

Budget 4W

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/14/98

ACTION/CONCURRENCE/COMMENT DUE BY: 1/15/98 5:00 PM

SUBJECT: FY 1999 BUDGET (SECTION II - PARTIAL)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	McCURRY	☐	☐
BOWLES	☒	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☒	☐	RADD	☐	☐
MATHEWS	☒	☐	REED	☒	☐
RAINES	☐	☐	RUFF	☐	☐
BLUMENTHAL	☐	☐	SMITH	☐	☐
BERGER	☒	☐	SOSNIK	☐	☐
ECHAVESTE	☐	☐	SPERLING	☒	☐
EMANUEL	☒	☐	STREETT	☐	☐
GIBBONS	☐	☐	TARULLO	☒	☐
HILLEY	☒	☐	VERVEER	☐	☐
IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☒	☐	YELLEN	☒	☐
LEWIS	☒	☐	BEGALA	☒	☐
LINDSEY	☐	☐	LARRY HAAS	☐	☒
MARSHALL	☒	☐		☐	☐
				☐	☐
				☐	☐

REMARKS:

COMMENTS TO LARRY HAAS

RESPONSE:

2. SUPPORTING WORKING FAMILIES

My friends, for centuries, over two now, the American Dream has represented a compact that those who work hard and play by the rules should be able to build better lives for themselves and for their children. In this time, and even more into the future, child care that is too expensive, unsafe or unavailable will be a very stubborn obstacle to realizing that dream. So let us commit ourselves to clearing the obstacle, to helping parents fulfill their most sacred duty, to keeping the American Dream alive for them and most important, for their children.

President Clinton
October 1997

The President has worked hard to improve the lives of working families, financially and otherwise.

The new Child Credit, coupled with a major expansion of the Earned Income Tax Credit (EITC) in 1993, provides significant tax relief for working families that are trying to raise their children and make ends meet. The Child Credit will help 27 million families a year, while the EITC expansion already helps 15 million. Together, these measures will provide nearly \$250 billion in tax relief from 1999 to 2003. In addition, the minimum wage increase that the President successfully sought gives a big financial boost to full-time, full-year minimum wage workers, raising the pay of each by \$1,800 a year.

Other new policies enable parents to meet their families' health needs without risking their jobs, to change jobs without risking their health insurance, and to find health insurance for their children when they could not otherwise afford it. The Family and Medical Leave Act allows workers to take up to 12 weeks of unpaid leave to care for a newborn or adopted child, or to attend to their own health needs or those of a seriously ill family member. The Health Insurance Portability and Accountability Act protects an estimated 25 million Americans a year, allowing them to switch jobs without losing their health insurance. The self-employed and those with pre-existing conditions also will have an easier time finding and keeping their health insurance. The new Children's Health Insurance Program (CHIP),

enacted as part of ~~last year's~~ Balanced Budget Act (BBA), will enable millions of low-income working families to more easily find health insurance for their children.

Nevertheless, one major area remains in which working families need more help—child care. For one thing, parents need more help when it comes to purchasing child care. For another, when they go to work, they should know that their children are in safe, healthy environments. By helping parents manage the twin demands of work and family, the President's Child Care Initiative, with its array of new benefits, is the logical next part of his agenda for working families.

In addition, the President proposes to address the problems faced by a particular group of working families—legal immigrants. The budget would restore Food Stamps to over xxx,xxx legal immigrants, and let States provide health insurance under Medicaid and CHIP to the children of legal immigrants. As the President said at the time, the provisions of the 1996 welfare reform law that stripped legal immigrants of basic safety net protections were not only harsh and unnecessary, they also had nothing to do with the fundamental goal of welfare reform—to move people from welfare to work while protecting children.

Expanding Child Care

In ~~xx~~ million families, both parents work or a single parent works. But, many of

them who want safe, quality child care cannot find it or cannot afford it. As part of welfare reform, the Administration worked with Congress to increase spending on major child care programs by \$4 billion over six years. With important new initiatives to make safe, quality child care more available and more affordable, the budget proposes \$5.7 billion in tax incentives and \$16.2 billion in new spending over five years—\$2.7 billion in total assistance in 1999 alone (see Table 2-1).

The Child Care Initiative is designed to address the most important needs of working families: more affordable child care for middle and low income families; more safe sites for children after school and before parents come home; much greater enforcement of minimum health and safety standards for child care providers; better-trained child care providers; new help for families to use the latest research findings on early childhood development; and a strong research program on which to build for still better services.

More Affordable Child Care: The President proposes to make child care more affordable by expanding the Child and Dependent

Care Tax Credit for middle-income families with child care costs, providing tax credits with which businesses can expand their child care resources, and increasing funds with which the Child Care and Development Block Grant can help more poor and near-poor children.

Child and Dependent Care Tax Credit: The Child and Dependent Care Tax Credit helps about six million families cover their child care costs each year. The budget proposes to expand and reform the credit so that it offers more help for three million families with incomes below \$59,000, providing \$5.0 billion in aid over the next five years.

Tax Credits for Businesses: To make child care services more widely available, the budget proposes \$500 billion in tax credits over five years for private employers that expand or operate child care facilities, train child care workers, contract with a child care facility to provide child care services to employees, or provide child care resource and referral services to employees.

Child Care and Development Block Grant: Federal child care funding has risen by nearly 70 percent under this Administration,

Table 2-1. \$21 BILLION OVER FIVE YEARS IN NEW RESOURCES FOR CHILD CARE

(In millions of dollars)

	Estimate					5-Year Total
	1999	2000	2001	2002	2003	
Spending:						
Discretionary <i>DA Budget Authority:</i>						
21st Century Community Learning Centers	160	160	160	160	160	800
Provider Scholarship Fund	50	50	50	50	50	250
Standards Enforcement	100	100	100	100	100	500
Research	30	30	30	30	30	150
Apprenticeship	5	5	5			15
Head Start Increase	305	642	827	1,020	1,020	3,814
State Support Systems	5	5	5	5	5	25
Mandatory:						
Early Learning Fund	372	504	591	600	600	2,667
Receipts from Tobacco Legislation:²						
Child Care and Development Fund Supplement	798	1,102	1,301	1,519	1,892	6,612
Tax Expenditures:						
Expansion of Child and Dependent Care Tax Credit	261	1,226	1,126	1,181	1,249	5,043
Tax Credits to Corporate Sector	38	77	108	124	131	490
Total	2,124	3,901	4,303	4,789	5,237	20,366

¹ Estimated outlays from \$3 billion in authority for new Early Learning Fund.

² Estimated outlays from \$7.5 billion in new authority for Child Care and Development Fund.

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providing child care services for over a million children from low-income working families or whose parents are moving from welfare to work. The budget would increase funds for the Child Care and Development Block Grant by \$1.1 billion, to a total of \$4.2 billion in 1999, and by \$7.5 billion over the next five years, enabling the program to provide child care subsidies for over 400,000 more poor and near-poor children in 1999. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve another million children over five years.

School-Age Care: The President worked with Congress to expand 21st Century Community Learning Centers, enabling 400 schools in 1998 to open their doors before the school day begins or keep them open after the day ends. The budget proposes a further expansion, and a requirement for matching funds, so that about 4,000 school-community partnerships across the country can implement before- and after-school programs. Instead of returning to empty houses, or playing on unsafe streets, up to 450,000 more children would be able to participate in safe, drug-free programs that combine learning, enrichment, and recreational activities. The budget proposes \$800 million in new funds over five years, for a total of \$1 billion.

Safety and Quality: The budget proposes to increase funds to help States enforce child care quality standards, and the President calls again for Congress to pass legislation to improve the safety of children by making it easier for States to conduct background checks on child care workers.

Standards Enforcement: Research and experience in the military child care program show that diligent enforcement of standards dramatically improves quality. The budget proposes \$500 million over five years to help States enforce State and local child care health, safety, and quality standards. States would be able to help license and accredit child care providers and centers, increase unannounced inspections of child care centers and family day care homes, or develop local report cards that rank child care providers.

National Crime Prevention and Privacy Compact: The President has sent important legislation to Congress to improve the quality of child care and protect children's safety. This legislation—the National Crime Prevention and Privacy Compact—would make background checks on child care providers more efficient and accurate by eliminating State barriers to sharing criminal histories for non-criminal purposes.

More and Better Training for Child Care Staff: The budget proposes \$250 million over five years for a new Child Care Provider Scholarship Fund, which the President announced at the White House Conference on Child Care and which, along with State and local matching funds, would provide over \$300 million in scholarships over the next five years for up to 250,000 child care providers—improving the quality of child care for over half a million children. This proposal would boost the pay of providers who receive training and reduce the problem of high turnover by requiring that they stay in the field for at least a year.

The Scholarship Fund builds on the President's historic achievements over the last five years to promote lifelong learning, which include securing the largest increase in Pell Grant college scholarships in over 20 years, creating HOPE and Lifetime Learning Tax Credits, expanding College Work Study, creating the Direct Lending program that lets students repay their loans as a share of their income, and creating AmeriCorps to enable young people to earn money for college while serving their country. Every individual who needs financial support for post secondary education can get it through these programs.

Families of Children with Disabilities: The budget proposes \$5 million to help the families of children with disabilities. This new program would provide grants for States to expand and modify their State-wide support systems to help these families address such problems as inadequate child care options, missed job training and job opportunities, the loss of medical assistance, and teen pregnancy.

New Emphasis on Early Learning: The budget provides funds for various activities to improve the safety and well-being of young children, including a new Early Learning Fund that grew out of the White House Conference

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on Early Brain Development and the highly successful Head Start program.

Early Learning Fund: The Early Learning Fund responds to the new scientific research presented at the White House Conference on Early Child Development and Learning in April 1997, indicating that a child's experiences in the first three years of life profoundly affect his or her brain development. The budget proposes \$3 billion over five years for the Fund, which would provide grants to communities for activities that improve early childhood education and the quality and safety of child care for children under five years old.

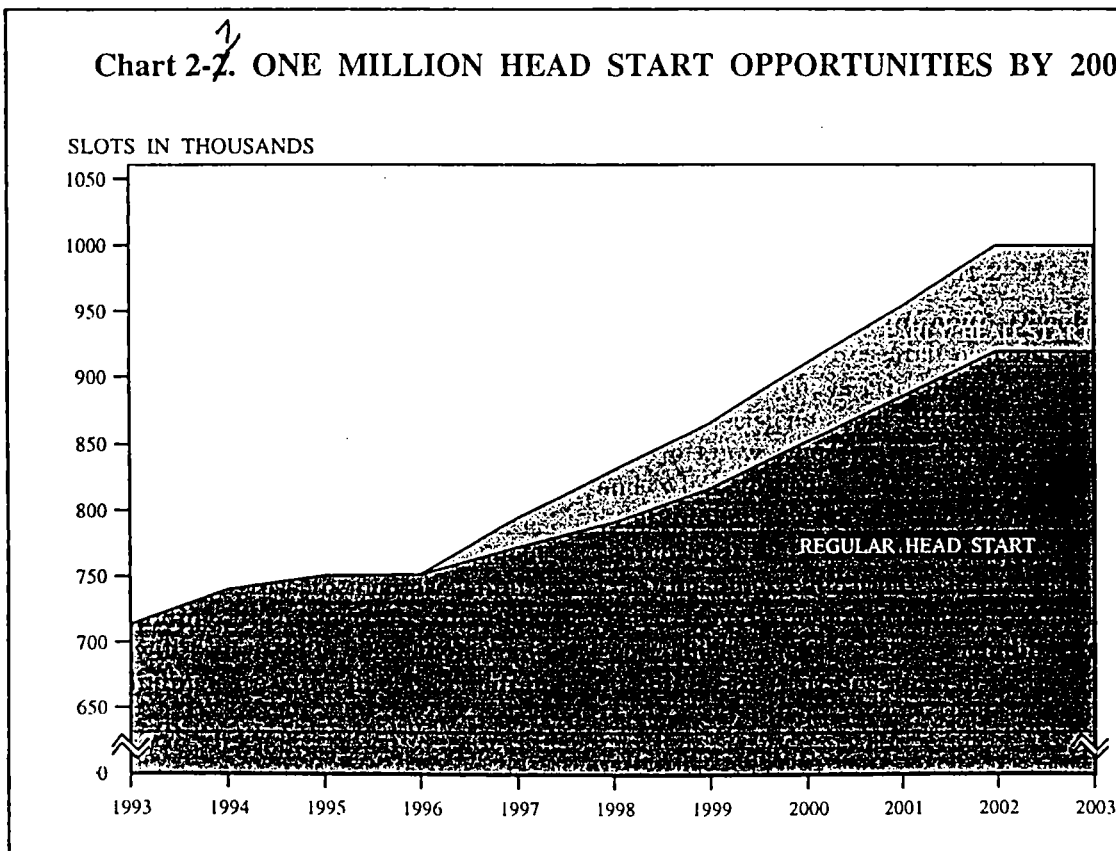
Head Start: Head Start, among the President's highest priorities, supports working families by helping parents get involved in their children's lives and providing services to the entire family. Since 1993, the President has worked with Congress to increase annual Head Start funding by 57 percent. In 1998, Head Start will serve 830,000 low-income children, including up to 40,000 children

under age three in the Early Head Start component that the President launched in 1995. The budget proposes to add up to 26,000 regular Head Start slots and 10,000 Early Head Start slots in 1999, making further progress toward the President's goal of enrolling a million children in Head Start by 2002. The budget also would expand ~~annual~~ Head Start funding by \$3.8 billion over five years, providing a total of ~~\$xx million~~ and doubling the number of slots in Early Head Start (see Chart 2-1).

Research on Childhood Development and Child Care: Research on child care, and its dissemination, is critical for policy makers to make decisions about child care and for parents to know where to find quality child care and what to look for. The budget proposes \$150 million over five years for a new Research and Evaluation Fund, which would provide consumer education, parent hotlines, and research activities to expand our knowledge of good policies and practices, including the types of child care settings, parent activities, and

\$4.7 billion in 1999 (HRD)

Chart 2-1. ONE MILLION HEAD START OPPORTUNITIES BY 2002



provider training that most benefit the early development of children. This fund would also support a National Center on Child Care Statistics as well as demonstration projects to test approaches to help new parents who choose to stay home with their newborns or newly adopted children.

Restoring Equity in Benefits for Legal Immigrants

The President believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the harsh, unnecessary cuts in benefits to legal immigrants that had nothing to do with the goal of moving people from welfare to work. As part of last year's BBA, the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants.

Due to the 1996 law, however, many legal immigrants still cannot get Food Stamps and access to health care, including such vulnerable groups as families with children, people with disabilities, the elderly, and refugees and asylees. The budget provides \$2.7 billion over five years to restore Food Stamps to vulnerable groups and to let States provide health care to the children of legal immigrants.

Food Stamps: For legal immigrant families with children, the budget would restore benefits without regard to when they entered the United States. For the elderly or people with disabilities, the budget would restore benefits to those who entered before the President signed the welfare law—similar to how the President and Congress restored Medicaid and SSI to legal immigrants last year. For refugees and asylees, the budget would lengthen their exemption to the Food Stamp ban from five to seven years. The Nation admits refugees and asylees for humanitarian reasons, and many may need more time to naturalize than the law allows. The budget also would exempt from the ban Hmong refugees from Laos who immigrated to the United States after the Vietnam conflict and certain Native Americans living along the Canadian and Mexican borders.

Health Care: The budget would let States provide health coverage to legal immigrant children under Medicaid and CHIP. Currently, States can provide health coverage to immigrant children who entered the country before the welfare law was enacted. But, immigrant children who entered after the law was enacted cannot get benefits for five years, and the budget would let States provide health coverage under Medicaid and CHIP to those children. States also could cover immigrant children under their CHIP allotment.

Continuing Support for Working Families

The Child Care Initiative and the proposals to restore benefits to legal immigrants build on a strong base of support for working families, which the President has worked with Congress to achieve over the past five years. That support includes a broad array of tax incentives to encourage and support work as well as legislation to, among other things, enable workers to care for a newborn and fulfill other family responsibilities; raise the minimum wage; enable workers to retain their health insurance; and provide health insurance to up to five million uninsured children. (For the broader discussion of the health care expansions, see Chapter 3, "Strengthening Health Care.")

Support Through the Tax System: Over the last five years, the Administration has worked with Congress to expand the number and size of tax incentives to encourage work and support working families (see Table 2-2).

- **Earned-Income-Tax-Credit (EITC):** As an important part of moving people from welfare to work, the Federal Government can help ensure that those who work can support their children. The EITC, a tax credit that Congress created over 20 years ago, helps to meet this goal by supplementing the earnings of working families. In his 1993 economic program, the President proposed, and Congress enacted, legislation to substantially expand the credit, helping 15 million low-income working families. The EITC will provide \$150 billion of tax benefits over the next five years.
- **Child Credit:** The Child Credit, which the President proposed and Congress enacted as part of the 1997 Taxpayer Relief Act,

helps working parents raise their children by providing \$500 per child for all children under age 17. The credit, which will provide \$97 billion in tax benefits over the next five years, will help 27 million families with over 40 million children.

- **Exclusion of Employer Contributions for Child Care Expenses:** The law lets parents exclude up to \$5,000 of employer-provided child care expenses from their taxable income and Social Security earnings. The exclusion will provide over \$6 billion in benefits over five years.
- **Tax Incentives for Work:** The budget proposes to extend, for one year, the Welfare-to-Work Tax Credit, which the President and Congress created as part of the Taxpayer Relief Act of 1997. It focuses on those who most need help—long-term welfare recipients—by letting employers claim a tax credit on the first \$10,000 a year of wages that they pay, for up to two years, for workers they hire who were long-term welfare recipients. The credit is 35 percent on the first year's wages, rising to 50 percent on the second year's wages. In addition, the budget would extend for a year the Work Opportunity Tax Credit, which provides a credit of 40 percent on

the first \$6,000 of wages paid to members of eight more target groups.

Better Benefits in the Workplace: The President has led successful efforts to ensure a living wage for all American workers while expanding their ability to care for their families and protect their health care benefits.

- **Family and Medical Leave:** In early 1993, the President proposed, and Congress enacted, the Family and Medical Leave Act, which allows workers to take up to 12 weeks of unpaid leave to care for a newborn or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child, or spouse—making it less likely that employees will have to choose between work and family.
- **Minimum Wage:** By 1996, the value of the minimum wage had neared a 40-year low. That year, however, the President worked with Congress to raise the minimum wage from \$4.25 to \$5.15 an hour in two steps, over two years. The first step, a 50-cent increase, took effect in October 1996; the second, a 40-cent increase, took effect 11 months later, on September 1, 1997. The 90-cent raise means \$1,800 a year in higher earnings for full-time, full-year minimum wage workers. Millions of other low-

Table 2-2. \$280 BILLION OVER FIVE YEARS IN SUPPORT FOR WORKING FAMILIES

(In millions of dollars)

	1997 Actual	Estimate						5 Year Total
		1998	1999	2000	2001	2002	2003	
Tax Expenditures								
Existing Law:								
Earned Income Tax Credit ¹	27,921	28,505	29,131	29,849	30,665	31,505	32,379	153,529
Child Tax Credit ¹	2,515	2,510	2,510	2,505	2,500	2,500	2,495	12,510
Child and Dependent Care Tax Credit	860	910	950	995	1,040	1,085	1,135	5,205
Exclusion of Employer Contributions for Child Care Expenses	110	275	200	100	30	10		340
Work Opportunity Tax Credit		10	30	30	15	10	5	90
Welfare-to-Work Tax Credit								
Proposed Legislation:								
Expand Child and Dependent Care Tax Credit			261	1,226	1,126	1,181	1,249	5,043
Extend Work Opportunity Tax Credit		5	206	279	181	72	40	778
Extend Welfare-to-Work Tax Credit			11	53	51	37	17	169
Total	31,406	36,425	56,007	55,517	55,780	56,199	56,674	280,177

¹ Includes tax expenditures and effect on outlays.

wage workers making somewhat more than the new minimum also may benefit if employers raise their paychecks in step with the minimum wage increase—as they have done in the past.

- *Health Insurance Portability and Accountability Act:* Working with Congress, the President in 1996 pushed through landmark legislation, known as HIPAA, which provides important health insurance protections for an estimated 25 million Ameri-

cans who move from one job to another each year, as well as those who are self-employed or who have pre-existing medical conditions. HIPAA reformed the private insurance market to ensure that workers have portable health benefits and insurers are less able to deny coverage due to pre-existing conditions. Combined with the ~~Tax Reform~~ Act, HIPAA also made it easier and cheaper for self-employed persons to get health insurance.

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3. STRENGTHENING HEALTH CARE

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[The Balanced Budget Act] strengthens our families by extending health insurance coverage to up to 5 million children... [The Act] honors our commitment to our parents by extending the life of the Medicare Trust Fund for a decade. It also provides structural reforms that will give Medicare beneficiaries more informed choices among competing health plans, authorizes a number of new anti-fraud provisions, and establishes a wide array of new preventative benefits.

President Clinton
August 1997

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The past year has brought a number of improvements in the health care marketplace that will benefit all Americans.

The 1997 Balanced Budget Act (BBA) represents a major step forward in the President's effort to improve and protect the Nation's health, especially for the 70 million vulnerable Americans who rely on Medicare and Medicaid. It strengthened the guarantee of quality health care for nearly 40 million Medicare participants by extending the life of the Medicare Trust Fund until at least 2010, investing in preventive benefits, introducing more choice of health plans, and strengthening our expanding array of activities to combat fraud and abuse. It strengthened Medicaid managed care quality standards and allowed States greater flexibility in designing their programs. And it provided an unprecedented \$24 billion, through the State Children's Health Insurance Program (CHIP), to cover up to five million children in working families—a population that previously had trouble affording coverage.

These wide-ranging efforts came just a year after the President and Congress enacted the Health Insurance Portability and Accountability Act (HIPAA), which the Administration is now implementing. HIPAA reformed the private insurance market to ensure that benefits are portable and to limit the ability of insurers to deny coverage due to pre-existing conditions. It also simplified health care paperwork, clarified that certain long-term care insurance policies are tax deductible, and, for the first time, created a new stable source of funding for fraud control. Finally,

combined with the 1997 Tax Reform Act, HIPAA boosted the tax deduction for the self-employed, making it easier and cheaper for self-employed persons to get health insurance. The Administration also enacted legislation that ensured parity in annual and lifetime limits between mental and physical health benefits and required health plans to allow new mothers and their babies to remain in the hospital at least 48 hours following most deliveries.

To ensure that consumers continued to receive high-quality health care, the President created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry early last year to advise him on changes occurring in the health care system and to recommend steps to ensure quality. In the fall, the Commission approved and the President endorsed a Health Care Consumer Bill of Rights, which includes the right to a choice of health care providers, access to emergency room treatments, participation in treatment decisions, assurance that patients are respected and not discriminated against, internal and external grievance and appeals processes, access to accurate, easily understood information, and confidential medical records.

These improvements occurred against a backdrop of dramatic change in the private health care marketplace. After rapid inflation in the 1980s and early 1990s, national health spending growth dropped to a record low of 4.4 percent in 1996. A strong economy, cost consciousness on the part of employers and consumers, and the shift to managed

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care contributed to this slow-down. In 1995, nearly 75 percent of workers with employer-based insurance were enrolled in managed care, a 22-percent increase since 1993. Nevertheless, the number of uninsured has continued to rise. Thus, our work is not finished; we must guard against the return of rapidly growing health care costs and work to reduce the number of uninsured, while maintaining a high standard of quality.

With this budget, the Administration builds on the recent legislative achievements by committing to work with Congress on bipartisan tobacco legislation; proposing to expand health care coverage for some of the most vulnerable Americans aged 55 to 65; promoting the fiscal integrity of Medicare and Medicaid; launching an aggressive outreach campaign to enroll eligible children who are not enrolled in Medicaid; proposing an unprecedented investment in health research; expanding access to powerful AIDS therapies; increasing funds for substance abuse treatment and prevention; and helping to eliminate health-related disparities across racial and ethnic groups.

Adopting Bipartisan Legislation on Tobacco

The Administration has focused on improving public health—particularly children's health—by pursuing efforts to curtail tobacco use. In 1998, the Administration will work with Congress to enact comprehensive national tobacco legislation to reduce smoking, especially by youth. The President has outlined five key principles that must be at the heart of any national tobacco legislation:

- A comprehensive plan to reduce youth smoking, including: tough penalties on tobacco firms that continue to market to youths; price increases; public education and counter advertising; and expanded efforts to restrict access and limit appeal.
- Full authority of the Food and Drug Administration (FDA) to regulate tobacco products.
- Changes in how the tobacco industry does business, including an end to marketing and promotion to children and broad document disclosure.

- Progress towards other public goals, including a reduction of secondhand smoke; promotion of cessation programs; public health research; the strengthening of international efforts to control tobacco; and other urgent priorities.
- Protection for tobacco farmers and their communities.

The budget assumes \$9.8 billion in 1999, and \$65.6 billion from 1999 to 2003, from the passage of comprehensive national tobacco legislation. The figures represents a per-pack increase of \$0.62 in 1999 and \$1.10 in 2003 (\$1.24 in nominal dollars), which reflects the President's call for a per-pack cigarette price increase of up to \$1.50 over 10 as necessary if targets for reducing youth smoking go unmet.

These help meet important public health goals, including the creation of a 21st Century Research Fund for America, much of which will finance research into tobacco-related and other diseases through the National Institutes of Health; cancer clinical trials; smoking prevention efforts by the Centers for Disease Control; FDA enforcement; outreach efforts to ensure that children eligible for health care coverage are enrolled; smoking cessation efforts; counter-advertising; protection for tobacco farmers; and other initiatives associated with national tobacco legislation. The budget also allocates some of the funds to child care and education initiatives that help and protect children.

The budget assumes that States will receive the same level of funding that State Attorneys General negotiated in their settlement with the tobacco industry. Under current law, the Federal Government would collect 57 percent of those funds as Medicaid reimbursements. The budget, however, assumes that the States would get 100 percent of Medicaid recovery funds instead. States would get 57 percent of the funds in the form of two block grants—one for child care, the other for efforts to reduce class sizes, and would be able to spend the other 43 percent as they see fit.

Improving Access to Health Care Coverage

The budget proposes new initiatives to provide access to health insurance for the nearly two million people between 62 and 65 who do not have employer-sponsored insurance and who are not yet eligible for Medicare, those between 55 and 61 who have been displaced from their jobs, and retirees who have had their insurance terminated by a former employer. The budget also proposes to make it easier for States to design coverage programs by helping them create voluntary health insurance purchasing cooperatives that will help individuals buy affordable health insurance.

Expanding Health Insurance Options for People Age 55 to 65: The budget proposes three options to increase access to health insurance for people aged 55 to 65, who face special problems of access and affordability. They face greater risks of health problems, with twice the chances of heart disease, strokes, and cancer, as people aged 45 to 54. As people approach 65, many retire or shift to part-time work or self-employment as a bridge to retirement, sometimes involuntarily. Displaced workers aged 55 to 65 are much less likely to be re-employed or re-insured through a new employer. As a result, more of them rely on the individual health insurance market. Without the benefits of having their costs averaged with other younger people, as with employer-based insurance, these people often face high premiums.

Such access problems will increase, due to two trends: declines in retiree health coverage and the aging of the baby boom generation. Recently, businesses have cut back on offering health coverage to pre-65-year-old retirees; only 40 percent of large firms now do so. In several small but notable cases, business have dropped retirees' health benefits after workers have retired. These "broken promise" retirees lack access to continuation coverage and could have problems finding affordable individual insurance. Finally, the number of people 55 to 65 years old will rise from 22 million to 35 million by 2010—or 60 percent.

The budget provides three options that will help an estimated 300,000 members of this vulnerable population:

- *Allowing Americans between 62 and 65 to buy Medicare coverage:* The budget proposes to allow Americans between 62 and 65 to buy Medicare coverage by paying a premium based on an actuarially fair rate for that age group. It is self-financing, because, over time, participants pay the full cost of their coverage. And it will give millions of older Americans the security of knowing that they have a health insurance option.
- *Expanding health insurance options for displaced workers:* Along with the 62-to-65 age group, the budget offers access to health insurance to displaced workers between 55 and 61—those who have lost or left their jobs due to plant or company closings or moves, slack work, or the abolishment of their positions or shifts. These workers often become uninsured, even if they had insurance on their last job. The budget proposes to allow displaced workers who were insured on their job but are now uninsured to buy Medicare coverage by paying a premium.
- *Protecting retirees whose retiree health benefits have been dropped:* In addition, retirees 55 to 65 whose employers have dropped their retiree health coverage will be allowed to buy in to COBRA by paying a premium.

Creating Voluntary Purchasing Cooperatives: The small group health insurance market does not function as efficiently as the large group market. As a result, small business employees and their families will more likely be uninsured and have more expensive premiums. Small businesses also have higher administrative costs and pay more for the same benefits as larger firms.

To help small businesses overcome these disadvantages, the budget includes \$100 million in seed money over five years for selected States to establish voluntary purchasing cooperatives that will allow small employers to pool their purchasing power and negotiate better rates for their employees.

Providing Cancer Clinical Trials

Only three percent of cancer patients participate in clinical trials, even though some of the most promising new cancer therapies, such as bone marrow transplants, are tested in clinical trials. Many scientists believe that higher participation in clinical trials could lead to faster treatment results.

The budget would give more Americans access to these cutting-edge treatments and encourage higher participation in clinical trials by including a three-year Medicare demonstration to cover the patient care costs for patients who choose to participate in NIH-sponsored cancer clinical trials.

The proposal reaches Americans who are the most likely to get cancer. Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. This proposal builds on the pending bipartisan proposal in the Senate, and it is financed through receipts from national tobacco legislation.

Finally, the budget proposes a study at the end of three years to review whether to expand the demonstration.

Promoting Program Integrity in Medicare and Medicaid

The Administration has worked hard to promote competition, reduce errors, and eliminate fraud in Medicare and Medicaid. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse and promote competitive pricing, including:

- Initiatives to combat Medicare fraud and abuse and, in turn, extend the life of Medicare's trust funds by enabling Medicare to pay market-oriented prices for prescription drugs; eliminating overpayments that facilities receive for dialysis treatments; reforming outpatient mental health benefits; and requiring insurance companies to provide information to enable Medicare to make payments only when it is the primary payer.
- An initiative to expand Medicare's ability to use its market power to competitively negotiate rates with providers for selected

Medicare procedures. By creating "Centers of Excellence," Medicare will be able to reduce its average cost while improving quality.

The Administration is also considering Medicaid incentive projects that measure errors and fraud in State Medicaid programs and develop performance measures related to such errors and fraud. These projects could help States identify problem areas in their Medicaid programs, target program integrity resources more effectively, and measure the success of their efforts to reduce errors and combat fraud.

Expanding Access to Children's Health Insurance

The new Children's Health Insurance Program (CHIP) enables States to extend health insurance coverage to as many as five million uninsured children. It builds on an already strong Medicaid program that the Administration has worked hard to protect. But with over three million uninsured children eligible for Medicaid, but not enrolled, important work remains.

To achieve the President's goal of working with the States to enroll as many children as possible, the budget contains several outreach proposals, costing \$900 million over five years and financed by receipts from tobacco legislation, including:

- *Outreach in schools and child care sites:* The budget would allow school and child care center staff to enroll children into Medicaid temporarily on the presumption that they are eligible. This proposal would increase enrollment by expanding the network of individuals who can identify and enroll children, and inform families about the potential eligibility of their (kids). It also would enable Medicaid to cover the costs related to providing this temporary coverage, rather than force States to cover the costs from their CHIP allotment.
- *Matching funds for outreach:* The budget proposes to expand the use of a special \$500 million Medicaid fund—now aimed at outreach for children losing welfare—to fund outreach to all children.

The budget contains other proposals to further promote the President's goal of reducing the number of uninsured children, including:

- *Aid for the territories:* The budget proposes \$153 million in increased funding under CHIP for Puerto Rico and the other four territories, fulfilling the President's promise, which he stated in signing the BBA, to "provide more equitable funding for children's health care in the insular areas."
- *Restored health insurance to legal immigrant children:* Currently, States can provide health coverage to legal immigrant children who entered the country before the 1996 welfare reform bill was enacted. But immigrant children who entered *after* the welfare bill was enacted cannot get benefits for five years. The budget proposes to let States provide health coverage to all legal immigrant children under Medicaid and CHIP.

Promoting Public Health

The budget continues the Administration's commitment to invest in key public health areas. In particular, the budget proposes to expand health research; increase access to powerful AIDS therapies; discourage tobacco use among young people; enhance food safety; help to reduce disparities in disease rates across racial and ethnic groups; improve substance abuse treatment and prevention; promote childhood immunizations; provide voluntary family planning to low-income women; reduce infant mortality; improve health care quality; and invest in health care services for American Indians and Alaska Natives.

Increasing Biomedical Research: Progress in biomedical research has ensured that many diseases that Americans faced a generation ago can now be prevented or treated. Smallpox has been eradicated from the world and polio is gone from the Western Hemisphere. Surgical procedures, such as organ transplants or cardiac pacemakers, can restore normal lives for those who once had few treatment options.

The scientific community is now poised to make even more advances that, with

sufficient investment, could dramatically alter and improve the way we treat diseases. Several new technologies in medical research show great promise. Specifically, important strides in imaging technologies make it possible to visualize living cells and entire organs, providing new insights into the structure of disease; computer-based intervention systems give scientists an entire range of new tools to rapidly analyze vast amounts of new data; and the scientific community stands on the cusp of a host of breakthroughs in genetics that will enable scientists to map the entire human genome and revolutionize how we understand, treat, and prevent some of our most devastating diseases.

n The
This budget proposes an unprecedented commitment in biomedical research that will lay the foundation for new innovations to improve health and prevent disease. It invests \$1.15 billion in the National Institutes of Health (NIH)—the largest increase in history. *n 2*
Moreover, to ensure that the Nation continues to make important investments in biomedical research, the budget proposes—for the first time ever—sustained increases in the NIH over five years. By the year 2003, funding for biomedical research will increase to over \$20 billion, or by nearly half. *(over 20 billion)*

Making Quality Direct Services and Preventive Care Accessible to Special Populations: Direct health services and prevention activities translate the ground-breaking medical advances often produced by biomedical research into benefits such as disease prevention, medical cost reductions, and public health education. The budget proposes funding increases for the following health service and prevention activities, many of which help serve low-income and other vulnerable populations:

- *Ensuring access to powerful AIDS therapies through Ryan White HIV/AIDS treatment grants:* The budget proposes to increase Federal and State funding for powerful "combination therapy" AIDS drugs by \$200 million, with a \$100 million increase in Federal funding for the AIDS Drug Assistance Program to match, dollar-for-dollar, State funding increases. These additional funds could enable up to 17,000 more people to receive these treatments. The proposal also includes \$65 million for

grants to cities, States, and clinics for medical care, social support services, and new ways to speed the identification and referral into health care of those who are HIV positive. In total, the budget proposes \$1.3 billion for activities authorized by the Ryan White CARE Act.

- *Reducing tobacco use among young people:* Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease, and other health problems. Each year, a million young people become regular smokers, 300,000 of whom will die earlier as a result. In August 1996, the Administration approved a ~~Food and Drug Administration (FDA)~~ regulation to cut tobacco use among young people in half over seven years. The budget includes \$146 million of receipts from tobacco legislation for tobacco-related activities in the Centers for Disease Control and Prevention (CDC) and the FDA—\$46 million of which will pay for expanding CDC's existing State-based tobacco prevention activities, school-based health education, and surveillance activities, and \$100 million of which will support FDA's outreach and enforcement activities.
- *Improving substance abuse prevention and treatment:* The budget continues to expand substance abuse prevention and treatment activities, enabling hundreds of thousands of pregnant women, high risk youth and other under-served Americans to get drug treatment and prevention services. The Substance Abuse and Mental Health Services Administration's Substance Abuse Block Grant (SABG) funds 40 percent of all the Nation's publicly-provided substance abuse treatment. To narrow the gap between those who are seeking treatment and those who can be accommodated by the public treatment system, the budget proposes a \$200 million increase for SABG, allowing another 50,000 individuals a year to receive substance abuse treatment. This proposal also will help reduce the spread of AIDS by giving intravenous drug users increased access to substance abuse treatment programs.
- *Enhancing food safety:* American consumers enjoy the world's safest food supply,

but too many Americans get sick from preventable food-borne diseases. The budget increases funding by \$101 million, or 12 percent, over the 1998 level for the Administration's inter-agency food safety initiative, which created a national early warning system for food-borne illnesses and improved Federal-State coordination when food-borne disease outbreaks occur. The budget increase also expands food safety research, risk assessment capabilities, education, and surveillance activities, as well as food import inspections. Furthermore, the budget proposes to expand FDA's international inspection force to ensure that imported fruits and vegetables are as safe as those produced in the United States.

- *Helping to eliminate racial disparities in health status:* Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. For example, the infant mortality rate for African-Americans is twice that of Caucasians. American Indian and Alaska Natives are about three times as likely to have diabetes than other Americans. To address these and other disparities, the budget includes \$80 million for health education, prevention, and treatment services for minority populations. Working with minority public health providers, advocates, and other consumer representatives, CDC will start a new demonstration program to enable 30 communities to develop innovative and effective preventive, education, and outreach approaches to address these disparities. Each community, chosen through a competitive grant process, would begin an intensive program to address a health area with major disparities. Other increases would go to existing successful public health programs that would partner with community and advocacy organizations to expand and adapt proven public health strategies to better reach minorities.
- *Enhancing family planning:* The budget provides a \$6 million increase, to \$209 million, to support over 4,000 family planning clinics, a primary source of voluntary family planning services for low-income

women Nation-wide. Publicly subsidized family planning services help American women prevent over a million unintended pregnancies each year. The budget also includes \$50 million in mandatory funding for States to conduct abstinence education projects to help reduce out-of-wedlock pregnancies.

- 7/4th
program
- *Promoting full participation in Women, Infants, and Children (WIC):* WIC reaches nearly 7.5 million women, infants, and children a year, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. WIC provides prenatal care to those who would not otherwise get it, and reduces the incidence of premature birth and infant death. As a result, Medicaid saves significant sums that it would otherwise spend in the first 60 days after childbirth. Because of funding increases in the last five years, WIC participation has grown by nearly 30 percent. The budget proposes \$4.1 billion to serve 7.5 million people through 1999, fulfilling the President's goal of full participation in WIC.
 - *Promoting childhood immunizations:* The budget proposes \$973 million for the Childhood Immunizations Initiative, including the Vaccines for Children program and CDC's discretionary immunization program. As a result of the Administration's Childhood Immunization Initiative, the Nation exceeded its childhood vaccina-

tion goals for 1996, with 90 percent or more of America's toddlers receiving each basic childhood vaccine. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, are at all-time lows. The budget also includes \$47 million to eradicate polio—preventable through immunization throughout the world.

- *Improving health care quality:* The budget would double, to \$30 million, the Department of Health and Human Services' health care quality activities to address the forthcoming recommendations of the President's Commission on Consumer Protection and Quality in the Health Care Industry, help support more quality-related activities, and expand research on quality. The research will increase knowledge about how best to measure and improve the outcomes and quality of medical services, and reveal ways to encourage health care providers to use this information in their work.
- *Caring for veterans health needs through veterans medical care:* Continuing its commitment to veterans programs, the Administration proposes \$17.7 billion for the Department of Veterans Affairs' (VA) health system. The funds will enable the VA to continue to restructure its health care system by increasing access and delivering quality care to our Nation's veterans.

5. INVESTING IN INFRASTRUCTURE

I think it's important also to point out that as we invest in... bridges and roads and transit systems, we are also building a bridge to a cleaner environment. We're building a bridge from welfare to work. We're building a bridge to sustainable communities that can last and grow and bring people together over the long run.

President Clinton
March 1997

For America to continue prospering in the 21st Century, its transportation infrastructure must be safe, integrated, and efficient enough to serve the Nation's growing commerce and mobility demands.

This Nation has the world's most extensive transportation system, with a transportation infrastructure that includes 3.9 million miles of public roads, 180,000 miles of railroad track operated by freight railroads, 25,000 miles of commercially navigable waterways, 5,500 public use airports, 1.4 million miles of privately operated oil and gas pipelines, and over 6,000 transit systems.

Investment in infrastructure is good for America, spurring economic growth; improving safety and public health; enhancing U.S. competitiveness globally; increasing mobility, access, and transportation choice for all Americans; and supporting our national security. To ensure that our national transportation system can meet the demands of the 21st Century, we must build upon the infrastructure we have today and improve its quality to meet tomorrow's need for a system that is intermodal, cleaner, and safer, and that promotes sustainable and inclusive communities. And we must focus our resources through innovative mechanisms, such as the President's new Transportation Fund for America.

Creating the Transportation Fund for America

The budget proposes a new Transportation Fund for America to highlight the importance of investing in transportation and maintaining the Administration's record levels of transpor-

tation spending. The Fund includes all of the Transportation Department's highway, highway safety, transit, and air transportation programs.

- *Highways and Bridges:* The Fund includes \$21.5 billion for the Federal-aid Highways program to maintain and improve the nearly 955,550 miles of eligible roads and bridges. The increased highway and bridge funding in recent years has kept pace with maintenance requirements and reversed the deterioration of our transportation system. On the Interstate system, for example, both pavement and bridge conditions have improved in the 1990's. In addition to traditional grant programs, the Fund provides the resources for innovative approaches to address infrastructure needs. Under the State Infrastructure Banks program, the Federal Government helps States underwrite debt issuance for highway and transit projects. The new Transportation Infrastructure Credit Enhancement Program provides grants to improve the financing for nationally significant projects, including public-private partnerships.
- *Environment:* The Federal Highway Administration's Transportation Enhancements and Congestion Mitigation and Air Quality Improvements programs, for which the Fund includes a combined \$1.8 billion, address the environmental impacts of transportation by funding bike trails, transit projects, pedestrian facilities, historic preservation projects, water pollution mitigation, beautification projects, and more. These efforts can improve air qual-

ity and help reduce the number of days when air pollution exceeds National Ambient Air Quality Standards.

- **Highway Safety:** The Fund includes \$406 million for the National Highway Traffic Safety Administration (NHTSA), a 22-percent increase over the 1998 level, which will fully fund the Presidential Initiative to Increase Seat Belt Use Nation-wide; the President's Initiative on Drugs, Driving and Youth; and the President's Partnership for a New Generation of Vehicles. These programs help fulfill the President's goal of promoting public health and safety by reducing transportation-related deaths and injuries, and the proposed funding will enable NHTSA to expand the Federal Government's partnership with other levels of government, private organizations, and citizens. NHTSA will continue to work with the medical and health communities to focus on the significant public health implications of highway fatalities and injuries and the associated economic costs to society.
- **Transit:** The Fund provides \$4.6 billion for transit infrastructure, including \$3.7 billion in formula grant funds to maintain and expand transit systems in urban, small urban, and rural areas. Nation-wide, the elderly, people with disabilities, and economically disadvantaged individuals rely heavily on these systems. The Fund includes \$876 million for major capital investments, providing the resources to meet the Administration's full funding grant commitments to construct new, or expand existing, transit systems.
- **Air Transportation:** The Fund includes \$9.7 billion for Federal Aviation Administration (FAA) programs, a seven-percent increase over the 1998 level. It includes \$5.6 billion, a five-percent increase, to continue operating the world's safest air traffic control system; \$2.1 billion, a 14-percent increase, to buy next generation equipment for the system; and \$290 million, a 46-percent increase, to research ways to make the system safer, more secure, and more efficient. It also provides \$1.7 billion in grants to improve the Nation's airports.

Building an Intermodal System

Americans do not view transportation through the lens of individual modes, such as highways, trains, or marine or air travel. Rather, they expect transportation to deliver results—moving people and goods from point to point. Infrastructure investment builds and maintains the individual links in the transportation chain and forges them together into an effective intermodal network.

The budget proposes a record Federal investment of nearly \$30 billion in transportation infrastructure—airports, highways, transit, and trains—continuing the trend of rising investments in infrastructure under this Administration. Infrastructure investment has risen 25 percent, from an annual average of \$21.1 billion from 1990 to 1993 to an annual average of \$26.5 billion from 1994 to 1998. These increases have helped address demands arising from the greater movement of people and goods in a growing economy.

Surface Transportation: Surface transportation programs account for much of the Federal, State, and local transportation infrastructure investment dollar. The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) broke new ground by giving States and localities more flexible and innovative funds for these programs. Over the past six years, the results have become clear:

- The percentage of pavement in poor condition on the National Highway System fell from 11.3 percent in 1993 to 8.9 percent in 1996.
- State and local officials have used flexible funds to target improvements in mobility, economic development, and air quality through projects that selectively foster pedestrian, bicycle, and transit-supportive land uses. Local decisions have directed \$3.2 billion into transit investments—funds that might otherwise have been restricted to highways, regardless of local needs.
- Overall, the expansion of transit systems and purchase of transit vehicles expanded transit capacity by 3.5 percent from 1993 to 1995. Transit investments also have leveraged local development and redevelopment by improving public access to major

job centers and fostering land use that supports commercial activity. Transit also eases congestion and pollution by slowing the rate of growth of auto traffic.

The Administration's proposed National Economic Crossroads Transportation Efficiency Act (NEXTEA) builds on these successes and significantly enhances the Nation's ability to promote intermodal development (see Table 5-1). NEXTEA authorizes \$175 billion for surface transportation programs from 1998 to 2003, and increases core highway program authorizations by more than 30 percent over ISTEA levels. NEXTEA provides even greater flexibility for States and localities to target funds to projects—such as passenger rail, intercity bus, and transit—that best meet community needs.

The budget and reauthorization proposals for the Federal Highway Administration give State and local officials maximum flexibility to meet their local priorities. The budget provides an obligation limitation of \$21.5 billion to maintain the highways critical to interstate transportation. In addition, it proposes \$250 million to leverage private financing for new transportation infrastructure projects. Of the \$250 million, \$150 million would capitalize State Infrastructure Banks that enable States to underwrite bonds, enhance credit, and make loans. The other \$100 million would fund the Infrastructure Credit Enhancement grants to improve the financing of public-private projects of national significance. The Alameda Corridor, first funded in 1997, is an example of a public-private project that will improve national competitiveness by contributing to efficiency in domestic handling of international ship-

ments in and out of the Port of Los Angeles and Long Beach.

The budget also proposes a \$4.6 billion investment in transit infrastructure. Relying on the NEXTEA program structure, the Administration proposes to combine the Discretionary Bus and Fixed Guideway Modernization programs with the Formula Grants program, giving transit properties maximum flexibility to meet their capital needs. Of the transit investments, \$100 million would go for the new Access to Jobs and Training Program, designed to establish partnerships between transportation and human service providers to support new transportation links to entry-level jobs.

Border Gateway Pilot Program: In NEXTEA, the Administration proposes a special border program to improve transportation at international border crossings and along major trade transportation corridors. The proposed \$450 million Border Gateway Pilot Program would develop and implement coordinated, comprehensive border crossing plans and programs, thus promoting the efficient and safe use of border crossings within defined international gateways.

Passenger Rail: Investments in passenger rail are a critical piece of our Nation's transportation infrastructure. The Administration proposes over \$600 million to fund the National Railroad Passenger Corporation, known as Amtrak. This discretionary funding, combined with over \$2.2 billion available to Amtrak under the Taxpayer Relief Act, represents historic levels of Federal support for passenger rail.

The 1998 Amtrak Reform and Accountability Act, Amtrak's first reauthorization since 1992,

Table 5-1. AVERAGE ANNUAL TRANSPORTATION INFRASTRUCTURE INVESTMENT

(Appropriations, obligation limitations and exempt obligations; dollar amounts in millions)

	1990-1993 Annual Average	1994-1998 Annual Estimate	1999 Proposed	Percent Change: 1990-1993 to 1999	Percent Change: 1994-1998 to 1999
Infrastructure Investment	21,145	26,518	29,977	+42%	+13%

is its most comprehensive restructuring since the early 1980s. Amtrak is a vital component of our national transportation services in densely populated corridors, such as the Northeast; on medium- and short-haul routes; and on trans-continental routes linking cities across the Nation. In many areas of rural America, it is the only transportation alternative to the automobile. With the available funds, Amtrak would be able to make needed capital improvements, including replacing its aging car fleet, upgrading its tracks, and rehabilitating stations and maintenance facilities Nation-wide. With these improvements, Amtrak would be able to attract new customers and better serve the ones it has. The budget also maintains the Administration's commitment to end Federal operating assistance to Amtrak by the year 2002.

New high-speed operations in the Northeast corridor between Boston and Washington are a key part of this greatly improved rail service. As part of its \$621 million request for Amtrak, the Administration proposes \$200 million for the Northeast Corridor Improvement Project to significantly expand the flexibility that travelers enjoy. By the end of 1999, with the completion of electrification between New Haven and Boston, the entire Boston-to-Washington corridor would operate as high-speed rail. In 2000, the Washington-New York market would have two-hour-and-45-minute service, while the New York-Boston market would have three-hour service, compared to current service times of three hours and four-hours-and-20-minutes, respectively. Travelers accustomed to the surface-airport-surface intermodal connections to and from urban centers along the Northeast corridor would have a realistic alternative of walk-aboard, business-center-to-business-center rail service.

Air Transportation—National Airspace System (NAS) Modernization: As air travel grows from 600 million to an estimated 1 billion passengers a year by 2010, demand for air traffic control (ATC) services will outstrip the NAS' current capacity. At the same time, equipment for the ATC system, although still safe, is reaching the end of its useful life. As a result, ATC modernization is one of the Administration's highest transportation infrastructure priorities.

In its February 1997 report to the President, the White House Commission on Aviation Safety and Security, led by Vice President Gore and known as the Gore Commission, highlighted the need for increased aviation investment. It noted that "inefficiencies in the system cost airlines in excess of \$3 billion in 1995—costs ultimately paid by passengers." To address these inefficiencies, the Commission recommended that a "modernized system (be) fully operational by the year 2005."

The budget is an important step toward achieving this goal. It proposes 10 percent average annual increases in aviation capital modernization funding over the next five years. For 1999, it invests \$2.1 billion in modernization, compared to the \$1.9 billion that Congress enacted in 1998. It supports continued replacement of air traffic control computers at the Nation's busiest airports and en-route centers, and maintains the safety and integrity of existing systems until they are replaced. It also promotes the development of prototype software tools to allow air traffic controllers to more efficiently route traffic. By 2003, the projected capital modernization budget totals \$3.2 billion (see Table 5.2).

The budget makes longer-term investments in developing advanced navigation, communications, and decision support technology in pursuit of a revolutionary operational concept known as "free-flight." It includes more than \$300 million over four years for the Flight 2000 Demonstration Program to test and validate the equipment and procedures needed to shift from traditional ground-based air traffic control to more collaborative air traffic management. Also, as the Gore Commission recommended, the budget proposes \$100 million in 1999 to purchase 88 explosives detection systems, 125 trace detection devices, 85 carry-on-baggage x-ray machines, and as many as 100 hardened cargo containers for passenger jets.

In addition, the budget proposes significant increases for FAA Operations. It increases funding by five percent, to \$5.6 billion, to ensure the continued safe and efficient operation of the National Airspace System and fully fund Gore Commission recommendations (see Table 5-2). The budget provides funds

**Table 5-2. FEDERAL AVIATION ADMINISTRATION
MODERNIZATION AND OPERATIONS FUNDING**

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	2003 Proposed	Percent Change: 1998 to 1999	Percent Change: 1998 to 1999
Modernization	1,938	1,875	2,130	3,185	+255	+14%
Operations	4,953	5,337	5,631	6,839	+294	+6%

for 222 new air traffic controllers, 175 new maintenance technicians, and 43 more safety inspectors, and more funds to operate and maintain newly acquired systems, expand the aging aircraft inspection program to cover non-structural systems, develop a standard safety database to share information in accident prevention programs, perform airport vulnerability assessments, and increase security of aviation information systems.

As aviation funding rises in the next five years, the budget assumes that direct user fees will support more of this investment. Over time, excise taxes will give way to more efficient service-based charges. By 2003, direct user fees, which encourage better system management and more accurately reflect system use, would fund the NAS completely.

Airport Grants: About 3,300 large and small airports are eligible for Federal capital grants to help build runways and make other capital improvements that enhance capacity, safety, security, and noise mitigation. The budget proposes \$1.7 billion for the Airport Grants Program that, along with State and local funds, supplements airport revenues that fund 84 percent of the development costs of commercial service airports. These revenues include about \$1.1 billion a year in local passenger facility charges, authorized in 1990 and paid by passengers to improve the aviation facilities they use. The collections go directly to the local airports for improvement projects.

Promoting a Cleaner and Safer America

In recent years, the Nation has recognized that we have limited ability to add new physical capacity to our transportation system. Furthermore, the effects of new physical

capacity on the environment and the quality of our lives are often unacceptable: air and noise pollution, congestion, community disruption, and loss of land for alternate uses are just a few examples. As Americans, we also must ensure that, as our transportation system expands, we improve the way we protect our families from the hazards of travel.

Safer Roads: Transportation safety, an Administration priority, is an integral component of investment in our highway transportation system. The highway and vehicle safety programs that NHTSA administers reduce fatalities and injuries. The economic cost to society of motor vehicle crashes is an estimated \$150 billion a year, according to an analysis of 1994 NHTSA data. NHTSA's programs have played a significant role in saving over \$30 billion of additional economic costs that would otherwise accrue.

The budget increases funding for NHTSA programs by 22 percent above 1998 levels, fully funding the Presidential Initiative for Increasing Seat Belt Usage Nation-wide. This Initiative is designed to increase seat belt usage from the current 68 percent to 85 percent in 2000 and 90 percent in 2005. It reflects a broadened, more intensive public education program involving public and private partnerships and more State participation in enacting strong laws and effectively enforcing them. NHTSA's outreach program and State participation are designed to reduce alcohol and drug-related fatalities and injuries. Further, NHTSA's research and vehicle programs employ engineering and marketing approaches to improve vehicle safety and

enhance our highway safety and infrastructure.

Intelligent Transportation Systems (ITS): In our surface modes, the broad range of technologies that the Administration is developing, testing, and installing under the ITS program hold the promise of meeting greater traffic demand with existing facilities; reducing congestion; and improving safety. ITS programs can also increase personal mobility, cut freight costs, and allow firms to develop customized transportation solutions. Together with the local flexibility that ISTEA offers, these programs helped hold peak-hour congestion growth on urban interstate highways to 2.5 percent from 1990 to 1995, despite annual increases in vehicle travel.

Congestion Mitigation and Air Quality Improvements (CMAQ): To make America's transportation system more environmentally sensitive, the budget proposes 1.3 billion for the CMAQ program, which funds many innovative infrastructure projects to improve the Nation's air quality and reduce congestion. Transit investment and bicycle- and pedestrian-oriented infrastructure projects have provided commuting and recreation alternatives in many of our heavily populated urban areas, and coordinated responses to congestion have enabled local communities to reduce emissions.

Maritime Efficiency: America's roads and railways stop at the border, but our economic and national security interests extend across the globe. Our ports and waterways tie America to the rest of the world. The Coast Guard is developing the Port and Waterway Safety System to improve shipping control and increase safety in major U.S. ports. Investments in maritime Differential Global Positioning Systems and in the national VHF-FM communication system will move vessels more safely and efficiently through our waterways. The Coast Guard is also modernizing its capital assets by replacing 37 World War II-era buoy tenders with just 30 technically advanced, minimally-manned vessels that can more efficiently maintain our 50,000 public navigational aids as well as respond to oil spills.

Further, the Maritime Administration administers the Title XI loan guarantee program that, since 1994, has guaranteed the construction of 296 ships and six shipyard moderniza-

tion projects, totaling over 2.1 billion. The budget, which proposes over \$600 million for Title XI loan guarantees, reflects the Administration's support for this valuable program and represents the President's continued commitment to maintain a strong, viable U.S. merchant marine and shipbuilding industry.

Investing in Sustainable and Inclusive Communities

U.S. transportation history centers around ever-increasing access for all Americans. Americans travel more than ever and use their transportation system more and more, because our infrastructure investment, in the form of transit, passenger rail, and bus systems, provides mobility options for all Americans. It particularly benefits those who cannot travel by automobile or other private vehicle due to income, disability, or age.

Community-Oriented Transportation: Since 1993, the Administration has provided \$52 million in transit funding to 21 communities in order to foster community-oriented, customer-friendly transportation facilities and services. The Livable Communities Initiative (LCI) enhances the impact of transportation investments by leveraging State and local funds, using flexible highway funds and other eligible sources. For example:

- One successful LCI initiative in Atlanta led to better pedestrian access to transit stations and the construction of three new gateways to the Atlanta University Center, improving ridership, safety and access to jobs, and providing new community service and educational opportunities.
- Another LCI project, the Los Angeles Neighborhood Initiative, led to transit-related improvements that attracted neighborhood investment, played a leading role in the city's redevelopment, and helped cut the crime rate by 19 percent.

In addition, since 1993, the Administration has provided \$2.5 billion to the States to fund Transportation Enhancement projects, and the budget proposes \$562 million for 1999. This funding supports transportation-related recreational trails, historic preservation, water pollution mitigation, and economic

development activities designed to improve the quality of life in our communities. Other Federal grants will continue to relieve aircraft noise problems by helping to soundproof or relocate residences and public buildings in runway approach zones.

- [^] *Welfare to Work:* Transportation infrastructure plays a critical role in welfare reform.

highways
?

The Administration seeks to strengthen the vital connection between transportation and employment through its Access to Jobs and Training Initiative. The budget provides \$100 million to develop new and supplementary transportation to enhance the access that welfare recipients and other economically disadvantaged persons have to jobs and support activities.

9. ADVANCING UNITED STATES LEADERSHIP IN THE WORLD

Nations are now setting the international ground rules for the 21st Century, laying a foundation for security and prosperity for those who live within them, while isolating those who challenge them from the outside. This system will develop and endure only if those who follow the rules of peace and freedom fully reap their rewards. Only then will our people believe that they have a stake in supporting and shaping the emerging international system.

President Clinton
September 1997

Open

Americans have a tremendous stake in world events. The establishment of democracy and market economies in the former Soviet bloc, the safe disposal or storage of weapons of mass destruction in Russia and elsewhere, the identification and control of deadly tropical diseases in Africa, and the maintenance of healthy economies in Asia and Latin America—all of these are important to the security, health, and prosperity of the American people.

American diplomacy, implemented through international affairs programs, is the means by which the United States leads abroad on many important issues. For several years, the resources that Congress provided were inadequate to ensure that leadership. In 1998, however, the Administration and Congress worked successfully to build major bipartisan support for an increase in international affairs spending, including special legislative provisions to facilitate support of international financial institutions and the United Nations (UN) and other international organizations.

Despite welcome congressional action on international affairs programs, an unfinished agenda remains in areas critical to U.S. national interests. Most striking, the Federal Government must provide more resources for key programs. To support continued U.S. economic growth, Congress should continue to support the decisive action of the International Monetary Fund (IMF) and U.S. leadership in that institution by providing the supplementary contingent IMF funding that the Administration sought and replenishing

the IMF's basic financial resources. For the UN, whose Security Council deals with security issues* from Iraq to Bosnia, and for related international organizations dealing with such issues as health and labor conditions, Congress should take steps to pay \$1 billion in U.S. arrears on treaty-mandated contributions to the UN and other organizations. Congress should also continue to pay off arrears to the multinational development banks and the Global Environment Facility (GEF), which total \$632 million.

In the area of trade, where the growth in exports has been so critical to our recent economic prosperity, the "fast track" legislation that would give the President traditional negotiating authority to help fuel our surging exports into the next century remains unacceptably stalled in Congress. The Administration and Congress should enact this legislation, as well as legislation promoting trade with Africa and the Caribbean Basin, as soon as possible. The Administration proposes more export financing to take advantage of opportunities emerging in regions such as the New Independent States (NIS) of the former Soviet Union and to match the government financing offers of other countries. The Administration also proposes to maintain or expand programs that support democracy and free market economic systems in the former communist countries and in Africa by encouraging trade and investment, not only for America's security but also for creating sources of future export demand.

In providing \$19.6 billion for regular international affairs programs, \$1 billion for arrears, and funds for monetary stability, the budget proposes an activist approach to advance U.S. leadership around the world (see Table 9-1). It would complete last year's unfinished business and target funding increases to the most effective programs to achieve foreign policy objectives, rejecting outmoded activities and poorly-performing projects. This request would strengthen U.S. leadership and benefit the American people, while costing just a third of one percent of our national income.

Protecting American Security and Promoting Democracy

Protecting America's key strategic interests remains a timeless goal of our diplomacy. As we move toward the 21st Century, we have a great opportunity to expand the scope of democracy, further ensuring that our interests remain unthreatened. Facing the dilemmas of peacekeeping, regional crises, and economic change, the international community has generally been unable to act effectively without the United States as a leader and a full partner. Advancing U.S.

interests in a global economy brings expanded missions to our diplomacy, our trade strategy, and our assistance programs. A less-orderly world also creates new challenges to our security—such as regional and ethnic conflicts, the proliferation of weapons of mass destruction, international terrorism and crime, narcotics, and environmental degradation.

Developments in the NIS will prove important to U.S. national security. Progress in most of those countries toward democracy and free markets has been steady, but sometimes slow and uneven. In Russia, the key to regional security, a freely elected government is gradually creating the legal framework and governmental infrastructure for democracy and a sound economy. Across the NIS, America's continued leadership will be key to maintain international support for this crucial transition.

The budget proposes \$925 million for assistance to the NIS, 20 percent above the 1998 level. These funds will advance work under the Partnership for Freedom program to use trade and investment measures, private sector partnerships, and cooperation with non-governmental organizations to stimulate free

Table 9-1. INTERNATIONAL DISCRETIONARY PROGRAMS

lc (Budget Authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
International development and humanitarian assistance ¹	6,497	7,033	7,427	+394	+6%
International security assistance	5,980	6,044	6,159	+115	+2%
Conduct of foreign affairs ¹	3,890	3,741	4,146	+405	+11%
Foreign information and exchange activities ²	1,116	1,134	1,134	.....	.....
International financial programs	670	619	782	+163	+26%
Subtotal International discretionary programs	18,153	18,571	19,648	+1,077	+6%
Multilateral Development Bank arrears .....	.....	360	502	?	?
International Organization arrears .....	.....	100	.....	.....?	.....?
Total, including Arrears	18,153	19,031	20,150	+1,119	+6%

¹ Excluding arrears payments.

² Pursuant to Section 309(g) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, the President hereby determines that continuation of funding for Radio Free Asia for Fiscal Year 1999 is in the interest of the United States.

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market economic growth. One new activity is the Presidential Management Training Initiative, to which Presidents Clinton and Yeltsin recently agreed, that will enable NIS business managers to receive training and internships with U.S. firms, benefitting the managers, the firms, NIS economies, and U.S. foreign policy.

After nearly a decade of U.S. and international support, the transition to democracy and free markets in Central and Eastern Europe has been remarkably successful. Our assistance to the governments of most of the countries in the northern portion of the region has ended, or will soon. These countries are moving toward economic integration with the United States and Western Europe. Last year's highlight was NATO's decision to accept three countries—the Czech Republic, Hungary, and Poland—as members. As a result, the budget will provide over \$100 million in security assistance to help integrate these countries' military forces and to aid other potential candidates for NATO membership. In addition, this budget projects increases in NATO's three common-funded budgets for the coming years to reflect certain costs associated with NATO's enlargement. In December, NATO estimated that the costs of enlargement that it will bear within these three budgets will be about \$1.5 billion over the next 10 years, of which the United States will pay about one-quarter, or less than \$40 million a year on average during this period.

The budget proposes \$465 million in economic aid for Eastern Europe and the Baltic States, \$225 million of which would support the firm U.S. commitment to see the Dayton Accords fully implemented for Bosnia. Assistance to Bosnia will complement the continuation of U.S. troops in that troubled nation, particularly by financing training and other support for local police to foster effective, fair, and professional public safety forces. Economic assistance will strengthen the emergence of a vital private sector. The Bosnians are beginning to realize the benefits of free markets, and we must strongly foster their nascent prosperity to demonstrate that a return to hostilities will hurt all Bosnians.

For the other southern-tier countries of Eastern Europe, U.S. assistance will apply the lessons learned elsewhere in the region to accelerate economic reform, particularly in Romania, where the United States has offered a reform-oriented partnership with the newly elected government. During the Cold War, private civil institutions in Eastern Europe eroded greatly, and fully reconstructing them within the short time since then has not been easy. Thus, the budget proposes to create an innovative \$100 million Civil Society Trust Fund, financed half by Federal funds and half by private contributions, mainly from foundations. In countries where our official aid has ended, the Fund will foster grass roots political activity and viable non-governmental organizations.

Our strategic interest in peace in the Middle East is as strong as ever. The peace process has achieved much already. The need for reconciliation remains urgent, and America continues to play a unique leadership role in the effort to craft a durable, comprehensive regional peace. The budget proposes \$5.3 billion for security assistance to sustain the Middle East peace process. The assistance program provides \$100 million for the third year of a Middle East Peace and Stability Fund that will provide aid mainly to Jordan in recognition of that country's needs and King Hussein's important continuing contributions toward peace and reconciliation.

The rest of our security assistance programs are designed to support peace and democracy in countries and regions where our leadership has helped those processes emerge. Under the budget, economic support funding for Haiti would double, to \$140 million, to ensure the success of that country's hard-won democracy. The budget also would support reconciliation and peace in Guatemala and strengthen the capacity of African governments to provide regional peacekeeping on that troubled continent.

Ensuring America's Leadership in the International Community

Following World War II, the United States assumed a unique leadership role in building international institutions to bring the world's nations together to meet mutual security,

economic and humanitarian needs. We sponsored and provided significant funding for the UN, the IMF, and the World Bank, along with other specialized regional security and financial institutions that became the foundation of international cooperation during the Cold War.

To ensure financial stability for this international community, members of many of the UN and related international organizations (IOs) entered into treaties or similar instruments committing them to pay specified shares (or, "assessments") of IO budgets. Congress ratified these agreements, making them binding on the United States. For the multilateral development banks (MDBs—that is, the World Bank, its regional development bank partners, and the GEF), the developed countries, including the United States, make firm commitments to regular replenishments of their resources, in our case subject to the congressional authorization and appropriations processes.

By 1997, America's leadership in this international institutional network had seriously eroded due to past congressional cuts in appropriations needed to meet our assessments and commitments. The resulting arrears to the IOs had accumulated to over \$1 billion, and arrears to the MDBs were nearly \$900 million. In the 1998 budget, the Administration proposed to pay off arrears on assessments over two years if the IOs undertook budget and management reforms, including lowering the U.S. annual assessment percentage in the future. It also proposed to pay off MDB arrears over three years in light of program and management reforms already under way.

As part of last year's bipartisan budget agreement, Congress provided room in the budget resolution to pay the accumulated arrears while still funding ongoing international affairs programs at an adequate level. Under this arrangement, Congress cleared over a third of the Nation's MDB arrears. The Administration and Congress also developed bipartisan support for authorizing legislation to clear assessment arrears over three years in return for specified IO reforms, and Congress passed an initial 1998 appropriation of \$100 million, subject to enacting the authorization. But the legislation

stalled when some Members linked its passage to unrelated anti-abortion legislation that the Administration could not accept, thus undermining U.S. diplomatic efforts to achieve budgetary reforms and leading to a serious loss of U.S. credibility in the UN and other IOs.

With the U.S. failure to address its sizable arrears, the UN General Assembly in December 1997 established assessment rates for the next three years without reducing the U.S. percentage. Due to a major U.S. diplomatic effort, however, UN members agreed to reconsider the three-year decision in June 1998—provided that the United States resolves its arrears situation. To effect UN rate changes, the Administration and Congress must enact legislation by May 1998. The Administration will shortly transmit a proposal that seeks early action of new authorization and appropriations legislation to pay over \$1 billion of the \$1.5 billion of accumulated arrears—thus acknowledging that the payments would not fully cover U.S. arrears to the IOs. The proposal will include language to give the Administration the flexibility to increase payments within the overall arrears package to the UN above what the Administration requested last year. The Administration is prepared to work with Congress to shape the legislation. In addition, Congress must appropriate \$931 million to meet 1999 assessments—\$31 million more than the UN would have required if Congress had passed last year's authorizing package.

In addition, the budget proposes \$502 million to continue the planned payoff of MDB and GEF arrears and \$1.15 billion to pay current commitments to these institutions, which provide most of the assistance to those poor countries around the world that are undertaking promising economic reforms. The United States has convinced the MDBs to do more, while asking less from the American taxpayer. As a result of recent negotiations, U.S. commitments for all the MDBs have been cut by 40 percent and are now below what we once paid for the World Bank's International Development Association affiliate alone.

Supporting International Monetary Programs

As the world becomes more economically integrated, the smooth functioning of its monetary system becomes more critical to every nation's economy. Severe disruptions in Asian economies demonstrate the world-wide impact of crises in major economies. Even the U.S. economy is not immune, despite its size, strength, and depth. The Administration is having urgent consultations with Congress on the most effective means to foster an early, tenable return to more stable international monetary conditions.

For 1998, the Administration proposed a one-time appropriation to a special international facility, the New Arrangements to Borrow (NAB). With credit commitments from 24 other nations, including most industrialized countries and several emerging market economies, NAB would provide a set of contingent credit lines to supplement IMF resources, if necessary, when a monetary crisis in one or more countries threatens the entire system. Congress did not enact the appropriation because it, too, was linked to the anti-abortion issue. These funds are urgently needed as a reserve in case the emergency demands on IMF quota resources deplete the IMF's liquidity so much that it cannot maintain international monetary stability.

As the global economy and capital markets expand, the IMF's basic (quota) resources must rise so that it can carry out its ongoing responsibilities to promote monetary stability and healthy economies. Since its inception in 1945, the IMF has played a major role in fostering the unprecedented growth in world prosperity. Recent IMF programs to provide crisis assistance in Asia have drawn heavily on the Fund's quota resources, reducing them to relatively low levels. The United States urgently needs to provide its share of the IMF's proposed \$87 billion increase in regular resources so that the IMF can continue to meet members' anticipated demands while coping with additional exceptional calls under current crisis conditions should they arise. The Administration will request a 1998 supplemental appropriation of \$14.5 billion for a U.S. quota increase for the IMF and of \$3.4 billion

for the U.S. credit commitment to the NAB. Because they are monetary exchanges, neither the quota increase nor the credit commitment to the NAB would entail annual budget outlays.

Increasing American Prosperity Through Trade

The Administration remains committed to opening global markets and integrating the global economic system, which has become a key element of continuing economic prosperity here at home. This goal is increasingly central to America's diplomatic activities. The Administration is helping to lay the groundwork for sustained, non-inflationary growth into the next century by implementing the North American Free Trade Agreement and the multilateral trade agreements concluded during the Uruguay Round. Specifically, the Administration is working hard to ensure that America receives the full benefit of these agreements, as recently illustrated by the December 1997 conclusion of a key agreement on financial services.

To promote more mutually-beneficial trade relationships, the Administration last year proposed fast track legislation to give the President authority to negotiate trade agreements on which Congress would get a simple up-or-down vote, without amendments that would require renegotiation. Such trade agreements would further promote U.S. export growth, creating high-wage jobs for Americans. The Administration will press this year for Congress to enact fast track authority, which every President since Gerald Ford has received from Congresses of both parties.

The Administration also will propose to extend the Generalized System of Preferences, which cuts tariffs on many imports from the poorer developing countries, beyond its current expiration date of June 30, 1998, and to give expanded trade benefits to the eligible countries of the Caribbean Basin Initiative. Also, as part of a larger trade and investment initiative for Africa, the Administration will propose special trade benefits to African countries that are reforming their trading regimes to encourage economic growth.

As various trade agreements offer opportunities for exports, the demand for trade finance

Investing in Trade Promotion

Trade plays a growing role in the U.S. economy. A third of America's economic growth of the last five years has come from trade, while exports of manufactured goods, high-technology products, and agricultural goods have risen by over 40 percent. Exports grew to 11.4 percent of Gross Domestic Product (GDP) in 1996, compared to 4.8 percent in 1960, while imports grew to 12.6 percent in 1996, compared to 4.3 percent in 1960. Today, exports support over 11 million U.S. jobs—including one in five manufacturing jobs—and have generated nearly two million new jobs in the past four years alone.

But the Nation has huge opportunities for further growth. While America accounts for 22 percent of the world's wealth, it has only four percent of its consumers. The greatest export opportunities lie in the emerging market economies of Latin America, Asia, the Middle East, Africa, Central and Southern Europe, and the Newly Independent States of the former Soviet Union. Middle- and lower-income countries accounted for 80 percent of the rapid U.S. export growth of the past eight years.

Trade barriers in these new markets often remain high, however, while developed nations provide substantial export subsidies to their home-grown businesses. U.S. trade promotion programs are designed to open foreign markets, combat foreign subsidies, finance and insure U.S. trade and investment where the private sector does not, provide information, develop foreign markets, and provide government-to-government advocacy.

This budget invests heavily in trade promotion. It provides substantial increases for the Export-Import Bank, which finances U.S. exports, and the Overseas Private Investment Corporation, which insures U.S. exports. In addition, the budget proposes increases for the Commerce Department's International Trade Administration, which promotes U.S. trade through its Export Assistance Centers and overseas foreign commercial offices. The multi-agency Africa Initiative and higher funding for the Agency for International Development will help foster growing economies and future trading partners. Also, the budget proposes to extend the Generalized System of Preferences and to provide expanded trade benefits for Caribbean Basin Initiative countries.

and investment support increases. The main U.S. trade finance agency, the Export-Import Bank, has expanded its direct and guaranteed loans and export insurance to countries that cannot get import financing at reasonable terms and to match the government export financing offers of other industrialized countries. The Bank expects particularly heavy demand from the NIS for exports that will benefit both the U.S. and the other countries that receive them, and contribute to economic and political reform across the NIS. The budget proposes \$825 million for the Bank, 18 percent above the 1998 level. It also continues support for the investment insurance and finance programs of the Overseas Private Investment Corporation, which also increase exports, and for the Trade and Development Agency's (TDA) grants for feasibility studies of capital investments abroad that can generate follow-on exports. A special TDA program will focus on creating trading opportuni-

ties in China. In addition, the budget provides an 18 percent increase, to \$20 million, for the Commerce Department's Market Access and Compliance (MAC) Unit, whose members monitor trade agreements and identify compliance problems.

Supporting Development Assistance

Development assistance through the MDBs and, bilaterally, through the U.S. Agency for International Development (USAID) helps many of the poorest countries give their peoples a more effective government and higher living standards. This assistance, including projects that create the conditions for economic growth, promote democracy, enhance human health, and provide basic education, serves long-term U.S. interests and diminishes the need for short-term crisis intervention.

The Administration has streamlined USAID lending as well, focusing it on countries most vigorously committed to the reforms that will generate sustainable development. The budget proposes \$1.8 billion for USAID's development assistance program. Along with ongoing African aid programs, the budget proposes \$30 million of special development aid programs to support the broader trade and investment initiative for the continent. In addition, the budget proposes \$35 million in special debt relief to African countries eligible for the initiative. Complementing these programs, another \$35 million of security assistance will go to the Great Lakes region in the interior of Africa to promote the rule of law and conflict prevention among the warring parties there, thus creating political conditions favorable to achieving the economic growth that the area so badly needs.

The Peace Corps has helped spur the development of many countries while promoting better understanding among nations, and the American people strongly support the program. The budget proposes \$270 million, 19 percent more than in 1998, to enable the agency to begin increasing the number of volunteers abroad—with the goal of 10,000 volunteers by the year 2000.

Leading the Response to New International Challenges

Another fundamental goal, and an increasing focus of our diplomacy, is meeting the new transnational threats to U.S. and global security—the proliferation of weapons of mass destruction, drug trafficking and the spread of crime and terrorism on an international scale, unrestrained population growth, and environmental degradation.

In 1997, the Administration sought and obtained Senate ratification of the Chemical Weapons Convention, which will begin imposing controls on a class of destructive weapons not well regulated in the past. Congress has not ratified the Comprehensive Nuclear Test Ban Treaty, which the Administration transmitted in September 1997 and which is so important to our national security. U.S. diplomacy and law enforcement activities are playing a key role in preventing the spread of weapons of mass destruction to

outlaw states such as Libya, Iraq, Iran, Syria, and North Korea. In addition, U.S. support for such organizations as the International Atomic Energy Agency and the Korean Peninsula Energy Development Organization is critical to meeting our non-proliferation goals.

U.S. bilateral assistance programs are critical to tackling other important transnational problems. Our international counter-narcotics efforts are making continued progress in drug-producing countries. After several years of cutting deeply the Administration's proposals for counter-narcotics, Congress has begun providing the requested funding increases in order to cut the supply of illegal drugs, particularly cocaine. The budget proposes a 20 percent increase in anti-drug funding, to \$275 million, which will permit the United States to intensify its efforts to curb cocaine production in the Andean countries by offering growers attractive economic alternatives.

In addition, USAID development assistance and U.S. contributions to international efforts, such as the GEF, support large and successful programs to improve the environment and reduce population growth. The GEF works closely with the MDBs, promoting sound responses to climate change, depletion of the ozone layer, and extinction of species. The United States is the recognized world leader in promoting safe, effective family planning projects.

Conducting and Administering Diplomacy

Effective diplomacy is the critical foundation for meeting our foreign policy goals. The budget supports a strong U.S. presence at over 250 embassies and other posts overseas, promoting U.S. interests abroad and protecting and serving Americans by providing consular services. The basic work of diplomacy at these posts—the reporting, analysis, negotiations, and other efforts that often go unnoticed—are at the core of all U.S. foreign policy achievements, allowing us, among other things, to anticipate and prevent threats to our national security as well as discover new opportunities to promote American interests. The overseas posts also serve as the administrative platform for the many other U.S. agencies with personnel abroad, from

USAID to the Departments of Defense, Justice, and the Treasury.

In 1997, the Administration took two major steps to improve the management of our diplomacy. First, a new management system, the International Cooperative Administrative Support Services (ICASS), will more fairly allocate—among all agencies with an overseas presence—the administrative costs that the State Department used to bear on its own. Agencies, in turn, will be able to use the administrative services that most suit them. Second, the State Department will reengineer its procurement system, eliminating cumbersome procedures, providing services much quicker, and significantly cutting costs.

The budget proposes \$2.8 billion for the State Department to maintain its worldwide operations, take major steps to modernize its information technology and communications

systems and ensure year 2000 compliance, and accommodate security and facility requirements at posts abroad. It proposes two major initiatives—construction of both a new embassy building in Berlin, where U.S. personnel have been in temporary facilities since their move to the new German capital, and an embassy and related facilities in Beijing, where current arrangements are inadequate to house the representation appropriate to diplomacy with a major world power and to ensure security from espionage.

Finally, the Administration expects Congress to enact legislation in early 1998 to implement its proposal to consolidate the Arms Control and Disarmament Agency and the U.S. Information Agency into the State Department, thus better integrating arms control and public diplomacy into the mainstream of foreign policy.

10. SUPPORTING THE WORLD'S STRONGEST MILITARY FORCE

There will always be threats to our well-being, to the peaceful community of nations to which we belong. Indeed, in the years ahead, we will see more and more threats that cross national borders—terrorism, weapons of mass destruction proliferating around the world, the growth of organized crime and drug trafficking. We will have to find new ways to meet these security threats.

President Clinton
November 1997

S. Price

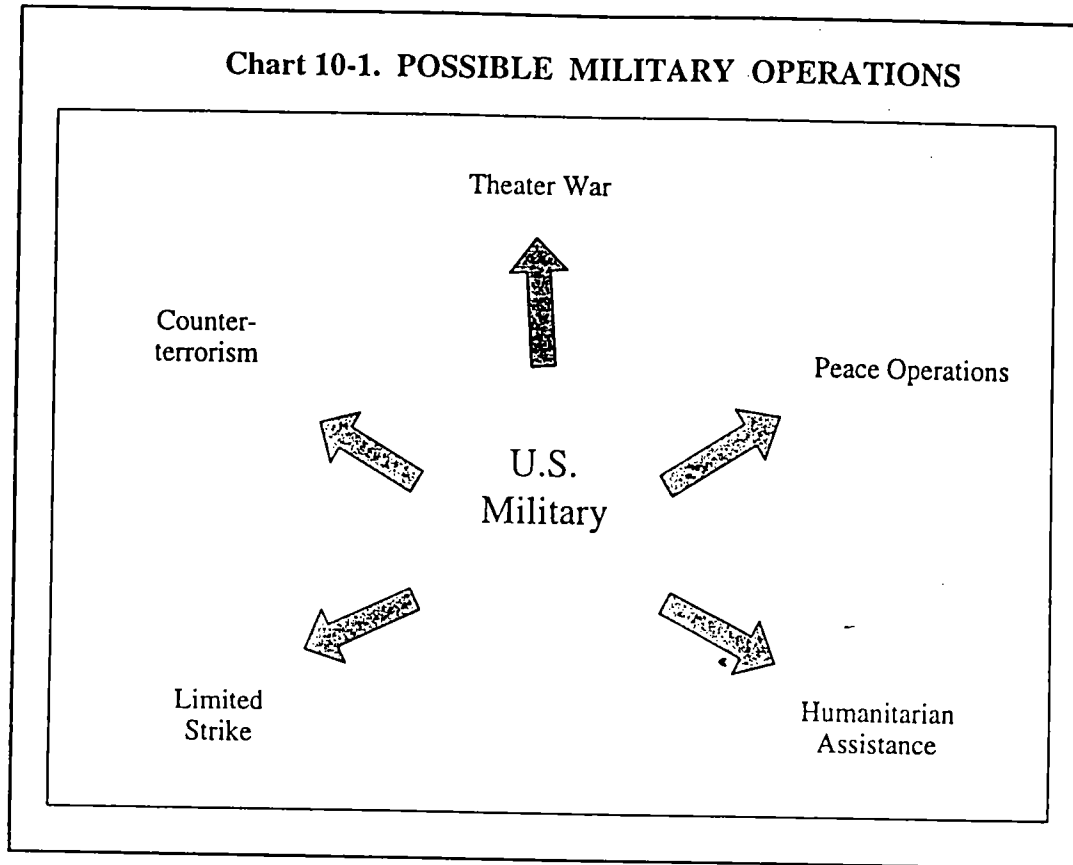
As the world's most powerful fighting force, our Nation's military serves as the backbone of U.S. national security strategy, safeguarding America's interests, deterring conflict, and securing the peace. Maintaining a strong and capable military remains essential to protecting our freedoms and ensuring America's global leadership role as we approach the 21st Century.

As the security partner of choice for many countries in all regions of the world, America remains the "indispensable nation" of the post-Cold War era. Consistent with our global responsibilities, the U.S. military must deter our adversaries and reassure our friends and allies that America is prepared to put force behind the defense of its interests. American forces must prevail when committed to combat: they must be prepared and trained for existing or newly emerging threats, such as countering the proliferation of weapons of mass destruction; they must be able to undertake demanding contingency or humanitarian operations; and, they must be supported by a modern defense infrastructure that utilizes efficient management and business practices.

This Nation has built, and the Administration continues to support, a military second to none. But while the United States remains the only nation with the combat, logistical, mobility, intelligence, and communications capabilities to conduct effective military operations worldwide, we must continue to prepare for tomorrow's challenges. The Department of Defense (DOD) recently completed the

Quadrennial Defense Review (QDR), a strategic plan to ensure that our forces remain capable of executing the full range of global military operations into the next century. Consistent with the QDR, the defense program embraces three key elements:

- *Shaping the International Environment:* Along with diplomacy and economic initiatives, the U.S. military plays an essential role in shaping the international security environment in ways that promote U.S. interests and sustain the peace. U.S. forces are involved in a wide variety of activities that bolster our own national security and the security of others. Such activities include overseas deployments and programs that reduce or eliminate the nuclear, biological, and chemical capabilities of other countries. These important efforts, which the budget supports, make it less likely that our military will be committed to combat. *lc*
- *Responding to the Full Spectrum of Crises:* Despite U.S. efforts to prevent conflict, our forces at times must respond to crises in order to protect our national interests, demonstrate U.S. resolve, and reaffirm the Nation's role as global leader. As Chart 10-1 shows, U.S. forces must be able to address the full spectrum of possible military crises, including smaller-scale contingency missions, counterterrorism operations, and major theater wars. *lc*
- *Preparing Now for an Uncertain Future:* While maintaining the capability to confront today's dangers, we must con-



tinue to transform our military to meet emerging threats. But, in the face of near-term demands to protect U.S. interests within the constraints of available resources, we must pursue this transformation prudently. The budget provides resources for a focused modernization effort to replace aging systems and incorporate information and other cutting-edge technologies. In addition, the budget continues the Administration's emphasis on reengineering our military's infrastructure to support U.S. warfighters in a faster, better, less-costly manner.

The budget fully supports the recommendations of both the QDR and of DOD's recently released Defense Reform Initiative (DRI), a plan to achieve a leaner, more efficient, and more cost-effective organization through improved management and business practices. To implement these business improvements, DOD will submit legislation to Congress in conjunction with the budget—including legislation for two more rounds of base closures

and realignments, in 2001 and 2005. In a constrained fiscal environment, retooling DOD to achieve greater efficiencies will save funds that can go to modernize U.S. military forces.

~ (see Table 10-1)

Providing the Necessary Funding

For DOD, the budget proposes discretionary funding of \$258.4 billion in budget authority and \$253.9 billion in outlays for 1999. The budget continues the Administration's plan, as reaffirmed by the QDR, of completing the careful resizing of U.S. military forces, fully supporting military readiness at current levels, enhancing quality of life programs, and increasing funding to modernize our forces as new technologies become available after the turn of the century. Over this period, the budget reflects savings from lower estimates of inflation, which will go to finance increases in counterproliferation, counterterrorism and counter-drug programs, and new weapons procurement.

Table 10-1. MILITARY FORCE TRENDS

	Cold War (1990)	1999	2003 Target
Army:			
Divisions (active/National Guard)	18/10	¹ 10/8 ²	¹ 10/8 ²
Air Force:			
Fighter wing (active/reserve)	24/12	13/7	12+/8
Navy:			
Aircraft carriers (active/training)	15/1	11/1	11/1
Air wings (active/reserve)	13/2	10/1	10/1
Total battle force ships ³	546	314	306
Marine Corps:			
Divisions (active/reserve)	3/1	3/1	3/1
Wings (active/reserve)	3/1	3/1	3/1
Strategic nuclear forces:			
Intercontinental ballistic missiles/warheads	1,000/2,450	550/2,000	500/500 ⁴
Ballistic missile submarines	31	18	14 ⁴
Sea-launched ballistic missiles/warheads	568/4,864	432/3,456	336/not over 1,750 ⁴
Heavy bombers	324	89 ⁵	92 ⁵
Military personnel:			
Active	2,069,000	1,395,800	1,365,500
Selected reserve	1,128,000	877,100	837,100

¹ Plus two armored cavalry regiments.
² Plus 18 separate brigades (15 of which are at enhanced readiness levels).
³ Includes active and reserve ships of the following types: aircraft carriers, surface combatants, submarines, amphibious warfare ships, mine warfare ships and combat logistics force and other support ships.
⁴ Upon entry-into-force of START II.
⁵ Does not include 95 B-1 bombers dedicated to conventional missions.

Preparing Military Forces in the Post-Cold War Era

Providing Humanitarian and Disaster Assistance: Given its global presence and unique capabilities, America's military is often asked to respond to international disasters and human tragedies. Such responses may come at the direction of U.S. commanders, who can respond quickly to regional problems, or at the President's direction when he determines that DOD is the appropriate agency to provide U.S. support. The proposed \$63 million for the Overseas Humanitarian, Disaster, and Civic Aid account, an increase of \$16 million over the 1998 level, will allow DOD to provide critical humanitarian and disaster assistance to support U.S. interests without cutting into the resources available for readiness. Of the \$63 million, \$34 million will support the Presi-

dent's initiative to expand the U.S. Humanitarian Demining Program.

Executing Counter-drug Programs: DOD participates fully in the President's National Drug Control Strategy, designed to stem the flow of illegal drugs into the country and reduce demand. DOD fulfills its primary missions—to eliminate foreign and domestic drug supply sources and prevent drugs from entering the country—by detecting and monitoring ships and aircraft moving drugs to the United States, supporting domestic and foreign law enforcement, collecting and analyzing foreign intelligence, and supporting the activities of the National Guard under State counter-drug programs. DOD continues to fight illegal drug use in the military through prevention, education, and testing. The budget proposes \$883 million for DOD's counter-drug efforts.

Shaping the Environment Through Arms Control and Cooperative Threat Reduction: The Cooperative Threat Reduction Program (also called the Nunn-Lugar Program) helps build a safer world by dismantling nuclear forces, securing nuclear weapons and materials, and destroying chemical weapons in the former Soviet Union. The budget proposes \$442 million to continue this vital program. The President also remains strongly committed to reducing the threat from weapons of mass destruction through existing or anticipated arms control agreements. Over the past five years, the Administration has worked hard to implement the START I treaty; bring the START II treaty into force; oversee the ratification of, and begin to implement, the Chemical Weapons Convention; indefinitely and unconditionally extend the Nuclear Nonproliferation Treaty; and obtain the signing of the Comprehensive Test Ban Treaty (CTBT). The START II treaty awaits Russia's approval, after which the President plans to seek a subsequent agreement to further reduce warhead levels.

Ensuring Successful Contingency Operations: U.S. forces have provided leadership in contingency operations that support our interests. As in previous years, the budget proposes funding for ongoing contingency operations in Southwest Asia in the Overseas Contingency Operations Transfer Fund; for 1999, the budget proposes \$747 million to fund the Southwest Asia operations. Congressional approval would allow DOD to avoid redirecting funds from operations and maintenance programs to contingency operations, thereby helping to maintain the readiness of our force.

While the President has announced his intention that United States forces participate in a NATO follow-on force in Bosnia, starting in July 1998, NATO has not yet finalized the exact structure required for the force. Consequently, DOD has not been able to determine the specific American contribution to that force. Once NATO makes these force structure decisions, the Administration will send Congress a supplemental funding request to cover the additional costs, as prescribed by the 1998 Defense Authorization and Appropriation Acts.

Countering the Proliferation of, and Defending Against, Weapons of Mass Destruction: The President remains committed to developing capabilities to locate and neutralize nuclear, biological, and chemical weapons before they can be used, and to protect U.S. troops against their effects. The budget proposes over \$800 million for the effort. High-priority efforts include gaining the means to identify and destroy underground production and storage sites, refining methods to detect and track weapons shipments, and improving the means to detect and identify biological warfare agents. In response to the emerging terrorist threat of chemical or biological attacks on American cities, the budget also funds improvements to domestic preparedness and response capabilities.

Protecting our Forces and Combating Terrorism: The protection of U.S. service members, deployed or at home, against the threat of terrorism is a fundamental task. The budget proposes \$3.9 billion to fully fund DOD's programs to combat terrorism, including routine force protection. The resources will improve our preparedness to respond to a terrorist attack that employs weapons of mass destruction, and enable DOD to continue a comprehensive vulnerability assessment program to identify and respond to force protection needs beyond those identified and funded.

Developing Technologies to Defend Against Strategic Ballistic Missiles: The budget proposes \$963 million to continue developing a national missile defense to protect the United States from a limited ballistic missile attack. This contingency capability will allow DOD to deploy an effective system rapidly if a threat should emerge sooner than U.S. intelligence now estimates.

Developing and Deploying Defenses Against Theater Ballistic Missiles (TMD): The budget proposes over \$2.4 billion to develop and deploy systems to defend against missiles that directly threaten U.S. and allied forces deployed in a specific area of the world. While the funding is primarily for research and development of advanced systems to meet future threats, it includes \$343 million to procure an advanced version of the Patriot missile and \$43 million for the Navy's Area Defense

TMD System that can be deployed immediately.

Maintaining the Nation's Nuclear Deterrent: Although funding for nuclear forces is at its lowest level in over 30 years, these forces remain an essential component of our military capability. Within treaty-imposed limits, their primary mission is to deter nuclear attack against the United States and its allies, and to convince potential adversaries that they will never gain a nuclear advantage against our Nation.

The budget also proposes \$4.5 billion for the Department of Energy (DOE) to maintain confidence in the safety, reliability, and performance of the nuclear weapons stockpile. DOE will perform this mission, without underground nuclear testing, to comply with the proposed CTBT. To make up for the loss of testing, DOE plans to build new non-nuclear test facilities while upgrading the computer models it uses to predict the performance of nuclear weapons. The budget includes: \$284 million to continue construction of the National Ignition Facility at the Lawrence Livermore National Laboratory; \$518 million, \$140 million more than in 1998, for the Advanced Strategic Computing Initiative; and \$157 million for a new source of tritium for nuclear weapons.

Modernizing Our Military Forces

Addressing the Modernization Imperative: Modernizing weapons systems is critical to the future readiness of U.S. military forces. In the 1970s and 1980s, the Nation invested heavily in a wide range of equipment, including fighter aircraft, attack submarines, surface ships, attack helicopters, and armored vehicles, which enabled us to reduce weapons purchases—and total defense spending—in the early 1990s as we reduced the size of our force after the Cold War. But the equipment bought in the prior two decades, the backbone of today's forces, is aging and must be replaced. When complex military equipment ages, it becomes costlier and more difficult to maintain and operate. More importantly, the decisive military advantage that new, superior equipment provides will help reduce casualties and may permit a quick, successful resolution of conflict. For these reasons, weapons system

modernization continues to be a high Administration priority.

The QDR determined that the Nation needs roughly \$60 billion a year in weapons procurement funding, beginning in 2001, to modernize U.S. forces. The budget provides \$48.7 billion for the procurement program, \$2.5 billion more than the 1998 level, and reaches the \$60 billion goal by 2001. In addition, the budget funds basic and applied research and the development of advanced technologies that will lay the groundwork for procuring next-generation systems and are vital to the Nation's engineering, mathematics, and computer science efforts.

Modernizing Ground Forces: In the near term, Army modernization emphasizes digitization of battlefield systems (discussed later in this chapter) and hardware upgrades to existing combat platforms so that our ground forces will clearly overmatch potential opponents. The Army will extend the useful life and improve battlefield performance of primary combat systems, such as the Abrams tank, the Bradley Fighting Vehicle and the Apache Longbow helicopter, by integrating new navigation and data transfer technology, improving weapons and targeting systems, and increasing vehicle protection systems.

The centerpiece of the Marine Corps' modernization program is the V-22 tilt-rotor aircraft that will replace the CH-46 and CH-53 A/D helicopters, now used to transport troops and equipment. The V-22's increased range, payload, and speed will significantly enhance Marine Corps' tactical operations.

A sometimes overlooked, but no less important, part of ground force modernization is the replacement of aging combat support systems such as trucks. The Army is replacing its fleet of medium trucks by procuring new models, while the Marines have undertaken a truck remanufacturing program.

In the long term, ground force research and development programs aim to take advantage of leaps in technology to enhance mission-essential equipment. Critical programs, which will lead to procurement in the middle of the next decade, include the Army's Comanche helicopter for armed reconnaissance, the Crusader self-propelled artillery howitzer, and

the Marines' Advanced Amphibious Assault Vehicle.

Modernizing Naval Forces: The budget continues procurement of several advanced ship classes, including three DDG-51 Aegis destroyers, a New Attack Submarine, and an LPD-17 Amphibious Transport Dock Ship. The Navy budget continues advance funding for the major refueling overhaul of the second Nimitz-class nuclear aircraft carrier to enable the ship to stay in service another 25 years. The Navy will procure long lead material to construct the last Nimitz-class nuclear aircraft carrier. In addition, the Navy is undertaking long-term development efforts to design next generation destroyers and carriers, to be procured in the middle of the next decade. Both of these new ship classes will operate at lower costs and will be more capable than their predecessors in taking advantage of innovative technologies.

Along with new ships, the Navy will continue to develop and procure highly-capable weapons for a number of missions. For defense against missiles and aircraft, the budget continues procurement of Standard Missiles. It also continues procurement of Tomahawk cruise missiles for use against land targets. The budget supports investments in the Ship Self-Defense System to provide close anti-air defense for surface ships, and in gun and missile technologies to improve the Navy's delivery of fire support for Marines and soldiers ashore.

Modernizing Air Forces: For the United States to maintain its ability to dominate battles in the next century, substantial investment in new tactical combat aircraft is necessary. The budget supports three new aircraft programs. First, it continues low rate production of the F/A-18E/F Super Hornet, which will become the Navy's principal fighter/attack aircraft in the next decade. Second, the procurement of the first two F-22 Raptors, the Air Force's new air superiority fighter, will begin in 1999. Full-rate production of the F-22 should come early in the next century. Third, research and development into new materials and manufacturing processes for the Joint Strike Fighter (JSF) will continue. The JSF is DOD's largest, most ambitious, tactical aircraft program and is designed to produce a family of aircraft for the Air Force, Navy and

Marine Corps. It is scheduled to start replacing about 3,000 aging aircraft (F-16s, F/A-18C/Ds and AV-8Bs) in 2005.

The budget also funds a major effort to improve the weapons carried by combat aircraft. Joint missile procurement programs include the Advanced Medium Range Air-to-Air Missile and the Joint Standoff Weapon. Procurement continues for the Joint Direct Attack Munition—an inexpensive guidance kit which transforms unguided bombs into precision guided munitions. In addition, the Navy's program to upgrade existing Harpoon missiles into Standoff Land Attack Missiles Expanded Response continues in 1999. The budget also funds research and development into various munitions programs of the future, such as the AIM-9X Sidewinder missile for short range air-to-air combat, and the Joint Air-to-Surface Standoff Missile. To help ensure continued access to space, DOD plans to develop the Evolved Expendable Launch Vehicle program with industry, enhancing U.S. competitiveness in the space launch market and providing DOD with more efficient, economical access to space.

Establishing Information Dominance: America's preeminence in using information on the battlefield has helped us establish the world's strongest military. The commander who can better observe and analyze the battle while disseminating highly accurate information to his forces has a powerful, if not decisive, advantage over the adversary. Joint Vision 2010, DOD's vision for the future, focuses on the continued development of command, control, communications, computers, intelligence, surveillance, and reconnaissance capabilities. This effort will enhance the accuracy of weapons, and allow for the more effective use of forces. The Army plans to "digitize" a division by the year 2000—that is, equip it so that accurate, timely information about the battle can be transferred rapidly between U.S. forces. The budget includes funding for Navy and Air Force automated command and control systems and land and space-based communications networks. It also includes funds for battlefield surveillance assets, such as unmanned aerial vehicles, and navigation systems, like the Global Positioning System for all military departments. The budget provides funds to purchase national sensors to help our leaders

better anticipate, monitor, and respond to crises. These assets will play a key role in both military operations and national security decision making, and will enable commanders to more effectively direct the battle and respond to threats.

Supporting the President's Initiatives on Landmines: Implementing the policy that the President outlined last September, DOD is accelerating its research and development on demining technology and on alternatives to anti-personnel landmines. The budget proposes \$48 million for these efforts.

Maintaining Military Readiness

Ensuring Adequate Resources for Readiness: Maintaining high levels of readiness is our top defense priority. To allow U.S. forces to accomplish a wide range of missions, the budget provides full funding for key operations and support programs, including unit training activities, recruiting and retention programs, joint exercises, and equipment maintenance. In addition, DOD continues to monitor its current and future military readiness through the Senior Readiness Oversight Council and the Joint Monthly Readiness Review process. These efforts enhance the Department's ability to ensure that critical readiness programs receive sufficient resources and that our forces remain prepared to accomplish their missions and achieve our Nation's military strategy.

Enhancing the Quality of Life of Military Personnel: The Administration is strongly committed to strengthening the quality of life of military personnel, which is important for retaining and recruiting high-quality personnel. The budget proposes a 3.1 percent pay raise, effective January 1999, to help ensure that military compensation remains competitive with private sector wages. The budget includes substantial funding to improve the quality of health care, military housing, and child care programs. Enhancements to family support programs can help reduce the stresses associated with military life, such as frequent family separations. The budget also increases funding for improving educational activities for military and eligible civilian dependents, including the construction and maintenance of new schools overseas, and support for the President's School Technology Initiative, which

has the long-range goal of putting one computer in every classroom for every four students and one for every teacher.

Managing Our Defense Resources More Efficiently

Implementing Management and Business Practice Reform: DOD continues to implement a variety of initiatives to improve its management and business practices, including increased privatization and outsourcing of support functions, cuts in personnel associated with infrastructure and support activities, greater use of electronic commerce, and expanded use of government purchase cards. A new interagency working group will help to identify and eliminate impediments to business practice reform.

Privatizing and Outsourcing: DOD has begun to implement an aggressive outsourcing and privatization program for its infrastructure and support activities. These efforts will save an estimated \$6.4 billion over the next five years, and \$2 billion a year thereafter. The budget also supports privatization in a variety of areas, including base utility services, general base operations, family housing, logistics support, training, property maintenance, and distribution depots, enabling DOD to provide better support for troops at a lower cost.

Eliminating Excess Infrastructure: DOD has facilities that it no longer needs because infrastructure reductions have lagged behind force reductions. Force structure has fallen 32 percent since 1989, but the domestic base structure has fallen only 21 percent. Excess facilities drain resources that could otherwise go to modernization, readiness, and quality of life. To address the problem, DOD will send legislation to Congress for two more rounds of base closures and realignments, in 2001 and 2005.

Improving Financial Management: The Administration remains committed to reforming DOD's financial management activities and systems, and has developed a comprehensive strategy to do so. The Administration has identified shortcomings in such areas as contractor overpayments, fraud detection and controls, and standardized accounting systems. The Department is taking significant steps to improve the integrity of its financial practices. For ex-

ample, DOD has cut the category known as problem disbursements from a total of \$34.3 billion in June 1993 to \$9.2 billion in June 1997. Such steps will provide managers with more accurate and timely financial information.

Streamlining the Civilian Work Force:

Since 1993, DOD has cut its workforce by nearly 24 percent, or about 218,000 positions, and it will continue to streamline its civilian workforce while maintaining its quality. As the QDR and DRI recommended, DOD plans to implement further reductions of 97,000 Full-Time-Equivalent positions. During this draw-down, DOD will continue to provide transition assistance for affected employees.

Implementing the Information Technology Management Reform Act (ITMRA):

Also known as the Clinger-Cohen Act, the ITMRA is designed to help agencies improve mission performance by effectively using information technology. One example is the Global Command and Control System, which supports U.S. forces by improving their ability to process and transfer critical military information quickly and accurately. The Secretary of Defense has established a DOD Chief Information Officer Council to manage DOD's annual \$11 billion information technology budget and provide advice on ITMRA-related issues. In addition, DOD is continuing to restructure its work processes while applying modern technologies to maximize the performance of information systems, achieve a significant return on investments, cut costs, and produce measurable results.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/14/98 ACTION/CONCURRENCE/COMMENT DUE BY: 1/15/98 NOON

SUBJECT: FY1999 BUDGET (SECTIONS II, III, IV)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	McCURRY	☐	☐
BOWLES	☒	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☒	☐	RADD	☐	☐
MATHEWS	☒	☐	REED	☒	☐
RAINES	☐	☐	RUFF	☐	☐
BLUMENTHAL	☐	☐	SMITH	☐	☐
BERGER	☒	☐	SOSNIK	☐	☐
ECHAVESTE	☐	☐	SPERLING	☒	☐
EMANUEL	☒	☐	STREETT	☐	☐
GIBBONS	☐	☐	TARULLO	☒	☐
HILLEY	☒	☐	VERVEER	☐	☐
IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☒	☐	YELLEN	☒	☐
LEWIS	☒	☐	BEGALA	☒	☐
LINDSEY	☐	☐	LARRY HAAS	☐	☒
MARSHALL	☒	☐		☐	☐
				☐	☐

REMARKS:

COMMENTS TO LARRY HAAS

RESPONSE:

II. PREPARING THE NATION FOR A NEW AMERICAN CENTURY.

II. PREPARING THE NATION FOR A NEW AMERICAN CENTURY

Imagine an America in which every child has a world-class education; in which every family can fairly balance the demands of work and child-rearing; in which we lift living standards here and around the world; in which we learn to grow our economy and preserve the common environment which is our home; in which our oldest values of opportunity, responsibility and community guide us into a new time of greatest opportunity.

President Clinton
September 1997

It is, as the President said not long ago, "a time of genuine hope and earned optimism for America." A country that not many years ago was approaching the 21st Century with uncertainty now looks to it with strength and confidence, with the knowledge that we can make it a "New American Century."

The Administration's five years of hard work are paying off. Our economy is strong, our social health is improving, and our place as the world's undisputed leader for peace and freedom is unchallenged. Our Federal Government is leaner, more efficient, more effective, and more connected to the essential values that Americans share—opportunity, responsibility, and community.

Our economy has grown an average of three percent a year, helping to create over 14 million new jobs. Unemployment is below five percent, inflation is under control, and interest rates are low. Investment growth and consumer confidence are at their highest levels in a generation. Homeownership has hit record levels. And, after two decades in which family incomes remained essentially flat, we are making progress on this most intractable of economic problems as incomes have begun to rise at all levels.

Violent crime has dropped dramatically for five years in a row, and the 1996 drop was the largest in 35 years. The welfare rolls have dropped by record numbers. Poverty and teen births are also down while, all across America, many of our poorest urban

and rural communities are springing back to life.

Around the world, America remains the world's lone superpower in both military and economic terms. Our forces, our resources, and our international influence have helped to keep the peace in war-torn nations, nurture democratic capitalism in former communist countries, and open markets for our goods.

Perhaps most stunning of all, the budget deficit continues to fall dramatically and, with this budget, the President proposes to reach balance in 1999, marking the first balanced budget in 30 years and an end to an era of continuous deficits that spiraled out of control through the 1980s and early 1990s.

Implementing the President's Agenda

Five years ago, the President took office against the backdrop of a sweeping economic transformation both at home and abroad that was already dramatically changing how Americans lived, how they worked, and how they related to one another. An economy that had shifted from agriculture to manufacturing a century earlier was shifting again, this time from manufacturing to information, technology, and global commerce, challenging the rhythms of American life.

In this new economy, Americans could no longer rely solely on their hard work to earn a good living. Now, they would need the skills to run the computers and other sophisticated equipment that had be-

pregnancies (NR)

come the engines of growth. More and more, what they earned in an increasingly competitive economy depended on their knowledge, their creativity, their sense of innovation.

In early 1993, as one Administration replaced another, the Federal Government seemed ill-prepared to meet the challenges that lay at the Nation's doorstep, paralyzed by a seemingly intractable quandary—how to reverse more than a decade of record-setting, and still rising, budget deficits and a soaring national debt.

In sheer dollars, the Nation had never seen anything like it. The deficit, which had grown to worrisome levels in the mid-to late 1970s, soared in the early 1980s—first to over \$100 billion, then quickly to over \$200 billion. America faced the prospect of \$200 billion deficits “as far as the eye could see,” in the words of David Stockman, President Reagan's Budget Director. Over the next decade, Presidents and Congresses, together or on their own, tried to bring the deficit under control, but a structural mismatch between revenues and spending continually out-paced their efforts.

Year after year, the task of cutting the deficit cast a shadow over domestic, defense, and international policy. In that era, virtually every policy proposal from the Administration, Congress, or the private sector first elicited the question, “How will it affect the deficit?” The sheer merit of a proposal (e.g., to grow the economy, to address a social problem) often fell victim to Washington's all-consuming calculation of short-run cost.

President Clinton understood the need for deficit reduction, and he exerted the leadership to get it. But he understood just as clearly that deficit reduction would not suffice. While reducing the deficit, he would also invest more in the skills and training of the American people, and he would push aggressively to expand markets for U.S. goods.

The President's 1993 economic plan, which he worked with Congress to enact, was the centerpiece of his strategy. It slowed the growth of entitlements, raised taxes almost entirely on the wealthiest 1.2 percent of Americans, and extended the “caps” on discretionary spending for five years. It cut taxes

for 15 million working families and made 90 percent of small businesses eligible for tax relief. And it began an ongoing effort to invest in education and training and in research in order to boost productivity and, thus, promote higher living standards; to protect the environment and fight crime in order to improve the quality of life for all Americans; and to secure the funds for a global policy that has brought peace to certain troublespots and expanded markets for U.S. goods.

Reaping the Benefits

The three elements of the President's plan—(1) reducing the deficit; (2) investing in the future; and (3) opening markets to expand trade—were never before tried together, and the strategy met its share of skeptics. Opponents predicted that the deficit would rise, not fall, because the economy would sink into recession, or worse. Jobs would disappear, the critics said, while interest rates and inflation would soar.

What happened? All elements of the strategy worked beyond even the Administration's most optimistic hopes. Rather than generate higher deficits, the plan helped cut the deficit beyond expectations. Rather than prompt a recession, the plan helped cut interest rates, spurring steady growth, over 14 million new jobs, record exports, lower unemployment and inflation, less poverty, less welfare, and less crime.

No element worked better than the first—reducing the deficit. The fiscal shortfall had hit a record \$290 billion in 1992, and the Administration projected that, without changes in policy, it would hit \$347 billion in 1997. The President's 1993 economic plan was designed to reduce the accumulated deficits over five years by a total of \$505 billion, bringing the 1997 deficit down to \$184 billion.

What neither the Administration nor anyone else anticipated was how well the economy and economic plan would work together. The plan reassured financial investors, helping to cut interest rates and, in turn, spur growth and jobs. With the economy booming, Federal revenues from corporate and personal income taxes have far exceeded expectations. And, for the same reason, the Federal Govern-

ment has spent less on unemployment and other benefit programs than it anticipated.

Higher-than-expected revenues and lower-than-expected spending closed the deficit gap far quicker than expected. The 1997 deficit, which the President's plan was supposed to cut to \$184 billion, came in at \$23 billion, just 0.3 percent of the Gross Domestic Product (GDP). In dollar terms and as a share of GDP, it was the lowest deficit in a quarter-century and, in economic terms, virtually inconsequential. (For a full discussion of the President's economic policy, see Section III, "Creating a Bright Economic Future.")

Even within the framework of the President's 1993 economic program, with its annual caps on total discretionary spending and its pay-as-you-go rules for financing new entitlements and tax cuts, the Administration worked with Congress on significant investments in education and training, the environment, science and technology, law enforcement, and other priorities to help raise the standard of living and quality of life for average Americans, both now and in the future. For example:

- The President's commitment to expand Head Start put 83,000 disadvantaged children into the program in 1998, helping to prepare these children for school and making further progress toward the President's goal of putting a million children in Head Start by 2002.
- His investments in public schools have helped States and communities raise academic standards, strengthen accountability, connect classrooms and schools to the information superhighway, and promote public school choice by opening over 700 charter schools.
- His national service program has enabled over 100,000 Americans to earn money for college while helping children to read, working with parents to improve their kids' health, creating after-school and summer programs, patrolling the streets, and performing other vital community work.
- His historic investments in higher education, from his new HOPE scholarships to his record increases in Pell Grants, are

ensuring that anyone who wants to go to college can afford to go.

- His efforts to help older, dislocated workers buffeted by economic change have led to a wider array of Federal retraining benefits and services to which workers can more easily avail themselves.
- His children's health care initiative, the largest investment in health care for kids since Medicaid was created, will provide meaningful benefits to up to five million uninsured children.
- His investments in the environment have protected or restored some of the Nation's most treasured lands, such as Yellowstone National Park and the Everglades, provided the funds to protect others, and continued to expand toxic waste clean-ups.
- His investments in research are helping to build new high-powered supercomputers and to develop drugs that could extend the life expectancy of those with HIV and AIDS.
- His COPS program that supports community policing is putting 83,000 more police (out of 100,000 under the program) on the streets of America's communities, helping to reduce violent crime for five straight years.
- His investments in distressed urban and rural areas have leveraged billions of dollars in private investment, created thousands of jobs, and helped bring communities back to life.

Cutting the Size of Government

How could the Administration both cut the deficit dramatically and invest more in these and other priorities? Not only by building a strong economy that would boost revenues and lower spending on unemployment and other benefits, but also by cutting unnecessary or lower-priority spending, and, led by the Vice President's National Performance Review, by increasing the efficiency and effectiveness of our Government.

Since 1993, the Administration has worked with Congress to limit total discretionary spending, partly by eliminating hundreds of programs and projects. For 1999, discretionary

15 16,000
 spending will rise by just one percent—less than inflation. More broadly, in every budget year of this Administration, total spending has equaled a smaller share of GDP than in any year of the previous two Administrations and, in 1999, spending will drop to 19.9 percent of GDP, its lowest level since the early 1970s. The Administration has cut the size of the Federal civilian work force by over ~~330,000~~ 330,000 people, creating the smallest work force since 1961 and, as a share of total civilian employment, the smallest since 1931. Thirteen of 14 Cabinet Departments have cut their work forces since 1993, with the Justice Department's payroll growing only due to the Administration's expanding war on crime and drugs.

The Administration, however, is working to create not just a smaller Government, but a better one, a Government that best provides services and benefits to its ultimate customers—the American people. It has not just cut the Federal work force, it has streamlined layers of bureaucracy. It has not just reorganized headquarters and field offices, it has ensured that those closest to the customers can best serve them.

To be sure, the job is not over. For 1999, the Administration once again is turning its efforts to the next stage of "reinventing" the Federal Government. It plans to dramatically overhaul 32 Federal agencies to improve key services, such as improving student loan processing and speeding aid to disaster victims. It also plans to tackle critical challenges, such as ensuring that Government computers can process the year 2000 change and making more Government services available electronically. (For a full discussion of the Administration's management agenda, see Section IV, "Improving Performance Through Better Management.")

Under the 1993 Government Performance and Results Act, Cabinet departments and agencies have prepared individual performance plans that they will send to Congress with the performance goals they plan to meet in 1999. These plans, in turn, form the basis for the first Government-wide perform-

ance plan, which the Administration is sending Congress along with this budget.¹

Reaching Balance While Investing in the Future

Though the 1993 President's economic plan had exceeded all expectations in restoring the Nation's fiscal health, the task of reaching balance would require one final push. That would come with the historic 1997 Balanced Budget Act (BBA), on which the President and Congress agreed last summer.

Along with saving \$247 billion over five years, the Act also extended the solvency of Medicare's trust fund for at least 10 years while providing for the largest investment in higher education since the G.I. Bill in 1945, the largest investment in children's health care since the creation of Medicaid in 1965, and a \$500-per-child tax credit for about 27 million working families. It also provided tax incentives to restore distressed urban and rural neighborhoods, launched a \$3 billion Welfare-to-Work jobs initiative for high-poverty areas, and restored health and disability benefits to legal immigrants.

While implementing the BBA, ^{the?} (this) budget builds on the President's efforts to invest in the skills of the American people. Thus, it continues the President's policy of helping working families with their basic needs—raising their children, sending them to college, and paying for health care. It also invests in education and training, the environment, science and technology, law enforcement, and other priorities to help raise the standard of living and quality of life of average Americans.

Within tight constraints, the President proposes major initiatives that will continue his investments in high-priority areas—from helping working families with their child care expenses to allowing Americans from 55 to 65 to buy into Medicare; from helping

¹The plan describes the Administration's commitment to fiscal, management, and program performance. Thus, it includes the following sections of this budget—Section III, "Creating a Bright Economic Future"; Section IV, "Improving Performance Through Better Management"; and Section VI, "Investing in the Common Good: What the Federal Government Does."

States and school districts recruit and prepare thousands more teachers and build thousands more classrooms to addressing the worldwide problem of global warming. The budget pays for every initiative—in the President's words, "line by line, dime by dime."

Families and Children: For five years, the President has sought to help working families balance the demands of work and family, and he proposes a major effort to make child care more affordable, accessible, and safe. His Child Care Initiative provides tax breaks to help families pay for care; tax incentives to help businesses create or expand child care facilities; direct subsidies for over two million poor or near-poor children; increased funding for before- and after-school programs; and funds to help States enforce safety and quality, to train child care staff, to promote early childhood development, and to improve the health of young children in child care. Also to help working families, the President proposes tax incentives to encourage small businesses to create pension plans for more workers.

? S A **Health Care:** The President has worked hard to expand health care coverage and improve the Nation's health. The budget gives new insurance options to thousand of Americans aged 62 to 65 and proposes new initiatives to ensure that as many uninsured children as possible are covered. In addition, it provides for unprecedented investments in biomedical research at the National Institutes of Health; advocates bipartisan national legislation that would reduce tobacco use among the young; expands access to new AIDS therapies through the Ryan White program; enable more Medicare recipients to receive promising cancer treatments by participating more easily in "clinical trials"; expands substance abuse prevention and treatment activities; and enhances food safety. The budget also funds full participation in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which will provide benefits to 7.5 million people by the end of 1999.

Education and Training: The President has worked to enhance access to, and the quality of, education and training, and the budget takes the next step—helping States and school districts recruit and prepare thousands more teachers and build thousands more classrooms,

and creating new Education Opportunity Zones to provide needed support for high-poverty, low-achieving urban and rural districts while holding them accountable to boost student achievement. The budget also proposes to move further toward the President's commitment to put a million disadvantaged children in Head Start by 2002; begin field testing voluntary national tests; mobilize and train reading tutors for children; help parents, teachers, and communities create more charter schools that are free of most State regulations; integrate technology into the classroom as we connect every classroom to the Internet; enable more Americans to serve their communities and earn money for college; expand college work-study to a million students; make it easier for parents and students to borrow and repay college loans; raise the maximum Pell Grant college scholarship to its highest level ever; expand assistance to workers dislocated as a result of global trade; increase G.I. bill educational benefits for veterans; and expand resources for veterans who lose their jobs.

The Environment: The Administration, which helped engineer the global agreement in Kyoto to address climate change, proposes to launch the U.S. effort with tax incentives and spending that will spur energy efficiency and help develop low-carbon emission energy sources. The proposal includes incentives for buying cars with technologies to reduce carbon emissions; for investing in energy-saving equipment for commercial and residential buildings; for commuting by public transit or vanpool; and for developing innovative energy generation techniques, such as biomass, wind, and photovoltaics. The budget also would restore and rehabilitate national parks, forests, and public lands and facilities; expand efforts to restore and protect the water quality of rivers and lakes; continue efforts to double the pace of Superfund clean-ups; extend the "Brownfields" initiative to promote local clean-up and redevelopment; better protect endangered species; continue to restore Florida's Everglades and California's Bay-Delta and protect Yellowstone National Park and California's Headwaters Forest; improve the roads through national parks; and expand the public's access to information about environmental conditions in their neighborhoods.

Research: The President has sought to tap the full potential of our boundless future by investing heavily in basic and applied research. Along with increasing funds for biomedical research at the National Institutes of Health, the budget would promote science and engineering research at the National Science Foundation; support space-related activities that enhance our knowledge of Earth; invest in Federal-private ventures to more quickly develop high-risk technologies that create jobs; strengthen university-based research; invest in environmental research on safe and clean food, air, and water; expand support for energy efficiency and renewable energy programs; enable Americans to travel more safely, more quickly, and more efficiently; and put commercial industry's technical know-how and economies of scale to work for national defense.

Innovating to Invest

Challenging times demand innovative solutions, and this budget meets the challenge by proposing three new investment funds for America—for research, the environment, and transportation—that will focus attention on these critical priorities. Together, the funds provide \$xx billion, a \$x billion increase over the 1998 level for the programs they contain.

The funds are:

- The Research Fund for America, which includes a broad range of investments in knowledge, including programs of the National Institutes of Health, the Centers for Disease Control and Prevention, the National Science Foundation, the National Aeronautics and Space Administration, the Energy Department, and the Commerce Department's National Institute of Standards and Technology, along with the Next Generation Internet project, the Partnership for a New Generation of Vehicles, and other programs. The budget finances this Fund, in part, through receipts from tobacco legislation, savings in mandatory programs, and an extension of the Federal excise tax on gasohol.
- The Environment Fund for America, which encompasses the multi-agency Water Quality Initiative; the new Land, Water, and Facility Restoration Initiative of the

Interior and Agriculture Departments; the Agriculture Department's water and wastewater program for rural communities; and the Environmental Protection Agency's programs for cleaning up hazardous waste sites (within the Superfund) and ensuring clean water and safe drinking water. The budget finances the Fund, in part, through a renewed Federal tax to support the Superfund.

- The Transportation Fund for America, which includes the Transportation Department's highway, highway safety, and transit programs; the Flight 2000 free flight demonstration program; and the Federal Aviation Administration's programs, including Airport Grants. The budget finances the Fund, in part, through a new Federal aviation user fee.

? Environmental Resources Fund (NR)

III. CREATING A BRIGHT ECONOMIC FUTURE

III. CREATING A BRIGHT ECONOMIC FUTURE

There is no doubt that the economic strategy we put in place in 1993 created the conditions for the extraordinary private sector growth we have all witnessed... Four straight years of deficit cuts have produced the economic expansion as well as real benefits for ordinary Americans: lower car payments, lower mortgage rates, lower credit card rates. This balanced budget will close a chapter in American history: years—decades in fact—when our people doubted whether Government could work for them and questioned whether our Nation could set and meet goals.

President Clinton
August 1997

Space

For five years, the President has pursued a fiscal and economic policy that has shown remarkable results. Due largely to his 1993 economic plan, the budget deficit, which had hit a record \$290 billion in 1992, is not only lower than even the Administration had expected, it's also at its lowest level in a quarter-century. The public debt not only has stopped rising as a share of the economy, but actually has begun to decline. Now, this budget will finish the deficit-cutting job and mark a true milestone in American economic history—the first balanced budget in 30 years.

The President's commitment to lower deficits bore fruit right from the start. Long-term interest rates fell in 1993 and have remained relatively low, helping to spur record levels of business investment. Unemployment and inflation have both continued to fall, bringing the so-called "misery index"¹ to its lowest level in 30 years. The current economic expansion, already the third longest since World War II, shows no signs of ending, putting it on track to become the longest in the Nation's history.

Continuing its practice of using conservative economic assumptions, the Administration projects that growth will continue at a steady pace without inflation. Unemployment and

interest rates will remain relatively low. Due both to a strong economic outlook and to last year's Balanced Budget Act (BBA), the President now proposes a balanced budget for 1999, three years earlier than expected. The economic and fiscal outlook for the longer term, until 2050, also has improved since last year, although projections of a recurring deficit after 2027 point up the need for long-term structural changes that will support the financial health of Social Security and Medicare and ensure that future generations share in the retirement and health security that senior citizens enjoy today.

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Budgetary Performance

By the time President Clinton took office, the deficit for the previous year, fiscal 1992, had hit a record \$290 billion. For the 12 years up to then, annual deficits totaled \$2.3 trillion (see Chart III-1). Never before had the Nation witnessed such an explosion of public debt. Moreover, without changes in policy, public and private forecasters projected that the deficit would keep rising, potentially pushing total public debt, future interest costs, and deficits into an upward spiral without limit.

The Administration set out, first and foremost, to cut this massive deficit and to put the budget and economy on a sound, sustainable footing. To that end, the President proposed, and Congress enacted, the Omnibus Budget Reconciliation Act (OBRA) in 1993

¹ Over 20 years ago, economist Arthur Okun developed the concept of a "misery index," calculated by adding together the unemployment rate and the rate of inflation, as measured by the Consumer Price Index.

as a solid first step toward fiscal responsibility. It has proved to be much more. In the last four years, cumulative deficits and accumulating debt have fallen more than twice as much as the Administration had conservatively projected.

Still, OMB and the Congressional Budget Office (CBO) agreed that the deficit would begin rising again without further action. Consequently, the President worked with Congress to finish the job, enacting the BBA in mid-1997 with the goal of reaching balance in 2002. The Administration now proposes a balanced budget in 1999. In addition, the Administration now projects that, together, OBRA and the BBA will reduce the total deficits from 1993 to 2002 by \$3.1 trillion—more than the deficits that the Government accumulated from 1981 to 1992.

The Administration has Exceeded Its 1993 Deficit Reduction Pledge: Upon OBRA's enactment, the Administration projected that it would reduce the accumulated deficits from 1994 to 1998 by \$505 billion.

Clearly, it will exceed that goal. (In fact, in the five years from 1993 to 1997, total deficits are already \$810 billion lower). Each year, the deficit has been lower than the Administration had forecast before the year began. For 1997, the actual deficit of \$23 billion was over \$150 billion lower than what both OMB and CBO had forecast. All told, the Administration now expects that, combined with a healthy economy, OBRA will reduce the accumulated deficits from 1994 to 1998 by more than twice the projected \$505 billion (see Chart III-2).

The Administration has Reversed the Debt Buildup of the 1980s: The Government finances its deficit by borrowing from the public, thereby accumulating its public debt. As a share of Gross Domestic Product (GDP), Federal debt held by the public² reached a post-World War II peak of 111 percent in 1946. Because the economy grew faster than the debt for the next few decades, the debt gradu-

²This measure excludes debt held in Federal trust funds. The trust funds hold \$x.x trillion of debt that the Federal Government owes to itself. Thus, such debt is both a Government asset and a liability.

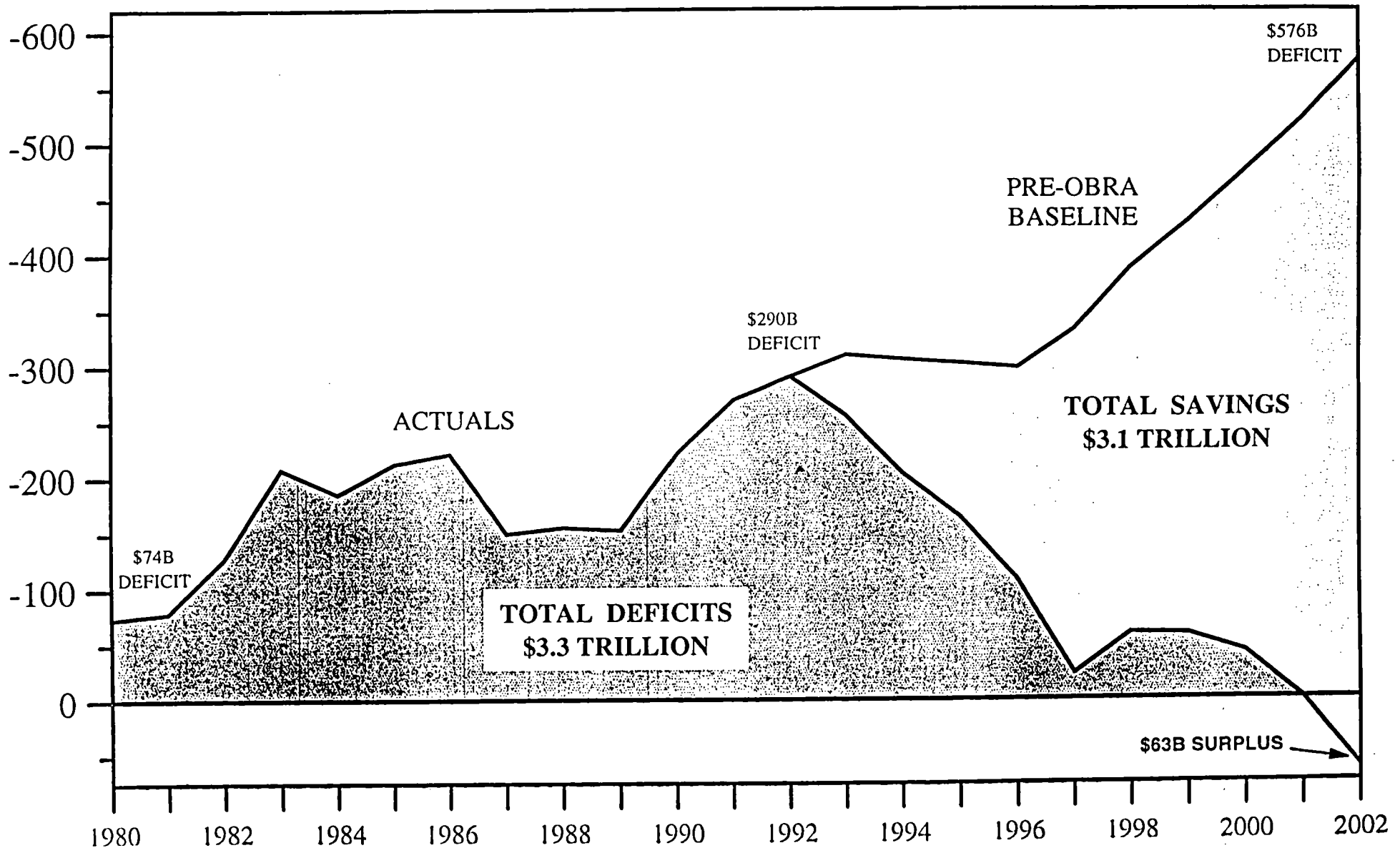
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CHART III-1. FINISHING THE JOB: BALANCING THE BUDGET AFTER DECADES OF DEFICITS

SURPLUS (+) / DEFICITS (-) IN BILLIONS

(Not Final)



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ally fell to about 25 percent of GDP in the 1970s. But the exploding deficits of the 1980s sent it back up as a share of GDP. In dollar terms, publicly held Federal debt quadrupled, rising from \$710 billion at the end of 1980 to \$3.0 trillion by the end of 1992. As a percentage of GDP, it doubled, from about 25 percent to about 50 percent—wiping out all the progress achieved since 1956.

Had this Administration done nothing, the debt would have approached \$7 trillion, or 70 percent of GDP, by 2002. Instead, working with Congress, the Administration reversed the debt build-up as a share of GDP, and it now projects that debt will fall to just 40 percent of GDP in 2002 (see Chart III-3).

U.S. Budgetary Performance Is Among the World's Best: Counting all levels of government, the total U.S. budget deficit is smaller as a share of GDP than in all other G-

7³ countries except Canada (see Chart III-4). The reason is not high taxes; the share of GDP devoted to taxes is lower in the United States than in any other leading country. Rather, the reason is relatively low public spending—even though this Nation has a much larger defense establishment than the other G-7 countries.

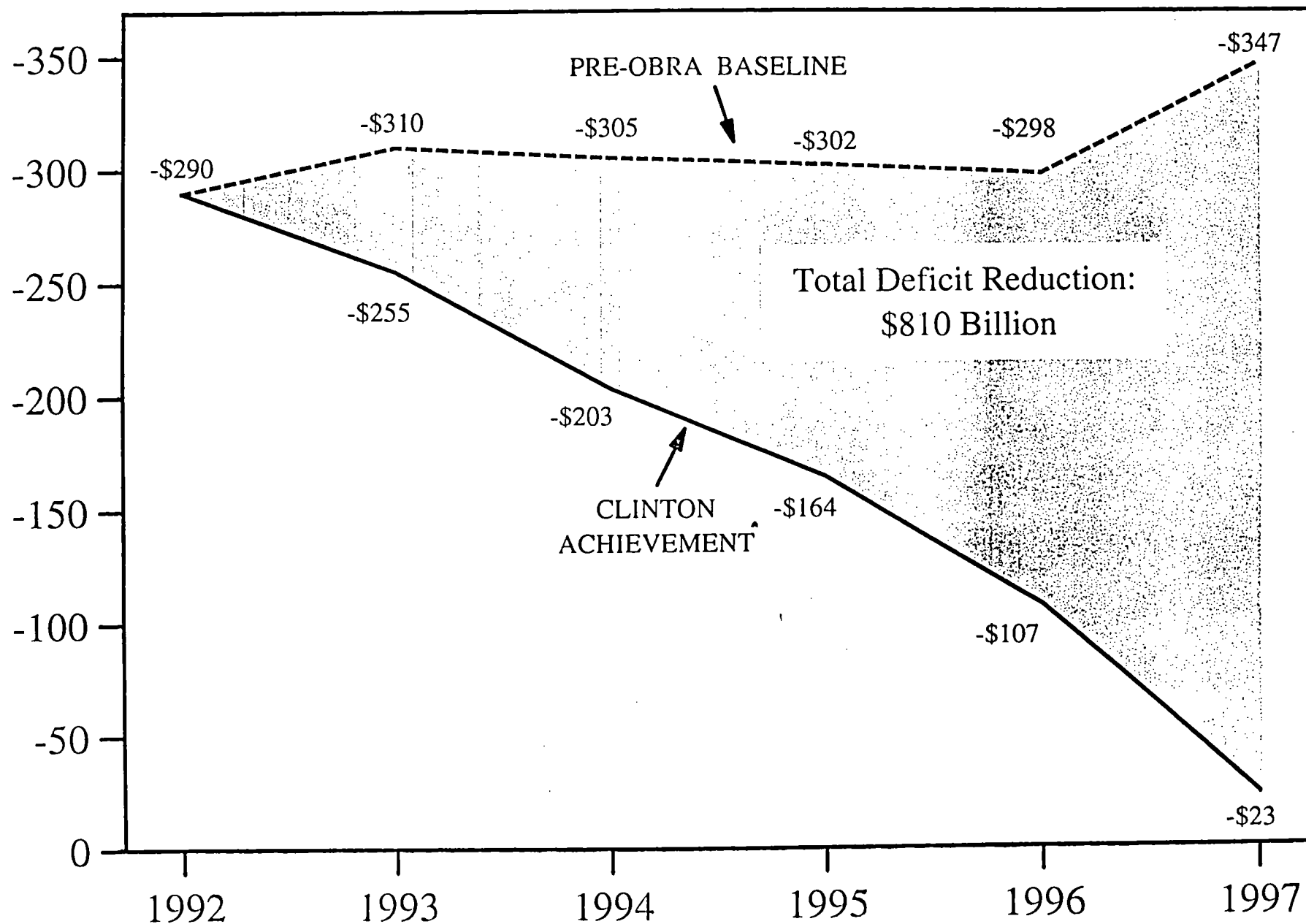
The Administration has Reduced the Federal Claim on the Economy: By 1992, Federal spending had reached 22.5 percent of GDP, topping its average of xx.x percent from 1969 to 1999. But, in every budget year under this Administration, spending has equaled a smaller share of GDP than in any year of the previous two Administration. The Administration now projects that, by 1999, spending will fall to 19.9 percent of GDP, its lowest level since the early 1970s.

Federal Receipts are Higher than Projected, Mainly Due to Economic Growth: In the past five years, spending has been

³ The G-7 comprises the world's seven largest industrial powers: the United States, the United Kingdom, Germany, France, Japan, Italy, and Canada.

Chart III-2. REDUCING THE DEFICIT: THE CLINTON RECORD

DOLLARS IN BILLIONS



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Chart III-3. DEBT HELD BY THE PUBLIC

(Not Final)

PERCENT OF GDP

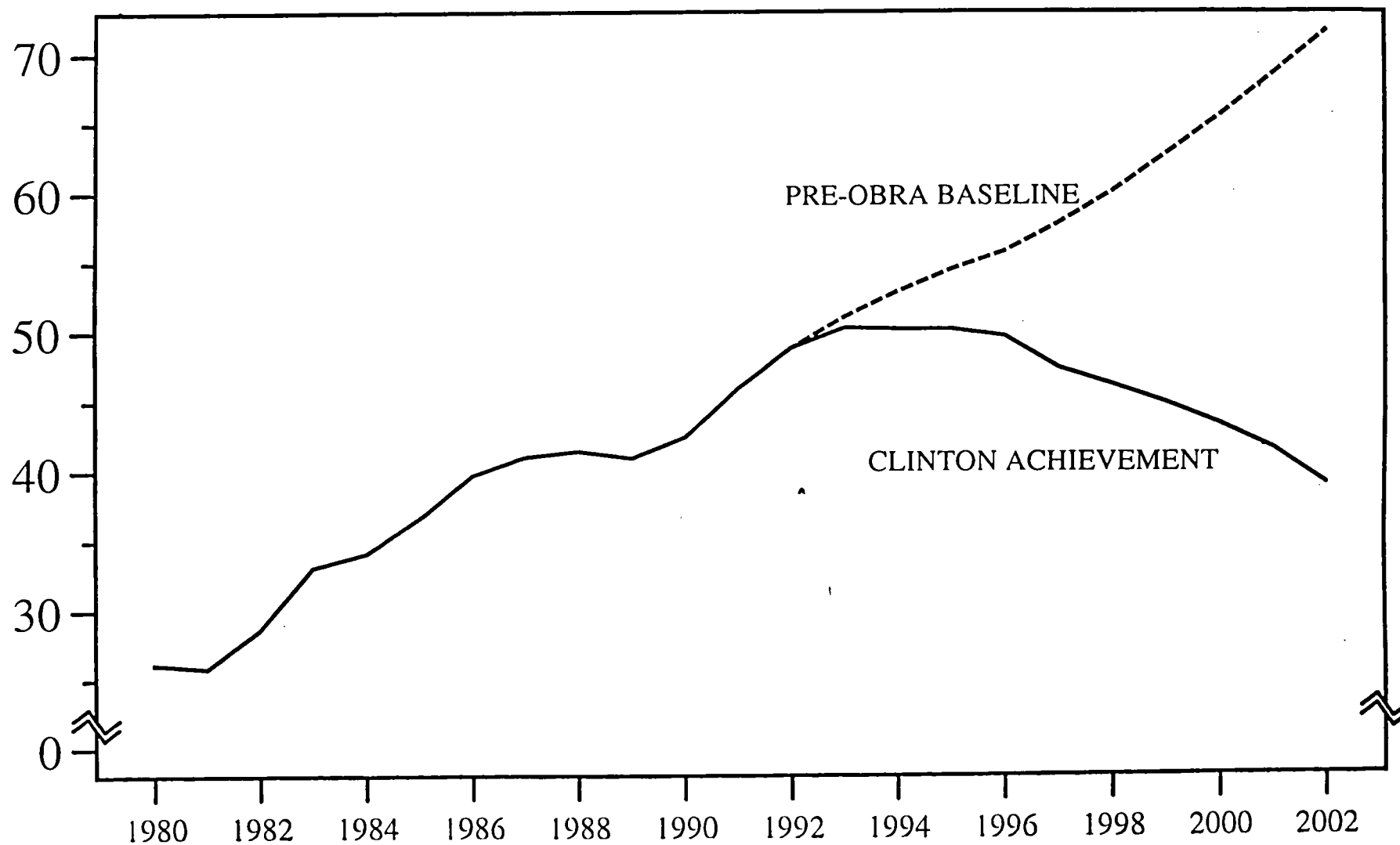
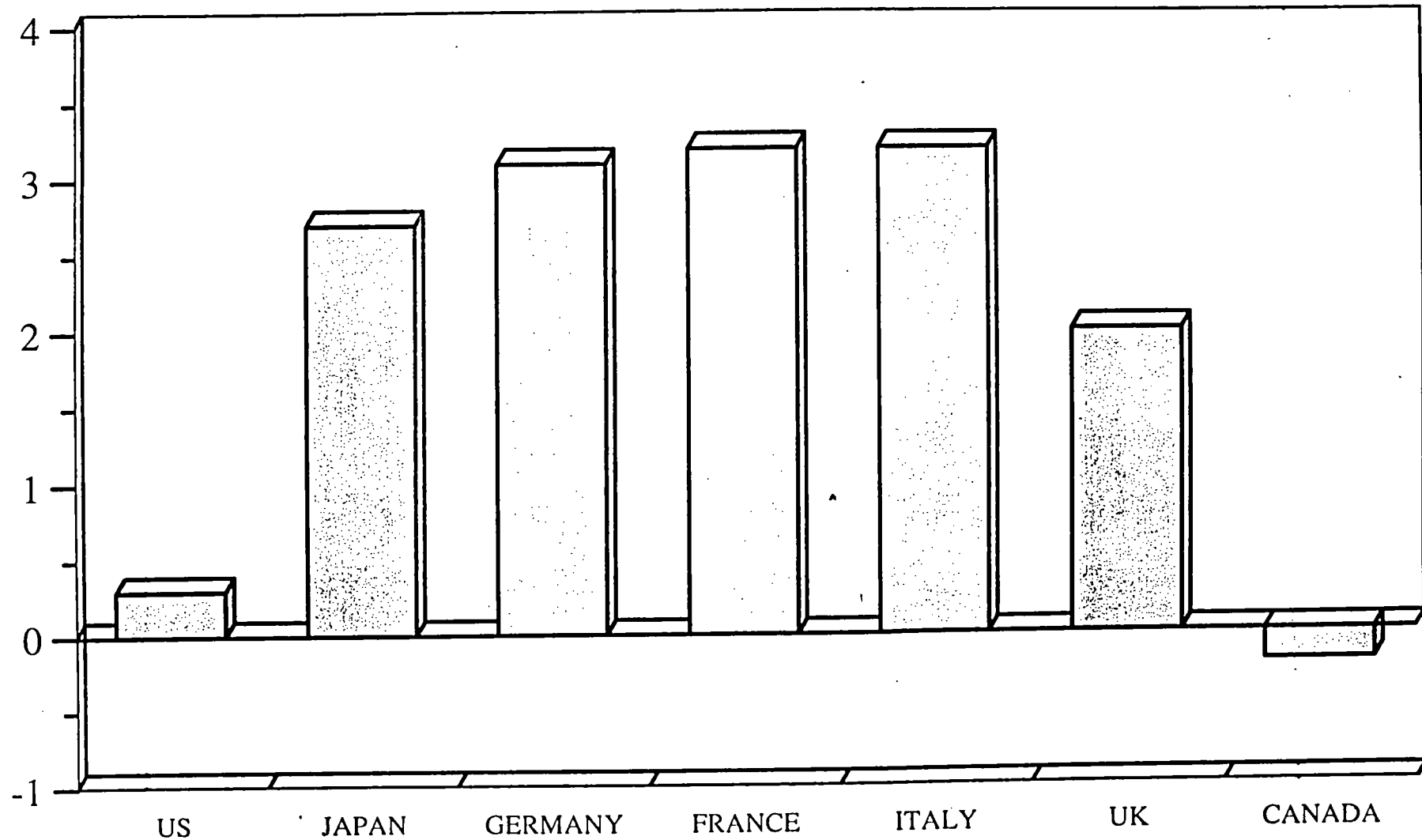


Chart III-4. 1997 BUDGET DEFICITS

PERCENT OF GDP



Source: OECD Economic Outlook, December 1997.

lower, and receipts higher, than the Administration had projected, leading to lower deficits than projected. With regard to the most recent, and quite extraordinary, fall in the deficit from \$107 billion in 1996 to just \$23 billion in 1997, the answer lies largely in a continuing surge in receipts (though spending fell below expectations as well). That surge is rooted in an especially strong economy. The Administration and Congress have not raised tax rates since 1993 (and, in 1993, they raised them only on the wealthiest 1.2 percent of Americans and only while also cutting taxes for 15 million working families).

Some economists predicted that the 1993 targeted tax hikes would slow the economy and actually lead to lower tax collections, particularly among the well-to-do. In fact, tax revenues have soared since 1993—and the largest increases have come at the top. Total Federal receipts have risen nearly eight percent a year since 1992. Federal income tax revenues rose by nearly 25 percent from 1992 to 1995 (the last year for which we have data), but by nearly 50 percent for those with incomes above \$200,000.

The President's balanced budget for 1999 results from a drop in spending of 2.5 percent of GDP since 1992 and an increase in revenues of 2.1 percent of GDP over the same period. Thus, 55 percent of the total deficit reduction has come from spending cuts, 45 percent from higher receipts.

Economic Performance

By reducing the Federal Government's demand for capital in the financial markets, a falling deficit has freed capital for private investment. At the same time, the promise of future budgetary stability has promoted business confidence. The fiscal improvement has enabled the Federal Reserve to maintain low, stable interest rates that, in turn, have helped prolong and strengthen the economic expansion. The surge in business investment of the last five years shows that these policies are working, and as the budget reaches balance, prospects for continued economic progress are excellent.

The Current Expansion Is the Third Longest: In January 1998, the economy recorded its 82nd straight month of growth,

marking the third longest expansion in U.S. history (and the second longest in our peacetime history). If the economy continues to grow through the end of 1998, the current expansion will become the longest in peacetime history, surpassing that of the 1980s. If it continues to grow until February 2000, as most private forecasters expect,⁴ the expansion will become the longest of all time, surpassing the 106-month expansion of the 1960s.

The Administration's Fiscal Policy Has Promoted a Sound Expansion: Unsustainable Federal deficits, in part, stimulated both of the longer post-war expansions—the first in the 1960s, the second in the 1980s (see Chart III-5). The economy expanded because the Government expanded, dragging the private sector along; when the Government removed its stimulus, the economy faltered.

In these earlier expansions, the fiscal stimulus came at different times. In the 1960s, the deficit was quite restrained early in the decade, but grew sharply after 1965. In the early 1980s, the "structural deficit"⁵ soared to almost ~~5~~ ^{Five} percent of GDP. That large deficit helped pull the economy out of the deep recession of 1981–1982, but the Government's subsequent failure to curb it held up real interest rates, led to the financial problems that marked the end of the decade, and helped bring on the recession of 1990–1991.

In contrast, during the current expansion, the deficit has been shrinking and private investment has propelled the economy forward.

This Expansion is Led by a Strong Private Sector: Under this Administration, the economy has grown at a healthy, inflation-adjusted 3.0 percent a year—the average from 1980 to 1988, and much faster than from 1988 to 1992. But, at least as important, private demand for goods and services has grown even faster than the economy as a whole—3.6 percent a year. The Federal Government's direct claim on GDP (mainly defense and other discretionary spending, excluding transfer payments) has shrunk by 2.6 percent a year. Of

⁴ According to the December Blue Chip survey.

⁵ The structural deficit is the deficit that remains after accounting for cyclical changes in the economy as well as purely temporary factors, such as the annual costs and receipts from resolving the thrift crisis.

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the more than 14 million jobs created under this Administration, 93 percent have been in the private sector. In the 1980s, by contrast, the Federal Government's direct claim on GDP grew faster than the private sector's claim.

Why is the contrast important? Because when Federal demands spur economic growth, the economy is more vulnerable to sudden changes in Federal policy—as in the late 1980s when the Government shifted from a defense build-up to a build-down. Though appropriate as the Cold War ended, this shift prompted a painful economic adjustment in many regions. But, when an expansion is led by the investment decisions of thousands of firms and millions of people across the country, the economy is less vulnerable to the sudden swings that can arise from a single policy decision.

A Surge in Business Investment Fueled the Expansion: Since 1992, real business investment in equipment has expanded at an 11.8 percent average yearly rate—more than

triple the 3.5 percent annual rate from 1980 through 1992.

Investment growth is important for two reasons:

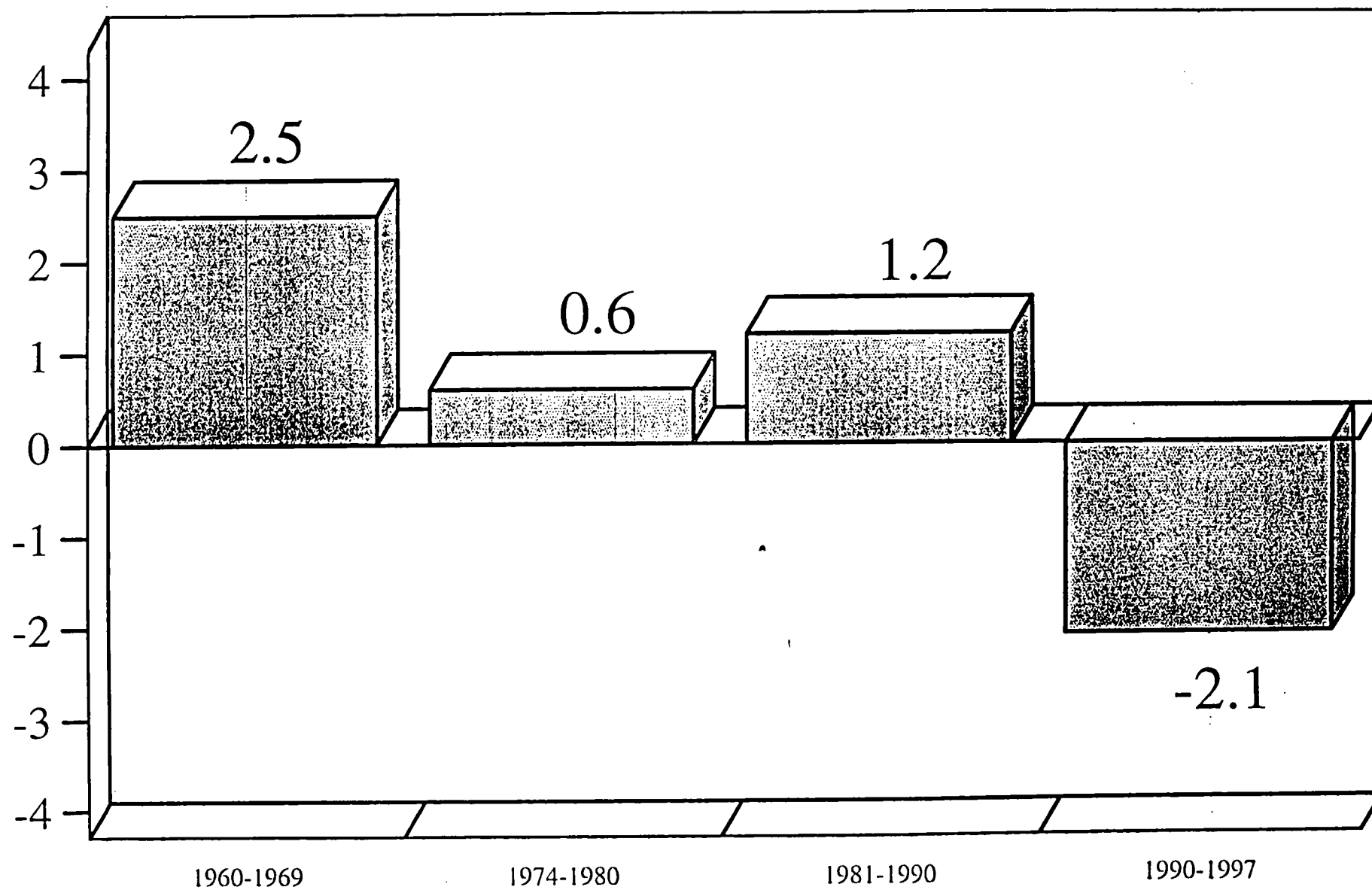
Investment adds to the economy's productive capacity, and a larger economy generates more income, leading to higher average living standards. In the final analysis, a stronger economy is a prerequisite to meeting the retirement costs of the baby-boom generation without unduly burdening future workers.

New equipment embodies advanced technology, making workers who use the equipment more productive. Higher productivity permits larger wage increases without threatening higher inflation.

The "Misery Index" Has Dropped to its Lowest Level in 30 Years: Falling unemployment can "overheat" the economy, leading to higher inflation. In the current expansion, however, both unemployment and inflation have continued to fall, even after the expan-

Chart III-5. CHANGE IN STRUCTURAL DEFICIT AS A PERCENT OF POTENTIAL GDP

(During four longest postwar expansions preceding cyclical peak fiscal year to seventh following fiscal year)



Increase in CBO standardized-employment deficit as a share of potential GDP. Full employment deficit is adjusted for deposit insurance, allied contributions to Desert Storm and spectrum auctions. Potential GDP is an estimate of GDP at full employment.

sion entered its seventh year. At the end of last year, unemployment fell to 4.6 percent, its lowest level since 1973. Meanwhile, the core inflation rate (measured by the Consumer Price Index, or CPI, excluding volatile food and energy items), was running at a 2.3 percent annual rate, its lowest level since 1966. At the end of 1997, the "misery index"—the sum of inflation and unemployment—was at its lowest level in 30 years (see Chart III-6).

The Near-Term Economic Outlook, 1998-2008

The Administration expects the economy to continue to expand at a healthy rate without inflation. But, growth should slow from its recent pace. In 1996-1997, real GDP grew at a 3.5 percent average rate, much faster than the economy has been

able to sustain in recent decades without higher inflation. If growth slows as expected, a modest increase in unemployment is likely. Even allowing for somewhat slower growth, general macroeconomic conditions would remain very favorable, with both unemployment and inflation remaining near their lowest levels in decades.

Though the economy remains strong, one potentially troublesome development is the financial dislocation in Asia. To maintain growth in the United States, the Administration supports stability in Asia through its coming proposal for a supplemental appropriation to replenish International Monetary Fund (IMF) resources and, as it put forth last year, its proposal to provide a contingent credit line to the IMF.

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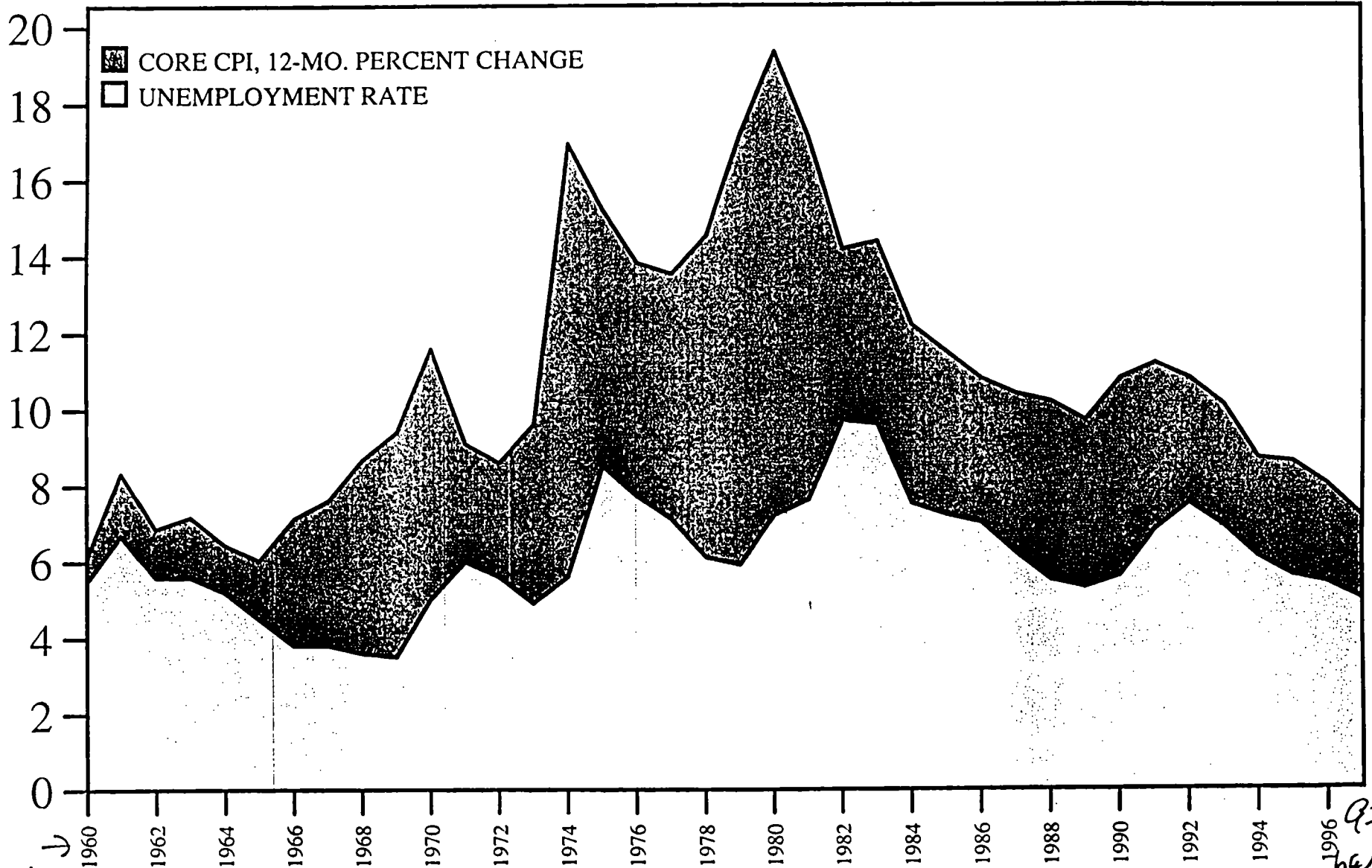
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Chart III-6. MISERY INDEX

(Unemployment rate plus inflation rate)

(Not final)

PERCENT



change
here

97
has
been
updated

less space?

Investing in Economic Statistics

Our democracy and economy demand that public and private leaders have unbiased, relevant, accurate, and timely information on which to base their decisions. But rapid changes in the economy and society, and funding levels that do not enable statistical agencies to keep pace with them, increasingly threaten the relevance and accuracy of America's key statistics.

Economic data, in particular, are not only key indicators for fiscal and monetary policy; they also underlie Federal, State, and local income projections, investment planning, and business decisions. In recent years, active public debate has focused on the measuring of GDP, CPI, and many other indicators that are widely used, explicitly and implicitly, in public and private decision-making. Small but essential investments to address these measurement issues will allow our statistical system to track the economy more accurately and, in the process, help both Government and the private sector better allocate their limited resources.

The budget proposes such carefully targeted investments, ranging from improvements in data (including figures on service industries, construction, and State and local government), to the development of more accurate summary statistics from those data (such as GDP and the National and Personal Income estimates), to greater public access to Government data (including electronic distribution). These initiatives are documented in greater detail in Chapter 11 of *Analytical Perspectives*.

This budget relies on conservative economic assumptions that are close to the consensus among private forecasters, as well as to those of CBO. The Administration is confident that, as the budget reaches balance, the economy could perform even better. Under this Administration, the economy has consistently performed better in virtually all respects than the Administration or CBO had projected. But, for budget planning, the Administration continues to believe it is prudent to use conservative economic assumptions, the highlights of which include:

Real GDP: Real GDP growth averages 2.0 percent on a fourth-quarter-over-fourth-quarter basis through 2000. For 2001 to 2007, growth averages 2.4 percent a year, the Administration's estimate of potential sustained real growth. Starting in 2008, projected economic growth slows due to the shifting composition of the population. As Americans age, a smaller portion of them will likely be in the workforce. The Administration expects the resulting slowdown in the growth of hours worked to lower real GDP growth.

Unemployment: The civilian unemployment rate rises gradually, from 4.9 percent in 1998 to 5.4 percent in 2001, the Administration's estimate of the threshold level of unemployment consistent with stable inflation in the long run.

Inflation: The CPI rises 2.2 percent in 1998–1999, then 2.3 percent a year in the following years. These projections include technical improvements in measuring the CPI. The price index for GDP rises 2.0 percent in 1998, 2.1 percent in 1999, and 2.2 percent in the following years. The gap between the two measures of inflation, which has been larger in the past, narrows due to the Bureau of Labor Statistics' recent and expected methodological improvements in both indexes. Without these improvements, measured inflation would rise slightly more.

Interest rates: Interest rates, already lower than a year ago, remain below recent levels as the budget approaches balance. The yield on 10-year Treasury notes reaches 5.7 percent by 2001; on a discount basis, the 91-day Treasury bill rate drops to 4.7 percent.

The Administration does not try to project the business cycle beyond the next year or so. The expansion will surely end at some point, though no signs of a downturn have emerged. But even allowing for future recessions, projected economic growth averages 2.4 percent from 2001–2007, and projected unemployment averages about 5.4 percent. In some years, growth will be faster and unemployment lower, while in others, growth and employment will fall short of these projections. But, because the Administration expects the growth and unemployment as-

sumptions to hold on average over this period, they provide a sound, prudent basis for projecting the budget. Similarly, the Administration expects inflation and interest rates to average near the projections shown in Table III-1, although year-to-year fluctuations surely will occur.

The Near-Term Budget Outlook, 1998-2003

The Administration projects that the budget will reach balance in 1999—ending an era

of continuous deficits that lasted 30 years (see Chart III-7). By definition, projections are imprecise; the further into the future, the more imprecise. But, the Administration is committed to close the structural budget deficit and keep the budget in balance—as long as the economy maintains normal levels of unemployment.

The Outlook has Improved Since the Balanced Budget Act: Last summer, OMB and CBO both projected that the BBA would

Table III-1. ECONOMIC ASSUMPTIONS¹

	Actual 1996	Projections						
		1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP):								
Levels, dollar amounts in billions:								
Current dollars	7,636	8,080	8,430	8,772	9,142	9,547	9,993	10,454
Real, chained (1992) dollars	6,928	7,187	7,357	7,503	6,652	7,820	8,008	8,199
Chained price index (1992=100), annual average	110.2	112.5	114.6	116.9	119.5	122.1	124.8	127.5
Percent change, fourth quarter over fourth quarter:								
Current dollars	5.6	5.5	4.0	4.1	4.3	4.6	4.6	4.6
Real, chained (1992) dollars	3.2	3.6	2.0	2.0	2.0	2.3	2.4	2.4
Chained price index (1992=100)	2.3	1.9	2.0	2.1	2.2	2.2	2.2	2.2
Percent change, year over year:								
Current dollars	5.1	5.8	4.3	4.1	4.2	4.4	4.7	4.6
Real, chained (1992) dollars	2.8	3.7	2.4	2.0	2.0	2.2	2.4	2.4
Chained price index (1992=100)	2.3	2.0	1.9	2.0	2.2	2.2	2.2	2.2
Incomes, billions of current dollars:								
Corporate profits before tax	677	729	754	768	790	805	830	851
Wages and salaries	3,633	3,868	4,057	4,237	4,424	4,623	4,840	5,068
Other taxable income ²	1,693	1,786	1,859	1,915	1,975	2,046	2,128	2,213
Consumer Price Index (all urban):³								
Level (1982-84=100), annual average	157.0	160.7	164.1	167.7	171.5	175.5	179.5	183.6
Percent change, fourth quarter over fourth quarter	3.2	2.0	2.2	2.2	2.3	2.3	2.3	2.3
Percent change, year over year	2.9	2.4	2.1	2.2	2.3	2.3	2.3	2.3
Unemployment rate, civilian, percent:								
Fourth quarter level	5.3	4.8	5.0	5.2	5.4	5.4	5.4	5.4
Annual average	5.4	5.0	4.9	5.1	5.3	5.4	5.4	5.4
Federal pay raises, January, percent:								
Military ⁴	2.6	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Civilian ⁵	2.4	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Interest rates, percent:								
91-day Treasury bills ⁶	5.0	5.0	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury notes	6.4	6.4	5.9	5.8	5.8	5.7	5.7	5.7

¹ Based on information available as of early December 1997.

² Rent, interest, dividend and proprietor's components of personal income.

³ Seasonally adjusted CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.

⁴ Beginning with the 1999 increase, percentages apply to basic pay only; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.

⁵ Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 1999 have not yet been determined.

⁶ Average rate (bank discount basis) on new issues within period.

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not produce a balanced budget until 2002. Since then, the budget outlook has improved. Economic growth has continued to exceed expectations, and inflation has remained low. The resulting changes in the Administration's economic and technical projections have reduced the projected deficits and moved the expected year of balance ahead to 1999 (see Chart III-8).

The Long-Range Budget Outlook Through 2050

In last year's budget, the Administration projected that, presuming Congress enacted its policy proposals, the budget would not only reach balance, but remain there until 2020. Later, the deficit would rise, but only to 3.5 percent of GDP by 2050—that is, below the level it had reached when the President took office.

Since last year, the economy has remained strong, and the President and Congress adopted new deficit-cutting policies in the BBA. As a result, the Administration now projects

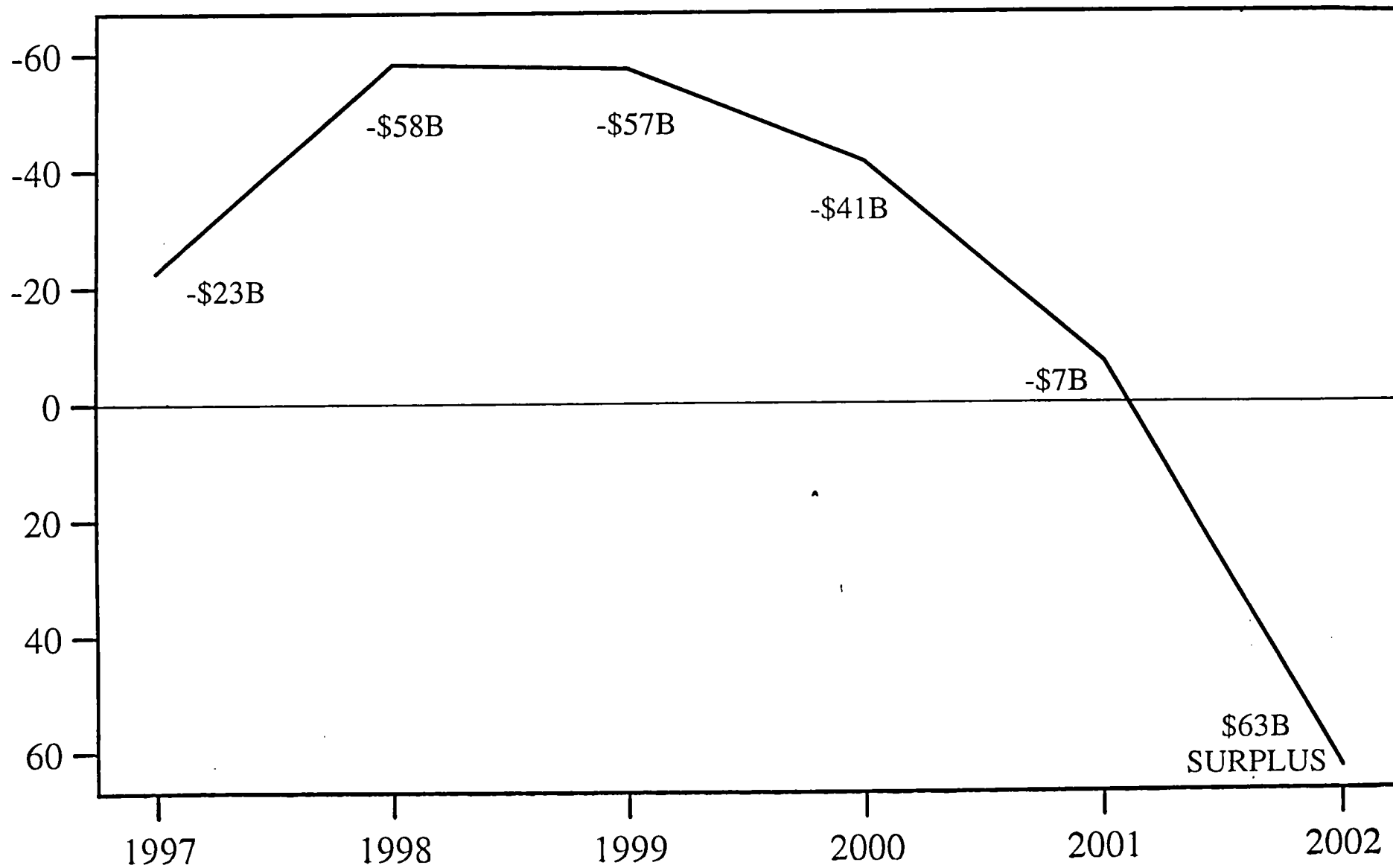
that the budget will reach balance sooner and remain in balance longer. The Administration now believes that balance can persist until 2027 and that the deficit will reach only 1.3 percent of GDP in 2050 (see Chart III-9). Still, the figures demonstrate that a long-run deficit problem remains.

Of course, even more than for a five- or 10-year forecast, 50-year projections are sensitive to underlying assumptions. These projections assume that discretionary spending holds steady in real terms, rising only with the expected rise in inflation, and that mandatory spending rises with demographic changes, as mandated by current law. These assumptions are not only standard for the Administration, they are also conservative when compared to the experience of recent years, in which discretionary spending has fallen in real terms and the Administration and Congress have changed laws in order to limit entitlement spending. (Because some commentators would differ with these assumptions over the long term, the Administration

Chart III-7. BUDGET SURPLUS(+)/DEFICIT(-)

SURPLUS (+)/DEFICIT (-) IN BILLIONS OF DOLLARS

(Not Final)



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Natic presents alternative approaches to long-range projections in Chapter 2 of Analytical Perspectives.)

Under the assumptions cited above, all Federal spending except for Social Security, Medicare, Medicaid, and net interest would decline from 10 percent of GDP in 1995 to an estimated four percent in 2050. Thus, the long-run deficit problem results entirely from the projected rise in three key programs:

- Medicaid spending grows from one percent of GDP in 1995 to five percent in 2050.
- Medicare spending grows from two percent of GDP in 1995 to five percent of GDP in 2050.
- Social Security spending grows from 4.5 percent of GDP in 1995 to 6.5 percent in 2050.

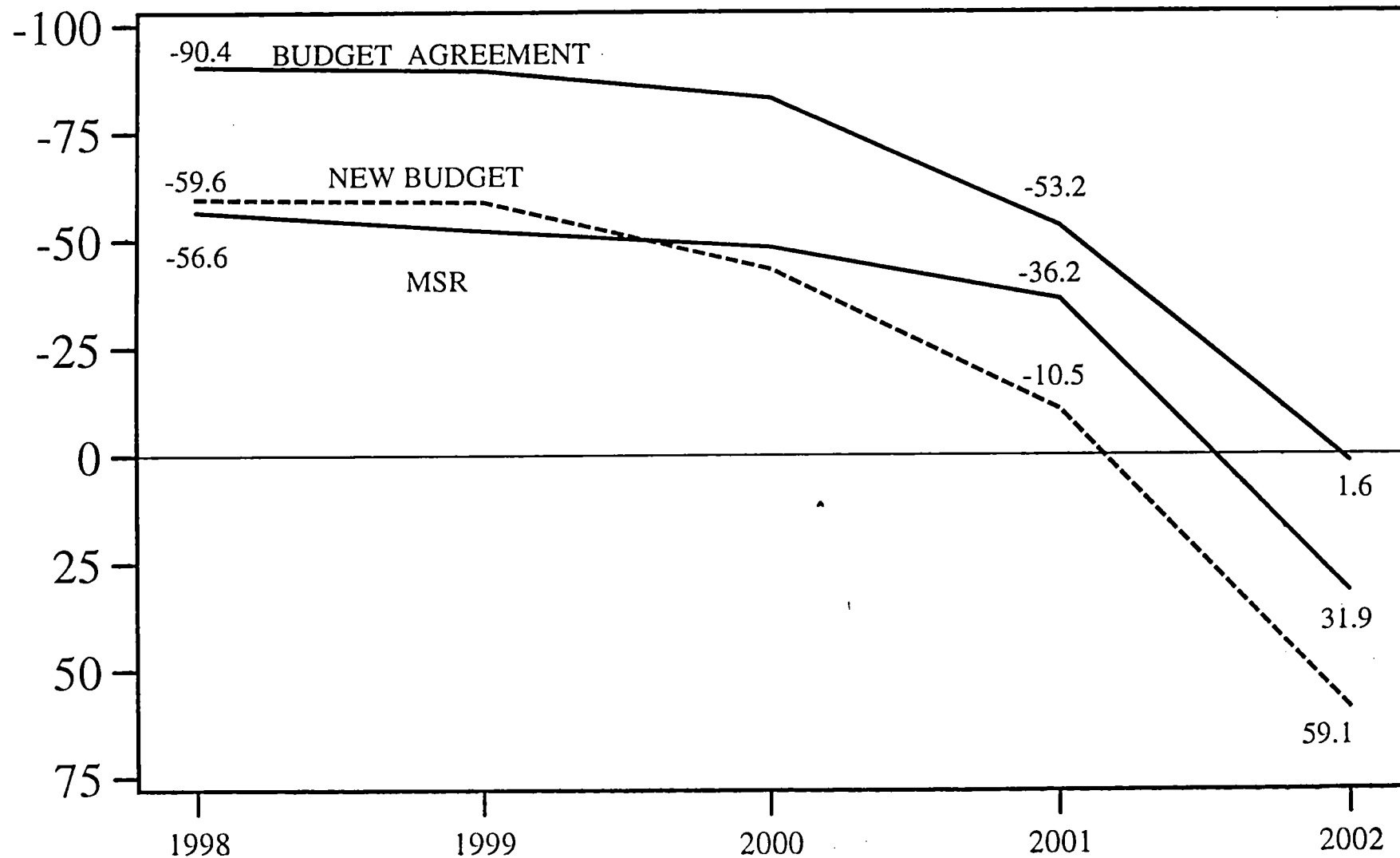
As a result, policies to address the projected shortfalls in the Social Security and Medicare trust funds, in turn, may help prevent the overall budget from falling back into deficit. The Administration is ready to work with Congress on the long-range problems that these two vital programs face.

Social Security and Medicare are important to the health and security of millions of senior citizens and people with disabilities, and the Administration and Congress must adopt reforms to maintain their solvency. The two sides laid the groundwork for this unfinished agenda in the BBA by including some important reforms to Medicare and Medicaid. The President is committed to work with Congress to finish the job.

**Chart III-8. CHANGES IN THE ESTIMATES OF
THE BUDGET DEFICIT**

SURPLUS (+)/DEFICIT (-) IN BILLIONS

(Not Final)

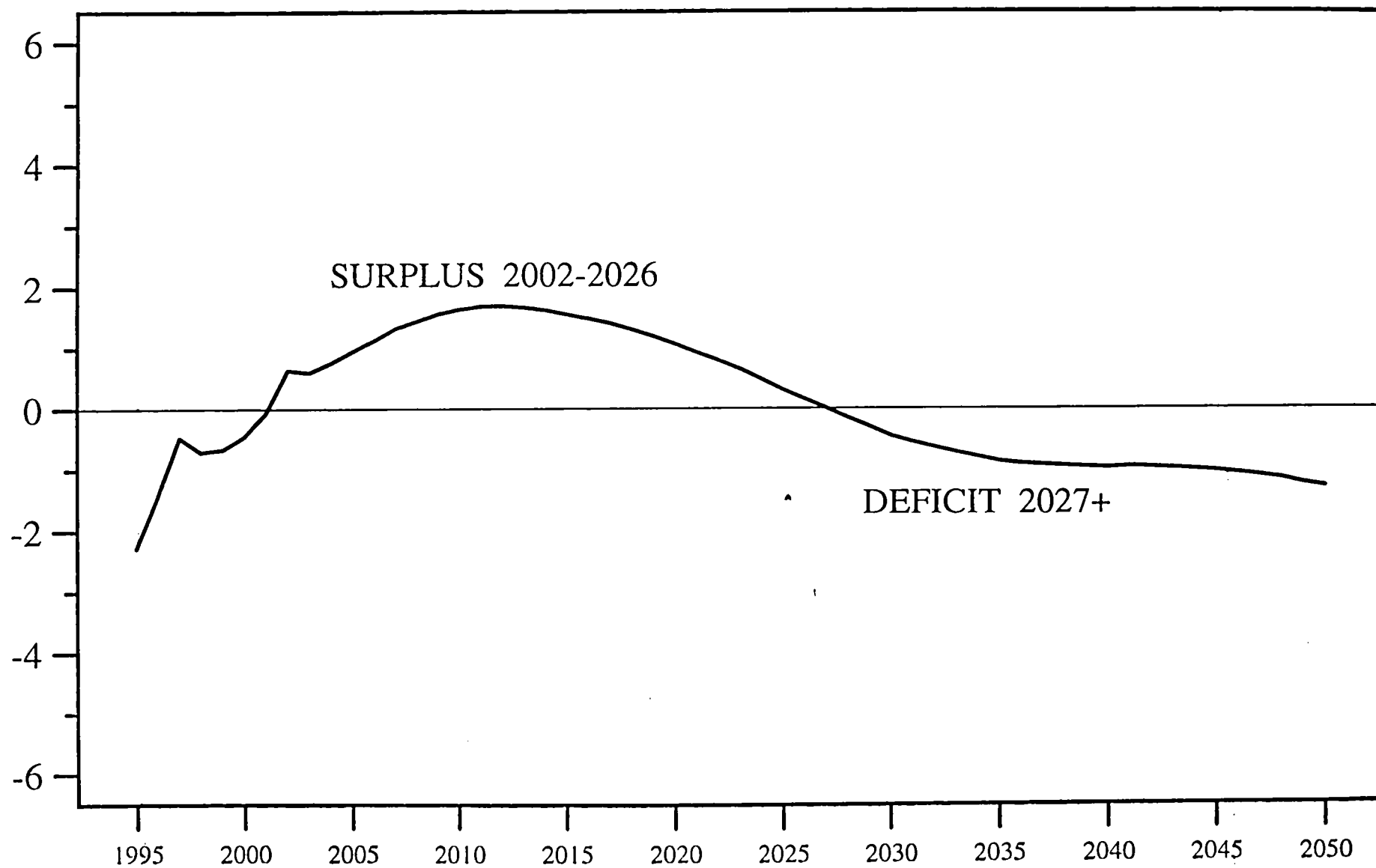


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Chart III-9. THE LONG-RUN OUTLOOK

DEFICIT (-)/SURPLUS (+) AS A PERCENT OF GDP

(Not Final)



IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

We had to reject the idea of those who say we should do nothing with Government and reject those who say we should try to do everything. Instead, we gave the American people a Government that is very much smaller, more focused, but more committed to giving people the tools and conditions they need to make the most of their lives.

President Clinton
October 1997

The President has challenged the Federal Government to do more with less—and with good reason.

Departments and agencies, which once could count on more funds from year to year, no longer can; indeed, with the Administration committed to balancing the budget, some agencies will get less.

Public demands for more and better services have not shrunk, however. Americans continue to want good schools, a clean environment, high-quality health care, and secure retirement benefits. Thus, the Government must satisfy these demands by managing better and improving the performance of programs.

The Administration has answered the call. Vice President Gore, working with the departments, agencies, and inter-agency working groups, and drawing on the expertise of the private sector, has led an unprecedented effort to cut the size of the Federal Government and make it more efficient and effective. Through its reinvention efforts, the Administration has saved \$137 billion over the last five years.

The Administration has cut the Federal work force by over 316,000¹ employees, creating the smallest work force in 31 years and, as a share of total civilian employment, the smallest work force since 1931. Thirteen of the 14 Cabinet Departments have cut their permanent work forces between 1993 and 1997. Only the Justice Department's

work force is growing, due to the Administration's expanded war on crime and drugs—funded largely through cuts in the rest of the work force (see Charts IV-1 and 'V-2).

But the work is not done, and the Administration has an ambitious agenda to continue reinventing Government so that it is more effective, more efficient, and more responsive to the American people. This section highlights the key parts of this "Management Agenda"²:

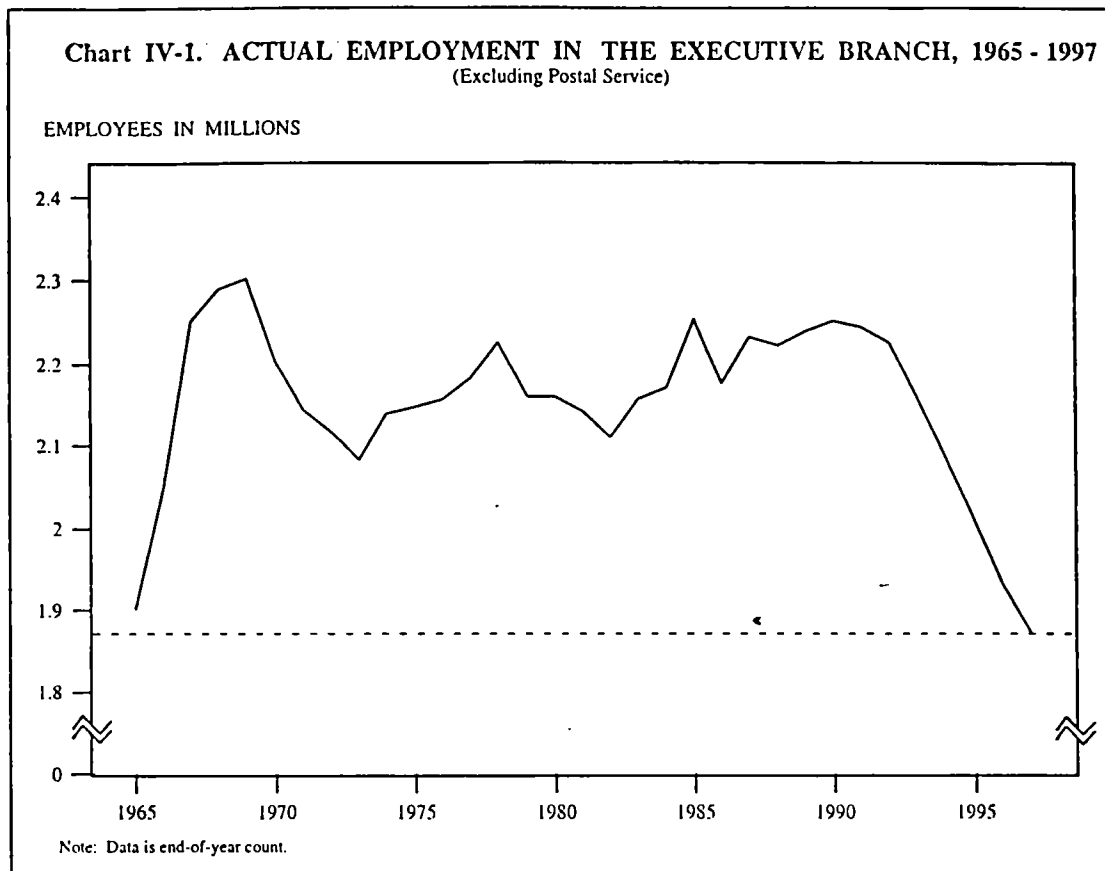
- The National Performance Review's (NPR) efforts to reinvent entire agencies;
- The Administration's top management objectives;
- The Administration's management support initiatives; and
- The activities of inter-agency working groups.

The NPR: Reinventing Agencies to Serve Americans

The NPR has introduced important changes across the Government that have improved services and cut costs—from streamlined drug approvals at the Food and Drug Administration to better customer service at the Social Security Administration; from procurement reforms that have saved \$12.3 billion to the pending sale of the Naval Academy's 800-acre dairy farm in Annapolis, Md. Now, the NPR is moving from reinventing processes within agencies to reinventing agencies in

¹As of September 1997.

²For more information on the issues discussed in Section IV, see the footnotes that list websites on the Internet.



their entirety in order to create customer-oriented, results-driven organizations that focus on performance.

Over the next three years, the NPR will work with the agencies that interact most with individuals and businesses to improve performance and enable the American people to more quickly enjoy better service and regain their confidence in Government. Following the examples of America's best-run companies, the NPR will help these agencies align their management systems to better serve their customers. These agencies already have the key building blocks in place: ~~X~~ strategic plan, annual performance plans, and budgetary resources. The next step is to better integrate their information technology, human resource systems, and service processes so that they better focus on customers.

In addition, the Vice President has challenged the leaders of 32 agencies—High Impact Agencies—to commit to achieving

significant, concrete, measurable goals over the next three years (see Table IV-1). Over 1.1 million of the Federal Government's 1.8 million civilian employees work in these agencies, which include the Immigration and Naturalization Service, National Park Service, and Social Security Administration.

"You should focus your efforts in three areas—partnerships, the use of information technology, and customer service," the Vice President instructed the heads of these agencies last summer. "Yours are the agencies that shape the public's opinion of Government and can redeem the promise of self-government. Public cynicism about Government is a cancer on democracy. Reinvention isn't just about fixing processes, it's about redefining priorities and focusing on the things that matter."

Working with the NPR, these agencies have developed over 200 specific, measurable commitments that they will complete by the

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(last year's chart
attached)

year 2000. They involve improving services in areas that Americans care about.³ Major performance goals include:

- *Improving student aid delivery:* The Education Department will determine, within four days, the eligibility of students and families who apply for student aid electronically, cutting the processing time in half.
- *Speeding aid to disaster victims:* Through partnerships with Federal, State, local, and voluntary agencies, the Federal Emergency Management Agency will act on all requests to meet victims' needs for water, food and shelter within 12 hours of a disaster event, with the intent to coordinate services within 72 hours of a Presidential declaration of disaster.
- *Finding the right agency on the first try:* The General Services Administration will restructure Federal listings in the blue

pages of local telephone books, ensuring that Americans can find the Government service they need the first time they look.

- *Reducing time for clearance at U.S. airports:* Working with the Agriculture Department and the Customs Service, the Justice Department's Immigration and Naturalization Service will clear international passengers at airports in 30 minutes or less while improving enforcement and regulatory processing.
- *Reducing injury and illnesses in the workplace:* The Labor Department's Occupational Safety and Health Administration will cut injury and illness rates by a fifth in at least 50,000 of the most hazardous workplaces.
- *Increasing access to Federal recreation opportunities:* The National Park Service will create, with other Federal natural resource agencies, an integrated Nation-wide outdoor recreation information system that gives all Americans electronic access to in-

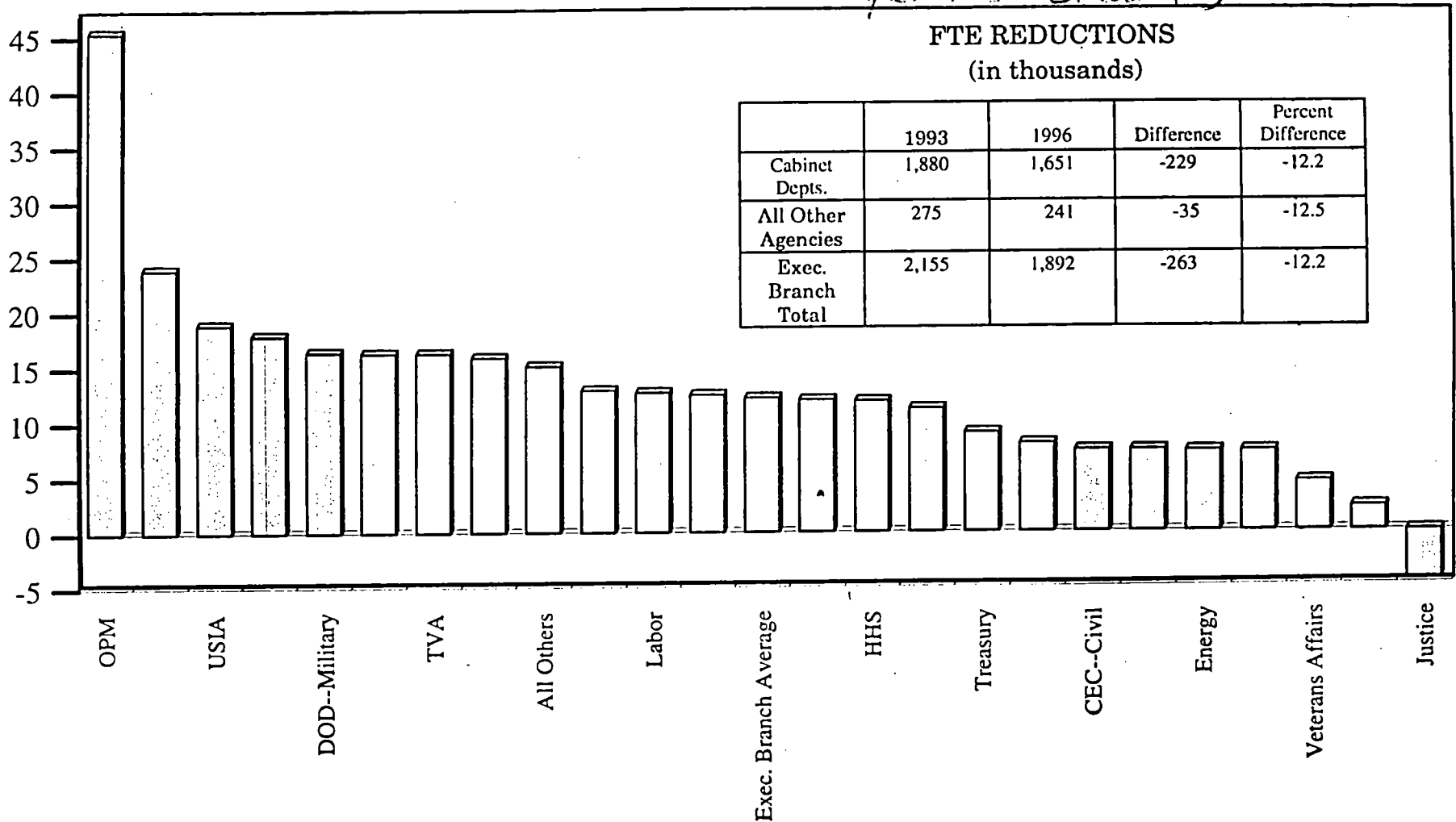
³The NPR's home page, at www.npr.gov, provides details of the performance commitments of each agency.

Chart IV-2. CIVILIAN FTE CHANGES ON A PERCENT BASIS, 1993 - 1996

CABINET DEPARTMENTS AND SELECTED INDEPENDENT AGENCIES

FTEs IN THOUSANDS

(Under development - this is last year's chart)



Notes: The Executive Branch total excludes Postal Service. The 1993 base, which is the starting point for calculating the 272,900 FTE reduction required by the Federal Workforce Restructuring Act, is 2.2 million.

Table IV-1. High Impact Agencies

Agriculture:

Animal and Plant Health Inspection Service
 Food Safety and Inspection Service
 Food and Consumer Service
 Forest Service

Commerce:

Bureau of the Census
 U.S. and Foreign Commercial Service/International Trade Administration
 Patent and Trademark Office
 National Weather Service

Defense:

Acquisition Reform

Education:

Student Financial Assistance

Environmental Protection Agency**Federal Emergency Management Agency****General Services Administration****Health and Human Services:**

Food and Drug Administration
 Administration for Children and Families
 Health Care Financing Administration

Interior:

National Park Service
 Bureau of Land Management

Justice:

Immigration and Naturalization Service

Labor:

Occupational Safety and Health Administration

National Aeronautics and Space Administration**Office of Personnel Management****Small Business Administration****Social Security Administration****State:**

Bureau of Consular Affairs

Transportation:

Federal Aviation Administration

Treasury:

Customs Service
 Internal Revenue Service
 Office of Domestic Finance/Financial Management Service

U.S. Postal Service**Veterans Affairs:**

Veterans Health Administration
 Veterans Benefits Administration

formation about recreation on Federal lands, recreation use permits, and reservations.

- *Speeding Social Security information:* The Social Security Administration will provide overnight electronic Social Security number verification for employers. Today, verification can take up to two weeks.

Priority Management Objectives

The Administration plans to "provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations, and policies," and to "work within and across agencies to identify solutions to mission critical problems."⁴ For 1999, the Administration will focus on 22 key management objectives (see Table IV-2).

⁴See OMB's Strategic Plan, at www.whitehouse.gov/WH/EOP/OMB/Special-Emphasis/stratplan.html

Table IV-2. PRIORITY MANAGEMENT OBJECTIVES

Inter-agency Objectives	
Interagency	Manage the year 2000 computer problem in a timely and cost-effective manner to ensure that no critical Federal programs fail as a result of this problem.
Interagency	Implement the Government Performance and Results Act in a timely and compliant manner to improve agency program performance.
Interagency	Present performance and cost information in a timely, informative and accurate way, consistent with Federal accounting standards. Assure the integrity of Federal financial information by completing audits and gaining unqualified opinions for all Chief Financial Officer Act agencies and on the Federal Government as a whole.
Interagency	Improve the use of information technology and decrease the number of troubled investments in technology over time.
Treasury, Social Security Administration, Labor, Customs.	Improve the use of information technology and eliminate unnecessary duplication and stovepipes by developing a Simplified Tax and Wage Reporting System (STAWRS) and the International Trade Data System (ITDS). STAWRS will allow small businesses to file tax information electronically with the IRS instead of providing duplicative information to State, local, and Federal governments. ITDS will connect existing agency systems so that importers, exporters, and others involved in international trade will benefit from "one-stop shopping" for information collection and retrieval.
Interagency	Provide greater customer satisfaction through acquisition reform in terms of price, timeliness, quality, and productivity; increase use of performance-based service contracting.
Interagency	Improve loan portfolio management by encouraging the use of electronic loan origination, loan underwriting, and reporting on the status of major loan portfolios that will provide faster and more economical loan processing.
Interagency	Improve debt collection for major receivable accounts by effectively using the tools provided by the Debt Collection Improvement Act of 1996 (referral to private collection agencies, referral to Treasury for offset, and asset sales).
International credit programs	Improve agency loan management servicing, portfolio tracking and credit budgeting policies and procedures. More accurate financial records, using consistent accounting standards, will result in improved repayment practices and increased collections. (The Agency for International Development, Overseas Private Investment Corporation, Export Import Bank, Defense Security Assistance Agency, Defense Export Loan Guarantee Program, and Agriculture have \$X billion in outstanding loans and guarantees to foreign obligors.)
Interagency	Strengthen the quality, utility, accessibility and cost-effectiveness of Federal statistical programs.
Interagency	Maximize the social benefits of regulation while minimizing the costs and burdens of regulation.

Table IV-2. PRIORITY MANAGEMENT OBJECTIVES—Continued

Agency-Specific Objectives	
Defense	Produce an auditable financial statement. Defense will develop a plan with specific milestones to achieve this objective.
Defense	Increase outsourcing and privatization of military department infrastructure functions closely related to commercial enterprises, and of Defense Logistics Agency, Defense Finance and Accounting Service, and Defense Health Program functions.
Education	Modernize the management of student aid benefit delivery by reforming contracting, system development, and program oversight practices.
Energy	Use prudent contracting and business management approaches that emphasize results, accountability, and competition; improve timeliness; minimize costs; and ensure customer satisfaction.
Housing and Urban Development	Implement HUD's 2020 Management Reform Plan to: (a) restore public trust by achieving and demonstrating competence in implementing HUD's programs, and (b) restructure the way HUD operates to empower people and communities. Implementation of HUD's management reform plan began in June 1997 and will extend to 2002. HUD will periodically measure changes in its performance to assess the impact of reform.
Interior: Bureau of Indian Affairs	Seek to settle disputed tribal trust fund balances, make comprehensive reforms to the operation of tribal and individual Indian trust asset and trust funds management, and implement a recently introduced legislative proposal to consolidate highly fractionated Indian lands.
Transportation: Federal Aviation Administration (FAA).	FAA Personnel Reform: Implement a personnel system that, without increasing costs, empowers managers to effectively hire, reward, promote, discipline, and remove employees, while at the same time protecting employee rights. FAA Financial Reform: Implement a financial system that accurately relates services to costs that can be reflected in user charges. Information Technology Investment/Air Traffic Control Modernization: Reduce developmental risk and total life-cycle cost of FAA major systems.
Treasury: Financial Management Service (FMS).	Implement a number of changes at FMS in order to increase electronic payments, collections, and debt collection; and improve the accuracy and timeliness of Government-wide accounting and reporting.
Treasury: Internal Revenue Service (IRS).	Position the IRS to move forward with the Modernization Blueprint and undertake an incremental modernization, including year 2000 conversion, resulting in centralized data bases that would stimulate significant improvements in customer service, compliance and financial reporting.
Veterans Affairs	Work to consolidate infrastructure (hospitals, regional offices, data centers) where service improvements and efficiencies can be achieved.
Social Security Administration	Reduce the processing time for disability claims and appeals in the Disability Insurance and Supplemental Security Income programs at lower administrative cost with neutral impact on program costs.

Since what follows the colon is lengthy -- and runs for several pages -- is there a better lead-in "different punctuation?"

IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

Agency managers have the primary responsibility to achieve these performance goals; they must actively and effectively carry out both inter-agency and agency-specific initiatives. OMB will help agencies develop and implement detailed action plans to ensure that they make progress toward meeting these commitments.

Government-wide management initiatives will help achieve several of these inter-agency objectives, such as:

Year 2000 Computer Problem: The Administration is committed to ensuring that agency computer systems correctly process the year 2000. The report, "Getting Federal Computers Ready for 2000," which the Administration sent to Congress with last year's budget, outlines the Administration's strategy.⁵ Agencies report quarterly on their progress, as does the Administration as a whole. The Administration's most recent report states that the estimated cost of addressing the problem stands at \$3.9 billion; agencies have identified 8,589 mission-critical systems, 26 percent of which are compliant; and all agencies are renovating their systems. That report also establishes a Government-wide goal of completing the implementation of all mission-critical systems by March 1999. This budget proposes \$950 million in 1999 to address the problem, including \$228 million for the Treasury Department, \$275 million for the Defense Department, and \$89 million for the Transportation Department.

Government Performance and Results Act: All agencies have sent Congress their strategic plans under the Results Act, and will

⁵ For more information on the year 2000 issue and other information technology issues, see the Chief Information Officers Council web site (www.cio.fed.gov).

be sending their annual performance plans as well after the budget is transmitted. Nearly 100 departments and agencies have prepared strategic plans and are preparing annual performance plans. By March 2000, these agencies will submit clear, concise annual performance reports on their progress toward the goals they set in their annual plans.

Agency Audited Financial Statements: For 1996, 22 of the 24 largest agencies have produced audited financial statements, as required by the Government Management and Reform Act (GMRA). On these statements, six agencies already have received unqualified opinions: the Energy Department, General Services Administration, National Aeronautics and Space Administration, Nuclear Regulatory Commission, Small Business Administration, and Social Security Administration. The Chief Financial Officers (CFOs) have projected when their agencies will issue unqualified and timely audited financial statements (see Table IV-3).

As part of a GMRA-authorized pilot program, 12 agencies are issuing "Accountability Reports" for 1997, enabling them to provide, in one place, reader-friendly information about their programs and operations, including their audited financial statements. In 1998, OMB and the CFO Council will conduct a final assessment of the pilot program and, based on the results, will work with Congress on legislation to turn the pilot into a permanent, Government-wide program. Twenty-one of the 24 agencies have committed to producing an Accountability Report for 1999.

Government-Wide Audited Financial Statements: GMRA also requires the first Government-wide audited financial statements for 1997. The Government's ability to obtain

Table IV-3. Financial Statement Performance Goals

Financial Statements	1996 Actual	Estimate			
		1997	1998	1999	2000
Audits Completed	22	23	24	24	24
Agencies with Unqualified Opinion	6	12	16	21	23
Agencies with Unqualified and Timely Opinion	4	9	16	21	23

an unqualified opinion on its Government-wide statements is hampered, however, by the lack of adequate financial management systems to capture the data that would satisfy Federal accounting standards requirements. OMB plans to work with the agencies to resolve these problems in time for the Government to receive such an opinion on its 1999 statements.⁶

Information Technology Investments: Investments in information technology can help Government to work better and cost less. For the best return on investment, agencies are following the successful practices of private firms—reengineering, creating disciplined capital programming processes, and developing information technology architectures—to ensure that the investments provide workable solutions to problems at a reasonable cost. (For performance information with regard to information technology investments for 1999 and beyond, see Table IV-4.)

Table IV-4. Program Performance Benefits From Major Information Technology Investments

(Budget authority, in millions of dollars)

Program/Project	1997 Actual	1998 Estimate	1999 Proposed	Program Performance Benefits
Agriculture: Farm Service Architecture ^{1,2}	21	41	45	Allows "one-stop service" for farmers at local Agriculture Department offices.
Commerce: Advanced Weather Interactive Processing System.	100	117	69	Improves the accuracy of forecasts. Lowers the costs of generating forecasts through reduced staffing requirements. A component "The Advance Hydrological Prediction System" will provide 60 day flood warnings with 90 percent accuracy.
Commerce: Census 2000.	26	80	199	Reduces errors, the number of temporary employees needed, and publication costs.
Defense: Defense Messaging System	154	197	207	Provides timely, reliable, standardized, and secure messaging to tactical, organizational and individual users. Includes Defense Information Systems Agency and individual service contributions. Defense has provided lifecycle cost savings of over \$600 million.
Education: Direct Student Lending.	131	178	219	Supports loan origination and servicing of a portfolio that will grow to more than \$55 billion in 1999.
Education: National Student Loan Data System.	27	2120	26	Improves the Government's collection of defaulted loans and integrity of participating institutions.
Education: PELL Grant Systems.	7	7	7	Distributes grant funds to institutions and supports sound financial management.
Education: Guaranteed Student Loan Data System.	23	24	29	Improves the Government's collection of defaulted loans.
Education: Student Aid Application System.	49	51	63	Assists institutions and students by providing a standardized way to determine financial aid eligibility.
Energy (DOE): Telecommunications Integrator Services (TELIS) contract ³	2	100	123	Lowers operating and maintenance costs and improves sharing of information by promoting interoperability of telecommunications systems.
Health and Human Services: Medicare Information Technology System ⁴	75	40	45	Simplifies and streamlines claims processing, eligibility, and managed care information systems while improving service to Medicare customers.

⁶For more information on financial management performance commitments, see the CFO Status Report and Five-Year Plan at the OMB web site (www.whitehouse.gov/WH/EOP/OMB/Finance/).

Table IV-4. Program Performance Benefits From Major Information Technology Investments—Continued

(Budget authority, in millions of dollars)

Program/Project	1997 Actual	1998 Estimate	1999 Proposed	Program Performance Benefits
Health and Human Services: Federal Parent Locator Service, including the National Directory of New Hires and the Federal Case Registry.	25	30	29	Assists States in locating out-of-State, non-custodial parents who owe child support by matching quarterly wage, new hire, and unemployment insurance data with national registry of child support cases. This system will increase interstate collections by \$3 billion over ten years.
Housing and Urban Development: Information Technology Investments.	196	259	262	Provides better internal controls and oversight of federal grants, verification of the eligibility of recipients, timely and accurate payment of funds, and oversight and servicing of FHA mortgages.
Interior: Automated Land Management Records System.	42	33	35	Improves the quality of, and access to, land, resources, and title information for public land managers and adjacent land owners.
Interior: American Indian Trust System				Ensures that trust income is allocated based upon accurate ownership information..
Justice: Integrated Automated Fingerprinting Identification System.	84	84	48	Allows the FBI to process routine identification requests in 24 hours and urgent requests in two hours.
Justice: National Criminal Information Center 2000.	8			Provides law enforcement agencies across the country real-time access to sophisticated databases on criminals and criminal activity.
Justice: Information Sharing.			95	Promotes sharing of investigative data bureauwide.
Labor: ERISA Filing Acceptance System.	6	3	5	Increases the speed, accuracy, and integrity of information that three agencies use to safeguard private pensions.
State: Diplomatic and Consular Systems Modernization. 6	54	116	135	Improves delivery and management of information required by diplomatic and consular officers overseas to support the Nation's foreign policy goals and ensure U.S. border security.
Transportation: Federal Aviation Administration Air Traffic Control System Modernization.	1,233	1,306	1,410	Maintains and improves capability to promote the safe, orderly, and expeditious flow of air traffic. Reduces the accident rate by 80 percent of baseline levels by 2007.
Treasury: Information Technology Investments.			323	Provides advanced funding for redesign of tax administration systems and operations, improving the timeliness and quality of taxpayer data, and thereby significantly enhancing customer service and collection activities. Increases automated calls answered from 16 million to 30 million.
Treasury: Treasury Communications System. 7	129	187	200	Provides secure data transmission and information services worldwide for Treasury bureaus.
Treasury: Automated Commercial Environment.	12	11	54	Supports business process redesign, systems architecture, development, and implementation for systems to replace Customs' Automated Commercial System.
Veterans Affairs: Benefits Payment System transition.				Ensures that benefits are delivered timely and accurately and allows for consolidation and more efficient use of data centers and information technology.
Veterans Affairs: VA Medical Enrollment System.	1	80	73	Allows automation of veterans' eligibility status and tracking of veteran demographics.
Environmental Protection Agency: Toxic Release Inventory System.	8	7	8	Helps to improve the environment by maintaining data related to certain toxic chemical uses. The data is available to EPA staff, State and local governments, educational institutions, industry, environmental and public interest groups, and the general public.

Required under the Clinger-Cohen Information Technology Management Reform Act.

Table IV-4. Program Performance Benefits From Major Information Technology Investments—Continued

(Budget authority, in millions of dollars)

Program/Project	1997 Actual	1998 Estimate	1999 Proposed	Program Performance Benefits
National Aeronautics and Space Administration: Earth Observing System Data Information System.	242	213	238	Supports spacecraft control, science data processing, and earth science data management, archiving, and distribution. Will archive 560 terabytes and deliver 2.4 million data products by end of 1999.
Social Security: Automation Investment Fund.	235	190	.....	Provides more than 2,400 workyears in productivity gains for State Disability Determination Services.
General Services Administration: FTS2001 Program ⁸	10	13	11	Beginning in 1999, will offer the Federal Government low-cost, state-of-the-art, integrated voice, data, and long-distance telecommunications. Replaces the FTS2000 contracts for similar services that expire in 1998.
Nuclear Regulatory Commission: Agency Document Access and Management System.	2	7	4	Implements workprocess improvement review and increases staff efficiency through improved information access and elimination of redundant data entry. Reduces maintenance costs by replacing aging legacy hardware and minimizing custom software.
Office of Personnel Management: Retirement System Modernization.	.....	2	5	Completes development of agency-wide information technology architecture and development of retirement system modernization program requirements.
Interagency: Simplified Tax and Wage Reporting System.	.....	.....	.....	Reduces employers' tax and wage reporting burden.
Interagency: International Trade Data System.	6	6	6	Reduces burden on exports and imports, speeds up shipments, and improves the quality of trade statistics.
Interagency: Data Center Consolidation.	.....	100	100	Saves money by requiring all Federal agencies to consolidate or collocate their data processing centers to fewer larger, more efficient, and cost effective locations, either within the Government or with a private sector provider.
Interagency: Land Mobile Radio Narrowbanding.	.....	.....	.....	Allows a 50-percent increase in number of radios that can operate in current spectrum, promoting interoperability among users.

² Previously called the Field Service Center Initiative

³ Budget authority for non-DOE agencies using the TELIS contract vehicle is \$1.5 million, \$77 million, and \$99 million in 1997, 1998, and 1999, respectively.

⁴ Succeeds the Medicare Transaction System.

⁵ 1997 and 1998 figures represent capital investment to set up the system. 1999 numbers are operational costs. For consistency, 1999 is zero for capital costs and \$4.5 million in operational costs.

⁶ Includes user fees and budget authority

⁷ Funded through Treasury's working capital fund, not annual appropriations.

⁸ Cost numbers are not budget authority, but agency contributions to the Information Technology Fund for expenses associated with the FTS2001 Program. These numbers do not include the cost of transitioning to the new contracts.

Procurement: Changes in law and regulatory policy continue to help agencies get more value from what they buy, improving Government's performance along the way. With fewer Government-specific requirements to meet and with more flexibility, contracting officials can increasingly buy commercial items and, in the process, pay less while they gain access to the most current technology. Agencies can communicate more with industry and more directly link Government's needs to the market's capabilities. The Administration will build on these improvements so that Federal acquisition practices can match those of the

most successful companies. For instance, by the end of 1999: 15 agencies will have a system in place to evaluate contractor performance on all non-exempt contracts over \$100,000; agencies will make 60 percent of all transactions under \$2,500 with the Government charge card; and OMB will work with agencies to increase, by 30 percent, the number of model performance-based statements of work available for agency use.

Performance Based Service Contracting (PBSC): PBSC requires that, in procuring a service, the Government outline its needs in

measurable, mission-related terms—not prescribe precisely how contractors do the work, and not describe its needs too vaguely. With PBSC, agencies pay for results, not effort or process, enabling contractors to determine the best, most cost-effective ways to do the job. Preliminary results of a Government-wide PBSC pilot project show that it cut prices 15 to 20 percent while increasing Government's satisfaction with contractor performance. The Administration believes that PBSC offers great potential to reap savings and other benefits in the roughly \$100 billion that the Government spends a year on service contracts. Agencies plan to convert about 2,000 contracts, valued at \$25 billion, to PBSC over several years. In 1999, agencies project that they will convert at least 1,000 contracts, worth \$10 billion, to PBSC.

Loan Portfolio Management: Because the Federal Government is the Nation's single largest source of credit, agency credit programs and performance measures should address each major phase of credit management—credit extension, account servicing, and special collection. For each phase of this new initiative, agencies will more widely use modern electronic business processes to improve customer service, cut costs, and improve collection. For credit extension, agencies will ensure that individuals and entities applying for credit are eligible in terms of income and are not delinquent on a Federal claim. For account servicing, agencies will work together to ensure that accurate monthly information is available on the status of loans. A consortium of single family loan programs run by the Departments of Housing and Urban Development, Agriculture, and Veterans Affairs will provide a forum for its program delivery partners to speed their use of electronic reporting on the status of accounts.

Debt Collection Management: The 1996 Debt Collection Improvement Act (DCIA) creates more tools for the Treasury Department and individual agencies to reduce losses and increase collections. In the special collection phase, when a loan becomes seriously delinquent—over 180 days overdue—Treasury will help the agency by intercepting other Federal payments to the delinquent borrower and applying them to the delinquent account. Treasury can also cross-service debts that are over

180 days overdue by referring them to private collection agencies. A principle of sound credit management for most Federal loan programs is that once a loan is delinquent for over one year, the agency should sell the debt and write it off as uncollectible, if appropriate. The Federal Credit Policy Working Group will review write-off practices and redesign loan sales policy in order to cut the growth of delinquencies and boost Federal collections of delinquent debt. By January 1999, the Federal Credit Policy Working Group, in cooperation with the CFO Council, will work to reduce delinquencies by 10 percent and increase collections by \$95 million from the 1997 level.

Management Support Initiatives

The activities described above do not encompass all of the Administration's management efforts. Indeed, the Administration continues to work on a host of other initiatives—from providing more Federal services electronically to improving the management of credit programs—that will help reach the goal of creating a Government that "works better and costs less."

Access America: This plan, which the Vice President is spearheading, is designed to make Government services available electronically to all Americans who seek them. More specifically, the plan calls for, among other things, conducting electronically those transactions that individuals, States, localities, businesses, law enforcement agencies, and others most often request; ensuring high standards of privacy and security for these transactions; and providing the necessary infrastructure and skills in Government to support the vision. A Government-wide task force is leading implementation efforts.⁷

Electronic Commerce Security: "Electronic commerce" is the use of computers and networks to buy and pay for goods and services, accept regulatory filings, and provide public services—making Government more convenient and cost-effective. For agencies and the public to enjoy those benefits, however, they must be sure that their information is going to whom it should—and to no one else. An important tool for providing that security is the digital signature, but the private institu-

⁷ For further details, see www.gits.fed.gov.

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) including the Administration's support for common administrative services, where possible,

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tions and the rules for managing those signatures are just emerging. Through efforts of the Government Information Technology Services Board and others, the Federal Government is aligning Federal electronic commerce security practices with this emerging private infrastructure.

Data Center Consolidation: The Government can save money by consolidating large computer centers, thereby eliminating duplication in facilities, staff, computer hardware and software, and related services. Large-scale data processing service contracts, such as GSA's Virtual Data Center contract, make outsourcing for the related services sensible and cost-effective. In 1995, OMB directed agencies to significantly reduce the number of agency data centers. This budget includes the \$300 million in expected savings through 1999, and savings of at least \$280 million a year thereafter.

The **Budgeting for Results:** In preparing this budget, the Administration had, for the first time, agency strategic plans, annual performance plans, and performance measures to help decide how to allocate resources. In general, however, the budget structure and charging practices do not make it easy to match costs with a specific program. First, the budget does not charge all of a program's resources to that program; instead, the budget subsidizes programs by paying for certain activities centrally. Second, not all budget accounts are as well-aligned as they might be with the programs they finance. As a result, in some cases, the quality of budgeting, management, and resource acquisition all suffer.

Good budgeting is predicated on the ability to compare costs and benefits, at least roughly, across all programs every year. In some cases, current practices distort such comparisons. Good management requires that managers focus on, and are held accountable for, getting the best results for the resources they have. Managers should be free to allocate resources as they see fit, and to obtain competitive, performance-oriented procurement.

To better integrate budgeting with performance planning and reporting, as GPRa envisions, OMB will work with agencies to review their budget account structures and, in con-

sultation with the Budget Officers Advisory Council and the CFO Council, develop legislation to enable agencies to charge programs' accounts uniformly and comprehensively for the resources they use. As these proposals take shape, OMB will consult with the Congressional Budget Office, the General Accounting Office, and congressional committees on next steps.

Competition: Competition spurs efficiency. Federal agencies that provide administrative and other support services need the stimulus of competition to sharpen their skills, improve their performance, and cut their costs. As a result, for buying commercial goods and services, the Administration is encouraging agencies to compete with one another and with the private sector on a level playing field to provide the best deal for the taxpayer, in accordance with the March 1996 revised OMB Circular A-76 Supplemental Handbook. More competition will spur new technologies, new capital, and new management techniques to help improve performance, while creating greater opportunities for Federal and private employees and their customers. The Secretary of Defense, for instance, has announced that the department will evaluate over 41,000 full-time equivalent (FTE) positions for their possible conversion to the private sector or other agencies in 1999, and evaluate over 150,000 FTE through 2001.

Error Reduction in Federal Programs: The Administration is launching an effort to reduce errors in how Federal benefit programs are implemented, resulting in waste, fraud, or abuse. Federal agencies will work together to identify common sources of error and enable the Government to develop more integrated solutions, thus meeting the needs of both the Government and its customers. For 1999, the Administration will focus on increasing accuracy and efficiency in three areas: program eligibility verification, financial and program management, and debt collection.

- **Eligibility verification:** Many agencies run benefit and credit programs in which eligibility depends, at least in part, on an applicant's income or other financial resources, and other criteria, such as marital status and number of dependents. These programs include small business loans,

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student loans and grants, veterans pensions, rental housing assistance, income maintenance, nutrition support, and others. Generally, applicants must submit financial and other data on forms that agencies use to determine eligibility. When applicants provide false or erroneous information about their income or personal status, they may receive benefits for which they are ineligible, and may deprive eligible applicants from the assistance they deserve. A better verification process for credit and benefit programs can reduce errors significantly and allocate resources more fairly.

- *Financial and program management:* Agencies often can address the sources of errors within programs by changing their financial or management practices. For example, transaction analysis software can help agencies identify improper billing trends or high risk operations. In addition, more audits and other integrity initiatives will help agencies identify errors earlier. The biggest payoffs come when agencies prevent errors up front or quickly identify them before losses mount.
- *Debt collection:* Although most efforts to improve accuracy focus on prevention, some bad debt is inevitable. In trying to collect, agencies face the major obstacle of finding both the debtor and his or her employer. For example, the Education Department devotes about 70 percent of its collection efforts to locating debtors. Agencies can collect debt more effectively by better using data that's already in Government databases such as the National Directory for New Hires, which should be fully on line in early 1998 and which provides some of the Federal Government's most timely information for debt collection purposes.

Inter-Agency Working Groups: Using Network Management for Better Performance

The Administration relies on inter-agency groups to develop certain policies, and to identify and implement ways to better manage Federal resources. The groups meet regularly to initiate action, undertake projects, exchange

information, set priorities, and recommend policy direction.

In 1993, President Clinton established the President's Management Council (PMC), comprising the Chief Operating Officers of the largest Federal departments and agencies, to improve management of the Executive Branch. The PMC has undertaken a number of initiatives, including:

- *Rightsizing:* Leading efforts to reduce the number of Federal civilian employees without unnecessarily disrupting the work force.
- *Procurement reforms:* Identifying performance measures to help agencies assess improvements in the procurement process, and supporting implementation of Electronic Commerce and Performance-Based Service Contracting initiatives.
- *Field office restructuring:* Identifying appropriate criteria for restructuring activities within agencies; and recommending various approaches to restructuring.
- *Overseas missions:* Implementing a cost-sharing process for foreign missions.
- *Labor-Management partnerships:* Supporting partnerships through continuous communication with union leaders; and fostering culture change at all organizational levels.
- *Customer service:* Facilitating the development of customer service standards in agencies and the delivery of Customer Service Reports.

The President's Council on Integrity and Efficiency (PCIE), comprising 27 Presidentially-appointed Inspectors General (IGs) and other key integrity officials, focuses on two main objectives:

- mounting collaborative efforts to address integrity, economy, and effectiveness issues that transcend individual agencies; and
- increasing the professionalism and effectiveness of IG personnel across the Government.

The PCIE, for example, has recommended controls for Federal electronic benefits pro-

grams and reviewed the next generation of Federal Government credit card programs. In addition to setting basic standards for IG investigations, audits, and inspections, the PCIE has confronted new challenges, from implementing the 1993 Government Performance and Results Act to developing the Federal Financial Statement Audit Manual.⁸

A reinvigorated Joint Financial Management Improvement Program (JFMIP) will use added resources to help agencies in financial systems improvement efforts. The Administration is

drafting legislation to authorize the Treasury Department to charge for lost interest due to overpayments to vendors as part of a larger shift in responsibility for administering the Prompt Pay Act from OMB to Treasury.

Table IV-5 lists the priorities of several other inter-agency working groups: the National Partnership Council, the CFO Council, the Chief Information Officer (CIO) Council, the Electronic Processes Initiative Committee, the Federal Credit Policy Working Group, and the Federal Procurement Council.

Table IV-5. PRIORITIES OF INTER-AGENCY WORKING GROUPS

National Partnership Council

President Clinton established the National Partnership Council in October 1993 to enlist the Federal labor relations program as an ally in reinvention, and to refocus Federal labor relations from adversarial litigation to cooperative problem solving. Among the NPC's key objectives for 1998 are the following:

- Bring high-level attention to partnership issues to ensure that partnerships are established and working effectively throughout the Federal Government.
- Continue to focus on partnerships experiencing problems and help them overcome barriers.
- Encourage partnerships to address major NPR objectives, such as increasing efficiency, improving service, and reducing cost.

Chief Financial Officers Council

Authorized by the CFOs Act, the CFO Council is a Government-wide body that addresses critical cross-cutting financial issues by working collaboratively. The Council consists of the CFOs and Deputy CFOs of the 24 largest Federal agencies and senior officials of OMB and Treasury. The CFO Council's priorities are:

- Improve financial management systems.
- Effectively implement the Government Performance and Results Act.
- Issue accounting standards and financial statements.
- Develop human resources and CFO organizations.
- Improve the management of receivables.
- Ensure management accountability and control.
- Modernize payments and business methods.
- Improve the administration of Federal assistance programs.

Chief Information Officers Council

The CIO Council's role includes: developing recommendations for information technology management policy, procedures, and standards; identifying opportunities to share information resources; and assessing and addressing the Federal Government's needs for an information technology work force. The Council consists of CIOs and Deputy CIOs from 28 large Federal agencies, two CIOs from small Federal agencies, and representatives from OMB and two information technology boards. The CIO Council's priorities are:

- Define an interoperable Federal information technology architecture.
- Ensure information security practices that protect Government services.
- Lead the Federal year 2000 conversion effort.
- Establish sound capital planning and investment practices.
- Improve the information technology skills of the Federal work force.
- Build relationships and outreach programs with Federal organizations, Congress, industry, and the public.

⁸For more on PCIE activities, see IGnet (www.ignet.gov).

Table IV-5. PRIORITIES OF INTER-AGENCY WORKING GROUPS—Continued**Electronic Processes Initiative Committee (EPIC)**

The President's Management Council established EPIC to integrate end-to-end business processes electronically, with an emphasis on procurement and finance. EPIC consists of senior officials from DOD, the General Services Administration, Treasury, and OMB. The EPIC Council's priorities are:

- Use a multi-purpose smart card to support reengineering of business and administrative processes.
- Integrate electronic buying and paying processes.
- Efficiently and effectively process intra-governmental transfers that contribute to clean financial statements.

Federal Credit Policy Working Group

This inter-agency forum provides advice and assistance to OMB, Treasury, and Justice in formulating and implementing Government-wide credit management policy. Membership consists of representatives from the major credit and debt collection agencies and OMB. The Credit Policy Working Group priorities are:

- Effective implementation of the Debt Collection Improvement Act.
- Use of the Internet for credit management, especially for lending, underwriting, and portfolio status reporting.
- Sale of loan assets that are over a year delinquent.
- Review agency write-off practices and Government-wide policy.
- Improve prescreening of loan applications to validate eligibility and application data.

Federal Procurement Council

The Federal Procurement Council, which consists of the Senior Procurement Executives from major Federal agencies, meets regularly with OMB to discuss ways to improve the procurement process. The Federal Procurement Council's priorities are:

- Promote agency use of commercial buying practices by increasing the use of performance-based service contracting, past performance in administering current contracts and selecting new contractors, electronic commerce as an enabler, and other innovative buying strategies.
- Promote the Federal procurement work force's use of good business judgment within a dynamic, adaptable system of flexible rules and procedures that allow professionals, working in a continuous learning environment, to use discretion.
- Collaborate with budget, financial, and information technology management offices to improve agency planning and management of capital asset procurement.
- Promote national socioeconomic procurement policies consistent with fostering the efficiency and effectiveness of the procurement system.
- Promote the use of a globally competitive industrial base, integrating facilities and operations serving the Government market with those serving the commercial market by eliminating Government-imposed requirements that restrict full integration and fostering a closer relationship with commercial industries.
- Increase customer satisfaction by routinely providing quality products and services, on time, and within budget.

Day Conference

SOTU

① Tom
for
Dirck

EW SOTU
\$200 m. 11
150 + 50

Intermapping

Budget Estimates for SOTU:

Roemer University: \$75 million - NRC

Religious Freedom: 0

Native American: .5

partnerships?
Technology

DOJ Debt Collection: \$2 billion (savings)

100,000 grs
teachers

Public/Private Partnerships

Internet/media responsibility 0

Pagers for DV \$25 million

WTW New Goals 0

Went with this ~~else~~

FY'99

Hate Crimes

EEOC Reform \$80 million

Food Safety \$24 million

Tobacco

Others

- VINE \$40 million 6/95
- Gambling Commission
- Intermapping - WP
- Millenium
- VAWA II
- \$5 million for grants to states that give protection order
- \$50 million for sec 8 victims leaving DV
- \$12 million reauthorizing grants to community initiatives
- \$50 million in shelters
- Workplace non-discrimination

Went with this \$100 m. 11 - plan with partner

Tobacco

② tobacco

school construction \$100 m. 11

✓ tobacco
needs
res

→ Internet / (clerk)

→ Omb

→ tobacco

→ by

millions
Race & Health - 500
NIM 2x-
Quality
Educ. Zones - \$320 m. 11.
K-13 (says)
Choice
Choice / vouchers
- district wide choice
- failing schools
- vouchers
Cops - \$100 m. 11.
Indians - \$40 m. 11.
Jury @'s

Draft 08/04/97 8:30pm

**PRESIDENT WILLIAM J. CLINTON
STATEMENT ON SIGNING OF
OMNIBUS RECONCILIATION ACT OF 1997
THE SOUTH LAWN
AUGUST 5, 1997**

Vice President Gore, Mr. Speaker, Senator Lautenberg: members of Congress; ladies and gentlemen:

We are here today -- Democrats and Republicans -- Congress and the President -- Americans of goodwill from all points of view and all walks of life, to celebrate a true milestone for our nation.

In a few moments, I will sign into law the first balanced budget in a generation, a balanced budget that honors our values, puts our fiscal house in order, expands the vistas of opportunity for all our people, and fashions a new government that is ready to lead in the new era. Like every generation of Americans before us, we have been called upon to renew our nation and restore its dream -- and like every generation of Americans before us, we have acted. We have risen to the challenge of our time. We are working to make opportunity as real for all our people as it has been throughout our history.

For too long, huge, persistent and growing budget deficits threatened to choke off that opportunity. For too long it seemed as if America would not be ready for the new century -- that we would be too divided, too wedded to old arrangements and ideas. It's hard to believe now, but it was not too long ago that some people looked at America and saw a setting sun.

When I became President, I was determined that America's best days were before us. So after years in which the deficit drained our economy and dampened our spirit -- in which America's ability to lead the world was diminished by its inability to put its own house in order -- after years in which too many people doubted whether our nation would ever come together to address this problem -- in 1993, America set off on a new course. And in 1997, that new course is taking us to the 21st Century stronger than we have ever been.

Our new American economic approach cut the deficit, to create the conditions for business to thrive. We opened foreign markets to our goods and services. And we invested in our people, so all Americans have the tools to reap the rewards of prosperity. I said then that there were two deficits -- a budget deficit, and an investment deficit -- and we had to begin to close both of them. And we have.

Today, America's budget deficit, cut by more than 80%, is now among the smallest in the industrialized world. America's businesses once again lead in a world market we have made more free and more fair than any time in history. America's workers are the most competitive on

earth. And we have recast our old government so that a new government can take shape – a new government that gives our people the tools to make the most of their own lives.

The balanced budget I sign into law today will continue America's successful economic strategy. It reflects those most fundamental values that strengthen us and bind us together.

It will spur growth and spread opportunity, balancing the budget with \$900 billion in real, disciplined cuts.

It opens the doors of college to a new generation, with the largest investment in higher education since the GI Bill a half century ago – and it makes it possible for the 13th and 14th years of college to become as universal as high school is today.

It strengthens our families, with the largest expansion in health care for children since the Medicaid program 32 years ago.

It rebuilds our communities, moving millions more from welfare to work and bringing the spark of private enterprise into our most isolated inner cities.

And it provides targeted tax relief to help families raise their children, to encourage investment, and to pass on their home and their dream to the next generation.

For so many of our people, what goes on in Washington so often can seem abstract, remote. With this balanced budget, we are showing that we can focus on our challenges, find ways to address them, and above all, act, together.

Because we have acted, a child somewhere in America, whose name we may never know, will be able to see a doctor because of the health care this law provides him. A young person somewhere in America will be able to grow and prosper because of the education this law affords her. A family somewhere in America will have more resources to raise their children because of the tax relief this law provides. This budget is an investment in their future.

Today, it is increasingly clear that we have made this era of great change an era of unparalleled possibility for our people. I hope that we can tap the spirit of cooperation that produced this agreement, and use it to meet and master the many challenges that remain. We did not balance the budget through inaction; we will not meet our other obligations through inaction. The road ahead is not easy, but then again we Americans have never taken the easy path. And we take heart from the heroism of the past, and the accomplishments of the present as we face the challenges of the future.

Let me thank the many men and women whose hard work and leadership has brought us to this point. Speaker Gingrich, Senator Lott, and the Republican leaders of Congress were dedicated partners and fought hard for their priorities. Senator Daschle, Rep. Bonior, and the Democratic leadership were my close partners both when we passed our economic plan in 1993 and when we finish the job today. I would like to thank the members of my budget team, as

well: Secretary Rubin, OMB Director Raines, Erskine Bowles, Gene Sperling, Janet Yellen, John Hilley, Rahm Emanuel, Jack Lew, Larry Summers. Let me also thank two people whose dedication is reflected in this budget: my wife Hillary, whose devotion to the health care of children has borne rich fruit in this budget, and Tipper Gore, whose dedication to mental health is reflected in new benefits for thousands of Americans. We owe them all a great deal.

With the signing of this bill, our generation commits that the American dream of opportunity for all will live on into the new century. And we can say, with pride and with certainty, that once again the sun is rising on America.

Thank you.

Delivering A Balanced Budget with Real Benefits for Families in Alaska

Budget

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **12,000 students in Alaska would receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **15,000 students in Alaska would receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 87,000 families in Alaska.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Alaska the Balanced Budget provides \$5 million in 1998 and \$26 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Arizona

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING.

The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **112,000 students in Arizona would receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **138,000 students in Arizona would receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 403,000 families in Arizona.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Arizona the Balanced Budget provides \$113 million in 1998 and \$518 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Arkansas

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **37,000 students in Arkansas will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **44,000 students in Arkansas will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 263,000 families in Arkansas.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Arkansas the Balanced Budget provides \$47 million in 1998 and \$219 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in California

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **761,000 students in California will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **934,000 students in California will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 3,229,000 families in California.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in California the Balanced Budget provides \$855 million in 1998 and \$3.969 billion over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Colorado

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **101,000 students in Colorado will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **124,000 students in Colorado will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 409,000 families in Colorado.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Colorado the Balanced Budget provides \$43 million in 1998 and \$206 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Connecticut

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **69,000 students in Connecticut will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **85,000 students in Connecticut will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 362,000 families in Connecticut.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Connecticut the Balanced Budget provides \$36 million in 1998 and \$175 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Delaware

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **19,000 students in Delaware will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **24,000 students in Delaware will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 77,000 families in Delaware.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Delaware the Balanced Budget provides \$8 million in 1998 and \$41 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in the District of Columbia

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **34,000 students in the District of Columbia will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **42,000 students in the District of Columbia will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 43,000 families in the District of Columbia.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in the District of Columbia the Balanced Budget provides \$14 million in 1998 and \$69 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Florida

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **255,000 students in Florida will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **311,000 students in Florida will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 1,333,000 families in Florida.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Florida the Balanced Budget provides \$279 million in 1998 and \$1.304 billion over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Georgia

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **122,000 students in Georgia will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **149,000 students in Georgia will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 847,000 families in Georgia.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Georgia the Balanced Budget provides \$127 million in 1998 and \$594 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Hawaii

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **28,000 students in Hawaii will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **35,000 students in Hawaii will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 111,000 families in Hawaii.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Hawaii the Balanced Budget provides \$11 million in 1998 and \$57 million over five years.**

Delivering A Balanced Budget with Real Benefits for Families in Idaho

Building on the success of the 1993 Economic Plan, which President Clinton and Democrats in Congress enacted, this year's budget finishes the job, delivering the first balanced budget in a generation, plus the largest investments in education and health care in a generation. This balanced budget provides real benefits to families who work hard and are trying to do the best for their kids. Top priority is placed on what all parents want for their kids: good health and a strong education.

TUITION TAX CREDITS TO OPEN THE DOORS OF COLLEGE AND PROMOTE LIFELONG LEARNING. The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945 -- delivering a major victory for parents trying to pay for their children's college and for working people trying to upgrade their skills. It includes both President Clinton's \$1,500 HOPE Scholarship to help make the first two years of college as universal as a high school diploma and a Lifetime Learning Tax Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. This 20% tax credit will be applied to the first \$5,000 of tuition and fees through 2002 and to the first \$10,000 thereafter.

- ✓ **24,000 students in Idaho will receive a HOPE Scholarship tax credit of up to \$1,500.**
- ✓ **29,000 students in Idaho will receive the Lifetime Learning Tax Credit.**

A \$500 CHILD TAX CREDIT TO HELP FAMILIES RAISING CHILDREN. To help make it easier for families to raise their children, the balanced budget includes a \$500 per-child tax credit for children under 17. *Take a family with a mother, father, and two kids, with an income of \$40,000. In 1999, they will receive a child tax credit of \$1,000.*

- ✓ **The Balanced Budget delivers a child tax credit to 116,000 families in Idaho.**

HEALTH CARE FOR UNINSURED CHILDREN. The balanced budget includes the largest single investment in health care for children since the passage of Medicaid in 1965 -- an unprecedented \$24 billion over five years to cover as many as five million children throughout the nation. This investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. It ensures that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✓ **To expand health coverage to uninsured children in Idaho the Balanced Budget provides \$16 million in 1998 and \$77 million over five years.**