Union Calendar No. 61

105TH CONGRESS *1st Session*	HOUSE OF REPRESENTATIVES	REPORT 105–100

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1998

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 84

SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1998, 1999, 2000, 2001, AND 2002

TOGETHER WITH

ADDITIONAL AND DISSENTING VIEWS

MAY 18, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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105TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
105–100

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1998

MAY 18, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. KASICH, from the Committee on Budget, submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H. Con. Res. 84]

INTRODUCTION

The budget resolution described in this report was developed over the past 2 months through intensive deliberations involving the congressional leadership and the President and officials of his administration. The overall framework of the plan—which is intended to balance the Federal budget by 2002 and provide various forms of tax relief—was agreed to on May 2, 1997. Agreements concerning numerous policy components of the plan, in both discretionary and mandatory spending, subsequently have been developed, sealing this bipartisan agreement.

On May 16, 1997, the House Committee on the Budget, in a 31–7 vote, favorably reported this resolution to the House.

Attached as Appendix A to this report is the Bipartisan Budget Agreement, dated May 15, 1997. The parties to the Agreement have pledged to engage in a coordinated effort to enact its provisions into law. This report and the budget resolution represent a good faith effort to reflect the contents of the Agreement.

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL SPENDING AND REVENUES

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
SUMMARY						
Total Spending:						
BA	1,703.995	1,766.155	1,825.407	1,874.010	1,921.084	9,090.652
O	1,692.189	1,753.645	1,811.140	1,858.381	1,888.811	9,004.167
Revenues	1,601.784	1,664.181	1,728.128	1,805.143	1,890.389	8,689.625
Deficit (−)/SURPLUS(+)	−90.405	−89.464	−83.012	−53.238	1.578	−314.542
Debt Subject to Limit	5,593.500	5,836.000	6,082.400	6,301.100	6,473.200	.....
BY FUNCTION						
National Defense (050):						
BA	268.197	270.784	274.802	281.305	289.092	1,384.180
O	265.978	265.771	268.418	270.110	272.571	1,342.848
International Affairs (150):						
BA	15.909	14.918	15.782	16.114	16,353	79.076
O	14.558	14.569	14.981	14.751	14.812	73.671
General Science, Space, & Technology (250):						
BA	16.237	16.203	15.947	15.800	15.604	79.791
O	16.882	16.528	16.013	15.682	15.668	80.953
Energy (270):						
BA	3.123	3.469	3.186	2.939	2.846	15.563
O	2.247	2.446	2.293	2.048	1.867	15.563
Natural Resources & Environment (300):						
BA	23.877	23.227	22.570	22.151	22.086	113.911
O	22.405	22.702	22.963	22.720	22.313	113.103
Agriculture (350):						
BA	13.133	12.790	12.215	10.978	10.670	59.786

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL SPENDING AND REVENUES—Continued

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
O	11.892	11.294	10.664	9.494	9.108	52.452
Commerce & Housing Credit (370):						
BA	9.296	10.127	13.921	15.546	16.902	65.792
O	1.769	3.344	8.559	11.601	12.765	38.038
Transportation (400):						
BA	46.402	46.556	47.114	48.135	49.184	237.391
O	40.933	41.256	41.357	41.303	41.247	206.096
Community & Regional Development (450):						
BA	8.768	8.489	7.810	7.764	7.790	40.621
O	10.387	10.902	10.986	11.350	7.790	40.621
Education, Training, Employment, & Social Services (500):						
BA	60.020	60.450	61.703	62.959	63.339	308.471
O	56.062	59.335	60.728	61.931	62.316	300.372
Health (550):						
BA	137.799	144.968	154.068	163.412	172,171	772.418
O	137.767	144.944	153.947	163.135	171.727	771.520
Medicare (570):						
BA	201.620	212.073	225.540	239.636	251.548	1,130.417
O	201.764	211.548	225.537	238.781	250.769	1,128.399
Income Security (600):						
BA	239.032	254.090	269.566	275.145	286.945	1,324.778
O	247.758	258.064	268.161	277.264	285.239	1,336.486
Social Security (650):						
BA	380.781	399.389	419.400	440.113	463.505	2,103.188
O	384.102	402.811	422.770	443.893	466.786	2,120.362
Veterans Benefits & Services (700):						
BA	40.545	41.466	41.740	42.093	42.282	208.126
O	41.337	41.700	41.908	42.215	42.436	209.596
Administration of Justice (750):						
BA	24.765	25.120	24.178	24.354	24.883	123.300
O	22.609	24.476	25.240	25.901	24.879	123.105
General Government (800):						
BA	14.711	14.444	13.977	13.675	13.105	69.912
O	13.959	14.363	14.727	14.131	13.100	70.280
Net Interest (900):						
BA	248.578	252.029	247.884	241.899	236.877	1,227.268
O	248.578	252.029	247.884	241.899	236.877	1,227.268
Allowances (920):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Undistributed Offsetting Receipts (950):						
BA	−48.798	−44.437	−45.996	−50.008	−64.098	−253.337
O	−48.798	−44.437	−45.996	−50.008	−64.098	−253.337

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL ON-BUDGET

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
SUMMARY						
Total Spending:						
BA	1,386.875	1,439.798	1,486.311	1,520.242	1,551.563	7,384.790
O	1,371.848	1,424.002	1,468.748	1,500.854	1,516.024	7,281.477
Revenues	1,198.979	1,241.859	1,285.559	1,343.591	1,407.564	6,477.552
Deficit	−172.869	−182.143	−183.189	−157.263	−108.460	−803.925

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL ON-BUDGET—Continued

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
BY FUNCTION						
National Defense (050):						
BA	268.197	270.784	274.802	281.305	289.092	1,384.180
O	265.978	265.771	268.418	270.110	272.571	1,342.848
International Affairs (150):						
BA	15.909	14.918	15.782	16.114	16.353	79.076
O	14.558	14.569	14.981	14.751	14.812	73.671
General Science, Space, & Technology (250):						
BA	16.237	16.203	15.947	15.800	15.604	79.791
O	16.882	16.528	16.013	15.862	15.668	80.953
Energy (270):						
BA	3.123	3.469	3.186	2.939	2.846	15.563
O	2.247	2.446	2.293	2.048	1.867	10.901
Natural Resources & Environment (300):						
BA	23.877	23.227	22.570	22.151	22.086	113.911
O	22.405	22.702	22.963	22.720	22.313	113.103
Agriculture (350):						
BA	13.133	12.790	12.215	10.978	10.670	59.786
O	11.892	11.294	10.664	9.494	9.108	52.452
Commerce & Housing Credit (370):						
BA	6.607	11.082	15.183	16.078	16.678	65.628
O	−0.920	4.299	9.821	12.133	12.541	37.874
Transportation (400):						
BA	46.402	46.556	47.114	48.135	49.184	237.391
O	40.933	41.256	41.357	41.303	41.247	206.096
Community & Regional Development (450):						
BA	8.768	8.489	7.810	7.764	7.790	40.621
O	10.387	10.902	10.986	11.350	8.429	52.054
Education, Training, Employment, & Social Services (500):						
BA	60.020	60.450	61.703	62.959	63.339	308.471
O	56.062	59.335	60.728	61.931	62.316	300.372
Health (550):						
BA	137.799	144.968	154.068	163.412	172.171	772.418
O	137.767	144.944	153.947	163.135	171.727	771.520
Medicare (570):						
BA	201.620	212.073	225.540	239.636	251.548	1,130.417
O	201.764	211.548	225.537	238.781	250.769	1,128.399
Income Security (600):						
BA	239.032	254.090	269.566	275.145	286.945	1,324.778
O	247.758	258.064	268.161	277.264	285.239	1,336.486
Social Security (650):						
BA	11.424	12.060	12.792	13.022	14.383	63.681
O	11.524	12.196	12.866	13.043	14.398	64.027
Veterans Benefits & Services (700):						
BA	40.545	41.466	41.740	42.093	42.282	208.126
O	41.337	41.700	41.908	42.215	42.436	209.596
Administration of Justice (750):						
BA	24.765	25.120	24.178	24.354	24.883	123.300
O	22.609	24.476	25.240	25.901	24.879	123.105
General Government (800):						
BA	14.711	14.444	13.977	13.675	13.105	69.912
O	13.959	14.363	14.727	14.131	13.100	70.280
Net Interest (900):						
BA	296.547	304.558	305.075	303.833	303.728	1,513.742
O	296.547	304.558	305.075	303.833	303.728	1,513.742
Allowances (920):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL ON-BUDGET—Continued

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
Undistributed Offsetting Receipts (950):						
BA	−41.841	−36.949	−36.937	−39.151	−51.124	−206.002
O	−41.841	−36.949	−36.937	−39.151	−51.124	−206.002

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL OFF-BUDGET

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
SUMMARY						
Total Spending:						
BA	317.120	326.357	339.096	353.768	369.521	1,705.862
O	320.341	329.643	342.392	357.527	372.787	1,722.690
Revenues	402.805	422.322	442.569	461.552	482.825	2,212.073
Deficit	82.464	92.679	100.177	104.025	110.038	489.383
BY FUNCTION						
National Defense (050):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
International Affairs (150):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
General Science, Space, & Technology (250):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Energy (270):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Natural Resources & Environment (300):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Agriculture (350):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Commerce & Housing Credit (370):						
BA	2.689	−0.955	−1.262	−0.532	0.224	0.164
O	2.689	−0.955	−1.262	−0.532	0.224	0.164
Transportation (400):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Community & Regional Development (450):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Education, Training, Employment, & Social Services (500):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Health (550):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Medicare (570):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Income Security (600):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000

FISCAL YEAR 1998 BUDGET RESOLUTION—TOTAL OFF-BUDGET—Continued

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
Social Security (650):						
BA	369.357	387.329	406.608	427.091	449.122	2,039.507
O	372.578	390.615	409.904	430.850	452.388	2,056.335
Veterans Benefits & Services (700):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Administration of Justice (750):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
General Government (800):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Net Interest (900):						
BA	−47.969	−52.529	−57.191	−61.934	−66.851	−286.474
O	−47.969	−52.529	−57.191	−61.934	−66.851	−286.474
Allowances (920):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Undistributed Offsettings Receipts (950):						
BA	−6.957	−7.488	−9.059	−10.857	−12.974	−47.335
O	−6.957	−7.488	−9.059	−10.857	−12.974	−47.335

FISCAL YEAR 1998 BUDGET RESOLUTION—DISCRETIONARY SPENDING

[By function, in billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
SUMMARY						
Total Spending:						
BA	526.857	532.999	537.193	542.032	551.074	2,690.155
O	553.268	559.321	564.265	564.396	560.799	2,802.049
Defense Spending:						
BA	269.000	271.500	275.367	281.847	289.610	1,387.324
O	266.823	266.518	268.995	270.663	273.100	1,346.099
Non-Defense Spending:						
BA	257.857	261.499	261.826	260.185	261.464	1,302.831
O	286.445	292.803	295.270	293.733	287.699	1,455.950
BY FUNCTION						
National Defense (050):						
BA	269.000	271.500	275.367	281.847	289.610	1,387.324
O	266.823	266.518	268.995	270.663	273.100	1,346.099
International Affairs (150):						
BA	19.038	18.601	18.533	18.348	18.218	92.738
O	19.179	18.842	18.809	18.505	18.442	93.777
General Science, Space, & Technology (250):						
BA	16.199	16.172	15.916	15.769	15.573	79.629
O	16.847	16.493	15.978	15.830	15.637	80.785
Energy (270):						
BA	4.754	4.895	4.587	4.396	4.243	22.875
O	5.045	5.053	4.827	4.630	4.438	23.993
Natural Resources & Environment (300):						
BA	22.807	22.222	21.566	21.185	21.152	108.932
O	21.393	21.657	21.944	21.822	21.472	108.288
Agriculture (350):						
BA	4.055	3.952	3.864	3.793	3.757	19.421
O	4.143	4.063	3.943	3.852	3.774	19.775

FISCAL YEAR 1998 BUDGET RESOLUTION—DISCRETIONARY SPENDING—Continued

[By function, in billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
Commerce & Housing Credit (370):						
BA	3.133	3.538	4.965	2.963	2.941	17.540
O	3.066	3.361	4.565	3.201	2.683	16.876
Transportation (400):						
BA	13.556	14.974	14.788	15.066	15.347	73.731
O	38.267	38.933	39.310	39.418	39.418	195.346
Community & Regional Development (450):						
BA	8.288	8.204	7.525	7.528	7.553	39.098
O	10.044	10.879	10.954	11.326	8.419	51.622
Education, Training, Employment, & Social Services (500):						
BA	46.721	47.015	47.858	48.478	49.199	239.271
O	43.185	46.107	47.065	47.776	48.559	232.692
Health (550):						
BA	24.896	24.733	24,628	24.432	24.157	122.846
O	24.612	24.835	24.883	24.614	24.291	123.235
Medicare (570):						
BA	2.715	2.708	2.673	2.649	2.618	13.363
O	2.724	2.638	2.689	2.666	2.632	13.349
Income Security (600):						
BA	32.937	35.734	37.706	38.697	39.589	184.663
O	41.265	41.591	41.345	41.186	40.794	206.181
Social Security (650):						
BA	3.255	3.205	3.180	3.153	3.121	15.914
O	3.355	3.341	3.254	3.174	3.136	16.260
Veterans Benefits & Services (700):						
BA	18.476	18.428	18.335	18.165	17.953	91.357
O	19.266	18.597	18.346	18.153	17.884	92.246
Administration of Justice (750):						
BA	24.405	24.795	23.887	24.094	24.675	121.856
O	22.170	24.191	24.996	25.683	24.713	121.753
General Government (800):						
BA	12.622	12.323	11.815	11.469	11.368	59.597
O	11.884	12.222	12.362	11.897	11.407	59.772
Net Interest (900):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Allowances (920):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Undistributed Offsetting Receipts (950):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000

FISCAL YEAR 1998 BUDGET RESOLUTION—MANDATORY SPENDING

[By function, in billion of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
SUMMARY						
Total Spending:						
BA	1,177.138	1,233.156	1,288.214	1,331.978	1,370.010	6,400.497
O	1,138.921	1,194.324	1,246.875	1,293.985	1,328.012	6,202.118
Defense Spending:						
BA	−0.083	−0716	−0.565	−0.542	−0.518	−3.144
O	−0.845	−0.747	−0.577	−0.553	−0.529	−3.251
Non-Defense Spending:						
BA	1,177.941	1,233.872	1,288.779	1,332.520	1,370.528	6,403.641

FISCAL YEAR 1998 BUDGET RESOLUTION—MANDATORY SPENDING—Continued

[By function, in billion of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
O	1,139.766	1,195.071	1,247.452	1,294.538	1,328.541	6,205.369
BY FUNCTION						
National Defense (050):						
BA	−0.803	−0.716	−0.565	−0.542	−0.518	−3.144
O	−0.845	−0.747	−0.577	−0.553	−0.529	−3.251
International Affairs (150):						
BA	−3.129	−3.683	−2.751	−2.234	−1.865	−13.662
O	−4.621	−4.273	−3.828	−3.754	−3.630	−20.106
General Science, Space, & Technology (250):						
BA	0.038	0.031	0.031	0.031	0.031	0.162
O	0.035	0.035	0.035	0.032	0.031	0.168
Energy (270):						
BA	−1.631	−1.426	−1.401	−1.457	−1.397	−7.312
O	−2.798	−2.607	−2.534	−2.582	−2.571	−13.092
Natural Resources & Environment (300):						
BA	1.070	1.005	1.004	0.966	0.934	4.979
O	1.012	1.045	1.019	0.898	0.841	4.815
Agriculture (350):						
BA	9.078	8.838	8.351	7.185	6.913	40.365
O	7.749	7.231	6.721	5.642	5.334	32.677
Commerce & Housing Credit (370):						
BA	6.163	6.589	8.956	12.583	13.961	48.252
O	−1.297	−0.017	3.994	8.400	10.082	21.162
Transportation (400):						
BA	32.846	31.572	32.326	33.069	33.837	163.660
O	2.666	2.323	2.047	1.885	1.829	10.750
Community & Regional Development (450):						
BA	0.480	0.285	0.285	0.236	0.237	1.523
O	0.343	0.023	0.032	0.024	0.010	0.432
Education, Training, Employment, & Social Services (500):						
BA	13.299	13.435	13.845	14.481	14.140	69.200
O	12.877	13.228	13.663	14.155	13.757	67.680
Health (550):						
BA	112.903	120.235	129.440	138.980	148.014	649.572
O	113.155	120.109	129.064	138.521	147.436	648.285
Medicare (570):						
BA	198.905	209.365	222.867	236.987	248.930	1,117.054
O	199.040	208.910	222.848	236.115	248.137	1,115.050
Income Security (600):						
BA	206.095	218.356	231.860	236.448	247.356	1,140.115
O	206.493	216.473	226.816	236.078	244.445	1,130.305
Social Security (650):						
BA	377.526	396.184	416.220	436.960	460.384	2,087.274
O	380.747	399.470	419.516	440.719	463.650	2.104.102
Veterans Benefits & Services (700):						
BA	22.069	23.038	23.405	23.928	24.329	116.769
O	22.071	23.103	23.562	24.062	24.552	117.350
Administration of Justice (750):						
BA	0.360	0.325	0.291	0.260	0.208	1.444
O	0.439	0.285	0.244	0.218	0.166	1.352
General Government (800):						
BA	2.089	2.121	2.162	2.206	1.737	10.315
O	2.075	2.141	2.365	2.234	1.693	10.508
Net Interest (900):						
BA	248.578	252.029	247.884	241.899	236.877	1,227.268
O	248.578	252.029	247.884	241.899	236.877	1,227.268

FISCAL YEAR 1998 BUDGET RESOLUTION—MANDATORY SPENDING—Continued

[By function, in billion of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
Allowances (920):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
O	0.000	0.000	0.000	0.000	0.000	0.000
Undistributed Offsetting Receipts (950):						
BA	−48.798	−44.437	−45.996	−50.008	−64.098	−253.337
O	−48.798	−44.437	−45.996	−50.008	−64.098	−253.337

FISCAL YEAR 1998 BUDGET RESOLUTION—CREDIT BUDGET

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
Direct Loans	33.829	33.378	34.775	36.039	37.099	73.138
Loan Guarantees	315.472	324.749	328.124	332.063	335.141	667.204
050 National Defense:						
Loan Guarantees	0.588	0.757	1.050	1.050	1.050	2.100
150 International Affairs:						
Direct Loans	1.966	2.021	2.077	2.122	2.178	4.300
Loan Guarantees	12.751	13.093	13.434	13.826	14.217	28.043
270 Energy:						
Direct Loans	1.050	1.078	1.109	1.141	1.174	2.315
300 Natural Resources and Environment:						
Direct Loans	0.030	0.032	0.032	0.034	0.034	0.068
350 Agriculture:						
Direct Loans	9.620	11.047	11.071	10.960	10.965	21.925
Loan Guarantees	6.365	6.436	6.509	6.583	6.660	13.243
370 Commerce and Housing Credit:						
Direct Loans	4.739	1.887	2.238	2.574	2.680	5.254
Loan Guarantees	245.500	253.450	255.200	257.989	259.897	517.886
400 Transportation:						
Direct Loans	0.155	0.135	0.015	0.015	0.015	0.030
450 Community and Regional Development:						
Direct Loans	2.867	2.943	3.020	3.098	3.180	6.278
Loan Guarantees	2.385	2.406	2.429	2.452	2.475	4.927
500 Education, Training & Social Services:						
Direct Loans	12.328	13.092	13.926	14.701	15.426	30.127
Loan Guarantees	20.665	21.899	23.263	24.517	25.676	50.193
550 Health:						
Loan Guarantees	0.085	0.000	0.000	0.000	0.000	0.000
600 Income Security:						
Direct Loans	0.045	0.075	0.110	0.145	0.170	0.315
Loan Guarantees	0.037	0.037	0.037	0.037	0.037	0.074
700 Veterans Benefits and Services:						
Direct Loans	1.029	1.068	1.177	1.249	1.277	2.526
Loan Guarantees	27.096	26.671	26.202	25.609	25.129	50.738

FUNCTION 050:

NATIONAL DEFENSE

FUNCTION 050: NATIONAL DEFENSE

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	264,905	268,197	270,784	274,802	281,305	289,092
Outlays	266,582	265,978	265,771	268,418	270,110	272,571

The government's efforts to maintain national security are reflected in function 050. Funds in this function are provided to develop, maintain, and equip the military forces of the United States, and to finance defense-related activities of the Department of Energy [DOE]. Major areas of funding include pay and benefits for military and civilian personnel; research, development, testing, and evaluation; procurement of weapons systems; military construction and family housing; and operations and maintenance of the defense establishment. This budget resolution assumes $268.2 billion in budget authority [BA] and $266.0 billion in outlays for fiscal year 1998. Over the 5-year period from 1998 through 2002, the resolution assumes totals of $1,384.2 billion in BA and $1,342.8 billion in outlays.

DISCRETIONARY SPENDING

For discretionary spending in this function, the budget resolution assumes $269.0 billion in budget authority [BA] and $266.8 billion in outlays in fiscal year 1998. Over 5 years, it assumes $1,387.3 billion in BA and $1,346.1 billion in outlays.

MAJOR MANDATORY ASSUMPTIONS

The budget resolution makes no assumptions concerning mandatory spending in this function.

FUNCTION 150:

INTERNATIONAL AFFAIRS

FUNCTION 150: INTERNATIONAL AFFAIRS

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	15,281	15,909	14,918	15,782	16,114	16,353
Outlays	14,534	14,558	14,569	14,981	14,751	14,812

In this area of the budget, funds are provided to finance the foreign affairs establishment, including embassies and other diplomatic missions abroad; humanitarian assistance; foreign aid in less developed countries; international security assistance; U.S. contributions to the international financial institutions; foreign information and exchange activities; Export-Import Bank activities; and refugee assistance. The major departments and agencies in this function include the Department of State, the Department of the Treasury, the Agency for International Development, the United States Information Agency, and the Export-Import Bank. The budget resolution assumes $15.9 billion in budget authority [BA] in fiscal year 1998 and $14.6 billion in outlays. Over the 5-year period from 1998 through 2002, the resolution assumes totals $79.1 in budget authority and $73.7 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes that budget authority for discretionary programs will be $19.0 billion in 1998 and total $92.7 billion over the next 5 years. Likewise, outlays are estimated to be $19.2 billion in 1998 and $93.8 billion over the next 5 years. The budget resolution assumes a cap adjustment is available for exchanges of monetary assets and for international organization arrears.

MAJOR MANDATORY ASSUMPTIONS

No changes are envisioned concerning mandatory programs.

FUNCTION 250:

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	16,667	16,237	16,203	15,947	15,800	15,604
Outlays	17,038	16,882	16,528	16,013	15,862	15,668

Funds in this function are provided for space flight and research, general science, and basic research not specifically covered by other functional areas. The programs in this function are the primary source of funding for the physical and engineering sciences. The budgets for the National Science Foundation [NSF], the high energy and nuclear physics research programs of the Department of Energy [DOE], and the National Aeronautics and Space Administration [NASA]—except for its air transportation programs which are included in Function 400—are within this category. The budget resolution assumes $16.2 billion in budget authority [BA] and $16.9 billion in outlays for fiscal year 1998. Over the 5-year period from 1998 through 2002, the resolutions assumes totals of $79.8 billion in BA and $81.0 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes that budget authority will be $16.2 billion in 1998 and total $79.6 billion over the next 5 years. Likewise, outlays are estimated to be $16.8 billion in 1998 and $80.8 billion over the next 5 years.

MAJOR MANDATORY ASSUMPTIONS

No changes are envisioned concerning mandatory programs.

FUNCTION 270:

ENERGY

FUNCTION 270: ENERGY

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	2,562	3,123	3,469	3,186	2,939	2,846
Outlays	1,864	2,247	2,446	2,293	2,048	1,867

The function includes the civilian activities in the Department of Energy, rural electrification and telecommunications loans within the Department of Agriculture, the power programs of the Tennessee Valley Authority [TVA], and the Nuclear Regulatory Commission [NRC]. The budget resolution assumes $3.1 billion in budget authority [BA] and $2.2 billion in outlays for fiscal year 1998. Over the 5-year period from 1998 through 2002, the resolution assumes totals of $15.6 billion in BA and $10.9 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution is consistent with the budget agreement. The budget resolution assumes that budget authority for discretionary programs will be $4.8 billion in 1998 and total $22.9 over the next 5 years. Likewise, outlays are estimated to be $5.0 billion in 1998 and $24.0 billion over the next 5 years.

MANDATORY SPENDING

Consistent with the budget agreement, it is assumed that the Department of Energy [DOE] will be authorized to lease excess storage capacity in the Strategic Petroleum Reserve.

FUNCTION 300:

NATURAL RESOURCES AND ENVIRONMENT

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	22,199	23,877	23,227	22,570	22,151	22,086
Outlays	22,359	22,405	22,702	22,963	22,720	22,313

Programs in this function are designed to develop, manage, and maintain the Nation's natural resources, and protect public health by ensuring a clean environment. Funding is provided for water resources, conservation and land management, recreational resources, pollution control and abatement, and other natural resources. The major departments and agencies in this function include the Department of the Interior; the Department of Agriculture; the Army Corps of Engineers; the Environmental Protection Agency; and the National Oceanic and Atmospheric Administration [NOAA], within the Department of Commerce. The budget resolution assumes $23.9 billion in budget authority [BA] and $22.4 billion in outlays for fiscal year 1998. Over the 5-year period, from 1998 through 2002, the total BA is $113.9 billion and $113.1 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes that budget authority for discretionary programs will be $22.8 billion in 1998 and total $108.9 billion over the next 5 years. Likewise, outlays are estimated to be $21.4 billion in 1998 and $108.3 billion over the next 5 years.

The budget resolution assumes that up to $700 million will be available for Federal land acquisitions and to finalize priority Federal land exchanges, and that Superfund appropriations will be at the President's level if policies can be worked out.

The EPA Operating Program, the Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers) are considered protected domestic, discretionary priorities, consistent with the Bipartisan Budget Agreement.

The resolution also assumes that the amounts provided are sufficient to accommodate $143 million in fiscal year 1998 to implement the California Bay-Delta Environmental Enhancement and Water Security Act.

MAJOR MANDATORY ASSUMPTIONS

The resolution assumes that $200 million will be reserved annually for an Environmental Reserve Fund, contingent upon Superfund reform.

FUNCTION 350:

AGRICULTURE

FUNCTION 350: AGRICULTURE

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	11,819	13,133	12,790	12,215	10,978	10,670
Outlays	9,910	11,892	11,294	10,664	9,494	9,108

Programs in this function include direct assistance and loans to food and fiber producers, export assistance, market information and inspection services, and agricultural research. The budget resolution assumes $13.1 billion in budget authority [BA] and $11.9 billion in outlays for fiscal year 1998. Over the 5-year period from 1998 through 2002, the resolution assumes totals of $59.8 billion in BA and $52.5 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes that budget authority for discretionary programs will be $4.1 billion in 1998 and total $19.4 over the next 5 years. Likewise, outlays are estimated to be $4.1 billion in 1998 and $19.8 billion over the next 5 years.

MAJOR MANDATORY ASSUMPTIONS

The resolution makes no assumptions concerning mandatory programs in this function.

FUNCTION 370:

COMMERCE AND HOUSING CREDIT

FUNCTION 370: COMMERCE AND HOUSING CREDIT

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	5,981	9,296	10,127	13,921	15,546	16,902
Outlays	−9,571	1,769	3,344	8,559	11,601	12,765

Function 370 includes certain discretionary housing programs, such as subsidies for single and multifamiliy housing in rural areas; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the periodic census, and small business; and mandatory spending for deposit insurance activities related to banks, thrifts, and credit unions; and mortgage insurance provided by the Federal Housing Administration. The budget resolution assumes $9.3 billion in budget authority [BA] and $1.8 billion in outlays in fiscal year 1998. Over the 5-year period from 1998 through 2002, the resolution assumes $65.8 billion in BA and $38.0 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes $3.1 billion in budget authority [BA] and $3.1 billion in outlays in fiscal year 1998. Over the 5-year period, from 1998 to 2002, the resolution assumes $17.5 billion in BA and $16.9 billion in outlays over 5 years.

MAJOR MANDATORY ASSUMPTIONS

The Federal Housing Administration provides mortgage insurance to Americans who otherwise might not be able to obtain the financing to buy a house. When a home buyer defaults on a federally insured mortgage, the FHA must pay the balance on the mortgage to the lender, and foreclose on the house. By giving the FHA more flexibility to work with homeowners who are in default on their mortgages, costs to the FHA insurance fund can be avoided. The budget resolution assumes continuation of current law policy to provide FHA with tools to encourage lenders to forbear for only up to 1 year. This would improve the targeting and efficiency of HUD's current program, and allow the FHA homeowners experiencing temporary economic distress to stay in their homes.

POSTAL SERVICE TRANSITION PAYMENTS

The budget resolution assumes shifting to the Postal Service the cost of financing workers compensation benefits for pre-1971 postal employees. This produces net savings of $121 million over 5 years.

FUNCTION 400:

TRANSPORTATION

FUNCTION 400: TRANSPORTATION

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	43,869	46,402	46,556	47,114	48,135	49,184
Outlays	39,544	40,933	41,256	41,357	41,303	41,247

This function includes Federal funding for highway, transit, railroad, aviation, maritime, and Coast Guard programs. The budget resolution assumes budget authority of $46.4 billion for fiscal year 1998, $49.2 billion for fiscal year 2002, and $237.4 billion for the 5-year period of fiscal years 1998–2002. The budget resolution assumes outlays of $40.9 billion for fiscal year 1998, $41.2 billion for fiscal year 2002, and $206.1 billion for the 5-year period of fiscal years 1998–2002.

DISCRETIONARY SPENDING

The budget resolution assumes budget authority of $13.6 billion for fiscal year 1998, $15.3 billion for fiscal year 2002, and $73.7 billion for the 5-year period of fiscal years 1998–2002. The budget resolution assumes outlays of $38.3 billion for fiscal year 1998, $39.4 billion for fiscal year 2002, and $195.3 billion for the 5-year period of fiscal years 1998–2002.

MAJOR MANDATORY ASSUMPTIONS

In mandatory spending, the budget resolution assumes the permanent extension of vessel tonnage fees.

FUNCTION 450:

COMMUNITY AND REGIONAL DEVELOPMENT

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

[in millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	10,199	8,768	8,489	7,810	7,764	7,790
Outlays	12,137	10,387	10,902	10,986	11,350	8,429

Function 450 includes programs that provide Federal funding for economic and community development in both urban and rural areas. It includes programs such as Community Development Block Grants, the Tennessee Valley Authority, the Appalachian Regional Commission and the Federal Emergency Management Agency. The budget resolution assumes $8.8 billion in budget authority [BA] and $10.4 billion in outlays for fiscal year 1998. Over the 5-year period, 1998 through 2002, the budget resolution assumes $40.6 billion in BA and $52.1 in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes $8.3 billion in discretionary budget authority [BA] and $10.0 billion in outlays in fiscal year 1998. Over the 5-year period, it assumes $39.1 billion in BA and $51.6 billion in outlays. The resolution assumes the Community Development Financial Institution [CDFI] Fund as a domestic discretionary priority, as defined in the Bipartisan Budget Agreement.

MAJOR MANDATORY ASSUMPTIONS

The resolution makes no assumptions concerning mandatory spending in this function.

FUNCTION 500:

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	54,199	60,020	60,450	61,703	62,959	63,339
Outlays	50,466	56,062	59,335	60,728	61,931	62,316

Function 500 includes programs designed to promote general knowledge and skills and help assist individuals become self-supporting members of society: elementary and secondary education programs, vocational and higher education, employment and job training programs and grants to States for general social services and rehabilitation services.

The budget resolution provides $60.0 billion in budget authority for function 500 in fiscal year 1998 and $56.1 billion in outlays. Over 5 years, the resolution provides $308.5 billion in budget authority and $300.4 billion in outlays.

DISCRETIONARY SPENDING

For fiscal year 1998, this budget resolution assumes $46.7 billion in budget authority [BA] and $43.2 billion in outlays. Over 5 years, it assumes $239.3 billion in BA and $232.7 billion in outlays.

The resolution assumes funding levels sufficient to meet the education priorities of Congress and the President. Among these priorities are Education Reform—including the Technology Literacy Challenge Fund—Bilingual and Immigrant Education, Pell Grant ($300 increase in 1998 maximum award amount to $3,000), child literacy initiatives consistent with the goals and the concepts of the President's America Reads program, Head Start and Training and Employment Services—including Job Corps.

MAJOR MANDATORY ASSUMPTIONS

The largest mandatory program in Function 500 is the student loan program. The budget resolution assumes savings of $1.8 billion in student loans by reducing excess guaranty agency reserves in the guaranteed loan program and reducing administrative costs in the direct loan program. Students will not be affected by these changes. The same number of loans will be available to students at no additional cost to the students or their parents. The volume of student loans will grow from $27 billion in 1997 to $36 billion

in 2002. The number of student loans will increase from 7,463,000 to 8,605,000.

The specific policy assumptions are as follows:

—Reduce Section 458 (Direct Loan Administrative Account). The plan saves $603 million in outlays from the administration of the Direct Loan program. The proposal does not cap the direct lending.

—Eliminate $10 Direct Loan Fee. The plan eliminates the $10-per-loan subsidy to schools and alternate originators participating in the direct loan program.

—Reclaim Excess Guaranty Agency Reserves. This is a modified version of the President's proposal to recall excess guaranty agency reserves. This proposal would recall $1 billion and maintain 98 percent reinsurance levels for guaranty agencies. The administration's proposal would recall $2.5 billion and have the Federal Government pay 100 percent of all default claims though direct Federal payments.

FUNCTION 550:

HEALTH

FUNCTION 550: HEALTH

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	125,271	137,799	144,968	154,068	163,412	172,171
Outlays	127,421	137,767	144,944	153,947	163,135	171,727

This function is composed of the biomedical research services, and health education activities of the United States, including the National Institutes of Health, substance abuse prevention and treatment, and women's health issues. It also includes Medicaid, the Nation's major program to pay for medical and long-term care services for low-income people.

For fiscal year 1998, the budget resolution assumes total function 550 budget authority [BA] of $137.8 billion and outlays of $137.8 billion. Over the 5-year period 1998–2002, it assumes budget authority of $772.4 billion and outlays or $771.5 billion.

DISCRETIONARY SPENDING

The budget resolution provides $24.9 billion in budget authority and $24.6 billion in outlays in fiscal year 1998 for the Federal Government's discretionary health programs. Over the 5-year period 1998–2002, for function 550 discretionary programs it assumes budget authority of $122.8 billion and outlays of $123.2 billion.

MAJOR MANDATORY ASSUMPTIONS

Under the Medicaid reform assumed in the budget resolution, Medicaid outlays would be $105.3 billion in fiscal year 1998 and $604.7 billion over 5 years. There would be no per-capita cap on Federal Medicaid spending. The plan calls for $13.6 billion in Federal Medicaid net savings over 5 years. Savings are derived from reduced disproportionate share hospital payments and flexibility provisions.

Key components of the Medicaid reform assumptions are the following:

—Disproportionate Share Hospital Payments. Medicaid disproportionate share hospital [DSH] payments are additional payment adjustments made to hospitals serving a relatively large (disproportionate) volume of Medicaid or low-income patients. In fiscal year 1997, estimated Medicaid DSH payments are $9.8 billion. DSH payments vary greatly across the States, with some

spending more than $1,000 per low-income resident, and others spending much less. This proposal would achieve Medicaid savings through DSH reform.

—State Medicaid Flexibility. The plan incorporates an unprecedented increase in State Medicaid flexibility. Key elements include provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren Amendment, converting managed care and home/community based care waiver process to State Plan Amendment, and elimination of unnecessary administrative requirements.

—Net Medicaid savings include $919 million for a higher Federal Medicaid match rate for the District of Columbia; $250 million for an inflation adjustment for programs in Puerto Rico and other territories; $1.5 billion to cover increased Medicaid cost under existing law due to the shift of home health care from Part A to Part B of Medicare and due to the maintenance of the Medicare Part B premium at 25 percent; and $1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries.

—The resolution assumes no per-capita cap limits.

Additional components of mandatory spending include the following:

—Children's Health Insurance Initiatives. Under the Bipartisan Budget Agreement, Federal financial support to increase health insurance coverage for children who are uninsured will be provided. The resolution assumes that authorizing committees will draft legislation to use the Federal funds assumed in this resolution in the most cost-effective manner possible. Options for their consideration would include: (a) modifications to existing programs, such as Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definitions of childhood eligibility; (b) a capped mandatory spending program, such as grants to the States; a combination of (a) and (b); or other approaches. The resolution assumes that $16 billion will be spent over the next 5 years to provide up to 5 million additional children with health insurance coverage by 2002. These resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children with a goal of up to 5 million currently uninsured children being served. These funds may not be used to decrease required savings.

FUNCTION 570:

MEDICARE

FUNCTION 570: MEDICARE

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	190,792	201,620	212,073	225,540	239,636	251,548
Outlays	191,266	201,764	211,548	225,537	238,781	250,769

This budget function includes the Medicare Part A Hospital Insurance [HI] program, Part B Supplementary Medical Insurance [SMI] program, and premiums paid by qualified aged and disabled beneficiaries.

The budget resolution assumes that spending for this function total $201.6 billion in budget authority and $201.8 billion in outlays for fiscal year 1998. The budget resolution assumes that spending for this function total $1,130.4 billion in budget authority and $1,128.4 billion in outlays for fiscal years 1998–2002.

DISCRETIONARY SPENDING

Function 570 discretionary spending consists of the administrative costs of the Medicare Part A and Part B programs. The budget resolution assumes that discretionary spending for this function total $2.7 billion in budget authority and $2.7 billion in outlays for fiscal year 1998. The budget resolution assumes that discretionary spending for this function total $13.4 billion in budget authority and $13.3 billion in outlays for fiscal years 1998–2002.

MAJOR MANDATORY ASSUMPTIONS

In accordance with the budget agreement between the administration and the congressional negotiators, this budget resolution assumes the following:

—Reduce projected Medicare spending by $115 billion over 5 years.

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

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

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

—Maintain the Part B premium at 25 percent of program costs and phase in over 7 years the inclusion in the calculation of the Part B premium the portion cost of home health expenditures reallocated to Part B.

—Reform managed care payment methodology to address geographic disparities that has limited HMO access in rural areas.

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

—Funding for new health benefits including: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to providers for preventive vaccinations to the extent it will lead to greater use by beneficiaries. Invest $4 billion over 5 years (and $20 billion over 10 years) to limit beneficiary copayments for outpatient services, unless there is a more cost-effective way to provide such services to beneficiaries as mutually agreed.

FUNCTION 600:

INCOME SECURITY

FUNCTION 600: INCOME SECURITY

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	228,802	239,032	254,090	269,566	275,145	286,945
Outlays	237,822	247,758	258,064	268,161	277,264	285,239

Most of the Federal Government's income support programs fall in function 600. This function includes benefits to Federal retirees and railroad retirees; unemployment benefits; low-income housing; food-stamps; school lunch subsidies; and financial assistance to low-income groups including families with children, the disabled, the elderly, refugees, and households with high energy costs. The budget resolution assumes $239.0 billion in budget authority [BA] and $247.8 billion in outlays for fiscal year 1998. Over the 5-year period, from 1998 through 2002, the resolution assumes a total of $1.3 trillion in BA and $1.4 trillion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes that budget authority for discretionary programs will be $32.9 billion in 1998 and total $184.7 over the next 5 years. Likewise, outlays are estimated to be $41.3 billion in 1998 and $206.2 billion over the next 5 years. Included in these figures is the assumption that the requested level in the President's budget ($89 million) is provided for Unemployment Insurance [UI] integrity activities in addition to continuing integrity activities already funded in the base UI administrative grants to obtain these savings.

ASSISTED HOUSING CONTRACTS

The present Section 8 Housing program will require large increases in resources just to maintain the system as it is now structured. The budget resolution assumes adequate funding so these obligations can be met. This will entail renewing contracts on almost two million apartments for 1998 alone. By doing so, the Federal Government will be able to continue to provide assistance to those tenants who now receive it. The nature of the problem over time worsens, and long term structural reforms are needed. The budget resolution assumes the maintenance of Section 8 assisted housing units at the 1997 level. Though this will entail an increase in resources, the resolution assumes this additional funding for renewals will not be used for a net increase in subsidized apart-

ments, except for assistance extended to tenants displaced by the demolition of a dilapidated building or for other reasons. The budget resolution also anticipates reforms will be passed by the House Banking Committee allowing rents on Section 8 projects to be reduced to market levels by reducing mortgages on many of these projects. Since these projects have federally insured mortgages reducing the rents associated with subsidized apartments, mortgage restructuring is essential to avert widespread defaults. The budget resolution recognizes the need to address concerns related to the tax consequences of reducing many of these mortgages. When reducing the mortgage amount, many project owners may face large tax liabilities. Also, there may be a need for reforms of the bankruptcy code related to these particular projects. The resolution assumes the necessary committees of jurisdiction will work together to produce the appropriate legislative language.

MAJOR MANDATORY ASSUMPTIONS

WELFARE

The budget resolution assumes several modifications to the Personal Responsibility and Work Opportunity Act of 1996, welfare reform enacted last year by Congress and the President. It restores eligibility for Supplemental Security Income [SSI] disability and Medicaid benefits for those noncitizens who entered the United States prior to August 23, 1996, or who entered after that date but were enrolled in the program by June 1, 1997. These individuals will be eligible to receive SSI disability benefits if they are now disabled, or if they become disabled in the future. The budget resolution also assumes lengthening the period during which refugees and asylees may qualify for public benefits from 5 to 7 years after attaining their immigration status. But the balanced budget plan retains the ban on noncitizen eligibility for SSI benefits for nondisabled noncitizens, and for all noncitizens who entered the country after August 22, 1996 and who were not enrolled by June 1, 1997. Under the budget resolution, public benefits remain available to noncitizens who have worked in the United States and paid taxes for at least 10 years, or who are veterans of the U.S. military or dependents of veterans, in addition to persons who become naturalized citizens.

The budget resolution also creates additional workfare positions within the Food Stamp Employment and Training Program for able-bodied adults subject to new work requirements in the Food Stamp law enacted last year. The plan also permits Governors to offer hardship exemptions—in addition to other waivers under existing law—to 15 percent of those individuals in their States who would otherwise lose Food Stamp benefits because of their failure to comply with the work requirement. Total costs associated with these work slots and additional benefits resulting from them and from the new 15 percent exemptions are $1.5 billion over 5 years.

Although the balanced budget plan provides additional opportunities for obtaining workfare and adds an additional opportunity for governors to waive the work requirement in certain cases, the basic structure of the work requirement enacted last year remains intact. Under the welfare reform law, able bodied adults with no

child care responsibilities must work at least 20 hours per week to continue eligibility for food stamps after they have received 3 months of benefits in any 3-year period. If the individual becomes employed and then is laid off during the period, they become eligible for another 3 months worth of benefits without the required 20 hours per week of work activity. Governors may request a waiver of the requirement for persons who live in areas of high unemployment, where jobs are unavailable.

The balanced budget plan also provides $3 billion in capped mandatory spending through 2001 to the Temporary Assistance to Needy Families [TANF] block grant, allocated to States through a formula and targeted within a state to areas with poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions.

These amounts for low-income restorations may not be used to decrease required savings.

THE EARNED INCOME CREDIT

The balanced budget plan accepts several recommendations made by the administration to address the problem of an estimated $5 billion in annual overpayments within the Earned Income Credit. Among these recommendations are reallocating IRS resources to police the credit, creating demonstration projects in four states will examine alternative methods for providing the credit, and requiring "due diligence" in the preparation of returns claiming the credit on the part of tax preparers. Penalties for deliberate fraud will be increased, and a greater burden of proof will be required of taxpayers claiming the credit who have had their claims denied.

Together, these reforms are estimated to generate $124 million in savings over the next 5 years.

THE FEDERAL RETIREMENT SYSTEM

The resolution does not assume any delay in the payment of cost-of-living adjustments. Increased agency and employee contributions to the Federal retirement system are discussed in Function 950 and Revenues.

UNEMPLOYMENT INSURANCE

The budget resolution assumes $624 million in Trust Fund savings over 5 years by increasing the ceiling on federal administrative Trust Funds to .5 percent of total covered benefits. A total of $100 million annually in trust fund receipts would still be permitted to flow into State trust fund accounts.

The balanced budget plan also generates $763 million in savings over 5 years by conducting more benefit integrity activities within the program aimed at detecting fraudulent Unemployment Insurance claims and underpayment of Unemployment Insurance taxes.

HOUSING

To provide low income Americans with a chance to obtain access to housing, the Federal Government contracts with private project

owners to provide affordable rental units. The project owner receives Federal assistance payments as well as rent from the tenant, which is capped at 30 percent of the tenant's income. Currently, some low-income project owners receive subsidies for their units which are in excess of the market rates for comparable buildings. By reducing the annual adjustments the project owner receives each year for these units, the Federal Government can obtain significant savings.

This proposal is an extension of current law set to expire at the end of fiscal year 1997. It would reduce the annual adjustment for projects whose rents are currently above 120 percent of the fair market rent. It would also reduce the annual adjustment for those apartments where there has been no tenant turnover. The resolution assumes these reforms should be made permanent starting in fiscal year 1999.

FUNCTION 650:
SOCIAL SECURITY

FUNCTION 650: SOCIAL SECURITY

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	363,175	380,781	399,389	419,400	440,113	463,505
Outlays	366,405	384,102	402,811	422,770	443,893	466,786

The budget resolution assumes no changes in Social Security benefits.

FUNCTION 700:

VETERANS' BENEFITS AND SERVICES

FUNCTION 700: VETERANS' BENEFITS AND SERVICES

[in millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	39,125	40,545	41,466	41,740	42,093	42,282
Outlays	39,445	41,337	41,700	41,908	42,215	42,436

Function 700 provides funding for the Department of Veterans Affairs [VA] which provides veterans who meet various eligibility rules benefits ranging from medical care, to compensation, pensions, education, housing, insurance, and burial benefits. There are about 25.9 million veterans and about 44 million members of their families.

The VA administers a vast health care system for veterans who meet certain eligibility criteria. Care is provided largely in facilities owned and operated by the VA. In 1996, the VA-operated facilities included 173 medical centers, 130 nursing home care units, 375 outpatient clinics, and 39 domiciliaries. In recent years, about 2.8 million veterans used the VA health care system, representing just over 10 percent of the total veteran population.

The VA pays monthly cash benefits to veterans who have service-connected disabilities. The basic amounts of compensation paid are based on percentage-of-disability rating (multiples of 10 percentage points) assigned to the veteran. In fiscal year 1998, about 2.6 million veterans will receive disability compensation, with Federal obligations totaling about $16.7 billion. The VA pays monthly cash pension benefits to about 714 thousand veterans or their survivors. These pension obligations will total about $3.0 billion in fiscal year 1998.

For fiscal year 1998, the budget resolution assumes total function 700 budget authority of $40.5 billion and outlays of $41.3 billion. Over the 5-year period 1998–2002, it assumes budget authority of $208.1 billion and outlays of $209.6 billion.

DISCRETIONARY SPENDING

The budget resolution assumes funding of $18.5 billion in budget authority [BA] and $19.3 billion in outlays in fiscal year 1998 for the Federal Government's discretionary veteran's programs. Over the 5-year period 1998–2002, for Function 700 discretionary programs it assumes budget authority of $91.4 billion and outlays of $92.2 billion.

In addition to these sums, under the Bipartisan Budget Agreement, VA medical care will be able to retain third party insurance and user fees to partially offset the cost of care provided in VA facilities. CBO estimates that this will supplement budget authority by $604 million for fiscal year 1998.

MAJOR MANDATORY ASSUMPTIONS

The budget resolution assumes funding of $22.1 billion in budget authority and $22.1 billion in outlays in fiscal year 1998 for the Federal Government's mandatory veteran's programs. Over the 5-year period 1998–2002, for Function 700 mandatory programs it assumes budget authority of $116.8 billion and outlays of $117.4 billion. The following policy assumptions are made:

—Round down the VA compensation COLA to the nearest whole dollar.

—Extend expiring provisions of current law that sunset in 1998. This assumption assumes permanently extending the following provisions of current law that will otherwise expire in 1998: income verification for pension eligibility; the pension limit for persons in Medicaid nursing homes; and the three expiring OBRA provisions of VA housing loan fees and default procedures.

—Other Provisions. The resolution also assumes the acceptance of the administration's legislative proposal to allow VA Medical Care to retain user fees and third party collections to offset the cost of care provided in VA facilities starting October 1, 1997. The resolution also assumes repeal of the prohibition on home loan debt collections, extending real estate mortgage investment conduits, and an increase in the fee for non-veterans using VA's vendee loan program.

FUNCTION 750:

ADMINISTRATION OF JUSTICE

FUNCTION 750: ADMINISTRATION OF JUSTICE

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	23,506	24,765	25,120	24,178	24,354	24,883
Outlays	20,744	22,609	24,476	25,240	25,901	24,879

To implement the Federal Government's role in protecting American families, function 750 assumes funding for Federal law enforcement activities, including criminal investigations by the Federal Bureau of Investigation [FBI] and the Drug Enforcement Administration [DEA], border enforcement and the control of illegal immigration by the Customs Service and Immigration and Naturalization Service [INS], as well as funding for prison construction, drug treatment, crime prevention programs, and the Federal Judiciary.

The budget resolution assumes $24.8 billion in budget authority and $22.6 billion in outlays will be provided in fiscal year 1998, and $123.3 billion in budget authority and $123.1 billion in outlays for 1998–2002. This amount assumes the balance budget agreement.

DISCRETIONARY SPENDING

For discretionary programs, the budget resolution assumes $24.4 billion in budget authority and $22.2 billion in outlays for fiscal year 1998, and $121.9 billion in budget authority and $121.8 billion in outlays for 1998–2002.

Included in the total discretionary funding for this function is the Violent Crime Reduction Trust Fund which, the budget resolution assumes $5.500 billion in budget authority and $3.592 billion in outlays for fiscal year 1998, and $24.7 billion in budget authority and $24.6 billion in outlays for 1998–2002. The Bipartisan Budget Agreement assumes the President's level for the trust fund.

MAJOR MANDATORY ASSUMPTIONS

The budget resolution makes no mandatory assumptions in this function.

FUNCTION 800:

GENERAL GOVERNMENT

FUNCTION 800: GENERAL GOVERNMENT

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	13,987	14,711	14,444	13,977	13,675	13,105
Outlays	13,881	13,959	14,363	14,727	14,131	13,100

Function 800 consists of the activities of the Legislative Branch, the Executive Office of the President, U.S. Treasury fiscal operations (including Internal Revenue Service), personnel and property management, and general purpose fiscal assistance to states, localities, and U.S. territories.

The budget resolution assumes $14.7 billion in total budget authority and $14.0 billion in outlays in fiscal year 1998. Over 5 years, it assumes $69.9 billion in total budget authority and $70.3 billion in outlays.

DISCRETIONARY SPENDING

The budget resolution assumes $12.6 billion in budget authority [BA] and $11.9 billion in outlays in fiscal year 1998. Over 5 years, it assumes $59.6 billion in BA and $59.8 billion in outlays.

MAJOR MANDATORY ASSUMPTIONS

The budget resolution assumes $2.1 billion in mandatory budget authority [BA] and $2.1 billion in mandatory outlays in fiscal year 1998. Over 5 years, it assumes $10.3 billion in mandatory budget authority [BA] and $10.5 billion in outlays. The resolution assumes unspecified asset sales of $540 million in 2002.

FUNCTION 900:
NET INTEREST

FUNCTION 900: NET INTEREST

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	247,639	248,578	252,029	247,884	241,899	236,877
Outlays	247,639	248,578	252,029	247,884	241,899	236,877

Net interest is the interest paid on the Federal public debt, minus the interest income received. Function 900 is a mandatory payment, with no discretionary components.

FUNCTION 920:

ALLOWANCES

FUNCTION 920: ALLOWANCES

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	000,000	000,000	000,000	000,000	000,000	000,000
Outlays	000,000	000,000	000,000	000,000	000,000	000,000

Function 920 displays the budgetary effects of proposals or assumptions that cannot be easily distributed across other budget functions. There are no assumptions in this function.

FUNCTION 950:

UNDISTRIBUTED OFFSETTING RECEIPTS

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

[In millions of dollars]

	1997 est.	1998	1999	2000	2001	2002
Budget Authority	-47,436	-48,798	-44,437	-45,996	-50,008	-64,098
Outlays	-47,436	-48,798	-44,437	-45,996	-50,008	-64,098

This function records offsetting receipts that are too large to record in other budget functions. Such receipts are either intrabudgetary (a payment from one federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some type of business transaction with the government). The main types of receipts recorded as "undistributed" in this function are: the payments federal agencies make to retirement trust funds for their employees, payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to buy or use public property or resources, such as the electromagnetic spectrum.

The budget agreement calls for $26.3 billion in additional receipts through actions involving the electromagnetic spectrum.

The budget agreement assumes an increase in Federal agency contributions for the Civil Service Retirement System [CSRS] (except for the Postal Service and District of Columbia) of 1.51 percentage points effective October 1, 1997 through September 30, 2002.

REVENUES

Revenues

[In millions of dollars]

1997 (est.)	1998	1999	2000	2001	2002
1,554,894	1,601,784	1,664,181	1,728,128	1,805,143	1,890,389

Under the budget resolution, $1,602 billion in total revenues in 1998 will grow by 18.0 percent to $1,890 billion in 2002, totaling $288 billion over 4 years as determined by the Bipartisan Budget Agreement. Absent changes in law, revenues will grow instead by 18.7 percent.

The budget resolution assumes that the cost of the tax relief package will be offset partially with revenues from excise taxes on aviation services. The Committee is aware that various options for alternative tax structures in part or all of the current aviation excise taxes are being studied. The Committee further is aware that the Committee on Ways and Means will have to determine any future tax structure. To ensure that the underlying assumptions of the budget resolution are met, revenues resulting from any modification of the current aviation excise taxes should be no less than the Federal revenue that would be produced by an extension, without change, of the current taxes.

The revenue assumptions in this budget resolution also incorporate the agreements spelled out in the following two letters.

CONGRESS OF THE UNITED STATES,
Washington, DC, May 15, 1997.

Hon. WILLIAM J. CLINTON,
President of the United States, The White House,
Washington, DC.

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

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

tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

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

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

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

Sincerely,

NEWT GINGRICH,
Speaker.

TRENT LOTT,
Senate Majority Leader.

CONGRESS OF THE UNITED STATES,
Washington, DC, May 15, 1997.

Mr. ERSKINE BOWLES,
Chief of Staff to the President, The White House, Washington, DC.

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

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

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

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

Sincerely,

NEWT GINGRICH,
Speaker.

TRENT LOTT,
Senate Majority Leader.

RECOMMENDED POLICY CHANGES TO THE REVENUE BASELINE

The committee's recommended baseline revenues are based on CBO's March 1997 baseline, corrected for a additions to revenue to reflect increased actual fiscal year 1997 income tax collections, and assumptions on technical price measure corrections. (As explained in the section on economic assumptions, these are not legislated changes in the CPI).

The recommended revenues reflect policy changes which are a net tax cut package revenue stream, as provided by the Joint Committee on Taxation [JCT], offset by revenues from the Airport and Airway Trust Fund taxes (which include taxes on tickets, departures, cargo and fuel) in current law; a 0.5 percentage point increase in Federal employee retirement contributions phased in over three years and beginning in fiscal year 1999; and the revenue portion of Earned Income Credit compliance reforms. The last assumption is described more fully in Function 600.

REVENUE COMPARISONS

TABLE 1.—Comparison of Total Budget Revenues

[In billions of dollars]

	Amount
Fiscal year:	
1991 actual	1,055.0
1992 actual	1,091.3
1993 actual	1,154.4
1994 actual	1,258.6
1995 actual	1,351.8
1996 actual	1,453.0
Fiscal year 1997:	
Administration's request (February 1997)	1,505.4
Committee level	1,554.9
Fiscal year 1998:	
Administration's request (February 1998)	1,566.8
Committee level	1,601.8
Fiscal year 1999:	
Administration's request (February 1999)	1,643.3
Committee level	1,664.2
Fiscal year 2000:	
Administration's request (February 2000)	1,727.3
Committee level	1,728.1
Fiscal year 2001:	
Administration's request (February 2001)	1,808.3
Committee level	1,805.1
Fiscal year 2002:	
Administration's request (February 2002)	1,896.7
Committee level	1,890.4

TABLE 2.—Comparison of On-Budget Revenues

[In billions of dollars]

	Amount
Fiscal year:	
1991 actual	761.2
1992 actual	788.9
1993 actual	842.5
1994 actual	923.6
1995 actual	1,000.8
1996 actual	1,085.6
Fiscal year 1997:	
Administration's request (February 1997)	1,116.5
Committee level	1,166.9
Fiscal year 1998:	
Administration's request (February 1998)	1,161.9
Committee level	1,199.0
Fiscal year 1999:	
Administration's request (February 1999)	1,218.1
Committee level	1,241.9
Fiscal year 2000:	
Administration's request (February 2000)	1,280.4
Committee level	1,285.6
Fiscal year 2001:	
Administration's request (February 2001)	1,340.7
Committee level	1,343.6
Fiscal year 2002:	
Administration's request (February 2002)	1,406.8
Committee level	1,407.6

TABLE 3.—CBO BASELINE REVENUES BY SOURCE UNDER PAST AND CURRENT LAW

[Includes on- and off-budget revenues, fiscal years, billions of dollars]

	Historical					Projected
	1950	1960	1970	1980	1990	1998
Individual income tax	15.8	40.7	90.4	244.1	466.9	708.0
Corporate income tax	10.4	21.5	32.8	64.6	93.5	184.0
Social Insurance tax and contributions	4.3	14.7	44.4	157.8	380.0	553.0
Excises	7.6	11.7	15.7	24.3	35.3	52.0
Estate and gift taxes	0.7	1.6	3.6	6.4	11.5	21.0
Custom duties	0.4	1.1	2.4	7.2	16.7	19.0
Miscellaneous receipts	0.2	1.2	3.4	12.7	28.0	31.0
Total [1]	39.4	92.5	192.8	517.1	1032.0	1567.0
On-budget revenues	37.3	81.9	159.3	403.9	750.3	1164.0
Off-budget revenues [2]	2.1	10.6	33.5	113.2	281.7	403.0

[1] Details may not add to totals due to rounding.
[2] Social Security [OASDI] revenues.

Source: CBO March 1997 baseline revenues.

TABLE 4.—CBO BASELINE REVENUES SOURCE AS PERCENT OF GDP UNDER PAST AND CURRENT LAW

[Includes on- and off-budget revenues, fiscal years]

	Historical					Projected
	1950	1960	1970	1980	1990	1998
Individual income tax	5.8	7.9	9.0	9.0	8.2	8.6
Corporate income tax	3.8	4.1	3.3	2.4	1.6	2.2
Social Insurance tax and contributions	1.6	2.8	4.4	5.8	6.7	6.8
Excises	2.8	2.3	1.6	0.9	0.6	0.6

TABLE 4.—CBO BASELINE REVENUES SOURCE AS PERCENT OF GDP UNDER PAST AND CURRENT LAW—Continued

[Includes on- and off-budget revenues, fiscal years]

	Historical					Projected
	1950	1960	1970	1980	1990	1998
Estate and gift taxes	0.2	0.3	0.4	0.2	0.2	0.3
Custom duties	0.1	0.2	0.2	0.3	0.3	0.2
Miscellaneous receipts	0.1	0.2	0.3	0.4	0.5	0.4
Total [1]	14.5	17.8	19.1	19.0	18.2	19.1
On-budget revenues	13.7	15.8	15.8	14.9	13.2	14.2
Off-budget revenues [2]	0.8	2.1	3.3	4.2	5.0	4.9

[1] Details may not add to totals due to rounding.
[2] Social Security [OASDI] revenues.

Source: CBO March 1997 baseline revenues.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1997–2001

[Billions of Dollars]

Function	Corporations					Individuals					Total 1997–01
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001	
National Defense											
Exclusion of benefits and allowances to Armed Forces personnel	.....	.....	.....	.....	.....	2.1	2.1	2.2	2.2	2.3	10.9
Exclusion of military disability benefits	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
International Affairs											
Exclusion of income earned abroad by U.S. citizens	.....	.....	.....	.....	.....	1.7	1.8	1.9	1.9	2.0	9.3
Exclusion of certain allowances for Federal employees abroad	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	1.5	1.5	1.6	1.6	1.7	.....	.....	.....	.....	.....	7.9
Deferral of income of controlled foreign corporations	1.0	1.1	1.1	1.2	1.2	.....	.....	.....	.....	.....	5.6
Inventory property sales source rule exception	3.7	3.7	3.8	3.8	3.8	.....	.....	.....	.....	.....	18.8
General Science, Space, and Technology											
Tax credit for qualified research expenditures	0.3	0.9	0.2	0.1	0.1	(1)	(1)	(1)	(1)	.....	1.6
Expensing of research and experimental expenditures	2.4	2.6	2.8	3.0	3.2	(1)	(1)	(1)	(1)	(1)	14.0
Energy											
Expensing of exploration and development costs:											
Oil and gas	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion:											
Oil and gas	0.5	0.5	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.1	3.0
Other fuels	0.2	0.2	0.2	0.2	0.2	(1)	0.1	0.1	0.1	0.1	1.4
Tax credit for enhanced oil recovery costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Tax credit for production of non-conventional fuels	1.0	1.0	1.0	1.0	1.0	0.3	0.3	0.3	0.3	0.3	6.5
Tax credits for alcohol fuels [2]	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Exclusion of interest on State and local government industrial development bonds for energy production facilities	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.9
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	1.0
Exclusion of energy conservation subsidies provided by public utilities	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.2
Tax credit for investments in solar and geothermal energy facilities	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Tax credits for electricity production from wind and biomass	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.6
Tax credit for electric vehicles	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deductions for clean-fuel vehicles and refueling property	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Natural Resources and Environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	(1)	0.1	0.1	0.1	0.1	1.5

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1997–2001—Continued

[Billions of Dollars]

Function	Corporations					Individuals					Total 1997–01
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001	
Tax credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of multiperiod timber-growing costs	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.2
Tax credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Exclusion of contributions in aid of construction for water and sewer utilities	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	0.2
Agriculture											
Expensing of soil and water conservation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of fertilizer and soil conditioner costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of the costs of raising dairy and breeding cattle	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.2	0.2	0.8
Exclusion of cost-sharing payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	.....	.....	.....	.....	.....	0.1	0.1	0.1	(1)	(1)	0.3
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Commerce and Housing											
Financial institutions:											
Bad-debt reserves of financial institutions	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	0.1
Exemption of credit union income	0.9	0.9	0.9	1.0	1.0	.....	.....	.....	.....	.....	4.7
Insurance companies:											
Exclusion of investment income of life insurance and annuity contracts	1.2	1.2	1.2	1.3	1.3	20.4	21.1	21.9	22.7	23.4	115.8
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Special treatment of life insurance company reserves	1.8	1.9	2.0	2.2	2.3	.....	.....	.....	.....	.....	10.3
Deducation of unpaid property loss reserves for property and casually insurance companies	2.5	2.8	3.1	3.4	3.7	.....	.....	.....	.....	.....	15.5
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.4	.....	.....	.....	.....	.....	2.0
Housing:											
Deductibility of mortgage interest on owner-occupied residences	.....	.....	.....	.....	.....	41.3	42.6	43.9	45.4	47.0	220.2
Deductibility of property tax on owner-occupied residences	.....	.....	.....	.....	.....	15.6	16.4	17.2	17.9	18.8	86.0
Deferral of capital gains sales of principal residences	.....	.....	.....	.....	.....	18.6	18.8	19.0	19.2	19.4	95.0
Exclusion of capital gains on sales of principal residences for persons age 55 and over ($125,000 exclusion)	.....	.....	.....	.....	.....	4.9	5.1	5.2	5.4	5.6	26.3
Exclusion of interest on State and local government bonds for owner-occupied housing	0.5	0.5	0.5	0.5	0.5	1.5	1.5	1.5	1.6	1.6	10.4
Exclusion of interest on State and local government bonds for rental housing	0.3	0.3	0.3	0.3	0.3	0.7	0.7	0.8	0.8	0.8	5.1
Depreciation of rental housing in excess of alternative depreciation system	1.2	1.1	1.0	1.0	1.0	0.8	0.8	0.7	0.7	0.7	9.0
Tax credit for low-income housing	1.0	1.1	1.2	1.4	1.6	1.8	2.1	2.3	2.5	2.9	17.9

Other business and commerce:											
Maximum 28% tax rate on long-term capital gains	.....	.....	.....	.....	.....	10.5	11.5	12.8	14.5	16.2	65.5
Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.2	2.6	1.9	1.5	1.2	1.4	1.1	0.9	0.7	0.5	15.0
Depreciation of equipment in excess of alternative depreciation system	22.8	23.2	24.2	25.0	25.3	5.9	6.1	6.5	6.9	7.0	152.9
Expensing of depreciable business property	0.6	0.6	0.6	0.6	0.8	0.4	0.3	0.3	0.3	0.4	4.9
Exclusion of capital gains at death	.....	.....	.....	.....	.....	15.5	17.2	18.4	19.6	20.8	91.5
Carryover basis of capital gains on gifts	.....	.....	.....	.....	.....	1.5	1.6	1.6	1.7	1.7	8.1
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Reduced rates on first $10,000,000 of corporate taxable income	4.1	4.2	4.3	4.4	4.5	.....	.....	.....	.....	.....	21.5
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.4	0.5	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.4	4.3
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government small-issue industrial development bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.2	0.2	1.4
Deferral of gain on like-kind exchanges	0.5	0.5	0.6	0.6	0.6	0.3	0.3	0.4	0.4	0.4	4.6
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.5	0.5	0.5	0.5	0.5	.....	.....	.....	.....	.....	2.5
Tax credit for employer-paid FICA taxes on tips	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.3
Deferral of gain on involuntary conversions resulting from Presidentially-declared disasters	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Transportation											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Exclusion of employer-paid transportation benefits	.....	.....	.....	.....	.....	3.1	3.1	3.2	3.2	3.2	15.8
Exclusion of interest on State and local government bonds for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Community and Regional Development											
Tax credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities	0.3	0.3	0.3	0.3	0.3	0.7	0.8	0.8	0.9	0.9	5.6
Regional economic development tax incentives: empowerment zones, enterprise communities, and Indian investment incentives	0.1	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.3	0.3	2.1
Education, Training, Employment, and Social Services											
Education and training:											
Exclusion of scholarship and fellowship income	.....	.....	.....	.....	.....	0.8	0.9	0.9	1.0	1.1	4.6
Parental personal exemption for students age 19 to 23	.....	.....	.....	.....	.....	0.8	0.8	0.9	0.9	1.0	4.4
Exclusion of interest on State and local government student loan bonds	0.1	0.1	0.1	0.1	.1	0.2	0.2	0.2	0.2	0.2	1.4
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.2	0.2	0.2	0.3	0.3	0.6	0.7	0.7	0.7	0.8	4.7
Deductibility of charitable contributions for educational institutions	0.9	0.9	1.0	1.1	1.2	2.1	2.3	2.4	2.5	2.6	17.0
Exclusion of interest on educational savings bonds	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of tax on earnings of qualified State tuition programs	.....	.....	.....	.....	.....	0.1	0.2	0.2	0.2	0.3	1.0

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1997–2001—Continued

[Billions of Dollars]

Function	Corporations					Individuals					Total 1997–01
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001	
Employment:											
Exclusion of employee meals and lodging (other than military)	.....	.....	.....	.....	.....	0.7	0.7	0.7	0.8	0.8	3.7
Special tax provisions for employee stock ownership plans (ESOPs)	0.7	0.8	0.9	1.0	1.0	(1)	(1)	(1)	(1)	(1)	4.4
Exclusion of benefits provided under cafeteria plans [3]	.....	.....	.....	.....	.....	5.0	5.7	6.5	7.2	7.9	32.2
Exclusion of rental allowances for ministers' homes	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.3	0.4	1.6
Exclusion of miscellaneous fringe benefits	.....	.....	.....	.....	.....	5.5	5.8	6.2	6.5	6.9	30.9
Exclusion of employee awards	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of income earned by voluntary employees' beneficiary associations	.....	.....	.....	.....	.....	0.5	0.5	0.6	0.6	0.6	2.7
Work opportunity tax credit	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	.....	0.4
Social services:											
Deductibility of charitable contributions, other than for education and health	0.8	0.9	1.0	1.1	1.2	15.3	16.0	16.7	17.5	18.4	88.8
Tax credit for child and dependent care expenses	.....	.....	.....	.....	.....	2.8	2.9	2.9	3.0	3.0	14.5
Exclusion of employer-provided child care [4]	.....	.....	.....	.....	.....	0.8	0.9	1.0	1.2	1.3	5.2
Exclusion of certain foster care payments	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Adoption tax credit and employee adoption benefits exclusion	(1)	(1)	(1)	(1)	(1)	0.4	0.4	0.4	0.4	0.4	1.5
Expensing of costs for removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Tax credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of employer contributions for medical care, health insurance premiums, and long-term care insurance premiums [5]	.....	.....	.....	.....	.....	51.5	55.3	59.4	63.6	68.2	298.0
Exclusion of medical care and CHAMPUS medical insurance for military dependents, retirees, and retiree dependents	.....	.....	.....	.....	.....	0.6	0.6	0.6	0.6	0.6	3.0
Deductibility of health insurance premiums and long-term care insurance premiums by the self-employed	.....	.....	.....	.....	.....	0.7	0.9	1.1	1.2	1.3	5.2
Deductibility of medical expenses and long-term care expenses	.....	.....	.....	.....	.....	4.3	5.0	5.5	6.1	6.7	27.6
Medical savings accounts	.....	.....	.....	.....	.....	0.1	0.2	0.3	0.3	0.3	1.2
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.4	0.5	0.5	0.5	0.6	1.3	1.3	1.4	1.5	1.6	9.6
Deductibility of charitable contributions to health organizations	0.6	0.7	0.7	0.8	0.9	1.6	1.6	1.7	1.8	1.9	12.3
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance	.....	.....	.....	.....	.....	12.2	13.6	15.2	16.9	18.9	76.8
Supplementary medical insurance	.....	.....	.....	.....	.....	5.5	6.3	7.2	8.3	9.5	36.8
Income Security											
Exclusion of workers' compensation benefits	.....	.....	.....	.....	.....	3.8	3.9	4.0	4.1	4.2	20.0

Exclusion of special benefits for disabled coal miners	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cash public assistance benefits	.....	.....	.....	.....	.....	0.5	0.5	0.5	0.5	0.5	2.5
Net exclusion of pension contributions and earnings:											
Employer plans	.....	.....	.....	.....	.....	70.5	73.6	76.7	79.9	80.0	380.7
Individual retirement plans	.....	.....	.....	.....	.....	9.3	9.8	10.3	10.9	11.5	51.8
Keogh plans	.....	.....	.....	.....	.....	3.7	3.9	4.2	4.4	4.7	20.9
Exclusion of other employee benefits:											
Premiums on group term life insurance	.....	.....	.....	.....	.....	1.7	1.7	1.8	1.8	1.9	8.9
Premiums on accident and disability insurance	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of employer-provided death benefits	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Additional standard deduction for the blind and the elderly	.....	.....	.....	.....	.....	1.9	2.0	2.2	2.3	2.5	10.9
Tax credit for the elderly and disabled	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Deductibility of casually and theft losses	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Earned income credit (EIC)[6]	.....	.....	.....	.....	.....	3.5	3.7	3.9	3.9	4.5	19.5
Social Security and Railroad Retirement											
Exclusion of untaxed social security and railroad retirement benefits	.....	.....	.....	.....	.....	25.3	26.5	27.8	29.2	30.6	139.4
Veterans' Benefits and Services											
Exclusion of veterans' disability compensation	.....	.....	.....	.....	.....	1.8	1.8	1.8	1.8	1.9	9.1
Exclusion of veterans' pensions	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of GI bill benefits	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government bonds for veterans' housing	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.4
General Purpose Fiscal Assistance											
Exclusion of interest on public purpose State and local government debt	3.6	3.8	4.0	4.3	4.5	10.5	11.1	11.6	12.4	13.1	78.9
Deduction of nonbusiness State and local government income and personal property taxes	.....	.....	.....	.....	.....	27.3	28.6	30.0	31.5	33.0	150.4
Tax credit for Puerto Rico and possession income	3.2	3.4	3.7	3.9	4.0	.....	.....	.....	.....	.....	18.2
Interest											
Deferral of interest on savings bonds	.....	.....	.....	.....	.....	1.4	1.5	1.6	1.7	1.8	8.0

[1] Positive tax expenditure of less than $50 million.

[2] In addition, the 54-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.5 billion per year in fiscal years 1997 through 2000, and $0.6 billion in fiscal year 2002.

[3] Estimate includes amounts of employer-provider health insurance purchased through cafeteria plans and employer-provided child care purchased dependent care flexible spending accounts. These amounts are also included in other line items in this table.

[4] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[5] Estimate includes employer-provided health insurance purchased through cafeteria plans.

[6] The figures in the table show the effect of the EIC on receipts. The increase in outlays is: $21.6 billion in 1997, $22.4 billion in 1998, $23.2 billion in 1999, $24.4 billion in 2000, and $25.4 billion in 2001.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

ECONOMIC ASSUMPTIONS

ECONOMIC ASSUMPTIONS OF THE BUDGET RESOLUTION

The Committee's budget resolution is built upon economic assumptions developed by the Congressional Budget Office [CBO]. These figures are "post-policy," as they assume policies that will balance the Federal budget by 2002 (see Table 1). The economic assumptions comprise a short-term forecast for 1997 and 1998, which reflects the current state of the economy relative to the business cycle, and a longer-term projection for 1999 through 2002. CBO's technical revenue updating, to reflect the consequences of extra revenue collected in fiscal year 1997, is incorporated. Slight adjustments to CBO's price measures to reflect new information on potential non-legislated technical changes on the CPI from the BLS, announced after CBO had published its economic forecast, as well as corrections due to reassessments by CBO of recent CPI technical changes, are incorporated.

REVIEW OF ECONOMIC DEVELOPMENTS IN 1996

The modest growth of the current expansion started in 1992 continued in 1996, at a rate close to the economy's potential real growth rate. The most significant economic events during 1996 have been that price inflation seems subdued despite of tight labor markets, monetary policy did not change its moderately restrictive stance, the Federal deficit for fiscal year 1996 came in much lower than projected, and the stock market continued its surge.

The tight labor markets of the past few years do not typically persist, as they have, without leading to bottlenecks in the economy. Shortages of skill should tend to push up compensation, at least faster than the experience thus far in this business cycle. Even the limited rises so far in labor cost have not led to adverse price behavior. Many analysts have cited widespread job anxiety as a key factor significantly holding down wage growth.

Monetary policy in 1996, aided by bond market reaction, continued to be restrictive. Since the last recession, the main policy objective of the Federal Reserve Board [FED] has been to ensure that its monetary policy supports a rate of economic growth that is consistent with low inflation (the so-called "soft landing"). In contrast to 1994 when the FED raised rates several times in response to fairly brisk economic growth to preemptively lower inflationary pressures, the FED held rates steady for 1996 (after a mild cut in January) even as growth accelerated.

This was possible without adverse consequences because in the first half of 1996, long-term interest rates were bid up by the bond market in anticipation that strong growth in employment would

lead to inflationary pressures. In addition, special factors held down inflationary pressures. These factors include: a continuation of the world-wide trend towards lower inflation, so that import prices declined; continued sharp slowdown in medical care costs, unusually rapid declines in computer prices; and technical revisions by the Bureau of Labor Statistics [BLS] on the CPI. The absence of these temporary factors at some point over the next two years will likely increase inflationary pressures.

During the year, a low-inflation environment, continued high corporate profits and momentum continued to boost the stock market, as individuals shifted massively to investing in financial assets. (Housing is the major asset investment for consumers, yet in a low-inflation environment the returns to physical assets such as housing fall and returns to financial assets rise—as seen in the past 2 years with the boom in the stock market and stagnant housing prices.) Many analysts, including the Chairman of the Federal Reserve, Alan Greenspan, warned of a possible speculative bubble in the stock market, or "irrational exuberance," as the gains in the stock market (if sustained) would far outstripped what reasonable economic fundamentals would imply.

In spite of a largely stable economic environment, concerns have been raised about the risk exposure and balance sheets for households. Household debt burdens are increasingly heavy, rising to historically high levels. Personal bankruptcies rates have risen to new levels. So far, the growth in debt has been offset by the rise in household financial assets, of which an increasingly larger portion is based on equities. In addition, the personal savings rate, even after a modest rise over the last two years, continued to be well below the historical average of more than a decade ago. Consumption growth continue to lag as it did in 1995, even though personal incomes rose.

The Federal budget deficit dropped sharply lower for 1996 to a level half of that projected two years ago. This drop is also reflected in lower future deficit levels. Personal tax receipts increased more than expected, due to growth in the economy and legislative changes over the last few years, raising the prospect that the national income statistics have been mismeasuring incomes, or that projected tax receipts are not picking up trend changes in the composition of tax payments. If the former is true, the potential growth rate of the economy may be higher than commonly assumed, perhaps because capacity measures have underestimated the slack available in the economy.

SHORT-TERM OUTLOOK FOR 1997 AND 1998

CBO estimates the growth rate of real GDP to be 2.1 percent in 1997 and 1998. The short-term forecast also shows that during 1997 and 1998 both growth and inflation will remain unchanged, but that the unemployment rate of 5.4 percent at the end of 1996 is expected to rise to 5.6 percent by 1998. The inflation rate will also rise slightly to about 3.0 percent a year (after 1999, the assumed CPI growth rate is adjusted downwards by 0.3 percent to reflect correction in measurement, as described below). Both short-term and long-term interest rates (3 month and 10-year Treasury rates) did not change from their levels in 1996.

The short-term forecast of GDP growth assumes continued spending by consumers on durable goods such as autos and by businesses on capital goods. But the Budget Committee continues to acknowledge the view expressed by some analysts that consumer spending may be inhibited by household indebtedness and slow wage growth over the short term horizon.

LONG-TERM OUTLOOK THROUGH 2002

CBO's long-term projections assume that the Fed will pursue a low-inflation environment that supports a rate of economic growth close to its long-term potential and reflects the likihood of a recession at some time in the projection period. Given a balanced budget, CBO projects for the period 1998 to 2002 that the economy will grow between 2.1 percent and 2.2 percent, adjusted for inflation.

This assessment is held by most analysts, that the economy appears to have entered a sustained period of slow growth: 2 years ago the long-term potential growth rate of the economy was thought to be about 2.5 percent. Analysts have lowered this estimate to between 2.1 percent and 2.3 percent currently. This lower than post-war average growth in the economy's potential growth rate is explained by two factors. First, national economic statistics have changed to using "chain-weights" measures to correct serious over-bias in recent rates of real growth. Previously, rapid decreases in the prices of computers and other electronic items grossly overstated the importance of such expenditure. Second, average labor supply growth is expected to be slower than average, due to demographic trends and lower expected labor force participation rates. Accordingly, projections of slower labor force growth in the future implies a reduction in the potential growth rate. Combined, both factors have lowered the potential growth rate by an average of 0.4 percentage points annually.

THE FISCAL DIVIDEND

CBO's economic projections assume that the Federal budget will be balanced by 2002. Economists generally believe that implementation of a credible deficit reduction plan will generate economic benefits in the form of lower interest rates, higher national savings, higher investment, and faster economic growth. These economic benefits will affect the Federal budget by reducing Federal interest payments and increasing revenues, thereby reducing projected deficits. This budgetary effect is referred to as the "fiscal dividend."

CBO assumes that a balanced budget will lower interest rates by 0.7 percentage points and cause a slight increase in productivity and real GDP by 2002. Including the debt-service savings due to these effects allows for a fiscal dividend of $77 billion over the 5 years 1997-2002. This figure is much lower than the figure projected last year of $254 billion, because of a lower fiscal year 1996 deficit, having one year less in the period for balance, and a slower response of interest rates.

REVENUE CORRECTION

In April, CBO estimated a total of $45 billion in extra revenues for 1997, $35 billion of which were already collected. For the re-

mainder of this fiscal year, $10 billion was projected, giving a total of $45 billion for this year, and reducing the fiscal year 1997 deficit to $67 billion. This would be much lower than anticipated (CBO previous estimate was $112 billion, which was lowered from $124 billion in January; OMB estimate is $128 billion). Previous to this change, private estimates of the federal deficit, using national economic statistics, had been consistently much lower than official and CBO projections, which are based on tax receipts, by typically $20-30 billion.

CBO judged—as did some private forecasters—that the higher taxable incomes recorded than expected is most likely to persist, hence future deficits will be lower. This is reflected in later years as a level reduction in the deficit of $45 billion each year from 1998 to 2002. The additional revenue is steadily smaller every year while debt service savings from a lower deficit become ever larger.

CBO balanced off factors arguing for a continuing trend for higher revenues and the possibility that these might be temporary factors. These factors include:

Technical Changes on Price Measures

CBO's assumptions on inflation do not incorporate new information on proposed technical changes on the CPI from the Bureau of Labor Statistics [BLS], announced after CBO had published its economic forecast, as well as corrections due to reassessments by CBO of recent CPI technical changes. The BLS has announced further plans to reduce the bias from the CPI after the CBO finished its forecast and baseline. These include actions as part, and in addition, to its plans for the 1998 revision. These are technical changes by BLS on the CPI as part of their normal activities which do not require legislative action by the Congress.

Since these actions can be expected to have some effect on reducing the bias in the CPI, CBO's estimates of these actions are incorporated. (CBO has often reflected upcoming technical changes on the CPI by BLS in their baseline.) The net changes on CPI due to technical changes, as estimated by CBO and assumed by the Committee, is 3 tenths of a percent annually starting in 1999, so that effectively, outlays are affected starting in 2000. Since these are measurement changes to correct errors, they will not have any impact on real variables or their relationships.

BLS has announced plans to decide on which categories of prices it will use a "geometric means" method of weighting prices on the lower level aggregation of price collection. There is little doubt that this change will occur, and that although not all items categories would be used, such a change would reduce the "substitution bias" in the CPI. The BLS has estimated that such action would likely have the effect of lowering the CPI by between 0 to 0.25 percent going forward in time from 1999, where 0 would occur if there was no adoption of this change, and 0.25 would occur if all items categories were so adjusted.

As part of the 1998 CPI rebenchmarking, the BLS has announced plans to change in 1999 the way they choose outlets for sampling items by switching from geographic to commodity group criteria. The new sample design will allow more frequent rotation allowing new goods to be included more rapidly. Doing so is ex-

pected to reduce the growth in the CPI because the CPI will then include earlier in the product cycle the prices of new goods which typically decline after they are introduced. CBO had estimated that this effect would lower the "new goods bias" in the CPI by between 0 and 0.2 percent.

CBO also adjusted its existing estimates for two more technical BLS actions: an increase in the CBO estimate of bias reduction due to the January 1997 change in hospital pricing and a decrease in the CBO estimate of the effect of the 1998 CPI rebenchmarking. These two revisions roughly cancel each other out.

The Committee has made a technical adjustment to reflect another technical correction by the BLS in July 1996. This action reduces the "formula bias" in the CPI and is estimated by the BLS as reducing the CPI by 0.1 percent. While the Administration adopted this figure, and assumed that the CPI would be depressed by 0.04 percent, net of the GDP deflator, CBO did not assume any additional change to the CPI, asserting that the CPI it uses after that date reflects some of the effects of such an adjustment. CBO allows that their estimates of taxable incomes may be 0.04 percent too low each year. The Committee has made the assumption that to be consistent, taxable incomes should be slightly adjusted.

COMMITTEE ECONOMIC ASSUMPTIONS

[Calendar years 1996–2002]

	Actual	Forecast		Projected			
	1996	1997	1998	1999	2000	2001	2002
Percent change (year over year):							
Real GDP	2.4	2.3	2.1	2.2	2.2	2.2	2.1
GDP Price Index	2.1	2.3	2.5	2.6	2.6	2.6	2.6
Inflation, CPI–U	3.0	2.9	2.9	2.7	2.7	2.7	2.7
Annual rate:							
Unemployment Rate	5.4	5.3	5.6	5.8	5.9	6.0	6.0
3-month Treasury Bill rate	5.1	5.0	5.0	4.6	4.2	3.9	3.9
10-year Treasury Note rate	6.4	6.2	6.1	5.8	5.5	5.5	5.5
Nominal Income (percentage of GDP):							
Wage and Salary Disbursements:	47.9	48.0	47.7	47.6	47.4	47.3	47.3
Corporate (book) Profits	8.4	8.2	8.1	7.9	7.8	7.9	7.8

Note: Forecast assumes balanced-budget fiscal policies. CPI after 1999 adjusted to reflect non-legislated measurement changes.

THE CONGRESSIONAL BUDGET PROCESS

The spending and revenue levels set forth in the budget resolution are executed through two parallel, but separate, mechanisms: allocations to the appropriations and authorizing committees, and reconciliation directives to the authorizing committees. The budget resolution includes instructions directing the authorizing committees to report legislation complying with the entitlement, revenue, and deficit reduction targets. The accompanying report allocates to the Appropriations Committee and authorization committees their respective shares of spending authority.

SPENDING ALLOCATIONS

As required under Sections 302(a) and 602(a) of the Congressional Budget Act of 1974, the spending levels established in the budget resolution are allocated to the Appropriations Committee

and each of the authorizing committees with mandatory spending authority.

The allocations serve as a committee-level ceiling on subsequent spending legislation. Under Section 310001(f) of the Violent Crime Reduction Act of 1994 (Public Law 103–322), a separate allocation is provided to the Appropriations Committee for programs authorized out of the Violent Crime Reduction Trust Fund.

Current Law Versus Discretionary Action. Pursuant to section 302(a) of the Budget Act, the allocations are divided into two categories: amounts provided under current law and amounts subject to discretionary action. Amounts provided under current law encompass programs that affect direct spending—entitlement and other programs that have permanent new budget authority or offsetting receipts. Amounts subject to discretionary action concern programs whose spending levels are set in annual appropriations bills.

Committee on Appropriations

The report accompanying the budget resolution allocates a lump sum of discretionary budget authority and corresponding outlays to the Committee on Appropriations.

Term. The allocations to the Appropriations Committee are for the fiscal year commencing on October 1 1997.

602(b) Allocations. Upon receiving its 602(a)/302(a) allocation, the Appropriations Committee is required to divide the 602(a) allocation among its 13 subcommittees. The amount that each subcommittee receives constitutes its 602(b) allocation.

Continuing Disability Reviews. Public Law 104–121 established a process to provide additional funding for continuing disability reviews for specified entitlement programs. Under Public Law 104–121, the chairman of the Budget Committee will increase the 602(a) allocations and aggregate spending levels whenever an appropriations bill or conference report is filed providing additional funding for continuing disability reviews [CDR's].

Section 304 of the resolution provides a separate allocation to the Committee on Appropriations for land acquisitions and exchanges, to be available only if used for that purpose.

Section 301 of the resolution establishes a deficit-neutral reserve fund for increased transportation spending from the Highway Trust Fund. The chairman of the Budget Committee is directed to increase the allocation of new transportation budget authority, subject to obligation limitations, to accommodate legislation reported by the Committee on Transportation and Infrastructure that provides contract authority above the levels assumed in the resolution for specified highway, transit, and highway safety accounts. The chairman will make a similar adjustment for the Appropriations Committee when it reports a bill setting the obligation limitations for the increased transportation spending that effectively determine the level of outlays. In order to be considered deficit neutral and hence eligible for an adjustment, the increased transportation spending authorized by the Committee on Transportation and Infrastructure must be offset in the same bill or previously enacted direct spending or revenue legislation.

Authorizing committees

The authorizing committees are allocated a lump sum of new budget authority and, in some cases, entitlement authority along with the corresponding outlays. Most of this spending is authorized under current law. The budget authority allocated to these committees is categorized as subject to discretionary action when the resolution assumes a new or expanded mandatory program or a reduction in an existing program.

Term. Since the spending authority for the authorization committees is multiyear and frequently permanent, the allocations are for the forthcoming budget year commencing on October 1 and the 5-year total for fiscal year 1998 through fiscal year 2002.

The Budget Act does not require the authorizing committees to file 602(b) allocations.

Types of Spending Authority. The authorizing committees may receive two types of direct spending in their allocations: new budget authority and entitlement authority. New budget authority is defined as authority provided by law to enter into financial obligations that will result in immediate or future outlays involving Federal Government funds.

Entitlement authority, which is a form of new budget authority, is defined as the authority to make payments, the budget authority for which is not provided by appropriations acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

The allocations for fiscal year 1998, and fiscal years 1998 through 2002, are as follows:

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	1998–2002
Appropriations Committee:						
Current level:						
Budget authority	274,392	304,803	330,585	342,433	373,040	1,625,253
Outlays	276,420	297,566	324,972	334,475	366,766	1,600,199
Discretionary action, general purpose:						
Defense:						
Budget authority	269,000	271,500	275,367	281,847	289,610	1,387,324
Outlays	266,823	266,518	268,995	270,663	273,100	1,346,099
Nondefense:						
Budget authority	251,657	255,699	257,326	255,785	256,964	1,277,431
Outlays	282,553	287,700	289,566	287,652	283,169	1,430,640
Land Acquisition and exchanges:						
Budget authority	700	0	0	0	0	700
Outlays	300	150	150	100	0	700
Subtotal						
Budget authority	521,357	527,199	532,693	537,632	546,574	2,665,455
Outlays	549,676	554,368	558,711	558,415	556,269	2,777,439
Violent Crime Reduction Trust Fund:						
Budget authority	5,500	5,800	4,500	4,400	4,500	24,700
Outlays	3,592	4,953	5,554	5,981	4,530	24,610
Total discretionary action:						
Budget authority	526,857	532,999	537,193	542,032	551,074	2,690,155
Outlays	553,268	559,321	564,265	564,396	560,799	2,802,049
Discretionary action by other committees:						
Budget authority	7,860	7,702	7,634	7,269	5,389	35,854
Outlays	7,245	7,300	3,355	11,376	5,309	34,585
Committee total:						
Budget authority	809,109	845,504	875,412	891,734	929,503	4,351,262
Outlays	836,933	864,187	892,592	910,247	932,874	4,436,833
Agriculture Committee:						
Current level (enacted law):						
Budget authority	9,824	9,646	9,113	7,852	7,559	43,994
Outlays	7,512	7,136	6,663	5,474	5,111	31,896

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	1998–2002
National Security Committee:						
Current level (enacted law):						
Budget authority	48,155	50,016	51,885	53,779	55,740	259,575
Outlays	48,005	49,864	51,761	53,660	55,625	258,915
Banking and Financial Services Committee:						
Current level (enacted law):						
Budget authority	4,406	5,049	5,645	5,790	5,979	26,869
Outlays	−3,067	−1,654	149	868	1,289	−2,415
Discretionary action:						
Budget authority	−136	−145	−147	−128	−110	−666
Outlays	−136	−233	−365	−422	−434	−1,590
Committee total:						
Budget authority	−4,270	4,904	5,498	5,662	5,869	26,203
Outlays	−3,203	−1,887	−216	446	855	−4,005
Economic Opportunity Committee						
Current level (enacted law):						
Budget authority	4,102	3,761	3,566	3,622	3,741	18,792
Outlays	3,508	3,450	3,291	3,275	3,367	16,891
Discretionary action:						
Budget authority	−248	−247	−158	−88	−1,057	−1,798
Outlays	−242	−247	−158	−88	−1,057	−1,792
Committee total:						
Budget authority	3,854	3,514	3,408	3,534	2,684	16,994
Outlays	3,266	3,203	3,133	3,187	2,310	15,099
New entitlement authority	1,726	2,544	2,776	2,871	2,970	12,887
Commerce Committee						
Current level (enacted law):						
Budget authority	2,729	6,329	9,120	12,112	12,802	43,092
Outlays	2,732	6,331	9,121	12,113	12,802	43,099
Discretionary action:						
Budget authority	0	−3,501	−3,502	−4,504	−14,806	−26,313
Outlays	0	−3,501	−3,502	−4,504	−14,806	−26,313
Committee total:						
Budget authority	2,729	2,828	5,618	7,608	−2,004	16,779
Outlays	2,732	2,830	5,619	7,609	−2,004	16,786

New entitlement authority	2,463	1,229	849	99	−2,265	2,375
International Relations Committee:						
Current level (enacted law):						
Budget authority	13,142	11,676	11,284	11,506	11,647	59,255
Outlays	12,952	12,527	11,931	11,774	11,758	60,942
Government Reform and Oversight Committee:						
Current level (enacted law):						
Budget authority	56,916	59,155	61,544	64,095	66,878	308,588
Outlays	55,822	57,745	59,920	62,393	65,069	300,949
Discretionary action:						
Budget authority	−632	−625	−619	−614	−608	−3,098
Outlays	−632	−625	−619	−614	−608	−3,098
Committee total:						
Budget authority	56,284	58,530	60,925	63,481	66,270	305,490
Outlays	55,190	57,120	59,301	61,779	64,461	297,851
Oversight Committee:						
Current level (enacted law):						
Budget authority	93	97	94	93	94	471
Outlays	27	64	247	81	25	444
Public Lands and Resources Committee:						
Current level (enacted law):						
Budget authority	2,252	2,328	2,337	2,346	2,389	11,652
Outlays	2,152	2,334	2,339	2,315	2,313	11,453
Judiciary Committee:						
Current level (enacted law):						
Budget authority	4,084	4,162	4,278	4,373	4,456	21,353
Outlays	4,142	4,015	4,130	4,236	4,279	20,802
Discretionary action:						
Budget authority	146	183	188	193	189	908
Outlays	177	214	219	223	230	1,063
Committee total:						
Budget authority	4,230	4,345	4,466	4,566	4,654	22,261
Outlays	4,319	4,229	4,349	4,459	4,509	21,865
Transportation and Infrastructure Committee:						
Current level (enacted law):						
Budget authority	18,040	15,883	16,051	16,197	16,387	82,558
Outlays	17,350	16,906	16,613	16,470	16,457	83,796
Discretionary action:						
Budget authority	29,895	30,932	31,642	32,349	32,538	157,356
Outlays	65	243	398	490	13	1,209

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	1998–2002
Committee total:						
Budget authority	47,935	46,815	47,693	48,546	48,925	239,914
Outlays	17,415	17,149	17,011	16,960	16,470	85,005
Science Committee:						
Current level (enacted law):						
Budget authority	39	32	32	32	32	167
Outlays	36	36	36	33	32	173
Small Business Committee:						
Current level (enacted law):						
Budget authority	250	0	0	0	0	250
Outlays	−100	−263	−142	−110	−84	−699
Veterans' Affairs Committee:						
Current level (enacted law):						
Budget authority	1,358	1,291	1,264	1,196	1,107	6,216
Outlays	1,440	1,456	1,431	1,409	1,373	7,109
Discretionary action:						
Budget authority	−224	−356	−360	−362	−363	−1,665
Outlays	−224	−356	−360	−362	−363	−1,665
Committee total:						
Budget authority	1,134	935	904	834	744	4,551
Outlays	1,216	1,100	1,071	1,047	1,010	5,444
New entitlement authority	327	656	−575	3,269	2,096	5,773
Ways and Means Committee:						
Current level (enacted law):						
Budget authority	672,255	705,953	730,987	755,233	782,020	3,646,448
Outlays	671,092	704,498	734,175	749,280	780,125	3,639,170
Discretionary action:						
Budget authority	−5,918	−16,268	−22,088	−28,799	−40,073	−113,146
Outlays	−5,918	−16,268	−26,065	−24,822	−40,076	−113,149
Committee total:						
Budget authority	666,337	689,685	708,899	726,434	741,947	3,533,302
Outlays	665,174	688,230	708,110	724,458	740,049	3,526,021
New entitlement authority	400	390	−1,007	1,550	270	1,603

Unassigned to Committee:						
Current level (enacted law):						
Budget authority	−282,623	−290,881	−301,076	−307,579	−324,299	−1,506,458
Outlays	−281,839	−283,881	−295,076	−302,579	−319,299	−1,482,674
Discretionary action:						
Budget authority	−139	−176	−181	−186	−191	−873
Outlays	−139	−176	−181	−186	−191	−873
Committee total:						
Budget authority	−282,762	−291,057	−301,257	−307,765	−324,490	−1,507,331
Outlays	−281,978	−284,057	−295,257	−302,765	−319,490	−1,483,547
Total current level:						
Budget authority	829,414	889,300	936,709	973,080	1,019,572	4,648,075
Outlays	818,184	878,130	931,561	955,167	1,007,008	4,590,050
Total discretionary action:						
Budget authority	557,461	550,498	549,602	547,162	531,991	2,736,714
Outlays	553,664	545,872	537,187	545,687	509,016	2,691,426
Grand totals:						
Budget authority	1,386,875	1,439,798	1,486,311	1,520,242	1,551,563	7,384,789
Outlays	1,371,848	1,424,002	1,468,748	1,500,854	1,516,024	7,281,476
Total new entitlement authority	4,916	4,819	2,043	7,789	3,071	22,638

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR 1998

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
APPROPRIATIONS COMMITTEE			
Current level (enacted law):			
050—National defense	197	197	0
150—International affairs	174	174	0
300—Natural resources and environment	68	109	0
350—Agriculture	2,370	1,709	0
370—Commerce and housing credit	35	−1,155	0
400—Transportation	637	634	0
500—Education, training, employment and social services	7,029	7,777	0
550—Health	109,760	109,795	0
570—Medicare	62,297	62,297	0
600—Income security	61,828	64,935	0
650—Social Security	21	21	0
700—Veterans benefits and services	20,950	20,901	0
750—Administration of Justice	400	393	0
800—General government	8,618	8,625	0
900—Net interest	8	8	0
Subtotals	274,392	276,420	0
Discretionary appropriations action (assumed legislation)			
050 National defense	269,000	266,823	0
150 International affairs	19,038	19,179	0
250 General science, space, and technology	16,199	16,847	0
270 Energy	4,754	5,045	0
300 Natural resources and environment	22,107	21,093	0
350 Agriculture	4,055	4,143	0
370 Commerce and housing credit	3,133	3,066	0
400 Transportation	13,556	38,267	0
450 Community and regional development	8,288	10,044	0
500 Education, training, employment and social services	46,721	43,185	0
550 Health	24,896	24,612	0
570 Medicare	2,715	2,724	0
600 Income security	32,937	41,265	0
650 Social Security	3,255	3,355	0
700 Veterans benefits and services	18,476	19,266	0
750 Administration of Justice	18,905	18,578	0
800 General government	12,622	11,884	0
Subtotals	520,657	549,376	0
Land Acquisition & exchanges:			
300 Natural resources and environment	700	300	0
Subtotal, general purpose discretionary	521,357	549,676	0
Violent crime reduction trust fund:			
750 Administration of Justice	5,500	3,592	0
Total, discretionary actions	526,857	553,268	0
Discretionary action by other committees (assumed entitlement legislation):			
500 Education, training, employment, and social services	2,538	1,955	0
550 Health	2,863	2,863	0
600 Income Security	2,100	2,100	0
700 Veterans benefits and services	359	327	0
Subtotals	7,860	7,245	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR 1998—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Committee totals	809,109	836,933	0
AGRICULTURE COMMITTEE			
Current level (enacted law):			
150 International affairs	−483	−483	0
270 Energy	0	−1,036	0
300 Natural resources and environment	2,502	2,570	0
350 Agriculture	7,635	6,183	7,447
370 Commerce and housing credit	0	4	0
400 Transportation	30	30	0
450 Community and regional development	27	126	0
800 General government	113	118	0
900 Net interest	0	0	8
Subtotals	9,824	7,512	7,455
Committee totals	9,824	7,512	7,455
NATIONAL SECURITY COMMITTEE			
Current level (enacted law):			
050 National defense	16,704	16,662	0
300 Natural resources and environment	3	3	0
400 Transportation	−2	−22	0
500 Education, training, employment, and social services	5	3	0
600 Income security	31,265	31,178	0
700 Veterans benefits and services	180	181	180
Subtotals	48,155	48,005	180
Committee totals	48,155	48,005	180
BANKING AND FINANCIAL SERVICES COMMITTEE			
Current level (enacted law):			
150 International affairs	−1,059	−2,363	0
370 Commerce and housing credit	1,375	−4,686	0
450 Community and regional development	0	−147	0
600 Income security	46	85	0
800 General government	2	2	0
900 Net interest	4,042	4,042	0
Subtotals	4,406	−3,067	0
Discretionary action (assumed legislation):			
370 Commerce and housing credit	−136	−136	0
Subtotals	−136	−136	0
Committee totals	4,270	−3,203	0
COMMITTEE ON EDUCATION AND THE WORKFORCE			
Current level (enacted law):			
500 Education, training, employment, and social services	3,957	3,365	3,288
600 Income security	145	143	9,866
Subtotals	4,102	3,508	13,154

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR 1998—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Discretionary action (assumed legislation):			
500 Education, training, employment, and social services	−248	−242	1,726
Subtotals	−248	−242	1,726
Committee totals	3,854	3,266	14,880
COMMERCE COMMITTEE			
Current level (enacted law):			
300 Natural resources and environment	31	31	0
370 Commerce and housing credit	2,078	2,078	1,700
500 Education, training, employment, and social services	1	1	0
550 Health	611	614	105,536
800 General government	8	8	0
Subtotals	2,729	2,732	107,236
Discretionary action (assumed legislation):			
550 Health	0	0	2,463
Subtotals	0	0	2,463
Committee totals	2,729	2,732	109,699
Current level (enacted law):			
150 International affairs	12,595	12,407	0
400 Transportation	7	7	0
600 Income security	534	532	522
800 General government	6	6	0
Subtotals	13,142	12,952	522
Committee totals	13,142	12,952	522
Current level (enacted law):			
370 Commerce and housing credit	10	9	0
550 Health	0	225	4,165
600 Income security	43,850	42,532	42,532
750 Administration of justice	50	50	50
800 General government	12,986	12,986	0
900 Net interest	20	20	0
Subtotals	56,916	55,822	46,747
Discretionary action (assumed legislation):			
370 Commerce and housing credit	−35	−35	0
950 Undistributed offsetting receipts	−597	−597	0
Subtotals	−632	−632	0
Committee totals	56,284	55,190	46,747
Current level (enacted law):			
500 Education, training, employment, and social services	25	26	0
800 General governnment	68	1	93
Subtotals	93	27	93
Committee totals	93	27	93

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR 1998—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
RESOURCES COMMITTEE			
Current level (enacted law):			
270 Energy	−44	−71	0
300 Natural resources and environment	929	794	27
370 Commerce and housing credit	66	36	0
450 Community and regional development	445	499	0
550 Health	4	4	0
800 General government	852	890	182
Subtotals	2,252	2,152	209
Committee totals	2,252	2,152	209
JUDICIARY COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	245	273	0
600 Income security	62	25	24
750 Administration of justice	1,659	1,726	215
800 General government	2,118	2,118	17
Subtotals	4,084	4,142	256
Discretionary action (assumed legislation):			
750 Administration of justice	146	177	0
Subtotals	146	177	0
Committee totals	4,230	4,319	256
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE			
Current level (enacted law):			
270 Energy	0	−104	0
300 Natural resources and environment	189	157	0
400 Transportation	2,578	2,051	634
450 Community and regional development	5	2	0
600 Income security	15,270	15,246	80
800 General government	−2	−2	0
Subtotals	18,040	17,350	714
Discretionary action (assumed legislation):			
300 Natural resources and environment	200	200	0
400 Transportation	29,695	65	0
Subtotals	29,895	265	0
Committee totals	47,935	17,615	714
SCIENCE COMMITTEE			
Current level (enacted law):			
250 General science, space, and technology	38	35	0
500 Education, training, employment, and social services	1	1	0
Subtotals	39	36	0
Committee totals	39	36	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR 1998—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
SMALL BUSINESS COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	0	−210	0
450 Community and regional development	250	110	0
Subtotals	250	−100	0
Committee totals	250	−100	0
VETERANS' AFFAIRS COMMITTEE			
Current level (enacted law):			
700 Veterans benefits and services	1,358	1,440	22,196
Subtotals	1,358	1,440	22,196
Discretionary action (assumed legislation):			
700 Veterans benefits and services	−224	−224	327
Subtotals	−224	−224	327
Committee totals	1,134	1,216	22,523
WAYS AND MEANS COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	0	0	6,935
550 Health	50	39	0
570 Medicare	231,519	231,654	226,966
600 Income security	65,068	63,790	23,509
650 Social security	8,148	8,148	0
750 Administration of Justice	493	481	0
800 General government	450	453	0
900 Net interest	366,612	366,612	366,612
950 Undistributed offsetting receipts	−85	−85	0
Subtotals	672,255	671,092	624,022
Discretionary action (assumed legislation):			
550 Health	0	0	400
570 Medicare	−6,500	−6,500	0
600 Income security	582	582	0
Subtotals	−5,918	−5,918	400
Committee totals	666,337	665,174	624,422
UNASSIGNED			
Current level (enacted law):			
050 National defense	−17,704	−17,704	0
150 International affairs	−14,356	14,356	0
270 Energy	−1,587	−1,587	0
300 Natural resources and environment	−2,852	2,582	0
350 Agriculture	−927	−143	0
370 Commerce and housing credit	−164	−164	0
400 Transportation	−99	−99	0
450 Community and regional development	−247	−247	0
500 Education, training, employment, and social services	−9	−9	0
550 Health	−385	−385	0
570 Medicare	−88,411	−88,411	0
600 Income security	−14,655	−14,655	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR 1998—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
700 Veterans benefits and services	−554	−554	0
750 Administration of justice	−2,249	−2,249	0
800 General government	−23,130	−23,130	0
900 Net interest	−74,135	−74,135	−60,736
950 Undistributed offsetting receipts	−41,159	−41,159	0
Subtotals	−282,623	−281,839	−60,736
Discretionary action (assumed legislation):			
750 Administration of justice	−139	−139	0
Subtotals	−139	−139	0
Committee totals	−282,762	−281,978	−60,736
Total—current level	829,414	818,184	762,048
Total—discretionary action	557,461	553,664	4,916
Grand totals	1,386,875	1,371,848	766,964

RECONCILIATION INSTRUCTIONS

As provided in Section 310(a) of the Congressional Budget Act of 1974, the budget resolution includes reconciliation instructions to eight authorizing committees to submit to the Budget Committee changes in law necessary to achieve the direct spending, revenue, and in one instance, deficit reduction targets in the budget resolution. Each of these committees is directed to achieve aggregate direct spending, aggregate revenue, or deficit reduction levels.

Two Separate Bills. Title II establishes a process for considering two separate reconciliation bills: the first for entitlement reform due on June 12; and the second for tax relief due on June 13. It is the intention of the leaders that Congress shall present the revenue reconciliation bill to the President after the spending reduction reconciliation bill. This assumes a good faith effort by all parties to enable such a legislative process to succeed.

Policy Assumptions. The spending, revenue, and deficit reduction levels reflect the budgetary effects of the direct spending and tax policies assumed in the budget resolution and the budget agreement. Where two committees share jurisdiction over an assumed policy, the reconciliation instructions of both committees reflect the budgetary effects of that policy. Medicare is an exception because parts A and B are allocated to both the Ways and Means and Commerce Committees, though Commerce has no jurisdiction over part A.

Children's Health Initiative. Section 204(f) of the resolution relates to the children's health initiative, which was reconciled to *both* the Ways and Means and Commerce committees. To ensure that the committees do not exceed their reconciled targets by both spending the $16 billion, it provides that the committees will have

been considered as having not met their targets if their *combined* recommendations would exceed $16 billion.

Term. The reconciliation targets are for fiscal year 1998 and the 5-year total for fiscal years 1998 through 2002 and fiscal year 2002. Committees have discretion in the levels they would achieve in fiscal years 1999, 2000, and 2001 as long as they comply with their targets for the first year, fifth year, and 5-year total.

Direct spending. All eight of the authorizing committees that received reconciliation instructions are required to make changes in law to achieve direct spending targets. Direct spending is defined in the Balanced Budget and Emergency Deficit Control Act as the combination of budget authority provided by law other than appropriations acts, entitlement authority, and the Food Stamp Program.

These instructions are described below:

RECONCILIATION BY HOUSE COMMITTEE

[In millions of dollars]

[Entitlement Reforms Due June 12, 1997]

Committee	1997 base	1998	2002	1998 to 2002
Agriculture:				
Direct Spending	31,559	34,571	37,008	211,443
Banking & Financial Services:				
Direct Spending	−17,563	−8,435	−5,091	−50,306
Commerce:				
Direct Spending	359,601	393,533	506,791	2,617,528
Education and the Workforce:				
Direct Spending	13,581	17,222	17,673	103,109
Government Reform & Oversight:				
Direct Spending	67,339	68,975	81,896	443,061
Deficit Reduction	0	0	621	1,829
Transportation & Infrastructure:				
Direct Spending	17,904	18,087	17,283	106,615
Veterans Affairs:				
Direct Spending	21,175	22,444	24,563	139,134
Ways & Means:				
Direct Spending	363,970	397,546	506,442	2,621,578
Revenues	1,139,647	1,176,253	1,386,546	7,517,939

RECONCILIATION BY HOUSE COMMITTEE

[In millions of dollars]

[Tax Relief Due June 13, 1997]

Committee	1997 base	998	2002	1998 to 2002
Agriculture:				
Direct Spending	31,559	34,571	37,008	211,443
Banking & Financial Services:				
Direct Spending	−17,563	−8,435	−5,091	−50,306
Commerce:				
Direct Spending	359,601	393,533	506,791	2,617,528
Education and the Workforce:				
Direct Spending	13,581	17,222	17,673	103,109
Government Reform & Oversight:				
Direct Spending	67,339	68,975	81,896	443,061
Deficit Reduction	0	0	621	1,829
Transportation & Infrastructure:				
Direct Spending	17,904	18,087	17,283	106,615
Veterans Affairs:				
Direct Spending	21,175	22,444	24,563	139,134

RECONCILIATION BY HOUSE COMMITTEE—Continued

[In millions of dollars]

[Tax Relief Due June 13, 1997]

Committee	1997 base	998	2002	1998 to 2002
Ways & Means:				
Direct Spending	363,970	397,546	506,442	2,621,578
Revenues	1,139,647	1,168,853	1,366,046	7,432,939

If reconciliation legislation is reported prior to June 13 the amounts contained in that legislation will be scored as part of the recommendations due on June 13.

RECONCILIATION ASSUMPTIONS BY AUTHORIZING COMMITTEE [1]

[In billions of dollars]

	Func./Proposal	1998	1999	2000	2001	2002	1998–2002
	AGRICULTURE						
600	Food Stamps	0.300	0.300	0.300	0.300	0.300	1.500
	Subtotal, Agriculture	0.300	0.300	0.300	0.300	0.300	1.500
	BANKING AND FINANCIAL SERVICES						
370	FHA single family assignment program	−0.136	−0.145	−0.147	−0.128	−0.110	−0.666
600	Assisted housing	0.000	−0.088	−0.218	−0.294	−0.324	−0.924
	Subtotal, Banking and Financial Services	−0.136	−0.233	−0.365	−0.422	−0.434	−1.590
	COMMERCE						
270	Lease excess SPR capacity	0.00	−0.001	−0.002	−0.004	−0.006	−0.013
270	Extend Nuclear Regulatory Commisson Fee	0.000	−0.325	−0.336	−0.347	−0.359	−0.367
550	Medicaid	−0.237	−1.771	−2.651	−3.901	−6.565	−15.125
550	Medicare low-income assistance	0.200	0.300	0.300	0.300	0.400	1.500
550	Children's Health Initiative [2]	2.500	2.700	3.200	3.700	3.900	16.000
570	Medicare [2]	−6.500	−16.800	−22.700	−29.000	−40.000	−115.000
300	Environmental reserve fund [2]	0.200	0.200	0.200	0.200	0.200	1.000
950	Spectrum Auctions	0.000	−3.500	−3.500	−4.500	−14.800	−26.300
	Subtotal, Commerce	−3.837	−19.197	−25.489	−33.552	−57.230	−139.305
	EDUCATION AND THE WORKFORCE						
500	Repeal approps. under Smith-Hughes	−0.001	−0.007	−0.007	−0.007	−0.007	−0.029
500	Student Loans	−0.241	−0.240	−0.151	−0.081	−1.050	−1.763
600	Welfare-to-Work grants [2]	0.700	0.700	1.000	0.600	0.000	3.000
	Subtotal, Economic and Educational Opportunity	0.458	0.453	0.842	0.512	−1.057	1.208
	GOVERNMENT REFORM AND OVERSIGHT						
	Direct Spending						
370	FECA reimbursement to Postal Service	−0.035	−0.034	−0.033	−0.032	−0.031	−0.165
950	Agency contributions to CSRS	−0.597	−0.591	−0.586	−0.582	−0.577	−2.933
	Subtotal, Government Reform and Oversight	−0.632	−0.625	−0.619	−0.614	−0.608	−3.098
	Deficit Reduction						
rev	Increase employee retirement contribution	0.000	−0.214	−0.423	−0.571	−0.621	−1.829
	Subtotal, Government Reform and Oversight	0.000	−0.214	−0.423	−0.571	−0.621	−1.829
	TRANSPORTATION AND INFRASTRUCTURE						
400	Asset sales	0.000	0.000	0.000	0.000	−0.540	−0.540

RECONCILIATION ASSUMPTIONS BY AUTHORIZING COMMITTEE [1]—Continued

[In billions of dollars]

Func./Proposal	1998	1999	2000	2001	2002	1998–2002
300 Environmental reserve fund [2]	0.200	0.200	0.200	0.200	0.200	1.000
400 Extend vessel tonnage fees	0.000	−0.049	−0.049	−0.049	−0.049	−0.196
Subtotal, Transportation and Infrastructure	0.200	0.151	0.151	0.151	−0.389	0.264
VETERANS AFFAIRS						
700 Withholding for VA overpaid benefits [2]	−0.090	0.000	0.000	0.000	0.000	0.090
700 Extend VA income verification (pensions) [2]	0.000	−0.004	−0.008	−0.012	−0.016	−0.040
700 Extend OBRA home loan provisions	−0.011	−0.228	−0.227	−0.224	−0.219	−0.909
700 Extend medical care collections	0.000	−0.250	−0.260	−0.271	−0.282	−1.063
700 Medical care administrative cost	−0.118	−0.123	−0.128	−0.133	−0.139	−0.641
700 Extend nursing home pension provisions	0.000	−0.129	−0.203	−0.131	−0.174	−0.637
700 Loan sales enhancements	−0.005	−0.005	−0.005	−0.005	−0.005	−0.025
700 Round Down Compensation COLA	−0.023	−0.051	−0.088	−0.101	−0.128	−0.391
Subtotal, Veterans Affairs	−0.247	−0.790	−0.919	−0.877	−0.963	−3.796
WAYS AND MEANS						
Direct Spending						
550 Children's Health Initiative [2]	2.500	2.700	3.200	3.700	3.900	16.000
550 Assistance to immigrants (medicaid portion)	0.400	0.400	0.300	0.300	0.300	1.700
570 Medicare [2]	−6.500	−16.800	−22.700	−29.000	−40.000	−115.000
600 Earned Income Credit (outlays)	0.000	−0.010	−0.028	−0.029	−0.030	−0.097
600 Raise unemp. ceiling	0.000	0.000	−0.200	−0.208	−0.216	−0.624
600 Assistance to immigrants	1.800	1.800	1.700	1.400	1.300	8.000
600 Welfare-to-work grants [2]	0.700	0.700	1.000	0.600	0.000	3.000
600 Administrative fees on SSI supplements	−0.035	−0.075	−0.080	−0.090	−0.100	−0.380
700 Withholding for VA overpaid benefits [2]	−0.090	0.000	0.000	0.000	0.000	−0.090
700 Extend VA income verification (pensions) [2]	0.000	−0.004	−0.008	−0.012	−0.016	−0.040
Subtotal, Ways and Means—Direct Spending	−1.225	−11.289	−16.816	−23.339	−34.862	−87.531
Revenue						
rev Earned Income Credit (revenue)	0.000	−0.003	−0.008	−0.008	−0.008	−0.027
rev Net tax relief	7.400	11.300	23.100	23.200	20.000	85.000
Subtotal, Ways and Means—Revenue	7.400	11.297	23.092	23.192	19.992	84.973
Direct Spending						
Total	−5.119	−31.230	−42.915	−57.841	−95.243	−232.348
Dual Assignments	−3.190	−13.204	−18.308	−24.512	−35.916	−95.130
Total less dual assignments	−1.929	−18.026	−24.607	−33.329	−59.327	−137.218
Revenue						
Total	7.400	11.083	22.669	22.621	19.371	83.144
Dual Assignments	0.000	0.000	0.000	0.000	0.000	0.000
Total less dual assignments	7.400	11.083	22.669	22.621	19.371	83.144

[1] Only FY 1998, 2002, and 1998–2002 amounts are reconciled.
[2] Denotes items reconciled to more than one committee.

ENFORCING THE BUDGET RESOLUTION

The budget resolution is more than a planning document. The allocations of spending authority and the aggregate levels of both spending authority and revenues are binding on the Congress when it considers spending and tax legislation. Legislation that would breach the levels set forth in the budget resolution is subject to points of order on the floor.

Asset Sales. Section 302 of the resolution changes the budgetary treatment of asset sales for the purposes of congressional budgeting. Under the new rule, the proceeds from the sale of assets would count against committee allocations and reconciliation instructions only if the sale would not increase the deficit as measured on a net present value basis. Asset sales with a zero or positive net present value would be scored on a cash basis. The budget agreement assumes a similar scoring change for purposes of PAYGO requirements.

The major Budget Act requirements are as follows:

Section 302(f). Prohibits consideration of legislation that exceeds a committee's allocation of new budget authority or new entitlement authority. Section 302(f) applies to the budget year and the 5-year total for authorizing committees. For appropriations bills, however, it applies only to the budget year. An exception is provided for legislation that is offset by tax increases (above and beyond those required by the budget resolution).

Section 303(a). Prohibits consideration of spending and tax legislation before the House has passed a budget resolution. Section 303(a) does not apply to budget authority and revenue provisions first effective in an outyear, nor to appropriation bills after May 15th.

Section 311(a)(1). Prohibits consideration of legislation that exceeds the ceiling on budget authority and outlays or reduces revenue below the revenue floor. Section 311(a)(1) applies to the budget year and 5-year total for bills increasing revenue, but only to the budget year for appropriation bills. Section 311 does not apply to appropriation and entitlement or otherwise mandatory spending bills that are under their 602(a) or (b) allocations.

Section 401(a). Prohibits consideration of legislation providing borrowing authority or contract authority that is not subject to appropriations.

Section 401(b)(1). Prohibits consideration of legislation creating new entitlement authority in the year preceding the budget year. Does not apply to trust funds primarily financed by earmarked taxes.

Spending provisions designated by Congress for emergencies are effectively exempt from sections 302, 303, and 311.

Under sections 303(g), 308(b)(2), and 311(c) of the Budget Act, the Budget Committee advises the presiding officer on the application of points of order against specific legislation pending before the House. House Budget Committee rules also authorize the chairman to poll the committee on recommendations to the Rules Committee to enforce the Budget Act by not waving points of order against specific legislation.

STATUTORY CONTROLS OVER THE BUDGET

Since 1985 a series of statutory budget controls has been superimposed on the congressional budget process through amendments to the Balanced Budget and Emergency Deficit Control Act. The latest generation of these controls, which were adopted as part of the Omnibus Budget Reconciliation Act of 1990 [OBRA '90], consists of limits or caps on discretionary appropriations and a Pay-As-You-Go [PAYGO] requirement for tax and entitlement legislation. Both the caps and PAYGO requirements are enforced through sequestration. As amended by the Omnibus Budget Reconciliation Act of 1993 [OBRA '93], these controls will expire at the end of fiscal year 1998.

DISCRETIONARY SPENDING LIMITS

OBRA 1990 as amended established separate limits on appropriations for defense, international affairs, and domestic discretionary appropriations through fiscal year 1993, and a single limit on all appropriations for fiscal years 1994 and 1995. OBRA 1993 extended the single limit through fiscal year 1998. Any breach of the cap triggers an across-the-board cut in all discretionary programs. Under existing law, the caps are automatically adjusted for changes in inflation, emergencies, estimating differences, and changes in concepts and definitions.

As part of the Omnibus Crime Control and Prevention Act of 1994, a separate cap was established for programs funded out of the Violent Crime Reduction Trust Fund (and discretionary spending limits were reduced by an equivalent amount). Any breach of this cap will also trigger an across-the-board sequester for programs authorized out of the trust fund. This cap will expire at the end of fiscal year 1998, although the trust fund is authorized through fiscal year 2000.

Under the budget agreement, the discretionary caps will be revised for fiscal year 1998 and extended through fiscal year 2002 at the levels assumed in the budget agreement. Separate limits will be imposed for defense and non-defense in fiscal years 1998 and 1999 such that a breach would trigger a sequester in the affected category only. These separate caps would be combined into a single category in fiscal years 2000, 2001, and 2002.

The budget agreement includes adjustments for emergencies, outlays estimating differences, arrearages, and exchanges of monetary assets.

PAY-AS-YOU-GO REQUIREMENTS

OBRA 1990 also established a PAYGO requirement for tax and entitlement legislation. Under PAYGO, the sum of all tax and enti-

tlement (or otherwise mandatory) legislation may not increase the net deficit in any fiscal year. PAYGO is enforced through a sequester applied to all non-exempt entitlement programs.

The budget agreement assumes the extension of PAYGO requirements through fiscal year 2002. It specifically provides that any existing balances, including the savings reflected in the budget agreement, would be reduced to zero to ensure the net savings are locked in for deficit reduction.

FY 1998 BUDGET RESOLUTION VS. PRESIDENT'S BUDGET: TOTALS

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
SUMMARY						
Total Spending:						
BA	−22.995	−17.215	−17.671	−21.559	−34.599	−114.038
O	−10.560	−18.681	−28.085	−15,352	−42.044	−114.721
Revenues	44.528	34.131	24.031	26.399	28.874	157.963
Deficit(−)/SURPLUS(+)	55.088	52.812	52.116	41.751	70.918	272.684
BY FUNCTION						
National Defense (050):						
BA	2.618	1.810	0.000	0.000	0.000	4.428
OL	1.000	2.757	0.001	0.835	−4.787	−0.194
International Affairs (150):						
BA	−3.973	−1.497	−0.578	−0.489	−0.567	−7.104
OL	−0.155	−1.098	−0.274	−0.377	−0.504	−2.408
General Science, Space, & Technology: (250):						
BA	−0.240	−0.255	−0.330	−0.466	−0.653	−1.944
OL	−0.115	−0.172	−0.256	−0.364	−0.578	−1,485
Energy (270):						
BA	0.023	−0.014	−0.089	−0.134	0.578	0.364
OL	−0.034	−0.043	−0.079	−0.084	−0.617	−0.377
Natural Resources & Environment (300):						
BA	0.363	−0.188	−0.290	−0.522	−0.704	−1.341
OL	0.370	−0.028	−0.148	−0.393	−0.629	−1.241
Agriculture (350):						
BA	−0.102	−0.057	−0.016	−0.091	−0.135	−0.401
OL	−0.007	−0.053	−0.058	−0.061	−0.105	−0.284
Commerce & Housing Credit (370):						
BA	−0.078	−0.004	−0.062	−0.028	−0.045	−0.217
OL	0.296	0.362	0.346	0.345	0.323	1.672
Transportation (400):						
BA	2.222	3.814	4.091	4.842	5.647	20.616
OL	0.755	2.268	2.049	1.942	1.725	8.739
Community & Regional Development (450):						
BA	−8.475	−0.129	−0.106	−0.223	−0.317	−9.250
OL	−1.030	−1.094	−0.670	−0.250	−0.296	−3.340
Education, Training, Employment, & Social Services (500):						
BA	−4.772	−1.812	−2.250	−1.461	−1.683	−11.978
OL	−1.098	−2.637	−2.922	−2.683	−1.354	−10.694
Health (550):						
BA	−1.986	−3.594	−1.360	−0.514	−2.027	−5.427
OL	−1.698	−3.425	−1.237	−0.346	−2.145	−4.561
Medicare (570):						
BA	−3.776	−6.879	−5.073	−6.768	−11.274	−33.770
OL	−3.755	−6.863	−9.038	−2.774	−11.260	−33.690
Income Security (600):						
BA	0.189	−0.278	−1.088	−1.891	−3.689	−6.757
OL	−0.442	−0.803	−3.812	0.645	−3.829	−8.241

FY 1998 BUDGET RESOLUTION VS. PRESIDENT'S BUDGET: TOTALS—Continued

[In billions of dollars]

Fiscal year	1998	1999	2000	2001	2002	1998–2002
Social Security (650):						
BA	−0.048	−0.051	−0.066	−0.093	−0.130	−0.388
OL	−0.023	−0.036	−0.052	−0.078	−0.127	−0.316
Veterans Benefits & Services (700):						
BA	−0.362	0.044	−0.128	−0.193	−0.442	−1.081
OL	−0.132	0.102	−1.753	1.633	−0.351	−0.501
Administration of Justice (750):						
BA	0.000	−0.391	−0.495	−0.712	−0.843	−2.441
OL	0.000	−0.252	−0.401	−0.591	−0.722	−1.966
General Government (800):						
BA	−0.170	−0.254	−0.411	−0.626	−1.442	−2.903
OL	−0.064	−0.186	−0.361	−0.561	−1.385	−2.557
Net Interest (900):						
BA	−4.393	−7.220	−9.263	−11.160	−13.949	−45.984
OL	−4.393	−7.220	−9.263	−11.160	−13.949	−45.984
Allowances (920):						
BA	0.000	0.000	0.000	0.000	0.000	0.000
OL	0.000	0.000	0.000	0.000	0.000	0.000
Undistributed Offsetting Receipts (950):						
BA	−0.035	−0.260	−0.157	−1.030	−6.987	−8.460
OL	−0.035	−0.260	−0.157	−1.030	−6.978	−8.460

Sense of Congress Provisions

Title IV of the budget resolution includes the following 5 Sense of Congress provisions:

Sec. 401. Sense of Congress on Baselines.

Sec. 402. Sense of Congress on Repayment of the Federal Debt.

Sec. 403. Sense of Congress on Commission on Long-Term Budgetary Problems.

Sec. 404. Sense of Congress on Corporate Welfare.

Sec. 405. Sense of Congress on Family Violence Option Clarifying Amendment.

Rollcall Votes and Related Matter

COMMITTEE VOTES

Clause 2(1)(2)(B) of House Rule XI requires each committee report to accompany any bill or resolution of a public character, ordered to include the total number of votes cast for and against on each rollcall vote on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against. Listed below are the rollcall votes taken on the Concurrent Resolution on the Budget for Fiscal Year 1998.

On May 16, 1997, the Committee met in open session, a quorum being present. The Committee adopted and ordered reported the Concurrent Resolution on the Budget for Fiscal Year 1998. The following votes were taken by the Committee:

1. Mr. Hobson made a motion to authorize the Chairman, consistent with clause 4 of Rule XVI of the Rules of the House, to declare a recess at any time during the Committee meeting. The motion was agreed to by unanimous consent.

2. Mr. McDermott offered an amendment to the Chairman's Mark to insert at the appropriate place in the resolution the following language:

SEC. . SENSE OF CONGRESS TO ENSURE EQUITABLE DISTRIBUTION OF TAX CUTS PROVIDED FOR IN THE BUDGET.

It is the sense of the Congress that, pursuant to this resolution, Congress ensures tax cuts paid for in the federal budget are distributed equitably to American taxpayers, acknowledging that—

(1) The tax cuts contained in the 1995 Balanced Budget Act passed by Congress disproportionately would have benefited America's wealthiest families and turned its back on low- and middle-income Americans by:

(a) Limiting 85 million American families and individuals with incomes below $75,000 to only one-third of the overall tax package benefits; and

(b) Providing two-thirds of the overall tax package benefits to the wealthiest 24 million American families and individuals with incomes over $75,000.

(2) Inequitable distribution of tax cuts is regressive and unfair to the majority of America's workers; and

(3) The House Committee on Ways and Means should report a tax bill which *at the minimum*—

(a) Ensures the distribution of tax benefits is at least evenly split between those Americans earning above and below $75,000; and

(b) The lowest 4 out of 5 quintiles of American taxpayers receive at least half of the tax benefits provided in the budget resolution and any corresponding reconciliation bill(s).

The amendment offered by Mr. McDermott was not agreed to by a rollcall vote of 19 ayes and 22 noes.

		Aye	No	Present	Aye	No	Present
Mr. Kasich, Chairman			X	Mr. Spratt, Ranking	X		
Mr. Hobson			X	Mr. McDermott	X		
Mr. Shays			X	Mr. Mollohan	X		
Mr. Herger			X	Mr. Costello	X		
Mr. Bunning			X	Mrs. Mink	X		
Mr. Smith of Texas			X	Mr. Pomeroy	X		
Mr. Miller			X	Ms. Woolsey	X		
Mr. Franks			X	Ms. Roybal-Allard	X		
Mr. Smith of Michigan			X	Ms. Rivers	X		
Mr. Inglis			X	Mr. Doggett	X		
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle			X	Mr. Cardin	X		
Mr. Hoekstra			X	Mr. Minge	X		
Mr. Shadegg			X	Mr. Baesler	X		
Mr. Radanovich				Mr. Bentsen	X		
Mr. Bass			X	Mr. Davis	X		
Mr. Neumann			X	Mr. Sherman	X		
Mr. Parker			X	Mr. Weygand	X		
Mr. Ehrlich			X	Ms. Clayton	X		
Mr. Gutknecht			X				
Mr. Hilleary			X				
Ms. Granger			X				
Mr. Sununu			X				

		Aye	No	Present	Aye	No	Present
Mr. Pitts			X				

3. Mr. McDermott offered the following amendment to ensure the expansion of premium protections for low-income seniors.

1. Increase budget authority and outlays for Function 550 by the following amounts (in billions of dollars), to reflect the increase in Medicaid Premium Protection for Specified Low-Income Medicare Beneficiaries (SLMB) from 120 percent to 150 percent of poverty with 100 percent federal funds.

[Dollars in billions]

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	5 years 1998–2002
Budget authority	0.1	0.1	0.2	0.3	0.2	1.0
Outlays	0.1	0.1	0.2	0.3	0.2	1.0

2. Increase aggregate level of revenues by amounts equal to the cost of the foregoing changes to Function 550, reflecting reduction of the tax cuts assumed in the budget resolution.

3. Increase the mandatory amount and total amount of budget authority and outlays in the Chairman's mark accordingly, and conform the reconciliation directive to the appropriate committee.

4. Amend the committee report to reflect the following policy assumptions:

> The resolution recognizes that increases in Medicare Part B premiums beyond current law represents a tax increase for America's seniors and offsets those additional increases in Part B premiums for low-income seniors by expanding premium protection for those seniors living below 150 percent of poverty.

The amendment offered by Mr. McDermott was not agreed to by a rollcall vote of 18 ayes and 22 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman		X		Mr. Spratt, Ranking	X		
Mr. Hobson		X		Mr. McDermott	X		
Mr. Shays		X		Mr. Mollohan	X		
Mr. Herger				Mr. Costello	X		
Mr. Bunning		X		Mrs. Mink	X		
Mr. Smith of Texas		X		Mr. Pomeroy	X		
Mr. Miller		X		Ms. Woolsey	X		
Mr. Franks		X		Ms. Roybal-Allard	X		
Mr. Smith of Michigan		X		Ms. Rivers	X		
Mr. Inglis		X		Mr. Doggett	X		
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle		X		Mr. Cardin	X		
Mr. Hoekstra		X		Mr. Minge	X		
Mr. Shadegg		X		Mr. Baesler		X	
Mr. Radanovich				Mr. Bentsen	X		
Mr. Bass		X		Mr. Davis	X		
Mr. Neumann		X		Mr. Sherman	X		
Mr. Parker		X		Mr. Weygand	X		
Mr. Ehrlich		X		Ms. Clayton	X		
Mr. Gutknecht		X					
Mr. Hilleary		X					
Ms. Granger		X					
Mr. Sununu		X					

	Aye	No	Present		Aye	No	Present
Mr. Pitts		X					

4. Mrs. Clayton offered the following amendment to provide food stamp benefits, subject to strict work requirements for needy unemployed adults who are willing to work but unable to find a job.

1. Increase budget authority and outlays for Function 600, by the following amounts (in millions of dollars), to reflect the Food Stamp Work Requirement for 18 to 50 year old, childless adults in the Fiscal Year 1998 President's Budget:

(a) Extend the time limit for receiving benefits without having a job from 3 months in a 36 month period to 6 months in a 12 month period;

(b) Cut individuals off Food Stamps only if the state first offers those individuals a job slot, and they refuse it; and

(c) Provide new funding and a wage supplementation option to expand the number of work slots available to the 18 to 50 group by 380,000.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	5-Years
BA	400	365	385	420	335	1,905
OT	400	365	385	420	335	1,905

2. Increase the aggregate level of revenues by amounts equal to the cost of the foregoing changes to Function 600, reflecting reduction of the tax cuts assumed in the Budget Resolution.

3. Increase the mandatory amount and the total amount of budget authority and outlays in the Chairman's Mark, accordingly, and conform the Reconciliation Directive to the appropriate committee.

The amendment offered by Mrs. Clayton was not agreed to by a rollcall vote of 18 ayes and 21 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman		X		Mr. Spratt, Ranking	X		
Mr. Hobson		X		Mr. McDermott	X		
Mr. Shays		X		Mr. Mollohan	X		
Mr. Herger				Mr. Costello	X		
Mr. Bunning		X		Mrs. Mink	X		
Mr. Smith of Texas		X		Mr. Pomeroy	X		
Mr. Miller		X		Ms. Woolsey	X		
Mr. Franks		X		Ms. Roybal-Allard	X		
Mr. Smith of Michigan		X		Ms. Rivers	X		
Mr. Inglis		X		Mr. Doggett	X		
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle		X		Mr. Cardin	X		
Mr. Hoekstra		X		Mr. Minge	X		
Mr. Shadegg				Mr. Baesler		X	
Mr. Radanovich				Mr. Bentsen	X		
Mr. Bass		X		Mr. Davis	X		
Mr. Neumann		X		Mr. Sherman	X		
Mr. Parker		X		Mr. Weygand	X		
Mr. Ehrlich		X		Ms. Clayton	X		
Mr. Gutknecht		X					
Mr. Hilleary		X					
Ms. Granger		X					
Mr. Sununu		X					
Mr. Pitts		X					

5. Mr. Doggett and Mr. Weygand offered an amendment to the Chairman's Mark to add at the end of the resolution the following language:

SEC. . PROTECTION OF BALANCED BUDGET.

It is the sense of the Congress that, to assure that neither the tax cuts nor the spending increases in this resolution explode in cost, endangering the balanced budget promised in 2002 or the ability to maintain balance thereafter, no provision of law affecting revenues or authorizing spending for new entitlement initiatives assumed in this resolution should be effective for more than five years, unless subsequently reauthorized by law.

The amendment offered by Mr. Doggett and Mr. Weygand was not agreed to by a rollcall vote of 17 ayes and 21 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman		X		Mr. Spratt, Ranking	X		
Mr. Hobson		X		Mr. McDermott	X		
Mr. Shays		X		Mr. Mollohan			
Mr. Herger				Mr. Costello	X		
Mr. Bunning		X		Mrs. Mink	X		
Mr. Smith of Texas				Mr. Pomeroy	X		
Mr. Miller		X		Ms. Woolsey	X		
Mr. Franks		X		Ms. Roybal-Allard	X		
Mr. Smith of Michigan		X		Ms. Rivers	X		
Mr. Inglis		X		Mr. Doggett	X		
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle		X		Mr. Cardin	X		
Mr. Hoekstra		X		Mr. Minge	X		
Mr. Shadegg				Mr. Baesler	X		
Mr. Radanovich		X		Mr. Bentsen	X		
Mr. Bass		X		Mr. Davis	X		
Mr. Neumann		X		Mr. Sherman		X	
Mr. Parker		X		Mr. Weygand	X		
Mr. Ehrlich		X		Ms. Clayton	X		
Mr. Gutknecht		X					
Mr. Hilleary		X					
Ms. Granger		X					
Mr. Sununu		X					
Mr. Pitts		X					

6. Mr. Bentsen offered an amendment to the Chairman's Mark to add at the end of the resolution the following language:

SEC. . TREATMENT OF REVENUE SHORTFALLS.

It is the sense of Congress that, if the actual revenues resulting from the enactment of tax cuts and revenue offsets in a reconciliation bill, as required by this concurrent resolution, are less than projected on the date of enactment for the budget year or any other fiscal year covered by this concurrent resolution, then Congress should make up any such revenue shortfall solely by enacting further revenue offsets, if necessary, to achieve the deficit reduction targets set by this resolution.

The amendment offered by Mr. Bentsen was not agreed to by voice vote.

7. Mrs. Mink and Mr. Costello offered the following amendment for school construction.

1. Increase budget authority and outlays in Function 500 by the following amounts (in millions of dollars), to reflect funding of a school construction program as reflected in the President's Budget request.

SCHOOL CONSTRUCTION

	FY1998	FY1999	2000	2001	2002	Total FY 1998-2002
B.A.	5,000	0	0	0	0	5
Outlays	1,250	1,250	1,250	1,250	0	5

2. Increase aggregate level of revenues by amount equal to the cost of the foregoing change to Function 500, reflecting reduction of the capital gains tax cuts assumed in the budget resolution.

3. Increase the discretionary amount and total amount of Budget Authority and Outlays in the Chairman's Mark accordingly.

4. Amend the Committee Report to reflect the following policy assumption:

> To help school districts address the critical need for renovation and modernization of existing schools, as well as the construction of new school facilities to accommodate the expanding school age population, the resolution assumes $5 billion for a school construction program as reflected in the President's Budget request.

The amendment offered by Mrs. Mink and Mr. Costello was not agreed to by a voice vote.

8. Ms. Rivers offered an amendment to the Chairman's Mark to add the following report language:

> The Committee assumes that revisions in the Medicare program contained in any reconciliation bill shall not include provisions that weaken or eliminate any beneficiary protections under current law that prohibit balance billing. The Committee further assumes that the balance billing prohibitions contained in current law will be applicable to the new health plan options assumed in this resolution, and the providers associated with those plans.

The amendment offered by Ms. Rivers was not agreed to by a rollcall vote of 18 ayes and 21 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman		X		Mr. Spratt, Ranking	X		
Mr. Hobson		X		Mr. McDermott	X		
Mr. Shays		X		Mr. Mollohan	X		
Mr. Herger		X		Mr. Costello	X		
Mr. Bunning		X		Mrs. Mink	X		
Mr. Smith of Texas				Mr. Pomeroy	X		
Mr. Miller		X		Ms. Woolsey	X		
Mr. Franks				Ms. Roybal-Allard	X		
Mr. Smith of Michigan		X		Ms. Rivers	X		
Mr. Inglis		X		Mr. Doggett	X		
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle		X		Mr. Cardin	X		
Mr. Hoekstra		X		Mr. Minge	X		
Mr. Shadegg		X		Mr. Baesler		X	
Mr. Radanovich		X		Mr. Bentsen	X		

	Aye	No	Present		Aye	No	Present
Mr. Bass		X		Mr. Davis	X		
Mr. Neumann		X		Mr. Sherman	X		
Mr. Parker		X		Mr. Weygand	X		
Mr. Ehrlich		X		Ms. Clayton	X		
Mr. Gutknecht							
Mr. Hilleary		X					
Ms. Granger		X					
Mr. Sununu		X					
Mr. Pitts		X					

9. Ms. Woolsey offered the following amendment for full funding for WIC (Function 600).

1. Increase budget authority and outlays for Function 600 by the following amounts (in millions of dollars) to reflect the funding for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) at the President's requested level.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
B.A.	378	410	518	628	742
Outlays	353	407	508	618	732

2. Increase the aggregate level of revenues by amounts equal to the cost of the foregoing changes to Function 600, reflecting reduction of the tax cuts assumed in the budget resolution.

3. Increase the discretionary amount and the total amount of budget authority and outlays in the Chairman's mark accordingly.

4. Make any necessary conforming changes to other amounts in the Chairman's mark.

The amendment offered by Ms. Woolsey was not agreed to by a rollcall vote of 18 ayes and 22 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman		X		Mr. Spratt, Ranking	X		
Mr. Hobson		X		Mr. McDermott	X		
Mr. Shays		X		Mr. Mollohan	X		
Mr. Herger		X		Mr. Costello	X		
Mr. Bunning		X		Mrs. Mink	X		
Mr. Smith of Texas				Mr. Pomeroy	X		
Mr. Miller		X		Ms. Woolsey	X		
Mr. Franks		X		Ms. Roybal-Allard	X		
Mr. Smith of Michigan		X		Ms. Rivers	X		
Mr. Inglis		X		Mr. Doggett			
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle		X		Mr. Cardin	X		
Mr. Hoekstra		X		Mr. Minge	X		
Mr. Shadegg		X		Mr. Baesler	X		
Mr. Radanovich		X		Mr. Bentsen	X		
Mr. Bass				Mr. Davis	X		
Mr. Neumann		X		Mr. Sherman	X		
Mr. Parker		X		Mr. Weygand	X		
Mr. Ehrlich		X		Ms. Clayton	X		
Mr. Gutknecht		X					
Mr. Hilleary		X					
Ms. Granger		X					
Mr. Sununu		X					
Mr. Pitts		X					

10. Mrs. Mink offered an amendment to the Chairman's Mark to add the following report language:

> With respect to the HOPE tax credit, the Committee urges the elimination of any dollar-for-dollar reduction in the credit related to a student's Pell Grant.

The amendment offered by Mrs. Mink was not agreed to on a rollcall vote with 18 ayes and 21 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman		X		Mr. Spratt, Ranking	X		
Mr. Hobson		X		Mr. McDermott	X		
Mr. Shays		X		Mr. Mollohan	X		
Mr. Herger		X		Mr. Costello	X		
Mr. Bunning		X		Mrs. Mink	X		
Mr. Smith of Texas				Mr. Pomeroy	X		
Mr. Miller		X		Ms. Woolsey	X		
Mr. Franks		X		Ms. Roybal-Allard	X		
Mr. Smith of Michigan		X		Ms. Rivers	X		
Mr. Inglis		X		Mr. Doggett			
Ms. Molinari				Mr. Thompson	X		
Mr. Nussle		X		Mr. Cardin	X		
Mr. Hoekstra		X		Mr. Minge	X		
Mr. Shadegg				Mr. Baesler	X		
Mr. Radanovich		X		Mr. Bentsen	X		
Mr. Bass		X		Mr. Davis	X		
Mr. Neumann		X		Mr. Sherman	X		
Mr. Parker		X		Mr. Weygand	X		
Mr. Ehrlich		X		Ms. Clayton	X		
Mr. Gutknecht		X					
Mr. Hilleary		X					
Ms. Granger		X					
Mr. Sununu		X					
Mr. Pitts		X					

11. Mr. Cardin offered the following amendment:

At the appropriate place in the resolution, add the following new section:

> **SEC. . MAINTAIN THE BOREN AMENDMENT.**
>
> Strike any reference to the Boren Amendment from the budget resolution.

The amendment offered by Mr. Cardin was not agreed to by voice vote.

12. Ms. Roybal-Allard offered an amendment to the Chairman's Mark to insert at the appropriate place the following language:

> **SEC. . SENSE OF CONGRESS ON FAMILY VIOLENCE OPTION CLARIFYING AMENDMENT.**
>
> (1) Domestic violence is the leading cause of physical injury to women. The Department of Justice estimates that over 1 million violent crimes against women are committed by intimate partners annually.
>
> (2) Domestic violence dramatically affects the victim's ability to participate in the workforce. A University of Minnesota survey reported that one-quarter of battered women surveyed had lost a job partly because of being abused and that over half of these women had been harassed by their abuser at work.

(3) Domestic violence is often intensified as women seek to gain economic independence through attending school or training programs. Batterers have been reported to prevent women from attending these programs or sabotage their efforts at self-improvement.

(4) Nationwide surveys of service providers prepared by the Taylor Institute of Chicago, Illinois, document, for the first time, the interrelationship between domestic violence and welfare by showing that from 34% to 65% of AFDC recipients are current or past victims of domestic violence.

(5) Over half of the women surveyed stayed with their batterers because they lacked the resources to support themselves and their children. The surveys also found that the availability of economic support is a critical factor in poor women's ability to leave abusive situations that threaten them and their children.

(6) The restructuring of the welfare programs may impact the availability of the economic support and the safety net necessary to enable poor women to flee abuse without risking homelessness and starvation for their families.

(7) In recognition of this finding, the Budget Committee unanimously passed a Sense of Congress Amendment on Domestic Violence and Federal Assistance to the 1997 Budget Resolution. Subsequently, Congress passed the Family Violence Option Amendment to last year's Welfare Reform Reconciliation Bill.

(8) The Family Violence Option gives the states the flexibility to grant temporary waivers from time limits and work requirements for domestic violence victims who would suffer extreme hardship from the application of these provisions. These waivers were not intended to be included as part of the permanent 20% hardship exemption.

(9) The Department of Health and Human Services has been slow to issue regulations regarding this provision. As a result, states are hesitant to fully implement the Family Violence Option fearing it will interfere with the 20% hardship exemption.

(10) Currently 15 states have opted to include the Family Violence Option in their welfare plans, and 13 other states have included some type of domestic violence provisions in their plans.

SECTION 2. SENSE OF CONGRESS.

It is the Sense of the Congress that:

(1) States shall not be subject to any numerical limits in granting domestic violence good cause waivers to individuals receiving assistance for *all* requirements where compliance with such requirements would make it more difficult for individuals receiving assistance to escape domestic violence.

(2) Any individuals granted a domestic violence good cause waiver by states shall not be included in the states' 20% hardship exemption.

The amendment offered by Ms. Roybal-Allard was adopted by unanimous consent.

13. Mr. Sherman offered the following amendment:

SEC. 304. SEPARATE ALLOCATION FOR LAND ACQUISITION AND EXCHANGES.

(a) ALLOCATION BY CHAIRMAN.—In the House, upon the reporting of a bill by the Committee on Appropriations (or upon the filing of a conference report thereon) providing $700 million in budget authority for fiscal year 1998 for Federal land acquisitions and to finalize priority Federal land exchanges, the chairman of the Committee on the Budget shall allocate that amount of budget authority and the corresponding amount of outlays.

(b) TREATMENT OF ALLOCATIONS IN THE HOUSE.—In the House, for purposes of the Congressional Budget Act of 1974, allocations made under subsection (a) shall be deemed to be made pursuant to section 602(a)(1) of that Act and shall be deemed to be a separate suballocation for purposes of the application of section 302(f) of that Act as modified by section 602(c) of that Act.

The amendment offered by Mr. Sherman was adopted by unanimous consent.

14. Mr. Weygand offered an amendment to the Chairman's Mark to insert at the appropriate place in the resolution the following language:

SEC. . SENSE OF CONGRESS ON SENIOR SERVICES.

(a) FINDINGS.—Congress finds that:

(1) Both the federal and state governments should continue to ensure that seniors and disabled individuals continue to receive quality health care and social services; and

(2) Investing in preventative health care services, research and medical education is vital to alleviating future high costs of treating illnesses.

(b) SENSE OF CONGRESS.—It is the Sense of Congress that legislation pursuant to this resolution should—

(1) Ensure that changes in payments to providers will not adversely affect the access to nor quality of care afforded to our seniors;

(2) Ensure that Medicare Part B premiums are not increased as a result of transferring Medicare's home health program from Part A to Part B;

(3) Further invest in preventative benefits and to alleviate the cost of vital health care benefits for seniors and the disabled;

(4) Effectively serve, protect and advocate for our nation's senior population by maintaining federal minimum nursing home standards and providing sufficient funding within the Older Americans Act for vital congregate and home-delivered meal services, elder abuse prevention programs, the long-term care ombudsman program and the Administration on Aging;

(5) Continue to invest in medical research and physical training to care for our most disadvantaged and severely ill patients by funding Graduate Medical Education, Indirect Medical Education, and Disproportionate Share payments to academic medical centers and hospitals within the Medicare Hospital Insurance Trust Fund and not shifting future funding for the same to discretionary spending;

(6) Ensure that reduction in the Indirect Medical Education adjustment rate are fair and appropriate and that said reduction will not adversely affect or reduce the quality of care delivered to our elderly and all consumers;

(7) Fund the cost of the above provisions by reducing the proposed non-educational tax cuts.

The amendment offered by Mr. Weygand was not agreed to by voice vote.

15. Mr. Spratt made a motion that members have two days to file additional, dissenting and minority views. The motion offered by Mr. Spratt was agreed to by unanimous consent.

16. Mr. Hobson made a motion that the Committee adopt the aggregates, function totals, and other appropriate matters contained in the Chairman's Mark. The motion offered by Mr. Hobson was agreed to by unanimous consent.

17. Mr. Hobson made a motion that the Committee adopt the Chairman's Mark as the Concurrent Resolution on the Budget. The motion offered by Mr. Hobson was agreed to by voice vote.

18. Mr. Hobson made a motion that the Committee report the Concurrent Resolution be agreed to and that the Concurrent Resolution do pass. The motion offered by Mr. Hobson was agreed to by a rollcall vote of 31 ayes and 7 noes.

	Aye	No	Present		Aye	No	Present
Mr. Kasich, Chairman	X			Mr. Spratt, Ranking	X		
Mr. Hobson	X			Mr. McDermott		X	
Mr. Shays	X			Mr. Mollohan		X	
Mr. Herger	X			Mr. Costello		X	
Mr. Bunning	X			Mrs. Mink		X	
Mr. Smith of Texas	X			Mr. Pomeroy	X		
Mr. Miller	X			Ms. Woolsey	X		
Mr. Franks	X			Ms. Roybal-Allard		X	
Mr. Smith of Michigan	X			Ms. Rivers	X		
Mr. Inglis	X			Mr. Doggett			
Ms. Molinari				Mr. Thompson		X	
Mr. Nussle	X			Mr. Cardin	X		
Mr. Hoekstra	X			Mr. Minge	X		
Mr. Shadegg				Mr. Baesler	X		
Mr. Radanovich				Mr. Bentsen	X		
Mr. Bass	X			Mr. Davis	X		
Mr. Neumann	X			Mr. Sherman	X		
Mr. Parker	X			Mr. Weygand		X	
Mr. Ehrlich	X			Ms. Clayton	X		
Mr. Gutknecht	X						
Mr. Hilleary	X						
Ms. Granger	X						
Mr. Sununu	X						
Mr. Pitts	X						

19. Mr. Hobson asked for and received unanimous consent that the staffs are given authority to make necessary technical and conforming changes in the resolution and any committee amendments, and calculate any remaining elements required in the resolution.

20. The motion to reconsider was laid on the table by unanimous consent.

BUDGET COMMITTEE OVERSIGHT FINDINGS

Clause 2(l)(3)(A) of rule XI requires each committee report to contain oversight findings and recommendations required pursuant to clause 2(b)(1) of rule X. The Committee on the Budget has examined its activities over the past year and has determined that there are no oversight findings.

OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Clause 2(l)(3)(D) of rule XI requires each committee report to contain a summary of oversight findings and recommendations made by the Government Reform and Oversight Committee pursuant to clause 4(c)(2) of rule X, whenever such findings have been timely submitted. The Committee on the Budget has received no such findings or recommendations from the Committee on Government Reform and Oversight.

FEDERAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Section 301(e)(7) of the Congressional Budget and Impoundment Control Act of 1974 requires that the report accompanying the concurrent resolution on the budget include a statement of any significant changes in the proposed levels of Federal assistance to State and local governments.

The following proposed changes may affect the levels of Federal assistance to State and local governments:

NATURAL RESOURCES AND ENVIRONMENT

—Increase funding for Environmental Reserve Fund at Superfund hazardous waste cleanup sites.

—Increase funding for the Land and Water Conservation Fund to finalize priority Federal land acquisitions and exchanges.

—National Park Service: Land Acquisition and State Assistance.

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

—Eliminate funding for activities under the Smith-Hughes Act of 1918. Consolidate activities under the Vocational Education Program.

—Increase funding for the GI Bill for America's Workers.

HEALTH

—Transform Medicare and Medicaid to provide greater flexibility and authority to the States.

—Fund State grants for health insurance coverage for uninsured children.

INCOME SECURITY

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

—Increase funding for integrity activities for Unemployment Insurance benefits.

—Increase funding for Transitional Assistance to Needy Families with a formula and targeted within a State to areas with poverty and unemployment rates at least 20 percent higher than the State average.

—Redirect existing food stamps employment and training funds and increase funding to create more work slots for individuals subject to the time limits.

—Permit States to exempt 15 percent of the individuals who would lose nutrition assistance benefits because of the time limits.

—Reform eligibility requirements of disabled legal immigrants for public benefits.

MISCELLANEOUS BUDGETARY INFORMATION

Clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives provides that Committee reports shall contain the statement required by section 308(a)(1) of the Congressional Budget Act of 1974. This report does not contain such a statement because as a concurrent resolution setting forth a blue print for the Congressional budget, the budget resolution does not actually provide new budget authority or new spending authority or change revenues

VIEWS OF COMMITTEE MEMBERS

Clause (2)(l)(5) of rule XI requires each committee to afford a 2-day opportunity for members of the committee to file additional, minority, or dissenting views and to include the view in its report. The following views were submitted:

ADDITIONAL VIEWS OF THE CHAIRMAN ON BEHALF OF THE COMMITTEE'S MAJORITY MEMBERS

INTRODUCTION

In coastal South Carolina, Dr. Jack McConnell, seeing the unmet need for adequate health care among local residents, has established a free clinic to care for needy neighbors. The clinic—called the Volunteers in Medicine Clinic—is staffed by retired doctors, nurses, dentists, and other professionals, and had 8,500 patient visits in 1996. Each patient was treated with dignity and compassion by people who were providing the service solely because they wanted to. During the same period, the local hospital emergency room experienced a 35-percent drop in non-paying patient visits, resulting in estimated savings of $600,000. The Volunteers in Medicine Institute has received inquiries from 400 interested communities, and clinics are currently being established in several States. Dr. McConnell is developing a manual to guide communities and providers in how to set up free clinics.

Dr. McConnell exemplifies a fundamental reason for the Budget Committee majority's vision: We trust people. We trust people far more than we trust bureaucrats in Washington. It is one of the main reasons we have long advocated balancing the budget and cutting taxes. These twin strategies restrain government and at the same time restore people's control over their own lives.

The bipartisan balanced budget agreement described in this budget resolution is an historic event—and not simply because of the numbers. It is historic because it ratifies this fundamental faith in the American people.

Even more important than this achievement, however, are the people the budget is intended to serve. To assure that we keep our minds focused on these people, the following views—submitted by the Chairman on behalf of the Committee's majority members—seek to examine a variety of government issues in terms of this human perspective.

NATIONAL DEFENSE

Every American today—every farmer, every firefighter, steelworker, school teacher, hardware shop owner, and everyone else who calls America home—shares a blessing won by this Nation's strength and stature: freedom from the fear that any foreign aggressor could threaten America's security.

Not so long ago, this claim could not have been made. Many Americans today can still recall when Fidel Castro aimed nuclear missiles at Miami, families built bomb shelters in their homes, and school children were taught how to crawl under their desks during

a nuclear attack. Americans lived under this cloud for nearly 3 decades.

The United States won the Cold War because—especially during the Reagan and Bush administrations—it made the needed investments, in funds and conviction, to defend its freedom and security.

But if the end of the Cold War greatly reduced the danger of a nuclear holocaust, it did not eliminate the challenges and dangers of an unstable world. Indeed, the dissolution of the U.S.-Soviet confrontation has unleashed the ambitions of radical and unstable regimes throughout the world. Many of these regimes are eagerly seeking nuclear, chemical, and biological weapons. Maintaining the security that America has earned is an ongoing task that is becoming only more complex as the millennium approaches.

National security is an unforgiving task that requires a clear vision of America's global role, a resolve to use force when vital national interests are threatened, but also a clear-eyed determination not to squander military resources in areas of marginal interest.

The budget plan reflects the consensus between Congress and the President on the need to prudently increase defense resources so as to address many of the shortfalls in modernization, readiness, and quality of life. It should be emphasized, however, that increased funding alone is unlikely to solve the Pentagon's long-term imbalance between resources and commitments.

The Department of Defense is reaching a critical juncture in its long-range budgetary planning. Even with the additional resources made available in the balanced budget plan, the Department will still have difficulty in fully meeting the demands of the future security environment while remaining within expected budgets. Clearly, significant savings must be generated within DOD; in turn, those savings must be reallocated to high-priority modernization and readiness programs.

It is critical that this transfer from the administrative "tail" to the warfighting "tooth" be undertaken immediately. While the 104th Congress made some progress in legislating reductions in the acquisition workforce and the staff of the Office of the Secretary of Defense, and in mandating outsourcing of some administrative functions, much more needs to be done. There are four principal areas where major reform needs to be undertaken:

—Defense Acquisition: The General Accounting Office has identified persistent problems in the Pentagon's weapons-buying system. These include the setting of overly ambitious requirements, unrealistic cost and schedule estimates, outdated and bureaucratically layered management practices, and the unwillingness of DOD to seriously examine cost and performance tradeoffs. While comprehensive reform plans can be implemented, effective Congressional oversight is key to ensuring that reforms remain in place.

—Inventory Management: DOD has wasted billions of dollars on excess supplies. According to GAO, about half of DOD's $70 billion in inventory "spare parts, clothing, medical supplies, and other items" are either excess to any planned warfighting requirement, obsolete, or otherwise unusable. Modern commercial inventory control practices can and should be implemented.

—Infrastructure: there is a chronic excess capacity problem at DOD facilities, which adds billions of dollars in overhead costs to the Department's operations. For instance, there is a 35-percent excess capacity at DOD laboratories, and a 40 percent excess capacity at repair depots. Overhead costs for transportation services are estimated as being two to three times the basic cost of transportation.

—Financial Management: DOD continues to lack an integrated financial management system, leading to serious inefficiencies and accounting failures. As an example, the Department has been unable to match tens of billions of dollars worth of disbursements with valid contracts. Only five of DOD's 249 primary financial systems conform to Federal accounting standards, leaving the Pentagon seriously vulnerable to fraud and abuse.

INTERNATIONAL AFFAIRS

The couple who run the neighborhood dry cleaning store probably has little time to evaluate how the Federal Government is pursuing internationals affairs. They probably have never received a loan from the Overseas Private Investment Corporation [OPIC] or the ExportImport Bank. They may not be aware that the United States contributes to the International Development Association [IDA]. They may or may not be aware of the growing need to reform the United Nations.

On the other hand, if they are like most Americans, they probably support humanitarian assistance. Americans are a generous people who historically have taken great pride in alleviating human suffering, whether from wars or from national disasters. Likewise, they might recall the Iranian hostage crisis or some aspects of the Persian Gulf war, and understand how important achieving peace in the Middle East is to the United States.

But, as they go about their daily lives, the issues of world diplomacy and foreign investment probably seem remote from their immediate and tangible concerns of feeding and clothing their family. Nevertheless, these issues are important, because part of the money they earn is taxed by Washington to finance these activities. They deserve to know that they are funded wisely and consistent with their values.

This is especially true when one considers the breathtaking changes that are occurring throughout the world. Within the last decade, we have witnessed the end of the Cold War and the global trend toward greater reliance on markets and open trading systems. Increasingly, functions which used to be performed by governments or private monopolies, such as power generation, are being provided more effectively by the private sector. Net private capital flows to developing countries that have undertaken economic reforms have expanded dramatically; and dramatic advances in information, communications, and transportation technology are strengthening the links between developed and developing countries, and leading to an integrated global economy. To illustrate how dramatic these changes are, one need only look to a quote from the December 29, 1996 issue of *The Washington Post:*

> More than any government program, more than any aid agency or any international bank, the rapid spread of free trade, free markets and investment across borders by private companies and individual investors'a phenomenon economists are calling "globalization" "is proving to be an effective weapon against poverty in many nations around the world and, in some places, arguably the most effective anti-poverty measure ever known.

The President and the Congress have begun to respond to these changes. Recently, for example, it was announced that the Arms Control and Disarmament Agency and the United States Information Agency would be consolidated into the Department of State. Furthermore, the director of the United States Agency for International Development would come under the direct authority of the Secretary of State and some of its functions would be consolidated within the Department. Members of the Budget Committee majority believe that these changes will result in significant savings.

Members of the Budget Committee Majority are concerened, however, about the fact that few developing countries have achieved self-sustaining growth during the past several decades. We encourage the authorizing committees to investigate why more has not been accomplished.

President John F. Kennedy once challenged the American people to make the 1960's the "Decade of Development"—the period when many less-developed nations would transition into self-sustained growth. He envisioned an effort that would help "launch the economies of the newly developing countries 'into orbit'—bringing them to a stage of self-sustained growth where extraordinary outside assistance is not required." In his 1961 Foreign Aid Message, he stated: "It is essential that the developing nations set for themselves sensible targets; that these targets be based on balanced programs which use their own resources to the maximum . . . The first requirement is that each recipient government seriously undertake to the best of its ability on its own those efforts of resource mobilization, self-help, and internal reform . . . which its own development requires and which would increase its capacity to absorb external capital productively." In his April 2, 1963 message to the Congress, he stated that foreign assistance should ultimately "achieve a reduction and ultimate elimination of U.S. assistance by enabling nations to stand on their own as rapidly as possible. Both this nation and the countries we help have a stake in their reaching the point of self-sustaining growth—the point where they no longer require external aid to maintain their independence."

Unfortunately, this has not occurred. We urge the authorizing committee to examine why.

FIGHTING CRIME

In San Francisco, a family turns on the television set to watch the local news. They learn the following:

—A 59-year-old man out on a morning stroll in Lake Tahoe was fatally shot four times by teenagers. The police say the four teenagers, 15 and 16 years old, were "thrill shooting."

—A 14-year-old boy was murdered. The witnesses say the five juveniles charged with the crime senselessly beat him to death when the young victim refused to give the juveniles his new sneakers.

—The U.S. Department of Health and Human Services reported today that the number of 12-to-17-year-olds using illegal drugs has almost doubled in past 2 years.

The threat of crime, especially violent crime, remains one of the most insidious conditions in modern American society; and one of the most important functions of government is to assure personal safety and security for American families.

This is principally the role of State and local law enforcement agencies and is best handled by local agencies. The Federal Government's involvement should be to enhance the ability of State and local police to protect their citizens.

EDUCATION

Two teachers in Bradenton, Florida—Monica Corbett and Janet Scarboro—were concerned about declining reading scores in a local elementary school. They developed an innovative, local solution—a program they called" The Power Hour." Ms. Corbett and Ms. Scarboro arranged to have students from nearby Southeast High School bused to Oneco Elementary School for an hour twice a week. There each high schooler was assigned to tutor a student to increase his or her academic skills. The program has been a success for both the younger students and their high school tutors: The younger children have had instant role models they can relate to and their scores have improved markedly; the high school students have realized the impact they can make as volunteers, and are increasing their involvement in other areas. Some are contemplating social work as a career. The successful "Power Hour" is now being replicated through other schools systems along Florida's Gulf Coast.

This is only one example of the difference a committed group of teachers and volunteers can make in improving academic achievement. To the extent that the Federal Government plays a role in education, it should seek to enhance and reinforce such local efforts.

The Department of Education has admitted as much. In a recent report titled, *Prospects: Final Report*—concerning the Chapter 1 program for disadvantaged students—the Department listed several key elements for improving student performance: (1) high parental expectations for children, (2) active parental participation in schools, (3) emphasis on writing skills and advanced math, and, (4) orderly, disciplined schools environments. The study also noted that high-achieving, high-poverty schools received stronger support from the local community, parents, and teachers than average high-poverty schools. Clearly to reform education we need to empower the people that can really make a difference in children's lives "parents, teachers, principals, and local communities.

Another basic component in helping to improve our children's education is the need to get more resources to teachers and students for classroom learning, and spend less on Federal, State, and local bureaucracies. According to the Heritage Foundation, only 85

cents of each dollar the U.S. Department of Education allocates for elementary and secondary programs is sent to school districts. The accounting firm of Coopers and Lybrand found that in the New York City public schools, only 43 percent of the district's total funds went toward direct classroom expenditures.

The Budget Committee majority believes that Federal education policy should be reformed to ensure that at least 90 percent of Federal spending on education should be earmarked for classroom instruction. With anything less, taxpayers lose and—more important—the Nation's children lose.

THE RISING COSTS OF COLLEGE

College is taking an ever-increasing share of family income. In 1980, the average cost of attending a private-college absorbed 25 percent of median household income. In 1993, that number had grown to 45 percent of family income. While overall inflation has grown by 80 percent since 1980, tuition has grown by 253 percent. The reasons why college costs have grown at triple the rate of inflation, and how schools can cut their costs to make college more affordable, need to be examined.

WELFARE

For 12 years, Brenda Brown received welfare benefits from the Aid to Families with Dependent Children program. Then, her state's welfare system changed its orientation from an income maintenance program to a program aimed at enabling welfare recipients to enter the workforce. Brenda learned some basic skills about getting and keeping a job that enabled her to get a temporary job driving a van. After that experience, she then landed permanent employment as a salesclerk at a pawnshop. "People think the pawnshop's nothing, but I'm happy with the money I'm making here," Brenda told her local newspaper. She said that being able to work and pay her bills has done wonders for her self-esteem. "I feel great about myself, and my children respect me too," she said. "I heard them saying they wanted to get a job because their mama is working . . . It's better any day than sitting at home all day waiting on the mailman."

Brenda Brown is succeeding because the Nation's welfare system is being transformed from a check writing program to one that emphasizes work and personal responsibility. But beyond Brenda's experience, her children's lives are being transformed as well. Growing up in a home in which their mother is employed will do more than simply improve their material well-being. It is changing how they see themselves, and how they think about their future role in society. It is teaching them that there is room in our economy for them, and that they have something to contribute someday. It is making it less likely that they will experience teenage pregnancy, drug abuse, or being on welfare themselves once they grow up.

Last year, Congress passed, and the President signed, historic welfare reform legislation. These reforms are designed to combat poverty and welfare dependency by encouraging work and greater personal responsibility among low income families and individuals.

Although this budget resolution assumes certain modifications to the welfare reform law, the basic principle of the law remains: people are better off when they rely mainly on their own resources rather than those of the government. Therefore, when public assistance is given, it should be given in a manner that encourages the recipients toward responsibility and self-sufficiency, not dependency.

GENERAL SCIENCE AND TECHNOLOGY

The New York City taxi driver who wears eyeglasses can now buy plastic lenses that are both light and shatterproof—a kind of lense that was not available as recently as 20 years ago. These lenses are a descendent of the American space program, which had to develop this kind of plastic for the visors on astronauts' helmets.

This is just one of hundreds of benefits Americans have enjoyed as a result of scientific and technological research. The most productive, efficient, and creative of these research efforts come from the vast and multifaceted institutions of America's private sector—from pharmaceutical companies to the makers of better running shoes—precisely because they are driven by market incentives. It's an old (but sadly accurate) satire that the government will never build a better mousetrap because the product would not survive the government's volumes of specifications and army of bureaucrats—and besides it would not pass inspection by the Occupational Safety and Health Administration.

Still, the Federal Government can advance these efforts—but only by recognizing its appropriate role and the most efficient use of taxpayers' dollars.

For the technological revolution to continue, a strong fundamental science base is needed. Therefore, basic research should be reemphasized. Much applied research can and should be market-driven and conducted by the private sector. Nevertheless, in certain areas, such as fundamental scientific research and collective risk endeavors, the government does play an important role. Space exploration is one example, and agencies such as the National Aeronautics and Space Administration have been able to make significant strides with public funds. Yet even in space, the private sector should play a greater role as risk becomes better understood and more controllable. Finding ways to involve industries in space activities should be a major priority.

ENERGY

In 1974, American drivers waited in lines a dozen vehicles long to buy gasoline, because fuel was in short supply. A few years later, they watched President Carter on television, wearing a cardigan sweater, urging them to turn down their thermostats to conserve heating oil. The shortages supposedly resulted from a shortage of natural energy resources. They led to the creation of the Department of Energy to address the "crisis." But in fact, the shortages were the direct product of federally imposed controls and regulations. Federal oil and price allocation controls made it illegal—literally a Federal offense—to move gasoline around the country when supplies grew tight. In other words, the Department of En-

ergy, a government solution, was created to "fix" a government-generated problem. Gasoline lines ended after the controls were dismantled in 1981.

Likewise, natural gas was in short supply because price controls discouraged production from 1954 through the 1980's. Price controls encourage consumption and discourage production. Those shortages also disappeared as price controls were phased out.

These are examples of how misguided government strategies impair the Nation's ability to provide for its energy needs.

A major focus in this area is research and development. To determine what is good fundamental R&D, and to prioritize it, members of the Budget Committee majority employ the following six criteria:

—Federal R&D efforts should focus on long-term, non-commercial R&D, with potential for scientific discovery and the creation of new knowledge, leaving economic feasibility and commercialization to the marketplace.

—Federal funding of R&D on specific processes and technologies should not be carried out beyond demonstration of technical feasibility. Significant additional private investment should be required for economic feasibility, commercial development and demonstration, and production and marketing.

—Revolutionary ideas and pioneering capabilities that make possible the impossible—that which has never been done before—should be pursued within controlled, performance-based levels of funding.

—The Federal Government should avoid funding research in areas that are receiving—or should be reasonably expected to obtain—funding from the private sector. This principle applies to evolutionary advances or incremental improvements.

—Government-owned laboratories should confine their in-house research to areas in which their technical expertise and facilities have no peer and should contract out other research to industry, private research foundations, and universities.

—All R&D programs should be relevant and tightly focused to the agency's mission; those that are not should be terminated. When specifically applied to the Department of Energy, these guidelines suggest significant further reductions in programs that, in turn, make much of the existing bureaucracy unnecessary and suggest its elimination. Because many of the Department of Energy's programs fund industrial product development, they cannot satisfy the above criteria. Application of the criteria to fossil technologies, the product of mature industries, and conservation projects, which predominantly demonstrate cost-avoidance, suggest termination. The clean coal technology program is also recommended for termination and rescission.

THE DEPARTMENT OF ENERGY

The Nation's energy problems will be solved by the people and industries of this country in response to realistic Federal policies, not by government spending. In the past the Federal government has postponed hard decisions on energy policy and created numer-

ous programs that have added to the burden of the budget and have provided the illusion of progress without the reality.

The Department of Energy was supposedly created to deal with the energy "crisis" that the country experienced in the 1970's. The "crisis" began with natural gas shortages in the winter of 1971. There was a heating oil shortage the following winter. There were gasoline and diesel fuel shortages in early 1974 and again in 1979. Many policy makers envisioned the prospect of inevitable energy shortages and ever increasing prices. In February 1981, the Congressional Budget Office even stated that "the price of oil will almost certainly rise in real terms over the next decade * * *." Not everyone shared this opinion. In a 1978 article titled "The Energy Crisis," Milton Friedman stated: "There is no argument on economic grounds for having a Department of Energy * * * [T]he energy industry is effectively competitive, or would be if the government got its cotton-picking hands out of it." Furthermore, the article argues that we have "this enormously expensive boondoggle [called] the Department of Energy * * * [because it is] politically profitable."

Last year's budget resolution questioned whether the Nation had received a full and fair return on its "investment" in the DOE. It cited a December 15, 1994 article from The Wall Street Journal that asked a better question: "So, What Do People At Energy Department Do All Day Long?" The response: "Meetings Are Many and Mail Is Answered: Real Work Is Quickly Disappearing."

During the 104th Congress, the President promised to "aggressively realign" the Department of Energy. He used phrases such as "restructure," "significantly reduce costs," and "improve effectiveness and efficiencies." Unfortunately, few real changes have occurred within the Department. Consider the following examples that have been reported by the General Accounting Office [GAO]:

—DOE has historically been unsuccessful in managing its many large projects those that cost $100 million or more and that are important to the success of its mission. . . . Since 1980, DOE has been involved with more than 80 major acquisitions. . . . Our work indicates that many more projects are terminated prior to completion than are actually completed. Many of these projects had large cost overruns and delays. [September 1996]

—GAO has provided four reasons for these problems. The fourth reason is particularly troubling. Specifically, "DOE continues to lack a sufficient number of employees in some areas with the necessary technical expertise to oversee the design, construction, and operation of its major system acquisitions. A 1981 DOE task force and a 1987 report by the National Research Council noted DOE's lack of technical capabilities and expertise. A March 1996 report by the Defense Nuclear Facilities Safety Board echoed those same concerns." [November 1996]

—"DOE has a long history of management problems. At the core of many of these problems is its weak oversight of more than 110,000 contractor employees. . . . Historically, these contractors worked largely without any financial risk, they got paid even if they performed poorly, and DOE oversaw them under a policy of least interference. DOE is now reforming its contracting practices

to make them more business-like and results-oriented. While we believe that these reforms . . . are generally a step in the right direction, . . . we are unsure whether the Department is truly committed to fully implementing some of its own recommendations. For example, in May 1996, the Secretary announced the extension of . . . three laboratory contracts [currently valued at about $3 billion]. DOE's decision to extend, rather than compete these enormous contracts . . . violates two basic tenets of the Department's philosophy of contract reform." [September 1994]

—"DOE's laboratories do not have clearly defined missions . . . DOE has underutilized the laboratories special talents to tackle complex, cross-cutting issues, and the laboratories may not be prepared to meet future expectations. Although government advisory groups have recommended in the past that DOE redefine the laboratories' missions to meet changes in conditions and national priorities, DOE has not acted on these recommendations." [January 1995]

How has the Department responded to these types of criticisms? On May 22, 1995, the Department released a document titled *Success Stories: The Energy Mission in the Marketplace,* which profiled "60 highly successful Department of Energy-supported energy technologies." According to the Secretary, these technologies "are generating billions of dollars worth of gross sales, profits, energy savings and productivity gains." After reviewing the document, GAO stated:" Although *Success Stories* makes some valid claims about the benefits of DOE's applied research, we found problems with the analysis DOE used to support the benefits cited in 11 out of the 15 cases we reviewed. These problems include basic math errors, problems in the supporting economic analyses, and unsupported links between the benefits cited and DOE's role or the technology. These problems make DOE's estimates of the benefits for these cases questionable."

DOE's problems, however, are not limited to domestic programs. According to the Inspector General [IG] of the U.S. Agency for International Development [USAID], USAID transferred about $10 million to DOE to retrofit a commercial power plant in the Krakow region of Poland with an advanced clean coal technology that had been demonstrated in the United States. Although the construction of the system was completed in 1993, the IG recently reported that it "has not been successfully tested nor was it operational at the end of May 1996. Also, the projects delays and problems have had a negative impact on the U.S. Government's reputation and may affect future business opportunities for U.S. firms operating in Central and Eastern Europe."

As such, the Budget Committee majority members still believe that the Department should be abolished; some of its functions should be eliminated, some should be privatized, and some should be transferred to other agencies. Even after the Department is terminated, several existing programs would remain a Federal responsibility. For example, managing the Nation's nuclear weapons complex and dismantling existing weapons to meet international obligations would remain a Federal responsibility. In addition, the Department's Environmental Management program, which has over-

sight of environmental restoration activities at the nuclear facilities, would still be a Federal responsibility. These programs, however, are funded in Function 050, National Defense.

The President has indicated that "The Era of Big Government is Over." Given the questionable origin of the Department and its poor track record, this is an ideal place to start downsizing government.

ENVIRONMENT AND NATURAL RESOURCES

In fiscal year 1994, the Congress directed the Environmental Protection Agency [EPA] to ask the National Academy of Public Administration [NAPA] to review EPA's role in setting the nation's environmental priorities. In its report, NAPA indicated that much has been accomplished concerning the environment. Specifically, NAPA stated: "In the past two decades, the United States has made extraordinary progress in reducing pollution from the biggest and most obvious sources." Indeed, this progress is enabling people to lead longer, healthier lives. There has also been significant progress concerning resource utilization. As was recently pointed out in an article titled *New Environmentalism:* "[M]arketplace competition has resulted in resource conservation. The telecommunications industry requires only 65 pounds of silica to make cable that carries 1,000 times more messages than cable made from 2,000 pounds of copper. In the 1960s, soda can producers required 164 pounds of metal to produce 1,000 cans; today, they need only 35 pounds of metal. These inconspicuous efforts to use fewer resources make up the unglamourous and unnoticed building blocks of environmentalism."

The NAPA study, however, also contained a warning. Specifically, to "continue to make environmental progress, the nation will have to develop a more rational, less costly strategy for protecting the environment, one that achieves its goals more efficiently, using more creativity and less bureaucracy. . . . The rate of environmental progress will slacken considerably unless there are profound changes in the legal foundation and management structure of EPA, a continued devolution of responsibility for administering environmental programs, and a serious attempt to integrate programs to combat pollution."

The American people overwhelmingly desire a healthier environment and increasingly see it as critical to their future.

To maintain the pace of environmental progress, Federal environmental policy should be guided by a set of seven fundamental principles. If followed, these principles will produce a cleaner, healthier, and safer environment for ourselves and our children:

—First, do no harm: There are many government programs that encourage or directly cause environmental harm. The government should make sure its own house is in order. It makes no sense for the Federal Government to subsidize environmental destruction on the one hand while establishing laws, regulations, and bureaucracy to mitigate damage on the other hand.

—Economic growth is a vital prerequisite for environmental progress. It takes a healthy, growing economy to afford the technological mandates of environmental law. Furthermore, advances

in technology, which benefit the overall economy, will also benefit the environment. Even advances in non-environmental technologies and industries should indirectly result in more efficient resource consumption and less pollution.

—Federal efforts should focus on results, not regulations: Federal environmental regulations should be less prescriptive, more market-oriented, and based on the "polluter-pays" principle. Federal environmental law now tells people how products should be manufactured, what technologies must be employed, and when and if production changes should be allowed. Bureaucrats can no more efficiently manage the environmental practices of hundreds of thousands of commercial enterprises than they can efficiently manage the economic activity of those enterprises. Regulations are the most effective when they set performance standards and allow businesses to figure out the best way to meet those standards. Allowing the trading of emission allowances would increase the efficiency of the standards. Finally, regulations should target those parties responsible for environmental harm; this approach is fair and sets the correct incentives for environmental behavior.

—To illustrate why this is important, one need only look at the so-called Amoco-Yorktown refinery study. In 1993, *The Wall Street Journal* reported on the results of the study in an article titled: "What Really Polluted? Study of a Refinery Proves an Eye-Opener." The NAPA report also referred to the study.

> The Amoco-Yorktown refinery study, and similar experiments in the integrated pollution management designed for specific plants or industrial sectors, have shown that EPA's traditional regulations produce fewer environmental benefits at higher costs than would alternative approaches. Under the current regulatory framework, Amoco's Yorktown, VA, refinery is required to reduce about 7,300 tons of airborne hydrocarbon emissions per year at a cost of $2,400 per ton. The refinery found that by using different control strategies from those required by the regulations, however, it could eliminate 7,500 tons of hydrocarbons and listed hazardous waste each year at an average cost of $500 per ton.

—Preclude regulation without representation: No lawmaking should go into effect until it is affirmatively adopted by the House and the Senate and signed into law by the President. Most environmental law is written not by elected representatives but by unelected executive branch employees. Such individuals are not subject to political accountability and are able to circumvent the constitutional checks and balances designed to make lawmaking a consensus-driven activity. Current attempts to "regulate the regulators" are inevitably clumsy and beg the question of why unelected officials are making law.

—Property owners should be compensated for regulatory takings: Property owners whose property is taken or regulated to achieve some public good should be compensated. It is simply unfair to require a few citizens to pay the full costs of providing goods desired by the public. Just as those who cause direct harm to oth-

ers should be held fully liable and responsible for damages, the procurement of goods that benefit the entire public should be paid for with public dollars. This principle reaffirms the plain reading of the 5th Amendment; it will also aid in the protection of the environment. Property owners who face not financial ruin but full compensation if their property is identified as hosting some ecological treasure are more likely to protect and conserve the resource held so dear by many.

—Recognize That the Best Stewards of Environmental Resources Are Private Stewards: America has a proud conservation tradition that demonstrates that communities and local groups can work together to protect the environment. Some industries have shown they are capable of sound environmental management.

For example, 60 years ago, Ruth Edge purchased, along with others, a mountain in Pennslyvania that was a major hawk flyover. It has been reported that "[n]either politicians nor major conservation organizations shared her dream of protecting the hawks, so she pursued her dream through personal initiative."

One Size Does Not Fit All: The current approach to environmental policy does not always permit state and local governments to be responsive to local or regional environmental problems. Environmental policy should be flexible enough for communities to experiment with sensible solutions.

SUPERFUND PROGRAM

The Superfund program is seriously flawed. As such, the authorizing committees should correct the program's problems in a manner that will reform the high cleanup and legal costs, correct any unfairness of the liability scheme, reduce overlapping authority and responsibility between various levels of government, and alter the economic incentives to use undeveloped—or "greenfield"—sites to avoid potential Superfund liability.

Although that task is the responsibility of the Appropriations Committee, the Budget Committee majority members believe that funding for the National Park System should be such a priority. In addition, we believe that strong Clean Water State Revolving Funds and Drinking Water State Revolving Funds should be maintained. The Budget Committee majority also encourages the committees of jurisdiction and other concerned parties to identify ways to restore salmon runs to the Elwha River in the most cost-effective way possible. Finally, the Budget Committee recognizes that Congress authorized participation in the CALFED Bay-Delta Program.

COMMERCE

Continuing leadership in the development of new technologies is vital to the strength of a nation. "Competitiveness" became the political mantra of the late 1980's and early 1990's, and heated debates over how the United States could best remain competitive have raged through the halls of Congress and in public policy forums across the country. In certain areas, such as new technology standards and measurement development and fundamental technical competence, the government does play an important role.

But the President and previous Congresses have focused on the small picture through micromanagement. Washington's tendency to micromanage undoubtedly has caused much of the massive regulation and bureaucratic structure that hinder the Nation's ability to move forward.

Although the Federal Government has a role in basic research, it should not be engaged in applied research. Furthermore, considerable evidence exists that the Federal Government is not capable of choosing projects with the greatest potential for technological and commercial success. Instead, the government should focus on providing an economic environment that favors growth, spurs the investment of private capital, and encourages risk-taking.

Rather than pursuing industrial policy, the U.S. can best enhance its competitiveness by eliminating deficit spending and the national debt; by modernizing outmoded antitrust laws to recognize global competition; by reforming the civil justice system, including product and professional liability standards; and by reviewing new government regulations using risk assessment reform and cost-benefit analysis.

TERMINATE THE DEPARTMENT OF COMMERCE

The Department of Commerce is an unwieldy conglomeration of marginally related programs, nearly all of which duplicate those performed elsewhere in the Federal Government. According to the General Accounting Office, Commerce "shares its missions with at least 71 Federal departments, agencies, and offices. . . . Its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its resources are dedicated to activities completely unrelated to its . . . mission." Former Commerce Department officials recently testified that the few unique functions contained in Commerce suffer under the multiple tiers of political appointees and bureaucracy.

This view was also echoed by T.J. Rodgers, the President and CEO of Cyprus Semiconductor. Writing in *Investor's Business Daily,* he called much of the Department's spending "corporate techno-pork." Because of this, he argued: "The Department of Commerce should be dismantled. Its loose collection of pork-barrel programs for industry ('corporate welfare') does not remotely justify its $4.4 billion yearly cost. Vital functions, such as the Patent Office, have more suitable homes elsewhere in the government."

Furthermore, he stated: "The Department of Commerce has only one coherent theme connecting its scattered activities: the delivery of political funds and favors to widespread constituencies." He concluded by noting that businesses [even small Mom and Pop businesses] are paying higher taxes to support this additional spending, but that this is actually destroying wealth. Specifically, "[t]hey take money from successful corporations and individuals who are professionals at investing and move that money to Washington so that the investment can be done by bureaucrats. The investments in technology will be made: tax rates determine only who the investor will be."

The Budget Committee majority again urges the committees of jurisdiction to once again examine the next means of terminating

the Department of Commerce and reallocating those functions that need to be maintained.

TRANSPORTATION

American history is, to a great extent, the story of the successive development of innovative transportation systems that have opened up our nation to settlement and development. Because of the importance of transportation to our nation's economy, the level of investment in our transportation system is crucial. Although historically most transportation has been regulated at the State or local level, Federal, State, local, and private resources have all been instrumental to the establishment and maintenance of the Nation's transportation infrastructure. The Federal Government has traditionally ensured the creation or maintenance of transportation systems of a national nature: such as the transcontinental railroad; maritime trade; aviation safety; and the interstate highway system. It is the subject of this function, which includes Federal funding for highway, transit, railroad, aviation, maritime, and Coast Guard programs.

Although the Federal role was instrumental to the creation of the national interstate system, today it has often become an obstacle to improved transportation services. As much as 25 percent of the tax revenue dedicated to the Highway Trust Fund is spent on maintaining the Federal bureaucracy and complying with burdensome Federal mandates and regulations. Also, much Federal highway spending is misdirected toward programs with limited or no relationship to transportation, such as bicycle, pedestrian and horse paths, landscaping, tourism brochures, and commercial development, including the subsidizing of a saloon.

In aviation, the Federal role of ensuring the safety of the skies has expanded to include programs that assist in building runways, taxiways, and terminals. But costly Federal mandates and restrictions limit how airports raise and spend their revenues, despite the fact that Federal funding is only a fraction of most airport budgets. Indeed, the nature of the Federal Aviation Administration's Airport Improvement Program, combined with Federal restrictions on other sources of potential revenue, prevents many airports from meeting their development needs. In 1970, because of the inability of overextended railroads, many of which were mandated by Federal law to maintain unprofitable lines, to compete against the private automobile and modern jet transportation, the nationalization of passenger rail was undertaken as a 2-year, federally-assisted experiment. After 27 years this experiment has delivered a near bankrupt corporation, Amtrak, running on a dilapidated infrastructure and desperate for Federal aid every day to survive. In fact, despite over $19 billion in Federal assistance, Amtrak has cumulatively lost over $13 billion ($764 million in net losses during fiscal year 1996 alone), a level of losses more than twice as much per year as trains were losing under private ownership.

The GAO testified in March 1997 that "Amtrak is still in financial crisis despite the fact that its financial performance (as measured by net losses) has improved over the last two years." Furthermore, ". . . it is likely Amtrak will continue to require Federal financial support—both operating and capital—well into the future."

As a government-owned corporation, Amtrak finds it difficult to conduct the long-range planning and organizational changes that a private company could and would take to maintain a competitive and profitable service, such as modernizing capital equipment and closing unprofitable routes. Amtrak's statutory monopoly on passenger rail also prevents the establishment of private competitors, which must gain Amtrak's approval to operate. In every instance, Federal aid has brought strings and regulations that have increased costs. This has necessitated more Federal aid, and has led to greater dependence on the Federal Government—and needs now far exceed Federal resources in every mode of transportation. The expansion of Federal involvement in transportation has occurred over decades, and it cannot and should not be reversed overnight. As a result, the proposals that follow are not policy directives to the committee of jurisdiction, nor do they affect the spending assumptions in this resolution. But the policy directions outlined below merit further investigation, hearings, and deliberation for the long- term health of the Nation's transportation network.

The Budget Committee majority urges the committees of jurisdiction to explore ideas that would harness the ingenuity of Governors, State legislatures and local governments, the entrepreneurialism of private industry, and the strength of the financial markets to enhance the nation's transportation network. Several such ideas are presented below.

HIGHWAY FUNDING

The United States' highway financing mechanism is a relic of the 1950's. It was created at a time when lawmakers were concerned that the nation's highways would be inadequate to allow populations to exit urban centers in the event of a nuclear attack. Construction of the interstate system was originally authorized to last 13 years and cost $25 billion. It has lasted more than forty years and cost more than $130 billion. The Federal-Aid Highways program was also expanded during that time to include more than $240 billion in other programs and projects.

But even with this massive level of Federal spending, according to many "experts," highway construction and maintenance remains woefully underfunded. But the real problem is not the level of federal spending, but the federal system itself. This is because of the waste of billions of tax dollars on the inefficient Federal bureaucracy, Congressional demonstration projects, and burdensome Federal regulations and mandates that eat up as much as 25 percent of the tax revenue dedicated to the Highway Trust Fund.

In addition, much Federal spending is misdirected toward programs with limited or no relationship to improving transportation such as bicycle, pedestrian and horse paths, landscaping, tourism brochures, and commercial development, including the subsidizing of a saloon.

One solution to addressing future infrastructure needs would be reducing the Federal gasoline excise tax and highway trust fund outlays by an equivalent amount beginning in 2002. States could then raise their taxes a commensurate amount. Currently, the Federal-Aid Highways program, funded through the Highway Trust Fund, spends approximately $20 billion each year. This proposal

would reduce the program eventually to collecting and expending approximately $7 billion a year.

The key to improving the Nation's infrastructure is re-empowering the states, not further consolidating power in Washington. Restoring the States' control over their highways could be an important first step, and warrants further investigation.

THE AIR TRAFFIC CONTROL SYSTEM

The Air Traffic Control system is obsolete. According to a March 1997 GAO report, "since the early 1980's, FAA's modernization efforts have experienced lengthy schedule delays and substantial cost overruns." But although the FAA has taken some steps to solve these problems, the risk of cost overruns and program delays continues to bedevil the modernization program. The FAA has also been criticized for general mismanagement. The antiquated technology and mismanagement are at least partly responsible for the chronic airport congestion and delays that cost travelers, industry, and the government nearly $6 billion annually. In the next few years, as many as 40 airports will experience serious congestion affecting 80 percent of air travelers. Clearly, the current system will not meet the nation's air travel needs of the next century.

One alternative would be to transfer the operations of the air traffic control system to a privately run corporation, while retaining a Federal role in setting safety standards, certification, and regulations.

Privatizing ATC operations would remove the bureaucratic impediments to modernization, and would enable the corporation to raise private capital for modernization. It would end the current conflict of interest resulting from the same organization running air traffic control and monitoring its safety. A privately managed air traffic control corporation could also provide incentives for experienced air traffic controllers by implementing a flexible and fair pay scale. Finally, a corporation could function as a commercial enterprise, responsive to its users and using best business practices.

THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Another area that warrants examination is the St. Lawrence Seaway. The seaway was opened in 1959 and operated by two separate national organizations, the U.S. St. Lawrence Seaway Development Corporation and Canada's St. Lawrence Seaway Authority. The Canadian system of 13 canals is funded through the collection of tolls, whereas the two canals of the U.S. system are funded by revenues generated by the Harbor Maintenance Fee. However, the Harbor Maintenance Fee may be ruled unconstitutional by Federal courts, and may also be challenged by the World Trade Organization. Thus, a new financing scheme needs to be identified.

The Canadian government has proposed legislation that would establish a bi-national not-for-profit corporation to take over operation of the Seaway. The corporation would be composed of Seaway users, who are the parties most interested in the successful management and operation of the system. This proposal would also return oversight of Great Lakes Pilotage to the Coast Guard.

HOUSING

The American Dream starts with a safe decent place to live. As Americans work to fulfill their dream, they move up the housing ladder—from transitional housing, to long term rental, to rent/purchase, and finally to home ownership. Nearly two-thirds of Americans own their home with fully 90 percent aspiring to home ownership—a nearly 25-percent difference.

The private sector is the best mechanism for meeting the housing needs of most of the Nation's citizens. Governments, however, should play narrow, targeted roles in housing because decent and safe housing provides positive economic, social, and political benefits that stabilize neighborhoods and communities and benefit all members of society. Thus, Federal, State, and local governments should supplement private sector resources only when necessary, remove unnecessary and costly regulations that relate to building, selling and financing housing, and work in partnership with the private sector to ensure an adequate supply of affordable housing for all and raise the home ownership rate in the United States.

Today there is a need for at least 10.5 million affordable housing units—a third are in the central city, a third in the suburbs, and third are in rural areas. Who needs affordable housing? Low income households and individuals. Elderly populations with special needs will explode over the next few years as the baby boomers move to retirement. American Indians continue to be housing poor.

Paul S. Grogan, the president and chief executive, Local Initiatives Support Corporation finds: "It's time to stop kidding ourselves and finish the job of making affordable housing available to every American." A special focus should be on the poor, elderly, disabled, homeless, and those wishing to own their own home.

The Federal Government spends about $35 billion on housing initiatives which serve just under one-third of those in need. The cost per family of 4 is about $900 per month. In most of America, $900 a month is enough to buy a nice home with hundreds of dollars left over. Democrats, Republicans, conservatives, and liberals agree "that much of the Federal housing "cash flow" is being wasted." Milliard Fuller, the president and founder of Habitat for Humanity, says that it is "ridiculous, shameful, and disgraceful" that government has not done more.

The Federal Government should support community efforts to assist low-income individuals and families to move up the housing ladder and provide more Americans the opportunity to participate in the American Dream of home ownership. Community-based solutions will need Federal support along with assistance from states and the private sector. Realtors, mortgage bankers/brokers, builders, developers, rental housing owners, housing not for profits such as Habitat for Humanity and public housing authorities, and many others will need to work together.

The Federal housing "cash flow" is a substantial commitment that should be redirected to highly leveraged community based housing initiatives and home ownership programs. Community-based organizations often combine government dollars and tax credits with private contributions, loans, and other resources to "le-

verage" government housing dollars by 2, 3, 4, 5, or even 6 times or more to build affordable housing.

Many Americans want to own a home but can't. A family living in their own home can build their future one month at a time by making mortgage payments and accumulating equity. Today, 44 percent of Americans' net worth is in their homes. Home equity is an important saving mechanism for old age. In addition, home equity may be used to fund education expenses and pay emergency health bills. A community house focus brings renewed responsibility to state and local governments as well as the private for profit and not for profit housing corporations. In many communities, teachers, police, firefighters and others who work to support the community cannot afford to live there. Affordable housing is often at the mercy of existing restrictions on development and fees and the entrepreneurial spirit of housing corporations. Few not for profit housing corporations have built units in large numbers. New business associations between for profit and not profit housing organizations could increase dramatically affordable housing units. World class construction companies—Bechtel, Brown and Root—as well as local and regional builders and manufacturers must work with local communities to build millions of housing units.

Federal housing dollars must be used better. Targeted Federal dollars can help communities to dramatically increase affordable rental housing and home ownership.

Housing objectives at all levels should include the following:

—Preservation: Effective policies to help preserve, maintain, and improve what lowcost, decent housing already exists.

—Production: Creative, cost-effective, and flexible programs that will increase the supply of quality housing for low-income families, the elderly and other vulnerable people.

—Participation: Encourage the active and sustained involvement and empowerment of the homeless, tenants, neighborhood residents, and housing consumers. We need to build on the American traditions of home ownership, self-help, and neighborhood participation.

—Partnership: Ongoing support for effective and creative partnerships among nonprofit community groups, churches, private developers, and government at all levels, Realtors, home builders, mortgage bankers/brokers, and financial institutions to build and preserve affordable housing.

—Affordability: Efforts to help families and individuals to obtain decent housing at costs that do not require neglect of other basic necessities. Opportunity: Stronger efforts to combat discrimination in housing against racial and ethnic minorities, women, those with handicapping conditions, and families with children.

—Justice: There is no better provision for justice than the opportunity to own a home. Social justice is often dependent on the economic condition of individuals and families. Homes are by far the major family asset. Home ownership is the foundation of the American Dream and a prime condition for justice.

JOHN R. KASICH, *Chairman.*

ADDITIONAL VIEWS OF HON. GIL GUTKNECHT REGARDING GEOGRAPHIC INEQUITY IN PAYMENTS TO MEDICARE RISK CONTRACT PLANS

The current practice of basing Medicare payments to risk contract plans on fee-for-service costs has resulted in a wide disparity in Medicare payments from region to region. For example, some counties receive 2.5 times more in Medicare payments under the adjusted-average-per-capita-cost (AAPCC) than others. This inequity in Medicare payments deprives rural beneficiaries of quality Medicare services and penalizes the most efficient and effective Medicare service providers. The geographic variation in Medicare payments must be reduced over time to raise the lower payment areas closer to the average. The geographic inequity in Medicare payments should be corrected by delinking payments to Medicare risk contract plans from fee-for-service spending while taking into account actual differences in input costs that exist from region to region. Providing an adequate minimum payment rate will allow Medicare health plans to offer a high quality Medicare package to rural beneficiaries.

GIL GUTKNECHT.

ADDITIONAL VIEWS OF HON. LUCILLE ROYBAL-ALLARD REGARDING HISPANIC SERVING INSTITUTIONS

It is my hope as this budget moves through the committee process that Hispanic Service Institutions (HSI) will receive appropriations at the authorized level of $45 million to support access to higher education opportunities for Hispanic students. Currently, there are approximately 125 colleges and universities, including four-year institutions and community colleges, with Hispanic student enrollments above 25 percent that are eligible for Federal Title III, Section 316, Part A (Strengthening Institutions) funding. These funds are used to support infrastructure development and staff and faculty development by allowing these institutions to provide a culturally relevant and academically supportive environment.

I am concerned that funding for HSIs has never achieved the funding levels first authorized by the 1992 Reauthorization of the Higher Education Act. In fact FY 1995 was the first year that a $12 million appropriation was made for HSIs. In subsequent fiscal years, HSIs received annual appropriations of $10.8 million, an amount that is only one-tenth of those made available to similarly situated institutions serving minority students.

I believe increasing funds to HSIs is critically important in supporting the recruitment and retention of Hispanic students in higher education. Increased funding to support the growing enrollment of Hispanic students in HSIs is essential to the continuing development of the educational programs of these institutions.

LUCILLE ROYBAL-ALLARD.

ADDITIONAL VIEWS OF HON. KENNETH E. BENTSEN, JR.

I voted for the budget agreement, as embodied in the budget resolution, because I believe, on balance, that it sets the right priorities and places the federal budget on a reasonable and achievable path to being in balance for the first time since 1969. It is by no means a perfect agreement; few are. But it is a bipartisan agreement that gets us to balance and that will help restore the confidence of the American people that their elected leaders can work together to confront the challenges facing our nation. These are important Accomplishments.

I am especially pleased that this agreement places such a high priority on the education and health of our children. We must expand access to college because more and better education is needed to succeed in the information age economy. And we must end the national shame that 10 million children lack health insurance and access to basic health care. Texas, which leads the nation in uninsured children, will benefit greatly from this initiative.

However, as we transform this framework into specific legislation, I will be working hard to ensure that the tax cuts and Medicare changes in this agreement are implemented fairly and responsibly.

The Medicare changes should be fair to senior citizens and maintain our investment in graduate medical education at the nation's teaching hospitals. Teaching hospitals are linchpins of our entire health care system. They train future physicians and other health care professionals; they conduct clinical research that helps America first in the world in medical research and technological development; and they often bear the responsibility of treating patients who lack health insurance and cannot find care anywhere else. Because of this special mission, the federal government has long considered it in the national interest to help underwrite the extra cost of operating these hospitals. Through traditional Medicare plans, the federal government provides a subsidy to these institutions based upon the number of traditional Medicare patients they treat. However, as the number of Medicare patients enrolled in managed care has grown steadily and these patients have been sent to other locations, there has been a steady erosion in this federal subsidy.

I believe that the Medicare reforms enacted as part of the reconciliation bill should establish stable, mandatory funding for graduate medical education. This legislation could include the option recommended by the Administration's Fiscal Year 1997 Budget, which is similar to legislation I have introduced, H.R. 106, to establish a trust fund by recapturing a portion of the Adjusted Average Per Capita Cost (AAPCC) payment to Medicare managed care plans. This approach would not increase federal spending; rather it would recapture funds from the current Medicare managed care

reimbursement formula so that all Medicare plans help pay for the cost of graduate medical education.

I am also concerned that this agreement meet the goal of balancing the budget. It is assumed that the tax cuts will be contained and not result in excessive revenue losses in the future. Such losses would increase the deficit and put pressure on necessary mandatory spending such as Medicare and Medicaid. That is why I offered an amendment to ensure that any excess losses from the tax bill be offset not by additional cuts in mandatory spending, but rather from the revenue side of the ledger. This is within the scope of the original agreement, but unfortunately the Committee failed to accept this enforcement mechanism. We must remember the lesson of the early 1980s when tax cuts did explode in cost and resulted in the huge deficits we are still dealing with today. If Congress takes that approach again, the result will be either the return of huge deficits or deep cuts to Medicare, Medicaid, education, and other priorities we are about. Neither outcome is acceptable. I will continue to fight for enforcement mechanisms as we write the legislation implementing this agreement. This is a good agreement, but it will not live up to its promise unless we ensure the tax cuts remain responsible and affordable.

KENNETH E. BENTSEN, JR.

ADDITIONAL VIEWS OF HON. BENJAMIN L. CARDIN

I want to make the Committee aware of two issues of particular concern to me.

The first issue is the repeal of the Boren amendment, a protection in the Medicaid program that simply states that payment rates for hospitals and nursing facilities must be "reasonable and adequate to meet the costs of efficiently and economically operated facilities." This provision is a vitally important Medicaid component because it helps assure access to quality health care for our nation's poor mothers, children, and seniors.

The Boren amendment was enacted in 1981 at the request of our governors because they were then concerned about their ability to continue providing adequate access to Medicaid beneficiaries. Access was becoming limited due to the continued downward spiral in Medicaid reimbursement rates. These low rates were leading providers to refuse to participate in the program.

What was a problem in 1981 would become a problem again today if we repeal the Boren Amendment. Such action will free the hands of states to pay whatever reimbursement rates they choose to hospitals and nursing homes. This will gravely impact the access and quality of health care for the majority of our country's elderly nursing home residents and for millions of poor mothers and children.

Today, many states are moving their Medicaid populations into managed care. This move is raising its own set of questions about access to health care and quality of care. Adding the elimination of the Boren Amendment to this already rapidly changing health care system could truly devastate the federal government's commitment to provide access to quality health care for America's seniors in nursing homes and poor mothers and children. Congress should not repeal this important protection.

The second issue is an amendment I offered in the committee to create a Congressional Commission on budget process reform. This commission's membership would be appointed by the Speaker of the House and the majority and minority leaders of each chamber. It would be made up of members with financial and accounting expertise as well as knowledge of congressional practices.

The commission would be charged with revisiting the work of the 1967 commission which produced a comprehensive examination of federal budget accounting practices. Many of the issues reviewed at that time need to be considered again in light of numerous changes that have occurred in the congressional budget process and the difficult budget problems facing us with respect to the treatment of trust funds, the effects of a cash accounting system, and a host of other issues. The commission would also review the reforms instituted in the Congressional Budget Act of 1974, as well as changes enacted since then.

More specifically, the commission will make recommendations regarding what items of federal spending should be "on budget" and which "off budget", including focussing on the treatment of trust funds and government sponsored enterprises; cash versus accrual accounting; the potential uses of a capital budget, and the proper limits on what constitutes a capital expenditure; the classification of different categories of federal receipts, such as revenues, offsetting receipts, user fees, and the method of scoring changes in federal tax or spending policy; the budgetary treatment of emergency funding resolutions; and the calculation of the baseline for federal budget purposes.

The current budget process system has many unintended consequences for federal government policies. Dedicated taxes are paid into trust funds, only to be left there, frequently to the frustration of the public. Spending decisions are distorted by scoring policies that make prudent long-term planning nearly impossible. Concentration on five-year scoring windows for revenue changes ignores long-term consequences that threaten future fiscal stability. The adverse impact of these and other problems affects Social Security, limits federal capital investment, and creates confusion among the American public with respect to the federal budget.

I want to thank the Chairman for his expression of support for this proposal. I also appreciate his recommendation that the Committee proceed with developing a task force and holding hearings on this important topic. I look forward to our continued work on reforming the budget process.

BENJAMIN L. CARDIN.

ADDITIONAL VIEWS

It is our view that Function 270 of the Budget Resolution should assume full funding of the President's request for the Department of Energy's Energy Efficiency and Renewable Energy Programs ($1.05 billion). The Budget Resolution provides an opportunity to assess national priorities within our overall budget parameters as we help prepare our country and its citizens for the future. To that end, we strongly urge our colleagues in the Congress to fully fund the renewable energy and energy efficiency budget request. There are numerous reasons to do so, any one of which is reason enough, and put together they present a compelling case.

These programs represent a sound, cost-effective investment for a better, healthier, more competitive American future. Seldom do we have the opportunity to meet so many objectives at the same time:

—Development of our abundant renewable energy (biomass, solar, wind and geothermal) and energy efficiency resources which exist all over our great country. This fosters solid job creation, new manufacturing and products and sustainable economic development in every single one of our states.

—Technological leadership and excellence as we face an increasingly competitive global marketplace. We should not sacrifice our leadership to our major trading competitors because we do not carry through the important R&D advances and promising future our investments have already yielded. That would be penny-wise and pound-foolish and would jeopardize our ability to have healthy, cutting-edge technologies, products and industrial processes that can capture the burgeoning international markets as well as our domestic markets which should not be ceded to other countries. Our renewable energy and energy efficiency investments serve as a catalyst to stimulate and leverage much greater investments because the investments are, at a minimum, 50–50 cost-shared.

—Pollution prevention through the use of more efficient process technologies and clean energy sources, which results in less conventional air pollutants and greenhouse gas emissions. The renewable energy and energy efficiency budget is the largest federal pollution prevention program and should be heralded as a superior approach.

—These investments are the cornerstone of a sound global climate change mitigation strategy. The international scientific community and more than 150 nations have recognized the serious threat posed by human-induced climate change and called for action to reduce greenhouse gas emissions (produced primarily by the combustion of fossil fuels). Enormous efficiency gains can be

made in every sector. In addition, our wealth of renewable energy resources positions us to address this important issue and take international leadership. This can result in our technologies having great international market potential as other countries also take action and see sustainable energy technologies as an important route for their energy and economic development.

—Reduced reliance on oil imports which swell our trade deficit, take dollars away from reinvestment in our economy and add to our national security costs and risks.

Furthermore, support for a strong renewable energy and energy efficiency budget has the solid support of the public, which has been borne out in poll after poll on budget priorities over the last decade.

As we think about the future of our country, it is clear that our investment in sustainable energy resources is a smart, reasoned, effective way to address the enormous, critical challenges and opportunities facing us. We can afford to do no less.

DAVID MINGE.
LYNN WOOLSEY.
LYNN RIVERS.

ADDITIONAL VIEWS OF REPRESENTATIVE DAVID MINGE

I am pleased that this budget resolution reflects a bipartisan agreement to balance the budget by 2002. As the Cochair of the Budget Task Force of the Blue Dog Coalition, I, like many Members of Congress, have been a strong advocate of balancing the budget. Many of the numbers in this resolution reflect policies and priorities that were highlighted in the Coalition Budget. However, I am disappointed that the resolution falls short of the benchmark established in the Coalition Budget for fiscal responsibility, particularly in the following respects:

(1) Absence of strong budget enforcement mechanisms.

(2) Deferring most of the deficit reduction needed to achieve balance until the years 2001 and 2002.

(3) Inclusion of new and expanded programs and tax cuts prior to eliminating the deficit.

(4) Using budget gimmicks to achieve balance in the last year.

(5) Reliance on Social Security Trust Fund and failure to improve its long-term, integrity.

Indeed what has happened is that Americans are being denied a golden opportunity to balance the budget promptly. This is tragic. In recent weeks, first the Treasury Department and then the Congressional Budget Office (CBO) found projected tax revenues running well ahead of earlier projections. By May 1, the CBO projected that over the five year budget period of 1998 through 2002 there would be $225 billion more in revenue. The fiscal 1997 deficit is not expected to be $70 million—a $45 billion drop from the last estimate.

We should use this newly found resource to eliminate the deficit as quickly as possible, put Social Security on a path to recovery, correct some glaring inequities in 1996 legislation, and then embark on tax reduction efforts, improve educational opportunities, and invest in our crumbling highway system. Unfortunately, the politics of finding a majority that shares a vision for America has turned the effort to balance the budget into frenzied competition for tax cuts and programs. The tough decisions and the heavy lifting are at best delayed. At worst, these tough decisions will not be made until an imminent crisis overwhelms us and then the required action will be harsh.

Unfortunately, in these happy fiscal times we are not reporting out a budget balancing resolution. In reality it should be called the "Tax Cut and Program Augmentation Resolution." Balancing the budget is more a footnote. If we are to eliminate the deficit in this setting, strong budget enforcement language is needed.

ENFORCEMENT

Reaching an agreement to balance the budget by 2002 does not guarantee that the budget will actually be balanced in 2002. We need only to look to the Gramm-Rudman-Hollings experiences of the 1980s and the 1990 budget summit to be reminded how quickly a balanced budget plan can fall off course (see Chart 1). Americans are tired of us making unfulfilled promises about balancing our budget. In order to avoid a repeat of the failures of past budget agreements, legislation implementing this resolution must include a strong enforcement mechanism locking the projected deficit path into statute. Unfortunately, no enforcement language is contained in the Committee's resolution. Thankfully, the extension of PAYGO rules and discretionary spending caps is included in the report language, but it is not enough to keep this deficit reduction plan on a glide path to balance.

The Coalition budget proposed strong budget enforcement provisions to lock in the deficit reduction through hard deficit targets enforced by sequestation. If the deficit fell off the glide path toward balance and exceeded the deficit target for any year, Congress and the President would be required to take action to put the deficit back on the glide path toward balance. If Congress and the President failed to take corrective action, there would be a sequestration targeted to the part of the budget that caused the deficit to increase above projections.

It is critical that an enforcement mechanism include all portions of the budget—spending and revenues—without exceptions to ensure that everyone has a stake in keeping the deficit on a declining path. One of the lessons of our experience with Gramm-Rudman is that exempting any area of the budget from enforcement will encourage certain groups to sit on the sidelines while balanced-budget plans unravel. In order to be effective, an enforcement mechanism must provide consequences for a failure to keep the budget on a path to balance that cannot be evaded by Congress, the executive branch, or the efforts of any interest group. A comprehensive enforcement mechanism such as was included in the Coalition Budget will provide accountability for all of us to ensure that the budget is actually balanced by 2002.

The importance of strong enforcement language is reinforced by the risk of the exploding cost of tax cuts in out years, back-loaded deficit reduction and the existence of certain shortcomings in this resolution. The failure of this agreement to meet the standard established by the Coalition Budget for fiscal responsibility makes the enactment of enforcement language crucial to this plan successful in actually achieving a balanced budget.

DEFERRED DEFICIT REDUCTION—WHERE IS THE GLIDEPATH?

The resolution fails to meet the criteria established by former CBO Director Robert Reischauer for a credible deficit reduction plan. The Reischauer test requires at least 32% of the deficit reduction to be achieved in the first three years of a five year plan. Under this resolution, less than 29% of the deficit reduction occurs in the first three years. In fact, the deficit in fiscal year 1998 proposed in this resolution is higher than CBO projects it would be

under current law. More than half of the deficit reduction is postponed until the final year. By contrast, the Coalition Budget (which was developed without the recent $225 billion budget windfall) met the Reischauer test path by achieving more than 38% of the deficit reduction in the first three years. With the new $225 billion, the Coalition Budget could achieve balance by 2000. Given the newly found $225 billion of revenue and the significant reduction in the deficit in recent years, the Committee Resolution should have a better glidepath.

DESSERT—NEW PROGRAMS AND TAX CUTS

Any politically viable proposal that begins with substantial tax cuts and new spending will almost inevitably result in back-loaded deficit reductions. I applaud the decision of the negotiators to agree with the recommendation of the Coalition to provide for separate consideration of tax cuts after we have passed the spending cuts necessary to balance the budget. However, I am concerned that this resolution will allow Congress to enact tax cuts and spending increases that will take effect before we know if the spending cuts we enact will actually achieve the savings necessary to put the budget on a glidepath to balance.

The Coalition Budget postponed tax cuts and new spending programs until we completed the tough work of balancing the budget. I did not oppose tax cuts. In fact, I support many of the tax cut proposals and education programs that have been discussed as part of this agreement. However, I believe that our first priority should be to put our fiscal house in order. I do not believe that a tax cut dessert or new programs paid for with borrowed money makes sense. Although I enjoy dessert as much as everyone else, I believe that we should eat our spinach before dessert.

GIMMICKS

I am concerned that this resolution relies on one-time savings and other such strategies to achieve balance. The strategies included in the resolution such as the one-time savings from the spectrum auction in 2002 and the provisions allowing use of future assets sales to meet budgetary targets make me skeptical that this budget will actually achieve a balanced budget by 2002 and thereafter. I am particularly concerned about the provision on pages 52 and 53 of the Budget Resolution dealing with the budgetary scoring of future assets sales.

SOCIAL SECURITY AND COLAS

I am also disappointed that the budget agreement fails to deal with the long-term problems facing the Social Security system. The Coalition Budget demonstrated that it is possible to balance the budget without relying on the Social Security trust fund or any other trust fund surpluses and strengthen the long-term solvency of the Social Security system if we are willing to honestly deal with the growth of entitlement spending and guard against tax cuts that explode in costs after 2002. Unfortunately, when it comes to Social Security, the negotiators succumbed to the tactics used by members

of both parties and ducked many of the tough choices that were in the Coalition Budget.

I am particularly disappointed by our lack of leadership on the issue of the inaccuracy in the Consumer Price Index (CPI). There is broad agreement among economists that the CPI overstates inflation. Estimates of the CPI's overstatement range from 0.5% to 2.0% annually. The Bureau of Labor Statistics (BLS) has taken limited actions to address the problem and it is hoped that BLS will take further action. However, the future adjustment is expected to be only 0.2% which is on the low end of the estimates of overstatements. All experts—including BLS staff—recognize that the adjustments that have been made are just a small step in correcting the overstatement. Legislation reducing indexation based on CPI as an interim step will allow BLS to make corrections in CPI without facing the political pressure for a quick change in the calculations in order to achieve savings.

The Coalition budget did not propose to change the CPI. It would allow the experts at the BLS to continue to work to improve the CPI, but would reduce indexation based on CPI to compensate for the overstatement so that all federal Cost of Living Adjustments (COLAs) and indexation more closely reflect changes in the cost of living. Private sector use of the CPI would be unchanged. COLAs were created to hold beneficiaries of government programs and taxpayers harmless from changes in cost of living—no more and no less. It is irresponsible for us to continue to place an unnecessary drain on the Social Security system and other indexed programs by providing COLAs that virtually everyone acknowledges are higher than Congress intended.

The accuracy adjustment to programs indexed to CPI would give this nation the chance to rehabilitate the Social Security Trust Fund, as well as other trust funds. We would start to prepare for the retirement of the baby boomers. The Social Security Administration has estimated that a 0.8% accuracy correction to the CPI would extend the solvency of the Social Security Trust Fund by 13 years, pushing the date of that trust fund's depletion back to 2042. A small adjustment to correct for the overstatement of inflation in the current CPI would have a modest impact on current beneficiaries, but would be a major step toward preserving the integrity of the Social Security system for future beneficiaries. If we are not willing to take this relatively small step today, we will be forced to take much more drastic steps in the future to preserve the Social Security system.

The accuracy adjustment in the CPI figure would also save substantial amounts in other areas where the index is used. This includes automatic indexation of tax brackets. Although all certainly want tax cuts, we should simply strive for accuracy in the CPI. Together with the reduced borrowing due to reduced outlays, the savings from a 0.8% accuracy correction would total over $500 billion over ten years. In the later years, a significant portion of the savings is due to a reduction in projected debt service which results from reductions in outlays and borrowing.

It is critical to note that the CPI correction combined with other fiscally responsible steps urged in the Coalition Budget would result in our being able to *stop using the Social Security Trust Fund*

surplus to balance the budget by 2005. This is critically important. By contrast, the resolution that the Budget Committee is reporting relies on the current cash surplus in the annual Social Security operations to balance the budget by 2002. Projected Social Security surpluses are huge: $79 billion in fiscal year 1997, $81 billion in fiscal year 1998, $88 billion in fiscal year 1999, $94 billion in fiscal year 2000, $98 billion in fiscal year 2001, and $104 billion in fiscal year 2002. The use of these surpluses dramatically masks the true size of the deficit. It is disgraceful that this huge amount is being transferred from the Social Security Trust Fund to the United States Treasury for current expenditures. Our Committee ought to take responsible steps to end this practice. Given the bleak actuarial prospects and the cynicism of Americans about the future of Social Security, taking the surplus out of the budget is both badly needed and long overdue. The CPI accuracy correction and the postponement of tax cuts and new programs would enable us to take the Social Security Trust Fund surplus out of the budget calculations by 2005 or earlier.

I recognize that for our lowest income retirees, a limit on the rate of future Social Security benefit increases or retirement COLAs, even those resulting from accuracy corrections, is stiff medicine. For this reason, the Coalition Budget proposed a flat COLA for retirees within the same categories. Thus all individuals who have paid into Social Security for the maximum period—whether the mail room staff or the Chief Executive Officer—would have the same annual COLA in terms of dollar amount. The flat COLA proposal would end the percentage adjustment that widens the gap between high and low-benefit level retirees in the same categories. This would more than offset the impact of the accuracy adjustment on low-income retirees.

CONCLUSION

In closing, I wish to emphasize that this Committee is taking several responsible steps to address the deficit. There is a commitment to use conservative, Congressional Budget Office estimates of income, the economy, and interest rates. Entitlement spending on health care is being contained. Other entitlement reforms are also being made. The regional disparities in reimbursement for health care and for managed care at long last are being addressed. Some of the harshest, most unfair aspects of welfare reform are being corrected. These are important features of the Committee's budget resolution and I support them.

Finally, I support this resolution because it reflects a sincere commitment to move forward in a bipartisan process to balance the budget. We hope that the bipartisan cooperation that produced this agreement will continue as the agreement moves through the legislative process. This resolution is simply the beginning of the process. The real test will come with the reconciliation and appropriations bills implementing this resolution. I hope that we can improve the glidepath and credibility of the deficit reduction in this resolution and enact strong budget enforcement language. I will

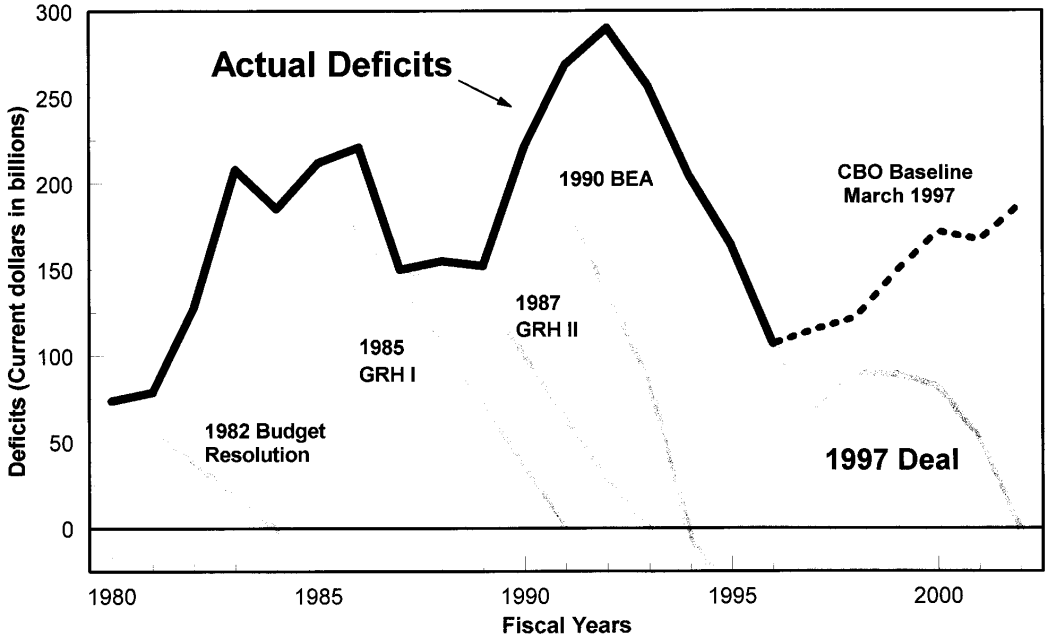
find it extremely difficult to support reconciliation legislation that does not address these issues.

DAVID MINGE.

MINGE CHART #1

Balanced Budget Initiatives

Deja Vu All Over Again?



Prepared by the Committee for a Responsible Federal Budget --May 1997

ADDITIONAL VIEWS OF CONGRESSWOMAN PATSY T. MINK

As a member of the House Budget Committee, I am duty bound to advocate for a Resolution that reflects the priorities I believe are essential for the future of this nation. The process this year of closed-door negotiations between the Congressional Republicans and the White House, gave us no opportunity for such input. Even amendments offered by Democrats were summarily dismissed, not on their merit, but simply because they did not conform to the agreement.

We cannot be expected to rubber stamp an agreement of this magnitude and importance when we were not party to the negotiations and only learned of the bare outlines in the agreement a little more than 12 hours prior to the markup. And we had no written report to review prior to this submission.

This agreement will govern the future of federal spending over the next five years and includes provisions which will impact our budget far longer (i.e. tax cuts). I am not convinced at this point that it reflects the priorities necessary to keep our economy strong and assure the overall health and well being of our population.

I have many concerns regarding this agreement. Foremost is the decision to pursue $50 billion in unspecified tax cuts over five years. This requires the Congress to include an additional $50 billion in spending cuts to off-set the tax breaks. The insistence of the Majority to include these tax breaks in this document is no different than efforts last year to provide tax breaks for the rich at the expense of the elderly and the poor in this nation, primarily through reductions in Medicare and Medicaid.

I am deeply concerned about the impact of the $115 billion cuts in Medicare and $13.5 billion from Medicaid. It is difficult to see how these cuts can be accomplished without increasing costs to beneficiaries or reducing services.

Also of concern is the overall restrictions on non-defense discretionary spending. Under this resolution non-defense discretionary spending will be $64 billion less than the current level of projected spending over the next five years. This part of the budget is, in my opinion, the most important in our overall effort for a strong and secure future for this nation. It represents our investment in education, health care and research employment and training, crime prevention, protection of the environment, housing, transportation and other infrastructure development.

While some programs are protected at the President's requested funding level, many programs essential to the education, health and well-being of our children, the elderly, low-income individuals, as well as the general population are not. Such items include Title I Education for the disadvantaged, special; education, TRIO, WIC, health research and many others. As pressure mounts to fund the

protected items under the restrictive spending cap, funding for the other areas will suffer.

The agreement does not go far enough in restoring benefits to legal immigrants. It falls far short of the President's promise to fix this injustice resulting from the enactment of the welfare bill. While SSI and Medicaid will be restored for disabled individuals, legal immigrants will continue to be denied Food Stamps, and the frail elderly will loss SSI.

Finally, of grave concern is the lack of any mechanism to enforce the tax cuts. History proves that economic projections are simply that—projections. They are forecasts and have often been wrong. For instance, CBO forecasts of the FY96 deficit was wrong. They were wrong for FY97. They were wrong in their 5-year budget forecast by $245 billion which was suddenly announced just days before the end of these negotiations. We should not base our budget on unpredictable forecasts.

What happens if the projections on the tax cuts are wrong and they result in even deeper revenue losses to this country, as we saw happen after the Reagan Tax cut in the 1980's plunging us into a $4 trillion debt in 10 years.

Spending can be enforced through the annual appropriations process, but restoring taxes or eliminating tax breaks is not as simple. The resolution should include some kind of enforcement mechanism in the event the tax breaks cost this nation more than the projected $85 billion in five years or $250 billion in 10 years.

PATSY T. MINK.

ADDITIONAL VIEWS OF REP. EARL POMEROY

I want to commend the Chairman and Ranking Member of the Committee for their outstanding efforts in forging this bipartisan balanced budget agreement. I am pleased to support this agreement that balances the federal budget in five years while protecting important national priorities including the education of our children and quality health care for our senior citizens. Importantly, the agreement also provides tax relief for middle income working families.

While I support this budget resolution, I am seriously concerned about the lack of funding allocated to the discretionary account for agriculture, function 350. The resolution assumes a cut of $1.4 billion below a freeze for agriculture over the next five years. Without adjusting for inflation, agriculture spending will be $400 million lower in 2002 than in 1997. In real dollar terms, discretionary funds for agriculture will be cut by more than 22 percent under this budget agreement. Unfortunately, several additional factors will constrain agriculture investment even further.

In 1994, Congress enacted sweeping reforms of the federal crop insurance program by providing catastrophic crop failure coverage to all producers and deleting the authority for congressional provision of ad hoc disaster assistance. As part of this crop insurance agreement, the federal reimbursement to private companies for the sales and service of crop insurance was to be provided for three years from the crop insurance fund, a mandatory expenditure account in the federal budget. Previously, half of the reimbursement had been provided in the agriculture appropriations bill as a discretionary expenditure.

Under the 1994 agreement, provision of the traditionally discretionary half of the delivery cost reimbursement was to be resumed by the Agriculture Appropriations Subcommittee in the 1998 appropriations bill. The problem we now face is that the Congressional Budget Office baseline contains no projection for this delivery cost reimbursement because it was not provided in the 1997 appropriations act.

The Agriculture Appropriations Subcommittee is further burdened in 1998 with requirements to offset $350 million of expenditures in the food stamp program that was displaced by prior enactment of last year's welfare reform bill. In addition, there is an expectation that $375 million more will be required for the WIC program.

Adding together the $350 million for foods stamps, $375 million for WIC and $200 million needed to provide the sales and service of crop insurance, the Agriculture Subcommittee is expected to be $900 million over their 1997 allocation, which would be the basis for establishing the 1998 allocation. To reflect the 1994 crop insurance agreement, the discretionary expenditure in function 350

would have to be increased by $200 million in FY98 and by $1.1 billion through FY02.

Agriculture programs have already been reduced more than any other function of government. I would like to remind my colleagues that American agriculture provides this nation with the safest, most abundant, and most affordable food supply in the world. In addition, agriculture exports contribute more toward a positive trade balance than any other sector of the economy. It is vitally important that we not abandon federal investment in agriculture research, trade and other programs to the detriment of American farmers, consumers and our national economy.

EARL POMEROY.

ADDITIONAL VIEWS OF REP. LYNN WOOLSEY

It is my view that Function 600 of the Budget Resolution should be increased to assume funding for the Special Supplemental Food Program for Women, Infants, and Children (WIC) at the level specified in the President's FY98 Budget. I would pay for this increase by reducing the size of the tax cuts assumed in the Budget Resolution.

While I voted for this Budget Resolution, I think it would be improved if it assured full funding for WIC. WIC provides nutrition and health assistance to lower income, nutritionally at-risk women, infants and children. Even though a GAO report showed that every dollar spent on pregnant women in WIC saves $3.50 in Medicaid, SSI and other programs, hundreds of thousands of eligible pregnant women, new mothers and children are going unserved by WIC because of inadequate funding.

I strongly urge my colleagues in Congress to ensure that WIC is fully funded.

LYNN WOOLSEY.

DISSENTING VIEWS OF LUCILLE ROYBAL-ALLARD

I commend Chairman John Kasich and Ranking Member John Spratt for their hard work in bringing this current Budget Resolution before the Budget Committee. This current budget is a dramatic improvement over the budget resolutions that the Committee considered in the 104th Congress.

Their are many favorable items in this budget resolution, such as the increase in education expenditures. However, I am particularly concerned with two items contained in the FY 1998 budget resolution. First, despite the attempts to correct some of the past ills of last year's budget welfare reconciliation bill, this budget package falls short of fully restoring aid to one of the most vulnerable populations in our nation, the elderly and disabled legal immigrants. Second, I am concerned that the cuts to the Medicaid Disproportionate Share Hospital program (DSH) would harm the nearly 7 million uninsured in my State of California.

RESTORATION OF BENEFITS TO LEGAL IMMIGRANTS

The budget resolution proposes to restore $9.7 billion primarily in Supplemental Security Income (SSI) and Medicaid eligibility to disabled legal immigrants who entered the U.S. prior to August 23, 1996. Although this is a needed improvement over the original welfare reform bill, it falls short of the $13.3 billion needed to fully restore SSI eligibility to elderly and disabled immigrants who have no other means of support.

Under current law, SSI only goes to people who are elderly or disabled. 75% of the SSI population are over 60 years of age, with 31% being over 75 years of age. This means that the SSI population is made up of the people who are not productively employable. If removed from this aid program, the federal responsibility of caring for these vulnerable groups will be shifted to state and local governments.

In my state California, Republican and Democratic legislators have urged the federal government to reconsider this ill conceived policy and to fully restore funds for these impoverished legal immigrants who are elderly or disabled and generally unemployable. This budget resolution does not adequately restore aid to these unprotected populations.

MEDICAID

The budget resolution is silent on the distribution of the cuts to the Medicaid Disproportionate Share (DSH). The sizable cut of roughly $16.2 billion or 27% lower than current law in the DSH program is of great concern. If the cuts are not proportionately distributed, my state of California, which is a low-cost, high efficiency state, would be penalized. California has implemented a properly

targeted DSH program as originally envisioned under Federal Medicaid law and has not exploited loopholes.

Only those hospitals meeting the highest standards of eligibility are allowed to participate. This contrasts with the practices in many states of designating virtually all hospitals as eligible to receive DSH payments.

Federal DSH spending in California, when compared to the size of the State's uninsured population, is among the lowest in the country. The federal share of California's DSH program averages $211 per uninsured person, while spending in other states can reach as high as $1,079 per uninsured resident. At nearly 7 million, California has one of the highest rates of uninsured persons in the nation. The DSH program is instrumental in ensuring access to care for these families.

If the DSH cuts are not distributed proportionately or properly targeted, states such as California that have played by rules will stand to lose billions of needed dollars.

LUCILLE ROYBAL-ALLARD.

DISSENTING VIEWS

I voted against the resolution today because I feel there was not sufficient time to review the tax cuts and budgetary assumptions involved. For months now, negotiations have been taking place between our committee leadership and the Administration; yet, the proposal as it is known today was only available to members of this committee this morning.

I have been a supporter of a Balanced Budget Amendment since being elected to Congress in 1988 and have consistently voted for a Constitutional amendment providing for a balanced budget. I am pleased that the current budget efforts revolve around balancing the budget in 2002. Enacting balanced budget will ensure that as we begin the 21st Century, we rid our country of our deficit and move in the direction of national growth and prosperity. However, there are a few areas of concern about the agreement which I wish to address.

The first is transportation spending. While I was pleased to hear that this budget resolution would include funding for transportation above the President's level, I still have some very strong concerns that this budget does not allow for adequate resources for our transportation and infrastructure needs. We can ill-afford to continue to neglect our crumbling infrastructure. The current level of assumed spending is insufficient to deal with the increasing needs of our transportation infrastructure. I hope we can improve on the transportation budget when we bring this bill to the floor. I intend to work with my colleagues to see that our transportation and infrastructure needs are met as we move into the next century.

During the markup, I offered an amendment to provide $5 billion for school construction and renovation. Much emphasis has been placed throughout this budget process on various educational initiatives—increased funding for Head Start and the inclusion of tuition tax credits. However, the basic needs for additional classroom space or physical renovations has gone ignored. Many school districts throughout our nation are in a severe budget crisis and need to make major improvements to their physical building structure. I believe that providing assistance for constructing and renovating physical school structures is a critical initiative as we work to improve educational opportunities for American students.

I am concerned about the ramifications of tax cuts on balancing this budget by 2002. Projections by government agencies are somewhat debatable, and I believe we should focus first on balancing the budget before tax cuts are offered. Past deficit reduction packages made big promises in reducing the deficit, yet fell short in actual terms. I feel that cutting taxes in the immediate future could prevent us from balancing this budget in 2002.

It is my hope that some of these issues can be resolved as we move forward in the budget process. I still believe we can do better.

I will work with my colleagues in this effort as we move toward floor consideration of the budget in the House.

JERRY F. COSTELLO.

APPENDIX A

BIPARTISAN BUDGET AGREEMENT BETWEEN THE PRESIDENT AND THE LEADERSHIP OF CONGRESS

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

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

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

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

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

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

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

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

9. If during the reconciliation process it is determined that the target of a balanced budget in fiscal year 2002 cannot be achieved,

all parties to the agreement commit to seeking additional savings necessary to achieve balance.

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

SUMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MARK

[Dollars in billions]

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

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

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

LONG RANGE SUMMARY, 1997–2007

[In billions of dollars]

	Agreement						Proactions					Totals	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998–2002	1998–2007
Current Services Deficit	67.2	89.0	109.1	12.13	94.5	104.9	103.2	108.6	133.3	127.8	117.0	.....	.....
Discretionary savings:													
Defense	.....	−3.0	−9.9	−179	−18.3	−27.7	−32.1	−33.0	−34.0	−35.0	−36.1	−76.8	−247.0
Nondefense	.....	−1.0	−2.5	−8.0	−17.4	−32.3	−36.5	−39.9	−42.6	−45.1	−47.5	−61.2	−272.8
Subtotal, discretionary savings	.....	−4.0	−12.5	−25.9	−35.7	−59.9	−68.6	−72.9	−76.6	−80.1	−83.6	−138.0	−519.9
Mandatory savings:													
Medicare, net	.....	−6.5	−16.8	−22.7	−29.0	−40.0	−50.0	−60.0	−65.0	−70.0	−74.0	−115.0	−434.0
Medicaid, net	.....	.....	−1.5	−2.4	−3.6	−6.2	−7.1	−8.6	−10.2	−12.0	−13.9	−13.7	−65.5
Other mandatory:													
Spectrum	.....	.....	−3.5	−3.5	−4.5	−14.8	−1.9	−1.0	−1.0	−1.0	−1.0	−26.3	−32.2
Other	.....	−1.3	−2.1	−10.9	5.5	−4.4	−1.6	−3.2	−17.7	−4.9	−12.3	−13.3	−28.2
Subtotal, mandatory savings	.....	−7.8	−23.9	−39.5	−31.6	−65.4	−60.6	−72.8	−93.9	−87.9	−76.6	−168.3	−559.9
Debt service, net	.....	0.0	−0.5	−2.0	−3.8	−7.4	−12.5	−18.2	−25.0	−32.5	−39.9	−13.6	−14.6
Subtotal, savings proposals	.....	−11.8	−36.8	−67.4	−71.1	−132.8	−141.6	−163.9	−195.5	−200.5	−200.0	−319.9	−1,221.4
Domestic Initiatives	.....	5.9	6.1	6.7	6.5	6.0	6.6	7.0	7.0	7.0	7.0	−31.2	−65.8
Net tax cut	.....	7.4	11.3	22.4	23.4	20.5	27.2	28.5	31.4	36.2	41.6	85.0	249.9
Total changes	.....	1.5	−19.4	−38.3	−41.2	−106.3	−107.8	−128.4	−157.1	−157.3	−151.4	−203.7	−905.7
Resulting deficit/surplus (−)	67.2	90.4	89.7	83.0	53.3	−1.3	−4.6	−19.8	−23.9	−29.5	−34.4	.....	.....

Note.—2000 and 2005 have 13 benefit payments and 2001 and 2007 have 11. The baseline has been adjusted to effect normalization to 12 benefit payments in each year.

DOMESTIC INITIATIVES AND RESTORATIONS IN AGREEMENT

[In billions of dollars]

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

[1] Medicaid costs reflected in elderly/disabled medicaid line.
[2] Discretionary.

AGREEMENT ON DISCRETIONARY FUNDING

[In millions of dollars]

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

	FY 1998		FY 1999		FY 2000		FY 2001		FY 2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
National Defense	289,000	266,823	271,500	266,518	175,367	268,995	281,847	270,661	289,610	273,100
Defense Discretionary	257,857	286,445	261,499	292,803	161,826	295,270	260,185	293,731	261,484	287,699
Total Discretionary	526,857	553,268	532,999	559,321	337,193	564,265	542,032	564,392	551,074	560,799
Protected Functions:										
150—International Affairs	19,038	19,179	18,601	18,842	18,533	18,809	18,348	18,500	18,218	18,442
300—Natural Resources Environment	22,807	21,393	22,222	21,657	21,566	21,944	21,185	21,822	21,152	21,472
400—Transportation	13,556	38,267	14,974	38,933	14,788	39,310	15,066	39,418	15,347	39,418
500—Education, Training, Employment and Social Services	46,721	43,185	47,015	46,107	47,858	47,065	48,478	47,773	49,199	48,599
750—Administrator of Justice	24,405	22,170	24,795	24,191	23,887	24,996	24,094	25,613	24,675	24,713
Subtotal, Protected Functions	126,527	144,194	127,607	149,730	126,032	152,125	127,170	183,214	120,501	152,004
All Other	400,330	409,074	405,392	409,591	410,561	412,140	414,652	411,112	422,483	408,195
Total Discretionary Spending	526,657	553,268	532,999	559,321	537,193	554,265	542,032	564,398	561,074	500,799
Anomalies Included Above:										
Subsidized Housing (Function 600)	5,682	.....	9,652	.....	12,047	.....	13,295	.....	14,504	.....
Fixed Assets (Upfront Funding and Advance Appropriations):										
050—Defense	2,218	.....	.....	.....	.....	.....	.....	.....	.....	.....
250—General Science, Space, and Technology	.....	.....	2,735	.....	2,226	.....	1,817	.....	1,271	.....
270—Energy	110	.....	52	.....	8	.....	.....	.....	.....	.....
300—Environment	51	.....	581	.....	458	.....	253	.....	84	.....
370—Commerce and Housing Credit	.....	.....	724	.....	551	.....	480	.....	375	.....
400—Transportation	.....	.....	675	.....	724	.....	424	.....	206	.....
550—Health	.....	.....	129	.....	71	.....	.....	.....	.....	.....
750—Administration of Justice	.....	.....	48	.....	.....	.....	.....	.....	.....	.....
800—General Government	.....	.....	500	.....	.....	.....	.....	.....	.....	.....

Total, Anomalies	8,061	.....	15,096	.....	16,085	.....	16,289	.....	16,440	.....
Total Discretionary Less Anomalies	518,798	553,268	517,903	559,321	521,108	564,265	525,763	564,316	534,634	580,799

Protected Domestic Discretionary Priorities

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

Department of Commerce

—National Institute of Standards and Technology (NIST).

Department of Education

—Education Reform (includes Technology Literacy Challenge Fund).

—Bilingual and Immigrant Education.

—Pell ($300 increase in 1998 maximum award amount, to $3,000).

—Child literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

Department of Health and Human Services

—Head Start.

Department of the Interior

—National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers).

—Bureau of Indian Affairs, Tribal Priority Allocations.

Department of Labor

—Training and Employment Services, including Job Corps.

Department of Treasury

—Community Development Financial Institution Fund.

Environmental Protection Agency

—EPA Operating Program.

—Superfund appropriations will be at the President's level if policies can be worked out.

Violent Crime Reduction Trust Fund, including COPS

SPECTRUM AUCTIONS

[Outlay savings in billions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Spectrum	.....	−3.5	−3.5	−4.5	−14.8	−26.3	−32.3

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

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

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

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

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

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

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

STUDENT LOANS

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Total, student loan savings	−241	−240	−151	−81	−1,050	−1,763	−1,996

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

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

—Savings will be derived as follows:

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

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

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

CIVIL SERVICE RETIREMENT

[Deficit reduction in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Increased agency contributions	−597	−591	−586	−582	−577	−2,933	−2,933
Increased employee contributions	.....	−214	−423	−571	−621	−1,829	−1,985

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

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

—Employee contributions would increase 0.25 percentage points January 1, 1999; an additional 0.15 percentage points January 1, 2000; and a final 0.10 percentage points for a total cumulative

increase of 0.50 percentage points January 1, 2001. Increased contributions remain in effect through December 31, 2002.

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

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

U.S. POSTAL SERVICE

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
End transitional payment for worker's compensation	.....	−25	−33	−32	−31	−121	−261

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

VETERANS HOME LOAN BENEFIT FUND

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Allow VA to use refund offset to collect deficiency balances	−90	0	0	0	0	−90	−90

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

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

VETERANS COMPENSATION PROGRAM

[Outlay savings in millions of dollars]

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

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

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

MEDICAL CARE COST RECOVERY

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Mandatory admin. savings from moving receipts to discretionary	−118	−123	−128	−133	−139	−641	−1,427

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

VETERANS PENSION PROGRAM

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Extension of OBRA provisions for VA Pensions [1]	.....	−133	−211	−143	−190	−677	−1,866

[1] The savings reflected in the table are net of Medicaid costs.

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

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

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

VETERANS HOUSING BENEFIT FUND

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Extend loan asset sale authority	−5	−5	−5	−5	−5	−25	−50

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

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

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Extend higher loans fees/resale loss provisions (OBRA) & increase home loan fees for non-veterans	−11	−228	−227	−224	−219	−909	−1,993

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

—The OBRA provisions permanently extend three provisions that sunset September 30, 1998. This extends VA's authority to: (1) charge borrowers using VA's home loan guaranty program a 2% instead of a 1.25% fee, (2) charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent of reduce losses, and (3) include expected losses on the resale of foreclosed properties.

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

FHA ASSIGNMENT PROGRAM

[Outlay savings in millions of dollars]

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

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

VESSEL TONNAGE DUTIES

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Extend Vessel Tonnage Fees	.....	−49	−49	−49	−49	−196	−441

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

LEASE OF EXCESS STRATEGIC PETROLEUM RESERVE CAPACITY

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Lease Excess SPR Capacity	.....	−1	−2	−4	−6	−13	−43

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

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

UNEMPLOYMENT TRUST FUND

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Raise UTF ceilings	.....	.....	−200	−208	−216	−624	−624

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

UNEMPLOYMENT BENEFITS

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
UI benefits integrity	−118	−158	−160	−162	−165	−763	−1,658

—Provides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities (e.g., increased eligibility reviews, tax audits).

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

VA MEDICAL CARE COST RECOVERY AND SSA USER FEES

[In millions of dollars]

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

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

VA Medical Care Cost Recovery Fees

—The 1998 Budget included a proposal to shift existing offsetting receipts from the mandatory side to the discretionary side. The Agreement assumes that Medical Care Cost Recovery fees are

available to support domestic discretionary spending associated with VA Medical Care.

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

SSA Fees

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

EARNED INCOME TAX CREDIT

[Deficit reduction savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Earned income tax credit	—	−13	−36	−37	−38	−124	−332

—Treasury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance levels. Final scoring is not available.

—Other mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within these total savings targets.

THE SMITH-HUGHES ACT OF 1918

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Repeal appropriations under Smith-Hughes	−1	−7	−7	−7	−7	−29	−64

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

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

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

ENVIRONMENTAL RESERVE FUND

[Outlay increases in millions of dollars]

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

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

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

PRIORITY FEDERAL LAND ACQUISITIONS AND EXCHANGES

[Outlay increases in millions of dollars]

	1998	1999	2000	2001	2002	5-yr spending	10-yr spending
Priority Federal land acquisitions and exchanges	300	150	150	100	—	700	700

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

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

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

MAJOR MANDATORY PROGRAMS

MEDICARE

[Outlay savings in billions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Medicare, net	−6.5	−16.8	−22.7	−29.0	−40.0	−115.0	−434.2

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

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

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

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

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

—Reform managed care payment methodology to address geographic disparities.

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

—Funding for new health benefits including: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to providers for preventive vaccinations to the extent it will lead to greater use by beneficiaries. Invest $4 billion over five years (and $20 billion over ten years) to limit beneficiary copayments for

outpatient services, unless there is a more cost-effective way to provide such services to beneficiaries as mutually agreed.

MEDICAID

[Outlay savings in billions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Medicaid, net	0.0	−1.5	−2.4	−3.6	−6.2	−13.6	−65.5

—Include net Medicaid savings of $13.6 billion over five years.

—Net Medicaid savings include a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, Part B premium interactions, and $1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries.

—The $13.6 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants under welfare reform, or the extension of veterans' Medicaid income protections.

—Savings derived from reduced disproportionate share payments and flexibility provisions.

—Include provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren amendment, converting current managed care and home/community-based care waiver process to State Plan Amendment, and elimination of unnecessary administrative requirements.

IMMIGRATION, NUTRITION ASSISTANCE AND WORK

[Outlay increases in billions of dollars]

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

Immigrants

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

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

Nutrition Assistance

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

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

Welfare to Work

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

CHILDREN'S HEALTH

[Outlay increases in billions of dollars]

	1998	1999	2000	2001	2002	5-yr spending	10-yr spending
Children's health	2.3	2.7	3.2	3.7	3.9	16.0	38.9

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

—The funding could be used for one or both of the following, and for other possibilities if mutually agreeable: 1. Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility; and 2. A program of capped mandatory grants to States to finance health insurance coverage for uninsured children.

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

BUDGET PROCESS

—Extend discretionary caps to 2002.

—Extend and revise discretionary caps for 1998–2002 at agreed levels shown in tables included in this agreement, and extend current law sequester enforcement mechanism.

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

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

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

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

—Extend PAYGO to 2002.

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

—The Superfund tax shall not be used as a revenue offset.

—Reduce PAYGO balances to zero, including those derived from budget agreement.

—Provide for debt limit increase sufficient to extend limit to December 15, 1999.

CONGRESS OF THE UNITED STATES,
Washington, DC, May 15, 1997.

Hon. WILLIAM J. CLINTON,
President of the United States,
The White House, Washington, DC.

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

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

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

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

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

Sincerely,

NEWT GINGRICH,
Speaker.

TRENT LOTT,
Senate Majority Leader.

CONGRESS OF THE UNITED STATES,
Washington, DC, May 15, 1997.

Mr. ERSKINE BOWLES,
Chief of Staff to the President,
The White House,
Washington, DC.

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

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

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

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

Sincerely,

NEWT GINGRICH,
Speaker.

TRENT LOTT,
Senate Majority Leader.

APPENDIX B

H. Con. Res. 84

CONCURRENT RESOLUTION

Establishing the congressional budget for the United States Government for fiscal year 1998 and setting forth appropriate budgetary levels for fiscal years 1999, 2000, 2001, and 2002.

Resolved by the House of Representatives (the Senate concurring),

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1998.

The Congress declares that the concurrent resolution on the budget for fiscal year 1998 is hereby established and that the appropriate budgetary levels for fiscal years 1999 through 2002 are hereby set forth.

TITLE I—LEVELS AND AMOUNTS

SEC. 101. RECOMMENDED LEVELS AND AMOUNTS.

The following budgetary levels are appropriate for the fiscal years 1998, 1999, 2000, 2001, and 2002:

(1) FEDERAL REVENUES.—For purposes of the enforcement of this resolution:

(A) The recommended levels of Federal revenues are as follows:

Fiscal year 1998: $1,198,979,000,000.
Fiscal year 1999: $1,241,859,000,000.
Fiscal year 2000: $1,285,559,000,000.
Fiscal year 2001: $1,343,591,000,000.
Fiscal year 2002: $1,407,564,000,000.

(B) The amounts by which the aggregate levels of Federal revenues should be changed are as follows:

Fiscal year 1998: −$7,400,000,000.
Fiscal year 1999: −$11,083,000,000.
Fiscal year 2000: −$21,969,000,000.
Fiscal year 2001: −$22,821,000,000.
Fiscal year 2002: −$19,871,000,000.

(2) NEW BUDGET AUTHORITY.—For purposes of the enforcement of this resolution, the appropriate levels of total new budget authority are as follows:

Fiscal year 1998: $1,386,875,000,000.
Fiscal year 1999: $1,439,798,000,000.
Fiscal year 2000: $1,486,311,000,000.
Fiscal year 2001: $1,520,242,000,000.
Fiscal year 2002: $1,551,563,000,000.

(3) BUDGET OUTLAYS.—For purposes of the enforcement of this resolution, the appropriate levels of total budget outlays are as follows:

Fiscal year 1998: $1,371,848,000,000.
Fiscal year 1999: $1,424,002,000,000.
Fiscal year 2000: $1,468,748,000,000.
Fiscal year 2001: $1,500,854,000,000.
Fiscal year 2002: $1,516,024,000,000.

(4) DEFICITS.—For purposes of the enforcement of this resolution, the amounts of the deficits are as follows:

Fiscal year 1998: $172,869,000,000.
Fiscal year 1999: $182,143,000,000.
Fiscal year 2000: $183,189,000,000.
Fiscal year 2001: $157,263,000,000.
Fiscal year 2002: $108,460,000,000.

(5) PUBLIC DEBT.—The appropriate levels of the public debt are as follows:

Fiscal year 1998: $5,593,500,000,000.
Fiscal year 1999: $5,836,000,000,000.
Fiscal year 2000: $6,082,400,000,000.
Fiscal year 2001: $6,301,100,000,000.
Fiscal year 2002: $6,473,200,000,000.

(6) DIRECT LOAN OBLIGATIONS.—The appropriate levels of total new direct loan obligations are as follows:

Fiscal year 1998: $33,829,000,000.
Fiscal year 1999: $33,378,000,000.
Fiscal year 2000: $34,775,000,000.
Fiscal year 2001: $36,039,000,000.
Fiscal year 2002: $37,099,000,000.

(7) PRIMARY LOAN GUARANTEE COMMITMENTS.—The appropriate levels of new primary loan guarantee commitments are as follows:

Fiscal year 1998: $315,472,000,000.
Fiscal year 1999: $324,749,000,000.
Fiscal year 2000: $328,124,000,000.
Fiscal year 2001: $332,063,000,000.
Fiscal year 2002: $335,141,000,000.

SEC. 102. MAJOR FUNCTIONAL CATEGORIES.

The Congress determines and declares that the appropriate levels of new budget authority, budget outlays, new direct loan obligations, and new primary loan guarantee commitments for fiscal years 1998 through 2002 for each major functional category are:

(1) National Defense (050):

Fiscal year 1998:

(A) New budget authority, $268,197,000,000.
(B) Outlays, $265,978,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $588,000,000.

Fiscal year 1999:

(A) New budget authority, $270,784,000,000.
(B) Outlays, $265,771,000,000.
(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $757,000,000.

Fiscal year 2000:

(A) New budget authority, $274,802,000,000.

(B) Outlays, $268,418,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $1,050,000,000.

Fiscal year 2001:

(A) New budget authority, $281,305,000,000.

(B) Outlays, $270,110,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $1,050,000,000.

Fiscal year 2002:

(A) New budget authority, $289,092,000,000.

(B) Outlays, $272,571,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $1,050,000,000.

(2) International Affairs (150):

Fiscal year 1998:

(A) New budget authority, $15,909,000,000.

(B) Outlays, $14,558,000,000.

(C) New direct loan obligations, $1,966,000.

(D) New primary loan guarantee commitments $12,751,000,000.

Fiscal year 1999:

(A) New budget authority, $14,918,000,000.

(B) Outlays, $14,569,000,000.

(C) New direct loan obligations, $2,021,000,000.

(D) New primary loan guarantee commitments $13,093,000,000.

Fiscal year 2000:

(A) New budget authority, $15,782,000,000.

(B) Outlays, $14,981,000,000.

(C) New direct loan obligations, $2,077,000,000.

(D) New primary loan guarantee commitments $13,434,000,000.

Fiscal year 2001:

(A) New budget authority, $16,114,000,000.

(B) Outlays, $14,751,000,000.

(C) New direct loan obligations, $2,122,000,000.

(D) New primary loan guarantee commitments $13,826,000,000.

Fiscal year 2002:

(A) New budget authority, $16,353,000,000.

(B) Outlays, $14,812,000,000.

(C) New direct loan obligations, $2,178,000,000.

(D) New primary loan guarantee commitments $14,217,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1998:

(A) New budget authority, $16,237,000,000.

(B) Outlays, $16,882,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, $16,203,000,000.
(B) Outlays, $16,528,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $15,947,000,000.
(B) Outlays, $16,013,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $15,800,000,000.
(B) Outlays, $15,862,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $15,604,000,000.
(B) Outlays, $15,668,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(4) Energy (270):
Fiscal year 1998:
(A) New budget authority, $3,123,000,000.
(B) Outlays, $2,247,000,000.
(C) New direct loan obligations, $1,050,000,000.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, $3,469,000,000.
(B) Outlays, $2,446,000,000.
(C) New direct loan obligations, $1,078,000,000.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $3,186,000,000.
(B) Outlays, $2,293,000,000.
(C) New direct loan obligations, $1,109,000,000.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $2,939,000,000.
(B) Outlays, $2,048,000,000.
(C) New direct loan obligations, $1,141,000,000.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $2,846,000,000.
(B) Outlays, $1,867,000,000.
(C) New direct loan obligations, $1,174,000,000.
(D) New primary loan guarantee commitments $0.
(5) Natural Resources and Environment (300):
Fiscal year 1998:
(A) New budget authority, $23,877,000,000.
(B) Outlays, $22,405,000,000.
(C) New direct loan obligations, $30,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 1999:

(A) New budget authority, $23,227,000,000.

(B) Outlays, $22,702,000,000.

(C) New direct loan obligations, $32,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2000:

(A) New budget authority, $22,570,000,000.

(B) Outlays, $22,963,000,000.

(C) New direct loan obligations, $32,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $22,151,000,000.

(B) Outlays, $22,720,000,000.

(C) New direct loan obligations, $34,000,000.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, $22,086,000,000.

(B) Outlays, $22,313,000,000.

(C) New direct loan obligations, $34,000,000.

(D) New primary loan guarantee commitments $0.

(6) Agriculture (350):

Fiscal year 1998:

(A) New budget authority, $13,133,000,000.

(B) Outlays, $11,892,000,000.

(C) New direct loan obligations, $9,620,000,000.

(D) New primary loan guarantee commitments $6,365,000,000.

Fiscal year 1999:

(A) New budget authority, $12,790,000,000.

(B) Outlays, $11,294,000,000.

(C) New direct loan obligations, $11,047,000,000.

(D) New primary loan guarantee commitments $6,436,000,000.

Fiscal year 2000:

(A) New budget authority, $12,215,000,000.

(B) Outlays, $10,664,000,000.

(C) New direct loan obligations, $11,071,000,000.

(D) New primary loan guarantee commitments $6,509,000,000.

Fiscal year 2001:

(A) New budget authority, $10,978,000,000.

(B) Outlays, $9,494,000,000.

(C) New direct loan obligations, $10,960,000,000.

(D) New primary loan guarantee commitments, $6,583,000,000.

Fiscal year 2002:

(A) New budget authority, $10,670,000,000.

(B) Outlays, $9,108,000,000.

(C) New direct loan obligations, $10,965,000,000.

(D) New primary loan guarantee commitments, $6,660,000,000.

(7) Commerce and Housing Credit (370):

Fiscal year 1998:

(A) New budget authority, $6,607,000,000.
(B) Outlays, −$920,000,000.
(C) New direct loan obligations, $4,739,000,000.
(D) New primary loan guarantee commitments, $245,500,000,000.

Fiscal year 1999:
(A) New budget authority, $11,082,000,000.
(B) Outlays, $4,299,000,000.
(C) New direct loan obligations, $1,887,000,000.
(D) New primary loan guarantee commitments, $253,450,000,000.

Fiscal year 2000:
(A) New budget authority, $15,183,000,000.
(B) Outlays, $9,821,000,000.
(C) New direct loan obligations, $2,238,000,000.
(D) New primary loan guarantee commitments, $255,200,000,000.

Fiscal year 2001:
(A) New budget authority, $16,078,000,000.
(B) Outlays, $12,133,000,000.
(C) New direct loan obligations, $2,574,000,000.
(D) New primary loan guarantee commitments, $257,989,000,000.

Fiscal year 2002:
(A) New budget authority, $16,678,000,000.
(B) Outlays, $12,541,000,000.
(C) New direct loan obligations, $2,680,000,000.
(D) New primary loan guarantee commitments, $259,897,000,000.

(8) Transportation (400):

Fiscal year 1998:
(A) New budget authority, $46,402,000,000.
(B) Outlays, $40,933,000,000.
(C) New direct loan obligations, $155,000,000.
(D) New primary loan guarantee commitments, $0.

Fiscal year 1999:
(A) New budget authority, $46,556,000,000.
(B) Outlays, $41,256,000,000.
(C) New direct loan obligations, $135,000,000.
(D) New primary loan guarantee commitments, $0.

Fiscal year 2000:
(A) New budget authority, $47,114,000,000.
(B) Outlays, $41,357,000,000.
(C) New direct loan obligations, $15,000,000.
(D) New primary loan guarantee commitments $0.

Fiscal year 2001:
(A) New budget authority, $48,135,000,000.
(B) Outlays, $41,303,000,000.
(C) New direct loan obligations, $15,000,000.
(D) New primary loan guarantee commitments, $0.

Fiscal year 2002:
(A) New budget authority, $49,184,000,000.
(B) Outlays, $41,247,000,000.
(C) New direct loan obligations, $15,000,000.

(D) New primary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1998:

(A) New budget authority, $8,768,000,000.

(B) Outlays, $10,387,000,000.

(C) New direct loan obligations, $2,867,000,000.

(D) New primary loan guarantee commitments, $2,385,000,000.

Fiscal year 1999:

(A) New budget authority, $8,489,000,000.

(B) Outlays, $10,902,000,000.

(C) New direct loan obligations, $2,943,000,000.

(D) New primary loan guarantee commitments, $2,406,000,000.

Fiscal year 2000:

(A) New budget authority, $7,810,000,000.

(B) Outlays, $10,986,000,000.

(C) New direct loan obligations, $3,020,000,000.

(D) New primary loan guarantee commitments, $2,429,000,000.

Fiscal year 2001:

(A) New budget authority, $7,764,000,000.

(B) Outlays, $11,350,000,000.

(C) New direct loan obligations, $3,098,000,000.

(D) New primary loan guarantee commitments, $2,452,000,000.

Fiscal year 2002:

(A) New budget authority, $7,790,000,000.

(B) Outlays, $8,429,000,000.

(C) New direct loan obligations, $3,180,000,000.

(D) New primary loan guarantee commitments, $2,475,000,000.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1998:

(A) New budget authority, $60,020,000,000.

(B) Outlays, $56,062,000,000.

(C) New direct loan obligations, $12,328,000,000.

(D) New primary loan guarantee commitments, $20,665,000,000.

Fiscal year 1999:

(A) New budget authority, $60,450,000,000.

(B) Outlays, $59,335,000,000.

(C) New direct loan obligations, $13,092,000,000.

(D) New primary loan guarantee commitments $21,899,000,000.

Fiscal year 2000:

(A) New budget authority, $61,703,000,000.

(B) Outlays, $60,728,000,000.

(C) New direct loan obligations, $13,926,000,000.

(D) New primary loan guarantee commitments $23,263,000,000.

Fiscal year 2001:

(A) New budget authority, $62,959,000,000.

(B) Outlays, $61,931,000,000.
(C) New direct loan obligations, $14,701,000,000.
(D) New primary loan guarantee commitments $24,517,000,000.

Fiscal year 2002:
(A) New budget authority, $63,339,000,000.
(B) Outlays, $62,316,000,000.
(C) New direct loan obligations, $15,426,000,000.
(D) New primary loan guarantee commitments $25,676,000,000.

(11) Health (550):

Fiscal year 1998:
(A) New budget authority, $137,799,000,000.
(B) Outlays, $137,767,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $85,000,000.

Fiscal year 1999:
(A) New budget authority, $144,968,000,000.
(B) Outlays, $144,944,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2000:
(A) New budget authority, $154,068,000,000.
(B) Outlays, $153,947,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2001:
(A) New budget authority, $163,412,000,000.
(B) Outlays, $163,135,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2002:
(A) New budget authority, $172,171,000,000.
(B) Outlays, $171,727,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

(12) Medicare (570):

Fiscal year 1998:
(A) New budget authority, $210,620,000,000.
(B) Outlays, $201,764,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 1999:
(A) New budget authority, $212,073,000,000.
(B) Outlays, $211,548,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2000:
(A) New budget authority, $225,540,000,000.
(B) Outlays, $225,537,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, $239,636,000,000.
(B) Outlays, $238,781,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2002:
(A) New budget authority, $251,548,000,000.
(B) Outlays, $250,769,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

(13) Income Security (600):

Fiscal year 1998:
(A) New budget authority, $239,032,000,000.
(B) Outlays, $247,758,000,000.
(C) New direct loan obligations, $45,000,000.
(D) New primary loan guarantee commitments $37,000,000.

Fiscal year 1999:
(A) New budget authority, $254,090,000,000.
(B) Outlays, $258,064,000,000.
(C) New direct loan obligations, $75,000,000.
(D) New primary loan guarantee commitments $37,000,000.

Fiscal year 2000:
(A) New budget authority, $269,566,000,000.
(B) Outlays, $268,161,000,000.
(C) New direct loan obligations, $110,000,000.
(D) New primary loan guarantee commitments $37,000,000.

Fiscal year 2001:
(A) New budget authority, $275,145,000,000.
(B) Outlays, $277,264,000,000.
(C) New direct loan obligations, $145,000,000.
(D) New primary loan guarantee commitments $37,000,000.

Fiscal year 2002:
(A) New budget authority, $286,945,000,000.
(B) Outlays, $285,239,000,000.
(C) New direct loan obligations, $170,000,000.
(D) New primary loan guarantee commitments $37,000,000.

(14) Social Security (650):

Fiscal year 1998:
(A) New budget authority, $11,424,000,000.
(B) Outlays, $11,524,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 1999:
(A) New budget authority, $12,060,000,000.
(B) Outlays, $12,196,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2000:
(A) New budget authority, $12,792,000,000.
(B) Outlays, $12,866,000,000.

(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $13,022,000,000.
(B) Outlays, $13,043,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $14,383,000,000.
(B) Outlays, $14,398,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(15) Veterans Benefits and Services (700):
Fiscal year 1998:
(A) New budget authority, $40,545,000,000.
(B) Outlays, $41,337,000,000.
(C) New direct loan obligations, $1,029,000,000.
(D) New primary loan guarantee commitments $27,096,000,000.
Fiscal year 1999:
(A) New budget authority, $41,466,000,000.
(B) Outlays, $41,700,000,000.
(C) New direct loan obligations, $1,068,000,000.
(D) New primary loan guarantee commitments $26,671,000,000.
Fiscal year 2000:
(A) New budget authority, $41,740,000,000.
(B) Outlays, $41,908,000,000.
(C) New direct loan obligations, $1,177,000,000.
(D) New primary loan guarantee commitments $26,202,000,000.
Fiscal year 2001:
(A) New budget authority, $42,093,000,000.
(B) Outlays, $42,215,000,000.
(C) New direct loan obligations, $1,249,000,000.
(D) New primary loan guarantee commitments $25,609,000,000.
Fiscal year 2002:
(A) New budget authority, $42,282,000,000.
(B) Outlays, $42,436,000,000.
(C) New direct loan obligations, $1,277,000,000.
(D) New primary loan guarantee commitments $25,129,000,000.
(16) Administration of Justice (750):
Fiscal year 1998:
(A) New budget authority, $24,765,000,000.
(B) Outlays, $22,609,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, $25,120,000,000.
(B) Outlays, $24,476,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

Fiscal year 2000:
(A) New budget authority, $24,178,000,000.
(B) Outlays, $25,240,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $24,354,000,000.
(B) Outlays, $25,901,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $24,883,000,000.
(B) Outlays, $24,879,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.

(17) General Government (800):
Fiscal year 1998:
(A) New budget authority, $14,711,000,000.
(B) Outlays, $13,959,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, $14,444,000,000.
(B) Outlays, $14,363,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, $13,977,000,000.
(B) Outlays, $14,727,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 2001:
(A) New budget authority, $13,675,000,000.
(B) Outlays, $14,131,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 2002:
(A) New budget authority, $13,105,000,000.
(B) Outlays, $13,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

(18) Net Interest (900):
Fiscal year 1998:
(A) New budget authority, $296,547,000,000.
(B) Outlays, $296,547,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1999:
(A) New budget authority, $304,558,000,000.
(B) Outlays, $304,558,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 2000:
(A) New budget authority, $305,075,000,000.

(B) Outlays, $305,075,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 2001:
(A) New budget authority, $303,833,000,000.
(B) Outlays, $303,833,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 2002:
(A) New budget authority, $303,728,000,000.
(B) Outlays, $303,728,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(19) Allowances (920):
Fiscal year 1998:
(A) New budget authority, $0.
(B) Outlays, $0.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1999:
(A) New budget authority, $0.
(B) Outlays, $0.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 2000:
(A) New budget authority, $0.
(B) Outlays, $0.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2001:
(A) New budget authority, $0.
(B) Outlays, $0.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2002:
(A) New budget authority, $0.
(B) Outlays, $0.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
(20) Undistributed Offsetting Receipts (950):
Fiscal year 1998:
(A) New budget authority, −$41,841,000,000.
(B) Outlays, −$41,841,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 1999:
(A) New budget authority, −$36,949,000,000.
(B) Outlays, −$36,949,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments $0.
Fiscal year 2000:
(A) New budget authority, −$36,937,000,000.
(B) Outlays, −$36,937,000,000.
(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2001:

(A) New budget authority, −$39,151,000,000.

(B) Outlays, −$39,151,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

Fiscal year 2002:

(A) New budget authority, −$51,124,000,000.

(B) Outlays, −$51,124,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments $0.

TITLE II—RECONCILIATION INSTRUCTIONS

SEC. 201. RECONCILIATION.

(a) PURPOSE.—The purpose of this section is to provide for two separate reconciliation bills: the first for entitlement reforms and the second for tax relief. In the event Senate procedures preclude the consideration of two separate bills, this section would permit the consideration of one omnibus reconciliation bill.

(b) SUBMISSIONS.—

(1) ENTITLEMENT REFORMS.—Not later than June 12, 1997, the House committees named in subsection (c) shall submit their recommendations to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(2) TAX RELIEF AND MISCELLANEOUS REFORMS.—Not later than June 13, 1997, the House committees named in subsection (d) shall submit their recommendations to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(c) INSTRUCTIONS RELATING TO ENTITLEMENT REFORMS.—

(1) COMMITTEE ON AGRICULTURE.—The House Committee on Agriculture shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $34,571,000,000 in outlays for fiscal year 1998, $37,008,000,000 in outlays for fiscal year 2002, and $211,443,000,000 in outlays in fiscal years 1998 through 2002.

(2) COMMITTEE ON BANKING AND FINANCIAL SERVICES.—The House Committee on Banking and Financial Services shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: −$8,435,000,000 in outlays for fiscal year 1998, −$5,091,000,000 in outlays for fiscal year 2002, and −$50,306,000,000 in outlays in fiscal years 1998 through 2002.

(3) COMMITTEE ON COMMERCE.—The House Committee on Commerce shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $393,533,000,000 in outlays for fiscal year 1998, $506,791,000,000 in outlays for fiscal year 2002, and $2,617,528,000,000 in outlays in fiscal years 1998 through 2002.

(4) COMMITTEE ON EDUCATION AND THE WORKFORCE.—The House Committee on Education and the Workforce shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $17,222,000,000 in outlays for fiscal year 1998, $17,673,000,000 in outlays for fiscal year 2002, and $103,109,000,000 in outlays in fiscal years 1998 through 2002.

(5) COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT.—(A) The House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $68,975,000,000 in outlays for fiscal year 1998, $81,896,000,000 in outlays for fiscal year 2002, and $443,061,000,000 in outlays in fiscal years 1998 through 2002.

(B) The House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that would reduce the deficit by: $0 in fiscal year 1998, $621,000,000 in fiscal year 2002, and $1,829,000,000 in fiscal years 1998 through 2002.

(6) COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE.—The House Committee on Transportation and Infrastructure shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $18,087,000,000 in outlays for fiscal year 1998, $17,283,000,000 in outlays for fiscal year 2002, and $106,615,000,000 in outlays in fiscal years 1998 through 2002.

(7) COMMITTEE ON VETERANS' AFFAIRS.—The House Committee on Veterans' Affairs shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $22,444,000,000 in outlays for fiscal year 1998, $24,563,000,000 in outlays for fiscal year 2002, and $139,134,000,000 in outlays in fiscal years 1998 through 2002.

(8) COMMITTEE ON WAYS AND MEANS.—(A) The House Committee on Ways and Means shall report changes in laws within its jurisdiction such that the total level of direct spending for that committee does not exceed: $397,546,000,000 in outlays for fiscal year 1998, $506,442,000,000 in outlays for fiscal year 2002, and $2,621,578,000,000 in outlays in fiscal years 1998 through 2002.

(B) The House Committee on Ways and Means shall report changes in laws within its jurisdiction such that the total level of revenues for that committee is not less than: $1,176,253,000,000 in revenues for fiscal year 1998,

$1,386,546,000,000 in revenues for fiscal year 2002, and $7,517,939,000,000 in revenues in fiscal years 1998 through 2002.

(d) INSTRUCTIONS RELATING TO TAX RELIEF AND MISCELLANEOUS REFORMS.—

(1) COMMITTEE ON AGRICULTURE.—The House Committee on Agriculture shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $34,571,000,000 in outlays for fiscal year 1998, $37,008,000,000 in outlays for fiscal year 2002, and $211,443,000,000 in outlays in fiscal years 1998 through 2002.

(2) COMMITTEE ON BANKING AND FINANCIAL SERVICES.—The House Committee on Banking and Financial Services shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: −$8,435,000,000 in outlays for fiscal year 1998, −$5,091,000,000 in outlays for fiscal year 2002, and −$50,306,000,000 in outlays in fiscal years 1998 through 2002.

(3) COMMITTEE ON COMMERCE.—The House Committee on Commerce shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $393,533,000,000 in outlays for fiscal year 1998, $506,791,000,000 in outlays for fiscal year 2002, and $2,617,528,000,000 in outlays in fiscal years 1998 through 2002.

(4) COMMITTEE ON EDUCATION AND THE WORKFORCE.—The House Committee on Education and the Workforce shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $17,222,000,000 in outlays for fiscal year 1998, $17,673,000,000 in outlays for fiscal year 2002, and $103,109,000,000 in outlays in fiscal years 1998 through 2002.

(5) COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT.—(A) The House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $68,975,000,000 in outlays for fiscal year 1998, $81,896,000,000 in outlays for fiscal year 2002, and $443,061,000,000 in outlays in fiscal years 1998 through 2002.

(B) The House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that would reduce the deficit by: $0 in fiscal year 1998, $621,000,000 in outlays for fiscal year 2002, and $1,829,000,000 in fiscal years 1998 through 2002.

(6) COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE.—The House Committee on Transportation and Infrastructure shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $18,087,000,000 in outlays for fiscal year 1998, $17,283,000,000 in outlays for fiscal year

2002, and $106,615,000,000 in outlays in fiscal years 1998 through 2002.

(7) COMMITTEE ON VETERANS' AFFAIRS.—The House Committee on Veterans' Affairs shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee does not exceed: $22,444,000,000 in outlays for fiscal year 1998, $24,563,000,000 in outlays for fiscal year 2002, and $139,134,000,000 in outlays in fiscal years 1998 through 2002.

(8) COMMITTEE ON WAYS AND MEANS.—(A) The House Committee on Ways and Means shall report changes in laws within its jurisdiction such that the total level of direct spending for that committee does not exceed: $397,546,000,000 in outlays for fiscal year 1998, $506,442,000,000 in outlays for fiscal year 2002, and $2,621,578,000,000 in outlays in fiscal years 1998 through 2002.

(B) The House Committee on Ways and Means shall report changes in laws within its jurisdiction such that the total level of revenues for that committee is not less than: $1,168,853,000,000 in revenues for fiscal year 1998, $1,366,046,000,000 in revenues for fiscal year 2002, and $7,432,939,000,000 in revenues in fiscal years 1998 through 2002.

(e) DEFINITION.—For purposes of this section, the term "direct spending" has the meaning given to such term in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(f) CHILDREN'S HEALTH INITIATIVE.—If the Committees on Commerce and Ways and Means report recommendations pursuant to their reconciliation instructions that, combined, provide an initiative for children's health that would increase the deficit by more than $2.3 billion for fiscal year 1998, by more than $3.9 billion for fiscal year 2002, and by more than $16 billion for the period of fiscal years 1998 through 2002, the committees shall be deemed to not have complied with their reconciliation instructions pursuant to section 310(d) of the Congressional Budget Act of 1974.

TITLE III—BUDGET ENFORCEMENT

SEC. 301. DEFICIT-NEUTRAL RESERVE FUND FOR SURFACE TRANSPORTATION.

(a) PURPOSE.—The purpose of this section is to adjust the appropriate budgetary levels to accommodate legislation increasing spending from the highway trust fund on surface transportation and highway safety above the levels assumed in this resolution if such legislation is deficit neutral.

(b) DEFICIT NEUTRALITY REQUIREMENT.—(1) In order to receive the adjustments specified in subsection (c), a bill reported by the Committee on Transportation and Infrastructure that provides new budget authority above the levels assumed in this resolution for programs authorized out of the highway trust fund must be deficit neutral.

(2) A deficit-neutral bill must meet the following conditions:

(A) The amount of new budget authority provided for programs authorized out of the highway trust fund must be in ex-

cess of $25.949 billion in new budget authority for fiscal year 1998, $25.464 billion in new budget authority for fiscal year 2002, and $127.973 billion in new budget authority for the period of fiscal years 1998 through 2002.

(B) The outlays estimated to flow from the excess new budget authority set forth in subparagraph (A) must be offset for fiscal year 1998, fiscal year 2002, and for the period of fiscal years 1998 through 2002. For the sole purpose of estimating the amount of outlays flowing from excess new budget authority under this section, it shall be assumed that such excess new budget authority would have an obligation limitation sufficient to accommodate that new budget authority.

(C) The outlays estimated to flow from the excess new budget authority must be offset by (i) other direct spending or revenue provisions within that transportation bill, (ii) the net reduction in other direct spending and revenue legislation that is enacted during this Congress after the date of adoption of this resolution and before such transportation bill is reported (in excess of the levels assumed in this resolution), or (iii) a combination of the offsets specified in clauses (i) and (ii).

(D) As used in this section, the term "direct spending" has the meaning given to such term in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) REVISED LEVELS.—(1) When the Committee on Transportation and Infrastructure reports a bill (or when a conference report thereon is filed) meeting the conditions set forth in subsection (b)(2), the chairman of the Committee on the Budget shall increase the allocation of new budget authority to that committee by the amount of new budget authority provided in that bill (and that is above the levels set forth in subsection (b)(2)(A)) for programs authorized out of the highway trust fund.

(2) After the enactment of the transportation bill described in paragraph (1) and upon the reporting of a general, supplemental or continuing resolution making appropriations by the Committee on Appropriations (or upon the filing of a conference report thereon) establishing an obligation limitation above the levels specified in subsection (b)(2)(A) (at a level sufficient to obligate some or all of the budget authority specified in paragraph (1)), the chairman of the Committee on the Budget shall increase the allocation and aggregate levels of outlays to that committee for fiscal years 1998 and 1999 by the appropriate amount.

(d) REVISIONS.—Allocations and aggregates revised pursuant to this section shall be considered for purposes of the Congressional Budget Act of 1974 as allocations and aggregates contained in this resolution.

(e) REVERSALS.—If any legislation referred to in this section is not enacted into law, then the chairman of the House Committee on the Budget shall, as soon as practicable, reverse adjustments made under this section for such legislation and have such adjustments published in the Congressional Record.

(f) DETERMINATION OF BUDGETARY LEVELS.—For the purposes of this section, budgetary levels shall be determined on the basis of estimates made by the House Committee on the Budget.

(g) DEFINITION.—As used in this section, the term "highway trust fund" refers to the following budget accounts (or any successor accounts):

(1) 69–8083–0–7–401 (Federal-Aid Highways).

(2) 69–8191–0–7–401 (Mass Transit Capital Fund).

(3) 69–8350–0–7–401 (Mass Transit Formula Grants).

(4) 69–8016–0–7–401 (National Highway Traffic Safety Administration-Operations and Research).

(5) 69–8020–0–7–401 (Highway Traffic Safety Grants).

(6) 69–8048–0–7–401 (National Motor Carrier Safety Program).

SEC. 302. SALE OF GOVERNMENT ASSETS.

(a) BUDGETARY TREATMENT.—

(1) IN GENERAL.—For the purpose of any concurrent resolution on the budget and the Congressional Budget Act of 1974, no amounts realized from the sale of an asset shall be scored with respect to the level of budget authority, outlays, or revenues if such sale would cause an increase in the deficit as calculated pursuant to paragraph (2).

(2) CALCULATION OF NET PRESENT VALUE.—The deficit estimate of an asset sale shall be the net present value of the cash flow from—

(A) proceeds from the asset sale;

(B) future receipts that would be expected from continued ownership of the asset by the Government; and

(C) expected future spending by the Government at a level necessary to continue to operate and maintain the asset to generate the receipts estimated pursuant to subparagraph (B).

(b) DEFINITION.—For purposes of this section, the term "sale of an asset" shall have the same meaning as under section 250(c)(21) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) TREATMENT OF LOAN ASSETS.—For the purposes of this section, the sale of loan assets or the prepayment of a loan shall be governed by the terms of the Federal Credit Reform Act of 1990.

(d) DETERMINATION OF BUDGETARY LEVELS.—For the purposes of this section, budgetary levels shall be determined on the basis of estimates made by the House Committee on the Budget.

SEC. 303. ENVIRONMENTAL RESERVE FUND.

(a) COMMITTEE ALLOCATIONS.—In the House, after the Committee on Commerce and the Committee on Transportation and Infrastructure report a bill (or a conference report thereon is filed) to reform the Superfund program to facilitate the cleanup of hazardous waste sites, the chairman of the Committee on the Budget shall submit revised allocations and budget aggregates to carry out this section by an amount not to exceed the excess subject to the limitation. These revisions shall be considered for purposes of the Congressional Budget Act of 1974 as the allocations and aggregates contained in this resolution.

(b) LIMITATIONS.—The adjustments made under this section shall not exceed:

(1) $200 million in budget authority for fiscal year 1998 and the estimated outlays flowing therefrom.

(2) $200 million in budget authority for fiscal year 2002 and the estimated outlays flowing therefrom.

(3) $1 billion in budget authority for the period of fiscal years 1998 through 2002 and the estimated outlays flowing therefrom.

(c) READJUSTMENTS.—In the House, any adjustments made under this section for any appropriation measure may be readjusted if that measure is not enacted into law.

SEC. 304. SEPARATE ALLOCATION FOR LAND ACQUISITIONS AND EXCHANGES.

(a) ALLOCATION BY CHAIRMAN.—In the House, upon the reporting of a bill by the Committee on Appropriations (or upon the filing of a conference report thereon) providing $700 million in budget authority for fiscal year 1998 for Federal land acquisitions and to finalize priority Federal land exchanges, the chairman of the Committee on the Budget shall allocate that amount of budget authority and the corresponding amount of outlays.

(b) TREATMENT OF ALLOCATIONS IN THE HOUSE.—In the House, for purposes of the Congressional Budget Act of 1974, allocations made under subsection (a) shall be deemed to be made pursuant to section 602(a)(1) of that Act and shall be deemed to be a separate suballocation for purposes of the application of section 302(f) of that Act as modified by section 602(c) of that Act.

TITLE IV—SENSE OF CONGRESS PROVISIONS

SEC. 401. SENSE OF CONGRESS ON BASELINES.

(a) FINDINGS.—The Congress finds that:

(1) Baselines are projections of future spending if existing policies remain unchanged.

(2) Under baseline assumptions, spending automatically rises with inflation even if such increases are not mandated under existing law.

(3) Baseline budgeting is inherently biased against policies that would reduce the projected growth in spending because such policies are portrayed as spending reductions from an increasing baseline.

(4) The baseline concept has encouraged Congress to abdicate its constitutional obligation to control the public purse for those programs which are automatically funded.

(b) SENSE OF CONGRESS.—It is the sense of Congress that baseline budgeting should be replaced with a budgetary model that requires justification of aggregate funding levels and maximizes congressional and executive accountability for Federal spending.

SEC. 402. SENSE OF CONGRESS ON REPAYMENT OF THE FEDERAL DEBT.

(a) FINDINGS.—The Congress finds that:

(1) The Congress and the President have a basic moral and ethical responsibility to future generations to repay the Federal debt, including the money borrowed from the Social Security Trust Fund.

(2) The Congress and the President should enact a law which creates a regimen for paying off the Federal debt within 30 years.

(b) SENSE OF CONGRESS REGARDING PRESIDENT'S SUBMISSION TO CONGRESS.—It is the sense of Congress that:

(1) The President's annual budget submission to Congress should include a plan for repayment of Federal debt beyond the year 2002, including the money borrowed from the Social Security Trust Fund.

(2) The plan should specifically explain how the President would cap spending growth at a level one percentage point lower than projected growth in revenues.

(3) If spending growth were held to a level one percentage point lower than projected growth in revenues, then the Federal debt could be repaid within 30 years.

SEC. 403. SENSE OF CONGRESS ON COMMISSION ON LONG-TERM BUDGETARY PROBLEMS.

(a) FINDINGS.—The Congress finds that—

(1) achieving a balanced budget by fiscal year 2002 is only the first step necessary to restore our Nation's economic prosperity;

(2) the imminent retirement of the baby-boom generation will greatly increase the demand for government services;

(3) this burden will be borne by a relatively smaller work force resulting in an unprecedented intergenerational transfer of financial resources;

(4) the rising demand for retirement and medical benefits will quickly jeopardize the solvency of the medicare, social security, and Federal retirement trust funds; and

(5) the Congressional Budget Office has estimated that marginal tax rates would have to increase by 50 percent over the next 5 years to cover the long-term projected costs of retirement and health benefits.

(b) SENSE OF CONGRESS.—It is the sense of Congress that legislation should be enacted to create a commission to assess long-term budgetary problems, their implications for both the baby-boom generation and tomorrow's workforce, and make such recommendations as it deems appropriate to ensure our Nation's future prosperity.

SEC. 404. SENSE OF CONGRESS ON CORPORATE WELFARE.

(a) FINDINGS.—The Congress finds that the functional levels and aggregates in this budget resolution assume that—

(1) the Federal Government supports profit-making enterprises and industries through billions of dollars in payments, benefits, and programs;

(2) many of these subsidies do not serve a clear and compelling public interest;

(3) corporate subsidies frequently provide unfair competitive advantages to certain industries and industry segments; and

(4) at a time when millions of Americans are being asked to sacrifice in order to balance the budget, the corporate sector should bear its share of the burden.

(b) SENSE OF CONGRESS.—It is the sense of Congress that legislation should be enacted to—

(1) eliminate the most egregious corporate subsidies; and

(2) create a commission to recommend the elimination of Federal payments, benefits, and programs which predominantly benefit a particular industry or segment of an industry, rather than provide a clear and compelling public benefit, and include a fast-track process for the consideration of those recommendations.

SEC. 405. SENSE OF CONGRESS ON FAMILY VIOLENCE OPTION CLARIFYING AMENDMENT.

(a) FINDINGS.—The Congress finds that:

(1) Domestic violence is the leading cause of physical injury to women. The Department of Justice estimates that over 1,000,000 violent crimes against women are committed by intimate partners annually.

(2) Domestic violence dramatically affects the victim's ability to participate in the workforce. A University of Minnesota survey reported that one quarter of battered women surveyed had lost a job partly because of being abused and that over half of these women had been harassed by their abuser at work.

(3) Domestic violence is often intensified as women seek to gain economic independence through attending school or training programs. Batterers have been reported to prevent women from attending these programs or sabotage their efforts at self-improvement.

(4) Nationwide surveys of service providers prepared by the Taylor Institute of Chicago, Illinois, document, for the first time, the interrelationship between domestic violence and welfare by showing that from 34 percent to 65 percent of AFDC recipients are current or past victims of domestic violence.

(5) Over half of the women surveyed stayed with their batterers because they lacked the resources to support themselves and their children. The surveys also found that the availability of economic support is a critical factor in poor women's ability to leave abusive situations that threaten them and their children.

(6) The restructuring of the welfare programs may impact the availability of the economic support and the safety net necessary to enable poor women to flee abuse without risking homelessness and starvation for their families.

(7) In recognition of this finding, the House Committee on the Budget unanimously passed a sense of Congress amendment on domestic violence and Federal assistance to the fiscal year 1997 budget resolution. Subsequently, Congress passed the family violence option amendment to last year's welfare reform reconciliation bill.

(8) The family violence option gives States the flexibility to grant temporary waivers from time limits and work requirements for domestic violence victims who would suffer extreme hardship from the application of these provisions. These waivers were not intended to be included as part of the permanent 20 percent hardship exemption.

(9) The Department of Health and Human Services has been slow to issue regulations regarding this provision. As a result, States are hesitant to fully implement the family violence option fearing it will interfere with the 20 percent hardship exemption.

(10) Currently 15 States have opted to include the family violence option in their welfare plans, and 13 other States have included some type of domestic violence provisions in their plans.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) States should not be subject to any numerical limits in granting domestic violence good cause waivers to individuals receiving assistance for all requirements where compliance with such requirements would make it more difficult for individuals receiving assistance to escape domestic violence; and

(2) any individuals granted a domestic violence good cause waiver by States should not be included in the States' 20 percent hardship exemption.

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