5, including language development, emergent literacy, and other child development activities aimed at improving readiness for school.
- **Head Start:** A \$607 million increase that will add 42,000 new slots for young children, including 7,000 Early Head Start slots, for total enrollment of 877,000 and on track to meet the one million participation goal by 2002.

#### Health:

- **Health Options for Older Americans:** 1) Allow Americans aged 62 to 65 to buy Medicare coverage. 2) Provide Medicare "buy-in" option to workers between the ages of 55 and 62 who have lost-company sponsored health care coverage because their hours were scaled back or their employer relocated or stopped operations. 3) For "broken promise" retirees between the ages of 55 and 65, employers who have canceled the insurance of these retirees would be required to guarantee access to health insurance, by providing these retirees the option to "buy in" to the company sponsored plan at a fair price.
- **Long-Term Care Initiative:** In addition to the tax credit described above, the budget provides \$625 million over 5 years to provide respite, home care services, and information and referral assistance to the approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. It also includes a national campaign to educate Medicare beneficiaries about how best to evaluate long-term care options and a proposal to have the Federal government serve as a model employer by offering private long-term care insurance to Federal employees at group rates.
- **Encouraging Small Businesses to Offer Health Insurance:** 1) Provide a tax credit to small businesses who decide to offer coverage by joining coalitions. 2) Encourage private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt. 3) offer technical assistance to small business coalitions from the Office of Personnel Management.

- **Providing Access to Health Care Services for Uninsured Workers:** This initiative invests \$1 billion over 5 years in comprehensive health care delivery systems that traditionally provide services to the uninsured.
- **Medicare Cancer Clinical Trials:** \$750 million over four years for a demonstration to give more Americans access to cutting-edge cancer treatments.
- **Ryan White HIV/AIDS Treatment Grants:** \$1.5 billion, a 7 percent increase over 1999.
- **Mental Health Block Grants:** \$359 million, a 24 percent increase over 1999 and the largest increase ever.
- **Childhood Asthma Initiative in Medicaid:** \$50 million in demonstration grants for States to test innovative asthma disease management techniques for children enrolled in Medicaid.
- **Family Planning Services Grants:** \$240 million, an 11.6 percent increase over last year's funding level, and the largest increase in 15 years.

#### **Environment:**

- **Protecting Our Environment and Public Health:** A five percent increase to a record \$33.9 billion in FY 2000 to protect our natural resources, our communities, and the global environment.
- **Preserving America's Lands Legacy:** A \$1 billion Lands Legacy Initiative -- the largest one-year investment ever in the protection of America's land resources and a 125 percent increase over FY 1999 -- includes \$442 million to expand federal efforts to save America's natural treasures, and \$588 million to help states and communities protect urban parks, threatened farmland and other local green spaces.
- **Building Livable Communities for the 21st Century:** Better America Bonds, a new financing tool generating \$9.5 billion over five years for investments by state and local governments to preserve green space, protect water quality, and clean up brownfields and \$1.8 billion to support state and local efforts to simultaneously ease traffic congestion and reduce air pollution.
- **Meeting the Challenge of Global Warming:** More than \$4 billion to promote clean, efficient energy and for other efforts to reduce greenhouse gas emissions, including: \$200 million for a new Clean Air Partnership Fund and \$3.6 billion in tax incentives over five years for climate change initiatives including credits for the purchase of energy-efficient homes, cars and appliances.

#### **Community Empowerment:**

- **New Markets Initiative:** a new package of tax credit and loan guarantee incentives that will stimulate \$15 billion of new private capital in businesses in America's own untapped markets.
- **Community Development Financial Institutions (CDFI) Fund:** A \$30 million increase to provide \$125 million to increase capital availability and development opportunities in distressed communities.
- **National Service:** \$848 million, a 19 percent increase over 1999, to encourage Americans of all ages and backgrounds to help solve community problems and provide opportunities to engage in community-based service.

- **Low-Income Housing Tax Credit:** A 40 percent increase in the State per-capita cap from \$1.25 to \$1.75 to create an additional 150,000-180,000 new rental housing units for low-income American families over the next five years at a cost of \$1.7 billion over five years.
- **Empowerment Zones and Enterprise Communities:** Mandatory funding for each of the next ten years: \$150 million for urban EZs and Strategic Planning Communities; \$10 million for rural EZs; and \$5 million for rural ECs.
- **Abandoned Buildings:** \$50 million in competitive grant funds to local governments to support the demolition or deconstruction of blighted, abandoned buildings, as long as there is a plan -- with significant private-sector participation -- to redevelop the property for commercial use or multi-family and single family housing.

#### **Research and Development:**

- **Information Technology for the Twenty First Century:** A new \$366 million initiative to keep America at the cutting-edge of the Information Revolution.
- **Strong Support for Basic Research:** A 7 percent increase in the National Science Foundation budget, a 5 percent increase in the Department of Energy's science budget, and a 4 percent increase in NASA's space science research.
- **Climate Change Technology:** A \$1.8 billion initiative to promote energy efficiency and technologies that reduce greenhouse gas emissions.
- **Research and Experimentation Tax Credit:** To encourage research and experimentation, this credit would be extended for one year through June 30, 2000 at a cost of \$2.4 billion over five years.

#### **Crime:**

- **21st Century Policing Initiative:** A \$1.3 billion initiative: 1) \$600 million to help put more police on the street, helping communities to hire and redeploy between 30,000 and 50,000 more law enforcement officers over five years; 2) \$350 million to help State and local enforcement agencies tap into new technologies that will allow them to communicate more effectively, to use technology to solve more crimes, and to forecast problems; and 3) \$200 million to hire, redeploy or train community based prosecutors; and 4) \$125 million for community crime prevention.
- **Zero Tolerance Drug Supervision:** \$215 million for a new program to promote "zero tolerance" drug supervision for persons under criminal justice supervision.

#### **Maintaining Military Strength and US Leadership in the World**

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

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

## **II. CLINTON/GORE FISCAL AND ECONOMIC RECORD**

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

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

- **Instead of \$404 Billion Deficit, \$79 Billion Budget Surplus This Year.** When President Clinton and Vice President Gore took office, the Congressional Budget Office (CBO) projected the deficit to be \$404 billion this year and heading higher; now, the Administration projects the surplus to be \$79 billion this year and growing bigger.
- **\$79 Billion Surplus -- The Largest On Record.** In 1992, the deficit was \$290 billion -- the biggest dollar deficit in American history. This year, OMB projects the surplus to be \$79 billion -- the biggest dollar surplus in American history. As a share of GDP, the budget surplus would be 0.9 percent this year -- the largest since 1957.
- **Seven Years in A Row of Fiscal Improvement -- The First Time in U.S. History.** Reaching a \$79 billion surplus in 1999 would mark the seventh consecutive year of improved fiscal balance -- the longest period in American history.
- **Surplus Estimated To Reach \$187 Billion By 2002.** President Clinton promised to balance the budget by 2002. The budget will be balanced this year -- for the second year in a row -- and the surplus is expected to hit \$187 billion in 2002 -- part of what would be the longest and largest debt reduction in our history. And, instead of the \$579 billion deficit projected by CBO for 2002, we now project a surplus of \$187 billion -- a \$766 billion swing.
- **President's Plan Will Result In Debt Being Cut By More than Two-Thirds And Lowest Debt-to-GDP Ratio Since 1917.** As a share of the economy, the publicly held debt increased from 26 percent in 1981 to 50 percent in 1993. Since President Clinton took office, the publicly held debt as a share of GDP has dropped to 44 percent. And under the President's framework, the debt held by the public would be cut by more than two thirds and it would fall from 44 percent today, as a share of GDP, to 7.1 percent in 2014 -- its lowest level since 1917.
- **While Producing the Smallest Government in A Quarter Century, President Clinton Has Expanded Critical Investments in the Future.** President Clinton's 1993 Economic Plan included \$255 billion in spending cuts over five years -- more than half of the total deficit reduction package. As a result, federal spending as a share of the economy has declined for each of the past six years and is now the lowest in 25 years. However, as spending has been cut in lower priority areas, President Clinton has dramatically increased funding in critical areas, such as education and training, children, the environment, health care, and research and development. Indeed, investments in key education and training programs have nearly doubled since 1993.
- **While Eliminating The Budget Deficit, President Clinton Has Provided Tax Relief for Middle-Income Families.** Because of the tax cuts for working families signed into law by the President in 1993 and 1997 -- for example, the expanded Earned Income Tax Credit, the \$500 child tax credit, the \$1,500 HOPE Scholarship Tax Credit, and the Lifetime Learning Tax Credit -- the typical American family of four will face the lowest federal tax burden in more than two decades. President Clinton proposes to build off this record to provide additional targeted -- and fully paid for -- tax relief for retirement savings, long-term care, child care, education, community revitalization, and the environment.

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

- **Lower Deficits Mean Lower Interest and Mortgage Rates -- Saving Families Thousands.** The government's share of total borrowing in U.S. credit markets has been eliminated from nearly 60 percent just six years ago -- which, according to the *Wall Street Journal* (5/7), has played a "major role" in keeping down interest rates. Since 1993, about 18 million families have refinanced their homes -- and according to the *New York Times* and *Money* magazine, these families have saved an average of \$1,000-\$2,000 per year in lower mortgage payments.
- **Lower Mortgage Rates Mean Higher Homeownership.** Lower mortgage rates -- along with higher family incomes, faster job growth, and the President's National Homeownership Strategy -- have helped raise the national homeownership rate to its highest level in American history.
- **Lower Interest Rates Mean Faster Business Investment Growth.** Under President Clinton, real business investment growth has averaged 12.5 percent -- the fastest since John Kennedy was President.
- **Faster Business Investment Growth Means Faster Economic Growth and More Jobs.** Faster business investment growth helps expand capacity and has led to faster economic growth and more jobs under President Clinton. Since President Clinton took office, the private sector of the economy has grown 4.0 percent per year, the economy has added 17.7 million new jobs, and unemployment has fallen to 4.3 percent -- the peacetime lowest in 41 years. America has the longest peacetime economic expansion in history.

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

- **Alan Greenspan, Federal Reserve Chairman, 2/20/96:** The deficit reduction in the President's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."
- ***Business Week*, 5/19/97:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than \$400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."
- **Goldman Sachs, March 1998:** One of the reasons Goldman Sachs cites for "the best economy ever" is that "on the policy side, trade, fiscal, and monetary policies have been excellent, working in ways that have facilitated growth without inflation. The Clinton Administration has worked to liberalize trade and has used any revenue windfalls to reduce the federal budget deficit."
- ***U.S. News & World Report*, 6/17/96:** "President Clinton's budget deficit program begun in 1993... [led] to lower interest rates, which begat greater investment growth (by double digits since 1993, the highest rate since the Kennedy administration), which begat three-plus years of solid economic growth averaging 2.6 percent annually, 50 percent higher than during the Bush presidency."
- **Paul Volcker, former Federal Reserve Chairman, *Audacity*, Fall 1994:** "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that... and I think we're seeing some benefits."

## **THE CLINTON/GORE ECONOMIC RECORD:**

*Then And Now: What a Difference Six Years Make*

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

### **Deficit Eliminated: The First Budget Surplus in A Generation**

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

### **Unemployment Is Down: The Lowest Peacetime Rate in 41 Years**

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

### **Jobs Are Up: 17.7 Million Created Since January 1993**

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

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

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

### **Productive Business Investment Is Booming: Fastest Since Kennedy**

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

### **Real Wages Rising Again: Fastest Growth in Two Decades**

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

### **Government Spending: Lowest in Quarter Century**

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

### **Inflation: The Lowest in More Than 30 Years**

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

### **Homeownership Is Up: The Highest in American History**

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

### **Family Income Up More Than \$3,500 Since 1993**

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

### **Middle-Class Taxes: Lowest in 20 Years**

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

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

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

### **Interest Rates: The Lowest in More Than 20 Years**

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

### **The World's Most Competitive Economy Again**

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

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

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

### *From An Era of Deficits to An Era of Surpluses:*

- **First Balanced Budget in A Generation.** After the deficit exploded under Presidents Reagan and Bush - rising from \$74 billion in 1980 to \$290 billion in 1992 -- President Clinton and Vice President Gore put in place a bold new Economic Plan that has helped cut the deficit and strengthen the economy. When President Clinton and Vice President Gore took office, CBO projected the deficit to be \$404 billion this year and heading higher. Last year, we had the first budget surplus since Neil Armstrong landed on the moon: almost \$70 billion. This year, the Administration projects that we will have a \$79 billion surplus -- the largest dollar surplus in history and the largest as a share of our economy since the 1950s.
- **Because of Lower Deficits From the 1993 Economic Plan and the 1997 Balanced Budget Agreement, The Federal Government Has Already Saved \$1.8 Trillion on the National Debt.** Through the deficit reduction from the 1993 Economic Plan and the 1997 Balanced Budget Agreement, the national debt will be \$1.8 trillion lower this year compared to what was expected.
- **In 1999, Government Will Borrow \$483 Billion Less Than Projected When Clinton Took Office.** When President Clinton took office, the CBO projected that the 1999 deficit would be \$404 billion -- now we project it to be \$79 billion -- that's a \$483 billion swing. In 2002, CBO projected the deficit would be \$579 billion, and heading higher. Now, we project a surplus of \$187 billion for 2002 -- that's a swing of \$766 billion that the government will not have to borrow from the private sector.

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

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

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

- **In 1999, Spending As A Share of GDP Will Be Lowest in 25 Years.** In 1999, Federal spending as a share of GDP is expected to be 19.7 percent -- that's its lowest level since 1974. Since President Clinton took office, spending as a share of the economy has fallen from 22.5 percent in 1992 to 19.7 percent in 1999. Under Presidents Reagan and Bush, spending as a share of GDP increased, rising from 21.7 percent in 1980 to 22.5 percent in 1992.
- **In 1999, Lowest Discretionary Spending -- As Share of GDP -- In 35 Years.** Since President Clinton took office, discretionary spending as a share of the economy has fallen from 8.7 percent in 1992 to 6.6 percent in 1999 -- that's the lowest level since 1962 when discretionary spending was first split out. Real discretionary spending has almost *fallen* 2% per year under President Clinton. This compares to real discretionary spending *growth* of one percent per year under Presidents Reagan and Bush.
- **Under Clinton, Non-Defense Discretionary Spending Down.** Since President Clinton took office, non-defense discretionary spending as a share of the economy has fallen from 3.8 percent in 1992 to 3.5 percent in 1999.
- **Lower Government Spending -- As Share of GDP -- Than Any Major Economy in World.** According to the OECD, the U.S. has lower total government spending -- Federal, state, and local -- as a share of GDP than any major economy in the world.

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

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

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

- **Using The Budget Surplus To Help Save Social Security And Invest A Portion In the Stock Market To Seek Higher Returns.** The President proposes to transfer 62 percent of the projected budget surpluses over the next 15 years -- more than \$2.7 trillion -- to the Social Security system. The President proposes to invest less than one-quarter of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does -- after working with Congress to devise a mechanism to ensure that the investments are made independently and without political interference by private sector managers with minimum administrative costs.
- **This Framework Will Save Social Security Until 2055 -- And the President Will Work With Congress To Save It Until At Least 2075.** Transferring over 60 percent of the surpluses to Social Security and investing a portion in the market will keep Social Security solvent until 2055. The President believes we must work on a bipartisan basis to make the hard-headed but sensible and achievable choices to save Social Security until at least 2075. As part of this effort, President Clinton believes that we must:
  - (1) ***Reduce Poverty Among Single Women.*** Reduce poverty among elderly women -- particularly widows, who have a poverty rate nearly twice the overall poverty rate for older Americans; and
  - (2) ***Eliminate The Earnings Test.*** Eliminate the confusing and out-dated earnings test so that we stop discouraging work and earnings among older Americans.

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

- **Strengthen Medicare for the 21st Century.** The President's framework will reserve 15 percent of the projected surpluses for Medicare, securing Medicare until 2020. The President further called for bipartisan reforms that would allow Medicare to be secure until 2020 while also providing prescription drug benefits.
- **Provides \$500 Billion in Tax Credits to Create New Universal Savings Accounts -- USA Accounts.** The President's framework will reserve 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so working Americans can build wealth to meet their retirement needs. To help Americans save and to strengthen our current pension system, we would provide Americans a flat tax credit to make contributions into their USA Account. In addition, we would provide additional tax credits to match a portion of an individual's savings -- with more help for lower-income workers.
- **Prepare America for the Challenges of the Future.** The President's framework will reserve 11 percent of the projected surpluses for military readiness and other pressing domestic priorities.

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

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

## **IV. CLINTON/GORE PROPOSALS FOR TARGETED TAX RELIEF**

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

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

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

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

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

### **Additional Tax Cuts for Working Families**

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

#### **MAKE HEALTH CARE MORE AFFORDABLE**

- **A \$1,000 Long-term Care Tax Credit** to help pay for formal and informal long-term care services for about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children at a cost of \$5.6 billion over five years.
- **A \$1,000 Tax Credit for Work-related Expenses for People with Disabilities** to help cover the formal and informal costs that are associated with employment, such as special transportation and technology needs. This tax credit will help 200,000 to 300,000 Americans, and costs \$700 million over 5 years.

#### **EXPAND EDUCATION TAX INCENTIVES**

- **Tax Credits to Build Modern Schools for Our Children.** A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly \$25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds (\$22.4 billion) and Qualified Zone Academy Bonds (\$2.4 billion). \$400 million of the school modernization bonds will go to tribes or tribal organizations for the construction and renovation of BIA funded schools. The tax credits on these bonds will cost \$3.7 billion over 5 years.
- **Other Education Tax Incentives** include the elimination of the 60-month limit on student loan interest deduction at a cost of \$281 million over five years; an 18 month extension and an expansion of the tax- favored treatment of employer provided education (Section 127); a new 10% credit for employer-provided workplace literacy and basic education programs; a 50 percent credit for corporate sponsorship payments to qualified zone academies.

## MAKE CHILD CARE MORE AFFORDABLE

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

## PROVIDE INCENTIVES TO REVITALIZE COMMUNITIES

- **Better America Bonds.** The President is proposing Federal tax credits to pay the interest on \$9.5 billion in bonds over five years for investments by state, local and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). The cost is \$673 million over five years.
- **New Markets Tax Credit.** To help spur \$6 billion in new equity capital for investment in America's New Markets, President Clinton is proposing a tax credit worth up to 25 percent for investments in a wide range of vehicles targeted to underserved communities, including community development banks, community development corporations and venture capital funds, and new targeted investment vehicles proposed by President Clinton known as America's Private Investment Companies (APICs) and New Market Venture Capital Firms. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores. The proposal costs roughly \$980 million over five years.
- **Increase the Low-Income Housing Tax Credit.** To expand and improve the supply of available low income housing, the budget raises the allocation of low-income housing tax credits to States. The President proposes to raise the State per capita cap from \$1.25 to \$1.75 beginning in 2000 at a cost of \$1.7 billion over five years. This increase will lead to an additional 150,000 to 180,000 units of affordable housing over five years.

## INCREASING ENERGY EFFICIENCY AND IMPROVE THE ENVIRONMENT

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

## EXTEND EXPIRING PROVISIONS

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

## Curb Corporate Tax Shelters and Reduce Unwarranted Tax Subsidies

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

- **Expanding Public School Choice:** The President's budget firmly supports expanding public school choice through its Charter Schools, Magnet Schools and Satellite Work-Site Schools initiatives. The Clinton Administration is continuing its efforts to help teachers, parents and community groups start public charter schools -- innovative public schools that stay open only as long as they produce results. The budget includes \$130 million in public charter school funding, \$114 million for Magnet Schools, and \$10 million for the Satellite Work-Site Schools.
- **Education Technology:** The budget ensures the teachers will be able to integrate technology effectively into their instruction by providing: \$450 million for the Technology Literacy Challenge Fund; \$65 million for Community-Based Technology Centers; \$75 million for the Pre-Service Teacher Training in Technology initiative; and \$30 million for a new Middle School Teacher Training initiative to train technology experts. Plus, \$1.3 billion will be made available through the education rate or E-rate program which was created under the Telecommunications Act of 1996 and which provides discounts for schools and libraries to buy high-speed Internet access, internal wiring, and telecommunications services.
- **America Reads/Reading Excellence:** Two years ago, the President launched the America Reads Challenge, a multi-faceted effort to help States and communities ensure that all children can read well and independently by the end of third grade. This budget builds upon last year's commitment of \$260 million by proposing and investment of \$286 million to continue this program in 2000. The funds help train reading tutors and coordinate after-school, weekend, and summer reading programs linked to in-school instruction; help train teachers to teach reading; and help parents help children prepare to learn to read.
- **Pell Grants:** The budget provides over \$7 billion to raise the Pell maximum award to \$3,250, a \$125 increase over 1999 and it will reach nearly four million low-income undergraduates.
- **Work-Study:** The budget proposes \$934 million for the Work-Study program, a \$64 million increase over the 1999 level. This level provides enough funding to meet the President's goal of providing one million students the opportunity to work their way through college by 2000.

### **CLOSING THE SKILLS GAP:**

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

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

1. **An Adult Education and Family Literacy Initiative:** Today, 44 million adults struggle with a job application, cannot read to their children, or cannot fully participate in our economic and civic life because they lack basic skills or English proficiency. The goal of the Adult Literacy initiative is to bring Presidential leadership and focus to a pressing national problem by demanding improvements in the quality of adult basic education programs and increasing funding to help States both meet the new quality goals and serve more people. This initiative includes:
  - **\$95 Million Increase – to \$468 Million – to Expand Adult Education State Grants and Challenge State and Local Governments to Join Us in Dramatically Increasing Program Quality:** By the year 2005 the President's goal is for the Nation as a whole to: Increase the number of full-time teachers by 20%; Double the number of instructional hours per student; Triple the number of computer stations

available at adult education centers; And more than double the amount of child care and counseling services offered in Federal, State, and local adult education programs.

- **\$70 Million for an English Literacy/Civics Initiative:** This initiative provides competitive grants to States and communities for expanded access to high quality English language instruction linked to practical instruction in civics and life skills including how to navigate the workplace, public education system, and other essentials.
  - **\$23 Million for “America Learns Technology”:** One of the important keys to higher quality adult education is effective use of advanced technology. This initiative will increase access to technology for adult learners by supporting high quality software, pilot projects in 40 communities, and advanced research and development.
  - **\$2 Million for a “High Skills Communities” Campaign:** The President’s campaign will mobilize States and local communities to implement strategies to promote adult education and lifelong learning. Part of this initiative will provide up to 10 communities \$50,000 awards annually for achieving concrete results so that other communities know what works and what doesn’t work.
  - **10% Workplace Education Tax Credit:** Employers who provide certain workplace literacy, English language instruction, and basic education programs will be allowed a 10 percent income tax credit for eligible educational expenses, with a maximum credit of \$525 per participating employee per year.
2. **A Universal Re-Employment Initiative:** The President’s FY2000 budget makes a five-year commitment to our Nation’s reformed job training system. Specifically, President Clinton proposes to put us on a path that ensures that within five years (1) all displaced workers will receive the job training they want and need; (2) all people who lose their jobs due to no fault of their own will get the re-employment services they need; and (3) all Americans will have access to One-Stop Career Centers. This initiative includes:
- **\$190 Million Increase In Dislocated Worker Program to Put Us On Track To Ensure Every Dislocated Worker Gets The Training They Need:** Since 1993, dislocated worker funding has been expanded by 171 percent -- helping to serve 689,100 this year, well more than double the 306,300 workers served in 1993. The President’s FY2000 budget increases funding for the dislocated worker program by \$190 million -- helping to serve an additional 169,400 workers this year. This would put us on path to ensuring *every* dislocated worker can get the job training he or she needs.
  - **Expansion of Employment Service To Put Us on Path To Ensure Every Person Who Loses Their Job Due to No Fault of Their Own Gets the Re-Employment Services They Need:** Today, many workers do not get the job search assistance or other types of re-employment services they need. Therefore, the President’s FY2000 budget expands the budget of the Employment Service (ES) to put us on a path to serve within five years the 1.4 million people who lost their job due to no fault of their own and do not receive the re-employment services they need.
  - **Providing Every American Access To One-Stop Career Centers -- Helping Americans Informed Decisions About Their Futures:** As part of the Workforce Investment Act, every area of the country will have a One-Stop Career Center. Now, we must ensure every American has access to the information available at the One-Stops. The President’s budget does just that -- providing \$65 million to take the following steps:
    - First, the President’s budget will put in place a system so that the unemployed get job leads the moment they apply for Unemployment Insurance -- transforming our unemployment system into a re-employment system.
    - Second, the plan will create a nationwide toll-free telephone system so that *all* workers will be able to find out what services are available and where they can go to receive them. Every American will have universal access to the services and programs available through One-Stop Career Centers.

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

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

- **YouthBuild Expanded by More than 75 Percent:** The FY2000 budget expands YouthBuild by \$32.5 million -- more than 75 percent. This means that we will provide \$75 million for the YouthBuild program that provides disadvantaged young adults with education and employment skills by rehabilitating and building housing for low-income and homeless people.
- **New \$100 Million "Right-Track" Partnership To Reduce Drop-Out Rate:** The President's balanced budget provides \$100 million for "Right Track Partnerships" to promote partnerships between schools, employers, and community-based organizations that devise innovative community-wide approaches to increase the rate at which economically disadvantaged and limited-English proficient youth complete and excel in high school and subsequently increase the rate at which these youth go on to post-secondary education, training, and higher paying careers. This new proposal builds on last year's Hispanic Education Action Plan, which received nearly \$500 million for FY1999.
- **Doubles GEAR-UP for College Program:** President Clinton's balanced budget doubles funding -- from \$120 million in FY99 to \$240 million in FY2000 -- for the GEAR UP program that supports States and partnerships between high-poverty middle or junior high schools and colleges to help low-income children prepare for and enroll in college. In 2000, GEAR UP will reach 381,000 students.
- **New \$50 Million Regional Youth Employment Initiative:** The President's balanced budget provides \$50 million for a Regional Empowerment Zone Program to assist urban Empowerment Zones and Enterprise Communities (EZ/ECs) in linking their economic development strategies to their broader metropolitan regional economies in order to increase the employment of disadvantaged youth.
- **\$65 Million to Prepare Disadvantaged Youth for Success in College:** The President's budget will include a \$30 million increase in federal TRIO programs, including Upward Bound, to fund outreach, counseling, and educational support to help disadvantaged students prepare for academic success in college. The budget will also include \$35 million for a new initiative to help disadvantaged students stay in college and earn diplomas.

## CHILD CARE INITIATIVE

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

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

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

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

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

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

- **Providing Tax Relief to Parents Who Stay at Home:** The President proposes an initiative to enable parents who stay at home with children under the age of one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of \$500. The President's budget provides an average tax credit of \$178, at a cost of \$1.3 billion over five years, which will benefit 1.7 million parents.
- **Creating New Child Care Tax Incentives for Businesses:** The President proposes to create a new tax credit for businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services. The credit covers 25% of qualified costs, but may not exceed \$150,000 per year. The President's budget includes approximately \$500 million over five years for these tax credits.
- **Serving over a Million Children through After-School:** The President proposes to triple funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. The program increases the supply of after-school care in a cost-effective manner, primarily by funding programs that use public school facilities and existing resources. In awarding these new funds, the Education Department will give priority to school districts that are ending social promotion by requiring that students meet academic standards in order to move to the next grade. The President's budget includes \$600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.
- **Increasing Head Start:** Head Start, one of the President's highest priorities, is America's premier early childhood development program. It supports working families by helping parents get involved in their children's educational lives and by providing services to the entire community. The budget provides \$5.267 billion, a \$607 million increase over 1999 levels for Head Start. This increase would enable the program to serve 42,000 additional children in 2000 and will keep the program on track to reach the President's goal of serving 1 million children by 2002.
- **College Campus-Based Child Care:** These budget proposes \$5 million to establish and support child care services on college campuses. These new resources will help increase low-income parents' access to higher education.

## STRENGTHENING HEALTH CARE

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

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

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

### LONG-TERM CARE

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

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

## **ELIMINATING BARRIERS TO EMPLOYMENT FOR INDIVIDUALS WITH DISABILITIES**

- **Funding the Work Incentives Improvement Act in the President's Budget.** The FY 2000 budget includes the full Work Incentives Improvement Act. This proposal, which costs \$1.2 billion over 5 years, would improve access to health care by providing new options for workers with disabilities to buy into Medicaid and Medicare; modernizing employment-related services for workers with disabilities; and creating a work incentives grant program to provide benefits planning and assistance and better integrate services to people with disabilities working or returning to work.
- **\$1,000 Tax Credit.** Under this proposal, workers with significant disabilities would receive an annual \$1,000 tax credit to help cover the formal and informal costs that are associated with and even prerequisites for employment, such as special transportation and technology needs. This tax credit, which will help 200,000 to 300,000 Americans costs \$700 million over 5 years.
- **Improving Access to Assistive Technology.** This new \$35 million initiative would accelerate the development and adoption of information and communications technologies, which can improve the quality of life for people with disabilities and enhance their ability to participate in the workplace.

## **EXPANDED HEALTH INSURANCE OPTIONS**

- **Health Options for Older Americans.** This new initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare, by paying a full premium; providing vulnerable displaced workers ages 55 and older access to Medicare by offering those who have involuntarily lost their jobs and their health care coverage a similar Medicare buy-in option; providing Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits a new health option, by extending "COBRA" continuation coverage until age 65. The President's proposal is fully funded and does not burden the Medicare Program.
- **Encouraging Small Businesses to Offer Health Insurance.** This new initiative encourages small businesses to offer health insurance to their employees through: a new tax credit for small businesses who decide to offer coverage by joining coalitions; encouraging private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; offering technical assistance to small business coalitions from the Office of Personnel Management.
- **Improving Access to Health Insurance through Medicaid and CHIP.** The budget increases access to health insurance by restoring Medicaid and CHIP eligibility for legal immigrants affected by welfare reform; extending Medicaid eligibility to foster children up to age 21; improving transitional Medicaid for people moving from welfare to work; and providing states with \$1.2 billion over 5 years for children's health outreach activities. The budget provides \$144 million over five years for increased CHIP funding for Puerto Rico and the territories.

## **COMMITMENT TO PUBLIC HEALTH**

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

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

## **IMPROVING THE FISCAL INTEGRITY AND EFFICIENCY OF MEDICAID AND MEDICARE**

- **Health Care Financing Administration (HCFA) Management Reform.** HCFA, HHS and the Office of Management and Budget have begun the development of a reform initiative that will increase HCFA's flexibility to operate as a prudent purchaser of health care while also increasing accountability. The initiative has five components: 1) management flexibilities; 2) increased accountability; 3) program flexibilities; 4) structural reforms; and 5) contractor reform.
- **Medicare and Medicaid Program Integrity and Efficiency.** The budget includes a number of policies that would reduce fraud, waste, and overpayments in Medicare and strengthen fiscal accountability in Medicaid. These savings amount to \$1.26 billion for Medicare and \$74 million for Medicaid in FY 2000.

## PROTECTING OUR ENVIRONMENT AND PUBLIC HEALTH

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

- **Preserving America's Lands Legacy.** To meet the conservation challenges of a new century, the President is proposing a \$1 billion Lands Legacy Initiative -- the largest one-year investment ever proposed for the protection of America's land and coastal resources. This initiative, a 125 percent increase over FY 1999, would fully fund the Land and Water Conservation Fund for the first time. To sustain these efforts, the President will work with Congress to create a permanent funding stream beginning in FY 2001. Lands Legacy includes:
  - *Saving Natural Treasures.* \$442 million to protect natural and historic sites across the country, including critical lands in the Mojave Desert and Florida's Everglades, Civil War battlefields, and the Lewis and Clark Trail.
  - *Protecting Local Green Spaces.* \$588 million to state and local governments, including \$150 million in land acquisition grants, \$50 million for open space planning, \$50 million to protect threatened farmland, \$44 million for urban parks and forests, and \$80 million for innovative endangered species protections.
- **Building Livable Communities for the 21st Century.** To help communities grow in ways that ensure a high quality of life and strong, sustainable economic growth, the President is proposing a comprehensive Livability Agenda providing new tools and resources for state and local governments. Major elements of the Agenda in the environment budget include:
  - *Better America Bonds.* A new financing tool generating \$9.5 billion in bond authority over five years for investments by state, local, and tribal governments to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields. The budget proposes tax credits totaling almost \$700 million over five years to support the Bonds.
  - *Easing Traffic Congestion.* \$1.8 billion for the Congestion Mitigation and Air Quality program, which supports state and local efforts to simultaneously ease congestion and reduce air pollution; and \$566 million for Environmental Enhancements, which supports projects such as renovating historic rail stations and creating bicycle and pedestrian paths.
- **Meeting the Challenge of Global Warming.** The President is proposing more than \$4 billion in FY 2000 to promote clean, efficient energy and for other efforts to reduce greenhouse gas emissions. Major components in the environment budget include:
  - *Clean Air Partnership Fund.* A new \$200 million fund to provide grants to state and local governments for projects that achieve early reductions in both greenhouse gases and harmful air pollutants such as soot and smog.
  - *Climate Change Technology Initiative.* \$3.6 billion in tax incentives over five years for renewable energy and for the purchase of energy-efficient homes, cars and appliances; and \$1.4 billion in FY 2000 -- a 34 percent increase -- for the research, development and deployment of clean energy technologies and energy-efficient practices.

- **Restoring Pacific Coastal Salmon.** The President is proposing a new \$100 million Pacific Coastal Salmon Recovery Fund to help state, local, and tribal governments rebuild dwindling salmon stocks. The funds, to be matched dollar-for-dollar by state or local contributions, can be used to purchase conservation easements, plant trees, stabilize stream banks, and undertake other projects to improve water quality and restore salmon habitat and spawning grounds.
- **Cleaning Up Rivers, Lakes and Coastal Waters.** The budget provides \$2 billion in discretionary spending -- a 20 percent increase -- and \$300 million in mandatory spending for the second year of President Clinton's Clean Water Action Plan, a five-year initiative to help restore the 40 percent of surveyed waterways still too polluted for fishing or swimming. This includes \$630 million to fully fund the Environmental Protection Agency's portion of the initiative. It also includes:
  - *Restoring California's Bay-Delta.* \$75 million to continue ecosystem restoration activities in California's Bay-Delta watershed, and a \$20 million increase to help improve water use efficiency, water quality, and watershed management.
  - *Incentives to Farmers.* \$300 million, a 72 percent increase, for the Environmental Quality Incentives Program, which helps farmers prevent polluted runoff.
- **Reducing Childhood Asthma.** The EPA budget includes a \$17 million increase for research into the causes of asthma, and for educational efforts to prevent it, part of a new \$68 million interagency initiative to reduce the incidence of childhood asthma through a comprehensive national strategy.
- **Protecting Our Oceans and Coasts.** To fund initiatives the President launched at the National Ocean Conference last year in Monterey, the budget includes \$52 million for a state-of-the-art ocean research vessel and -- through the Lands Legacy Initiative -- \$29 million for national marine sanctuaries, \$90 million to help states develop "smart growth" strategies along America's coasts, \$25 million to restore declining fisheries, and \$10 million to research and protect coral reefs.
- **Promoting Innovative Species Protections.** The budget includes \$181 million, a 40 percent increase, for endangered species programs. The increases would support habitat conservation planning and other collaborative efforts with landowners, states and local governments to restore ailing species and keep others from being declared threatened or endangered.
- **Restoring Florida's Everglades.** The budget includes \$312 million, a 35 percent increase, to accelerate federal-state efforts to restore the Everglades. Priorities include improving freshwater flows to Everglades National Park, restoring the Kissimmee River, completing a master blueprint for rebuilding freshwater supplies for South Florida and -- through the Lands Legacy Initiative -- acquiring critical lands within and adjacent to the Park.

## COMMUNITY EMPOWERMENT

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

- **The New Markets Initiative:** The budget provides tax credit and loan guarantee incentives to stimulate \$15 billion of new private capital investments in targeted areas; build a network of private investment institutions to funnel credit, equity and technical assistance into businesses in America's new markets; and provide the expertise to targeted small businesses that will allow them to use investment to grow.
  - *The New Markets Tax Credit:* To help spur \$6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.
  - *America's Private Investment Companies (APICs):* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. For each \$100 million of private equity, HUD and SBA will guarantee loans up to \$200 million, creating a \$300 million investment fund to target larger businesses that are expanding or relocating in inner city and rural areas.
  - *SBIC's Targeted to New Market:* Last summer, the Vice President challenged the SBA to find ways to better meet the needs of minority firms and underserved markets. The SBA is responding by offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in low and moderate income areas.
  - *New Markets Venture Capital (NMVC) Firms:* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.
- **Empowerment Zones and Enterprise Communities:** The Empowerment Zones and Enterprise Communities encourage investment in distressed communities through tax benefits for businesses, and flexible block grants for job training, day care and other purposes. The original EZs from 1994 have already used funding to leverage private dollars to create or save 1,500 jobs, train 900 persons, and serve 3,200 youth in developmental programs. In 1999, Congress provided first-year funding of \$55 million for the new EZs, and \$5 million in first-year funding for 20 new rural Enterprise Communities announced in January. The 2000 Budget proposes mandatory funding for ten years: \$150 million a year for urban EZs and Strategic Planning Communities; \$10 million a year for rural EZs; and \$5 million a year for rural ECs.
- **National Service:** This program encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes \$848 million for the Corporation, a 19 percent increase over 1999.

- **Low-Income Housing Tax Credit:** Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of \$1.25 per capita to allocate to developers of affordable housing. Even though building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita -- restoring the value of the credit to its 1986 level. Estimates suggest that the LIHTC currently helps build 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will create an additional 150,000-180,000 new rental housing units for low-income American families over the next five years. Last year, over two-thirds of the House and Senate were co-sponsors on bills to raise the cap on the LIHTC -- more support than any other tax legislation. This proposal will cost \$1.7 billion over five years.
- **Play-by-the-Rules:** In 1999, the Administration proposed and Congress enacted a \$25 million Neighborhood Reinvestment Corporation "Play-by-the-Rules" pilot program. This program will allow renters with solid payment track records to own their own homes. The 2000 Budget proposes a second round of \$15 million for this initiative.
- **Elderly Housing:** The budget provides \$747 million for the Department of Housing Urban Development's (HUD's) elderly housing program to address the changing needs of the elderly population and reconfigure an aging housing stock to better serve the frail elderly. In addition to providing grants to non-profits for construction of 5,970 units, funds would be provided to convert some projects to assisted living using a combination of capital grants and service coordinators to bring services from the community to residents. The budget permanently authorizes 15,000 new housing vouchers linked to Low-Income Housing Tax Credit properties to make these units affordable to extremely low-income elderly.
- **Community Development Financial Institutions (CDFI) Fund:** The budget proposes to expand funding for the CDFI Fund to \$125 million--a \$30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.
- **Transportation and Housing for Families Moving From Welfare to Work:** The President's budget will provide \$430 million for 75,000 welfare-to-work housing vouchers, including \$144 million in new funds for 25,000 additional vouchers. This is a 50 percent increase over the 50,000 vouchers the President secured last year. The vouchers will help families move closer to a new job, reduce a long commute, or secure more stable housing so they can perform better on the job.
- **Helping America's Communities Redevelop Abandoned Buildings:** This new Federal initiative would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide \$50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings, as long as there is a plan -- with significant private-sector participation -- to redevelop the property for commercial use or multi-family and single family housing. To ensure no incentive is created to abandon buildings, the program would be sunsetted after three years and no building abandoned after October 1, 1999 would be eligible for redevelopment. Preferences will be given to communities that link existing youth training programs with the property's redevelopment.

## RESEARCH AND DEVELOPMENT

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

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

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

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

- **National Institutes of Health (NIH):** Keeping pace with the Administration's ambitious goal last year for increased biomedical research, the budget includes a 2% (\$320 million) increase. These investments will allow continued progress on diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine.
- **National Science Foundation (NSF):** The budget provides \$3.92 billion (a 7% increase) for the continued support that NSF provides to all fields of scientific study. The budget provides \$146 million for NSF to play a lead role in the Administration's Information Technology in the 21<sup>st</sup> Century (IT<sup>2</sup>) initiative and also increases funding for biocomplexity research on biological, physical, chemical, and social interactions in Earth's ecosystems.
- **Department of Energy (DOE):** The budget provides \$2.84 billion (a 5% increase) for basic science programs at DOE. The budget includes resources for basic research as well as continued support for construction and operation of large scientific user facilities, including the Spallation Neutron Source and the international partnership on the Large Hadron Collider. Significant participation in IT<sup>2</sup> will help to accelerate scientific discovery and research under the Climate Change Technology Initiative will provide long term advances toward energy efficiency and renewable energy technologies.
- **Department of Defense (DOD):** The budget provides \$1.1 billion in basic research, \$3 billion in applied research, and \$3.3 billion in advanced technology development. Research on counter-terrorism and on improvements in the safety and security of the Nation's physical infrastructure and information and communications systems receive targeted increases.
- **Department of the Interior (DOI):** The budget provides \$838 million (a 5% increase) to USGS for science that supports national resource and environmental decisionmaking. The budget also supports research and technical assistance on the scientific needs of land managers and local land use planners.

- **National Aeronautics and Space Administration (NASA):** The President' FY 2000 budget includes: \$2.46 billion for the International Space Station (an 8% increase); \$2.2 billion for Space Science (a 4% increase over FY 1999); \$1.46 billion for Earth Science (a 3% increase); and \$493 million over five years for new technology investments to enable, for example, robotic outposts throughout the solar system.
- **Department of Agriculture (USDA):** The Agricultural Research Service receives a 6% increase to \$837 million, and CSREES receives a 68% increase to \$475 million for the National Research Initiative competitive grants program which will support advances in genomics of agricultural species, food safety and more environmentally friendly agricultural practices. Funding for the Forest Service increases 19% to \$235 million in support of ecosystem and global change research.
- **Department of Commerce (DOC):** The budget includes \$918 million in the 21<sup>st</sup> Century Research Fund at DOC. It provides \$239 million (an 18% increase) for NIST's Advanced Technology Program to promote unique, rigorously competitive, cost-shared R&D partnerships. It also provides \$283 million to NOAA for research to support decisionmaking on climate change, air quality, and ozone depletion.

### Interagency Initiatives

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

- **High Performance Computing and Communications (HPCC) and the Information Technology Initiative (IT<sup>2</sup>):** The budget provides a total of \$1.8 billion (a 28% increase) for these programs. IT<sup>2</sup>, which responds to the recommendations of the President's Information Technology Advisory Committee to increase funding for fundamental, long-term research, advanced applications, and research on the economic and social implications of information technology, is funded at \$366 million in FY 2000
- **Climate Change Technology Initiative:** The budget provides a 34% increase for this initiative, which includes \$1.4 billion in R&D on energy efficiency, renewable energy, carbon sequestration, and improvements in nuclear and fossil technologies. The initiative also provides \$0.4 billion in tax credits to stimulate adoption of energy efficiency technologies.
- **U.S. Global Change Research Program:** The budget provides \$1.8 billion (a 6% increase) to observe, understand, predict, and assess the state of the Earth and how it changes in response to natural and human-induced forces.
- **Partnership for a New Generation of Vehicles (PNGV):** The budget provides \$264 million (a 10% increase) for this cost-shared, industry partnership. PNGV aims to develop affordable cars that achieve up to three times the fuel economy of comparable vehicles and meet all applicable emission and safety standards.
- **Education Research Initiative:** The budget provides \$50 million (\$25 million at NSF and \$25 million at Ed.) to support large-scale, interdisciplinary research in three key areas: school readiness for learning reading and mathematics; K-3 learning in reading and mathematics; and education of PreK-12 teachers in mathematics, reading, and science. The resulting knowledge base will be used to support the development, testing, and implementation of scalable and sustainable interventions to improve teaching and learning through information and computer technologies.
- **Research and Experimentation (R&E) Tax Credit:** The budget provides \$2.4 billion to extend the R&E tax credit, scheduled to expire on June 30, 1999, until June 30, 2000. The R&E credit helps stimulate additional private sector investment in research and development which encourages technological advancement, leading to higher productivity, and helping to generate new American jobs.

## ENFORCING THE LAW

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

- **21st Century Policing Initiative:** While enhancing Federal anti-crime capabilities, the budget seeks to empower States and communities, which play the central role in controlling crime, particularly violent crime. The \$1.275 billion 21st Century Policing Initiative includes the following:
  - *More Police on the Streets.* The budget provides \$600 million to help communities to hire and redeploy between 30,000 and 50,000 more law enforcement officers over five years, with an effort to target new police officers to crime "hot spots" and to help retain those officers recently hired.
  - *Crime-fighting Technology.* The budget provides \$350 million to help State and local enforcement agencies tap into new technologies that will allow them to communicate more effectively, to use technology to solve more crimes, and to conduct comprehensive crime analysis.
  - *Community-based Prosecutors.* The budget provides \$200 million to hire, redeploy or train prosecutors. These prosecutors will interact directly with the community to fight crime on a proactive basis.
  - *Community Crime Prevention.* The budget provides \$125 million to engage entire communities in preventing and fighting crime--including community residents, probation and parole officers, faith-based organizations, and others from the private sector.
- **Zero Tolerance Drug Supervision:** The budget includes \$215 million for a new program to promote "zero tolerance" drug supervision for persons under criminal justice supervision. Specifically, it proposes: (1) \$100 million to help States and localities implement tough new systems to provide drug testing, sanctions, and treatment for prisoners, parolees, and probationers; (2) \$50 million for drug courts that work to break non-violent offenders of their drug habits and reduce recidivism; and (3) \$65 million to provide intensive drug treatment to hardcore drug users before and after they are released from prison.
- **Firearms Enforcement:** The Administration proposes an increase of \$23 million to hire over 160 ATF agents to bolster firearms enforcement. The new agents will be used to support investigations at gun shows, the arrest of violent criminals and gun traffickers, and illegal attempts to buy firearms. The increase will also support an expansion of the Youth Crime Gun Interdiction Initiative from 27 to 37 cities. The President's budget includes an additional \$5 million for U.S. Attorneys to increase firearms prosecutions.
- **Combating Violence at Women's Health Clinics:** In response to escalating violence at health facilities, the budget includes a new program and \$4.5 million to support additional security at health clinics that provide abortions.

- **Violence Against Women:** Violence against women is a continuing problem. Studies show that law enforcement intervention often breaks the cycle of domestic violence, preventing subsequent incidents. The budget includes \$456 million, which is an increase of \$26 million over the 1999 enacted level, to maintain efforts to combat gender-based crime. The total includes \$283 million in the Department of Justice and \$173 million in the Department of Health and Human Services.
- **Law Enforcement on Indian Lands:** Homicide and violent crime on Indian lands are rising, even as crime rates in the rest of the country fall. The budget includes \$164 million, which is \$64 million above the 1999 enacted level, in the Departments of Justice and Interior for the second year of this initiative which provides anti-crime grants to Indian jurisdictions. The money is used to increase the number of fully trained and equipped police officers and to improve the quality of detention facilities.
- **Juveniles:** The budget proposes \$289 million for programs to fight juvenile crime, which is an increase of \$5 million from the 1999 enacted level and includes \$95 million to support more local community prevention programs such as mentoring, truancy prevention, and gang intervention.
- **Combating Terrorism and Weapons of Mass Destruction:** The budget includes \$8.5 billion for government-wide efforts to combat terrorism. This represents a 13 percent increase over 1999 base enacted (excluding the 1999 emergency supplemental). Of the proposed \$8.5 billion, \$1.4 billion is to combat weapons of mass destruction (i.e. chemical, biological, or nuclear weapons), an 8 percent increase over 1999 base enacted. The budget fully funds the second year of the President's 1999 Chemical and Biological Weapons budget amendment which will continue efforts to equip and train State and local first responders and to expand research and development on chemical and biological agents.
- **Fighting International Crime:** The budget requests \$1.8 billion for activities to combat international crime, including protecting U.S. borders by attacking smuggling and smuggling-related crimes; denying safe haven to international criminals; preventing money laundering, counterfeiting, and other international financial crimes; stopping criminal exploitation of international trade; and responding to emerging international crime threats.

## **RESTORING BENEFITS TO VULNERABLE GROUPS OF LEGAL IMMIGRANTS**

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

### **SSI AND MEDICAID**

- **Medicaid and the Children's Health Insurance Program (CHIP).** The budget would let States provide health coverage to legal immigrant children and pregnant women under Medicaid and, in the case of children, CHIP. Currently, States can provide health coverage to legal immigrants who entered the country before the welfare law was enacted. But, immigrants who entered after the law was enacted (August 22, 1996) cannot get benefits for five years. Under these proposals, States could provide health coverage to those children and pregnant women through Medicaid or through CHIP. In total, the two proposals would cost \$325 million over five years, and would restore benefits to approximately 55,000 children and 23,000 pregnant women by 2004.
- **SSI Eligibility for Legal Immigrants with Disabilities.** The budget provides approximately \$929 million over five years to restore SSI and related Medicaid to legal immigrants who entered the country after August 22, 1996, lived in the United States for more than five years and became disabled after entry. Currently, with few exceptions, only legal immigrants who entered the country before August 22, 1996 can be found eligible for SSI disability benefits. This proposal would assist an estimated 54,000 legal immigrants by 2004, about half of whom would be elderly.

### **FOOD STAMPS**

- The budget proposes to restore Food Stamps benefits to immigrants who entered the U.S. before August 22, 1996 and who subsequently reach age 65. By 2004, 15,000 elderly immigrants would have Food Stamp eligibility restored.
- Immigrants who were in the U.S. before August 22, 1996 and who were already 65 or over by that date had their benefits restored as part of the Agricultural Research Act of 1998 which restored Food Stamp eligibility to 225,000 legal immigrant children, senior citizens, and people with disabilities.

## SUPPORTING THE WORLD'S STRONGEST MILITARY FORCE

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

- **Enhancing Military Readiness and Operations:** American forces must be ready and able to respond and deploy rapidly to the full spectrum of crises -- major theater wars, smaller scale contingency missions, or counter terrorism operations. This budget increases funding for readiness programs to ensure that the military sustains a high level of preparedness to carry out all of its missions and that flying hour programs, recruiting efforts, manning levels, and unit training programs are fully funded.
  - *Operations and Support Programs:* Maintaining high levels of readiness is our top defense priority. The budget provides increased funding for key operations and support programs, including unit operations and training activities, spare parts, recruiting and retention programs, joint exercises, equipment maintenance, and base operations. These increases address readiness problems identified in a review directed by the President following discussions with our military leaders. The budget provides an increase of about \$4 billion in 2000 and over \$20 billion over the next five years for selected readiness programs.
  - *Contingency Operations:* The budget proposes funding for ongoing contingency operations in Southwest Asia and Bosnia. For 2000, this amount is \$ 2.9 billion. This funding will allow DOD to avoid redirecting funds from standard operations and maintenance programs to contingency operations, thereby helping to maintain the readiness of our force.
- **Weapons System Modernization:** The U.S. military must be the best equipped in the world--it must have leading edge technologies and well-maintained equipment in sufficient numbers to meet mission goals. The budget proposes \$53 billion for weapon systems modernization programs, an increase of \$4 billion over 1999.
  - *Modernizing Ground Forces:* The budget provides funds to equip Army forces with new technologies to ensure that timely, accurate battlefield information can be transferred rapidly between units -- a key priority of the Army. The budget also funds upgrades and life extensions to improve the capabilities of the Abrams tank, Bradley Fighting Vehicle and Apache Longbow helicopter, and continues funding for the Marine Corps' V-22 tilt-rotor aircraft.

- *Modernizing Naval Forces:* The budget supports procurement of three DDG-51 destroyers and two LPD-17 Amphibious ships. The budget also funds the first ship of a new class of combat logistics ships, as well as advanced procurement for the next aircraft carrier -- CVN-77 -- and attack submarine.
- *Modernizing Air Forces:* The budget supports three new tactical aircraft programs -- the Navy's F/A-18E/F Super Hornet attack fighter (\$2.9 billion), the Air Force's F-22 Raptor air superiority fighter (\$1.9 billion), and the Joint Strike Fighter (\$477 million), which will replace about 3,000 aging aircraft in the Navy, Air Force, and Marine Corps starting in 2005.
- **Taking Care of Military Personnel and their Families:** The budget requests \$73.7 billion, which is \$2.8 billion over the 1999 level, to cover the pay and allowances of 1,385,000 active duty and 865,000 reserve military personnel. Over the five year period starting in 2000, the budget will increase by \$20 billion over previously planned levels to help ensure that personnel readiness is sustained. Included in this increase is funding for the following:
  - A 4.4 percent pay raise in 2000 and 3.9 percent in each year thereafter;
  - A pay raise for select personnel effective July 1, 2000 to provide greater rewards for military promotions; and
  - Military retirement reforms to reduce disparities in retirement benefits among military members.

## FOREIGN AFFAIRS

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

### PROTECTING AMERICAN SECURITY

- **Facility Vulnerability.** The budget provides an increase of over \$300 million to the State Department's operating budget to ensure the continued protection of American embassies, consulates, and other facilities. To address further security requirements, the budget includes \$3 billion in advance appropriations for a new multi-year security construction program to replace inadequate overseas facilities.
- **The New Transnational Threats.** The budget provides \$295 million to enable the United States to intensify its efforts to curb drug production in the Andean countries and to fight international crime. In addition, \$231 million is included for nonproliferation and antiterrorism efforts.
- **Newly Independent States (NIS).** The budget provides \$1.03 billion for assistance to the NIS. Of this total, the budget also provides \$251 million (increasing funding more than five times from \$41 million in 1999) to work with Russia to address the proliferation of weapons of mass destruction (WMD). In addition, the budget provides \$476 million (up \$36 million from 1999) for the Department of Defense Cooperative Threat Reduction program and \$276 million (up \$39 million from 1999) for the Department of Energy WMD programs in the NIS.

### PROMOTING PEACE ABROAD

- **Peace in the Middle East.** The President believes that the best long-term strategy for Israeli security includes a secure peace with the Palestinians, recognition of their legitimate rights, and a comprehensive, secure peace in the Middle East. The President's efforts at Wye River help put the peace process back on track. The budget provides \$5.2 billion for assistance to sustain this progress toward peace in the Middle East. The budget also provides a \$1.9 billion 3-year economic and military assistance package to help meet priority needs arising from the Wye Memorandum.
- **Central and Eastern Europe.** U.S. and other international support has been a critical factor in the transition to democracy and free markets in Central and Eastern Europe. The budget provides \$393 million in economic aid for Eastern Europe and the Baltic States (including Bosnia and Kosovo), primarily focused on the southern tier.
- **Bosnia.** The budget provides \$175 million in economic aid to support the U.S. commitment to see the Dayton Accords fully implemented in Bosnia.
- **Kosovo.** The budget includes \$46 million for U.S. support for an observer force to verify compliance by all parties and to support the training of a professional, ethnically representational, local police force that protects the rights of all citizens. In addition, the budget provides \$50 million for U.S. contribution to an international civil reconstruction program.

## LEADING THE INTERNATIONAL COMMUNITY

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

## STABILIZING THE INTERNATIONAL ECONOMY

- **Multilateral Development Banks (MDBs).** The budget provides \$168 million to continue arrears payments to MDBs (including the Global Environment Facility) and \$1.2 billion to pay current commitments to these institutions, which provide assistance to poor countries around the world that are undertaking promising economic reforms.
- **International Debt Policy.** The budget provides \$120 million for debt forgiveness to promote economic and environmental reform for countries in support of the Tropical Forest Conservation Act of 1998 and help defray the cost of debt relief by contributing to the Heavily Indebted Poor Country Initiative Trust Fund, as well as to continue the existing program of debt relief through the "Paris Club" of creditor nations..

## SUPPORTING INTERNATIONAL DEVELOPMENT AND ADDRESSING INTERNATIONAL DISASTERS

- **Assistance to Africa.** The budget provides \$828 million for Africa -- an increase of almost 10 percent -- meeting the President's goal of increasing support for Africa to historically high levels.
- **USAID's Development Assistance Programs.** The budget provides \$1.8 billion for USAID's development assistance programs, which provide funding for 51 countries and 12 regional programs in Africa, Asia, and Latin America.
- **Humanitarian Assistance.** The budget provides \$1.7 billion for the humanitarian assistance programs of the Department of State and USAID.
- **Peace Corps.** The budget provides \$270 million to enable the Peace Corps to increasing the number of volunteers abroad -- with the goal of building towards 10,000 volunteers by early in the next century.

## INCREASING AMERICAN PROSPERITY THROUGH TRADE

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

## TOBACCO POLICIES

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

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

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

- **Reaffirm the Food and Drug Administration's(FDA's) Full Authority to Keep Cigarettes out of the Hands of Children.** The Administration will again support legislation that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products. While the state settlement limits tobacco advertising, it still allows certain marketing practices targeted at children, including newspaper and magazine advertising and retail signs near schools. Moreover, only by reaffirming FDA's authority can Congress ensure that America's children are protected from the next generation of tobacco industry marketing. We should take this matter out of the courts and ensure that the FDA -- the nation's leading health consumer protection agency, providing oversight over food, drugs, and medical devices -- has full authority to protect our children from tobacco.
- **Support Critical Public Health Efforts to Prevent Youth Smoking.** The budget provides \$68 million -- double last year's level -- to help support tobacco prevention programs in states and local communities. The budget increases funding for the Centers for Disease Control's tobacco control efforts by one-third, from \$74 to \$101 million. The budget also provides an additional \$56 million for a smoking cessation program in the Department of Veterans' Affairs for any honorably discharged veteran who began smoking in the military. The budget also includes a \$5.2 million initiative in the Bureau of Alcohol, Tobacco and Firearms to enable ATF to enforce the excise increase proposed in the budget.

- **Protect Farmers and Farming Communities.** States, farmer, and industry representatives recently produced a \$5 billion agreement to provide financial assistance to tobacco farmers and their communities. This Administration supports this agreement and remains committed to protecting tobacco farmers and their communities. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.
- **Enact Tobacco Legislation to Settle Federal Claims on State Medicaid Recoveries.** Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for the state settlement with the tobacco companies, Federal law requires that the Federal government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these federal claims in exchange for a commitment by the states to use tobacco money to support shared national and state priorities which reduce youth smoking, promote public health and children's programs.
- **Recover Federal Health Costs from Tobacco Companies.** In addition to these Medicaid costs, tobacco-related health problems cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the U.S. Department of Justice intends to bring suit against the tobacco industry, and the budget provides \$20 million to pay for necessary legal costs. The Administration will propose that recoveries be used to preserve and protect Medicare for future generations.

## BUILDING ONE AMERICA

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

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

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

### JOBS AND ECONOMIC DEVELOPMENT

- **The New Markets Investment Initiative:** The budget provides tax credit and loan guarantee incentives to stimulate \$15 billion of new private capital investments in targeted areas; build a network of private investment institutions to funnel credit, equity and technical assistance into businesses in America's new markets; and provide the expertise to targeted small businesses that will allow them to use investment to grow.
- **Community Development Financial Institutions (CDFI):** The budget also provides expanded funding for Community Development Financial Institutions, which have expertise in lending and investment in underserved areas, both rural and urban. The budget provides \$125 million for the CDFI fund, including \$15 million for a new microenterprise initiative that would provide technical assistance grants to microenterprise intermediaries to assist low-income and disadvantaged entrepreneurs.
- **Empowerment Zones (EZs) and Enterprise Communities (ECs):** The budget provides mandatory funding for ten years: \$150 million a year for urban EZs; \$10 million a year for rural EZs; and \$5 million a year for rural ECs. It also includes a new USDA program to provide \$5 million for partnership technical assistance grants to help rural communities develop comprehensive strategies for revitalization and to better coordinate Federal assistance. In addition, the Budget provides a \$50 million regional Empowerment Zone Initiative to assist urban EZ/EC's in linking their economic development strategies to their broader metropolitan regional economies to increase youth employment.

### HOME OWNERSHIP

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

- **Playing-by-the-Rules:** Also in 1999, the Administration proposed and Congress enacted a \$25 million Neighborhood Reinvestment Corporation "Play-by-the-Rules" pilot program. This program will allow renters with solid payment track records to own their own homes. The budget provides a second round of \$15 million for this initiative.
- **Low Income Housing Tax Credit:** The budget proposes to expand the Low Income Housing Tax Credit to spur the private sector to develop more affordable low-income rental housing. The proposal will cost \$1.6 billion over the next five years and help develop 75,000 to 90,000 units per year. It will restore the value of the tax credit, which has eroded over the last decade due to an increase in building costs, helping to reduce rents by an average of \$450 a month for the average housing credit renter who, in turn, earns \$13,300 a year.
- **Public Housing Program:** In 1998, Congress passed comprehensive public housing reform legislation, the Quality Housing and Work Responsibility Act. The Act increases the availability of Federal housing assistance to very poor families with limited housing choices while at the same time promoting a greater mix of income and new administrative flexibility in public housing.

## EDUCATION

- **Head Start:** Among the President's highest priorities, Head Start will serve 877,000 low-income children in 2000, providing comprehensive child development services and helping parents get involved in their children's lives. Since 1993, the President has worked with Congress to increase annual Head Start funding by 68 percent. This year's proposal will keep the program on track to meet the President's goal of serving one million children by 2002: a \$607 million increase that will add 42,000 new slots for young children, including 7,000 Early Head Start slots, for total enrollment of 877,000.
- **Title I -- Education for the Disadvantaged:** This program provides funds to raise the educational achievement of disadvantaged children. Title I will receive \$8.7 billion in 2000, a \$373 million increase over 1999. This funding includes resources for a new Accountability Fund, which would support immediate and significant State and local interventions in the lowest performing schools to improve student achievement.
- **End Social Promotion and Provide After-School Opportunities:** The President is committed to ending social promotion and will work to give students the tools they need to meet challenging academic standards. This budget proposes an expansion to the 21st Century Community Learning Centers, enabling more than 7,500 schools to open their doors before and after the school day and during the summer.
- **Doubles GEAR-UP for College Program:** President Clinton's balanced budget doubles funding -- from \$120 million in FY99 to \$240 million in FY2000 -- for the GEAR UP program that supports States and partnerships between high-poverty middle or junior high schools and colleges to help low-income children prepare for and enroll in college. In 2000, GEAR UP will reach 381,000 students.

## CIVIL RIGHTS ENFORCEMENT

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

- **Department of Housing and Urban Development's (HUD) Fair Housing Initiatives:** The budget provides \$47 million, \$7 million more than in 1999. Funding for these initiatives includes \$27 million, a 15 percent increase, for the Fair Housing Initiatives Program (FHIP), which provides funding to private fair housing groups to assist in enforcement of the Fair Housing Act. The budget also provides \$20 million, a 21 percent increase, for the Fair Housing Assistance Program, which supports the creation of additional State and local housing organizations to meet the needs of currently underserved populations and aid joint investigations and enforcement activities.
- **Department of Justice's Civil Rights Enforcement:** The budget provides \$82 million, a 19 percent increase over 1999, representing the largest increase for the Civil Rights Division in nine years. The budget also provides \$5 million for the Civil Rights Enforcement Partnership, to provide competitive grants to help build capacity of states to address specific enforcement issues within their jurisdictions by hiring additional staff.
- **Department of Labor:** The budget provides \$76 million for DOL's Office of Federal Contract Compliance Programs (OFCCP), an \$11 million increase over 1999. This includes \$4 million of the President's \$14 million joint, EEOC/Department of Labor Equal Pay Initiative.
- **Department of Education's Office for Civil Rights:** The budget provides \$73 million -- an increase of \$7 million over 1999 -- to fund staff training and technological improvements to ensure the resolution of civil rights issues.
- **Department of Health and Human Services (HHS):** The budget provides \$22 million for HHS's Office of Civil Rights to continue its focus on preventative activities.
- **U.S. Commission on Civil Rights:** The budget provides \$11 million, a 22 percent increase over 1999, for the U.S. Commission on Civil Rights.
- **Department of Transportation (DOT):** The budget provides \$8 million for DOT's Office of Civil Rights, an increase of \$1 million.
- **Department of Labor (DOL):** The budget provides a \$1 million increase -- to \$6 million -- for DOL's Office of Civil Rights to enforce the Federal statutes and regulations that prohibit discrimination in all Labor Department financial assistance programs.
- **Environmental Protection Agency (EPA):** The budget provides \$2 million for the EPA's Office of Civil Rights to address potential discrimination within EPA and in programs and activities that receive assistance from EPA.

## HISPANIC EDUCATION INITIATIVES

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

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

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

## COMMITMENT TO NATIVE AMERICANS

- **Law Enforcement:** The second year of the Interior and Justice Departments' joint law enforcement initiative, for which the budget proposes \$164 million in 2000 (50 percent over 1999), will continue to address high crime rates in Indian country with more resources for drug control and youth crime prevention programs, equipment detention services, crime reporting surveys, and officer hiring and retention.
- **Education:** The Administration is continuing its commitment to education by expanding the school construction initiative to address Indian reservations' school repair and replacement needs systematically. As part of the school modernization proposal, Interior's Bureau of Indian Affairs (BIA) will receive a set-aside in bond authority (\$200 million in both 2000 and 2001, plus up to \$30 million to guarantee bond repayment) for its schools on Indian reservations in need of replacement or major repairs. In addition to school construction, BIA will increase resources for school operations; early intervention partnerships; child care; and technology within schools, classrooms and libraries. The nationwide class size reduction initiative also includes a set-aside for BIA schools, to be used for hiring 1,000 new Indian teachers.
- **Bureau of Indian Affairs and Indian Health Services:** DOI's Bureau of Indian Affairs (BIA) and the Health and Human Services Department's Indian Health Service (IHS) make up nearly two-thirds of Federal funding for Native American programs. For the BIA, the budget provides \$1.9 billion, nine percent over the 1999 enacted level. Over 90 percent of BIA operations funding goes for basic, high-priority reservation-level programs such as education, social services, law enforcement, housing improvement, and natural resources management.

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

- **Tribal Contracting and Self-governance:** BIA and IHS will continue to promote Tribal self-determination through local decision-making. Tribal contracting and self-governance compact agreements now represent half of BIA's operations budget, and over 40 percent of IHS' budget.
- **Trust Fund Balances:** The Administration is committed to resolving disputed Indian trust fund account balances through informal dispute resolution and supports the unique government-to-government relationship that exists in Indian trust land management issues. After Tribal consultations, BIA submitted its recommendations to Congress in November 1997. Legislation reflecting these recommendations was proposed in 1998, but not enacted. It will be re-proposed in the 106th Congress.
- **Trust Land Management:** As part of BIA's commitment to resolving trust land management issues, BIA will re-propose legislation to establish an Indian Land Consolidation program to address the fractionation of Indian land. In 1999, BIA will devote \$5 million to three pilot projects in Wisconsin in cooperation with Tribes, to purchase small ownership interests in highly fractionated tracts of land from willing sellers. The budget proposes to double funding for this program.
- **Trust Management Improvement Project:** The budget provides \$90 million for DOI's Office of Special Trustee's trust management improvement project, an increase of \$51 million over 1999. Current activities include verifying individual Indian's account data and converting these data to a commercial-grade accounting system. Ownership, lease, and royalty information related to the underlying trust assets will also be verified and converted to a recently acquired commercial asset management system.

## HEALTH

- **Racial Disparities in Health Status:** Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. To address these and other disparities, the budget includes \$145 million for health education, prevention, and treatment services for minority populations. The budget also proposes to provide an additional \$50 million to address HIV and AIDS issues in minority communities.
- **Minority and Native American Elders:** The budget provides \$4 million for HHS' Administration on Aging to reduce chronic disease among minority elders. In addition, the budget proposes a \$125 million National Family Caregiver Support Program, including \$2.5 million in competitive grant funding for Native American family caregivers.

## V. ISSUE PAPERS

## EDUCATION AND TRAINING PREPARING AMERICANS FOR THE 21st CENTURY

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

### INVESTING IN EDUCATION:

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