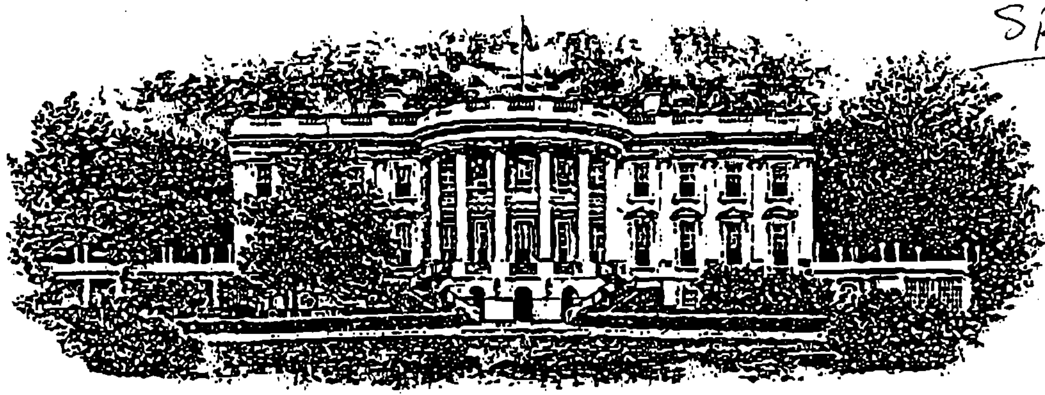
Reconciliation Bill/ Spending



THE WHITE HOUSE
OFFICE OF CABINET AFFAIRS

Room 160 OEOB
Washington, D.C. 20500
Telephone: (202) 456-2572
Faxsimile: (202) 456-6704

Copy All DPC STAFF

FAX COVER SHEET

DATE:

TO: Chiefs of Staff

PHONE:

FAX:

FROM: David S. Beaubaire

NO. OF PAGES:
(Including Cover Sheet)

PRIORITY: Y N

MESSAGE:

For Your Information.

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

THE DIRECTOR

July 2, 1997

The Honorable John R. Kasich
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As the Conferees begin to consider this year's budget reconciliation bill, I am writing to transmit the Administration's views on the House and Senate versions of the spending bill on reconciliation, H.R. 2015. The Administration will separately transmit its views on the tax provisions.

We are pleased that the House and Senate adopted many provisions that are consistent with the Bipartisan Budget Agreement, reflecting the continuing bipartisan cooperation that we will need to fully implement the agreement and balance the budget. In several areas, however, the House and Senate bills violate the agreement. In other areas outside the scope of the agreement, we have very strong concerns about the reported provisions. We have raised a number of these issues in letters to you and to the authorizing committee chairmen and ranking members throughout House and Senate consideration of the separate reconciliation spending bills.

On the pages that follow, we have outlined noteworthy provisions of the House and Senate bills with which we agree, others that we believe violate the budget agreement, and still others about which we have concerns.

We expect and will insist that the final budget legislation conform to the budget agreement. In addition, we look forward to working with you to craft a final conference report that is free of objectionable provisions, resolves the other major policy differences between us, and balances the budget by 2002 in a way that we can all be proud of. We hope to meet that goal before the August recess.

We look forward to working with you.

Sincerely,

Franklin D. Raines
Director

Enclosure

cc: Senate Conferees
House Committee Chairmen and Ranking Members

Identical letter sent to Honorable Pete V. Domenici,
Honorable John M. Spratt Jr., and Honorable Frank R. Lautenberg

THE ADMINISTRATION'S DETAILED VIEWS:

THE HOUSE AND SENATE RECONCILIATION BILLS ON SPENDING

Medicare

We applaud the House and Senate for reporting bills that largely conform to the underlying principles of the budget agreement. Both bills achieve the necessary level of Medicare savings -- although we still await final scoring of the Senate provisions from the Congressional Budget Office (CBO) -- and would extend the life of the Hospital Insurance Trust Fund by at least 10 years; provide structural reforms that will give beneficiaries more informed choices among competing health plans; establish prospective payment systems for home health agencies, skilled nursing facilities, and hospital outpatient departments; incorporate prudent purchasing reforms; and provide the funds to establish a wide array of cost-effective preventive benefits, including mammography and colorectal screening. We look forward to working with your staffs on the many technical issues related to ensuring that these provisions are implemented correctly.

We are pleased that the Senate has included provisions in its bill to require managed care and fee-for-service demonstrations of Medicare reimbursement to the Departments of Defense (DOD) and Veterans Affairs -- a concept known as Medicare subvention. We are encouraged that these provisions are similar to our own Medicare subvention legislation, which we transmitted to Congress on February 7, 1997. We look forward to working with the Conferees to develop a bill that addresses Administration concerns about the fee-for-service and payment rate components of the DOD demonstration.

Notwithstanding these achievements, both the House Ways and Means and Senate bills contain a provision that we believe is inconsistent with the budget agreement. During our negotiations over the agreement, we discussed at great length the reallocation of home health expenditures to Medicare Part B. All sides clearly understood that the reallocation would be immediate. Both bills, however, phase in the reallocation, which costs two years of solvency in the Part A trust fund -- two years that we can ill afford to lose. We urge the Conferees to incorporate the provisions in the House Commerce Committee title of the House bill, reallocating home health spending consistent with the budget agreement.

The Administration has significant concerns with other provisions of the two bills, concerns that we urge the Conferees to address.

Beneficiary Contributions to a Balanced Budget. We worked very hard during the budget negotiations to set a beneficiary contribution to a balanced budget that was fair and equitable -- applying the Part B premium, over several years, to the home health reallocation and maintaining the Part B premium equal to 25 percent of program costs. Other provisions of the Senate bill, however, would go beyond the budget agreement and introduce new, inadequately developed proposals.

- *Raising the Medicare Eligibility Age.* The Senate bill raises the eligibility age for Medicare from 65 to 67 over a period of years. Raising the eligibility age is not necessary to balance the budget, and consideration of this policy should be part of a bipartisan process to address the long-term financing challenges facing Medicare. Moreover, early retirees between 65 and 67 may not be able to obtain affordable insurance in the private market. The Administration is concerned about the potential loss of coverage for any American, and we urge the Conferees to drop the provision as part of this bill.

- *Imposing Home Health Copayments.* The Senate bill would impose a Part B home health copayment of $5 per visit, capped at an amount equal to the annual hospital deductible. Most home health users who lack Medigap or Medicaid protections are poor and will face financial burdens that may result in reduced access to needed care. Those beneficiaries who have Medigap or Medicaid will have no real incentive to reduce utilization. We do not need to impose a home health copay to balance the budget, and any further consideration of this policy should be part of a bipartisan process to address the long-term financing challenges facing Medicare. We urge the Conferees to drop this provision as part of this bill.

- *Income-relating the Part B Premium.* The Senate bill would income-relate the Medicare Part B premium. While we do not oppose income-relating Medicare in principle, we have a number of concerns about this proposal. First, we do not need income-related beneficiary contributions to Medicare to balance the budget. Second, we have serious concerns about how an income-related premium will be administered. Administration by the Department of Health and Human Services (HHS), which has no access to individual beneficiary income data, would be impractical and very expensive, and we have previously said that only the Treasury Department could administer such a policy in the short run. Moreover, the administering agency would require substantial additional resources to undertake this new responsibility. Finally, we believe that this provision, which completely eliminates any Part B premium subsidy for the highest-income beneficiaries, could lead these beneficiaries to drop Medicare coverage, thus leaving poorer, typically less healthy, beneficiaries in the Medicare risk pool and thereby increasing their premiums. While we have serious concerns about this proposal as drafted, we remain interested in discussing it, or proposals like it, in the broader context of reforms to address the long-term financing and structural challenges facing the program.

Threat to Beneficiary Protections. The Administration strongly supports the introduction of new options for Medicare beneficiaries in both the fee-for-service and managed care sectors. We also believe, however, that any new options must both provide value beyond that offered by the traditional Medicare program and include beneficiary protections. The Senate bill includes several provisions that violate these principles, and we urge the Conferees to drop them.

The first provision allows beneficiaries to choose a so-called "private fee-for-service" option under the Medicare Choice program. We are concerned that private fee-for-service plans in Medicare Choice represent bad policy, particularly given the fact that these plans will be subject to no balance billing or quality protections. We are also concerned that this option will attract primarily healthy and wealthy beneficiaries and leave sicker and poorer beneficiaries in the more expensive, traditional Medicare program. In addition, it could disproportionately attract rural beneficiaries if the few providers in their area choose to leave traditional Medicare and form private fee-for-service plans.

The second provision would allow physicians to obtain private contracts from beneficiaries whereby the beneficiary would agree to pay whatever the physician charged (i.e., waive balance billing limits) and agree not to submit a bill to or collect anything from Medicare. The beneficiary would be totally responsible for out-of-pocket expenses for the physician's entire bill, even though the service would be covered by Medicare if the bill were submitted to Medicare. As a result, we are concerned that private agreements could become licenses for physicians to coerce beneficiaries, exposing beneficiaries to unlimited liability and making meaningless the Medicare coverage they have paid for.

The third provision would allow Durable Medical Equipment (DME) suppliers to bill Medicare beneficiaries for amounts beyond cost-sharing for "upgraded" DME items, while still accepting assignment. Beneficiaries already have the option of choosing upgraded DME under current law. We are concerned that this new option undermines limits on beneficiaries' out-of-pocket payments and, as a result, could permit suppliers to take advantage of beneficiaries.

Medical Savings Accounts. We believe that any demonstration of this concept should be limited in order to minimize potential damage and costs to Medicare. We commend the Senate for limiting the demonstration to 100,000 participants, but we believe a successful demonstration could be structured with fewer participants. In any case, we want this demonstration to be as small as possible. We also commend the Senate for limiting cost-sharing and deductibles to amounts enacted under the Health Insurance Portability and Accountability Act (HIPAA). But, we still prefer a geographically-limited demonstration that applies current law limits on balance billing to protect beneficiaries from additional provider charges. We urge the Conferees to limit this demonstration numerically (within the numbers outlined above) and geographically for a trial period (two States for three years), enabling us to design the demonstration to answer key policy questions.

Preventive Benefits. We are pleased that the preventive benefits in the House and Senate bills are largely the same as those in the President's budget. Unlike the budget, however, the House and Senate bills do not waive all cost sharing (coinsurance and deductibles) for mammograms. Research shows that copayments hinder women from fully taking advantage of this benefit. We urge the Conferees to modify the House and Senate provisions to waive all cost sharing for mammograms.

Medigap. The President's budget advanced a number of important Medigap reforms, including annual open enrollment, community rating, initial open enrollment for disabled and kidney dialysis beneficiaries, and various portability provisions. We are disappointed that neither the House or Senate adopted certain of these reforms. The Senate bill took the largest strides toward these important reforms, providing for an initial open enrollment period for disabled beneficiaries and a trial period for managed care enrollees. We urge the Conferees to adopt at least the Senate provisions, and to fully consider the President's suggested additional reforms.

Medical Malpractice. The House bill includes malpractice provisions that are extraneous to the budget agreement. The Administration has consistently made it clear that we find these provisions objectionable, and we urge the Conferees to delete them.

Provider Sponsored Organizations. Another step forward in both bills is their inclusion of provider sponsored organizations (PSOs) as Medicare options. We are concerned, however, about the lack of minimum private enrollment requirements and aspects of the PSO definition, and we look forward to working with the Conferees on these issues.

Managed Care Payments. We agree that the current unjustifiable geographic variation in payments to managed care plans should be remedied as part of the reconciliation bill. We prefer the House proposal, which mitigates the geographic variation in payments and maintains the link to fee-for-service payments, along with an adjustment for adverse selection. Various payment provisions in the Senate bill, some of which are individually justifiable, together have a significant negative impact on areas with a high managed care enrollment and could lead to abrupt changes in additional benefits now provided to Medicare enrollees. The Senate proposal also ties growth in managed care payments to growth in gross domestic product (GDP). We prefer a less disruptive payment proposal and one that ties growth in payments to growth in fee-for-service Medicare. Limiting managed care payment growth to GDP effectively creates two growth rates for Medicare payments, leading to an erosion of the value of the Medicare Choice benefit package and exposing beneficiaries to increased premiums.

Managed Care Risk Adjustment. The Senate bill includes immediate implementation of an untried, "new enrollee" risk adjustment methodology that would be applied in an inequitable manner (exempting some plans) and that would be replaced by a different revised methodology two years later. We prefer to implement a managed care risk adjustment methodology once – and sooner. Therefore, we support the House provisions on risk adjustment, modified to authorize the collection of hospital discharge data immediately and to authorize implementation of the risk adjustment methodology in 2000.

Medical Education/Disproportionate Share (DSH) Carve-out. The President's 1998 budget proposed to move medical education (indirect and direct) and DSH adjustments out of managed care payment rates and redirect them to eligible hospitals that provide services to Medicare managed care enrollees. This important proposal would ensure that the Nation's teaching hospitals and those that serve low-income populations receive the Medicare payments to which they are entitled. The Senate and the House Commerce Committee adopted these provisions, and we urge the Conferees to adopt them as well.

Managed Care Enrollment. We urge adoption of the Senate provisions with regard to open enrollment. The House bill permits beneficiaries to be locked into a MedicarePlus plan for as long as nine months, after a lengthy transition period. We continue to support the monthly disenrollment option as an important safety valve for managed care enrollees who are dissatisfied with their managed care plan.

Managed Care Quality. Both the House and Senate bills go far to ensure quality in Medicare managed care. The House bill, however, has an objectionable provision allowing external quality review requirements to be met through accreditation. The House bill also contains a similar provision in its Medicaid title. We prefer maintaining a true requirement for external quality review to protect beneficiaries in this rapidly changing marketplace, as the Senate bill provides.

Medicare Commission. Both the Senate and House bills would establish a Medicare commission. We believe strongly that a mutually agreeable, bipartisan process is essential to successfully address the long-term financing challenges facing Medicare. We look forward to working with you to develop the best possible bipartisan process to address those challenges while simultaneously ensuring the sound restructuring of Medicare to continue to provide high-quality care for our Nation's senior citizens.

Office of Competition. The Senate bill would create an Office of Competition within HHS to administer competitive pricing demonstrations. We believe this provision would create unnecessary duplication of staff and resources within HHS and become a potential source of confusion for Medicare beneficiaries and plans. We are also concerned about certain aspects of the competitive pricing demonstration, and we look forward to working with the Conferees to ensure that the demonstration authority would lead to valid and verifiable results.

First, the budget agreement includes a provision to restore Medicaid for current disabled children losing Supplemental Security Income (SSI) because of the new, more strict definition of childhood eligibility. The Senate bill does not include this proposal. The House bill allows, but does not require, States to provide Medicaid benefits for about 30,000 children who could lose their health care coverage in fiscal 1998. We strongly urge the Conferees to conform to the budget agreement by including the provision from the President's budget that would guarantee coverage to these children, and allocate the necessary funds for this purpose.

Second, the budget agreement includes a 70 percent Federal matching payment for Medicaid in the District of Columbia. We are pleased that the Senate bill includes a higher matching payment, but we are concerned that it is not sufficient; it sunsets at the end of fiscal 2000 and is 10 percentage points lower than the 70 percent that the budget agreement called for. A 60 percent matching rate would still leave the District paying a higher share of its Medicaid program than any other local government. We urge the Conferees to include the provision from the agreement.

The budget agreement also includes adjustments for the Medicaid programs in Puerto Rico and the territories. We are pleased that the Senate includes adjustments for those programs, but we would prefer that the Conferees include the language in the President's 1998 budget.

The Administration has significant concerns with other House and Senate provisions that we urge the Conferees to address.

Assistance for Low-Income Medicare Beneficiaries. The Senate bill includes $1.5 billion in premium assistance for low-income beneficiaries through a Medicare block grant to States. The House provides $1.5 billion to expand eligibility to Medicaid but does so, in part, through an administratively complex formula subsidizing only a portion of the Part B premium. We prefer a simpler approach that would finance the cost of the full Part B premium through Medicaid. In addition, we object to the Senate provision that sunsets this assistance in 2002; low-income senior citizens will still need this assistance after that date.

Medicaid Cost Sharing. The Senate bill would allow States to require limited cost sharing for optional benefits. We are pleased that a Senate amendment would bar States from imposing cost sharing on children under 18 in families with incomes below 150 percent of poverty. But, we are still concerned that the bill may compromise beneficiary access to quality care. Low-income elderly and disabled Medicaid beneficiaries may forgo needed services if they cannot afford the copayments.

Disproportionate Share Hospitals – Allocation to States. We have concerns about the House and Senate allocations and levels of DSH payment reductions among States. As in the DSH policy of the 1993 budget reconciliation bill, this year's policy should address past abuses without causing undue hardship on any State. We are seriously concerned, however, Hospital Payment Systems. We have several concerns with various House and Senate provisions relating to hospital payments, including: the Senate provision to move the hospital update to a calendar year basis while leaving all other changes to PPS payments on a fiscal year basis, thus requiring two separate payment rules; the Senate provision on hospital transfers, which does not include home health agencies and which we believe creates a strong, unjustified payment bias to use home health services for post acute care; and the Senate provision to provide large bonus payments for certain PPS-exempt facilities, which could lead to a significant redistribution of funds among PPS exempt facilities.

Medicare Disproportionate Share Payments (DSH). We look forward to working with Congress to develop a new adjustment for hospitals that serve a disproportionate share of low-income individuals. We want to improve the current adjustment to create a better measure of services to indigent populations so that we can better target DSH payments. But, we oppose any cuts to the current DSH adjustment in the interim. We have proposed to freeze the adjustment for the next two years to ensure that vulnerable hospitals serving large numbers of uninsured and under-insured patients are not burdened with excessive cuts.

Medicare Secondary Payer (MSP). Both the House and Senate bills limit the time period for MSP recovery to three years after the date of service. We urge the Conferees to adopt a five-year time limit, consistent with the President's proposal. The IRS/SSA data match does not provide information in a timely enough manner to be able to recover overpayments within a three-year window. We also urge the Conferees to adopt our insurer reporting proposals.

Implementation Issues. We are concerned about how the full scope of the House and Senate provisions would affect HHS' administrative abilities and resources necessary to implement them. We urge the Conferees to consider changes in the effective dates of the provisions so they are consistent with the funding levels that the budget agreement provided to the Health Care Financing Administration (HCFA).

Medicaid

We commend the House and Senate for reporting bills that conform to many of the Medicaid reform principles of the budget agreement. Both achieve savings through lower disproportionate share hospital payments (DSH) and greater State flexibility. Both bills give States more flexibility to manage their Medicaid programs by repealing the Boren amendment, allowing managed care without Federal waivers, and eliminating unnecessary administrative requirements. We also commend the Senate for including managed care quality standards that are consistent with the President's consumer protection framework.

Nevertheless, the House and Senate bills contain provisions that are inconsistent with the budget agreement.

that the House and Senate bills may have unintended distributional effects among States. We urge the Conferees to adopt the President's 1998 budget proposal, which takes an equal percentage off of States' total DSH spending up to an "upper limit," ensuring that States with the highest DSH spending do not bear most of the impact.

Disproportionate Share Hospitals --Targeting to Hospitals. The House bill does not retarget DSH funds. The Senate bill would require States to develop DSH targeting plans, but it does not include a Federal DSH targeting standard. As we have said previously, we believe that significant DSH savings should be linked to a Federal standard for targeting the remaining DSH funds to needy hospitals. Without such standards, providers with high-volume Medicaid and low-income utilization may not be sufficiently protected from DSH reductions.

In addition, the House bill would require States to make DSH payments directly to qualifying hospitals, and would not allow States to make DSH payments through capitation payments to managed care organizations. The Senate bill does not include this provision. We urge the Conferees to adopt the House provision, ensuring that all eligible hospitals receive a Federal DSH payment regardless of their contract, or lack of a contract, with a particular HMO.

§1115 Extensions and Provider Tax Waiver. The House and Senate bills would extend expiring §1115 Medicaid waivers. The Senate would deem approved §1115 waivers without regard to whether they will increase spending. In addition, the Senate bill would deem provider taxes as approved for one State. We have serious concerns about these provisions and would like to work with the Conferees to address the underlying problems.

Return to Work. We are pleased that the Senate bill would allow States to allow workers with disabilities to buy into Medicaid. But we urge the Conferees to adopt the version of this proposal from the President's 1998 budget, which would not limit eligibility for this program to people whose earnings are below 250 percent of poverty. We believe that the Senate-proposed limit would not give States enough flexibility to remove disincentives to work for people with disabilities.

Criminal Penalties for Asset Divestiture. The Senate bill would amend Section 217 of the Health Insurance and Portability and Accountability Act 1996 (HIPAA) to provide sanctions against those who help people to dispose of assets in order to qualify for Medicaid. We prefer to repeal section 217 because we believe that the Medicaid laws in effect before HIPAA are sufficient to protect Medicaid against inappropriate asset divestiture.

Management Information. The President's 1998 budget included a major reduction in unnecessary administrative burdens on the States, but ensured that States collect sufficient information to effectively manage their Medicaid programs. The House approach would require States to show that their State-designed systems meet outcome-based performance standards and would permit the collection and analysis of person-based data. The Senate did not include this provision. We urge the Conferees to adopt the House provision.

Alaska FMAP Change. The Senate bill would increase Alaska's Federal Medical Assistance Percentage (FMAP) above the level of the current law formula. While we have consistently supported efforts to examine alternatives to the current Medicaid matching structure, we believe that changing the FMAP for Alaska alone is unwarranted and does not address the underlying inequities in the current system.

Children's Health

We are pleased that the children's health initiative is in both the House and Senate bills. In fact, the Senate bill goes beyond the $16 billion that the budget agreement provides, adding another $8 billion, which is a portion of the revenue from a 20-cent increase in the tobacco tax.

We support a 20-cent increase in the tobacco tax — we agree that it complements the budget agreement — and we endorse the idea of using all of the revenues raised by such an increase for initiatives that focus on the needs of children and health. We urge the Conferees to invest all of these funds wisely in order to ensure meaningful coverage for millions of uninsured children. In addition, we especially support the Senate provisions for benefits and cost sharing.

Notwithstanding these achievements, we have serious concerns about the following House and Senate provisions, which we urge the Conferees to address.

Sunset of Tobacco Tax Revenue for Children's Health. Although we commend the Senate for supporting the use of the tobacco tax for children's health, we urge the Conferees to continue this funding after 2002. A sudden drop in funding in 2003 would cause many of the newly-insured children to lose their coverage.

Meaningful Benefits, Cost Sharing/Direct Services. The budget agreement calls for the children's health investment to go for health insurance coverage. Thus, we support the Senate's definition of benefits and its limits on cost sharing, the latter of which will ensure that low-income children do not shoulder unrealistically high costs that could lead to reduced access to needed health care. We do not support the direct services option of the House bill because we are concerned that a State could spend all of its money on one benefit or to offset the effects of the DSH cuts on certain hospitals, and that children would not be assured appropriate coverage. In our view, this provision does not fulfill the commitment of the budget agreement to provide "up to five million additional children with health insurance by 2002."

Funding Structure. We support the straightforward funding structure of the House bill. But its proposal for different matching rates for Medicaid and the grant option could discourage States from choosing Medicaid. We believe Medicaid is a cost-effective approach to covering low-income children, and we support using the same matching rates for both options. In addition, we support the House provision that gives States the flexibility to spend their grant money on Medicaid, a grant program, or a combination of the two. The Senate bill requires States to choose between Medicaid and a grant option.

Eligibility. The Senate bill includes a ceiling of 200 percent of poverty. We agree that the funds should first go for insurance coverage for low-income uninsured children, but we believe income ceilings would limit States' flexibility to design programs that best fit their needs.

Use of Funds. We want to ensure that the investment in children's health goes to cover children who currently lack insurance, rather than replace existing public or private funds for children's health insurance. Thus, we support a strong maintenance of effort provision and the prohibition on using provider taxes and donations to fund the State share of the program. In addition, we want to ensure that the funds are used in the most cost-effective manner to provide coverage to as many children as possible. Therefore, we do not support provisions that allow States to pay for family coverage or pay the employee's share of employer sponsored insurance.

Expansion of the "Hyde Amendment"

Both the House and Senate bills would expand the Hyde Amendment prohibitions on Medicaid payment for abortion services to include spending on the children's health initiative, and to codify these prohibitions in permanent law. This provision could deny access to abortion services to poor women to the extent that States choose to use the children's health funding to offer family coverage, as the House bill would permit. As we have repeatedly said, we do not support limiting access to medically necessary benefits, including abortion services.

In addition, the Senate bill contains a provision that redefines the term "medically necessary services" in the context of managed care sanctions to exclude abortion services except under certain circumstances. We oppose this attempt to further constrain the availability of abortion services through this provision, and we strongly urge the Conferees not to begin writing into the Medicaid law permanent, restrictive definitions of what are "medically necessary" services — an issue that is more appropriately decided by health professionals.

Multiple Employer Welfare Arrangements (MEWAs)

The House bill allows for Multiple Employer Welfare Arrangements (MEWAs) by including language from H.R. 1515, the "Expansion of Portability and Health Insurance Coverage Act of 1997," while the Senate bill includes no such provisions. We strongly oppose including provisions from H.R. 1515 because the bill has inadequate consumer protections and could lead to premium increases for small businesses and employees who may bear the burden of adverse selection. H.R. 1515 would transfer the regulation of a large health insurance market away from the States by preempting State laws under the Employee Retirement Income Security Act ("ERISA"). This far-reaching proposal demands much greater analysis and discussion. We also oppose the provision of the House and Senate bills that would allow a religious fraternal benefit society plan to establish a Medicare Choices plan; it would set a precedent for allowing association health plans (such as those allowed under the House MEWA language) to become Medicare Choice providers.

Continued SSI and Medicaid Benefits for Legal Immigrants

We are pleased with several provisions in the House and Senate bills. Both bills would grandfather immigrants who were receiving SSI benefits as of August 22, 1996, as the President indicated he would support in a June 20 letter to Budget Committee Chairman Kasich and Ranking Member Spratt. Both bills also extend the exemption period from five to seven years for refugees, asylees, and those who are not deported because they would likely face persecution back home.

We are pleased that the Senate bill, which restores SSI and Medicaid eligibility for all legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996, implements the budget agreement. The House bill, however, does not. It fails to fully restore SSI and Medicaid benefits for all legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. As the President stated in his June 20 letter, he will not sign legislation that does not include the policy, as the budget agreement calls for, that protects disabled immigrants. Compared to the budget agreement, the House bill would protect 75,000 fewer immigrants by 2002. We strongly urge the Conferees to adopt the Senate approach.

In addition, if resources are available, we urge the Conferees to support several other Senate provisions. The Senate bill restores Medicaid coverage for future immigrant children; provides SSI and Medicaid to immigrants who are too disabled to satisfy the requirements to naturalize; and provides the same exemption period for Amerasian and Cuban Haitian immigrants as for refugees. We look forward to working with you on these matters.

Additional Work Slots for Individuals Subject to the Food Stamp Time Limits

The budget agreement included $1.5 billion in additional Food Stamp funding to encourage work and give States the flexibility to exempt individuals from Food Stamp time limits due to hardship. The agreement specifically states that existing Food Stamp Employment and Training funds will be redirected and new capped mandatory funding added "to create additional work slots for individuals subject to the time limits," and it provides $1 billion for this purpose.

We appreciate that the House and Senate bills would implement the 15 percent hardship exemption, consistent with the agreement. But, we are concerned that both bills create significantly fewer job opportunities than the five-year target of 350,000 slots -- 70,000 a year -- that the negotiators discussed. We are particularly concerned about the House bill, which would create 100,000 fewer slots than the President's proposal and about 40,000 fewer than the Senate approach over five years. The House bill also does not reflect the agreement because it does not target the funding to workslots for individuals facing the time limits. We believe the final bill should follow the Senate approach in targeting funds to work slots that meet the welfare reform law's tough requirements for Food Stamp recipients, and establishing performance standards to reward States that create additional work opportunities. We urge the Conferees to follow the Senate approach, with the House maintenance of effort provision, to make it fully consistent with the budget agreement.

Welfare to Work

We are pleased that the House and Senate bills would address many of our priorities for the welfare-to-work program to some degree, including: the provision of formula grant funds to States based on poverty and adult welfare recipients; a sub-State allocation of the formula grants to ensure targeting on areas of greatest need; appropriate flexibility for grantees to use the funds for a broad array of activities that offer the promise of permanent placement in unsubsidized jobs; some funds awarded on a competitive basis; and a substantial set-aside for evaluation. We look forward to working with the Conferees to refine these provisions.

We continue to be concerned, however, about several priority issues. In some cases, only one Chamber has adequately addressed our concerns; in others, neither has. The issues that concern us the most are highlighted below, and we urge the Conferees to address them.

Targeting Welfare-to-Work Funding to Cities and Counties with Large Poverty Populations. The challenge of welfare reform -- moving welfare recipients into permanent, unsubsidized employment -- will be greatest in large urban centers, especially those with the highest number of adults in poverty. Recognizing this fact, the budget agreement provided that funds be allocated and targeted to areas with high poverty and unemployment. While both the House and Senate bills include formulas to target funds to these areas to some degree, of the three provisions in conference, the Ways and Means provision of the House bill best accomplishes this goal through its division of funds between formula (50 percent) and competitive (50 percent); its formula grant sub-State allocation factors and method of administration; and its reserving of 65 percent of competitive grants for cities with large poverty populations. We urge the Conferees to adopt the Ways and Means proposal.

Local Program Administration. The budget agreement provided not only that welfare-to-work funds be targeted to high-poverty and high unemployment areas, but that a share of them go to cities and counties. We strongly believe that cities and other local areas should manage a substantial amount of all welfare-to-work funds. These entities can most effectively move long-term welfare recipients into lasting unsubsidized employment that cuts or ends dependency. Recognizing this fact, the House provisions use existing structures to help accomplish this goal. We urge the Conferees to adopt these provisions.

Federal Administering Agency. Both bills would require consistency with Federal TANF strategies and focus resources on achieving the goal of moving long-term welfare recipients into lasting jobs. We agree with the need for consistency and with the goal, and we believe we can most effectively achieve it if we closely align welfare-to-work activities with the workforce development system that the Secretary of Labor oversees. Thus, we believe the Secretary should administer this program in consultation with the Secretaries of HHS and HUD, as included in titles V and IX of the House bill.

Performance Fund. We are pleased that the Senate recognized the value of a performance bonus concept. The Senate performance approach, however, simply augments the existing TANF performance fund in 2003, with no link to the performance that welfare-to-work funds achieve. We want to work with the Conferees to develop an effective mechanism to provide needed incentives and rewards for placing more of the hardest-to-serve in lasting unsubsidized jobs that promote self-sufficiency. A possible approach could include requiring the Governors to use a share of their discretionary funds to reward high-achieving welfare-to-work programs.

Distribution of Funds by Year. The House provides for a two-year program, with $1.5 billion in 1998 and in 1999. The Senate bill provides for a three-year program. We want to work with the Conferees to ensure that the final bill includes an outlay pattern consistent with an estimate of zero outlays in fiscal 2002, as the budget agreement calls for. Congress could modify the Senate proposal, for instance, by requiring that no resources are spent after fiscal 2001.

Minimum Wage and Workfare

We applaud the Senate for not modifying current law with respect to applying the minimum wage and other worker protections for working welfare recipients under TANF. The minimum wage and welfare work requirement proposals in the House-passed bill were not part of the budget agreement and, had they come up in the negotiations, we would have strongly opposed them. We believe strongly that everyone who can work must work, and everyone who works should earn at least the minimum wage and receive the protections of existing employment laws -- regardless of whether they are coming off welfare.

As a result, we continue to have serious concerns that certain welfare recipients would not enjoy the status of employees under the House bill and, thus, would not receive worker protections. Although the House bill moves toward ensuring that welfare recipients in work experience and community service receive the minimum wage, it fails to provide an effective enforcement mechanism. Also, while the House bill contains some protections against discrimination and threats to health and safety, we believe that its limited grievance procedures are inadequate to ensure welfare recipients receive the same protections as regular employees, and regular employees receive protection against displacement. In addition, the Administration strongly believes that we must retain the welfare law's strict emphasis on work and oppose provisions to permit States to count additional time spent in activities such as job search toward the work requirements.

We urge the Conferees to adopt the Senate position on the minimum wage, which makes no changes to current law, and to extend the Senate provisions on grievance procedures and worker protections to all working welfare recipients under TANF.

Non-Displacement

While we support the Senate provisions that include worker displacement language from H.R. 1385 (the House-passed job training reform bill), we urge the Conferees to apply these enhanced non-displacement protections to all welfare recipients moving from welfare to work, as the House does, not just to welfare-to-work funds. In addition, we urge the Conferees to accept the House provision that ensures that the Federal Government will not pre-empt State non-displacement laws that provide greater worker protections than Federal law.

Unemployment Insurance

We are pleased that the House and Senate have included the Unemployment Trust Fund ceiling adjustment and special distribution to the States that were part of the budget agreement.

The House bill also includes the provision of the agreement that achieves $763 million in mandatory savings over five years by authorizing an increase in discretionary spending for unemployment insurance "program integrity" activities of $89 million in 1998 and $467 million over five years. We urge the Conferees to adopt the House language. In addition, we are seeking budget process provisions to allow for discretionary funding for these activities and the resulting savings.

Repeal of Maintenance of Effort Requirement on State Supplementation of SSI Benefits

We are pleased that the Senate bill does not repeal the maintenance of effort requirement on State supplementation of SSI benefits. We strongly oppose the House provision, which would let States significantly cut, or even eliminate, benefits to nearly 2.8 million poor elderly, disabled, and blind persons. Congress instituted the maintenance of effort requirement in the mid-1970s to prevent States from effectively transferring Federal benefit increases from SSI recipients to State treasuries. The House proposal also could put at risk low-income elderly and disabled individuals who could lose SSI entirely and possibly then lose Medicaid coverage. We opposed this proposal during last year's welfare reform debate, and we urge the Conferees to follow the Senate approach and not repeal the State maintenance of effort requirement for State supplementation of SSI benefits.

Spectrum

We support a number of the spectrum-related provisions in the Senate and House bills. We believe, however, that the Senate bill is more consistent with the goals and targets in the budget agreement, and we urge the Conferees to use it as the basis for conference negotiations. Specifically, the Senate bill provides for reimbursing Federal agencies for the costs of relocating to new spectrum bands, so that the Federal Communications Commission (FCC) can auction, for commercial use, the spectrum that they are now using. This key provision is essential to prevent agencies from making future multi-billion dollar requests for additional discretionary funding.

We have other significant concerns with both bills. First, they fall over $6 billion short of the savings targets of the budget agreement. They both fail to include two proposals that the agreement specifies -- the auction of "vanity" toll-free telephone numbers (which would raise $0.7 billion) and the spectrum fee (which would raise $2 billion). In addition, neither bill contains a firm date for terminating analog broadcasting (as the budget agreement assumed), which reduced the CBO's scoring of the House bill by $2.9 billion, and of the Senate bill by $3.4 billion. Any delay in returning analog broadcast spectrum will likely impede the rapid build-out of digital technology, delay job creation and consumer benefits, and reduce revenues from spectrum auctions. We urge the Conferees to conform the final bill to these provisions of the budget agreement.

We also request that the Conferees delete the House language that specifies spectrum bands and bandwidth for reallocation; repeals the FCC's fee retention authority; waives the duopoly/newspaper cross-ownership rules; and accelerates payments from the universal service fund. These provisions conflict with good telecommunications policy, and with sound and efficient spectrum management policy. We also urge the Conferees to amend the overly expansive definition of "public safety" of the bills; to delete mandated minimum bid requirements; and to include provisions that would authorize the FCC (1) to revoke and reassign licenses when an entity declares bankruptcy, and (2) to use economic mechanisms (such as user fees), other than auctions. We support Senate provisions requiring the FCC to explain its rationale if it cannot accommodate relocated users in commercial spectrum and to consult with the Secretary of Commerce and the Attorney General on assigning new spectrum made available for public safety.

TANF Transfers to Title XX

We oppose the House provision to allow States to divert TANF funds away from welfare-to-work efforts to other Title XX social service activities. The Senate bill includes no such provision. The budget agreement did not address making changes in the Title XX transfers provisions, and we strongly urge the Conferees to drop these provisions.

Vocational Education in TANF

We are concerned with the House and Senate provisions on vocational education in TANF. The House bill includes two sets of provisions -- one from the Ways and Means Committee, the other from the Education and Workforce Committee -- which narrow the base of eligible recipients against which the cap on vocational education applies. The Ways and Means Committee excluded teen parents in school from the cap, and set the cap at 30 percent of the narrower base. The Senate bill maintains the existing base, but removes teen parents who attend school from the 20 percent cap on vocational education. The budget agreement did not address changes in TANF work requirements regarding vocational education and educational services for teen parents, and we urge the Conferees to drop these provisions.

State SSI Administration Fees

The House bill includes a provision, consistent with the budget agreement, to raise the fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for SSA administrative expenses. This proposal would collect about $380 million over five years, to be spent upon receipt for this purpose. The Senate bill does not reflect this provision of the budget agreement, and evidently assumes that the Appropriations Committee will implement the proposal. The agreement, however, anticipated revenue from this proposal over the full five years and, as part of the reconciliation bill, Congress should raise the fees and make the increased revenue available, subject to appropriations. Consequently, we urge the Conferees to adopt the House provision.

Housing

We are pleased that the House and Senate bills include provisions to produce savings by reforming the FHA Assignment program and making appropriate reductions to Section 8 annual adjustment factors. We are concerned, however, about two additional provisions of the Senate bill.

The Senate bill would not transform FHA multifamily housing restructuring in the most efficient, effective fashion. By ruling out the possibility of portable tenant-based assistance, the bill would limit tenants' ability to find the best available housing and prevent projects from developing a more diverse mix of income levels. By establishing a preference for delegating restructuring tasks to housing finance agencies, the bill places an unnecessary constraint on HUD's ability to design the most effective partnerships. Finally, since Congress did not address tax issues explicitly, the Senate bill does not resolve impediments that could discourage owners from participating in a restructuring process.

We oppose the inclusion, in the reconciliation bill, of Section 2203 of the Senate bill, which repeals Federal preferences for low-income or disadvantaged individuals for the Section 8 tenant-based and project-based programs. We have supported such repeals only if they come with income targeting that would replace the Federal preferences. That targeting would ensure: (1) that the tenant-based program continues to mostly serve extremely low income families, with incomes below 30 percent of the area median income, and (2) that all developments in the project-based program are accessible to a reasonable number of extremely low-income families. We are working with Congress on this issue in the broader context of separate public housing reform legislation.

Privatization of Welfare Programs

The House bill would allow for privatizing eligibility and enrollment determination functions in Medicaid and Food Stamps. While certain program functions, such as computer systems, can now be contracted out to private entities, the certification of eligibility for benefits and related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. Thus, we strongly oppose the House provision, and we urge the Conferees to drop it.

Student Loans

We are pleased that both bills bill include $1.8 billion in outlay savings, including $1 billion in Federal reserves recalled from guaranty agencies, $160 million from an end to the fee paid to institutions in the Direct Loan program, and $603 million in reduced Federal student loan administrative costs. All of these provisions are consistent with the budget agreement, and the savings are achieved without raising costs on, or reducing benefits to, students and their families.

But, we oppose a provision in both bills, unrelated to the budget agreement, requiring administrative cost allowances (ACAs) to guaranty agencies in the Federal Family Education Loan (FFEL) program at a rate of .85% of new loan volume -- paid from mandatory funding authorized under Section 458 of the Higher Education Act of 1965 (HEA) from 1998 to 2000. This provision would create a new Federal entitlement, and it would inappropriately limit the funds available to the Secretary to effectively manage the FFEL Program. Any allowance to these agencies should bear some relationship to the costs these agencies incur, and should not be based on an arbitrary formula. This is an issue more appropriately left for the Higher Education Act (HEA) reauthorization.

We strongly prefer the House language for cutting student loan administrative costs. It specifies that the Education Department may use administrative funds authorized under section 458 of the HEA to operate the FFEL program and the Direct Loan program. Under the Senate language, the Secretary would lack adequate funds to administer the FFEL program effectively.

We also oppose a House provision that would stipulate that an 18.5 percent guaranty agency retention allowance on default collections that result from defaulted loans reentering repayment through loan consolidation. This provision, now specified in regulation and letters as "up to" 18.5 percent, would codify this share at 18.5 percent without regard to the actual expenses that the guaranty agencies incur. This issue also should be resolved in the upcoming HEA reauthorization.

Smith-Hughes

We are pleased that the House bill would repeal the Smith-Hughes Act of 1917 and is consistent with the budget agreement. The Senate bill does not include such a provision, although it finds the agreed-upon $29 million savings from the student loan programs. In light of the $1.2 billion annual appropriation under the Carl D. Perkins Vocational and Applied Technology Education Act, we see no justification for $7 million in mandatory spending a year under Smith-Hughes. We urge the Conferees to adopt the House provision.

Budget Process

On budget process, the House and Senate bills generally follow the budget agreement. We appreciate the provisions to extend the discretionary caps to 2002 at the levels in the agreement, to create a firewall between defense and non-defense spending for 1998-99, to provide an adjustment for international arrears and for an IMF quota increase and the New Arrangements to Borrow, and to otherwise extend and update the Budget Enforcement Act along the lines of the budget agreement.

In some respects, however, the House or Senate bills are not fully consistent with the budget agreement. For instance, both bills provide that only net deficit increases in the prior year, rather than both increases and decreases, would count under the paygo "lookback" procedure. In addition, the House bill is inconsistent with the agreement (and with the Senate bill) with regard to "paygo" requirements.

In other respects, the bills include provisions about which we have serious concerns. For instance, the House bill does not provide for the transportation reserve funds that the budget resolution established for highways, Amtrak and transit. Also, one or both of the House and Senate bills do not include several technical changes to fully extend the Budget Enforcement Act. These changes include a budget authority allowance for technical estimating differences between CBO and OMB, as current law provides; a reserve fund for unemployment integrity to carry out the mandatory savings of the agreement; and a technical change to the existing Continuing Disability Reviews (CDR) adjustment to account for the conversion of obligation limitations to budget authority. In addition, the House bill would require a cumbersome notification procedure for the detailed scoring of each paygo or appropriations bill.

cc: ~~Mike Cohen~~

FY 98 Budget

DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY
600 Independence Avenue, SW
Washington, DC 20202

Fax: 202-401-6139

facsimile
TRANSMITTAL

date: 7/7/97

to: Bill Kincaid

office:

fax #: 456-7028

from: Lonna Jones

office: Budget

telephone #: 401-0312

pages: 2 **pages(s) total, including cover sheet.**

remarks: Bill —
Title I projections. Hope you can read the small print.

Lonna

Please copy for Mike

Title I

EDUCATION FOR THE DISADVANTAGED

Grants to local educational agencies

IMPACT DATA ($ in 000s)

	1996	1997	1998
No. of schools receiving Title I funds	50,000 - 54,000	50,000 - 54,000	50,000 - 54,000
Schoolwide programs:			
Number of eligible schools	22,000	22,000	22,000
Percent of eligible schools participating	60 - 65%	65 - 70%	70 - 75%
Number operating programs	13,200 - 14,300	14,300 - 15,400	15,400 - 16,500
Targeted assistance programs:			
Number of participating schools	36,800 - 39,700	35,700 - 38,600	34,600 - 37,500
No. of students receiving Title I services (in millions):			
In schoolwide programs	5.9 - 6.4	6.4 - 6.9	6.9 - 7.4
In targeted assistance programs	3.3 - 3.6	3.2 - 3.5	3.1 - 3.4
Total	9.3 - 10.0	9.6 - 10.4	10.0 - 10.8

[1] State allocations for 1997 and 1998 for this program have not yet been calculated, since they require updated county-level census poverty data that are not yet available.

Note -- All estimates are preliminary and subject to change as State data become available. The latest available participation data reported by States indicated that, in school year 1994-95, approximately 6.7 million children received services in the 50 States, Puerto Rico, and under the Bureau of Indian Affairs set-aside. The overall number of students receiving Title I services is affected by the mix of Title I targeted and schoolwide programs, since for schools operating schoolwide programs, all students would be counted as served by Title I, and for all other schools only the students targeted for services would be counted.

The above estimates reflect the Department's expectation that participation will increase sharply, beginning in the 1995-96 school year, as more schools take advantage of provisions in the reauthorized Title I that lowered the poverty threshold for schoolwide programs from 75 percent to 60 percent in 1995 and to 50 percent in 1996.

Decisions about how many and which eligible schools operate as schoolwide programs are made locally, and the Department currently has no State-reported data on which to base projections of the number of schools that are likely to select this option. However, program information indicates that, in 1995-96, 64 percent of eligible schools operated the schoolwide model, and that the number almost doubled over the prior year.

From: FY 1998 Congressional Justification submitted to Congress last spring

Gecko[illegible]
FY 98 Approp

U.S. DEPARTMENT OF EDUCATION
OFFICE FOR CIVIL RIGHTS

FISCAL YEAR 1998
BUDGET PROJECTION

The following budget projection is based upon information received yesterday indicating that the House "markup" provides for an OCR FY 1998 budget of $55,449,000, a 1% increase over OCR's FY 1997 budget (see attached). The President's request for OCR for FY 1998 was $61,500,000. In sum, at the current FTE level, and with anticipated common support costs, OCR would begin FY 1998 with no funds available for non-fixed costs. This means that there would be no funds available for: travel for case-related work and technical assistance to educational institutions; the Elementary and Secondary School Survey; staff development and training; and computers/technology, among others. (By way of comparison, OCR will spend almost one million dollars in FY 1997 on necessary travel for case investigations and resolutions, and to provide assistance to educational institutions, nationwide.)

DESCRIPTION	HOUSE MARK	PROJECTED FIXED COSTS	BALANCE (Mark-Costs)
FY 1998 Budget	$55,449,000		
Personnel Compensation and Benefits (PC&B)*		$45,599,100	
Common Support Expenses		9,649,000	
Equipment Repair/Maintenance/Rental**		255,000	
TOTAL		$55,503,100	($54,100)

*PC&B Includes: Assumed FTE Level of 669 (OCR's current FTE Level) and conservative projections of likely increases in across-the-board federal personnel costs and benefits.

**Equipment Repair/Maintenance Includes: Estimated cost to maintain and/or repair equipment that is owned, as well as cost of leasing copiers and/or lease to own agreements.

17-JULY-97

Attachment 1

U.S. DEPARTMENT OF EDUCATION
OFFICE FOR CIVIL RIGHTS
(FY 1990 - FY 1997)

FY	Presidential Request	Congressional Appropriation*	FTE		Complaints		Compliance Reviews	
			Ceiling	Usage	Filed	Resolved	Initiated	Resolved
1990	$45,178,000	$44,572,000	820	815	3,384	3,130	32	30
1991	$49,900,000	$48,404,000	820	797	3,809	3,497	41	22
1992	$56,000,000	$53,625,000	855	848	4,432	4,180	77	50
1993	$61,400,000	$56,402,000	858	854	5,090	4,484	101	82
1994	$56,570,000	$56,570,000	851	821	5,302	5,751	144	90
1995	$61,457,000	$58,236,000	833	788	4,981	5,559	96	178
1996	$62,784,000	$55,277,000	763	745	4,828	4,886	146	173
1997	$60,000,000	$54,900,000	724	--	--	--	--	--

*FY 1990 and FY 1995 Appropriation after sequestration, FY 1997 Appropriation after recision.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

FAX TRANSMITTAL

TO: Michael Waldman / Laura Kapps

ORGANIZATION: Speechwriting

PHONE NUMBER:

FAX NUMBER:

FROM: Kevin Sullivan

PHONE NUMBER: 401-0837

FAX NUMBER: [redacted]

MESSAGE: Generation X - tax cut benefits

CONFIDENTIALITY NOTICE

THIS TRANSMISSION IS INTENDED FOR AND RESTRICTED TO THE NAMED ADDRESSEE ONLY. IT MAY CONTAIN CONFIDENTIAL AND/OR PRIVILEGED INFORMATION. IF YOU RECEIVE THIS TRANSMISSION IN ERROR, YOU ARE NOTIFIED THAT YOU ARE PROHIBITED FROM READING, COPYING, OR DISSEMINATING THE TRANSMISSION. PLEASE CALL (202) 401-3000 TO ARRANGE FOR RETURN OF ANY TRANSMISSION SENT IN ERROR. THANK YOU.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

FAX TRANSMITTAL

TO: Mike Cohen/Bill Kincaid

ORGANIZATION: DPC.

PHONE NUMBER:

FAX NUMBER:

FROM: Kevin Sullivan.

PHONE NUMBER:

FAX NUMBER: ~~[illegible]~~

MESSAGE: Tax cuts - who benefits
Generation X story

CONFIDENTIALITY NOTICE

THIS TRANSMISSION IS INTENDED FOR AND RESTRICTED TO THE NAMED ADDRESSEE ONLY. IT MAY CONTAIN CONFIDENTIAL AND/OR PRIVILEGED INFORMATION. IF YOU RECEIVE THIS TRANSMISSION IN ERROR, YOU ARE NOTIFIED THAT YOU ARE PROHIBITED FROM READING, COPYING, OR DISSEMINATING THE TRANSMISSION. PLEASE CALL (202) 401-3000 TO ARRANGE FOR RETURN OF ANY TRANSMISSION SENT IN ERROR. THANK YOU.

August 4, 1997

To: Michael Waldman
Michael Cohen
Jonathan Schnur

Fr: Kevin Sullivan

Re: How Generation X will benefit from the tax cut.

On August 1, 1997, the Washington Post ran a front page article on the new tax cuts and how Generation X is "virtually ignored in the budget plan." "Generation X" refers to Americans born between 1961-1981.) The article suggests that people in this age bracket, 15-34, have little to gain from the tax cuts and that all Generation X's are single. The article makes no mention of any of the Administration's education tax cuts.

In fact, about 40% of Generation X's are married, have children, and many others are going to school. The President or the Vice-President may want to make a specific reference in their remarks tomorrow that Generation X was not forgotten and will directly benefit from the tax package.

$500 Child Tax Credit: According to the 1995 National Survey of Family Growth there are **33,509,000 children** whose mothers are between the ages 15-34. There are 20,631,000 women who are mothers who are part of Generation X (between the ages 15-34) The survey was conducted by the National Center for Health Statistics (10,847 in-person interviews) which interviewed women between the ages of 15- 44 years of age.

HOPE Scholarship and Life Long Learning Tax Credit: More than 10,315,000 undergraduates are between the ages of 14 to 34 (source: US Bureau of the Census 1995). The HOPE Scholarship will directly impact 3,121,000 two-year college students (source: U.S. Bureau of the Census, 1995). 2,150,00 undergraduates are between the ages of 25 to 34 (Census, 1995). The Life Long Learning Credit will directly impact 1,731,000 graduate students (source: US Bureau of the Census, 1995). You may want to use other numbers but these at least fit the age group in question.

Student Loan Interest Deduction: the 10 million students in this age group will also directly benefit from the student loan interest deduction for up to $2,500

The strong economy has given Generation X's, single or married, the opportunity to stop living with their parents, pay off their student loans, hold down good jobs and begin saving to buy a home. A balanced budget does not increase the national debt and reduced interest rates also allows the government to pay off the national debt at a lower rate. Many children of Generation X parents may also be helped by the $24 billion investment for children's health care.

14. The Washington Post

08/01/97; Edition: FINAL; Section: A Section: Page A01

Outnumbered, Outvoted, Out of Clout on the Hill; Generation X Virtually Ignored in Budget Plan

By Rene Sanchez and Audrey Gillan
Washington Post Staff Writers

At 32, Richard Thau is not married, owns no home, has no children. His investments are modest, he has no plans to return to college, and he is decades away from reaping any of the health benefits the federal government bestows on senior citizens.

For all of those reasons, the balanced budget agreement that swept through both chambers of Congress yesterday and Wednesday and will likely be sent to the White House for the president's signature early next week is hardly cause for celebration. To Thau, it is another stark sign of his generation's profound lack of political muscle.

Amid the deal's $94 billion in targeted federal tax cuts, the first in 16 years, both parties are largely ignoring a sizable but politically disorganized group: the millions of single, working young adults across the nation obscured in the great shadow of baby boomers and elderly voters who still call most of the shots in American politics.

"People in their twenties and thirties without families are political nonentities in this budget," said Thau, who leads Third Millennium, a nonpartisan advocacy group for younger voters. "We're not getting the tax breaks, and we're still going to have to foot the bills for everyone else, especially when the baby boomers start retiring."

That lament is resounding across a generation in the aftermath of a budget pact that offers something for practically everyone else — sparing the elderly from big hikes in health premiums, giving parents a tax break for each child they have, making tuition more affordable for college students, and allowing investors to pocket more capital gains.

But even some members of the generation that is just out of college or in the first stage of careers say they have mostly themselves to blame, given their chronically low election turnout and lack of political organization in Washington.

"There is no lonelier segment of the population in politics right now than the so-called Generation X," said Alexander Jutkowitz, 29, who works for Global Strategy Group, a firm that conducts polling and market research of young adults. "It's disappointing, but the political reality is that if you usually don't vote in great numbers, or don't lobby with any force, no one has any reason to pay attention to you."

By some estimates, the interest of young adults in government and politics has sunk to an all-time low, despite an array of recent national campaigns — such as MTV's popular "Rock the Vote" rallies — to prod them to the polls. Some analysts say the percentage of young adults who vote in presidential elections, which has never been high but showed new signs of growth in 1992, tumbled below 30 percent last year.

Jutkowitz said one reason for the apparent apathy is that, more than ever, young voters do not feel government playing a large role in their lives. In many surveys, a majority of young adults expressed serious doubt that federal programs such as Social Security or Medicare will even exist when they reach retirement age.

"They aren't expecting much government paternalism," he said. "There's more of a survival-of-the-fittest mentality among them."

Another problem is a demographic one: The baby boom generation that has reached middle age dwarfs the generation in its twenties and thirties that follows it. There are roughly 50 million Americans between the ages of 18 to 30, but more than 75 million people who were born in the late 1940s and 1950s. Meanwhile, the number of people born since 1980 is nearly as large as the baby boomer cohort.

Young adults are sandwiched between those two groups, and their diffuse interests are hardly represented in Washington, at least compared with other generational groups such as the American Association of Retired Persons, which boasts 33 million members.

The political clout of that organization and the traditionally strong turnout of senior citizens at the polls are among the reasons fundamental reforms in federal entitlement programs such as Medicare, with growing costs that will soar even higher once baby boomers begin retiring, were not tackled by either party in the budget.

Several attempts in recent years to start large lobbying groups for young adults have fizzled. Those that remain are growing but still quite small. Third Millennium, for example, has only 2,000 members.

"We're fighting a losing battle right now, especially on the entitlements," said Chris Cuomo, the 26-year-old son of former New York governor Mario M. Cuomo (D) and a board member of a policy group called the 2030 Center, which assesses issues from the perspective of young voters. "The budget shouldn't be condemned — it does some good things — but it's mostly about making political points with voters now, not dealing with the future."

Among some young adults in the Washington area, disappointment with the budget agreement is palpable.

"Why should a person get penalized for not having children?" asked Matt Peters, 34, a banker who lives in Arlington, one evening this week at a downtown Washington bar. "I don't mind tax breaks, but it should be equal. At the moment, I don't feel as if I have gotten anything out of the budget."

Pam Tyler, a single, 32-year-old human resources coordinator from Silver Spring, agreed with him. She is paid less than $30,000 a year but says she knows of no tax breaks for which she'll be eligible.

"The late 20-somethings and the 30-somethings are like the lost generation because we don't have as much representation," she said. "There are more single women of my age with no children now than there were many years ago."

But other young adults professed no anger with the budget, saying they believed that it is simply a fact of life in the country that the taxes of young working adults should be used to provide breaks to the elderly or to families with children. Those people, Washington officials could reasonably argue, have higher expenses.

"I think it's fine if tax breaks go for people who have kids going into college, and it seems natural that young people have to pay more for the older people when they retire," said Walter Overby, a 26-year-old computer programmer lunching on Capitol Hill yesterday.

"I'm not sure there are many things my age group really needs from the government," said Jordan Matsudaira, 26. "It makes sense to give tax breaks to people with kids."

And Kellyanne Fitzpatrick, a Republican pollster, said that by erasing the deficit and limiting the scope of the federal government, the budget agreement may offer just the kind of benefits that many younger voters have been demanding.

"In a way, it's a moral victory for them," she said. "A lot of them say in polls that they want a limited, less intrusive government, and that's what this represents."

Staff writer Clay Chandler contributed to this report.

15. The New York Times

08/01/97; Edition: Late Edition - Final; Section: Section A; National Desk; Page 22, Column 1

THE BUDGET DEAL: THE OVERVIEW

Bills to Balance the Budget And Cut Taxes Pass Senate

By JERRY GRAY

WASHINGTON, July 31 — The House and the Senate today approved the largest tax cut since 1981 in legislation that would offer a net reduction of $96 billion over the next five years through cuts in capital gains and estate taxes, a $500-a-child tax credit to most middle- and lower-income working families, and other measures.

Earlier today, by a vote of 85 to 15, with Vice President Al Gore presiding, the Senate passed a companion bill that would balance the Federal budget by 2002. The House had approved that measure on Wednesday on a 346-to-85 vote.

"The final Congressional passage of the balanced budget bill is the achievement of a generation and a triumph for every American," said President Clinton, who started his day by sitting down to a White House breakfast with Speaker Newt Gingrich.

Michael D. McCurry, the White House press secretary, said the leaders discussed "ways in which bipartisan cooperation can continue."

The tax cut passed in the House on a vote of 389 to 43.

"I thought there would be 20 more 'No' votes," Mr. Gingrich told reporters afterward. "People want tax cuts. We won the argument."

Later, the Speaker watched from the Senate floor as that chamber approved the tax-cut bill 92 to 8, with the opposing votes coming entirely from Democrats.

The opposition to the tax bill in the House came from the only independent, Representative Bernard Sanders of Vermont; a lone Republican, Representative Tom Campbell of California; and 41 Democrats, including the minority leader, Representative Richard A. Gephardt of Missouri, who complained that, among other things, most of the tax cuts benefited the rich.

"We in the Democratic Party feel strongly that the people in the middle, the people stuck on the bottom are the people we need to be giving the majority of this tax cut," Mr. Gephardt said.

But after an extraordinary display of bipartisan camaraderie, in which both sides of the aisle gave standing ovations and cheered as the debate managers from each side made their closing comments, 164 Democrats joined 225 Republicans to pass the tax cuts by a wide margin.

"This is a day for coming together," said Representative Bill Archer, Republican of Texas, the chairman of the House Ways and Means Committee, which writes taxes legislation.

Representative Charles B. Rangel of New York, the senior Democrat on the Ways and Means Committee, and one of the leading liberals in Congress, proceeded Mr. Archer to the microphone. Mr. Rangel, who voted for the tax bill and against the budget bill, said Republicans had been forced to compromise more than they had wanted.

"We are here today because the President had the veto and you want a bill to take home," Mr. Rangel said.

The passage of the tax and budget bills is the culmination of an agreement that Mr. Clinton and Congressional Republican leaders reached on May 2, and is a significant political milestone for both the White House and Congress.

With the combined political weight of Mr. Clinton, Mr. Gingrich and Senator Trent Lott of Mississippi, the Senate majority leader, behind the deal, both pieces of legislation enjoyed broad support in both parties on Capitol Hill.

That was reflected in much of the House debate today, with many Republicans and Democrats, more accustomed to fighting each other than finding themselves on common ground, seemingly at a loss for words.

But that spirit of bipartisanship did not extend to all of the debate today. Sniping cropped up, sounding at times like the opening lines of the 1998 Congressional campaign.

"Don't believe the lies that this is a tax cut for the rich; this is a tax cut for the middle class," said Representative Dave Weldon, a Republican sophomore from Florida. "It's a Republican tax cut. It would have never happened if it weren't for the election in 1994 and the persistence of Newt Gingrich."

Across the aisle, Representative Vic Fazio of California, the chairman of the House Democratic Caucus, slapped back at the Republicans using the words of one of their most ardent conservatives, Senator Phil Gramm of Texas.

"President Clinton, as Phil Gramm has said, has cleaned the clock of Republicans in these negotiations," Mr. Fazio said. "Because of this debate, the American people know who's on their side and I think they'll remember that."

Figures in the legislation show that under the bills there would be a net tax reduction of $96 billion over the next five years and of $282 billion over the next 10 years. Those figures are slightly greater then the levels in the original deal between the President and Congress, which provided for $85 billion in net tax cuts over five years and $250 billion over ten years.

It is the largest Federal tax cut since

Table A-7. College Enrollment of Students 14 to 34 Years Old, by Type of College, At

Source: U.S. Bureau of the Census
Internet Release date:

(In thousands. Civilian noninstitutional population)

Year and type of college	All students							Male	
	Total	14 to 19 years	20 to 21 years	22 to 24 years	25 to 34 years	Public	Private	Total	Full time
All Undergraduates									
1995	10,315	3,251	2,881	2,033	2,150	8,221	2,094	4,867	3,749
1994	10,578	3,193	3,006	2,099	2,281	8,464	2,114	4,942	3,788
1993r	11,901	3,200	2,892	2,668	3,140	9,441	2,460	5,719	4,330
1993	9,874	3,045	2,721	2,020	2,088	8,029	1,846	4,681	3,637
1992	10,093	3,097	2,902	2,004	2,090	8,260	1,833	4,609	3,574
1991	9,840	3,061	2,902	1,757	2,120	7,953	1,887	4,661	3,598
1990	9,683	3,194	2,740	1,681	2,067	7,829	1,853	4,602	3,533
1989	9,357	3,250	2,529	1,658	1,921	7,483	1,874	4,357	3,347
1988	9,339	3,229	2,645	1,600	1,865	7,579	1,763	4,413	3,360
1987	9,228	3,283	2,585	1,512	1,848	7,416	1,810	4,550	3,394
1986	9,098	3,165	2,330	1,594	2,009	7,179	1,920	4,382	3,276
1985	9,114	3,169	2,586	1,475	1,884	7,211	1,903	4,385	3,402
1984	9,058	3,120	2,565	1,547	1,828	7,242	1,816	4,506	3,519
1983	9,012	3,200	2,464	1,475	1,873	7,014	1,998	4,488	3,417
1982	9,110	3,183	2,657	1,526	1,745	7,174	1,935	4,450	3,451
1981	9,053	3,276	2,511	1,458	1,808	7,035	2,018	4,443	3,397
1980	8,488	3,182	2,393	1,316	1,599	(NA)	(NA)	4,111	3,192
1979	8,287	3,156	2,308	1,297	1,526	6,541	1,746	4,106	3,163
1978	8,158	3,173	2,247	1,233	1,506	6,340	1,816	4,188	3,221
1977	8,408	3,184	2,376	1,206	1,640	6,683	1,724	4,372	3,304
1976	8,270	3,216	2,358	1,224	1,472	6,578	1,692	4,301	3,291
1975	8,108	3,237	2,255	1,072	1,546	6,598	1,510	4,393	3,394
1974	7,338	2,906	2,131	1,028	1,272	5,843	1,494	4,030	3,128
1973	6,794	2,812	2,031	924	1,028	5,279	1,516	3,791	3,035
1972	6,992	2,974	2,065	944	1,011	5,460	1,532	3,982	3,231
1971	6,895	3,008	1,936	1,019	931	5,472	1,423	4,017	3,240
1970	6,274	2,854	1,803	866	750	4,910	1,363	3,627	3,045
Two-Year College Students									
1995	3,121	1,028	608	593	892	2,860	262	1,383	842
1994	3,318	1,063	623	621	1,011	3,014	304	1,439	869
1993r	3,502	1,131	745	648	978	3,260	243	1,556	978
1993	3,352	1,077	696	614	965	3,119	233	1,480	925
1992	3,442	1,084	789	581	988	3,206	236	1,447	877
1991	3,496	1,120	732	560	1,084	3,276	220	1,576	910
1990	3,190	1,059	689	475	967	2,972	218	1,412	808
1989	2,951	1,048	557	467	880	2,734	218	1,274	742
1988	3,175	1,134	665	497	879	(NA)	(NA)	1,383	810
1987	3,043	1,111	624	457	851	(NA)	(NA)	1,367	754
1986	3,087	1,069	541	475	1,001	(NA)	(NA)	1,406	760
1985	2,772	959	558	403	851	2,516	256	1,179	678
1984	2,756	994	525	442	795	2,496	260	1,333	812
1983	2,931	1,050	595	405	882	2,663	268	1,370	786
1982	3,011	1,088	604	494	826	2,750	260	1,359	832
1981	2,892	1,144	566	414	768	2,646	245	1,333	801
1980	2,666	1,080	450	417	721	(NA)	(NA)	1,195	739
1979	2,407	933	403	407	664	2,233	174	1,106	661

1978	2,453	966	427	391	670	2,247	206	1,214	679
1977	2,510	933	455	380	741	2,362	148	1,253	681
1976	2,435	907	444	367	718	2,282	153	1,272	734
1975	2,561	1,024	431	354	752	2,437	123	1,412	850
1974	2,072	834	369	305	565	1,917	154	1,172	709
1973	1,797	816	278	254	449	1,669	128	1,012	629
1972	1,910	883	334	267	426	1,816	94	1,125	770
1971	1,830	928	307	263	331	1,726	105	1,087	726
1970	1,692	895	281	234	283	1,559	133	1,001	726

Graduate Students

1995	1,731	8	60	465	1,198	1,109	621	852	521
1994	1,719	9	21	551	1,138	1,072	647	865	528
1993r	1,576	3	14	537	1,022	1,037	539	792	489
1993	1,535	3	13	514	1,006	1,009	527	770	470
1992	1,578	-	36	508	1,035	1,021	557	795	511
1991	1,749	-	37	547	1,165	1,124	625	948	593
1990	1,621	2	27	497	1,095	1,056	563	818	494
1989	1,711	-	40	509	1,161	1,092	618	876	525
1988	1,598	-	36	464	1,098	1,084	515	810	443
1987	1,690	1	57	494	1,137	1,140	551	854	506
1986	1,686	-	44	542	1,096	1,133	552	947	543
1985	1,749	-	31	540	1,179	1,168	581	959	550
1984	1,802	-	32	580	1,190	1,225	576	1,007	612
1983	1,814	-	32	568	1,214	1,171	643	1,017	623
1982	1,810	1	32	535	1,244	1,180	630	960	568
1981	1,681	-	34	530	1,120	1,124	558	929	514
1980	1,692	2	31	554	1,104	(NA)	(NA)	914	500
1979	1,691	-	45	497	1,149	1,157	534	888	469
1978	1,681	-	51	565	1,063	1,087	594	935	477
1977	1,810	2	53	593	1,161	1,241	568	995	548
1976	1,680	-	40	622	1,017	1,161	519	994	542
1975	1,590	-	59	607	923	1,105	484	949	542
1974	1,490	-	61	499	930	1,061	428	897	457
1973	1,385	-	42	541	801	945	439	887	467
1972	1,320	1	52	517	749	877	443	872	481
1971	1,192	1	60	468	663	799	393	833	480
1970	1,140	-	54	488	599	789	351	774	432

r = Revised, controlled to 1990 census based population estimates; previous 1993 dat

Source: U.S. Bureau of the Census, Current population Survey.
Contact: U. S. Bureau of the Census, Education and Social Stratification Branch, (30

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
LEGISLATIVE AFFAIRS

PHONE: 395-4790 / FAX: 395-3729

TO: EOP Internal Distribution List

Copy All DPC STAFF

DATE: 7/22

SUBJECT: FY 1998 Appropriations Letter from Franklin D. Raines, Director

PAGES: 22

1. House Defense Letter
2. House C/J/S Letter
3. House Labor/HHS Letter

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

July 22, 1997

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

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the Department of Defense Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. We appreciate the Subcommittee's decision to fund the National Missile Defense program at the levels recommended in the Quadrennial Defense Review (QDR). Likewise, we appreciate the Subcommittee's fully funding, at requested levels, contingency operations in both Bosnia and Southwestern Asia.

The Administration, however, has serious concerns about certain provisions of the Subcommittee bill. Overall, for the reasons stated below, the Secretary of Defense would join the President's other senior advisers in recommending that the President veto the bill in its current form.

Bosnia Funding Provision

The Administration strongly objects to the provision of the Subcommittee bill that would prohibit funding for U.S. ground operations in Bosnia after a date certain. This provision could jeopardize the safety of our troops and damage our national security interests. It would seriously undermine our commitment to shepherd the Dayton Peace Accords to full implementation and undercut our ability to complete successfully the NATO-led mission in Bosnia. This would result in a serious loss of credibility with our allies, the Bosnian parties, and with other countries participating in the Stabilization Force (SFOR). In addition, the provision contains onerous reporting language that also requests foreign military planning information. Since the President cannot require our allies to publicly divulge their military plans, the reporting requirements could place the President in violation of the law.

B-2 Bombers

The Administration firmly opposes the $331 million increase to the President's request for B-2 production, procurement, and maintenance costs. The Department of Defense concluded in both the Deep Attack Weapons Mix Study and the Quadrennial Defense Review that the costs of procuring more B-2s exceed the benefits. Furthermore, the additional aircraft would incur 20-year life-cycle costs of approximately $20 billion, which would weaken the ability of the Air Force to acquire other urgently needed weapons systems. These resources should be allocated to higher priority requirements.

Overall Spending

Under Subcommittee scoring, the bill provides $248.1 billion in total discretionary funding, exceeding the President's request by $4.8 billion, an amount greater than the increase assumed in the Bipartisan Budget Agreement. Achieving this funding level required a reallocation of funds from Department of Energy programs to Department of Defense (DoD) programs, an action we believe is an unacceptable deviation from our understanding of the Bipartisan Budget Agreement. Moreover, the Subcommittee bill provides funds for unrequested programs not in the DoD Future Years Defense Program (FYDP), at the expense of higher priority programs requested by the Department. We urge the Committee to eliminate funding for programs not anticipated in the Pentagon's long-range plans and restore funding to programs of higher priority.

Increases in Procurement Programs Not in the FYDP

The Subcommittee bill would provide an additional $3.9 billion for procurement programs above the Administration's request. Over $1.5 billion of this increase is for programs not in the FYDP and of questionable value to the Department's overall plans to modernize military forces. These include: an additional $331 million for B-2 Bombers; $230 million for 4 modified C-130J airlift aircraft; $175 million for OH-58D Kiowa Warriors Helicopters; $56 million for modifications to Paladin Self-Propelled Artillery systems for the Army National Guard; and, $40 million for the Field Artillery Ammunition Support Vehicles for the Army National Guard. While we appreciate the flexibility the Subcommittee has provided for allocating the National Guard and Reserve equipment increase, we nonetheless oppose the additional $850 million for National Guard and Reserve equipment that has been added for programs not in the FYDP.

The Administration urges reallocation of these appropriations to support key DoD modernization programs such as the Navy's Arsenal Ship Demonstrator, the next-generation aircraft carrier (CV(X)-78), and advance procurement funding for the second nuclear aircraft carrier refueling overhaul.

Funding Restrictions on Shipbuilding Programs

The Administration is concerned with language of the Subcommittee bill that would place restrictions on spending for a nuclear aircraft carrier refueling overhaul and on DDG-51 destroyers. Such spending restrictions would be disruptive to the proper management of these programs.

Cooperative Threat Reduction Program

The Subcommittee bill would reduce DoD's Cooperative Threat Reduction (CTR) program by $97.5 million from the Administration's request. The CTR program is an important and highly effective means of enhancing U.S. security through eliminating weapons of mass destruction and preventing weapons proliferation. The request of $382.2 million is a bare-bones figure based on a difficult prioritization of a long list of potential projects. The proposed reduction would force DoD to delay several projects in the Former Soviet Union in critical areas such as the destruction of nuclear delivery systems and chemical weapons, improvements to the safety and security of stored nuclear warheads and fissile material, and the cessation of production of weapons-grade plutonium. The Administration urges the Committee to restore appropriations to the requested level.

Dual Use Application Program

The Subcommittee has provided only $100 million of the $225 million requested for the Dual Use Application Program (DUAP). The Administration strongly opposes the Subcommittee's reduction from the requested amount for this high priority program. DUAP is saving money in our most rapidly growing cost category -- operating and support costs -- by inserting commercial technologies in fielded weapons systems and by enabling the Military Departments to take advantage of the commercial innovation cycle and get better technology to the field quickly.

Advanced Concept Technology Demonstration Program

The Subcommittee bill would reduce by $60 million the President's $121 million request for the Advanced Concept Technology Demonstration (ACTD) program. This program supports work on new and innovative defense system concepts and could provide the basis for systems providing a decisive military edge over adversaries in the next century. This reduction would limit the Department's ability to test these new defense systems early in the development phase, when changes to these systems provide the greatest payoff. The Administration urges the Committee to restore funding to the level requested in the President's budget.

Executive Compensation

The Administration does not support the Subcommittee's uniform cap on executive compensation. In lieu of this cap, we urge the Committee to adopt the Administration's February 28, 1997, legislative proposal, which recognizes that contractor executive compensation limitations should reflect pay levels based on industry norms.

Overseas Humanitarian Disaster and Civic Assistance

The Administration objects to the Subcommittee's $25 million cut to DOD's Overseas Humanitarian Disaster and Civic Assistance (OHDACA) account. The Administration requests restoration of funding for the OHDACA account to the President's requested level so that the Department can respond appropriately to unanticipated global emergencies.

Unmanned Aerial Vehicle

The Administration objects to the Subcommittee's termination of the Outrider unmanned aerial vehicle (UAV) program. The Outrider is needed to meet the Joint's Staff's number one UAV requirement -- a Tactical UAV. Termination of the Outrider would significantly delay the fielding of any UAV reconnaissance capabilities.

Joint Chiefs of Staff Exercise Program Cuts

The Subcommittee bill recommends sharp reductions to requested funding for the Joint Chiefs of Staff (JCS) exercise program. This program provides for the transportation of U.S. forces to engage in large-scale joint training operations with other U.S. services and allies. The Administration is concerned about the size of the reduction to this program and will work with the Congress to determine the appropriate funding level for JCS exercises as the bill moves through the process.

Restrictions on Presidential Foreign Policy Prerogatives

The Subcommittee bill includes a general provision that would limit the President's flexibility to conduct foreign relations with respect to North Korea (section 8058). Given continuing uncertainty on the Korean Peninsula, such a provision would hinder the President's ability to use all means at his disposal to prevent a disastrous conflict from breaking out. The Administration urges the Committee to delete this provision.

Limitation on Transfer of Defense Articles and Services

Section 8072 of the Subcommittee bill would forbid the use of funds to transfer defense articles or services to another nation or to an organization in connection with international peacekeeping or humanitarian operations, unless the President gives 15 days' advance notice to Congress. The provision, though, includes no waiver for national security emergencies such as providing weapons to troops supporting U.S. forces engaged in hostilities. Because the provision, if read to forbid such action, would intrude on the President's authority as Commander in Chief, the Department of Justice advises that the provision would be construed as inapplicable in such situations.

Joint Air-to-Surface Standoff Missile

The Subcommittee bill would delete all funding and terminate the Joint Air-to-Surface Standoff Missile (JASSM) program in favor of the Joint Standoff Land Attack Missile (SLAM) program. The Joint Requirements Oversight Council (JROC) has repeatedly reviewed the SLAM-Extended Range (ER) and JASSM programs and has found insufficient technical and engineering data on either program that would lead to cancellation. The current Joint Service strategy is to collect data on both weapons to perform an informed, accurate, and timely Analysis of Alternatives to determine which system will provide warfighters with the required effectiveness at the best value. A premature and unsubstantiated decision could later result in a more expensive and less capable weapon.

NATO Joint Surveillance and Target Attack Radar System

The Administration urges the Committee to fund the NATO Joint Surveillance and Target Attack Radar System (JSTARS) program at the level requested in the President's budget. JSTARS aircraft provide real-time surveillance of the battlefield and rear echelons by detecting, identifying, and tracking enemy armor and vehicular traffic and providing their locations for targeting. A reduction to this program could adversely affect a decision by NATO to proceed with the anticipated purchase of the JSTARS aircraft.

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

Sincerely,

Jacob J. Lew
Deputy Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable C.W. Bill Young,
and The Honorable John P. Murtha

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

July 22, 1997

THE DIRECTOR

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

Dear Mr. Chairman:

This letter provides the Administration's views on the Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. For example, we appreciate the Subcommittee's funding of law enforcement programs in general and the COPS program in particular. Funding COPS at the requested level of $1.4 billion is consistent with the Bipartisan Budget Agreement and would enable us to achieve the goal of hiring 100,000 additional police officers by the year 2000.

As discussed below, the Administration will seek restoration of certain of the Subcommittee's reductions. We recognize that it will not be possible in all cases to attain the Administration's full request and will work with the Committee toward achieving acceptable funding levels. The Administration is committed to working with the Committee to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, funding could be reduced for the Local Law Enforcement Block Grant and the new Juvenile Justice Block Grant. We urge the Committee to reduce funding for lower priority programs, or for programs that would be adequately funded at the requested level, and to redirect funding to programs of higher priority.

The Administration is particularly concerned about the inadequate funding levels provided for the Legal Services Corporation. As is discussed further below, if the bill presented to the President were to contain the levels provided in the Subcommittee bill, his senior advisers would recommend that he veto the bill.

Department of Commerce

- Census Sampling. The Administration strongly opposes the Subcommittee's language that would prohibit any funds from being used for activities related to the design, planning, testing, or implementation of sampling in the 2000 Census, and would further require the passage of an authorization bill prior to the expenditure of more than $100 million for any 2000 decennial planning operations. This represents an unprecedented and unacceptable attempt to micromanage the decennial census. Such restrictions would seriously undermine decennial census planning operations, especially with regard to address list development, procurement, and the 1998 Decennial Dress Rehearsal. The Secretary of Commerce has indicated that he would recommend that the President veto the bill if it were to contain this provision.

  While the Administration will continue to seek congressional input on this important issue, we also remain committed to the use of sampling to ensure the most accurate decennial census possible. Without the limited use of sampling, the accuracy of the census would decrease significantly, especially with regard to children and minority groups that have been traditionally undercounted. The National Academy of Sciences, the General Accounting Office, the Commerce Department Inspector General, and the vast majority of the professional statistical community support the use of sampling in the decennial census.

- National Oceanic and Atmospheric Administration. We are disappointed that the Subcommittee bill would provide only $8 million of the $22 million requested for the President's Clean Water Initiative, which helps protect coastal communities from pollutants. The National Oceanic and Atmospheric Administration (NOAA) is the primary trustee of our Nation's coastal resources and, as such, plays an important role in this initiative. The $22 million initiative builds from NOAA's unique coastal responsibilities and partnerships with States and other Federal Trustee agencies. In addition, we are disappointed that the Subcommittee has not included any funding for the Global Learning and Observations to Benefit the Environment Program (GLOBE). This program was developed to increase understanding of the Earth and has already formed partnerships with over 2,500 U.S. schools and 35 other countries, involving thousands of students across the U.S. and worldwide. The Subcommittee is recommending over $30 million in funding for NOAA activities not requested by the Administration. We strongly urge that a portion of these funds should be redirected to continue the Clean Water Initiative, GLOBE, and other priorities such as fisheries conservation and management.

- National Institute of Standards and Technology (NIST). The Administration greatly appreciates the overall funding level for NIST and the Subcommittee's support of the Bipartisan Budget Agreement. However, we strongly urge the Committee to drop language restricting new Advanced Technology Program awards and to adopt language allowing continued Federal funding for Manufacturing Extension Centers beyond six years, as was passed by the House in H.R. 1274.

- National Information Infrastructure (NII). The Administration urges the Committee to reallocate resources between the NII grants program and the Public Broadcasting Facilities program. The Subcommittee mark substantially reduces funding for the former and provides a large, unrequested increase for the latter. The NII program is meritorious, providing seed money for innovative projects that deploy, use, and evaluate advanced telecommunications and information technology.

Legal Services Corporation

The Administration finds the Subcommittee bill's funding level for the Legal Services Corporation (LSC) unacceptable. The bill would fund the LSC at $141 million, $142 million below the FY 1997 enacted level and $199 million below the President's request of $340 million. The amount that the Subcommittee bill would provide, 65 percent below the FY 1995 level of $400 million, would cripple the program and call into question the Federal Government's commitment to ensuring that all Americans, regardless of income, have access to the judicial system. The Administration strongly urges the Committee to fully fund the President's request. The President's senior advisers would recommend that he veto the bill if it contained the funding level in the Subcommittee bill.

Department of Justice

- Drug Courts and Drug Testing. The Administration is disappointed by the failure of the Subcommittee to provide any of the $45 million requested increase for drug courts. The drug courts program is a proven, cost-effective means of using the coercive power of the courts to move non-violent offenders into drug treatment programs. Also, the President's budget would provide $30 million to offset the costs associated with drug testing State and local arrestees. The Administration is concerned that the Subcommittee does not identify $30 million from the Byrne Grant program for the State and local portion of the drug testing program, as proposed by the President. The drug courts and drug testing programs could be restored to the requested levels by reducing the Subcommittee's funding for the Local Law Enforcement Block Grant program.

- Juvenile Justice Block Grant. The Administration appreciates the Subcommittee's desire to provide additional support for juvenile justice programs. However, the Administration is concerned that the $300 million block grant program may authorize a broad and unfocused range of spending and urges the Committee to target $100 million for the prosecutorial grant program, which is designed to facilitate the cooperation and coordination of prosecutors and police with school officials, probation officers, youth social service professionals, and community members in an effort to reduce the incidence of gang activity and violent juvenile crime. The Administration also urges the Committee to target $50 million for the violent youth court program, which is designed to develop initiatives for use by the courts and court-related entities, such as probation and parole offices and victim/witness centers, to enhance and expedite the handling of youth violence cases.

Department of State

The Administration appreciates the Subcommittee's support for the State Department's accounts that fund diplomatic and consular activities, which would help reverse the erosion of the Department's worldwide operations. We are also pleased that the Subcommittee provided the transfers as requested to support the International Cooperative Administrative Support Services (ICASS) program.

While the Administration welcomes the first-year funding of $100 million for arrears payments, we are deeply concerned about reductions in the funding levels for the FY 1998 annual assessments provided in Contributions to International Organizations and Contributions for International Peacekeeping Activities (CIPA). United States leadership in these organizations on a host of issues of importance to the American people will be compromised if we fail to meet our binding obligations to them. It is important that funding for these activities be protected so that the Administration can pay annual costs, avoid new arrears, and be given some flexibility to address unforeseen needs relating to peace and security around the world. While we appreciate report language that underscores the importance of funding for arrears as part of long-term reform efforts, we are disappointed that the bill does not provide a commitment for three years of arrears funding as allowed by the Budget Resolution and as consistent with the pending authorization bill. The Administration is committed to working with the Committee and the Congress as a whole to resolve these important issues relating to the future of international organizations.

The Administration urges the Committee to strike two provisions that raise Constitutional concerns: section 609, which concerns diplomatic relations with Vietnam, and section 610, which relates to command and control of United Nations peacekeeping efforts. In addition to Constitutional concerns, we believe that the issues raised by these provisions are being addressed in the pending authorization bill in more workable and appropriate ways.

Ounce of Prevention Council

The Administration opposes the Subcommittee's termination of the Ounce of Prevention Council. Elimination of this program would hinder the Federal Government's ability to help neighborhoods implement balanced strategies to reduce crime through enforcement, prevention, and intervention. The Council awards discretionary grants for promising community collaborative crime prevention programs, publishes a catalog of crime prevention grants and programs, and provides information and technical assistance. It plays a critical role in helping communities gain access to information on crime prevention best practices. The Administration strongly urges the Committee to provide funding for the Council and to rescind $1.5 million from the Department of Justice's Working Capital Fund as an offset.

Arms Control and Disarmament Agency

The Administration opposes the Subcommittee mark of $41.5 million for the Arms Control and Disarmament Agency (ACDA), which would severely undercut the Administration's efforts to reduce the threat of nuclear and other weapons to the security of the American people.

Comprehensive Nuclear Test Ban Treaty

On July 17th, a budget amendment for Comprehensive Nuclear Test Ban Treaty requirements was transmitted. The Administration urges the Committee to provide the full revised request for these important national security activities.

Equal Employment Opportunity Commission

The Administration strongly urges the Committee to fully fund the President's request of $246 million for the Equal Employment Opportunity Commission (EEOC) given the importance of its work in addressing unlawful discrimination. The requested level would enable the EEOC to maintain current staffing levels necessary to continue ongoing efforts to reduce the substantial backlog of employment discrimination complaints.

Office of the United States Trade Representative

The Administration appreciates the Subcommittee's increase in funding for, and its past support of, the Office of the United States Trade Representative (USTR). However, USTR requires full funding in order to accomplish the Administration's trade-policy objectives. USTR has had to manage a seven-fold increase in the number of World Trade Organization dispute settlement cases since the the signing of the Uruguay Round Agreement. Despite its substantially increased workload, USTR has virtually the same number of attorneys working in this area as it did in 1990. USTR's work will be even more important in FY 1998 and in future years as the United States seeks to capitalize on new market-opening opportunities and to improve access to existing markets through enforcement actions. We urge the Committee to provide funding for USTR at the requested level of $22.1 million.

Additional Administration concerns with the Subcommittee bill are contained in the enclosure.

Sincerely,

Franklin D. Raines
Director

Enclosure

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Harold Rogers
and the Honorable Alan Mollohan

Enclosure
(House Committee)

ADDITIONAL CONCERNS
DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1998
(AS REPORTED BY THE HOUSE SUBCOMMITTEE)

The Administration looks forward to working with the Congress to address the following additional concerns:

Department of Commerce

- Geostationary Satellites. The Administration is deeply concerned about the Subcommittee's $22 million reduction to the Geostationary Satellites (GOES) program. GOES provide critical data for warnings and forecasts of severe weather events. In order to maintain satellite continuity, particularly given recent technical malfunctions on existing spacecraft, it is imperative that NOAA have sufficient funding to award the contract for the follow-on series of GOES satellites.

- Economic and Statistical Analysis. The Subcommittee mark for Economic and Statistical Analysis (ESA) is insufficient to make necessary improvements to important economic indicators. For the past four years, ESA has been denied funding for improvements to GDP and related regional, national, and international accounts data. In the past, ESA has dealt with funding constraints by eliminating important but non-core activities such as the Pollution Abatement Survey and Regional Economic Projections. ESA cannot sustain the quality of the Nation's basic economic indicators under continued funding constraints.

- Bureau of Export Administration. The Senate has recently passed the Chemical Weapons Convention implementing language, and the House is expected to do so shortly. Therefore, the Administration urges the Committee to provide the full requested level, $2.3 million, to the Bureau of Export Administration (BXA) for this activity. In addition, we urge the House to include seizure and forfeiture authority language for the BXA. This language would allow BXA to become part of the Department of Justice's Assets Forfeiture Fund and is proposed in the Commerce Department's General Provisions in the FY 1998 Budget.

- National Oceanic and Atmospheric Administration. We are concerned about language in the Subcommittee bill detailing the National Oceanic and Atmospheric Administration's (NOAA's) appropriation at the line office level. Many of NOAA's programs involve multiple line offices, and this language would inhibit current synergies among line offices. The Administration requests elimination of this bill language. Also, the Subcommittee Report earmarks NOAA funding on a project-by-project basis. We respectfully request the deletion of these excessive earmarks.

Department of Justice

- Executive Support. The Administration opposes the Subcommittee's action to freeze legislative and public affairs activities at FY 1997 levels throughout the Department. Freezing these activities would inhibit the Department's ability to clear legislation in a timely and responsive manner and constrain its capacity to serve Congress. The Administration urges the House to increase funding for the Executive Support offices and to delete restrictions on the use of detailees.

Department of Transportation

- Maritime Administration (MARAD). The $65 million that the Subcommittee bill would provide for MARAD Operations and Training would be insufficient to continue MARAD's current operations into FY 1998. The Committee is urged to provide no less than the $69 million contained in the Senate bill. In addition, the $3.45 million that would be provided for Title XI administrative expenses might result in a reduction in personnel that would jeopardize the effective oversight and management of Title XI projects. The Committee is urged to restore funding for this activity.

Federal Communications Commission

- Relocation. The Subcommittee bill provides no funds in support of the Federal Communications Commission's (FCC's) scheduled move to the Portals complex. Failure to provide these funds would delay the move, which could result in the Government unnecessarily paying for rent on an unoccupied building. The Administration urges the Committee to provide the $30 million required for the FCC move in FY 1998.

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

July 22, 1997

THE DIRECTOR

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

Dear Mr. Chairman:

This letter provides the Administration's views on the Department of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. We are pleased that the Subcommittee has fully funded Bilingual and Immigrant Education, School to Work, Head Start, Technology Literacy Challenge, 21st Century Community Learning Centers, the targeted portion of the Title I formula, and education statistics and assessment. The Administration is also pleased that the Subcommittee has limited the number of appropriations riders consistent with the terms of the Bipartisan Budget Agreement. The Full Committee is urged to continue this practice. However, as discussed below, the Administration will seek restoration of certain of the Subcommittee's reductions.

The Administration is committed to working with the Committee to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, the Subcommittee bill provides nearly $1 billion more than the President has requested for more than two dozen authorities in the Department of Education, while cutting the President's request by over $1 billion. We strongly urge the Committee to reduce funding for lower priority programs, or for programs that would be adequately funded at the requested level, and to redirect funding to programs of higher priority, particularly those contained in the Bipartisan Budget Agreement as noted below.

Department of Education

The Administration appreciates the Subcommittee's efforts to provide substantial new funding for education activities, at an overall level generally consistent with the Bipartisan Budget Agreement protection of Function 500. Unfortunately, the Subcommittee has failed to provide the $260 million necessary for the President's America Reads Challenge in the Department of Education, and the bill provides only $10 million of the $42 million requested for America Reads in the portion of the Corporation for National and Community Service budget funded by this bill. The Subcommittee has provided advance funding for America Reads to the

Department of Education for FY 1999, pending new authorization, which would produce a full year's delay in getting needed reading assistance to millions of children. The Bipartisan Budget Agreement specifically calls for funding a literacy program, "with the goals and concepts of the President's America Reads program" at the levels proposed in the President's FY 1998 Budget. America Reads is one of the Administration's highest funding priorities. The Administration believes that the full funding should be restored to both the Department of Education and the Corporation for National and Community Service for FY 1998.

The Administration is working closely with the authorizing committees to develop legislation effective for FY 1998. There is ample time to enact legislation, as needed, by April 1 for a program that would begin on July 1, in time for summer activities and the 1998 - 1999 school year.

The Bipartisan Budget Agreement calls for a $1.7 billion increase over FY 1997 for Pell grants, to support both a $3,000 maximum award and expanded eligibility for independent students. The Subcommittee bill underfunds the independent student policy by $197 million, contingent on authorization during the year. The Administration is proposing to aid independent students in the Higher Education Act reauthorization proposal, but based on information from the authorizing committees, the Administration cannot expect the Act to be reauthorized in time to make FY 1998 awards. Rather than withhold this benefit from independent students, the Administration proposes that the appropriation act include one year of authority while the reauthorization process is completed. This authorization is no different from the Committee's annual procedure of authorizing the maximum Pell grant award. In accordance with the terms of the Bipartisan Budget Agreement, we urge the Committee to fully fund Pell grants and to authorize both the maximum award and the independent student change.

The Subcommittee bill funds Education Reform at $1.13 billion, $110 million below the level assumed under the Bipartisan Budget Agreement. Within the total, GOALS 2000 is funded at only $475 million, $145 million below the request. GOALS 2000 funds provide essential support to virtually every State's education improvement strategy. We strongly urge the Committee to restore full funding for GOALS 2000.

We appreciate the Subcommittee's support for development of voluntary national tests for 4th grade reading and 8th grade math. We support the bill's requirement that the Department of Education contract with the National Academy of Sciences to conduct a study and report on the testing initiative. We are seriously concerned, however, that the bill fails to provide adequate FY 1998 funding for development of the tests within the Fund for the Improvement of Education. The Administration urges the Committee to provide the funds necessary for this important national effort to make sure our students are mastering the basics and meeting challenging standards in reading and math.

A number of other high priority Education programs are funded significantly below the President's request. These include Adult Education, Safe and Drug-Free Schools, Eisenhower Professional Development, and Charter Schools. We urge the Committee to fully fund these activities at the levels requested in the President's FY 1998 Budget.

Department of Health and Human Services

The Administration is deeply concerned that the Subcommittee has failed to provide $21 million for the Administration's new Adoption Initiative. The goal of this program is to double the number of children adopted or permanently placed outside of child welfare systems by FY 2002. The additional investment is small compared to the potential rewards of placing children in supportive and loving homes. The Administration strongly urges the Committee to fully fund this urgently-needed program at the President's requested level..

We understand that an amendment may be offered in Full Committee that would expand the current "Hyde Amendment" prohibition on Medicaid payment for abortion services to include a prohibition on the purchase of health benefit coverage that includes abortion. The President believes that abortion should be safe, legal, and rare. We believe that the amendment could curtail the availability of State-only and privately funded abortion services. Most States purchase health coverage for Medicaid beneficiaries from managed care organizations (MCOs). Under this amendment, States may be prohibited from contracting with MCOs that offer abortion services to any woman. This provision could limit States' ability to negotiate contracts with providers, limiting access to quality care for Medicaid beneficiaries. This prohibition could also limit States' flexibility to purchase abortion services with their own funds and may even have the effect of causing MCOs to drop all coverage of abortion services for women with private health insurance so the MCO may continue to participate in the Medicaid program. The Administration opposes this attempt to constrain further the availability of abortion services and strongly urges Congress not to adopt this amendment.

The House Subcommittee has not provided funding for the Medicare Transaction System (MTS), noting criticisms of the MTS design. The President's $89 million request would fund consolidation of HCFA's current contractor systems, which needs to occur prior to, and independent of, final resolution of MTS design issues. The Subcommittee also notes that funding for the Medicare Integrity Program, established by the Kassebaum-Kennedy legislation, could be used to fund MTS. We believe that using Medicare Integrity Program funding for this purpose would be inappropriate since it was established specifically to combat fraud and abuse. The Administration urges the Committee to restore funding to the requested level to the extent possible.

The Administration is pleased that the Subcommittee has provided the requested increase of $40 million over FY 1997 for Ryan White AIDS Treatment Grants, and an additional $132 million to help States purchase drugs. However, the Subcommittee has not allocated the $40 million increase among the Titles of the Ryan White CARE Act toward primary care as proposed in the FY 1998 Budget. The Administration's proposed allocation targets additional resources to those Titles that emphasize the delivery of primary care, a particularly important priority now that the prospects for medical care for people infected with HIV have improved dramatically. The Administration looks forward to working with Congress to ensure that the resources provided to the Ryan White AIDS Treatment Grants are distributed consistent with the priorities placed on primary care in the President's budget.

The Administration is concerned that the Subcommittee bill does not appropriate a specific amount for AIDS research through a single appropriation for the National Institutes of Health's (NIH's) Office of AIDS Research as requested in the President's budget. The single appropriation would help NIH plan and target NIH research funds effectively, minimizing duplication and inefficiencies across the 21 institutes and centers that carry out HIV/AIDS research

The Administration is concerned that the Subcommittee has not provided the full increase requested for HIV prevention programs of the Center for Disease Control and Prevention. The Budget proposes a $17 million increase for this activity to target HIV prevention for intravenous drug users at risk of developing the virus. The Administration urges the Committee to provide the full requested amount to the extent possible.

Department of Labor

The Bipartisan Budget Agreement specifies funding at the levels proposed in the President's budget for Training and Employment Services, including Job Corps. The Subcommittee mark provides the Administration's request for low-income youth and adult training programs, dislocated workers, and the Job Corps. However, in order to be consistent with the Agreement, we urge the Committee to provide an additional $233 million to fully fund the request for new and existing TES programs in FY 1998. The Subcommittee has provided $100 million in FY 1999 for the Youth Opportunity Area proposal subject to passage of authorizing legislation. This program may be carried out under existing legislation, and a separate authorization is not necessary. The Committee is urged to provide resources for this initiative in FY 1998 without the restriction provided by the Subcommittee.

The Administration appreciates the Subcommittee's allocation of $200 million to help finance the year 2000 conversion of State UI systems. However, the Subcommittee has failed to provide $89 million for spending on UI "integrity" initiatives (e.g., increased eligibility reviews, tax audits). This spending is explicitly assumed in the Bipartisan Budget Agreement, and would over five years, achieve $763 million in mandatory savings assumed in the Agreement. The Full Committee is urged to provide this increase.

Social Security Administration

The Subcommittee has provided $245 million for additional Continuing Disability Review (CDR) funding and SSI reforms implementation, $45 million less than the President's request. The pending reconciliation bill contains a provision that would provide authority for a

$290 million upward cap adjustment ($45 million more than current law) to the non-defense discretionary spending caps for funding provided by the Subcommittee for additional CDRs. This is consistent with the President's request. Failure to provide the additional funds means some 15 percent fewer individuals will have their status reviewed in FY 1998, potentially costing hundreds of millions of dollars in benefits to individuals who would have been found no longer eligible. We urge the Committee to provide the additional $45 million.

The Subcommittee has included language to authorize increases to the fee States pay SSA for administering State payments that are supplemental to SSI benefits, and provide for such funds to be available, subject to appropriations action, upon collection for SSA administrative expenses. This provision is consistent with the Bipartisan Budget Agreement, and the Administration commends the Subcommittee's actions.

Additional Administration concerns with the Subcommittee bill are contained in the enclosure. We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Franklin D. Raines
Director

Enclosure

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, and The Honorable John E. Porter

Enclosure
(House Committee)

ADDITIONAL CONCERNS
DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1998
(AS REPORTED BY THE HOUSE SUBCOMMITTEE)

The Administration looks forward to working with the Congress to address the following concerns.

All Agencies Covered by the Bill

- Operating Plans. The Subcommittee report calls for all agencies covered in the bill to provide to the Subcommittee "operating plans" for appropriations. We are prepared to work with the Subcommittee to discuss the purpose of this request and determine how to address it.

Department of Health and Human Services

- Welfare Research. The Subcommittee has rescinded $21 million in mandatory research funds. The President's request assumes $18 million in discretionary and $21 million in mandatory welfare research funds, for a total of $39 million. The Subcommittee has provided only $26 million in Administration for Children and Families and Assistant Secretary for Planning and Evaluation. In order to gauge the effects of welfare reform, research is needed now more than ever. The Administration urges the Committee to drop the rescission and to fund welfare research at the President's requested level.

- Community Schools: Violent Crime Reduction. While the Administration supports the Subcommittee's funding of Violence Against Women Act programs, the Subcommittee has provided no funding for the Community Schools program within the Violent Crime Reduction Programs account or for the Community-Based Resource Centers and Developmental Disabilities Special Projects activities. We urge the Committee to restore funding for these programs.

- Aging Services Programs. Within the Administration on Aging, the Subcommittee has provided no funding for certain Aging Services Programs, including Preventative Health Maintenance, Alzheimer's Initiative, and Research, Training, and Discretionary activities. These important programs provide critical resources for the elderly.

- Medicare Survey and Certification User Fees. The President's budget proposes total funding of $158 million for the surveys and certification program, $148 million in budget authority and $10 million in user fees. The Subcommittee has provided $148 million in budget authority which is $10 million below the President's request. On March 27, 1997, the Administration transmitted legislation to Congress for the authorization of $10 million in new survey and certification user fees. The Administration believes that health care providers who derive considerable benefit from the Medicare program should fund the cost of conducting initial surveys required for entry into the program. We urge Congress to enact the Administration's survey and certification user fee proposal and to fully fund the President's request for this activity.

- Hansen's Disease. The bill includes language that would transfer HHS's Hansen Disease treatment facility at Carville, Louisiana, to the State of Louisiana. The Administration supports this transfer, but objects to how the language transfers property to the State of Louisiana and how it handles personnel issues. We believe that the General Services Administration, the Federal government's property asset manager, should handle the transfer as authorized in the Federal Property and Administrative Services Act of 1949. In addition, the Administration strongly opposes those provisions pertaining to the computation of employee annuities and disability retirement benefits. The Administration urges the Committee to delete these provisions. There are a variety of ways to ensure the well-being of and retirement benefits for these employees, and the Administration wants to work with the Committee to draft language that is consistent with current law.

- Additional Health Concerns. The Administration is concerned that the Subcommittee has not provided the full request for the Office of Emergency Preparedness, HRSA Organ Transplantation, the Office of Civil Rights, CDC's National Center for Health Statistics, and SAMHSA Data Collection activities. To the extent possible, we urge that the requested funding level be provided.

Department of Labor

- Worker Protection and Enforcement Funding. The Subcommittee has provided $981 million, an increase of $32 million over the FY 1997 enacted level for the Department of Labor workplace protection programs, about half of the proposed increase. The independent National Labor Relations Board was frozen, a cut of $11 million below the request. The Administration urges the Full Committee to enact the Administration's request for these programs. Without the requested increases, the Department will not be able to carry out a balanced program of targeted enforcement with expanded partnerships and compliance assistance in the regulated community, or streamline its operations to provide assistance to small businesses in complying with various workplace laws and related executive orders, such as the systems and technical assistance improvements, requested for the Office of Federal Contract Compliance.

Social Security Administration

- Official Time. Language of the Subcommittee bill would bar the expenditure of trust fund money for employees who conduct union activities on official time. Paying for such expenses is consistent with both Federal law and SSA's collective bargaining agreements. Restricting certain funding sources from paying for this activity would unfairly shift costs to the general fund and not reduce the amount of Federal funds expended on this legitimate activity. This limitation should be stricken from the bill.

Railroad Retirement Board

- Inspector General. The Subcommittee has included language prohibiting the use of any funds other than those in the Inspector General (IG) account for the provision of supplies, space, and services by other offices of the Railroad Retirement Board (RRB) to the IG. The language should be stricken from the bill. The Administration believes that the current means of financing centralized services provided to the IG is consistent with the provisions of the IG Act and that the RRB should not be singled out in this respect. The administration also notes that, once the amount specified in report language related to these support services is factored into the total for the IG, the Subcommittee would effectively reduce the IG budget by 17 percent from the FY 1997 enacted level. The President's request is for level funding; the Subcommittee's reduction is excessive.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

FAX TRANSMITTAL

TO: Mike Cohen

ORGANIZATION: The White House

PHONE NUMBER: 456-2575

FAX NUMBER: 456-5581

FROM: David Frank

PHONE NUMBER: 401-3100

MESSAGE: As we discussed

CONFIDENTIALITY NOTICE

20 PAGE(S) TO FOLLOW

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202

TALKING POINTS ON THE DEPARTMENT'S FY 1993 BUDGET REQUEST

THE OVERALL EDUCATION BUDGET

- President Bush's 1993 budget request for the Department of Education is $32.3 billion, 10 percent more than 1992.
- This total includes a $1.6 billion increase in discretionary dollars for education programs--a larger dollar increase than any other Department.
- These increases are especially remarkable in view of the overall freeze in domestic discretionary spending.
- The President's budget priority is clearly education, and his education priority is transforming America's schools.

TRANSFORMING AMERICAN EDUCATION

- We are requesting a $95 million or 64 percent increase in research, statistics, and assessment, for a total of $243 million, some of which would be used to help States develop world class standards and a voluntary national examination system.
  - -- This increase would implement the recommendations of the National Council on Education Standards and Testing by supporting research and development to help States link curriculum, instruction, teacher training and certification, and assessment to world class standards.
  - -- The President's request would also support the acceleration of State-by-State testing as part of the National Assessment of Educational Progress, and includes funds to prepare for State-level reading, mathematics, and science assessments at grades 4, 8, and 12 to be conducted in 1994.
- The second key to transforming our education system is to help communities create "break-the-mold" New American Schools. We would provide more than half a billion dollars over the next three years to support this effort.
  - -- The 1993 budget includes $267.5 million for New American Schools, as well as Merit Schools, Governors' Academies for Teachers and School Leaders, Alternative Certification of Teachers and Principals, and Low-Income School Choice Demonstrations.

- The third key is to give middle- and low-income families many of the same choices that wealthy families have. We are requesting half a billion dollars for Federal grants to help a State or community that wants to create its own "GI Bill for Children."

  -- Federal dollars would match State dollars to create scholarships of up to $1,000 for a kind of State or local "Pell Grant" that middle- and low-income families could use at any accredited elementary or secondary school, public or private.

  -- The "GI Bill for Children" would apply the same principles to elementary and secondary schools that have worked so well in higher education, provide new impetus to State efforts to implement choice plans, and deliver most funds to public schools.

SUPPORTING THE NATIONAL GOALS

The President's budget also provides continued high levels of support for existing programs that serve middle- and low-income students, and particularly programs that help achieve the National Education Goals.

School Readiness

- The largest one-year increase in history for Head Start, $600 million or 27 percent over 1992, for a total of $2.8 billion and a 127 percent increase since 1989.

- $90 million for the Even Start family literacy program, up $20 million or 29 percent over 1992.

- For the Individuals with Disabilities Education Act, $320 million for services to 380,000 preschool children with disabilities and $181 million for early intervention services for disabled and "at-risk" infants and toddlers up to two years of age.

Competitive Workforce and College Costs

Our budget will provide larger grants, larger loans, and tax changes that will help middle- and low-income families pay for college costs. We are requesting $13.7 billion for grant, loan, and work-study programs for over 6 million middle- and low-income postsecondary students--an increase of $2.0 billion or 17 percent over 1992.

- The largest one-year increase ever for the Pell Grant program, $1.2 billion or 22 percent over 1992, for a total of $6.6 billion. Maximum grant would increase from $2,400 to $3,700, 54 percent over 1992.

- $170 million for a new Presidential Achievement Scholarship program that would reward academic excellence by providing an additional $500 award to high-achieving Pell Grant recipients.

- Higher Guaranteed Student Loan borrowing limits would provide more subsidized aid to students from families at all income levels, and interest on existing and new student loans would be deductible for tax purposes beginning on July 1, 1992.

- The President's 1993 budget also proposes to allow individuals to withdraw savings from IRAs without penalty if the withdrawals are used to pay college expenses.

- To promote lifetime education and job training for working Americans and those who are caring for their children, Pell Grants and Guaranteed Student Loans would be available to students taking as little as one course at a time.

- $304 million for the Adult Education Act, including an 11 percent increase for grants to help States provide literacy and high school equivalency training for some 4 million adults.

- $1.2 billion for Vocational Education, including a 4 percent increase for Basic Grants to States. Funding for "Tech-Prep" vocational programs that integrate secondary and postsecondary education would grow by 11 percent to $100 million.

- Job Training 2000 would transform more than 60 existing vocational and job training programs into an integrated vocational training system meeting the needs of individuals, business, and the national economy.

First in the World in Math and Science

- The latest International Assessment of Educational Progress makes it clear that we have a long way to go to reach the 4th National Education Goal.

- The Federal math and science budget for 1993 will more than double the number of teachers receiving high-intensity training, mostly through our Eisenhower programs. Our budget request for teacher retraining under the Eisenhower Mathematics and Science programs is $316 million, an increase of 18 percent over 1992.

Drug-Free, Violence-Free Schools

- Our budget will double the funding to $60 million for Emergency Grants for prevention programs in communities most affected by drug trafficking and abuse. Total funding for programs under the Drug-Free Schools and Communities Act would be $654 million.

- The budget includes an additional $56 million for the Department's contribution to a new multi-agency initiative, Weed and Seed, which would marshall a number of social service program resources to help communities reclaim neighborhoods embattled by drugs and crime.

Improving Elementary and Secondary Education

We are proposing increases in a number of other important programs that improve elementary and secondary education for disadvantaged populations.

- $710 million, an increase over 1992 of $100 million or 16 percent, for Chapter 1 Concentration Grants targeted to areas in greatest need of supplementary education services for disadvantaged children.

- $2.9 billion, an $89 million increase, for Special Education programs that help educate more than 4.6 million children with disabilities.

- $204 million for Bilingual Education, including $156 million, a 6 percent increase, for grants to local education agencies to help almost 400,000 language minority children learn English.

SUMMARY

- Our 1993 dollar request reflects the steady growth of Federal resources for education under President Bush's Administration.

- If President's budget is approved, the Department's budget will have grown 41 percent between 1989 and 1993, compared to a 25 percent rise in total national spending on education.

- The Federal share represents 8 percent of total education spending. President Bush wants to help transform American education by leveraging the other 92 percent, and we think his 1993 budget proposals are a significant step in that direction.

DEPARTMENT OF EDUCATION

Fiscal Year 1993 Budget Request

for the

Department of Education

Witnesses appearing before the House Subcommittee on Labor-HHS-Education Appropriations

Lamar Alexander
Secretary

accompanied by

William D. Hansen, Acting Assistant Secretary for Management and Budget/Chief Financial Officer

Sally H. Christensen, Deputy Assistant Secretary for Budget

DEPARTMENT OF EDUCATION

Statement by the Secretary of Education

on the

FY 1993 U.S. Department of Education Budget

Mr. Chairman and Members of the Committee:

President Bush's 1993 budget request for the Department of Education is $32.3 billion, 10 percent more than 1992. This includes a $1.6 billion increase in discretionary dollars for education programs--a larger dollar increase than any other Department. This new education money would continue the President's emphasis on radically changing the American education system and helping America move itself community-by-community toward the six National Education Goals. The President's budget priority is education, and his education priority is transforming America's schools and American attitudes toward education.

<u>Transforming American Education</u>

Our budget includes significant increases in three areas that are especially important in transforming our education system: 1) creating world class standards in mathematics, science, English, history, and geography and new assessments based on those standards, 2) developing "break the mold" New American Schools, and 3) giving middle- and low-income families more of the same choices of all schools that wealthy families have.

Let me add that since the President transmitted his budget to the Congress, we've seen new evidence that American students are not learning what they should learn and be able to do in order to live, work, and compete with children in other parts of the world. The recently released results of the second International Assessment of Educational Progress were disappointing to all of us who care about America and its place in the world. These results came after a decade of efforts to reform American education. Our efforts at reform have been too timid. We must transform that system by challenging school leaders, teachers, parents, and community leaders to take a close look at what they're doing now, and to engage in a constructive debate over how to better prepare students of all ages for a more competitive world. We must rethink our schools and our attitudes toward education from top to bottom. The President's budget provides critical incentives for such change, and some new resources for those communities and States that mobilize to take action.

Our budget includes $243 million for research, statistics, and assessment, some of which would be used to help States begin to implement world class standards and improved assessments--a necessary step toward transforming our schools. That's a $95 million increase, or 64 percent over 1992.

The National Council on Education Standards and Testing, which was created by the Congress, has developed a set of recommendations that represent an important consensus. The Council urges the Nation to move forward in setting world class national standards in the five core subjects; it encourages States to develop curriculum frameworks tied to these standards; and it recommends that we develop a voluntary national examination system, not a single test, and that we continue to carry out national and State-by-State testing in the core academic subjects so that families and communities can know how their schools and children are performing.

The $95 million increase would implement the recommendations of the Council by supporting research and development to help States link curriculum, instruction, teacher training and certification, and assessment to world class standards.

The President's request also would support the acceleration of State-by-State testing as part of the National Assessment of Educational Progress, and includes funds to prepare for State-level reading, mathematics, and science assessments at grades 4, 8, and 12 to be conducted in 1994.

The Department's activities in this area affect virtually every classroom in our 110,000 schools and go to the heart of what we need to do in American education -- and that is to put more rigor and higher standards for all children into what we teach.

The second key to transforming our education system is to help communities create "break-the-mold" New American Schools. Over 30 States and more than 1,000 communities have adopted the AMERICA 2000 strategy, which includes preparing for the creation of a New American School. Our budget would provide more than half a billion dollars over the next three years to support these and other communities that are dedicated to achieving the National Education Goals through radical reform of our education system. For 1993, we are proposing $267.5 million for New American Schools, as well as Merit Schools, Governors' Academies for Teachers and School Leaders, Alternative Certification of Teachers and Principals, and Low-Income School Choice Demonstrations.

Third, we want to apply to elementary and secondary education the same principles, reflected in the GI Bill and the Pell Grant program, that have worked to help create the best system of colleges and universities in the world. We are requesting half a billion dollars for Federal grants to help a State or community that wants to create its own "GI Bill for Children." Federal dollars would match State dollars to create scholarships of up to $1,000 for a kind of State or local "Pell

Grant" that middle- and low-income families could use at any lawfully operating elementary or secondary school, public or private.

This demonstration program will provide middle- and low-income families with more of the same choices that wealthy families have. Since 1989, 18 States have passed legislation strengthening parental choice in education. Other States are considering further efforts. This support for State or local "GI Bills" would provide new impetus to State efforts to implement choice plans by providing new funds to support model State and local initiatives. A bipartisan effort last year in Pennsylvania came very close to adopting the first Statewide public/private school choice program in the Nation. The Pennsylvania plan would have provided a certificate of up to $900 a year for parents choosing to send their child to either a private school or a public school outside their neighborhood. The availability of Federal matching funds for such a program would surely have made this approach even more attractive to the State.

One thing I hope you'll keep in mind as you consider this proposal is that it really amounts to a new and different way to deliver Federal funds to public as well as private schools. Since nearly 90 percent of children go to public schools, I would suggest to those who worry about government money ending up in private schools that if the public schools do their job, most of these matching funds would end up in public schools that serve the needs of middle- and low-income students.

These three areas--developing world-class standards and new assessments, creating New American Schools, and giving middle- and low-income families more of the same choices of schools that wealthy families have--demonstrate the President's firm belief that we must reject "business-as-usual" in education reform and pursue bold, new ways of transforming American education.

The President's budget also provides continued high levels of support for existing programs that serve middle- and low-income students, and in particular programs that help achieve the National Education Goals. Let me briefly describe our request for some of these programs.

School Readiness

For school readiness the key program is Head Start, which falls under the jurisdiction of your Subcommittee since it is administered by the Department of Health and Human Services. The President is requesting the largest one-year increase in the program's history--$600 million or 27 percent over 1992--for a total of $2.8 billion. That would be a 127 percent increase since 1989, and would make possible one year of Head Start for every eligible four-year-old whose parents want the child to participate.

We are also requesting a large increase for the Department of Education's Even Start family literacy program. Our 1993 request is $90 million, an increase of $20 million or 29 percent over 1992.

In addition, under the Individuals with Disabilities Education Act, States will receive $320 million for services to 380,000 preschool children with disabilities and $181 million for early intervention services for disabled and "at-risk" infants and toddlers up to two years of age.

Competitive Workforce and College Costs

To help make the workforce more competitive, our budget includes larger grants, larger loans, and tax changes that will help middle- and low-income families pay for college costs. We are requesting $13.7 billion for grant, loan, and work-study programs for over 6 million middle- and low-income postsecondary students--an increase of $2.0 billion or 17 percent over 1992.

For Pell Grants, we are requesting the largest one-year increase ever, $1.2 billion or 22 percent over 1992, for a total of $6.6 billion. In addition, we propose to increase the maximum grant from $2,400 to $3,700, a 54 percent increase over the 1992 level. The higher maximum grant, combined with the substantial increase in Pell funding, would help middle- and low-income students of all ages pay for college and vocational training.

Our request also includes $170 million for a new Presidential Achievement Scholarship program that would reward academic excellence by providing an additional $500 award to high-achieving Pell Grant recipients.

Our 1993 budget also would generate $16.4 billion in Guaranteed Student Loans (GSL), a $2.9 billion or 22 percent increase over 1992. The number of GSL recipients would rise by nearly 900,000 to 5.6 million. And we are proposing higher loan limits that would provide more subsidized aid to students from families at all income levels.

MAKING STUDENT LOAN INTEREST TAX DEDUCTIBLE

In addition, interest on existing and new student loans would be deductible for tax purposes beginning on July 1, 1992. This proposal would affect an estimated 8 million borrowers with approximately $45 billion in existing Federal student loans, as well as borrowers with student loans from non-Federal sources, such as loans from the colleges themselves.

The President's 1993 budget also proposes to allow individuals to withdraw savings from IRAs without penalty if the withdrawals are used to pay college expenses.

AID AVAILABLE FOR ONE COURSE AT A TIME

One point I want to emphasize is that when we talk about student aid, we're not just thinking about the 18- to 22-year-old student in a four-year college. We are thinking more and more about lifetime education and job training, and we want to help middle- and low-income students of all ages, including working Americans and those who are caring for their children, pay for college. This is why we are proposing that Pell Grants and Guaranteed Student Loans be available to students taking as little as one course at a time.

These and other proposals will begin to transform our student aid programs into a Lifetime Education and Training Account available to all Americans for continuing training and personal development.

The Department's budget also includes $304 million for the Adult Education Act, including an 11 percent increase for grants to help States provide literacy and high school equivalency training for some 4 million adults.

We are requesting $1.2 billion for Vocational Education, including a 4 percent increase for Basic Grants to States. Funding for "Tech-Prep" vocational programs that integrate secondary and postsecondary education would grow by 11 percent to $100 million.

First in the World in Math and Science

As you know, one of our National Education Goals is to make American students first in the world in mathematics and science achievement by the year 2000. The latest International Assessment of Educational Progress makes it clear that we have a long way to go if we are to reach this goal and ensure the Nation's technological competitiveness in the 21st century.

After a year-long Administration review of Federal mathematics and science education programs, however, we know what needs to be done, and our budget will help do it. The review found that more emphasis is needed on high-intensity teacher training programs, those that provide at least 20 days of instruction. In response, the Federal math and science budget for 1993 will more than double the number of teachers receiving high-intensity training, mostly through our Eisenhower programs. Our budget request for teacher retraining under the Eisenhower Mathematics and Science programs is $316 million, an increase of

18 percent over 1992. Our proposed Governors' Academies for Mathematics and Science Teachers will also assist in this effort.

Drug-Free, Violence-Free Schools

Our budget will help continue the progress in the war on drugs by doubling the funding to $60 million for Emergency Grants for prevention programs in communities most affected by drug trafficking and abuse. Total funding for programs under the Drug-Free Schools and Communities Act would be $654 million.

The budget includes an additional $56 million for the Department's contribution to a new multi-agency initiative, Weed and Seed, which would marshall a number of social service program resources to help communities reclaim neighborhoods embattled by drugs and crime.

Improving Elementary and Secondary Education

We are proposing increases in a number of other important programs that improve elementary and secondary education for disadvantaged populations. For example, the budget includes $710 million, an increase over 1992 of $100 million or 16 percent, for Chapter 1 Concentration Grants targeted to areas in greatest need of supplementary education services for disadvantaged children. We are requesting $2.9 billion, an

$89 million increase, for Special Education programs that help educate more than 4.6 million children with disabilities. For Bilingual Education, the request of $204 million includes $156 million, a 6 percent increase, for grants to local education agencies to help almost 400,000 limited-English-proficient children learn English.

Summary

In summary, our 1993 dollar request reflects the steady growth of Federal resources for education under President Bush's Administration. While total spending on education in America will grow an estimated 25 percent between 1989 and 1993, the Department's budget will grow 41 percent during that same four years if the President's 1993 budget is approved. The Federal share represents 8 percent of total education spending--and this is as it should be, since responsibility for education lies with States and localities.

Thank you, and I'll be glad to answer any questions you may have.

DEPARTMENT OF EDUCATION

Biographical Sketch

NAME	:	Lamar Alexander
POSITION	:	U.S. Secretary of Education
BIRTHPLACE AND DATE	:	Blount County, TN, July 3, 1940
EDUCATION	:	Phi Beta Kappa graduate, Vanderbilt University, 1962, B.A. New York University, 1965, J.D.

EXPERIENCE

1991-Present	:	Secretary, U.S. Department of Education
1988-1991	:	President, The University of Tennessee
1979-1987	:	Governor of Tennessee
1977	:	Special Counsel to Senate Minority Leader Howard Baker
1974	:	Candidate for Governor of Tennessee
1971-1978	:	Attorney, Dearborn & Ewig, Nashville, TN
1969-1979	:	Executive Assistant, Office of Congressional Relations, The White House
1970	:	Manager, gubernatorial campaign of Winfield Dunn, then Transition Coordinator for Governor Dunn
1969-1970	:	Executive Assistant, Office of Congressional Relations, The White House
1967-1969	:	Legislative assistant to Senator Baker
1966	:	Law clerk to Judge John Minor Wisdom, U.S. Court of Appeals for the Fifth Circuit; New Orleans and campaign coordinator for Senator Howard Baker
1965	:	Attorney, Fowler, Rountree, Fowler & Robertson
PROFESSIONAL MEMBERSHIPS	:	Chairman, National Governors' Association, 1981 Vice Chairman, Advisory Commission on Intergovernmental Relations, 1981

Chairman, Appalachian Regional Commission, 1980
Founder and first chairman, Tennessee Council on Crime and Delinquency, 1973
Founder and co-chairman, Tennessee Citizens for Revenue Sharing, 1971

HONORS AND AWARDS : James B. Conant Award for "distinguished national leadership in education," Education Commission of the States, 1988
Law review editor, New York University Law School
NCAA Silver Anniversary scholar-athlete (one of six), 1987

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

ED - Senate Approps Litte
Copy All DPC STAFF

FAX COVER SHEET

Number of pages 14
(excluding cover sheet)

Date 7/24

TO: SAP DISTRIBUTION LIST

FROM: OMB LEGISLATIVE AFFAIRS
Phone: 395-4790

SUBJECT OF SAP:

1. Labor/HHS/Ed FY 1998 Appropriations Senate Letter

2. Commerce/Justice/State FY1998 Appropriations Senate SAP

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

July 24, 1997

THE DIRECTOR

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

Dear Mr. Chairman:

This letter provides the Administration's views on the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated. These views are based on incomplete information and are, therefore, necessarily preliminary.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. We are pleased that the Subcommittee has fully funded Bilingual and Immigrant Education, School to Work, Head Start, and Education Technology Programs. The Administration is also pleased that the Subcommittee has limited the number of appropriations riders, consistent with the terms of the Bipartisan Budget Agreement. The Committee is urged to continue this practice. As discussed below, the Administration will seek restoration of certain of the Subcommittee's reductions.

The Administration is committed to working with the Committee to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, the Subcommittee bill provides nearly $1.5 billion more than the President has requested for three dozen authorities in the Department of Education, while cutting the President's request by almost $2 billion. Similar reallocations are made in other sections of the bill. We strongly urge the Committee to reduce funding for lower priority programs, or for programs that would be adequately funded at the requested level, and to redirect funding to programs of higher priority, particularly those specified in the Bipartisan Budget Agreement, as noted below.

Department of Education

The Administration appreciates the Subcommittee's efforts to provide substantial new funding for education activities. Unfortunately, the Subcommittee has failed to provide the $260 million necessary for the President's America Reads Challenge in the Department of Education, and the bill provides only $16 million of the $42 million requested for America Reads in the portion of the Corporation for National and Community Service budget funded by this bill. The Subcommittee has provided advance appropriations for America Reads to the Department of

Education for FY 1999, pending new authorization, which would produce a full year's delay in getting needed reading assistance to millions of children. The Bipartisan Budget Agreement specifically calls for funding a literacy program, "with the goals and concepts of the President's America Reads program" at the levels proposed in the President's FY 1998 Budget. America Reads is one of the Administration's highest funding priorities. The Administration believes that the full funding should be restored to both the Department of Education and the Corporation for National and Community Service for FY 1998.

The Administration is working closely with the authorizing committees to develop legislation effective for FY 1998. There is ample time to enact legislation, as needed, by April 1st for a program that would begin on July 1st, in time for summer activities and the 1998-1999 school year.

The Bipartisan Budget Agreement assumes a $1.7 billion increase over FY 1997 for Pell grants, to support both a $3,000 maximum award and expanded eligibility for independent students. The Subcommittee bill cuts the Pell request by over $700 million and thus does not fund the Administration's proposed independent student policy. The Administration is proposing to aid independent students in the Higher Education Act reauthorization proposal, but based on information from the authorizing committees, the Administration cannot expect the Act to be reauthorized in time to effect FY 1998 awards. Rather than withhold this benefit from independent students, the Administration proposes that the appropriation act include one year of authority while the reauthorization process is completed. This authorization is no different from the Committee's annual procedure of authorizing the maximum Pell grant award. In accordance with the terms of the Bipartisan Budget Agreement, we urge the Committee to fully fund Pell grants and to authorize both the maximum award and the independent student change.

The Subcommittee bill funds Education Reform at $1.13 billion, $110 million below the level assumed under the Bipartisan Budget Agreement. Within the total, GOALS 2000 State and local grants are funded at only $500 million, $105 million below the request. GOALS 2000 funds provide essential support to virtually every State's education improvement strategy. We strongly urge the Committee to restore full funding for GOALS 2000.

A number of other high priority Education programs are funded significantly below the President's request. These include Adult Education, College Work-Study, Title I Targeted grants, Safe and Drug-Free Schools, Eisenhower Professional Development, Charter Schools, 21st Century Learning Centers, and educational research, statistics, and assessment. We urge the Committee to fully fund these activities at the levels requested in the President's FY 1998 Budget.

<u>Department of Health and Human Services</u>

The Administration is deeply concerned that the Subcommittee has failed to provide $21 million for the Administration's new Adoption Initiative. The goal of this program is to double the number of children adopted or permanently placed outside of child welfare systems by FY 2002. The additional investment is small compared to the potential rewards of placing children in supportive and loving homes. The Administration strongly urges the Committee to fully fund this urgently-needed program at the President's requested level.

The Administration is pleased that the Subcommittee has provided the requested $40 million increase over FY 1997 for Ryan White AIDS Treatment Grants, and an additional $41 million that could be used by grantees for the purchase of AIDS drugs. The Administration is also pleased to see that the Subcommittee has allocated these funds roughly as requested in the President's budget, with an additional $38 million in Title II grants to States which spend a large proportion of the Ryan White grants on primary care and drugs for people with HIV and AIDS.

The Administration is concerned that the Subcommittee bill does not appropriate a specific amount for AIDS research through a single appropriation as requested in the President's budget for the National Institutes of Health's (NIH's) Office of AIDS Research. The single appropriation helps NIH target research funds effectively, minimizing duplication and inefficiencies across the 21 institutes and centers that carry out HIV/AIDS research.

The Administration is concerned that the Subcommittee has not provided the requested $28 million expansion of funding for the Substance Abuse and Mental Health Services Administration (SAMHSA) for the National Household Survey on Drug Abuse. This survey provides national estimates on substance abuse in the population, age 12 and older. The Administration believes that both national and State-level data will assist in monitoring the progress toward achieving the objectives of the President's National Drug Control Strategy. The Administration encourages the Committee to fund the President's request for this activity.

The Subcommittee has funded the Health Care Financing Administration (HCFA) program management activities at $1,739 million, $35 million below the President's request. The Subcommittee's level could hinder efforts to achieve year 2000 systems compliance and to implement the Medicare Transaction System. To the extent possible, we urge the Committee to fund HCFA program management at the requested level.

The Subcommittee has rescinded $21 million in mandatory research funds. The President's request assumes $18 million in discretionary and $21 million in mandatory welfare research funds, for a total of $39 million. The Subcommittee has provided only $26 million in the Administration for Children and Families and Assistant Secretary for Planning and Evaluation. In order to gauge the effects of welfare reform, research is needed now more than ever. The Administration urges the Committee to drop the rescission and to fund welfare research at the President's requested level.

While the Administration supports the Subcommittee's funding of Violence Against Women Act programs, the Subcommittee has not provided the $12.8 million requested for the Community Schools program within the Violent Crime Reduction Programs account. We urge the Committee to restore funding for this program.

Department of Labor

The Bipartisan Budget Agreement specifies funding at the levels proposed in the President's budget for Training and Employment Services (TES), including Job Corps. The Subcommittee mark provides the Administration's request for low-income youth training programs, dislocated workers, and the Job Corps. However, in order to be consistent with the

Agreement, we urge the Committee to provide an additional $285 million to fully fund the request for new adult training grants and new TES programs in FY 1998. The Subcommittee has provided $250 million in FY 1999 for the Youth Opportunity Area proposal, subject to passage of authorizing legislation. This program may be carried out under existing legislation, and a separate authorization is not necessary. The Committee is urged to provide resources for this initiative in FY 1998, without the restriction provided by the Subcommittee.

The Administration appreciates the Subcommittee's allocation of $150 million to help finance the year 2000 conversion of State Unemployment Insurance (UI) systems. However, that amount is $50 million below the level needed to ensure that the year 2000 costs are met. In addition, the Subcommittee has failed to provide $89 million for spending on UI "integrity" initiatives (e.g., increased eligibility reviews, tax audits). This spending is explicitly assumed in the Bipartisan Budget Agreement and would, over five years, achieve $763 million in mandatory savings assumed in the Agreement. The Committee is urged to provide this increase and the increase for year 2000 conversion costs.

The Subcommittee has provided $990 million, an increase of $41 million over the FY 1997 enacted level, for the Department of Labor workplace protection programs, about 60 percent of the proposed increase. Funding for the independent National Labor Relations Board has been frozen, a cut of $11 million below the request. The Administration urges the Committee to enact the Administration's request for these programs. Without the requested increases, the Department would not be able to carry out a balanced program of targeted enforcement, with expanded partnerships and compliance assistance in the regulated community. Nor would the Department be able to streamline its operations to provide assistance to small businesses in complying with various workplace laws and related executive orders, such as the systems and technical assistance improvements requested for the Office of Federal Contract Compliance. In addition, the Committee is urged to provide the requested level for the Bureau of Labor Statistics to ensure the continued accuracy and reliability of all of the Bureau's statistical programs.

Social Security Administration

The Subcommittee has provided $245 million for additional Continuing Disability Review (CDR) funding and SSI reforms implementation, $45 million less than the President's request. The pending reconciliation bill contains a provision that would provide authority for a $290 million upward cap adjustment ($45 million more than current law) to the non-defense discretionary spending caps for funding provided by the Subcommittee for additional CDRs. This is consistent with the President's request. Failure to provide the additional funds would mean that some 15 percent fewer individuals would have their status reviewed in FY 1998, potentially costing hundreds of millions of dollars in benefits to individuals who would have been found no longer eligible. We urge the Committee to provide the additional $45 million.

The Subcommittee increases the fees States pay SSA for administering State payments that are supplemental to SSI benefits, and has provided for such funds to be available, subject to appropriations action, upon collection for SSA administrative expenses. This provision is consistent with the Bipartisan Budget Agreement, and the Administration commends the Subcommittee's actions.

The Subcommittee has reduced funding for the Office of the Inspector General by $7 million from the President's request of $44 million and for research and demonstration projects by $9.7 million from the President's request of $16.7 million. The reduction to the IG request would hamper the IG's ability to perform audits and investigations needed to prevent fraud, waste, and abuse and to assure program integrity. The reduction in research and demonstration funding would reduce SSA's ability to understand the reasons for growth in the disability programs and implement initiatives intended to improve SSA's record in returning disabled beneficiaries to work. The Administration urges the Committee to restore funding to the maximum extent possible in these two key areas.

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

Sincerely,

Franklin D. Raines
Director

Identical Letter Sent to The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Arlen Specter,
and The Honorable Tom Harkin

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

July 24, 1997
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

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

S. 1022 – DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1998

(Sponsors: Stevens (R), Alaska; Gregg (R), New Hampshire)

This Statement of Administration Policy provides the Administration's views on S. 1022, the Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, FY 1998, as reported by the Senate Appropriations Committee. Your consideration of the Administration's views would be appreciated.

The Committee has developed a bill that provides requested funding for many of the Administration's priorities. For example, we appreciate the Senate's funding of law enforcement programs in general and the COPS program in particular. Funding COPS at the requested level of $1.4 billion is consistent with the Bipartisan Budget Agreement and will enable us to achieve the goal of hiring 100,000 additional police officers by the year 2000. While below the request, the Administration also appreciates the funding level provided for the Legal Services Corporation. We strongly urge full funding of the President's request.

As discussed below, the Administration will seek restoration of certain of the Committee's reductions. We recognize that it will not be possible in all cases to attain the Administration's full request and will work with the Senate toward achieving acceptable funding levels. The Administration is committed to working with the Senate to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, funding could be reduced for the Local Law Enforcement Block Grant and the new Juvenile Justice Block Grant. We urge the Senate to reduce funding for lower priority programs, or for programs that would be adequately funded at the requested level, and to redirect funding to programs of higher priority.

Department of Commerce

- National Institute of Standards and Technology. The Administration urges the Senate to restore funding for the National Institute of Standards and Technology (NIST) to the level agreed upon in the Bipartisan Budget Agreement. The Committee mark of $604 million falls short of the agreed upon level by $89 million. The reduction is targeted to the Advanced Technology Program (ATP) and Manufacturing Extension Partnership (MEP), which work in partnership with industry to advance U.S. competitiveness. ATP is funded at $200 million,

$76 million below the President's request. This funding level would reduce the number of innovative technology development grants that NIST could award. MEP is funded at $111 million, $12 million below the request. The Committee's reduction would prevent funding for new initiatives designed to increase the synergy of our national network of centers. We strongly urge full funding of the President's Budget.

- National Oceanic and Atmospheric Administration. The Administration is disappointed that no funds have been provided for the President's Clean Water Initiative, which would help protect coastal communities from pollutants. The National Oceanic and Atmospheric Administration (NOAA) is the primary trustee of our Nation's coastal resources and, as such, plays an important role in this initiative. The $22 million initiative builds from NOAA's unique coastal responsibilities and partnerships with States and other Federal Trustee agencies. In addition, we are disappointed that the Committee has not included any funding for the Global Learning and Observations to Benefit the Environment Program (GLOBE). This program was developed to increase understanding of the Earth and has already formed partnerships with over 2,500 U.S. schools and 35 other countries, involving thousands of students across the U.S. and worldwide. The Committee is recommending over $100 million in funding for NOAA activities not requested by the Administration. We strongly urge that a portion of these funds should be redirected to continue the Clean Water Initiative, GLOBE, and other priorities.

- Census Sampling. While the compromise language that passed the Senate in the FY 1997 Emergency Supplemental Appropriations and Rescissions Bill would be workable, the Administration would strongly object to any prohibition on the use of sampling as part of the 2000 Decennial Census. Without the limited use of sampling, the accuracy of the census would decrease significantly, especially with regard to children and minority groups that have been traditionally undercounted. The National Academy of Sciences, the General Accounting Office, the Commerce Department Inspector General, and the vast majority of the professional statistical community support the use of sampling in the decennial census.

- National Information Infrastructure Grants Program. The Administration urges the Senate to reallocate resources between the National Information Infrastructure (NII) grants program and the Public Broadcasting Facilities program. The Committee mark substantially reduces funding for the former and provides a large, unrequested increase for the latter. The NII program is meritorious, providing seed money for innovative projects that deploy, use, and evaluate advanced telecommunications and information technology.

Department of Justice

- Drug Courts and Drug Testing. The Administration opposes the Committee's $40 million funding level for the drug courts program. The drug courts program is a proven, cost-effective means of using the coercive power of the courts to move non-violent offenders into drug treatment. Also, the President's budget provides a total of $30 million to offset the costs associated with drug testing State and local arrestees. The Administration is concerned that the Committee does not identify $30 million from the Byrne Grant program for the State and local portion of the drug testing program. The drug courts and drug testing programs could be restored to the requested levels by reducing the Committee's funding level for the Local Law Enforcement Block Grant program.

- Juvenile Justice Block Grant. The Administration appreciates the Committee's desire to provide additional support for juvenile justice programs. However, we are concerned that the block grant program may authorize a broad and unfocused range of activities. We urge the Senate to target $100 million for the prosecutorial grant program, which is designed to facilitate the cooperation and coordination of prosecutors and police with school officials, probation officers, youth social service professionals, and community members in an effort to reduce the incidence of gang activity and violent juvenile crime. The Administration also urges the Senate to target $50 million for the violent youth court program, which is designed to develop initiatives that courts and court-related entities, such as probation and parole offices and victim/witness centers, may use to enhance and expedite the handling of youth violence cases.

- FBI Recruitment. The Committee bill exempts the FBI from Title 5 personnel laws and regulations on the basis that the FBI is restricted in its ability to recruit and retain individuals with scientific and technical skills, and that pay flexibility under Title 5 is inefficient. We believe the Committee's action, while well intended, is flawed. There is insufficient evidence of a recruitment problem at the FBI that would be solved by exemptions from Title 5 provisions for employee classification, pay, and performance. Such exemptions would not address significant non-pay recruitment problems, such as the large number of applicants that fail drug and/or polygraph tests. The Federal agencies that have documented pay-related recruitment problems have successfully used the pay flexibility provided in Title 5. In addition, the provision would establish a personnel system not subject to Office of Personnel Management oversight; exempt all FBI employees, including support staff, from Title 5 in response to undocumented recruitment problems related to scientific and technical personnel; and, would address the Government-wide needs for scientific and technical employees, including the those of other law enforcement agencies, in an inconsistent manner. We recommend that this provision be deleted from the bill.

- Telecommunications Carrier Compliance. The Committee bill does not provide any FY 1998 funding for the Telecommunications Carrier Compliance program. The Administration has requested $100 million to reimburse communications equipment manufacturers for the cost of modifying equipment to ensure that law enforcement agencies would be able to conduct court-authorized wiretaps. As requested, the FBI has provided the Committee with a detailed implementation plan for the program. Implementation should not be delayed further for the creation of an FBI/industry working group and refinement of the implementation plan as the Committee's Report directs. The Administration strongly requests that funding for this program be provided.

- Bureau of Prisons. The Administration objects to language of the Committee Report concerning the Bureau of Prisons, Buildings and Facilities, appropriation. The Report mandates that unless a certain minimum funding level is included in the President's FY 1999 Budget for prison facilities, funding for INS political appointees will be restricted in FY 1998. This provision inappropriately attempts to encroach on the President's authority to determine the Administration's FY 1999 funding priorities and precludes an assessment of the Bureau's needs in favor of a pre-determined level set by Congress. Finally, this action would tie funding for prisons to a sanction in another, unrelated appropriation (INS).

  The Administration urges the Senate to strike section 103 of the Committee bill, which would prohibit the Bureau of Prisons from funding abortions except in cases of rape or where the life of the mother is endangered. The Department of Justice believes that there is a great likelihood that this provision would be held unconstitutional.

Ounce of Prevention Council

The Administration opposes the Committee's termination of the Ounce of Prevention Council. Elimination of this program would hinder the Federal Government's ability to help neighborhoods implement balanced strategies to reduce crime through enforcement, prevention, and intervention. The Council awards discretionary grants for promising community collaborative crime prevention programs, publishes a catalog of crime prevention grants and programs, and provides information and technical assistance. It plays a critical role in helping communities gain access to information on crime prevention best practices. The Administration strongly urges the Senate to provide funding for the Council and has identified an appropriate offset.

The Judiciary: Ninth Circuit

The Administration opposes the provision in the Committee bill that would reorganize the Ninth Circuit by splitting it into two separate circuits. We understand that other substantive amendments to divide the Ninth Circuit may be offered on the Senate Floor. The Administration strongly objects to using the appropriations process to legislate on this important matter. The division of the Ninth Circuit is an important issue not just for the bench and the bar of the affected region, but also for the citizens of the Ninth Circuit. The Administration believes that a much better approach would be passage of legislation, H.R. 908 -- already passed by the House and currently pending at the desk in the Senate -- that would create a bipartisan commission to study this difficult and complex question and make recommendations to the Congress within a date certain. This would allow for substantive resolution of the issue in a deliberative manner, allowing all affected parties to voice their views.

Legal Services Corporation

Of the $300 million appropriated for the Legal Services Corporation (LSC), $17 million is earmarked for "pro se" legal education programs. Funding for the provision of legal services remains at the FY 1997 level. The Administration recommends full funding of the President's request.

Equal Employment Opportunity Commission

The Administration appreciates the Committee's desire to provide additional resources over the FY 1997 level for the Equal Employment Opportunity Commission (EEOC). However, we urge the Senate to go further and fully fund the President's request of $246 million, given the importance of the EEOC's work in addressing unlawful discrimination.

Department of State

The Administration appreciates the Committee's strong support for the State Department's accounts that fund diplomatic and consular activities, which would help reverse the erosion of the Department's worldwide operations. We are also pleased that the Committee provided the transfers as requested to support the International Cooperative Administrative Support Services (ICASS) program.

While the Administration welcomes the first-year funding of $100 million for arrears payments, we are greatly concerned about the funding levels for the FY 1998 annual assessments provided in Contributions to International Organizations and Contributions for International Peacekeeping Activities (CIPA). United States leadership in these organizations on a host of issues of importance to the American people will be compromised if we fail to meet our binding obligations to them. It is important that funding for these activities be protected so that the Administration can pay annual costs, avoid new arrears, and be given some flexibility to address unforeseen needs relating to peace and security around the world.

Funding for both accounts is significantly below what is necessary to pay annual costs, avoid new arrears, and provide some flexibility for the President to address unforeseen needs relating to peace and security around the world. We believe it is premature to direct that FY 1997 CIPA funds be reallocated given continuing uncertainties in some regions of the world. Further, we are disappointed that the bill does not provide a commitment for three years of arrears payments, consistent with the Senate-passed authorization bill. These appropriations levels are inconsistent with the extensive negotiations between the Administration and Congress on reform and funding of the U.N. system.

The Administration urges the Senate to strike two provisions that raise serious Constitutional concerns, sections 406 and 408. Section 406 would condition the use of funds for diplomatic relations with Vietnam on Presidential certification that Vietnam has satisfied specific conditions contained in this section. This unworkable requirement would unconstitutionally constrain the President's exercise of his power to recognize foreign governments. Section 408 would mandate that the United States withdraw from an international organization if the President determines that amounts appropriated for payment of all contributions to such organization are less than the actual amount of contributions to such organization. This congressional mandate would infringe on the President's constitutional power to conduct U.S. diplomatic affairs.

Arms Control and Disarmament Agency

The Administration strongly opposes the Committee mark of $32.6 million for the Arms Control and Disarmament Agency (ACDA), which would severely undercut the Administration's efforts to reduce the threat of nuclear and other weapons to the security of the American people. In addition to the $46.2 million request included in the FY 1998 Budget, a fully-offset budget amendment for Comprehensive Nuclear Test Ban Treaty requirements was transmitted on July 17th, bringing ACDA's FY 1998 request to $59.2 million. The full revised request is needed for these important national security activities.

National Endowment for Democracy

The Administration strongly objects to the Committee's elimination of funding for the National Endowment for Democracy (NED), particularly given the Committee's increases above the request for other USIA-funded grants. The President's request of $30 million is needed to support democracy-building programs throughout the world. We urge the Senate to provide funding for NED at the requested level of $30 million.

Additional Administration concerns with the Committee bill are contained in the attachment.

Attachment

Attachment
(Senate Floor)

ADDITIONAL CONCERNS
DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1998
(AS REPORTED BY THE SENATE COMMITTEE)

The Administration looks forward to working with the Congress to address the following additional concerns:

Department of Commerce

- Economic Development Administration. The Administration supports the restoration of funds for economic development public works grants and defense economic adjustment to levels that would provide sufficient funding for their effective administration. Both are funded at a level significantly below FY 1997 in the Committee bill. These grants foster the establishment or expansion of industrial and commercial businesses supporting the creation and retention of jobs and help rebuild and diversify communities affected by base closures.

- Economic and Statistical Analysis. The Committee mark for Economic and Statistical Analysis (ESA) is insufficient to make necessary improvements to important economic indicators. For the past four years, ESA has been denied funding for improvements to GDP and related regional, national, and international accounts data. In the past, ESA has dealt with funding constraints by eliminating important but non-core activities such as the Pollution Abatement Survey and Regional Economic Projections. ESA cannot sustain the quality of the Nation's basic economic indicators under continued funding constraints.

- Congressional Earmarking. The Administration is concerned about unrequested funds that are earmarked for low priority programs, particularly in the National Oceanic and Atmospheric Administration, the Economic Development Administration, the National Institute of Standards and Technology, and the International Trade Administration.

Department of Justice

- Immigration and Naturalization Service (INS) Fee Accounts. The Administration is very concerned that the Committee bill would underfund certain authorized discretionary programs and use mandatory funds from immigration examination and user fees for certain unauthorized discretionary activities. The bill directs the Department of Justice to use examination and user fee revenue -- classified as mandatory -- for discretionary activities that are not authorized. The bill further commits to unrequested discretionary activities collections and unobligated balances that are necessary for providing services or processing and adjudicating applications. The result of these actions would be that INS would not have sufficient resources available to process pending naturalization applications or properly provide other services and benefits.

- Executive Support. The Administration opposes the Committee's action to freeze legislative and public affairs activities at FY 1997 levels throughout the Department. Freezing these activities would inhibit the Department's ability to clear legislation in a timely and responsive manner and constrain its capacity to serve Congress. The Administration urges the Senate to increase funding for the Executive Support offices and to delete the Committee bill's restrictions on the use of detailees.

- United States Attorneys. The Judiciary appropriation contains a provision capping the amount that Federal Public Defenders may spend on representation of defendants in capital cases. It stipulates that any costs over this cap must be borne by the courts and prosecutors. This provision is an unacceptable restriction on defendants' right to legal representation, raising the prospect that the decisions of judges and prosecutors could be affected by monetary pressures. The Administration opposes any suggestion that the cost of defending a citizen should be a consideration in the litigation of any matter, especially in capital cases.

Legal Services Corporation

- Debarment of Grantees. The Administration is concerned about section 504(c)(5) of the bill, which would permit LSC to debar any grantee that files a lawsuit against the Corporation or any government agency. While existing law prevents LSC grantees from using LSC funds to sue the Corporation, the Administration opposes restricting grantees from using non-Federal funds to exercise their right to protect themselves from improper government actions.

Federal Communications Commission

- Relocation. The Committee bill provides no funds in support of the Federal Communications Commission's (FCC's) scheduled move to the Portals complex. Failure to provide these funds would delay the move, which could result in the Government unnecessarily paying for rent on an unoccupied building. The Administration urges the Senate to provide the $30 million required for the FCC move in FY 1998.

U.S. Information Agency

- International Broadcasting. The Administration urges the Senate to restore funding for the International Broadcasting Operations account to the President's requested level of $367 million, including funding for Radio and TV Marti. The restoration of the Committee's $5 million reduction is of particular concern given the Administration's agreement to support a congressional initiative to increase broadcasting to China significantly in FY 1998, an initiative proposed after the budget request was developed. In addition, the Administration objects to language in the bill that would tie the availability of direct appropriations for international broadcasting programs to the collection of revenues from advertising. We believe that it is unwise to link ongoing broadcasting services to an estimate of revenue that may not materialize.