Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	From Mary Schnack to Lisa Green; RE: pager number [partial] (1 page)	10/01/1999	P6/b(6)

COLLECTION:
Clinton Presidential Records
Policy Development
Lisa Green
OA/Box Number: 20586

FOLDER TITLE:
[Budget/Appropriations] [loose]

2012-0043-S
ms208

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Appropriations

TO:

LISA GREEN

FROM:

TED WARTELL

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DRAFT

September 21, 1999

NOTE TO LARRY STEIN

FROM: Aida Alvarez, Administrator
Small Business Administration

SUBJECT: Status of FY 2000 Appropriation for the Small Business Administration

Following up on our recent discussion, I wanted to provide you some specifics about the severe cuts that are currently included in SBA's FY 2000 appropriations bills. If enacted, these provisions would seriously undermine our ability to serve small businesses across the Nation, as well as limit our ability to provide fast and efficient assistance to families and businesses who are recent victims of disasters.

- Neither the House nor Senate included requested funding for our New Markets initiatives to invest in targeted rural and urban areas -- $15 million for New Markets Venture Capital, $30 million for New Market Technical Assistance, $37 million for targeted 7(a) small loans, and $3 million for BusinessLINC.

- In the House, funding for SBA operations could require the Agency to eliminate up to 2,400 staff positions (about 75 percent of the Agency). The Senate reduction, though less severe, would still require significant staff and other administrative cuts and obstruct the Agency's ability to function effectively.

- We must also remove legislative language in the House Bill, which prohibits SBA from transferring $45 million of its disaster loan appropriation to cover indirect costs associated with disaster assistance.

The cuts to our operating budget would severely limit our ability to offer new loans. As many as 45,000 – 50,000 small businesses would not get the financing they need to start and grow, and the reduction would significantly impact those in greatest need - women, minorities and businesses in rural areas. For example, last year, SBA made more than 11,000 loans to women. Women-owned firms employ over 23 million workers.

In addition, report language included in each of the House and Senate Bills would seriously constrain the Agency. I have attached a highlighted copy of that language.

- Language in the House Report would require SBA to request sufficient non-emergency funding for our Disaster Loan Program to support an annual level of activity.

- Report language in the Senate would restrict SBA from spending any resources on "new initiatives." This would preclude us from pursuing New Market initiatives where we already have authority and available resources.

We have worked very closely with OMB and the NEC in trying to work out these problems. And we continue to work hard to educate our customers as well as Congressional members and staff on the severe effects of the cuts. As always I very much appreciate your attention and assistance in these efforts.

cc: Jack Lew
Gene Sperling
Sylvia Mathews
Michael Deich
Lisa Green

…ion's securities … …eventing and policing fra… …d malpractice in the … and financial markets.

The Committee r…mendation includes bill language providing offsetting fees in accord with levels authorized in the National Securities Markets Improvement Act of 1996. The recommendation does not include language proposed in the budget request making fiscal year 2000 fee collections in excess of the specified amount available in fiscal year 2001. The Committee intends that any such collections will remain available for the Securities and Exchange Commission in future years through the regular appropriations process.

In addition, the Committee recommends bill language, similar to that included in previous appropriations Acts, which: (1) allows for the rental of space; (2) makes up to $3,000 available for official reception and representation expenses; (3) makes up to $10,000 available for a permanent secretariat for the International Organization of Securities Commissions; and (4) makes up to $100,000 available for expenses of meetings and consultations with foreign governmental and regulatory officials.

SMALL BUSINESS ADMINISTRATION

The accompanying bill provides a total of $734,492,000 for four appropriations items of the Small Business Administration (SBA). This amount is $177,276,000 below the budget request which included $233,000,000 in contingent emergency appropriations, and $15,533,000 above the amount appropriated in fiscal year 1999. The details for the four SBA appropriation accounts are contained in the following paragraphs.

The Committee urges the SBA to continue its efforts to improve the management of its financial programs. Past failures to accurately project subsidy rates for its programs led to incorrect projections of resource requirements, and placed upon the Committee an obligation to find significant additional resources to meet SBA program requirements. The Committee notes that significant resources were provided in fiscal years 1998 and 1999 to address this concern. The Committee has unfortunately been unable thus far to approve the use of the 1999 funding for this purpose due to the need to cover shortfalls in Disaster Loan administrative costs due to the unauthorized transfer of $34,670,000 from that account at the beginning of fiscal year 1999. The Committee recommendation for fiscal year 2000 again includes funding for portfolio management efforts. The Committee reminds SBA that the volatility in subsidy rates is a direct reflection on the SBA's management of its loan portfolio and expects SBA to continue to make portfolio management improvements a high priority.

In addition, the Committee recommendation again includes sufficient funding for a full annual level of disaster loan subsidy funding, as well as funding for the direct administrative costs of disaster loan making and servicing, despite the refusal of the Administration to request adequate funding for those activities. The Committee directs the SBA to request sufficient non-emergency funding for the Disaster Loan program to support an estimated annual level of activity.

SALARIES AND EXPENSES

The Committee recommends $245,500,000 for the Salaries and Expenses of the Small Business Administration. This amount is $17,500,000 below the request, and $42,800,000 below the amount provided for fiscal year 1999. In addition, $94,000,000 is available for transfer to this account from the portion of the Business Loan Program account for administrative expenses. The Committee directs that the indirect administrative costs associated with the Disaster Loan program shall be funded from within the $245,500,000 provided under this heading. The direct administrative costs of disaster loan making and servicing are provided separately under the Disaster Loans Program Account. The recommendation does not include requested authority to transfer Disaster Loan administrative funding to the Salaries and Expenses account.

The amount provided includes $8,000,000 for the continuation of the initiative to improve SBA's monitoring and oversight of its financial programs through upgrades and improvements in its information resource management systems, and increased financial analysis and management. The Committee expects the SBA to submit a plan, prior to the expenditure of resources for this initiative, in accordance with section 605 of this Act.

In addition, within the amounts provided, the Committee expects the SBA to continue to help small businesses adapt to a paperless procurement environment, and support activities which assist small businesses in making the transition to meet both military and ISO 9000 quality systems requirements. The Committee recommendation also includes the full amount requested for Low Documentation Processing Centers.

The Committee recommendation for Salaries and Expenses includes a total of $126,405,000 for non-credit initiatives, as follows:

Small Business Development Centers	$82,000,000
7(j)	2,600,000
SCORE	3,500,000
Microloan technical assistance	16,300,000
One-stop Capital Shops	3,100,000
Export Assistance Centers	3,100,000
Regulatory Fairness Boards	500,000
Women's Business Centers	8,000,000
Women's Business Council	600,000
Advocacy Research	800,000
Veteran's Outreach	615,000
Small Business Drug-free Workplace Program	4,000,000
Survey of Woman-Owned Businesses	790,000
Business Information Centers	500,000
Total, non-credit initiatives	$126,405,000

Of the amounts provided for the SBDC program, $2,000,000 is to continue the SBDC defense transition program and $1,000,000 is for a regulatory compliance simplification program to increase coordination of environmental, Occupational Health and Safety Administration and Internal Revenue Service compliance requirements and to avoid duplication among programs for compliance assistance to small businesses.

The Committee expects that within the overall amount provided under this account, full funding will be provided for the operations of the Office of Advocacy. In addition, the recommendation includes

The Committee does not recommend funding any of the new initiatives requested by the SBA in fiscal year 2000. While not addressing the specific merits or shortcomings of these initiatives, the Committee thinks the agency's existing programs should be able to deliver the services envisioned by the implementation of these new initiatives. The SBA's proposed initiatives have the potential to further fragment the agency's financial programs and could have the unfortunate and unintended consequence of limiting program availability by creating more Federal administrative and overhead expense. The Committee, therefore, does not recommend approval of the SBA's requested increase in personnel for these initiatives, or the increases requested for travel, equipment, printing, and materials.

For SBA's noncredit programs funded under this account, the Committee recommends $87,000,000 for small business development centers (SBDCs), an increase of $25,000,000 above the Administration's request. The Committee is concerned by the Administration's decreased request for this program. The SBDCs, in general, receive one-third of their funding from the SBA; one-third from the States in which they are located; and, one-third from the businesses and communities they serve. The SBDCs have every reason to expect reduced matching State and community funding if Federal support is cut. The SBA expects the SBDCs to make up the shortfall in Federal support by charging increased fees. The Committee does not believe any fee scheme will be able to compensate for the loss of matching funds from State, community, and business partners who have contributed to the success of the SBDC program nationally.

The Committee recommends the following amounts for SBA's other non-credit programs:

SCORE	$5,000,000
BICs	700,000
Women's Business Centers	9,000,000
Women's Council	600,000
WOBE Census	790,000
7(j) Technical Assistance	5,000,000
One Stop Capital Shops	3,100,000
Advocacy Research/Database	2,500,000
Microloans	16,000,000
Veteran's Outreach	615,000
Electronic Commerce	1,000,000
Pro-Net	500,000
Regulatory Fairness Board	500,000
SBIR Technical Assistance	1,000,000
Small Disadvantaged Businesses	12,000,000
Improved Portfolio Management	8,000,000
HubZone Progam	4,000,000
Native American Outreach	1,000,000

The Committee is advised that there will be fiscal year 1999 unexpended Microloan technical assistance funds available at the end of the year, and the Committee directs SBA to use these funds for this program in fiscal year 2000.

OFFICE OF INSPECTOR GENERAL

Appropriations, 1999	$10,500,000
Budget estimate, 2000	11,000,000
Committee recommendation	13,250,000

William G. Dauster
07/22/99 06:07:56 PM

Record Type: Record

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

cc: See the distribution list at the bottom of this message
Subject: Appropriations Priorities

As we head into the heart of the Appropriations season, we need to return to what I'm told is an NEC tradition: tracking NEC priority programs.

Sometime today or tomorrow, please go to the H: drive, and right after the name folders, find the new document entitled "! Priority Program Update". Please examine the list of programs in your issue areas and update the table to include the NEC's program priorities for fiscal year 2000. (The list in the table now is last year's.) Then please update the fiscal year 2000 budget request level and any information you have on the latest levels and action. Then, as Congress takes action on programs you follow, please update the table.

I'm told that as the Appropriations process cycles to an end, Gene will begin pressing us allabout the status of these priorities. Starting this tracking project now will save us from falling behind the curve later. Thanks for you help on this.

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To: Lisa Green
From: National Low Income Housing Coalition 202-393-1973

NATIONAL LOW INCOME HOUSING COALITION/LIHIS

CALL TO ACTION

July 28, 1999

Voice Your Outrage Today

The U.S. House of Representatives has approved a **$792 billion** ten-year tax cut, over 90% of which will benefit the top two-fifths of U.S. income brackets.

At the same time, the House HUD Appropriations Subcommittee has approved a HUD budget that is **$2 billion less** than the President requested.

The July 26, 1999 HUD Subcommittee mark-up:

- funds no new incremental vouchers
- makes no assurances for the preservation of Section 8 projects
- cuts Community Development Block Grants
- cuts HOME
- cuts McKinney Homeless Assistance Grants
- cuts Housing for Persons with AIDS
- cuts Fair Housing
- cuts Public Housing Capital Fund
- eliminates Regional Opportunity Counseling
- cuts Lead Hazard Reduction Program

The record **surplus** that everyone is celebrating and upon which the tax cuts are based are the result of discretionary **budget caps** that take deeper and deeper gouges out of HUD programs with every passing year. **This year's cuts are only the beginning.**

Take Action Now!

Call your members of Congress today. State in no uncertain terms **your expectation** that housing programs will be **fully funded** for FY2000 and that funds above FY99 levels are necessary.

The full House Appropriations Committee is expected to mark up their bill on Friday, July 30. The next stop for the bill will be the full House.

We must make it clear to all members of Congress that **failure to fully fund** the HUD budget to the President's request, in an era of unprecedented wealth, is simply **unacceptable.**

For direct contact information for the U.S. House of Representatives, look under Contacting the Congress at http://www.nlihc.org/congress/index.htm. You can also reach any member through the Capitol Switchboard at 202/224-3121.

Attached are HUD budget details. For more information, call Linda Couch at (202)662-1530 ext. 242 or linda@nlihc.org.

HUD FY2000 Budget Chart (selected programs)

Dollars in millions

PROGRAM	1998 ENACTED	1999 ENACTED	2000 Request by President[1]	House VA-HUD-IA Subcommittee 7/26/99 Mark-up
Housing Certificate Fund	$8,180	$9,600	$10,640	$10,540[2]
New Section 8 Vouchers	-	283[3]	491[4]	0
Regional Opportunity Counseling	NA	10	20	0
Public Housing Capital Fund	2,500	3,000	2,555[5]	2,555[6]
Public Housing Operating Fund	2,900	2,818	3,003	2,818
HOPE VI/Revitalization of Severely Distressed PH	550	625	625	575
Drug Elimination Grants	310	310	310	290
Homeless Assistance Grants	823	975[7]	1,025[8]	970[9]
HOME Investment Partnerships Program	1,500	1,600	1,610	1,580
Housing Counseling Assistance - setaside	20	18	20	8
Regional Affordable Housing - setaside	-	-	25[10]	0
Elderly (Section 202)	645	660	660[11]	660
Disabled (Section 811)	194	194	194	194
Native American Housing Block Grants	600	620	620	620
Community Development Block Grants Fund	4,674	4,750	4,775	4,500
Economic Development Initiative-setaside	138	225	125	0
Youthbuild - setaside	35	43	75	43
Resident Opportunity and Supportive Services	-	55	55	55
Homeownership Zones	-	-	25	0
Lead-Based Paint Hazard Reduction	60	80	80	70
Housing Opportunities for Persons with AIDS	204	225	240	215
Brownfields Redevelopment Program	25	25	50	20
Fair Housing Assistance Program	15	16.5	20	18.75
Fair Housing Initiatives Program	15	23.5	27	18.75

HUD FY2000 Budget Chart (selected programs) **Dollars in millions**

PROGRAM	1998 ENACTED	1999 ENACTED	2000 Request by President	House VA-HUD-IA Subcommittee 7/26/99 Mark-up
Abandoned Buildings Initiative[12]	-	-	50	0
Rural Housing and Economic Development	-	25	20	10[13]
Millinnial Blue Ribbon Commission on Housing	-	-	-	2[14]

1. The President submitted his FY2000 budget request to Congress on February 1, 1999. No funds for preservation were requested; advocates will fight for these funds. The FY2000 HUD budget also emphasizes getting increased capital into underserved communities and sets up a handful of small programs to help bring more financing into targeted neighborhoods.

2. The House Appropriations HUD Subcommittee has committed itself to identifying the $100 million needed to keep this amount level with FY99 funding prior to final passage of the appropriations bill.

The Subcommittee also notes that they "are aware of legislation, under consideration by the House Banking Committee, to mitigate the loss of affordable housing when owners of assisted housing choose not to renew their section 8 project-based contracts, and looks forward to considering appropriating fund for it".

The Subcommittee also clarified that, after enhanced vouchers are issued and initial rent increases occur, subsequent rent increases, if considered reasonable by the housing authority, are covered by enhanced vouchers.

3. The FY99 new vouchers are all for welfare to work programs. Of the $283 million, a total of $32 million is set-aside for these new vouchers in 8 designated cities, the balance will be distributed through a national competition (the NOFA for this competition was released by HUD on January 28, 1999. You can access this NOFA at http://www.hudclips.org and look under Current NOFAs. The deadline for applying for these new vouchers is April 28, 1999).

4. The President's request for new vouchers for FY2000 would be divided this way: 42,000 fair share (not targeted at any specific group), 25,000 for families moving from welfare to work and 18,000 for persons who are currently homeless. Additionally, the President's request incorporates 15,000 units subsidized with vouchers within Low Income Housing Tax Credit properties for elderly persons.

5. HUD makes clear that this amount will only provide limited assistance to further reduce the backlog of modernization needs.

6. In FY2000, the amount within the public housing capital fund for training, management improvements, technical assistance was $100 million. For FY2000, the House Subcommittee recommends no more than $10 million for such uses.

7. No less than 30% to be used for permanent housing, requires 25% matching funds for all services

8. This FY2000 request includes $1.020 billion in grants and $5 million for a multi-agency demonstration.

9. The House Appropriations Subcommittee did not include requirements that 30% of funds be used for permanent housing or requiring a 25% match requirement for supportive services "in deference to the [House] Banking Committee which is working on bipartisan legislation to reauthorize Homeless programs". The Senate is not currently working on such legislation and appropriators reserve the right to revisit these issues at conference committee time while working "with the Banking Committee in moving this very important legislation".

HUD FY2000 Budget Chart (selected programs) **Dollars in millions**

10. The regional initiative would target HOME funds to address critical housing needs in targeted regions that develop creative, inter-jurisdictional housing strategies.

11. The FY2000 President's request for elderly housing includes $510 million for construction ($660 million was for construction in FY99), $100 million for elderly capital grants for modernization and conversion to assisted living and $50 million for elderly service coordinators. Not included is the outside-of-HUD expense of $87 million for 15,000 LIHTC vouchers.

12. Funds for the Abandoned Building Initiative will be provided through competitive grants to local governments to demolish blighted or abandoned buildings as part of a comprehensive plan to redevelop properties for commercial or residential use. These funds would only be for demolition, not reconstruction.

13. The House Appropriations Subcommittee shifts the rural housing and economic development program into the Community Development and Block Grant program as a set-aside within CDBG.

14. This Commission is to examine "the importance of housing, particularly affordable housing, to the infrastructure of the United States". The Commission is also to review HUD's existing core programs and make recommendations about how they can better work in conjunction with the private sector and with one another to provide better homes and opportunities for families, neighborhoods and urban and rural communities.

Sarah Rosen Wartell
07/27/99 06:27:30 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: Re: Appropriations Priorities

on NRC you should check with Orszag. I don't know that we treated this as an NEC priority. He focused on them. On Ezs, same question. I think we let OVP champion. Gene only gets so many he can fight for. But check with orszag.

Sarah Rosen Wartell
07/30/99 06:02:13 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: Re: budget priorities

While there are no atuhorizing bills on New Markets, there is current action on HUD/VA appropriations for example. And NMVCs would be in the SBA appropriation in commerce justice state (which we've said we'd veto.) I assume that HUD/VA showed $0 for APICs since there is no authorization legislation even introduced, even though we asked for $45m or whatever. You'll need to find out for each of the programs for each House and Senate. But I expect the answer will be $0.

Budget / Appropriations

From Widening Deficits to Paying Down the Debt:

Benefits for the American People

August 4, 1999

Office of Economic Policy
U.S. Department of Treasury

From Widening Deficits to Paying Down the Debt: Benefits for the American People

August 4, 1999

Executive Summary

- President Clinton and Vice President Gore, working with the Congress, set the nation on new course of fiscal responsibility. This program has reversed the pattern of deficit spending. In fiscal year 1999, a surplus of $99 billion, or 1.1 percent of GDP is expected. This would be the largest surplus relative to GDP since 1951. We have ended 28 consecutive years of deficit spending and recorded the first back-to-back surpluses since 1956-57.

- In early 1993, the Federal budget was projected to be in deficit by $429 billion in 1999. Instead, we now expect a surplus of $99 billion. This amounts to a saving of almost $530 billion for 1999 alone.

- Deficits over the years 1994 through 1999 were projected to total $2.1 trillion. Instead, shrinking deficits and a surplus in the two most recent years have slashed that figure by $1.7 trillion, or more than 80 percent. Over the next decade, unified budget surpluses are projected to build, reaching $473 billion, or 3.4 percent of GDP, by 2009.

- Because of this deficit reduction, we have reduced publicly held debt approximately $87 billion this fiscal year– the largest on record after adjusting for inflation. In the last two years, we have paid down $142 billion in debt. Since its peak of $3.830 trillion in March of 1997, we will pay down the debt to $3.638 trillion this quarter.

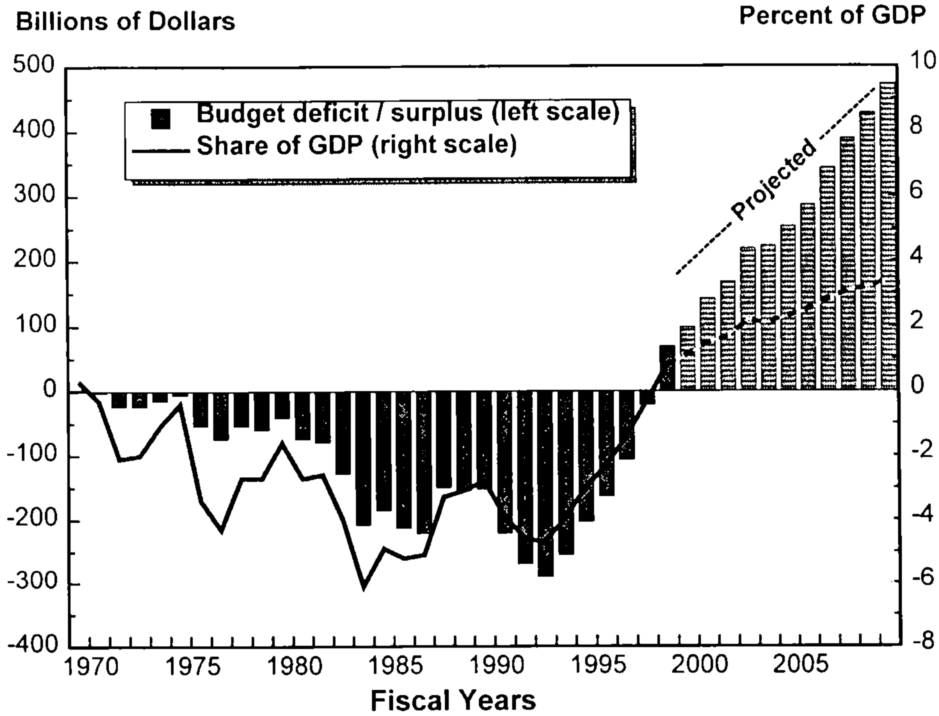
- The reduction in the deficit and lower interest rates have meant much lower interest costs than had been projected. Over the past seven years, a total of $189 billion in interest has been saved.

- In the absence of deficit reduction, interest payments on the ballooning federal debt would have swelled even more in the years ahead. It is estimated that lower interest payments on the federal debt from 1993 through 2003 will save taxpayers a total of almost $840 billion.

- Deficit reduction has helped reduce mortgage interest costs for American families. A typical American family with a mortgage of $100,000 might expect to save about $2,000 annually in mortgage costs.

- Deficit reduction has made more funds available for private sector, helping to spur investment. Private business investment has surged. Investment in producers durable equipment grown at double digit rates for six years in a row, for the first time on record.

FIRST FEDERAL BUDGET SURPLUS SINCE 1969



Source: OMB, Mid-Session Review FY-2000 Budget

- Deficit spending had been the norm for the U.S. budget throughout most of the post-World War II period. Surpluses were recorded in only three years of the 1950s and in only two years of the 1960s. Our last surplus was in 1969, and it amounted to only 0.3 percent of GDP.

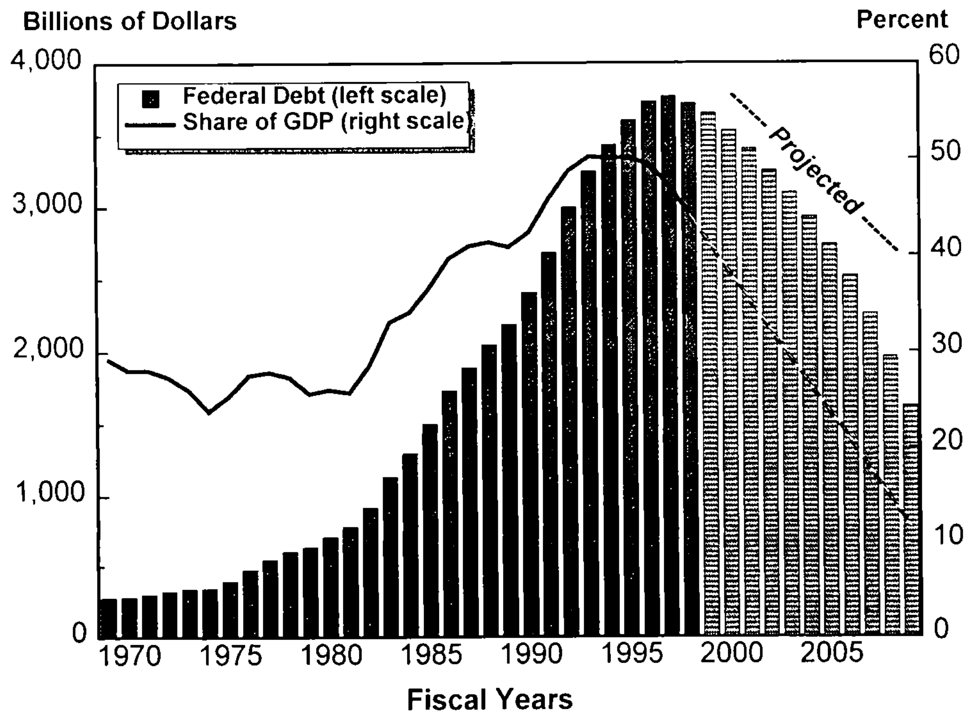
- ***During the 1980s, deficits widened dramatically, reaching 6.1 percent of GDP in 1983.*** The recessions of 1980-1982 contributed to the size of the deficit. But even after six years of economic expansion, 1989's deficit was still 2.8 percent of GDP.

- The deficit widened again in the early 1990s and reached a record in dollar terms of $290 billion, or 4.7 percent of GDP. Since then, ***President Clinton's program has reversed the pattern of deficit spending. In fiscal year 1999, a surplus of $99 billion, or 1.1 percent of GDP, is expected. This would be the largest surplus relative to GDP since 1951.***

- ***Over the next decade, unified budget surpluses are projected to build, reaching $473 billion, or 3.4 percent of GDP, by 2009.***

- Even excluding Social Security funds, the cumulative "on-budget" surplus is projected to exceed $1 trillion over the next ten years.

FEDERAL DEBT ON A DOWNWARD PATH



Source: OMB, Mid-Session Review FY-2000 Budget

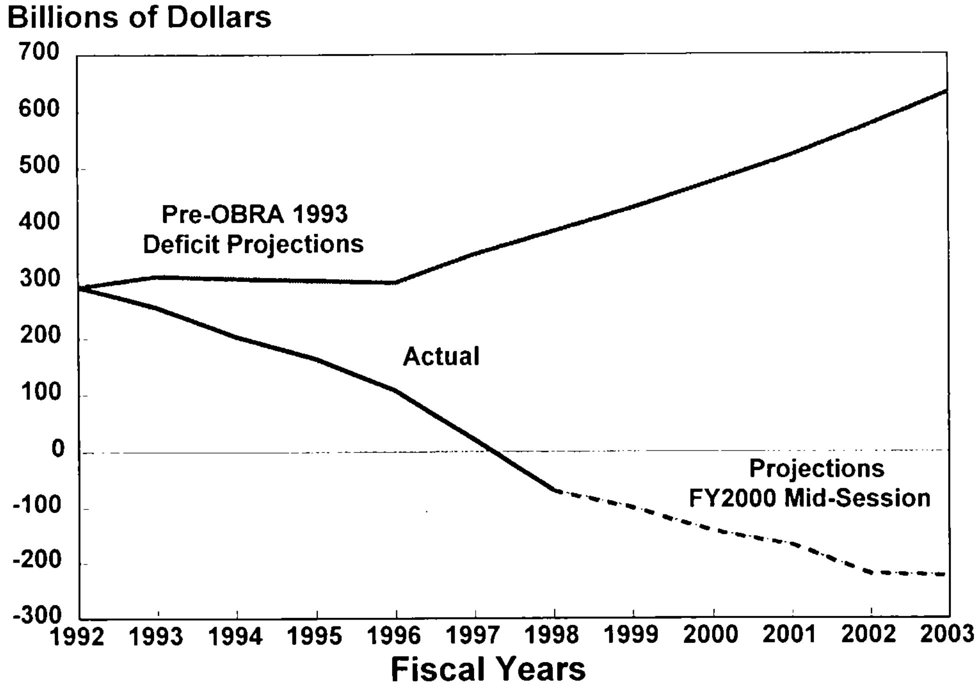
- ***The legacy of deficit spending was a huge piling up of Federal debt.***

- ***Between 1980 and 1993, the amount of Federal debt held by the public more than quadrupled*** from $710 billion to $3.2 trillion. During this time, publicly held debt surged from 26 percent to 50 percent of GDP.

- Deficits, although declining, continued to add to the Federal debt through 1997, when the amount reached $3.8 trillion. Because deficits were cut over the 1993-1997 period, the debt relative to GDP eased to 47 percent.

- ***Fiscal year 1999 is the second year in a row in which we have been able to pay down some of the outstanding debt.*** As a result, the ratio of debt to GDP is being slashed this year to about 41 percent. Under the Administration's proposals, the amount of Federal debt outstanding is projected to fall further to $1.6 trillion, or only 12 percent of GDP, by the year 2009, and is expected to disappear entirely by 2015. This means fewer taxpayer dollars will be needed to pay interest on the public debt between now and 2015.

THE BUDGET DEFICIT HAS BEEN ELIMINATED UNDER THE CLINTON ECONOMIC PROGRAM



Source: OMB, Mid-Session Review FY-2000 Budget

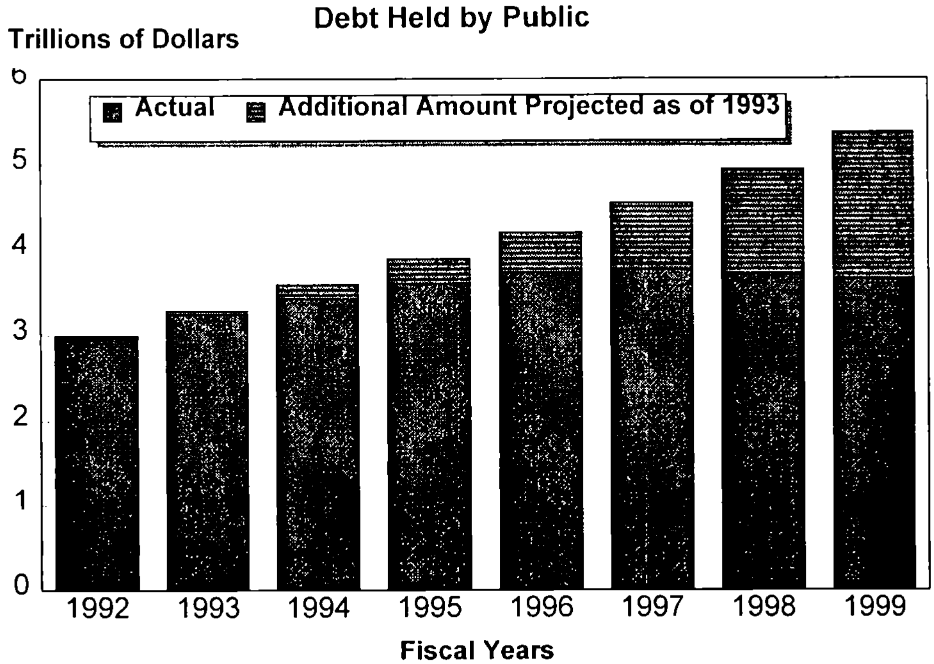
- The path to closing the Federal deficit began with the Administration's efforts in 1993 to reverse the previous decade's trend toward ever-widening deficits. The ***Omnibus Budget Resolution Act of 1993 (OBRA 1993)*** was a critical step toward achieving fiscal soundness.

- The ***1997 Balanced Budget Act*** provided another important push for fiscal discipline.

- ***Due to responsible fiscal policy and the noninflationary growth that it made possible, the Federal budget is now on a path of rising surpluses. We are on track to achieve a surplus approaching $100 billion in fiscal year 1999 instead of the $429 billion deficit that was projected for this year in early 1993. This amounts to a savings of almost $530 billion for 1999 alone.***

- Deficits over the years 1994 through 1999 were projected to total $2.1 trillion. Instead, shrinking deficits and a surplus in the most recent two years have slashed that figure by ***$1.7 trillion, or more than 80 percent***.

DEBT BURDEN CUT BY ONE-THIRD FROM PRE-OBRA PROJECTION



Source: OMB, Mid-Session Review FY-2000 Budget

- Had the deficit grown as projected in 1993, the Federal debt held by the public would have ballooned to $5.4 trillion by 1999, representing 61 percent of GDP, rather than the actual current $3.7 trillion, or 41 percent of GDP.

- As a result, ***the Federal government's debt is $1.7 trillion lower than it was projected to be***. The average American family's share of the Federal debt burden is therefore more than $24,000 smaller.

- This $1.7 trillion represents roughly 19 percent of nominal GDP, and is money that has been freed up for investment in American businesses and homes.

- The attached table illustrates how that $1.7 trillion reduction in the debt burden might be shared by each state, based on relative amounts of personal income.

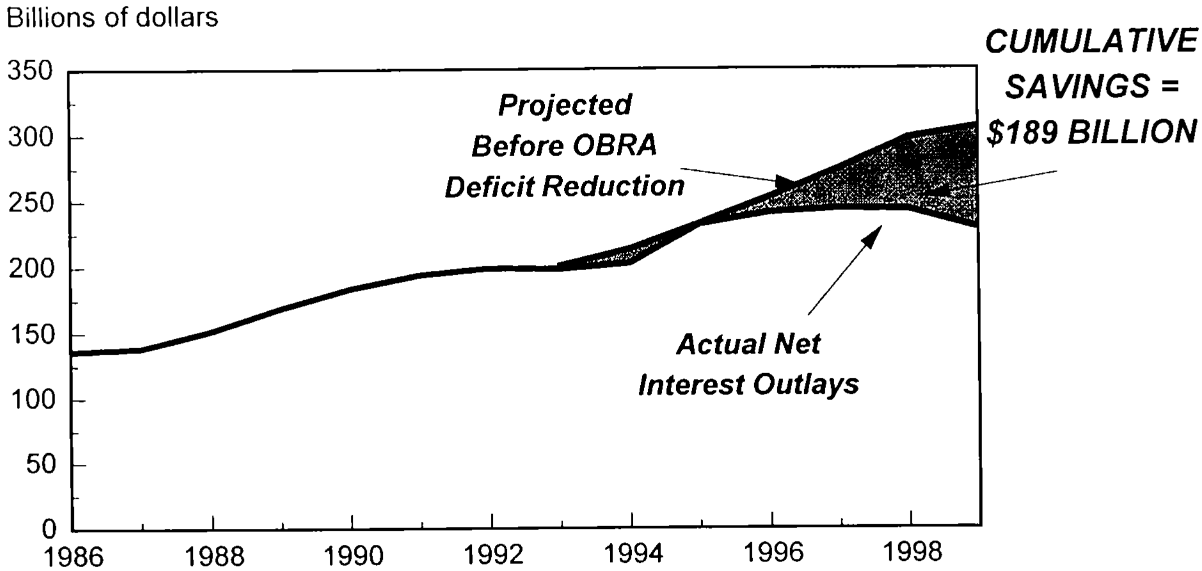
STATE SHARE OF REDUCTION IN DEBT BURDEN

Billions of Dollars

1.	California	$213.9
2	New York	137.3
3.	Texas	117.4
4.	Florida	91.8
5.	Illinois	82.8
6.	Pennsylvania	76.6
7.	Ohio	67.1
8.	New Jersey	65.6
9.	Michigan	60.4
10.	Massachusetts	48.0
11.	Georgia	45.5
12.	Virginia	44.3
13.	North Carolina	43.2
14.	Washington	37.9
15.	Maryland	36.6
16.	Indiana	34.0
17.	Missouri	31.6
18.	Wisconsin	31.2
19.	Minnesota	31.0
20.	Tennessee	30.5
21.	Connecticut	29.3
22.	Colorado	27.1
23.	Arizona	25.6
24.	Alabama	22.2
25.	Louisiana	22.2
26.	Kentucky	20.2
27.	South Carolina	19.5
28.	Oregon	19.4
29.	Oklahoma	16.8
30.	Iowa	16.3
31.	Kansas	15.6
32.	Mississippi	12.4
33.	Arkansas	12.3
34.	Nevada	11.3
35.	Utah	10.5
36.	Nebraska	9.8
37.	West Virginia	8.4
38.	New Mexico	8.2
39.	New Hampshire	8.2
40	Hawaii	7.4
41.	Maine	6.8
42.	Rhode Island	6.3
43.	Idaho	6.2
44.	Delaware	5.3
45.	District of Columbia	4.6
46.	Montana	4.2
47.	South Dakota	3.9
48.	Alaska	3.8
49.	Vermont	3.4
50.	North Dakota	3.3
51.	Wyoming	2.7
	Total United States	$1,700.0

Note: Allocated according to State personal income.
Source: OMB and U.S Bureau of Economic Analysis.

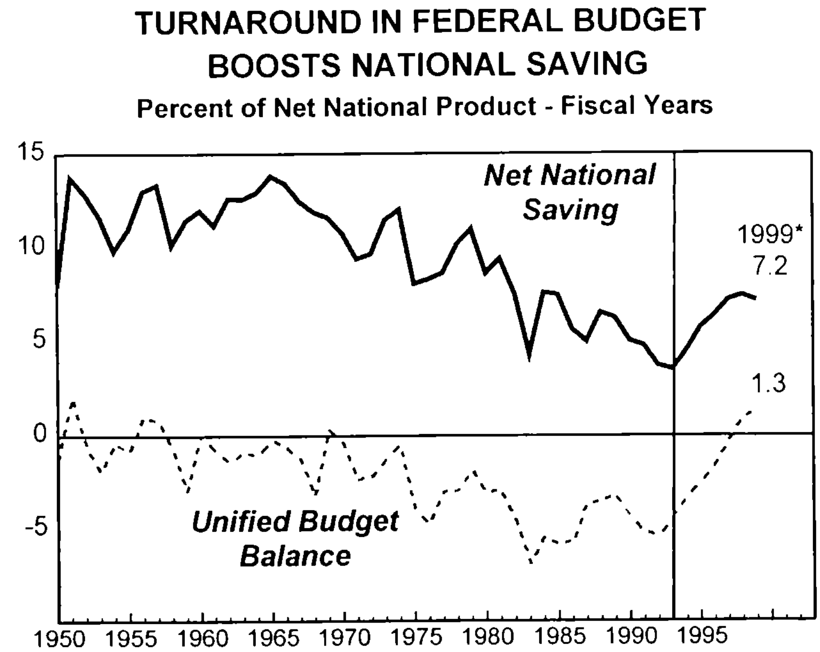
FEDERAL INTEREST EXPENSES HAVE BEEN SHARPLY REDUCED



Source: OMB, Mid-Session Review of FY-2000 Budget

- The reduction in the deficit and lower interest rates have meant much lower costs than had been projected prior to the passage of OBRA. ***Over the past seven years, a total of $189 billion in interest has been saved***, as illustrated in the chart above. ***That amounts to roughly $2,700 for every American family***.

- In the absence of deficit reduction, interest payments on the ballooning federal debt would have swelled even more in the years ahead. ***It is estimated that lower interest payments on the federal debt from 1993 through 2003 will save taxpayers a total of almost $840 billion***.



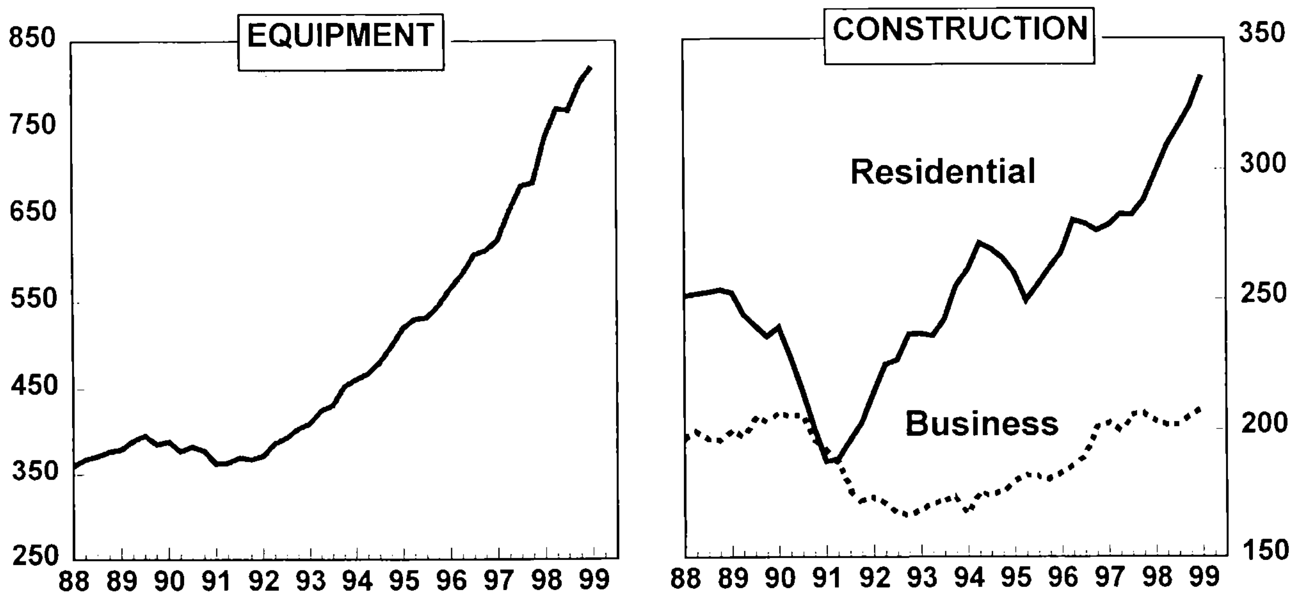
* FY-1999 estimated.
Source: BEA, National Income and Product Accounts; OMB, Mid-Session Review FY-2000 Budget.

- ***The swing in the Federal budget from steep deficit to surplus has resulted in a doubling of the net national saving rate*** from a post-World War II low of only 3.5 percent of net national product (NNP) in fiscal year 1993 to an estimated 7.2 percent this year. This 3.7 percentage point rise in net national saving was more than accounted for by a 5.7 percentage point swing in the Federal budget, from a deficit of 4.4 percent of NNP in FY-1993 to a surplus estimated at 1.3 percent of NNP this year.

- ***Growing Federal deficits had been a severe drain on national saving.*** In borrowing from the private sector to finance the unified deficit, the Federal government reduced the amount of national saving available for more productive use in the private sector.

- ***As a result of the swing from deficit to surplus, more funds are available for private sector uses, helping to spur investment.***

PRIVATE INVESTMENT HAS SURGED
Billions of 1992 Dollars

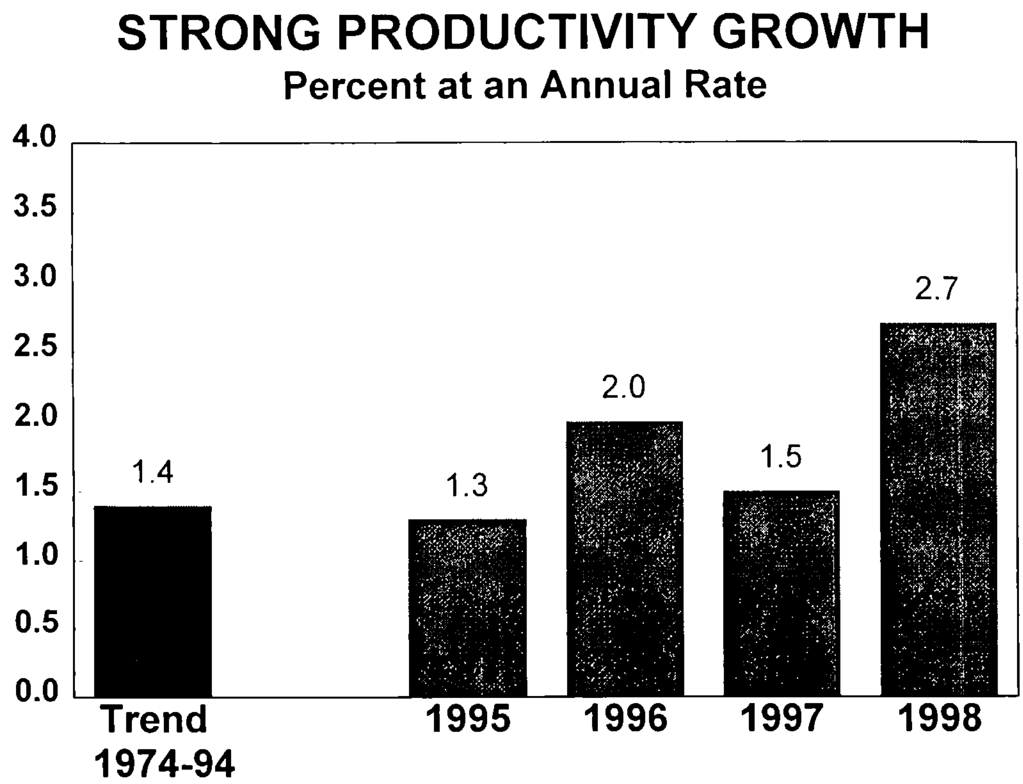


Source: BEA, National Income and Product Accounts.

- ***Private business investment has surged. As a share of GDP, real investment has risen to a record high of more than 12 percent.***

- ***Purchases of producers' durable equipment have been particularly strong.*** For the first time on record, annual growth rates were in double digits for six years running. This component of investment, which includes computers, may be especially closely related to productivity growth.

- ***Investment in new business structures has also benefited from the low interest rate environment.*** The nonresidential market has been recharged since 1993.



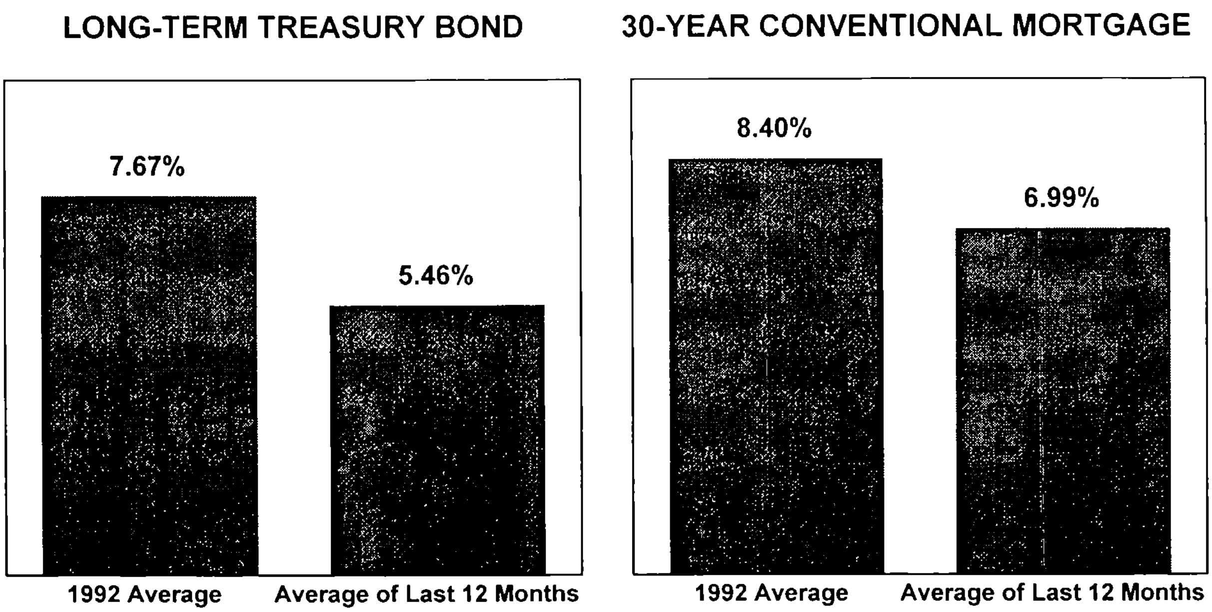
Source: Bureau of Labor Statistics and U.S. Treasury estimates.

- Rising investment, especially in equipment incorporating the latest advances in technology, has contributed to a ***pickup in workers' productivity.*** Output per hour in the nonfarm business sector has grown at a 2.0 percent annual average rate from the end of 1994 through the first quarter of this year, a substantial acceleration from the trend rate of growth of 1.4 percent (calculated on a methodologically consistent basis) that prevailed from the 1970s through the early 1990s.

- ***Higher productivity leads to higher standards of living.*** Real average hourly earnings of nonfarm production and other nonsupervisory workers have recently posted the strongest increases since the early 1970s. Despite the rapid gain in real wages, unit labor costs have actually decelerated because of strong productivity growth, reducing the pressures on inflation.

- ***Rising investment has also resulted in a rapid expansion of capacity, contributing to an environment of noninflationary growth.***

DEBT REDUCTION MEANS LOWER INTEREST RATES
Monthly in Percent



Source: Federal Reserve

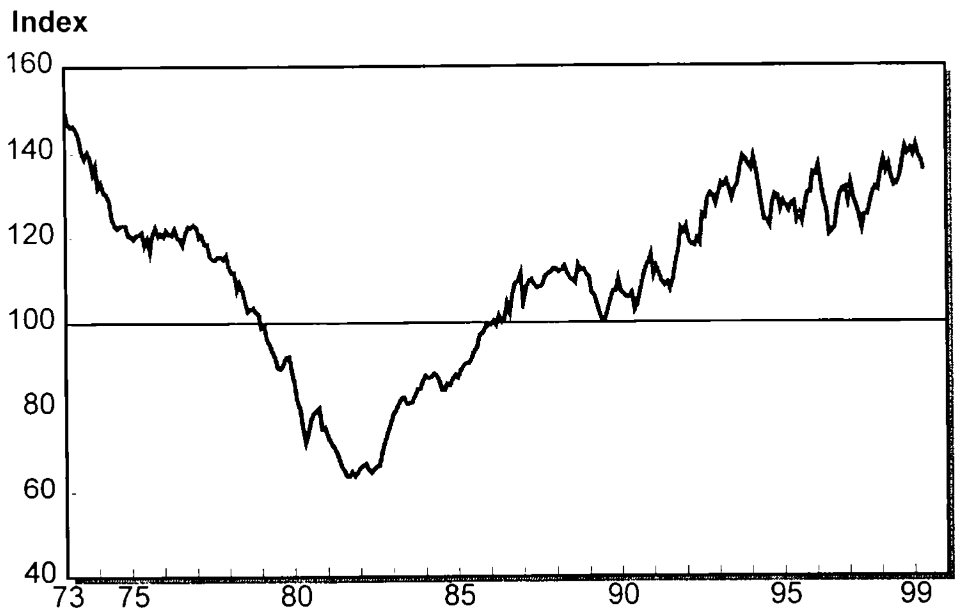
- The impact of deficit reduction on interest rates, especially long-term interest rates, has been significant. On average, interest rates have risen by about 1 percentage point during previous economic expansions. Instead, ***long-term rates have fallen during this expansion.***

- Market interest rates fluctuate and have risen recently but the average ***yield on the 30-year Treasury bond over the last twelve months was less than 5-1/2 percent, down from an average of 7.67 percent in 1992.*** The Blue Chip consensus of private forecasters predicts continued low interest rates.

- Interest rates on conventional home mortgages averaged just under 7 percent over the past twelve months – almost 1-1/2 percentage points below the average in 1992.

- ***Assuming an impact of deficit reduction on interest rates of 2 to 3 percentage points – a range that seems reasonable given the decline in rates during this expansion and the rise in rates during previous expansions – a typical American family with a mortgage of $100,000 would save around $2,000 a year on mortgage payments.*** Like a tax cut, lower mortgage payments would place more money in a family's pockets.

HOUSING AFFORDABILITY SINCE 1993 HAS BEEN THE BEST SINCE THE EARLY 1970'S



Source: National Association of Realtors

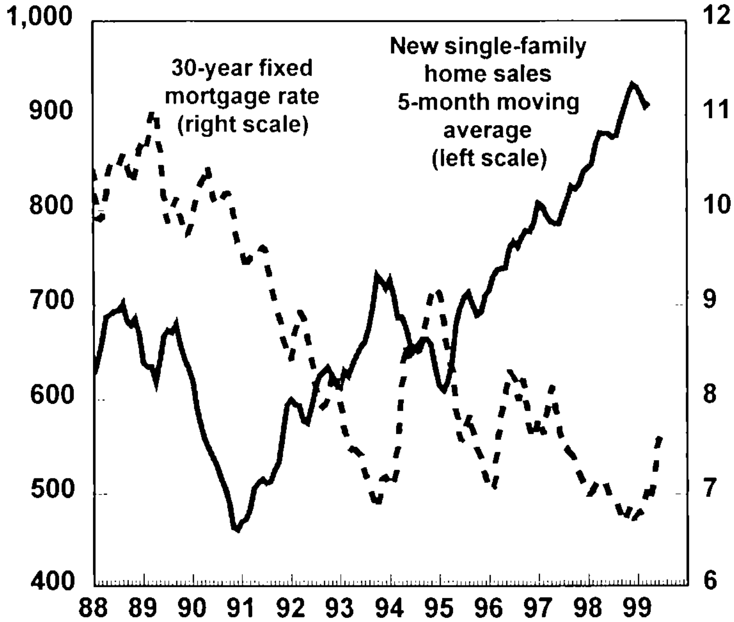
- Lower mortgage interest rates contributed to making housing more affordable. ***Housing affordability conditions since 1993 have been the most favorable since the early 1970's***.

- The index shown above measures the size of a mortgage for which a family earning the median income can qualify, relative to the median price of a home. An index reading of 100 means that a family with median income can qualify for a mortgage that would allow it to purchase a median-priced home. ***Since 1993, half of all households had at least 30 percent more income than required to buy the average home.***

- Lower monthly payments and the strong economy have opened the housing market over the past six years to many more families whose income may be below the median level.

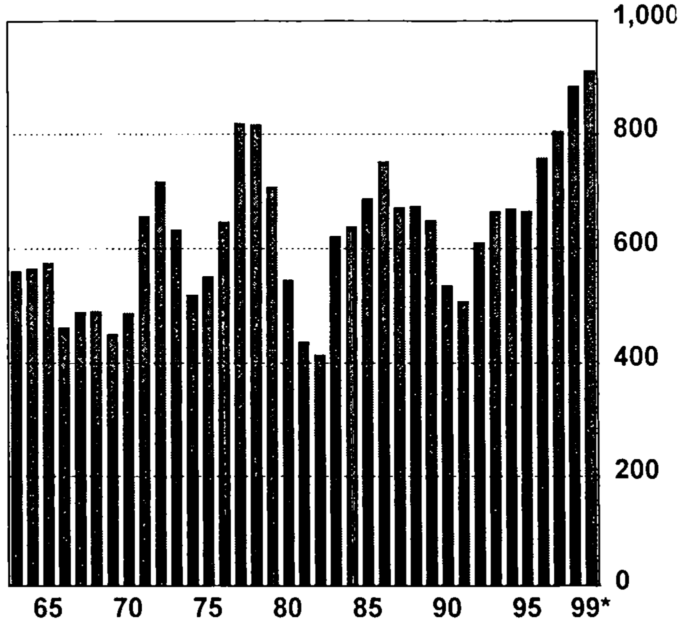
HOME SALES RISE AS MORTGAGE RATES FALL

Thousands of Units, Monthly at an Annual Rate — Percent



..AND SALES HAVE HIT A RECORD

Thousands of New Homes Sold, Annual Data



* First six months at an annual rate.

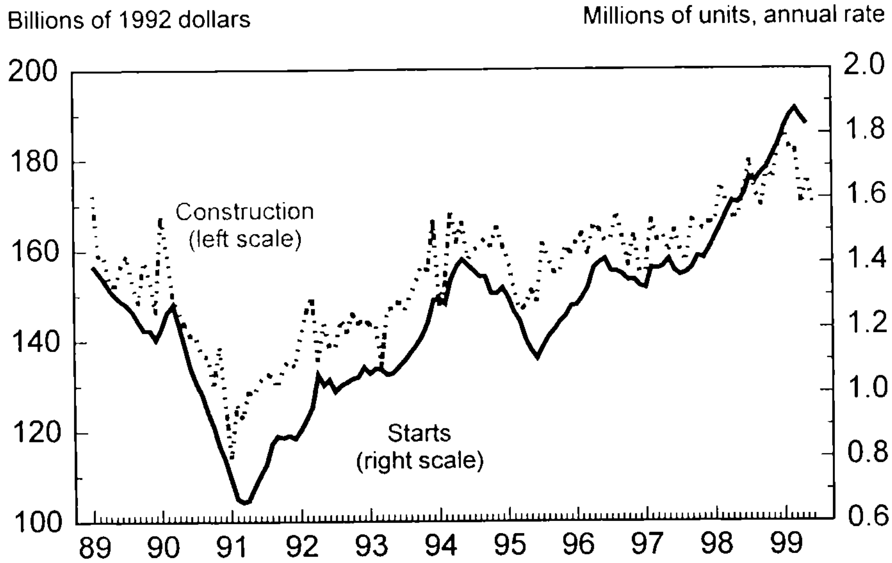
Source: Federal Reserve and U.S. Bureau of the Census

- ***Favorable housing affordability has led to a record-setting pace of home sales***. It is estimated that a sustained drop of 1 percentage point in the mortgage interest rate paves the way for roughly 70,000 new home purchases per year. That effect, coupled with low unemployment, rising income and wealth, and high levels of consumer confidence, have spurred sales of both new and existing homes to all-time highs.

- New single-family home sales totaled 885,000 in 1998, ***exceeding the previous record set in 1977 by 8 percent***. Through the first half of 1999, new home sales were on an annual pace of over 910,000.

- ***Resales of existing homes also hit new peaks***, according to the National Association of Realtors. Sales of existing single-family homes reached almost 5 million last year, ***more than 13 percent above the old record of 1997.*** Resales in 1999 continue to climb.

HOUSING STARTS AND CONSTRUCTION



Source: U.S. Bureau of the Census

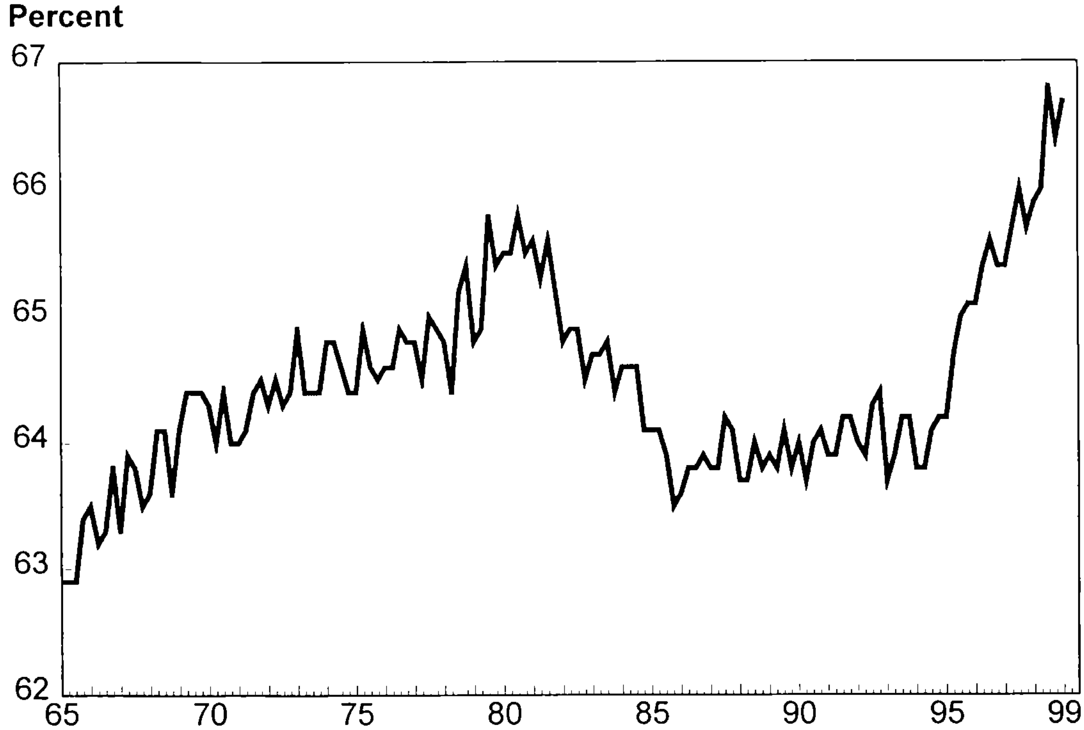
- Demand for new housing and residential improvements, financed at lower interest rates, has led to ***strong growth in real construction spending*** since the beginning of 1993. Real expenditures on residential building have grown at a 4 percent annual rate from early 1993 through the first five months of this year.

- ***Starts of new homes***, both single and multi-family, ***increased by one-third*** since 1992, rising to 1.6 million in 1998. That made last year the ***best year for home building since 1977 and 1978,*** when the baby boom generation began to have a significant impact on the housing market.

- ***The growth of new housing prompted large gains in construction of new retail establishments as well***. The commercial real estate market picked up beginning in 1994, with real construction spending growing by an annual average of almost 8 percent since then.

- ***Growth in residential and commercial construction has contributed to sizable gains in overall construction employment***. Since January 1993, construction jobs have increased by more than a third, rising by 1.7 million jobs to 6.3 million as of this June.

HOMEOWNERSHIP RATE THE HIGHEST EVER

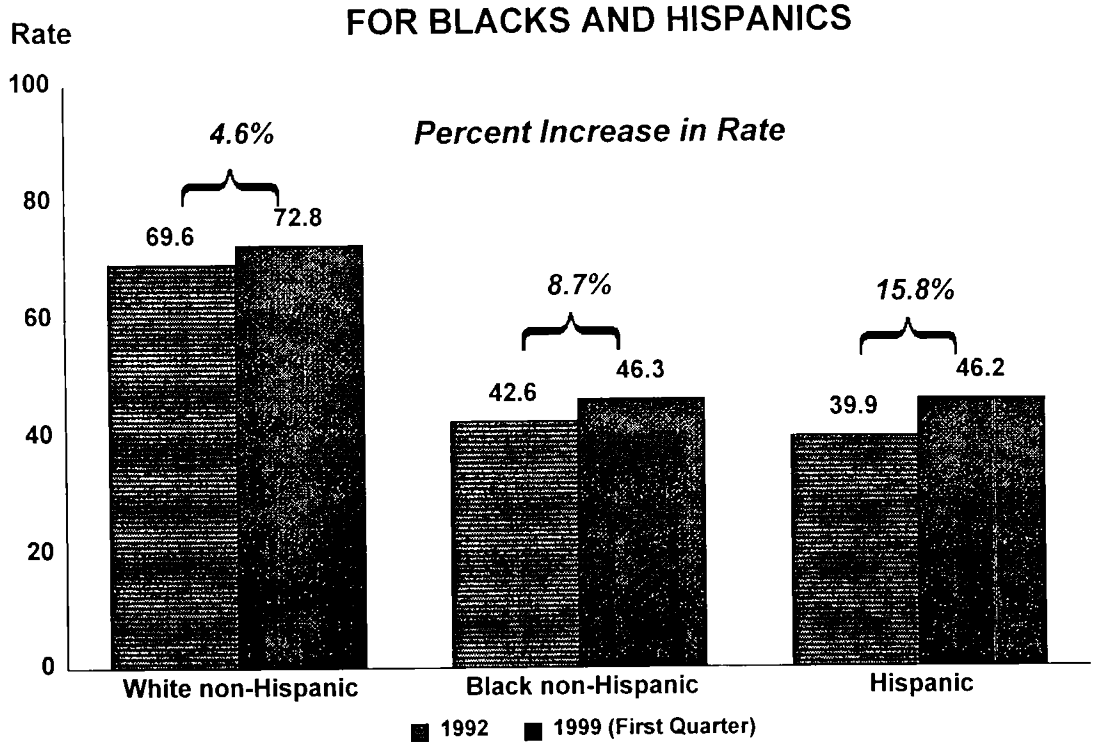


Source: U.S. Bureau of the Census

- ***Since the first quarter of 1993, an additional 7.9 million families have become homeowners***. For the first time ever, the number of families in the U.S. who own their own homes topped 69 million and is nearing 70 million.

- After falling in the early 1980s and stagnating through the mid 1980s until 1993, ***the homeownership rate rose to an historical high of 66.8 percent in 1998***. Prior to the recent period, the old record homeownership rate was 65.8 percent, set in the third quarter of 1980.

HOMEOWNERSHIP RATES HAVE RISEN FASTER FOR BLACKS AND HISPANICS



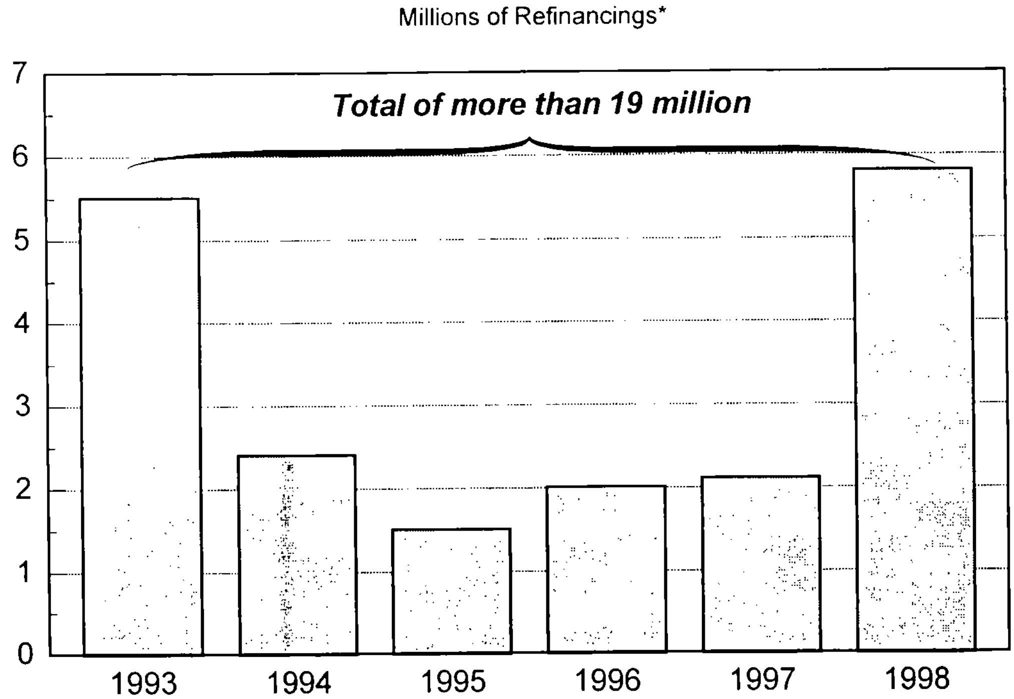
Source: U.S. Bureau of the Census

- The expansion in the homeownership rate has been most pronounced for groups that have typically had lower participation in the housing market. While the homeownership rate for black and Hispanic households still remains below that of white households, ***both minority groups have enjoyed much more rapid growth in homeownership than the rest of the population over the past six years***.

- The homeownership rate for black non-Hispanic households increased from 42.6 percent in 1992 to 46.3 percent by the first quarter of 1999. The rate for Hispanic households rose from 39.9 percent to 46.2 percent.

- In addition to low mortgage rates and a strong economy, Administration actions such as lowering FHA mortgage insurance premiums and forming the National Partners in Homeownership program have contributed to the expansion in homeownership.

REFINANCINGS HAVE MADE HOMEOWNERS BETTER OFF



*Estimated by Treasury Department

- In addition to lowering finance costs to purchase a home, ***falling mortgage interest rates have allowed homeowners to save money by refinancing their existing mortgages***. As mortgage interest rates fell below 7 percent in 1993, refinancings surged to nearly 5-1/2 million that year. Those homeowners shaved about 2 percentage points off their mortgage rate on average, ***saving about $1,800 a year in interest payments for a typical-sized loan.***

- The stream of refinancings continued through 1998, when another drop in mortgage rates last year spurred an additional round of refinancings. Many families refinanced more than once over the 1993-1998 period. ***Since 1993, total mortgage refinancings have topped 19 million.***

- Many homeowners who refinanced borrowed a larger amount than their old loan but because of lower mortgage rates were able to keep their monthly payments steady. That extra cash was used in a variety of ways that helped families to be better off, such as making home improvements, paying off other higher-rate existing debt, buying a car, or paying for college.

- Other homeowners chose to refinance 30-year mortgage loans with shorter loan terms such as 15 years, thereby building up equity in their homes more quickly. Some with adjustable rate loans took advantage of the historically low rates to lock in the low financing costs by converting to a fixed-rate loan.

Budget
Appropriations

September 14, 1999

MEMORANDUM FOR LAEL BRAINARD
JON KAPLAN
BILL DAUSTER
TOM KALIL
LISA GREEN
DOROTHY ROBYN
RON MINSK

FROM: JON ORSZAG

SUBJECT: New Ideas for FY2001 Budget

Please find attached sections from the Secretary's FY2001 budget letter to OMB that you may find useful as we start the "new ideas" process. The ideas fall into three broad catergories:

* E-Commerce
* Export Promotion
* Natural Resources

The e-commerce section has four parts, with the highlights including a $100 million broadband deployment initiative for New Markets, a $30 million manufacturing and e-commerce initiative, and a tripling of one of our programs that helps bridge the digital divide.

The export promotion section includes a $20 million manufacturing export promotion initiative, which builds off last year's proposal, and a smaller, but still very important, environmental technology export initiative.

The natural resource section includes initiatives on weather and climate services, restoring salmon, and expanding our efforts on sustainable development of our fisheries and coasts.

If you have any questions, please feel free to call me (482-3520). Thanks.

NEW IDEAS FOR THE FY2001 BUDGET PROCESS

ACCELERATING THE TRANSITION TO ELECTRONIC COMMERCE

In the past several months, the Department has released two reports that show the opportunities and challenges of the New Economy. While our *Emerging Digital Economy II* report showed that growth in the information technology industry accounted for more than one-third of our Nation's economic growth since 1995, our *Falling Through the Net III* report provided evidence that the gap between the technological "haves" and "have-nots" continues to grow. This $307 million e-commerce initiative focuses on ensuring that information technologies remain an engine of economic growth and that we take more steps to close the digital divide in America. This initiative has five major elements:

1. Expanding Broadband Deployment to New Markets

- **Broadband Deployment for New Markets Initiative.** The private-sector is investing more than $1 billion *per month* in broadband deployment. However, many of America's communities still do not have high-speed Internet access, meaning fewer jobs as businesses relocate to areas with broadband. For example, three businesses decided not to relocate to one rural town because it lacks sufficient broadband access. The Department's $100 million New Markets initiative encourages the deployment of increased bandwidth in new markets. This proposal will provide grants to states and local areas to plan for and install high-speed Internet access to help attract new business and job opportunities in our Nation's under-served communities. The Department looks forward to working with the National Economic Council (NEC), Office of the Vice President (OVP), and OMB in further developing this important proposal as part of a larger broadband deployment initiative.

2. Helping More People and Businesses Benefit from E-Commerce

- **Tripling Technology Opportunity Program to Help Close Digital Divide.** In order to close the gap between information "haves" and "have nots," the Department proposes to triple our investment in the Technology Opportunity Program (TOP) -- formerly known as the Telecommunications Information Infrastructure Assistance Program (TIIAP). The increase in funding for this successful program from $20 million to $60 million will increase the deployment of broadband networks to community-based organizations in under-served areas, helping more people have access to the Internet.

- **Initiative to Help Manufacturing Firms with E-Commerce.** Since March 1998, the manufacturing sector has lost half a million new jobs. This $30 million initiative will help empower small and medium-sized manufacturers with the information and technical assistance they need to become e-businesses. With more and more large manufacturers using the Internet for supply chains, small and medium-sized manufacturers who are not connected will find themselves falling behind in the years ahead. Building on the successful cooperative Y2K outreach model, the Department of Commerce will work with the Small Business Administration (SBA) and the United States Department of Agriculture (USDA) to provide tens of thousands of small and medium-sized manufacturers with e-commerce tool kits. Through the Manufacturing Extension Program (MEP) -- which will play a leading role in reaching manufacturers by utilizing its existing infrastructure and ties to state and Federal agencies -- this initiative will allow the National Institute of Standards and Technology (NIST) to distribute 400,000 tool kits in FY 2001.

- **Helping More Businesses Grow Through E-Commerce.** The Department's budget includes funds for the Minority Business Development Agency (MBDA) to increase its e-commerce matching opportunities for minority enterprises, and $9 million for the International Trade Administration (ITA) to expand its virtual trade missions to enable small and medium-sized enterprises that adopt e-commerce business models to increase exports to global markets.

3. Providing Small Manufacturers Access Up and Down the Supply Chain

- **Initiative to Develop Interoperable E-Commerce Standards.** The Department requests $28 million to increase the utility of e-commerce applications by making them as interoperable as the Internet itself. Many applications designed to make e-commerce more reliable, efficient, and secure simply do not work together. In particular, the development of business to business e-commerce -- which constitutes over 80 percent of the e-commerce market -- requires broad scale agreement on voluntary standards and effective evaluation of standards compliance. Over 50 percent of all manufacturing supply chain participants are small businesses that work with many different manufacturers, each with their own incompatible software. And more than 100 e-commerce-related standards are currently under development, which will potentially fragment the e-commerce marketplace. This Technology Administration (TA) initiative, led by NIST, will allow the Department to work with industry to develop interoperable e-commerce standards, tested methods, and procedures to enhance security and reliability at all levels.

4. Include E-Commerce Measurements in National Statistics to Improve Decision Making

- **Initiative to Include E-Commerce Measurements in Economic Statistics.** Decisions are only as good as the information on which they are based. E-commerce defies traditional categories within our national statistics, and unless its results are captured in the national statistical measures, we face the possibility of seriously underestimating productivity and growth in our economy. The importance of accuracy in these data cannot be overstated; for example, the Federal Reserve uses them to help determine whether to raise or lower interest rates, and businesses use the information every day to make production decisions. Therefore, the Department proposes $13.4 million for the Department's Economic and Statistics Administration (ESA) to ensure that e-commerce is appropriately measured and that the measurements are incorporated into national statistical measures. This will help to ensure that government and business leaders make sound decisions based on accurate information.

STIMULATING MANUFACTURING AND ENVIRONMENTAL EXPORTS

- **Manufacturing Initiative to Promote Exports and Create High-Paying Jobs.** Exports of American manufactured goods have slowed markedly as a result of global economic problems, prompting layoffs by U.S. manufacturing firms, and the manufacturing sector has lost 499,000 net jobs since March 1998. The purpose of this initiative -- which builds on the President's initiative this year -- will be to expand and enhance export promotion efforts to reflect these new global realities and respond to stepped-up export advocacy by other countries. By reaching out to new customers and markets and delivering higher quality services to U.S. exporters, the Department's $20 million manufacturing export promotion proposal will increase U.S. manufacturing exports and help protect high-wage American jobs. The Department looks forward to working with the President and Vice President's task force on manufacturing to further develop this initiative to assist small and medium-sized enterprises (SMEs) penetrate global markets and sustain high-wage jobs in the manufacturing sector.

- **Increased Funding to Promote Environmental Technology Exports.** Increasing exports of environmental technologies is a classic win-win proposition; it helps grow our economy and promotes a cleaner environment at the same time. The Department proposes a $2.4 million Environmental Technologies Export Initiative, in which ITA will work in partnership with NOAA and NIST in assisting American firms to take advantage of a rapidly growing world market. We propose investing in training, outreach, and new staff to increase U.S. exports in a select number of key markets. In addition, this budget will allow Commerce to continue an interagency initiative started this summer to focus an array of trade promotion activities across the Administration on this opportunity. One of the purposes of this exercise is to craft a detailed road map to a doubling of environmental exports, which we will present to the President and Vice President.

STRENGTHENING OUR NATURAL RESOURCES INFRASTRUCTURE

This initiative includes $358 million of new investments, which will provide a vital boost to the nation's prosperity and livability. The budget reflects three major priorities for Commerce's role in the stewardship of America's natural resources:

- **Weather and Climate Service.** We propose an increase of $180 million to develop new forecasting tools and abilities to mitigate the damage from events such as this summer's drought. From farmers planting crops to home builders purchasing supplies, weather affects every American. With one-third of the Gross Domestic Product (GDP) subject to the weather, continued improvements in weather and climate forecasting are essential.

The significant investments we have made are already yielding dividends; for example, our tornado warnings in Oklahoma saved many lives. But, as the surprise tornado that hit Salt Lake City shows, we still have work to do. Of the $180 million proposed, we specifically need $145 million to complete the National Weather Service modernization program, upgrading hardware and software components of major systems to avoid obsolescence, maintaining reliable satellite coverage, and expanding research to improve weather prediction models. This investment will save lives, make flying and boating safer, and help farmers and businesses plan better.

At the same time, the intense media coverage of the drought underscored the public's interest in NOAA's climate forecast products. These forecasts are vital to our productivity and competitiveness: a 1 percent increase in weather-sensitive businesses adds $10 billion to the American economy. Our El Niño/La Niña advance warnings saved California $500 million to $1 billion, thanks to pro-active research, accurate predictions, and community outreach.

Against this backdrop, this budget proposes a modest $35 million increase in climate services. With this investment, we will be able to meet Presidential commitments, such as the long-range drought forecasts, improve our observation and reporting systems, and undertake key research to maximize the value of this data.

- **Restoring Salmon.** The $169 million total investment (an increase of $9 million) proposed in this budget will give stakeholders the resources to capitalize on this Administration's leadership in restoring the once-mighty salmon runs. The implementation of the Pacific Salmon Treaty and the Pacific Coastal Salmon Recovery will require a continued investment of $160 million. These funds, largely supplemented by an additional $9 million for NOAA's Pacific and Atlantic Salmon recovery efforts, will go to the states, as promised by the Vice President. They will empower local leaders from Alaska to California, helping them to implement creative partnerships and conservation mechanisms they have developed.

- **Sustainable Development of Our Fisheries and Coasts.** One half of all Americans live within 50 miles of the coast -- a staggering statistic that calls for an increased investment to promote sustainable fisheries and coastal communities. We are requesting $169 million to build on the President's Lands Legacy Initiative and benefit the 300,000 Americans who fish for a living and those who work in the $700 billion industry business that depends on a healthy coast. Every day, 3,600 people move to the coast, making it a key area for the Administration's efforts to help local leaders achieve "smart growth."

Fishing -- recreational and commercial -- contributes $30 billion to the GDP and adds immeasurably to the quality of life in all coastal communities. Despite decades of effort, our fisheries, and the men and women whose livelihoods depend on them, are still in jeopardy. This budget reflects another Departmental priority: using creative tools, flexible approaches, and sound management to build sustainable fisheries. For example,

our budget includes a $25 million vessel buyout program to reduce capacity in overcapitalized fisheries. It also proposes the collection of modest fishery fees and provides more funds for observers, enforcement, and data collection.
In addition to our salmon recovery effort, NOAA is entrusted with the care of some of this country's most seriously endangered animals -- whales, seals, and sea turtles among them. We are seeking $10 million to convert a surplus Navy vessel to help with research and to expand our efforts, under the Marine Mammal Protection Act and the Endangered Species Act.

Of course, we must invest in better science, too. This budget provides a total of $62.4 million for a new fisheries research vessel and related equipment (promised by the President at the Oceans Conference) and $15 million for a new fisheries laboratory in Juneau, Alaska. NOAA will also expand high-priority efforts to understand and prevent coastal pollution that can lead to problems like harmful algal blooms that cost more than $100 million every year.

As noted, coastal tourism generates $700 billion annually -- 85 percent of U.S. tourism-related revenues. In addition, more than 90 percent of the $5 trillion in foreign trade the Administration projects by 2010 will move through America's ports. This budget proposes new investments of $18.3 million in coastal mapping and updating nautical charts. With these investments, we can expand the use of our coastal waters -- by everything from supertankers to scuba divers -- while increasing the protection and beauty of these key habitats.

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

September 22, 1999
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

S. 1596 -- DEPARTMENT OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS BILL, FY 2000

(Sponsors: Stevens (R), Alaska; Bond (R), Missouri)

This Statement of Administration Policy provides the Administration's views on the Veterans, Housing and Urban Development, and Independent Agencies Appropriations Bill, FY 2000, as approved by the Senate Committee. Your consideration of the Administration's views would be appreciated.

The Administration issued a senior advisors veto threat on the House version of this legislation due to deep cuts in science and technology programs, reductions in essential housing and environmental programs, inadequate funding for National Service, inadequate funding for FEMA disaster relief and cuts in other important programs. The Administration appreciates the Senate Committee's efforts to develop a bill that makes important improvements to the House bill. However, there continue to be significant problems with the Senate Committee bill that must be satisfactorily addressed before it is presented to the President. Regrettably, the Committee bill under funds important programs for our nations's cities, for the environment, for disaster relief and for National Service. Unless these concerns with the House and Senate bills are addressed in a satisfactory manner in a conference agreement, the President's senior advisors would recommend that he veto the bill.

The Administration strongly objects to the Committee's failure to fund the critical housing needs of low-income families and Administration initiatives to invest in our nation's cities. Most importantly, the Administration objects to the Committee's decision not to fund new incremental Section 8 housing assistance vouchers in FY 2000 and to the elimination of the Community Builders Program. If forced to terminate these employees, HUD would have to eliminate local service in almost two dozen communities, leaving up to seven States without any HUD presence.

The Administration also strongly opposes the Committee's decision not to fund, or to under fund, a number of the Administration's critical investment initiatives, including the New Markets Initiative, Regional Connections, Regional Empowerment Zones, and the redevelopment of abandoned buildings. In addition, the bill also under-funds Administration priorities such as the Corporation for National and Community Service, Revitalization of Distressed Public Housing (HOPE VI), Neighborhood Reinvestment Corporation, Community Development Financial Institutions (CDFI), Brownfields redevelopment, Community Empowerment Fund, and Housing Opportunities for Persons With AIDS (HOPWA). Finally, the Administration would like to work with the Congress to secure the funding requested for the Round II Empowerment Zone program.

The Administration strongly opposes the Committee's $186 million reduction to the request for the Environmental Protection Agency's (EPA) Operating Programs, including the $114 million cut to the Climate Change Technology Initiative (CCTI), elimination of funding for the Montreal Protocol, and the $35 million cut in personnel costs. The Administration also opposes the $100 million reduction to Superfund and the elimination of funding for the Clean Air Partnership Fund. In addition to these severe reductions, the Administration opposes spending $197 million on the 123 earmarked projects in the Committee bill, which were not requested by the President and would come at the expense of important environmental programs. These reductions would severely hamper EPA's efforts to protect public health and the environment and should be restored.

The Administration strongly opposes the Committee's failure to fund the request for $2.5 billion in contingent emergency funding for the Federal Emergency Management Agency's (FEMA's) disaster relief fund. This reduction would hinder FEMA's ability to respond quickly and appropriately to disasters as they occur.

Detailed discussions of certain of these issues, as well as additional Administration concerns with the Committee bill, are provided in the attachment. We look forward to working with the Congress to address our mutual concerns.

Attachment

Attachment
(Senate Floor)

DEPARTMENT OF VETERANS AFFAIRS/HOUSING AND URBAN DEVELOPMENT/ INDEPENDENT AGENCIES APPROPRIATIONS BILL, FY 2000 (AS REPORTED BY THE SENATE COMMITTEE)

Housing and Urban Development

The Committee's decision to not provide for a single new incremental housing voucher leaves fundamental housing needs unmet, at a time when 5.3 million families have severe housing needs. President Clinton's request for 100,000 new incremental housing vouchers builds on the positive, yet modest, action taken by the Congress and the Administration in FY1999 to provide an additional 50,000 Section 8 housing vouchers. The Administration believes that it is essential to provide incremental vouchers in FY 2000.

The Committee bill contains a punitive provision that would fire 410 Housing and Urban Development (HUD) employees -- HUD's Community Builders. Community Builders have been key to the reinvigoration of HUD and a key component of the new outreach to aid our communities. The Committee further restricts HUD's management flexibility with an unusual limitation on staff and contractors and an unrealistic cut in HUD's administrative funding. These provisions would unreasonably hamper efforts to correct management weaknesses identified by the Congress and others.

The Committee bill does not fund the President's New Markets Initiative and other economic development programs. The President has requested a multifaceted national New Markets Initiative and other programs for economic revitalization to take advantage of the strength of the economy and help those areas left behind in our economic boom. The Committee has not funded the President's $37 million request for America's Private Investment Companies, which would stimulate $1.5 billion in private investment in these communities.

The Revitalization of Distressed Public Housing (HOPE VI) program is funded at $500 million, $125 million below the requested level. This decrease would impair the Administration's ability to remove and replace the Nation's worst public housing.

The Committee's $3.5 million reduction to the President's request of $19.5 million for the Office of Federal Housing Enterprise Oversight (OFHEO) would delay implementation of the risk-based capital regulation and strain OFHEO's capacity to conduct its risk-based examinations of Fannie Mae and Freddie Mac effectively. This could have serious implications for the safety and soundness of these large Government-sponsored enterprises.

The Administration strongly urges the Senate to fully fund the President's request for Fair Housing initiatives, which are critical to ending housing discrimination in this country.

Corporation for National and Community Service

The Administration appreciates the funding provided for the Corporation for National and Community Service in the Committee bill. However, the amount provided for AmeriCorps and other programs is inadequate. The Administration strongly urges that additional funding be provided to the Corporation. In its current form, the Committee bill would cut AmeriCorps Grants by $13 million below the FY 1999 level and $78 million below the President's request. This would deny 17,000 Americans the opportunity to join AmeriCorps and serve their communities while earning an educational award. The Administration opposes the Committee's reduction to the Corporation's program administration. This reduction would jeopardize the Corporation's ability to make managerial improvements that the Congress and the Administration believe are critical. In addition, the $80 million rescission from the National Service Trust Fund could endanger the Corporation's ability to pay educational awards earned by AmeriCorps members in the future. We also urge the Senate to adopt the Administration's proposed appropriation language, which would remove the numerous current earmarks and limits that constrain the Corporation's ability to manage its programs efficiently and effectively.

Community Development Financial Institutions

The Administration strongly opposes the Committee's decision to fund the Community Development Financial Institutions Fund at $80 million, $45 million below the request and $15 million below the FY 1999 enacted level. This would result in approximately 50 fewer banks and 65 fewer CDFIs receiving grants, which would severely reduce the Fund's ability to provide and leverage investments, loans, technical assistance, and financial services in the country's most distressed communities. Likewise, the Administration opposes the Committee's decision not to fund the Program for Investment in Microentrepreneurs initiative, which would provide funding for micro-enterprise development.

Environmental Protection Agency

The Administration appreciates the Committee's effort to fully fund the Clean Water Action Plan, the Brownfields initiative, and the Children's Environmental Health Initiative. However, we have several major concerns with the funding provided for the Environmental Protection Agency (EPA) in the Committee bill. In particular, the Administration strongly opposes the $186 million reduction to the request for EPA's Operating Program, which is the backbone of the Nation's environmental protection efforts. Likewise, we strongly oppose the Committee's reductions of $114 million to the request for EPA's component of the Climate Change Technology Initiative (CCTI), elimination of funding for the Montreal Protocol, and termination of the final installment of funds to complete the construction of the state-of-the-art research center in North Carolina. The Committee bill would restrict EPA's flexibility in administering environmental programs by including a funding level for personnel of $900 million, a $35 million reduction from the President's request. This reduction to personnel costs would require reducing EPA by more than 400 positions, preventing EPA from undertaking initiatives designed to improve the quality of the Nation's air, water, and food supply.

The Administration objects to the elimination of funding for the new Clean Air Partnership Fund, which would provide grants to State and local governments for innovative projects that reduce multiple pollutants, such as air toxics, pollutants that produce soot and smog, and greenhouse gases. We also oppose the Committee's $100 million reduction to the request for the Superfund program, which under this Administration has operated at a record pace to clean up toxic waste dumps. This reduction would needlessly jeopardize the public health for citizens living near affected sites. The Administration further objects to the Committee's proposal to finance half of the Superfund appropriation from general revenue. Such financing is contrary to the "polluter pays" principle and would be unfair to the general public, who would be forced to pay for the irresponsible actions of polluters.

The Administration objects to the exceptionally high number of earmarked projects included in the Committee bill for EPA, and the corresponding reduction or elimination of several high-priority environmental programs and initiatives: EPA's Operating Program, CCTI, the Montreal Protocol, the Mexican border wastewater treatment funding program, and Sustainable Development Challenge Grants. We will work with the Congress to restore requested funding as the bill moves forward. We urge the Congress to reduce unrequested funding for lower-priority projects.

The Committee bill includes a rider prohibiting implementation of the Kyoto Protocol. Since the Administration has stated that it does not intend to implement the Kyoto Protocol until it is ratified by the Senate, we believe that the language is unnecessary. However, the Administration appreciates the Committee's commitment to the agreement reached last year on this issue.

National Aeronautics and Space Administration

The Administration appreciates the Committee's full funding of the President's request for the National Aeronautics and Space Administration (NASA). We strongly object, however, to the $120 million reduction in NASA's Space Science programs. As evidenced by the spectacular returns from missions like the Hubble Space Telescope and Mars Pathfinder, Space Science is a top performer and core research function at NASA. We believe that this reduction would cause serious harm to ongoing and planned efforts. We strongly urge the restoration of Space Science funding.

The Administration is concerned with the increased number of appropriations accounts for Space Station and other activities. We are dedicated to controlling Space Station costs while also providing the flexibility necessary to deal with unanticipated requirements. We are also concerned about the large number of unrequested, site-specific earmarks, which would have the effect of circumventing the competitive peer-review process. Finally, we strongly object to bill language that would mandate termination, without allowance for further review on the merits, of any program or activity that exceeds its annual budget request or total estimated cost by 15 percent. This mandatory termination requirement could cause ill-advised program management tradeoffs that could place safety and reliability concerns second to small additional cost considerations. This would likely result in program terminations that are not in the best interest of the Government.

National Science Foundation

The Administration appreciates the Committee's full funding the President's request for the National Science Foundation (NSF). We are concerned, however, that the Committee's report directs NSF to provide $25 million to the Arctic Research Commission to support arctic logistics activities. The Arctic Research and Policy Act of 1984 established the Commission to promote Arctic research and policy. The Act also designated NSF as the lead agency responsible for implementing Arctic research policy. NSF currently has the support infrastructure -- including staff -- and ongoing relationships with other agencies and contractors to support Arctic research. It would be inefficient to move all NSF logistics funding to the Arctic Research Commission. It is also inconsistent with the Act's establishment of responsibilities for the two agencies.

FEMA (Emergency Food and Shelter Program)

The Administration is concerned that the Committee has provided $15 million less than requested for the Federal Emergency Management Agency's (FEMA's) Emergency Food and Shelter Program. Funding for this program has been frozen at $100 million since FY 1996, when it was cut from its previous level of $130 million. While the 10-percent increase provided by the Committee is helpful, this reduction from the President's request would prevent FEMA from providing almost four million meals and 600,000 shelter nights for less fortunate Americans needing food and shelter. The Administration appreciates the Committee's support of FEMA's mitigation programs but urges the Committee to provide the $12 million requested for the National Flood Mitigation Fund. FEMA's mitigation programs have been shown to reduce the costs of future disasters.

Council on Environmental Quality

The Administration urges the Committee to fully fund the Council on Environmental Quality (CEQ). We strongly believe that in order to allow CEQ to carry out its environmental mission and reinvention efforts, the full requested level should be provided. We also urge the Committee to delete language prohibiting the use of detailees.

American Battle Monuments Commission

The Committee bill includes language stating that the American Battle Monuments Commission (ABMC) may borrow up to $65 million from the Treasury for construction of the World War II memorial. This borrowing authority was not proposed by the Administration and would add to the discretionary spending of this bill. The FY 2000 Budget proposed continuation of private contributions as the best approach to completing the World War II Memorial. The Administration opposes this borrowing authority as transition funding because it would undercut solicitation of private contributions. This would undermine rather than expedite the completion of the World War II Memorial. The Administration, however, strongly supports the extension of the authority to establish the Memorial.

Neighborhood Reinvestment Corporation

The Administration strongly opposes the Committee's decision to fund the Neighborhood Reinvestment Corporation (NRC) at $60 million, $30 million below the request and the FY 1999 enacted level. This cut would eliminate funding for a second round of NRC's "Play-by-the-Rules" homeownership initiative, an initiative designed to create 7,000 additional new homeowners. The cut would also eliminate $10 million requested to help attract $600 million in public and private sector investments to create affordable, multi-family housing in distressed neighborhoods.

Selective Service System

The Administration continues to support the peacetime draft registration program of the Selective Service System as the third line of defense after the Armed Services and the Reserve and Guard units. The Administration appreciates the Committee's full restoration of this low-cost insurance program, particularly in light of the recruiting and readiness issues that we are addressing. We believe that the Committee is sending a strong, positive signal to our foreign adversaries by rejecting termination and approving the President's budget request for the Selective Service System.

DRAFT NOT FOR RELEASE
September 30, 1999 (11:06PM)

The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter provides the Administration's views on the Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Bill, FY 2000, as passed by the House and by the Senate. Your consideration of the Administration's views would be appreciated.

The allocation of discretionary resources available to the House and the Senate under the Congressional Budget Resolution is simply inadequate to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet important national needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance vital spending needs. Congress has approved and the President has signed into law nearly $29 billion of such offsets in appropriations legislation since 1995. The Administration urges the Congress to consider acceptable offsets as the FY 2000 appropriations process moves forward.

The President's senior advisers would recommend that the President veto the House version of the bill due to inadequate funding for National Service and deep cuts in space science and technology programs, reductions in essential housing and environmental programs, inadequate funding for FEMA disaster relief, termination of peacetime draft registration, and cuts in other important programs. The Administration appreciates the Senate's efforts to develop a bill that makes important improvements to the House bill. However, there continue to be significant problems with both bills. Regrettably, both the House and Senate bills underfund important programs for low-income families, for our Nation's cities, for the environment, for disaster relief, for National Service, and for space science. Unless these concerns are addressed in a satisfactory manner in a conference agreement, the President's senior advisers would recommend that he veto the bill.

The Administration strongly objects to the failure of the House and Senate to fund the critical housing needs of low-income families and Administration initiatives to invest in our Nation's cities. Most importantly, the Administration objects to the decision by both houses not to fund new incremental Section 8 housing assistance vouchers in FY 2000. We also strongly object to the Senate's elimination of the Community Builders Program. If forced to terminate these employees, HUD would have to eliminate local service in almost two dozen communities, leaving up to seven States without any HUD presence.

The Administration strongly opposes the House and Senate's decision not to fund, a number of the Administration's critical investment initiatives, particularly, the New Markets Initiative (America's Private Investment Companies). In addition, Administration priorities such as, Fair Housing, Revitalization of Distressed Public Housing (HOPE VI), Neighborhood Reinvestment Corporation, Community Development Financial Institutions (CDFI), Brownfields redevelopment, Regional Connections, Regional Empowerment Zones, the redevelopment of abandoned buildings, Community Empowerment Fund, and Housing Opportunities for Persons With AIDS (HOPWA) are under-funded. The Administration would also like to work with the Congress to secure the funding requested for the Round II Empowerment Zone program. Further, the Administration opposes spending on the numerous earmarked projects in the Community Empowerment Fund/Economic Development Initiative, which were not requested by the President. These earmarked projects would usurp funds from essential community and economic development efforts at the local level.

The Administration strongly opposes the reductions to the request for the Environmental Protection Agency's (EPA's) Operating Programs, including the severe House and Senate cuts to the Climate Change Technology Initiative (CCTI), the $35 million cut in personnel costs by both the House and Senate, and elimination of funding for the Montreal Protocol by the House. Likewise, the Administration opposes the reductions to Superfund and the Senate's elimination of funding for the Clean Air Partnership Fund. In addition to these severe reductions, the Administration opposes funding for numerous House and Senate earmarked projects, which were not requested by the President and would come at the expense of important environmental programs. These reductions would severely hamper EPA's efforts to protect public health and the environment and should be restored by the conferees.

The Administration strongly opposes the failure to provide for the full $2.8 billion in disaster relief funding requested. Without this funding, FEMA will run out of disaster relief funds by the end of the first quarter of FY 2000.

The Administration strongly opposes reductions by the House to the President's request for the National Aeronautics and Space Administration (NASA) totaling over $900 million (over $1 billion including earmarks). If enacted, these reductions would jeopardize U.S. leadership and competitiveness in space by decimating key elements of the Nation's space program, requiring the largest restructuring of NASA since the end of the Apollo program. These reductions would likely result in the cancellation or deferral of over 30 space missions and could ultimately result in the closure of NASA Centers and the elimination, through forced separations, of critical technical skills uniquely possessed by NASA. The ultimate effect would be the loss of programs that could make possible scientific and technical breakthroughs.

The Administration strongly objects to the $241 million reduction in the House and $120 million reduction in the Senate to NASA's Space Science program. A reduction of this magnitude would significantly harm ongoing and planned projects, resulting in costly delays and possible cancellations. We are also concerned about the large number of unrequested, site-specific earmarks in both the House and Senate versions of the bill for NASA, which would have the effect of circumventing the competitive peer-review process.

Detailed discussions of certain of these issues, as well as additional Administration concerns with the bill as passed by the House and by the Senate, are provided in the enclosure.

We look forward to working with the conferees to address our mutual concerns.

Sincerely,

Jacob J. Lew
Director

Enclosure

Identical Letter Sent to The Honorable C. W. Bill Young,
The Honorable David R. Obey, The Honorable James T. Walsh,
The Honorable Alan B. Mollohan, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Christopher S. Bond,
and The Honorable Barbara A. Mikulski

The Honorable David R. Obey

Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Obey:

The Honorable James T. Walsh
Chairman
Subcommittee on VA-HUD-Independent
Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Honorable Alan B. Mollohan
Subcommittee on VA-HUD-Independent
Agencies Appropriations
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Mollohan:

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Identical Letter Sent to The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Christopher S. Bond,
and The Honorable Barbara Mikulski

The Honorable Robert C. Byrd
Committee on Appropriations
United States Senate

Washington, D.C. 20510

Dear Senator Byrd:

The Honorable Christopher S. Bond
Chairman
Subcommittee on VA-HUD-Independent
Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Honorable Barbara Mikulski
Subcommittee on VA-HUD-Independent
Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Mikulski:

Enclosure
(Conference)

VETERANS AFFAIRS, HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS BILL, FY 2000 (AS PASSED BY THE HOUSE AND BY THE SENATE)

Corporation for National and Community Service

The House-passed bill would terminate the Corporation for National and Community Service, one of the Administration's top priorities. Termination of the program by the House would deny 66,000 youth the opportunity to address pressing education, public safety, and human and environmental needs while earning money to attend college through participation in AmeriCorps. It would also prevent 1.4 million students from participating in service-learning programs that provide substantial academic and social benefits, including the opportunity to learn responsible citizenship. Termination of the Corporation for National and Community Service would result in a veto of the bill by the President.

The Senate-passed bill provides inadequate funding for the program, $78 million below the request, as well as proposed language that continues to constrain the Corporation's ability to manage its programs. Inadequate funding by the Senate would deny 17,000 Americans the opportunity to join AmeriCorps and serve their communities and would cut AmeriCorps Grants by $13 million below the FY 1999 level. The Senate-passed bill reduces funding for administering the Corporation's programs and proposes language containing earmarks and limits that would impede the Corporation's ability to manage its programs efficiently and effectively. The funding reduction to the Corporation's administrative costs would jeopardize the Corporation's ability to make managerial improvements that the Congress and the Administration believe are critical. We urge the conferees to fully fund the Corporation at the requested level of $549 million and adopt the Administration's proposed appropriation language, which would address the problems caused by the numerous current earmarks and limits. These include limits on funding for the Corporation's National Direct programs, the National Civilian Community Corps, and its administrative resources.

In addition, the Senate's decision to rescind $80 million from the National Service Trust Fund could endanger the Corporation's ability to pay educational awards earned by AmeriCorps members in the future. If a bill that provides inadequate funding and restrictive language for the Corporation for National and Community Service were to be presented to the President, his senior advisers would recommend that he veto the bill.

Housing and Urban Development

Subsidized Housing. The Administration strongly objects to the decision by the House and the Senate not to fund new incremental housing assistance vouchers in FY 2000 and to the reductions in funding requested for the operation and maintenance of public housing. The House- and Senate-passed bills have left fundamental housing needs unmet by failing to fund the Administration's request for 100,000 incremental rental assistance vouchers, including 25,000 vouchers to help families moving from welfare to work who need to move closer to their new job, at a time when a record 5.3 million low-income households in this country spend over 50 percent of their income on rent. The House has also reduced public housing operating subsidies by six percent, which could result in tens of thousands of additional public housing units developing moderate or severe physical problems due to inadequate maintenance. Likewise, the Senate has funded Revitalization of Distressed Public Housing (HOPE VI) at $125 million below the President's request. This decrease would impair the Administration's ability to remove and replace the Nation's worst public housing.

Investment in Communities. The Administration strongly objects to the failure of the House and Senate to fund new Administration initiatives that help communities and those most in need. Neither the House- nor the Senate-passed bills have funded the President's request for the multifaceted national New Markets Initiative and other programs for economic revitalization that take advantage of the strength of the economy and help those areas left behind in our economic boom. The Administration is deeply concerned that the President's $37 million request for America's Private Investment Companies (APIC), which would stimulate $1.5 billion in private investment in these communities, has not been funded. The Administration urges the conferees to fully fund the following initiatives to help distressed communities: Regional Empowerment Zones, Redevelopment of Abandoned Buildings, Regional Connections, and Partnership for the Advancement of Technology Housing program. In addition, the Administration urges the conferees to fully fund the Brownfields Redevelopment, Drug Elimination efforts in public housing, and Housing Opportunities for Persons With AIDS programs.

Fair Housing Programs. The Administration strongly urges the House and the Senate to fully fund the President's request for Fair Housing initiatives, which are critical to ending housing discrimination in this country. The House passed-bill would reduce funding for fair housing programs by 20 percent, or $10 million, and the Senate-passed bill would reduce funding by 15 percent, or $7 million, from the Administration's request. The requested level of $47 million would enable HUD to expand significantly its activities aimed at reducing the level of housing discrimination nationwide, including fully funding the second year of a critical, audit-based enforcement initiative to measure the level of discrimination in 60 communities nationwide over three years.

Community Builders Program and Administrative Funding. The Administration strongly objects to the Senate's intention to eliminate the Community Builders Program. We also strongly object to the House and Senate restrictions on HUD's ability to correct management weaknesses. The Senate-passed bill contains a punitive provision that would fire 410 Housing and Urban Development (HUD) employees -- HUD's Community Builders. Community Builders have been key to the reinvigoration of HUD and a key component of the new outreach to aid our communities. The Senate further restricts HUD's management flexibility with an unusual limitation on staff and contractors and an unrealistic cut in HUD's administrative funding. These provisions would unreasonably hamper efforts to correct management weaknesses identified by the Congress and others. Similarly, the House-passed bill would reduce HUD's operating budget by more than four percent. This reduction would severely restrict HUD's ability to inspect properties, restructure loans, reform the monitoring systems, and develop statutorily required estimates that are essential to subsidy programs and are the foundation of HUD's 2020 Reform.

Community Development Block Grants. The Administration is deeply concerned that the House has reduced the Community Development Block Grant program (CDBG) and resulting housing and economic activity by $275 million and homeless families by $50 million. As a result, about 33,000 fewer people would receive housing rehabilitation, construction, and homebuyer assistance. Approximately 10,000 fewer jobs would be created by CDBG. The cut to homeless families would result in 43,000 homeless persons, including 15,000 homeless children, who would be denied desperately needed services. In addition, over 30,000 homeless people would lose access to short-term emergency services. The Administration strongly urges the conferees to restore the $325 million in cuts the House has made to CDBG and homeless programs.

Environmental Protection Agency

Operating Program. The Administration strongly opposes the Senate's $178 million and the House's $199 million reductions to the request for EPA's Operating Program, which is the backbone of the Nation's environmental protection efforts. Within these overall reductions, we strongly oppose the Senate's reduction of $119 million and the House's reduction of $111 million to the request for EPA's component of the Climate Change Technology Initiative (CCTI). Likewise, we oppose the House's elimination of funding for the Montreal Protocol, the Senate's termination of funding to complete a state-of-the-art research center in North Carolina, and the $35 million reduction in both the House and Senate for EPA personnel costs. This last reduction, and particularly the Senate's bill language, would restrict EPA's flexibility in administering environmental programs by reducing the agency by more than 400 positions, preventing EPA from undertaking initiatives designed to improve the quality of the Nation's air, water, and food supply. We urge the conferees to restore these reductions.

Clean Air Partnership Fund/Superfund/Drinking Water State Revolving Fund. The Administration objects to the decision by the Senate not to fund the Clean Air Partnership Fund initiative. We also regret the House's severe reduction to the request for the same program initiative, which would provide grants to State and local governments for innovative projects that reduce multiple pollutants, such as air toxics, pollutants that produce soot and smog, and greenhouse gases.

We oppose the Senate and House decisions to reduce Superfund by $103 million and $50 million, respectively, a program that has operated, under this Administration, at a record pace to clean up toxic waste dumps. This reduction would needlessly jeopardize public health for citizens living near affected sites. The Administration further objects to the House and Senate proposal to finance half of the Superfund appropriation from general revenue. Such financing is contrary to the "polluter pays" principle and would be unfair to the general public, who would be forced to pay for the irresponsible actions of polluters. The Administration also urges the conferees to fully fund the request for the Drinking Water State Revolving Fund, which the House has reduced by $50 million.

Earmarked Projects. Given the major reductions proposed for EPA's Operating Program, the Administration particularly objects to the exceptionally high number of earmarked projects included by the House and Senate for EPA, and the corresponding reduction or elimination of several high-priority environmental programs and initiatives: EPA's Operating Program, CCTI, the Montreal Protocol, the Mexican border wastewater treatment funding program, and Sustainable Development Challenge Grants. We urge the conferees to reduce unrequested funding for lower-priority projects.

Bill and Report Language. The Administration strongly opposes House bill and report language related to the Kyoto Protocol. The language could be interpreted broadly to prevent activities that limit greenhouse gases either voluntarily or under existing authority -- for example, through enhancing energy efficiency -- but that are not undertaken to implement the Kyoto Protocol. This is a cumbersome restriction that both breaches the agreement reached last year on this issue and is unnecessary, given the Administration's intent not to implement the Protocol until it is ratified by the Senate.

The Administration opposes House-passed bill and report language that could delay EPA's resolution of claims under the 1964 Civil Rights Act. These and other legislative authorizations are inappropriate in appropriations bills and deny the public and Members of Congress the opportunity to examine and debate these proposals openly. The Administration urges the conferees to remove the unduly restrictive language in the final bill.

The Administration also opposes four provisions in the Senate-passed bill. First, Senate language would block EPA implementation of a regulation required by the Food Quality Protection Act of 1996 requiring pesticide manufacturers, rather than the taxpayer, to pay the cost of issuing pesticide tolerances. The Senate bill could also delay two critical clean water initiatives related to polluted stormwater runoff and restoration of polluted waters. The Administration has invited and responded effectively to extensive public comment on the stormwater regulation, and another review of the regulation would only serve to delay actions needed to protect water quality. Regarding the proposed regulation to restore polluted waters, the Administration has consulted extensively with a broad-based Federal advisory committee and provided for an extended, 120-day, public comment period. The provision of the bill further extending this review schedule is unnecessary. Finally, the Administration is concerned about Section 428 of the General Provisions, which could affect the Agency officials' ability to educate and inform the public on impending legislation.

Council on Environmental Quality

The Administration urges the conferees to fully fund the Council on Environmental Quality (CEQ). We strongly believe that in order to allow CEQ to carry out its environmental mission and reinvention efforts, the full requested level should be provided. We also urge the conferees to exclude language in the final bill prohibiting the use of detailees.

Federal Emergency Management Agency

The Administration strongly opposes the failure of the House and Senate to fund the President's request of $2.5 billion in contingent emergency funding for the Federal Emergency Management Agency's (FEMA's) disaster relief fund. This reduction would hinder FEMA's ability to respond quickly and appropriately to disasters as they occur.

We are also concerned that the both the House and the Senate have provided $15 million less than requested for FEMA's Emergency Food and Shelter Program. Funding for this program has been frozen at $100 million since FY 1996, when it was cut from its previous level of $130 million. While the 10-percent increase provided by the both houses is helpful, this reduction from the President's request would prevent FEMA from providing almost four million meals and 600,000 shelter nights for less fortunate Americans needing food and shelter.

The Administration is concerned that the House and Senate have provided $22 million less than requested for Emergency Management and Planning Assistance (EMPA). Failure to fully fund EMPA would erode FEMA's response and information technology capabilities and impact programs that enhance State and local emergency preparedness and mitigation. The Administration also urges the conferees to fully fund the President's requests for National Flood Mitigation Fund and for pre-disaster mitigation. FEMA's mitigation programs have been shown to reduce the costs of future disasters.

National Aeronautics and Space Administration

The Administration strongly opposes reductions by the House to the President's request for the National Aeronautics and Space Administration (NASA) totaling over $900 million (over $1 billion including earmarks). If enacted, these reductions would jeopardize U.S. leadership and competitiveness in space by decimating key elements of the Nation's space program, requiring the largest restructuring of NASA since the end of the Apollo program. These reductions would likely result in the cancellation or deferral of over 30 space missions and could ultimately result in the closure of NASA Centers and the elimination, through forced separations, of critical technical skills uniquely possessed by NASA. The ultimate effect would be the loss of programs that could make possible scientific and technical breakthroughs.

In addition, the Administration is concerned about the large number of unrequested, site-specific earmarks in both the House- and Senate-passed bills, which would have the effect of circumventing the competitive, peer-review process. The $123 million in the House and $279 million in the Senate in unrequested earmarks would worsen the impact of the reductions made to higher priority programs. The Administration is particularly concerned with the following in the House version of the bill:

Space Science. The Administration strongly opposes the House's decision to cut the President's request for Space Science by $241 million, a reduction of eight percent below the FY 1999 enacted level, which would be the largest reduction ever made. This reduction would devastate the NASA Space Science program, which has been the source of countless breakthroughs, scientific discoveries, and inspiration for hundreds of millions of Americans and people around the world. In particular, the reductions would likely result in the termination or deferral of over 15 space missions, including the Contour comet mission; the Pluto/Kuiper mission; all future missions in the Sun-Earth Connection program and the Structure and Evolution of the Universe program; and, all future missions in the Explorer and Discovery programs. These reductions would also necessitate the cancellation of 500-600 university grants affecting nearly every State, undermining an entire generation of U.S. space scientists and engineers and jeopardizing the very types of capabilities we need to compete in the next century. Although the Senate bill is an improvement, the Administration still strongly objects to the $120 million reduction in NASA's Space Science programs.

Earth Science. The Administration strongly opposes the House's reduction of $285 million to the request for Earth Science, which would reduce the program to a level 17 percent below the FY 1999 enacted level. This reduction would terminate NASA's Earth Observing System (EOS) Follow-on programs, Triana, GLOBE, and the Earth System Science Pathfinder program. The loss of these missions would jeopardize important efforts to establish long-term trends in the climate system, enabling reliable forecasts of El Nino; predictions of seasonal, regional temperature and precipitation for agriculture; longer warning times for severe storms and hurricanes; and, land cover and topography assessments for flood hazard prediction, forest management, and urban and transportation planning. The reductions to the Technology Infusion program would harm opportunities to lower the cost of future missions.

Human Space Flight. The Administration opposes the House's reduction of $250 million to the request, or two percent below the FY 1999 enacted level, for human space flight. This reduction would delay the Administration's efforts to improve safety in the Space Shuttle program and would also result in fewer Shuttle flights and a delay in the International Space Station (ISS) assembly sequence. A delay to ISS would undercut NASA's efforts to control the total cost of ISS and would reduce opportunities to conduct life and microgravity research in space. In addition, the Administration is concerned that the Senate-passed bill increases the number of appropriations accounts for Space Station and other activities. We are dedicated to controlling Space Station costs while also providing the flexibility necessary to deal with unanticipated requirements.

Mission Support. The Administration opposes the House-passed bill's reduction of $226 million to the request (10 percent below FY 1999 enacted) for Mission Support. This reduction would result in deferral of all Construction of Facilities projects to maintain existing NASA facilities safely; require a furlough and/or reduction in force; and, eliminate workforce hiring needed to revitalize the current NASA workforce.

Finally, we strongly object to Senate bill language that would mandate termination, without allowance for further review on the merits, of any program or activity that exceeds its annual budget request or total estimated cost by 15 percent. This mandatory termination requirement could cause ill-advised program management tradeoffs that could place safety and reliability concerns second to small additional cost considerations. This would likely result in program terminations that are not in the best interest of an effective, efficient program.

Community Development Financial Institutions

The Administration strongly opposes the Senate's decision to fund the Community Development Financial Institutions Fund at $80 million. Likewise, we strongly oppose the House's decision to fund the CDFI Fund at $70 million. These reductions would result in approximately 58 fewer banks and 76 fewer CDFIs receiving grants than assumed in the request. Such a reduced funding level would severely reduce the Fund's ability to provide and leverage investments, loans, technical assistance, and financial services in the country's most distressed communities. The Administration also opposes the Senate's decision not to fund the Program for Investment in Microentrepreneurs (PRIME) initiative, which would provide funding for micro-enterprise development. We urge the conferees to fully fund the CDFI Fund at the President's request of $125 million, including PRIME.

National Science Foundation

The Administration appreciates the Senate's full funding of the President's request for the National Science Foundation (NSF) and strongly opposes the House's proposed $275 million reduction to the request. The House reduction would bring overall funding to a level $24 million below the FY 1999 enacted level. The President's request for discretionary spending supports 6.8 percent growth in the NSF, while the House has actually cut funding for a key investment in America's future. This reduction would undermine the Nation's investment in discovery and education, which has fueled unprecedented economic growth for the past decade. The House-passed bill would eliminate funding for almost 14,000 researchers and science and mathematics educators. The Administration strongly urges the conferees to support the President's request for all of the Foundation's science, engineering, and education activities. In particular, the Administration is very concerned with the following:

- Information Technology Initiative. The House-passed bill would provide only $35 million of the $146 million request for the NSF component of the President's Information Technology for the 21st Century Initiative (IT2). IT2 responds to the President's Information Technology Advisory Committee finding that the Nation is under-investing in fundamental research in information technology. The Initiative would advance the field of information science, contribute to the strength and health of the private-sector information economy, and provide essential tools for spurring research and improvements in all areas of science and technology. The Administration is also concerned that the House-passed bill has placed a higher priority on providing unrequested funding for the High-Performance Instrumented Airborne Platform for Environmental Research aircraft instead of funding terascale computing, thus not allowing the purchase of a powerful supercomputer that would expand significantly the computing capabilities available to the research community.

- Integrative Activities. The House would reduce by $47 million requested funding for Biocomplexity research and the Opportunity Fund. These programs provide funding for innovative, multi-disciplinary research that could lead to significant discoveries in new and emerging fields of science and engineering.

- Arctic Research and Policy. The Senate directs NSF to provide $25 million to the Arctic Research Commission to support arctic logistics activities. The Arctic Research and Policy Act of 1984 established the Commission to promote Arctic research and policy and identified NSF as the lead agency responsible for implementing Arctic research policy. The Senate's direction is inconsistent with the Act's intent, and we urge the Senate to reconsider its decision.

Selective Service System

The Administration continues to support the peacetime draft registration program of the Selective Service System as the third line of defense after the Armed Services and the Reserve and Guard units. We believe that the Senate has sent a strong, positive signal to our foreign adversaries by rejecting termination and approving the President's budget request for the Selective Service System. The Administration, however, strongly objects to the House termination of the Selective Service System and urges the conferees to adopt the Senate version.

Neighborhood Reinvestment Corporation

The Administration strongly opposes the Senate's decision to fund the Neighborhood Reinvestment Corporation (NRC) at $60 million, $30 million below the request and the FY 1999 enacted level. This cut would eliminate funding for a second round of NRC's "Play-by-the-Rules" homeownership initiative, an initiative designed to create 7,000 additional new homeowners. The cut would also eliminate $10 million requested to help attract $600 million in public and private sector investments to create affordable, multi-family housing in distressed neighborhoods. We urge the conferees to fully fund the NRC equal to the FY 1999 enacted level.

Department of Veterans Affairs

The Administration is concerned about addressing the need to reduce waiting times, provide quality care, and realign an infrastructure that does not meet both the treatment and access needs of our Nation's higher-priority veterans. The Administration has indicated its support for additional funding but as noted earlier, it should be paid for from an acceptable source rather than by reducing essential programs. We look forward to working with the Congress on our proposal. In addition, we urge the conferees to address the following issues:

- The House-passed bill provides the Veterans Benefit Administration (VBA) $696 million for Administration and other General Operating Expenses, $10 million below the President's request. This reduction would hamper VBA's effort to replace "seasoned" adjudication staff, who are expected to retire soon; would prompt an immediate reduction-in-force; and would significantly hamper adjudication of veterans' claims by the Board of Veterans Appeals, cases represented before the U.S. Court of Appeals for Veterans' Claims by the General Counsel, and congressionally mandated activities such as program evaluation and actuarial activities. The Administration supports the Senate funding level.

- The Administration opposes the House's $72.7 million reduction to the request for Minor Construction Projects that support the modification of the VA health system to meet current treatment and access needs as the system moves from a hospital-based to an out-patient-based system. The Administration supports the Senate funding level.

- The Administration opposes the House reduction of $4.7 million to the request for the Office of the Inspector General (IG). At a time when VA is aggressively reengineering its major programs, it is important that the IG have the funds necessary to focus on investigations, fraud, quality, and performance. The Administration supports the Senate funding level.

- The Administration objects to House-passed bill language that would deny or circumvent processes within VA that ensure that resources are directed nationwide to our Nation's top-priority veterans. For instance, the House directs the Department not to colocate data centers. The Administration urges adoption of the Senate's language supporting this colocation.

American Battle Monuments Commission

The Senate-passed bill includes language stating that the American Battle Monuments Commission(ABMC) may borrow up to $65 million from the Treasury for construction of the World War II memorial. This borrowing authority was not proposed by the Administration and would add to the discretionary spending of this bill. The FY 2000 Budget proposes continuation of private contributions as the best approach to completing the World War II Memorial. The Administration opposes this borrowing authority as transition funding because it would undercut solicitation of private contributions. This would undermine rather than expedite the completion of the World War II Memorial. The Administration, however, strongly supports the extension of the authority to establish the Memorial.

Consumer Product Safety Commission

The Administration is concerned with the House's $3.5 million reduction to the President's request of $50.5 million for the Consumer Product Safety Commission (CPSC). This reduction would curtail Commission efforts to establish a new, applied product research program as well as reduce funding in other agency programs. The Administration urges the conferees to fully fund the CPSC at the President's request.

Language Issues

The Administration strongly opposes section 427 of the General Provisions, which would eliminate State and local responsibility under Federal law for any costs associated with the cleanup or remediation of methamphetamine clandestine laboratories. Cleanup of methamphetamine clandestine laboratories is primarily a State/local responsibility. In certain cases methamphetamine offenses are prosecuted at the Federal level because, under Federal law, the penalties are often more severe. The decision to prosecute under Federal statute, however, should not necessarily mean that the Federal Government is responsible for the cleanup of laboratories. While the Federal Government will continue to provide limited funds to State and local governments for methamphetamine laboratory cleanup, the Federal Government should not be responsible for all of the costs associated.

The Administration also objects to Section 425 of the bill, which would impose unprecedented costs on States, local governments, other grantees, and contractors who are already prohibited from lobbying with Federal funds, and also impose an unprecedented prohibition on other entities and individuals who may currently use Federal funds to lobby. Section 425 would bar use of Federal funds for lobbying; require recipients to maintain separate accounts for funds used to lobby; and bar a violator from receiving Federal funds for 5 years.

Current law already prohibits grantees and contractors from using Federal funds to lobby. They are subject to audit and must repay misspent funds. Section 425 would impose on grantees and contractors new costs and paperwork burdens to maintain separate accounts (thus, a new unfunded mandate on States and local governments), and would impose a 5-year cut-off of any funds from the bill for violations (even small or innocent errors) that is a far harsher penalty than exists for similar laws. Finally, small businesses and individuals who receive Federal benefits (e.g., veterans), who now face no restrictions at all, would become subject to the lobby prohibition, be required to maintain separate accounts, and be subject to the 5-year cut-off. The same would also apply for how Federal employees use their pay away from work. These unprecedented restrictions are extremely unwise, and the provision should be deleted from the bill.

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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

[001]

Mary Schnack <ms@sedona.net>
10/01/99 11:57:41 AM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: "Larry Hancock (E-mail)" <lhancock@purchasepro.com>, "Larry Hancock (E-mail 2)" <frichards@purchasepro.com>, "Joanna Brody (E-mail)" <brodycomm@aol.com>

Subject: PurchasePro.com

I enjoyed meeting you last week at National Association of Women Business Owner's (NAWBO) Public Policy Days at the White House. I hope you remember our conversation afterwards. We had briefly talked about the planning of Clinton's November trip for the New Markets Initiative.

As I mentioned, in November we will be announcing PurchasePro.com's alliance with NAWBO and other groups, such as NMSDC, the Nat'l Black Chamber of Commerce, Hispanic Chamber of Commerce, etc.

A leading business-to-business e-commerce company, the PurchasePro.com solution creates an e-commerce Intranet between buyers and sellers, while simultaneously raising the visibility of member companies within PurchasePro.com's nationwide network of buyers and sellers. The partnership between NAWBO and PurchasePro.com, for example, can dramatically increase a WBEs or MBEs' sales to local and national large and small companies, utilities, and other NAWBO members, who are committed to sourcing and conducting a percentage of business with women-owned and minority-owned businesses. PurchasePro.com has created a channel which highlights NAWBO members and NWBOC-certified WBEs. With this unique filter on the PurchasePro.com network, large buyers can immediately find a WBE's or MBE's business information and send RFQs (request for quotes). NAWBO members and NWBOC-certified WBEs, as well as other alliance organizations, also receive discounted pricing on the PurchasePro.com network.

This system opens the door for businesses in disadvantaged markets to reach out to businesses across the country. PurchasePro.com is working with the corporate buyers on the system to help them fulfill their commitments to doing a percentage of business with MBEs and WBEs.

This is an interesting and exciting twist, perhaps, on the New Markets Initiative, and incorporates the world of high tech and e-commerce, which will be the mainstay of business growth, especially for small businesses, in the next millennium. We were planning on announcing our alliances in Dallas on November 12, however, needless to say, we will make the announcement fit into the President's schedule if he is interested in being part of that announcement.

Please feel free to contact me if you have any questions. My phone number and e-mail address are below, or my pager number is P6/(b)(6) Thanks, and I look forward to working with you!

Mary Schnack
Vice President of Marketing, Supplier Diversity
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HUD FY2000 Budget Chart (selected programs) **Dollars in millions**

PROGRAM	1998 ENACTED	1999 ENACTED	2000 Request by President[1]	House-Passed H.R. 2684 9/9/99	Senate-Passed H.R. 2684 9/24/99
Housing Certificate Fund	$8,180	$9,600	$11,522	$10,540[2]	$11,051[3]
New Section 8 Vouchers	-	283[4]	491[5]	0	0
Regional Opportunity Counseling	NA	10	20	0	0
Public Housing Capital Fund	2,500	3,000	2,555[6]	2,555[7]	2,555
Public Housing Operating Fund	2,900	2,818	3,003	2,818	2,900
HOPE VI/Revitalization of Severely Distressed PH	550	625	625	575	500
Drug Elimination Grants	310	310	310	290	310
Homeless Assistance Grants	823	975[8]	1,025[9]	970[10]	1,020[11]
HOME Investment Partnerships Program	1,500	1,600	1,610	1,580	1,600
Housing Counseling Assistance - setaside	20	18	20	8	NA[12]
Regional Affordable Housing - setaside	-	-	25[13]	0	0
Elderly (Section 202)	645	660	660[14]	660	710[15]
Disabled (Section 811)	194	194	194	194	201
Native American Housing Block Grants	600	620	620	620	620
Community Development Block Grants	4,674	4,750	4,775	4,500	4,800
Economic Development Initiative-setaside	138	225	125	20	110
Youthbuild - setaside	35	43	75	43	42.5
Resident Opportunity and Supportive Services - setaside	-	55	55	55	45
Homeownership Zones - setaside	-	-	25	0	0
Lead-Based Paint Hazard Reduction	60	80	80	70	80
Housing Opportunities for Persons with AIDS	204	225	240	225	232
Brownfields Redevelopment Program	25	25	50	20	25
Fair Housing Assistance Program	15	16.5	20	18.75	40[16]

HUD FY2000 Budget Chart (selected programs) **Dollars in millions**

PROGRAM	1998 ENACTED	1999 ENACTED	2000 Request by President	House-Passed H.R. 2684 9/9/99	Senate-Passed H.R. 2684 9/24/99
Fair Housing Initiatives Program	15	23.5	27	18.75	40[17]
Abandoned Buildings Initiative[18]	-	-	50	0	0
Rural Housing and Economic Development	-	25	20	10[19]	25
Millennial Blue Ribbon Commission on Housing	-	-	-	2[20]	0
Community Development Financial Institutions (Dept. of the Treasury)		95	125	70	80
Emergency Food and Shelter Program (FEMA)	100	100	125	110	110

1. The President submitted his FY2000 budget request to Congress on February 1, 1999. No funds for preservation were requested; advocates will fight for these funds. The FY2000 HUD budget also emphasizes getting increased capital into underserved communities and sets up a handful of small programs to help bring more financing into targeted neighborhoods.

2. The House Appropriations HUD Subcommittee has committed itself to identifying the $100 million needed to keep this amount level with FY99 funding prior to final passage of the appropriations bill.

The Subcommittee also notes that they "are aware of legislation, under consideration by the House Banking Committee, to mitigate the loss of affordable housing when owners of assisted housing choose not to renew their section 8 project-based contracts, and looks forward to considering appropriating fund for it".

The Subcommittee also clarified that, after enhanced vouchers are issued and initial rent increases occur, subsequent rent increases, if considered reasonable by the housing authority, are covered by enhanced vouchers.

3. The Senate bill uses an advance appropriation of $4.2 billion for the Section 8 program. To explain: FY99 funds actually cover some expenses, while occurring in calendar year 1999, occur in fiscal year 2000. So, for FY2000 the Senate recommends advance appropriating $4.2 billion for expenses that actually occur in FY2001.

Also, the Senate funds enhanced vouchers for Section 8 opt-outs.

The Senate also included HUD's request of $209 million for the contracting out of the administration of project-based housing assistance payments under the Section 8 program.

4. The FY99 new vouchers are all for welfare to work programs. Of the $283 million, a total of $32 million is set-aside for these new vouchers in 8 designated cities, the balance will be distributed through a national competition.

5.The President's request for new vouchers for FY2000 would be divided this way: 42,000 fair share (not targeted at any specific group), 25,000 for families moving from welfare to work and 18,000 for persons who are currently homeless. Additionally, the President's request incorporates 15,000 units subsidized with vouchers within Low Income Housing Tax Credit properties for elderly persons.

6. HUD makes clear that this amount will only provide limited assistance to further reduce the backlog of modernization needs.

7. In FY2000, the amount within the public housing capital fund for training, management improvements, technical assistance was $100 million. For FY2000, the House Subcommittee recommends no more than $10 million for such uses.

8. No less than 30% to be used for permanent housing; requires 25% matching funds for all services.

9. This FY2000 request includes $1.020 billion in grants and $5 million for a multi-agency demonstration.

10. The House Appropriations Subcommittee did not include requirements that 30% of funds be used for permanent housing or requiring a 25% match requirement for supportive services "in deference to the [House] Banking Committee which is working on bipartisan legislation to reauthorize Homeless programs". The Senate is not currently working on such legislation and appropriators reserve the right to revisit these issues at conference committee time while working "with the Banking Committee in moving this very important legislation".

11. 30% of funds must be allocated to permanent housing and there is a 25% match requirement for services.

12. Information not available as we go to press.

13. The regional initiative would target HOME funds to address critical housing needs in targeted regions that develop creative, inter-jurisdictional housing strategies.

14.The FY2000 President's request for elderly housing includes $510 million for construction ($660 million was for construction in FY99), $100 million for elderly capital grants for modernization and conversion to assisted living and $50 million for elderly service coordinators. Not included is the outside-of-HUD expense of $87 million for 15,000 LIHTC vouchers.

15. Targets $50 million for the conversion of 202 housing to assisted care facilities and $50 million for congregate services and service coordinators.

16. $40 million for fair housing programs in total; it is unclear how the funds will be split between FHIP and FHAP.

17. See endnote #16.

18. Funds for the Abandoned Building Initiative will be provided through competitive grants to local governments to demolish blighted or abandoned buildings as part of a comprehensive plan to redevelop properties for commercial or residential use. These funds would only be for demolition, not reconstruction.

19. In the report, not the final bill. The House Appropriations Subcommittee shifts the rural housing and economic development program into the Community Development and Block Grant program as a set-aside within CDBG.

20. This Commission is to examine "the importance of housing, particularly affordable housing, to the infrastructure of the United States". The Commission is also to review HUD's existing core programs and make recommendations about how they can better work in conjunction with the private sector and with one another to provide better homes and opportunities for families, neighborhoods and urban and rural communities.

CENTER ON BUDGET AND POLICY PRIORITIES

September 27, 1999

ALLOCATION OF THE $3 BILLION TANF RESCISSION AMONG STATES WOULD TREAT SOME STATES INEQUITABLY

by Ed Lazere

Overview

The Labor-HHS-Education appropriations bill that a House subcommittee approved September 23 would rescind $3 billion in TANF block grant funds allocated to states and re-appropriate these funds for fiscal year 2001. This measure is part of an effort by the House Leadership to "make the numbers fit" for the Labor-HHS-Education bill and the appropriations bills in general.

As another Center analysis explains, this measure would be likely to hinder state initiatives designed to help poor families reach self-sufficiency.[1] Once the precedent of rescinding TANF funds is established, that will increase the likelihood of further rescissions in the future. Lacking an assurance that all rescinded funds will be returned in fiscal year 2001 — when Congress must squeeze appropriations within the tight discretionary spending caps for that year — many states are likely to treat this rescission as a cut rather than a deferral. If a stable TANF funding stream is no longer assured, states are likely to be wary of mounting new TANF-funded initiatives to aid hard-to-employ families remaining on the welfare rolls or to assist struggling working poor families.

Furthermore, as the analysis below indicates, the rescission would affect many states inequitably. Under the rescission the House Labor-HHS-Education appropriations subcommittee has adopted, the amount to be rescinded from each state would be based on each state's share of the national amount of "unobligated" TANF funds as of September 30, 1999. That, however, is a poor measure of unspent state TANF balances and would result in some states bearing inequitably large shares of the rescission. This problem could become severe if Congress did extend the rescission a year from now to help meet the budget caps for fiscal year 2001.

Unspent TANF funds fall into two categories — funds that have been "obligated" but not yet spent, such as funds committed under a contract for services to be delivered, and funds that have not been obligated. How unspent TANF funds are categorized as

[1] See "Should TANF Block Grant Funds Be Rescinded?," Center on Budget and Policy Priorities, September 23, 1999 (http://www.cbpp.org/9-23-99wel.htm).

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"obligated" or "unobligated" varies greatly among the states. Unspent TANF funds considered obligated by one state would be considered unobligated by another state.

To be considered "obligated," funds are supposed to have been committed for a specific purpose. Some states, however, evidently are reporting TANF funds that have not been committed as being obligated. States that have significant amounts of unspent TANF funds but little or no self-reported "unobligated" funds would be left largely untouched under the House rescission plan. Because these states would largely escape the rescission, the amounts rescinded from the other states would be larger.

As a result, basing the amount of funds to be rescinded from a state on that state's share of the "unobligated" funds nationally would unfairly penalize states that have used a narrow definition of what constitutes an obligation, while favoring states that have used a very expansive definition.

The attached tables illustrate the wide variation among states in the definition of an obligation of TANF funds. Table I shows that some states report most or all of their unspent TANF balances as being obligated, while other states report little or none of their unspent funds as obligated. Table II shows how the House rescission would be allocated among the states, based on unobligated TANF funds as of March 31, 1999, the most recent TANF financial data currently available.[2] (Data on unobligated funds as of September 30, the date called for in the House bill, will not be available until mid-November.) The table shows that for many states, the percentage of the $3 billion rescission the state would bear differs significantly from the percentage of unspent TANF balances for which the state is responsible.

- Indiana accounts for two percent of unspent TANF funds nationally, as the second column of Table II shows. Because it reports *all* such funds as obligated, Indiana would face *no* loss of funds under the House rescission.

- Michigan's share of total unspent TANF funds nationally is about the same as Indiana's — 2.2 percent. But because Michigan reports all of its unspent TANF funds as being *un*obligated, it would be affected significantly. As Table II indicates, Michigan would lose $117 million under the rescission. This would constitute 3.9 percent of the $3 billion

[2] These data are from the "ACF-196" TANF financial reports states that have submitted to the U.S. Department of Health and Human Services for the quarter ending March 31, 1999. These figures differ from those in a table prepared earlier by HHS, which were based on unobligated TANF funds as of December 31, 1998. The March 31 TANF financial reports were collected from each state by the Center on Budget and Policy Priorities.

rescission for the nation as a whole, nearly double Michigan's share of total unspent TANF funds.

In a number of states, the rescission would represent a very large share of the state's unspent TANF balance. *In 21 states, the rescission would consume more than two-thirds of the state's unspent TANF balance.* (See Table III.) Moreover, many states have set aside TANF funds as a "rainy day" reserve to be tapped in an economic downturn. Under the rescission, a number of states that have taken this prudent step — and have

States that Would be Most Inequitably Affected By the $3 Billion TANF Rescission

As this analysis indicates, the TANF rescission the House Labor-HHS-Education Appropriations Subcommittee has approved would adversely affect states that report most or all of their unspent TANF funds as "unobligated." The shares of the rescission borne by these states would be significantly larger than these states' shares of total unspent TANF funds.

In 23 states, the share of the rescission the state would bear would be at least 50 percent higher than the state's share of the unspent TANF balance nationally. (In other words, the rescission amount would be at least 50 percent larger in these states than if the rescission were based on total unspent funds.) In another five states, the rescission would be between one-fourth and one-half larger than the state's share of total unspent funds.

States in which the Rescission Would be At Least 50 Percent Larger than the State's Share of Unspent TANF Funds

Alabama	Michigan	Oklahoma
Connecticut	Minnesota	Rhode Island
Idaho	Nebraska	South Carolina
Kansas	New Hampshire	Utah
Kentucky	New Jersey	Vermont
Louisiana	New Mexico	Washington
Maine	North Carolina	West Virginia
Maryland	North Dakota	

In virtually all of these states, the rescission would represent *more than two-thirds* of the state's unspent TANF reserve.

States in which the Rescission Would be 25 Percent to 50 Percent Larger than the State's Share of Unspent TANF Funds

Florida
Mississippi
New York
Tennessee
Washington, D.C.

appropriately reported their rainy day reserve as unobligated — could be left with reserves much smaller than the state has planned for (and in some cases, less than state law requires). If not restored, the rescission could leave some of these states especially vulnerable in the event of an economic downturn. Meanwhile, other states that have categorized their rainy day reserve as an obligation of funds would be protected.

The equity problems posed by how the rescission would be apportioned among the states are explored more fully in the remainder of this analysis.

Why the Rescission Treats Some States Inequitably

Unspent TANF funds fall into two categories: "unliquidated obligations" and "unobligated" funds.

- The term "unliquidated obligations" refers to amounts that a state has committed to spend but has not yet spent. This could include, for example, funds that a state has contracted to pay a private service provider, such as a child care agency, but has not yet paid because the service has not yet been provided. Unliquidated obligations also can include payments that a state is processing but has not yet issued for services that have already been provided.

- "Unobligated" funds are funds a state has neither spent nor committed to spend as of a given date.

Because unliquidated obligations are supposed to reflect amounts committed to be spent, it might seem appropriate, at first blush, to base a rescission on each state's share of the unobligated TANF funds nationally. But for such an approach to be equitable, the determination of what constitutes an obligation of TANF funds must be uniform across the states. That is not the case.

- Table I shows that some states have consistently reported substantial amounts of their unspent TANF balances as "obligated." For example, Arkansas, Colorado, Indiana, Montana, Ohio, Oregon, and Texas have substantial amounts of unliquidated obligations and typically report having little or no unobligated TANF funds. By contrast, 22 states reported that *none* of their unspent TANF funds as of March 31, 1999 were funds that had been obligated but not yet spent.

- In some of the states with sizable amounts of unliquidated obligations, a portion of the funds designated as obligated may reflect funds that would be considered *un*obligated in other states. For example, some states report as obligated all TANF funds that have not been transferred or expended, whether or not those funds have been committed for a specific purpose. State officials in Montana, Nevada, and Wyoming who prepare the TANF financial reports confirmed this practice in telephone conversations with the Center on Budget and Policy Priorities in late 1998.

- In addition, some states apparently report TANF funds that they set aside in "rainy day" reserves as obligated. Other states classify such funds as unobligated.

- Finally, some states with county-administered welfare programs may consider funds to be obligated once they have been allocated to counties, regardless of whether the counties have yet made commitments to spend those funds.

Until the issuance of final federal TANF regulations in April 1999, instructions for filing TANF financial reports did not call for states to use any particular definition of what constitutes an obligation of TANF funds. This may have contributed to the inconsistent interpretation of this term in the financial reports that states have submitted to HHS. Starting with fiscal year 2000, states will be required to use a standard HHS definition of this term.[3] This directive, however, does not apply to state reports on funds unspent as of September 30, 1999. Consequently, it does not apply to the data to be used to determine the amount that would be rescinded from each state under the House measure.

Major Equity Problems

Because states vary so substantially in determining when unspent TANF funds should be reported as obligated, a rescission based on each state's report of unobligated funds would be inequitable. A state that has reported all of its unspent TANF funds as being obligated would escape the rescission. But a state reporting most or all of its unspent TANF funds as being unobligated would bear the brunt of the rescission. Such a state's share of the $3 billion rescission would substantially exceed its share of unspent TANF funds overall.

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[3] The regulations define obligations as "amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period." Unliquidated obligations are those obligations for which payment has not been made. See 45 CFR § 92.3.

In many of the states reporting most of their unspent TANF funds as *un*obligated, the rescission would gobble up at least two-thirds of the unspent TANF balances. That could lessen the ability of many of these states to implement measures to provide more intensive employment-preparation assistance to those families that remain on the public assistance rolls with the time limits approaching, and to provide more significant assistance to families that have left welfare for work but remain thousands of dollars below the poverty line.

Table II shows each state's unspent TANF funds as of March 31, 1999 — including both unobligated funds and unliquidated obligations — and the distribution of unspent funds nationally. The third and fourth columns of the table show the percentage of each state's TANF funds that would be rescinded, and the distribution of the rescission among the states. Table III measures the amount to be rescinded from each state as a percentage of that state's total unspent TANF balance.

Examination of the tables indicates that equity problems abound.

- For example, Louisiana's rescission would amount to $76.5 million, or 2.6 percent of the total amount rescinded nationally. That would be nearly twice Louisiana's share of the unspent TANF funds nationally, which is 1.4 percent.

- In 23 states, the share of the rescission the state would bear would be at least 50 percent greater than the share of the unspent TANF funds for which the state is responsible. Using Louisiana as an example, its 2.6 percent share of the rescission, based on unobligated funds, would be more than 80 percent larger than if its rescission were based on its 1.4 percent share of *total* unspent TANF funds.

- Because the rescission would be disproportionately large for some states (while being disproportionately small for others), some of the states affected most heavily would lose access to a large share of their unspent TANF balances. In a majority of states, the rescission would take more than half of the state's unspent TANF balance. For example, in Washington state, the $134 million rescission would equal nearly three-fourths of the $187 million in unspent TANF funds the state reported as of March 31, 1999. (Washington reported having no unliquidated obligations.)

- By contrast, in the 16 states that would be affected most lightly by the rescission, the rescission would consume less than one-fourth of the unspent TANF balance. As one example, Texas would face a rescission of

$28.4 million, only 11 percent of its unspent TANF funds. Texas would absorb less than one percent of the rescission nationally. But it accounts for 3.4 percent of total unspent TANF funds.

This problem is not easy to solve. An approach that bases the amount of TANF funds each state would lose under a rescission on each state's share of the total amount of TANF funds unspent nationally also would be inequitable. Although a portion of the funds reported as unliquidated obligations by some states have not actually been committed, in other states, the funds classified as unliquidated obligations do represent funds that have been committed for services or benefits and cannot be pulled back without creating serious problems. Given the inconsistent classification across states of when TANF funds should be considered as obligated, it is extremely difficult to ascertain, on a comparable basis across states, the amount of TANF funds that are both unspent and uncommitted.

Table I
Unspent TANF Funds as of March 31 1999
Broken Out By Unobligated Funds and Unliquidated Obligations

(all figures in millions)	Unobligated Funds As of 3-31-99*	Unliquidated Obligations As of 3-31-99*	Total Unspent Funds
Alabama	$46.9	0	$46.9
Alaska	$6.1	$13.8	$19.8
Arizona	$70.6	$40.4	$111.0
Arkansas	$1.7	$35.8	$37.5
California	$526.9	$1,198.5	$1,725.3
Colorado	$5.6	$90.8	$96.4
Connecticut	$9.7	$0.0	$9.7
Delaware	$0.0	$0.0	$0.0
District of Columbia	$31.8	$8.2	$40.0
Florida	$313.7	$92.9	$406.6
Georgia	$75.6	$37.4	$112.9
Hawaii	$1.1	$0.8	$2.0
Idaho	$38.4	$0.0	$38.4
Illinois	$0.0	$0.0	$0.0
Indiana	$0.0	$149.9	$149.9
Iowa	$6.0	$38.8	$44.8
Kansas	$24.2	$0.0	$24.2
Kentucky	$30.5	$0.0	$30.5
Louisiana	$106.8	$0.0	$106.8
Maine	$5.1	$0.0	$5.1
Maryland	$155.9	$26.0	$182.0
Massachusetts	$0.0	$75.5	$75.5
Michigan	$163.1	$0.0	$163.1
Minnesota	$180.1	$0.0	$180.1
Mississippi	$61.1	$26.1	$87.2
Missouri	$0.0	$48.7	$48.7
Montana	$0.9	$38.6	$39.5
Nebraska	$4.7	$0.0	$4.7
Nevada	$0.0	$8.9	$8.9
New Hampshire	$8.8	$0.0	$8.8
New Jersey	$231.0	$50.1	$281.1
New Mexico	$70.7	$4.9	$75.6
New York	$769.2	$182.0	$951.3
North Carolina	$100.0	$0.0	$100.0
North Dakota	$11.1	$0.0	$11.1
Ohio	$137.9	$517.4	$655.3
Oklahoma	$132.5	$0.0	$132.5
Oregon	$0.0	$117.3	$117.3
Pennsylvania	$152.3	$82.8	$235.0
Rhode Island	$21.7	$0.0	$21.7
South Carolina	$51.4	$0.0	$51.4
South Dakota	$4.4	$11.3	$15.8
Tennessee	$81.3	$34.4	$115.7
Texas	$39.6	$218.6	$258.2
Utah	$19.2	$0.0	$19.2
Vermont	$7.8	$0.0	$7.8
Virginia	$22.9	$32.0	$55.0
Washington	$186.7	$0.0	$186.7
West Virginia	$108.4	$0.0	$108.4
Wisconsin	$159.5	$166.1	$325.6
Wyoming	$4.5	$43.2	$47.7

* This includes unobligated TANF funds plus unliquidated obligations of TANF funds as of March 31, 1999.

Center on Budget and Policy Priorities

TABLE II

Unspent TANF Funds as of March 31, 1999, As Compared with the Distribution of the $3 Billion TANF Rescission

($ figures in millions)	Total Unspent TANF Funds (As of 3-31-1999*)	Distribution of Unspent Funds	$3 Billion Rescission (Based on Unobligated Funds) In Dollars	Percent Distribution
Alabama	$46.9	0.6%	$33.6	1.1%
Alaska	$19.8	0.3%	$4.3	0.1%
Arizona	$111.0	1.5%	$50.6	1.7%
Arkansas	$37.5	0.5%	$1.2	0.0%
California	$1,725.3	22.8%	$377.4	12.6%
Colorado	$96.4	1.3%	$4.0	0.1%
Connecticut	$9.7	0.1%	$6.9	0.2%
Delaware	$0.0	0.0%	$0.0	0.0%
District of Columbia	$40.0	0.5%	$22.8	0.8%
Florida	$406.6	5.4%	$224.7	7.5%
Georgia	$112.9	1.5%	$54.1	1.8%
Hawaii	$2.0	0.0%	$0.8	0.0%
Idaho	$38.4	0.5%	$27.5	0.9%
Illinois	$0.0	0.0%	$0.0	0.0%
Indiana	$149.9	2.0%	$0.0	0.0%
Iowa	$44.8	0.6%	$4.3	0.1%
Kansas	$24.2	0.3%	$17.3	0.6%
Kentucky	$30.5	0.4%	$21.9	0.7%
Louisiana	$106.8	1.4%	$76.5	2.6%
Maine	$5.1	0.1%	$3.7	0.1%
Maryland	$182.0	2.4%	$111.7	3.7%
Massachusetts	$75.5	1.0%	$0.0	0.0%
Michigan	$163.1	2.2%	$116.9	3.9%
Minnesota	$180.1	2.4%	$129.1	4.3%
Mississippi	$87.2	1.2%	$43.8	1.5%
Missouri	$48.7	0.6%	$0.0	0.0%
Montana	$39.5	0.5%	$0.7	0.0%
Nebraska	$4.7	0.1%	$3.3	0.1%
Nevada	$8.9	0.1%	$0.0	0.0%
New Hampshire	$8.8	0.1%	$6.3	0.2%
New Jersey	$281.1	3.7%	$165.5	5.5%
New Mexico	$75.6	1.0%	$50.6	1.7%
New York	$951.3	12.6%	$551.1	18.4%
North Carolina	$100.0	1.3%	$71.6	2.4%
North Dakota	$11.1	0.1%	$7.9	0.3%
Ohio	$655.3	8.6%	$98.8	3.3%
Oklahoma	$132.5	1.7%	$95.0	3.2%
Oregon	$117.3	1.5%	$0.0	0.0%
Pennsylvania	$235.0	3.1%	$109.1	3.6%
Rhode Island	$21.7	0.3%	$15.6	0.5%
South Carolina	$51.4	0.7%	$36.8	1.2%
South Dakota	$15.8	0.2%	$3.2	0.1%
Tennessee	$115.7	1.5%	$58.3	1.9%
Texas	$258.2	3.4%	$28.4	0.9%
Utah	$19.2	0.3%	$13.8	0.5%
Vermont	$7.8	0.1%	$5.6	0.2%
Virginia	$55.0	0.7%	$16.4	0.5%
Washington	$186.7	2.5%	$133.8	4.5%
West Virginia	$108.4	1.4%	$77.7	2.6%
Wisconsin	$325.6	4.3%	$114.2	3.8%
Wyoming	$47.7	0.6%	$3.2	0.1%

* This includes unobligated TANF funds plus unliquidated obligations of TANF funds as of March 31, 1999.

READING THIS TABLE: Column two shows each state's share of total unspent TANF funds. Column Four shows each state's share of the amount that would be rescinded under the House proposal. For states in which column four is greater than column two, the state's share of the rescission would be greater than its share of the unspent TANF funds nationally.

Center on Budget and Policy Priorities

TABLE III

TANF Rescission As a Percentage of Unspent TANF Funds By State

	Total Unspent TANF Funds (As of 3-31-1999*)	$3 Billion Rescission	Rescission as a Percent of Unspent Funds
Alabama	$46.9	$33.6	72%
Alaska	$19.8	$4.3	22%
Arizona	$111.0	$50.6	46%
Arkansas	$37.5	$1.2	3%
California	$1,725.3	$377.4	22%
Colorado	$96.4	$4.0	4%
Connecticut	$9.7	$6.9	72%
Delaware	$0.0	$0.0	NA
District of Columbia	$40.0	$22.8	57%
Florida	$406.6	$224.7	55%
Georgia	$112.9	$54.1	48%
Hawaii	$2.0	$0.8	41%
Idaho	$38.4	$27.5	72%
Illinois	$0.0	$0.0	NA
Indiana	$149.9	$0.0	0%
Iowa	$44.8	$4.3	10%
Kansas	$24.2	$17.3	72%
Kentucky	$30.5	$21.9	72%
Louisiana	$106.8	$76.5	72%
Maine	$5.1	$3.7	72%
Maryland	$182.0	$111.7	61%
Massachusetts	$75.5	$0.0	0%
Michigan	$163.1	$116.9	72%
Minnesota	$180.1	$129.1	72%
Mississippi	$87.2	$43.8	50%
Missouri	$48.7	$0.0	0%
Montana	$39.5	$0.7	2%
Nebraska	$4.7	$3.3	72%
Nevada	$8.9	$0.0	0%
New Hampshire	$8.8	$6.3	72%
New Jersey	$281.1	$165.5	59%
New Mexico	$75.6	$50.6	67%
New York	$951.3	$551.1	58%
North Carolina	$100.0	$71.6	72%
North Dakota	$11.1	$7.9	72%
Ohio	$655.3	$98.8	15%
Oklahoma	$132.5	$95.0	72%
Oregon	$117.3	$0.0	0%
Pennsylvania	$235.0	$109.1	46%
Rhode Island	$21.7	$15.6	72%
South Carolina	$51.4	$36.8	72%
South Dakota	$15.8	$3.2	20%
Tennessee	$115.7	$58.3	50%
Texas	$258.2	$28.4	11%
Utah	$19.2	$13.8	72%
Vermont	$7.8	$5.6	72%
Virginia	$55.0	$16.4	30%
Washington	$186.7	$133.8	72%
West Virginia	$108.4	$77.7	72%
Wisconsin	$325.6	$114.2	35%
Wyoming	$47.7	$3.2	7%

* This includes unobligated TANF funds plus unliquidated obligations of TANF funds as of March 31, 1999.

Center on Budget and Policy Priorities

MCAULEY INSTITUTE

Fax

To: Gene Sperling
From: Susan Rees
Organization: Economic Cncl.
Pages including cover sheet: 2
Fax: 456-2223
Date: 9/27/99
Phone:
CC:
Re: HUD-VA Appns. Bills

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Per Your Request

Comments:

"Welfare Reform and the College Option: A National Conference"
September 24-25, 1999
Washington, DC

Education has always been the key to long term economic self-sufficiency and social mobility for all people in the United States. However, the 1996 welfare reform legislation that created the Temporary Assistance for Needy Families (TANF) program has restricted low-income women's access to a college education. The conference, co-sponsored by McAuley, will bring together low-income activists, educators, academics, social service providers, community leaders, researchers, and federal and state policy makers to discuss innovative strategies to keep the door to college open to women on welfare.
For more information contact: Becky Steinbach, McAuley Institute, 8300 Colesville Rd, Suite 310, Silver Spring, MD 20910; Telephone: 301/588-8110; E-mail: bsteinbach@mcauley.org

BUILDING HOUSING • STRENGTHENING COMMUNITIES

8300 COLESVILLE ROAD, SUITE 310 • SILVER SPRING, MD 20910 • (301) 588-8110 • FAX (301) 588-8154

MCAULEY INSTITUTE

September 27, 1999

President William Jefferson Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Clinton,

McAuley Institute applauds your FY 2000 budget request for the Department of Housing and Urban Development (HUD). It maintains spending for most programs and increasing it for others. Importantly, in continues to recognize the unmet need for housing assistance for so many low-income families by adding 100,000 incremental Section 8 vouchers. McAuley Institute is the only national, nonprofit housing organization with an intentional focus on low-income women and children. These funds help McAuley Institute support the development and renovation of affordable housing units in 46 states in the nation and the District of Columbia.

While the HUD portion of the Senate version of the FY 2000 VA, HUD and Independent Agencies bill an improvement over the House version, both severely undermine your request by failing to fund any new Section 8 housing vouchers which Congress authorized as part of last year's public housing reform act. The 50,000 new housing vouchers in FY 1999 are helping low- and moderate-income families, including elderly, disabled and working families, afford apartments that they locate in the private market. The 100,000 new vouchers in your budget represent a down-payment in addressing the critical unmet need for housing assistance for the 5.3 million very low-income renter households that receive no housing assistance who pay more than half of their income for housing.

In this time of economic prosperity, failing to progress in addressing the housing needs of people who are poor that are not being met in the private market is unacceptable. I ask you veto any VA, HUD and Independent Agencies Appropriations bill that cuts effective housing and economic development programs and does not include incremental Section 8 housing assistance. In the final negotiation process I urge you to make inclusion of new Section 8 assistance a high priority. Thank you for your consideration.

Sincerely,

Josephine Ann Kane
Executive Director

BUILDING HOUSING • STRENGTHENING COMMUNITIES

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

September 27, 1999
(House)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 202 - Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act
(Lazio (R) NY and 29 cosponsors)

The Administration supports the goals of H.R. 202 -- to strengthen and preserve housing assistance to low-income households and to support new forms of housing and health facilities for the elderly - and has no objection to House passage of the bill. The Administration, however, has concerns about certain provisions of the bill that are unnecessary, costly, or unclear and will work in the Senate to amend the bill to address these concerns. In particular, the bill needs to be amended to:

-- Delete subsidized housing provisions that would: (1) allow property owners to demand renewal of moderate rehabilitation contracts six months after they lapse; and (2) unreasonably restrict HUD's discretion in deciding when to permit an owner to retain excess income, thereby impeding HUD's ability to enforce fully its responsibility for ensuring the condition of the properties. In addition, the provision renewing rental assistance contracts at marked-up levels should be clarified to be subject to <u>annual</u> appropriations.

-- Delete or modify provisions that would weaken underwriting standards for hospital-based health care facilities currently eligible for FHA loan guarantees as well as those made newly eligible under the bill. The Administration does not object to giving FHA certain additional authority to guarantee loans for a broader range of health care facilities, but objects to increasing the risk and cost to FHA's General and Special Risk Insurance Fund.

-- Modify the bill's enhanced voucher provisions to allow HUD to set the payment standard at a reasonable rent level instead of being required to match market rents in all cases. Without this provision, property owners may have an incentive to opt out of project-based contracts, and HUD may be forced to pay unreasonably high rent levels. In addition, the bill needs to be modified to clarify that the requirement that the enhanced voucher payment standard increase as rents increase applies prospectively, not retroactively, for preservation project vouchers.

-- Modify the provisions of the bill that would authorize use of Section 811 funds for tenant-based assistance. The Administration generally supports this authorization; however, in order to provide the best mix of housing for the disabled, the Administration believes that at least 25 percent and up to 50 percent of funds for Section 811 housing assistance should be used for tenant-based rental assistance.

-- Delete the provision authorizing the forgiveness of debt of pre-1990 Section 202 elderly housing projects financed with direct Government loans. This provision would do nothing to address the needs of this aging housing stock and would require significant increases in appropriations to implement. Similarly, the provision authorizing the prepayment of these loans would be a significant drain on discretionary resources.

-- Modify the bill's provisions that would authorize conversion of HUD assisted housing units to assisted living facilities to meet many communities' needs for this new form of low-income housing. Although the Administration supports the authorization of such conversions, it objects to the bill's provisions allowing the use of scarce Federal resources for capital needs, unless it is related to the conversion of a project to an assisted living facility. In addition, the bill should specify an authorization of appropriations of $100 million annually during FYs 2000-2004, rather than authorize "such sums" appropriations.

-- Delete the provision establishing a Commission on Affordable Housing and Health Care Facility Needs in the 21st Century. This Commission is unnecessary in light of HUD's recently completed study on elderly housing and will divert limited research funding from more worthy projects.

-- Clarify provisions that could be construed as requiring implementation of this bill before important policy considerations and rulemaking procedures are completed.

Pay-As-You-Go-Scoring

H.R. 202 would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go (PAYGO) requirements of the Omnibus Budget Reconciliation Act of 1999. The Office of Management and Budget's preliminary PAYGO estimates are under development.

* * * * * * * * * *

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 27, 1999

IMMEDIATE DELIVERY!!!!!

FAX TO: FAIR LENDING GROUP

HUD	
Peter Kaplan	708-4886
Gail W. Laster	708-3389
Kenneth Markison	708-5689
Brian Doherty	708-3527
Michael Price	708-7446
OCC	
Mike Bylsma	874-5322
Ralph Sharpe	874-5221
Russ Bailey	874-5221
DOJ	
Stuart Ishimura	514-1116
Joan Magagna	514-1116
Sandy Ross	514-1116
TREASURY	
Michael Barr	622-5672
Cliff Kellogg	622-5672
Don Graves	622-1049
Melissa Weiss	622-0256
OTS	
Paul Robin	906-5735
Tim Burniston	906-5735
David Enzel	906-7606
Ellen Seidman	898-0230
Richard Riese	906-5735
WHITE HOUSE	
Sarah Rosen	456-2223
Lisa Green	456-2223
Paul Weinstein	456-7028
Peter Rundlet	456-5053
FTC	
Jodie Bernstein	326-3799
David Medine	326-2558
Peggy Twohig	326-2558
OFHEO	
Ann Dewey	414-3823
Judith Naiman	414-6504
Tina Dion	414-6504

FROM: Michael Barr
Deputy Assistant Secretary
Community Development Policy

We will be having a **Fair Lending Meeting** on **Wednesday, September 29, at 1:00pm, Room 2224MT**. Please note the time is 1:00pm not 3:30pm our usual time. Please submit your comments on the **Joint Agency Comments on Notice of Proposed Rulemaking Under Regulation B and on OCC's Staff Summary of Comments by 5pm** today. Please confirm your attendance by internet if you are available to attend. Our internet addresses are irma.tucker@do.treas.gov, michael.barr@do.treas.gov, and donet.graves@do.treas.gov.

Technical D's meeting

From: James J. Jukes on 08/05/99 04:51:59 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc: Janet R. Forsgren/OMB/EOP@EOP, Richard E. Green/OMB/EOP@EOP
Subject: Suggested changes to the new investment bills

This is the e-mail (from Barry White of OMB to other OMB staff) that was the subject of my voicemail to you. Janet, Richard, and I would like to compare notes with you on how to handle this and the other changes that were discussed in a recent conference call. (We have some suggestions on procedure that we'd like to discuss with you.)

To: Francis S. Redburn/OMB/EOP@EOP, Michael Deich/OMB/EOP@EOP, Alexandra Gianinno/OMB/EOP@EOP, Kenneth L. Schwartz/OMB/EOP@EOP

cc: See the distribution list at the bottom of this message
Subject: Suggested changes to the new investment bills

Thanks for the shot at making changes to the two bills along the lines we discussed.

The purpose of these changes is to expand the possibility and make explicit the goal that new jobs created are available to low and moderate income persons living in the affected areas, whose workforce participation and career growth are the focus of other Federal programs. We have tried to do this without placing too many burdens on the entities, so as to maximize flexibility and avoid appearing to change the focus of the bills themselves. The changes primarily require (a) documented consultation with TANF, WIA, and the school boards, to connect their programs to the new job opportunities to be created; and (b) some accountability for the job creation aspect.

No changes are suggested to any of the material relating to financial aspects of the bills, or to the provisions or drafting styles which seem unique to these bills.

Please let us know if we should meet to discuss this, and how we can help move these kinds of changes along.

Amendment to the Small Business Act and Small Business Investment Act of 1958.

sec. 350. (Definitions) We were surprised to see that the "participation agreement" between SBA and the "New Markets Venture Capital company" only requires investments in areas 60% of which are in the 2(A) definition (essentially high poverty census tracts) but not the 2(B) areas (EZ/ECs, et al). On its face, it would appear useful to include 2(B) here, unless the 2(B) areas are somehow presumed under 2(A).

sec. 351. (Purposes). Suggest adding a third purpose:

(3) to create new employment opportunities for residents of the low income area served.

sec. 353(a) (Selection of NMVC companies/Eligibility to Apply). Suggest adding a fourth criterion (probably before the current #3):

( ) has an explicit purpose of generating new employment opportunities for low and moderate income persons.

sec. 353(b) (Applications). at the end of 353(b)(3), which now reads, "a description of how the applicant will interface with community organizations", suggest adding the following:

> , specifically including how the applicant will work directly and cooperatively with the local Workforce Investment Board, the State TANF agency, the local school board, and where applicable, the governing entity of the EZ/EC, in order to ensure that the new job opportunities created by the NMVC will, to the maximum extent feasible, become available to low and moderate income residents of the areas served;

Similarly, at the end of 353(b)(5), which now reads, "measurement criteria by which to evaluate the company's performance in meeting program objectives", suggest adding:

> , including criteria related to the success of the company in providing employment opportunities to low and moderate income individuals, particularly those served by the TANF and Workforce Investment Act programs;

sec. 353(c) (Selection Criteria). Similar to a provision suggested for the other bill, below, we suggest reinforcing the employment purpose of the program by providing for a consultation role for the employability-related agencies in company selection. This can be done by adding the words in italics:

> The Administration, *in consultation with the Secretaries of Labor, Health and Human Services, and Education,* shall review the applications and shall select companies to be conditionally approved....

We then suggest adding two additional criteria, probably after #6:

> ( ) the likelihood that the applicant will be successful in creating new job opportunities for low and moderate income residents of the area served, especially those served by the TANF and Workforce Investment Act programs;
>
> ( ) the extent to which the proposed activities are coordinated with the efforts of the Workforce Investment Board, TANF agency, and school board;

sec. 353(d) (Conditional approval). We suggest adding an employment-purpose related provision to what must be done within 24 months. To do this, change the lead in from "two" to "three" conditions, and add:

> (3) Employment Goal Requirement. Each company must demonstrate that it has provided expanded employment opportunities to low and moderate income residents of its geographical area at a pace consistent with its plan.

sec. 353(e). (Approval to operate...) Consistent with the suggested approach to conditional approval, modify final approval here, as follows:

> The Administration, *in n consultation with the Secretaries of Labor, Health and Human Services, and Education,* shall grant final approval...

sec. 355 (Technical assistance grants). Suggest adding another purpose for these grants by amending 355(a)(1) by adding the words in italics:

> ... to provide marketing, management and technical assistance, *including technical assistance technical assistance in applying for targeted employment tax credits, and in meeting the application requirements relating to working with TANF, the Workforce Investment Boards, the school boards, and other entities preparing low and moderate income persons for new careers,* for the benefit of

smaller enterprises....

Similar language would be added to 355(b) (Supplemental Grants) or that section would refer back to the "same purposes as defined in 355(a)(1)."

sec. 360 (reporting requirements). I'm comfortable with this reference back to the "measurement criteria" as modified above for 353(b)(5). However, we have found much benefit in programs in this Division in requiring recipients to make the reports of their activities public. It enhances local accountability and helps the entity take seriously its responsibilities to the community. A requirement to that effect could be added here by adding at the end a new sentence, such as:

> This report will simultaneously be made public by the NMVC company in a manner approved by the Administration.

Accountability. The APIC bill seems to have better clauses for actual accountability for results than this bill. Where possible, we would make requirements for demonstrated success a condition of continued support, and bring consultation with DOL, ED, and HHS into play in making those decisions.

America's Private Investment Companies Act

sec. 104(d)(1) (Cooperation and Coordination/Program policies). This section seems mainly aimed at coordination on the financial instruments. To the extent the Act is modified below to complement that focus with a strong employment focus (which it quite nicely signals already in its findings and purposes sections), suggest adding to the current list (SBA Administrator, Secretary of Treasury), the following, even though the text now allows the Secretary (HUD) to add anyone he wants; naming the names makes the point more directly:

> The Secretary of HHS, the Secretary of Labor, and the Secretary of Education.

sec. 105(b) (Licensee Selection Criteria). The changes below parallel the ones in the other bill, though we are pleased to see that this bill already has a lot more explicit references to job opportunities for low and moderate income persons.

In the introductory paragraph, suggest adding here, as in the other bill, a role for the Secretaries with responsibilities for the employability programs. The first sentence would thus read:

> The Secretary, *in consultation with the Secretaries of Labor, Health and Human Services, and Education,* shall select...

In subsection (6), concerning public purpose goals, add to the sentence before the lettered clauses, the words in italics:

> The goals shall promote community and economic development, *including expanding job opportunities in the area for low income residents*, and include at least --

In (6)(B), the term "creation of jobs that pay decent wages" is not easy to define in ways which permit the Secretary and the public to hold the entity accountable. Suggest modifying the whole subsection as follows:

> creation of jobs in low-income communities and for residents of such areas that pay wages and benefits at or above the prevailing wage in the community, and which give promise of leading to career and wage advancement;

sec. 105(7). This section requires "capacity to cooperate" with states or units of general local government, et al. I'm troubled by the "capacity" approach which, after all, could simply mean having a phone and a conference room. Suggest modifying it to make the duty more specific, and to bring in explicitly the organizations that prepare poor people for careers. This language parallels the "prepare and submit" approach in 105(5) and 105(6):

(7) The entity must prepare and submit its strategy for ensuring that the jobs created by its activities primarily benefit low and moderate income residents of the area it serves, through cooperation with States, units of general local government, community-based organizations, residents of low-income communities, the Workforce Investment Board(s), the TANF agency, the local school board(s), and organizations preparing low and moderate income residents for career opportunities.

sec. 109(b)(3) (Monitoring, Updating and Program Review/Examination standards). This clause has a general reference to the public purpose goals. Because of the importance of linking these investments to the people in the communities and the programs serving them, suggest adding an explicit examination of how well the entity is doing on these dimensions:

( ) **Review for success in meeting employment goals**. No less often than every 2 years, the Secretary, in cooperation with the Secretaries of Labor, Education, and HHS, shall examine the extent to which the APIC has succeeded in meeting its public purpose goals relating to generating career opportunities for low and moderate income residents of the area, and the extent to which the APIC has worked with Workforce Investment Boards, School boards, the TANF agency, State and local elected officials, community organizations and low income residents, to implement these goals. Judgments on the progress toward achievement of these goals will determine continued support for the APIC.

sec. 110 (Incentives and Penalties). Suggest adding incentive linked to job creation goals, and penalty linked to lack of success in meeting such goals.

In 110(a), add the words in italics: ... as an award for high performance of the APIC in carrying out its investment strategy and statement of public purpose goals, *with particular emphasis on the APIC's success in generating career opportunities for low and middle income residents of the area served.*

In 110(b)(1) [In General], add: The Secretary may also penalize any APIC or any manager of an APIC in the event the APIC or the manager fails to establish working relationships with the WIB, the TANF agency, the school board, or other entity in the area whose cooperation is necessary to ensure that low and moderate income residents of the community obtain the benefit of new jobs created by the APIC. The Secretary may further penalize any APIC or manager of an APIC in the event the APIC or manager in the event the investments do not generate jobs for the low and moderate income residents of the community. In assessing the necessity for such penalties, the Secretary may consult as appropriate, with the Secretaries of Labor, Education, and HHS.

Reporting. We would also suggest adding at the appropriate place a duty on the APIC to make a public report at least annually on the number and quality of jobs created by its investment, compared to its public purpose goals.

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NEWS

House Appropriations Committee
Chairman C.W. Bill Young (R-FL)

Website address: www.house.gov/appropriations

FOR IMMEDIATE RELEASE:
October 7, 1999

ADDRESSING VETERANS, HOUSING, AND ENVIRONMENTAL NEEDS

Conferees Report Out VA-HUD Spending Bill

FY00 Chairman's Mark (Discretionary): $69.6 billion
FY00 Grand Total (Discretionary + Mandatory): $90.8 billion
FY00 President's Request: $69.6 billion
FY99 Enacted: $69.8 billion
*Above amounts do not include emergency spending ($2.5 billion for the Federal Emergency Management Agency in FY 2000).

Bipartisan Offset: $1.3 billion rescission from excess Section 8 funds; $500 million in Section 8 carryover; $4.2 billion in advance appropriations in Section 8 and $440 million in unobligated Section 8 balances.

Taking Care of Veterans:

- Provides a $1.7 billion increase for Veterans Medical Health Care (the amount stipulated in the Budget Resolution) the largest increase since the 1980's. Total FY00 funding is $19 billion. The President's original request was $17.3 billion and FY99 funding was $17.3 billion.
- Provides a $5 million increase for Veterans Medical and Prosthetic Research over the President's request and FY99, bringing FY00 funding to $321 million.
- Provides an extra $51 million over FY99 for the Veterans Benefits Administration to expedite claims processing. Total FY00 funding is $913 million.
- Fully funds the President's $97 million request for the National Cemetery Administration, $5 million over FY99.
- More than doubles the President's request for Veterans State Extended Care Facilities from $40 million to $90 million for FY00.

Addressing Critical Housing Needs:

- Provides $26.3 billion for the Department of Housing and Urban Development (HUD), $1.7 billion below the President's request and $2.2 billion more than FY99.
- Provides a $13 million increase over the President's request for HUD's Office of the Inspector General for the investigation of fraud in housing programs. Total FY00 funding is $83 million.
- Housing for the nation's elderly (Section 202) is funded at $710 million, $50 million more than FY99 and the President's request.
- Disabled Housing (Section 811) is funded at $201 million, $5 million more than the President's request and FY99.
- The Housing Certificate Fund, which fully funds Section 8 renewals and tenant protections, is funded at $11.03 billion, $470 above the President's request.
- Modernization for public housing is funded $2.9 billion, $300 million more than the President's request.
- Severely distressed public housing is funded at $575 million, $50 million below the President's request and FY99.
- Public House Operating Subsidies are funded $3.138 billion, $135 million above the President's request and $320 million above FY99
- Homeless Assistance Grants are funded at $1.02 billion, $25 million more than FY99.
- Housing Opportunities for Persons with AIDS (HOPWA) is funded at $232 million, $7 million more than FY99.
- The Native American Block Grant is funded at the President's requested level of $620 million, the same as FY99.
- Drug Elimination Grants are funded at $310 million, the same as FY99.
- Community Development Block Grants (CDBG) is funded at $4.8 billion, $30 million above the President's request and $50 million more than FY99.
- The Partnership for Advancing Technology in Housing (PATH) is funded at $10 million, $2.5 million above FY99 and the President's request.
- Community Development Financial Institutions (CDFI) is funded at $95 million the same as FY99.
- Neighborhood Reinvestment Corporation is funded at $75 million, $15 million below FY99 and the President's request.

Protecting the Environment:

- The Environmental Protection Agency is funded with an emphasis on the states, particularly in the areas of clean water and safe drinking water, which are in total funded at levels over the President's request.
- Provides $7.59 billion for the EPA, the same as FY99 and $62.8 million more than the President's request.
- Provides $1.9 billion for Environmental Programs and Management, $146 million below the President's request and $50 million more than FY99.
- EPA Research is funded at $645 million, $15 million below FY99, $3 million more than the President's request.
- Superfund is funded at $1.4 billion, $10 million below FY99 and the President's request.
- Cuts the President's request for the Climate Change Technology Initiative by more

than $111 million, bringing total FY00 funding to $115 million, the same as the FY99 level.

- Global Climate Change Research is funded at $17 million, $1 million more than FY99, but doesn't fund any new program starts under Climate Change Technology.
- Safe Drinking Water State Revolving Funds are funded at $820 million, $20 million above the President's request and $45 million more than FY99.
- Clean Water State Revolving Funds are increased $500 million over the President's request, bringing FY00 funding to $1.35 billion, the same as FY99.
- Fully funds State Air Grants at the requested level of $115 million.
- Includes language prohibiting the use of funds for proposing or issuing rules, regulations, decrees, or orders for the purpose of implementing or preparing for implementation of the Kyoto Protocol.

Investing in Science and Technology Research:

- The National Science Foundation (NSF) is funded at $3.916 billion, $240 million above FY99 and $21 million below the President's request. Funding includes: $2.966 billion for research; $95 million for research equipment; and $696 million for education and human resources.
- Provides over $100 million for Information Technologies including construction of a new single-site five teraflop facility.

Funding For Space Programs:

- NASA is funded at 13.65 billion, $75 million above the President's request and $25 million below FY99.
- The International Space Station is funded at $2.33 billion, $30 more than FY99 and $30 million below the President's request.
- Requires a study by the National Academy of Sciences regarding the scientific merit of the Triana project before work can proceed.
- Eliminates the President's $20 million request for LightSAR.
- Reduces future planning for Explorer and Discovery by $30 million (from the President's request). Explorer is funded at $102 million for FY00. Discovery is funded at $63 million.

Other Items of Interest:

- The Selected Service System is funded at $24 million, $1 million less than the President's request and roughly equally to last year's funding level.
- The Corporation for National and Community Service (Americorps) is funded at $433.5 million, $125 million less than the President and $15 million less than FY99.
- The Chemical Safety and Hazard Investigation Board is funded at $8 million, $1.5 million over FY99.
- The Federal Emergency Management Agency (FEMA) is funded at $300 million for Disaster Relief, the same as the President's request. Provides $2.5 billion for emergency disaster relief funding as requested by the President.

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