

I. SUMMARY

THE CLINTON-GORE ADMINISTRATION'S FY2001 BUDGET: MAINTAINING FISCAL DISCIPLINE WHILE INVESTING IN THE AMERICAN PEOPLE

When President Clinton was elected, he implemented an economic plan which consisted of restoring fiscal discipline, investing in people, and opening markets abroad. The Clinton-Gore Administration are submitting their eighth budget – and their fourth balanced budget. Like the previous budgets, this one not only maintains fiscal discipline but continues to make important investments in the American people.

FISCAL DISCIPLINE: CONTRIBUTING TO THE LONGEST EXPANSION IN U.S. HISTORY

President Clinton entered office determined to unleash the productive potential of the American people by putting the government's fiscal house back in order. As a result of fiscal discipline, interest rates have fallen and private investment has boomed, contributing to the longest expansion in U.S. history.

- **Record budget deficits have been erased.** In 1992 the deficit was a record \$290 billion and CBO projected that it would grow to \$455 billion by 2000. Instead we have a projected \$167 billion surplus, the third one in a row. *That is \$622 billion less savings drained by the government in one year alone.*
- **The largest pay-down of debt in history: \$297 billion.** In 1998 and 1999, the debt held by the public was reduced by \$140 billion. OMB is projecting that the government will pay down an additional \$157 billion in debt held by the public this fiscal year. That will bring the total debt pay down to \$297 billion – the largest three-year debt pay down in American history. In contrast, under Presidents Reagan and Bush, the debt held by the public quadrupled.
- **Smallest government in over three decades while increasing key investments in our people.** Government spending has declined from 22.2 percent of the economy in 1992 to 18.7 percent of the economy in 1999 – the lowest share since 1966. At the same time, the government has made important investments, including nearly doubling investments in education and training.
- **Tax burden for typical families is the lowest since the 1970s.** At the same time, the typical American family will shoulder the lowest Federal tax burden since 1978.
- **Investment has boomed.** The benefits of fiscal discipline for our economy have been enormous. Interest rates are lower than they would have been otherwise, helping to fuel seven consecutive years of double-digit investment growth for the first time in our Nation's history. That is a 12.1 percent real annual increase in investment in business equipment and software since 1993 – compared to 4.7 percent annual growth from 1981 to 1992.
- **Unemployment is the lowest in a generation.** The unemployment rate in January 2000 was 4.0 percent – the lowest in 30 years – and America has created 20.8 million jobs since January 1993, with 9.2 million – 19.2 million – of these in the private sector. At the same time, the underlying core rate of inflation was 1.9 percent in 1999 – the lowest rate since 1965.

- **The longest economic expansion in history.** The economy is entering its 107th month of economic expansion – the longest economic expansion in U.S. history.

A BALANCED AND FISCALLY RESPONSIBLE BUDGET

The Clinton-Gore Administration's FY2001 budget provides a balanced and fiscally responsible framework to eliminate the debt by 2013, strengthen the solvency of Social Security and Medicare, and invest in key priorities like health and education. Under the President's budget:

- **The debt would be paid off by 2013.** President Clinton has proposed to use the entire Social Security surplus, \$2.2 trillion over 10 years, for debt reduction. In addition, over the next 10 years he would dedicate \$350 billion of the \$746 billion non-Social Security surplus to debt reduction, with the vast majority of it being used to extend Medicare solvency. *That is nearly half of the non-Social Security surplus for debt reduction.* The President's budget is projected to pay off the debt held by the public by 2013, the first time America will have been debt free since 1835.
- **Discretionary spending would be kept at tight but realistic levels.** The President's Budget is Based on a realistic, fiscally conservative plan that maintains our domestic priorities, including national defense, education, law enforcement, public health, the environment, and veterans programs. The President's budget precludes the use of emergency spending except in the case of truly unforeseen emergencies, and it makes sure that all spending is accounted for in the appropriate year. The budget proposes to keep the growth of spending slightly below the rate of inflation.
- **Medicare solvency would be extended for over a decade to at least 2025.** The President's FY2001 budget dedicates \$432 billion over 10 years – an amount equivalent to over half the on-budget surplus – to strengthen and modernize Medicare to prepare it for the health, demographic, and financing challenges of the 21st Century.
- **Social Security solvency would be extended to at least 2050.** The President would ensure that the benefits of the debt reduction that are due to Social Security are used to extend the life of Social Security. He would do this by devoting the entire Social Security surplus to debt reduction and then earmarking the interest savings from this debt pay-down to Social Security. These transfers would extend the life of Social Security to 2050. If a prudent portion of the transfers were invested for higher returns, solvency would be extended to 2054.
- **Health coverage would broaden.** The President's budget also invests \$110 billion over 10 years in a number of policies that would efficiently expand coverage to at least 5 million uninsured Americans and expand access to millions more by building on current options. Together with the State Children's Health Initiative enacted in 1997, that would cover 10 million uninsured people.

TAX RELIEF FOR WORKING FAMILIES

President Clinton and Vice President Gore proposing significant new tax relief for America's working families as part of a budget framework that maintains our fiscal discipline, makes investments in key priorities, strengthens the solvency of Social Security and Medicare, and pays down the debt by 2013. The President proposes \$351 billion of gross tax cuts over 10 years – of

which \$256 billion are paid for out of the surplus and \$96 billion are paid for with corporate loophole closers and other measures. Highlights of the tax package include:

- **Retirement Savings Accounts (RSAs).** The President proposes a tax cut to provide generous and progressive incentives to encourage families to save and invest. (Cost: \$54 billion over 10 years.)
- **Tax Incentives to Encourage Small Businesses to Offer High-Quality Pensions.** The President would propose a 50 percent tax credit for employer's contributions to high-quality pensions. (Cost: \$17 billion.)
- **College Opportunity Tax Cut.** A College Opportunity Tax Cut to provide a choice between a tax deduction or a 28 percent tax credit on up to \$10,000 in tuition in order to make college, graduate school, and courses taken for a job more affordable. (Cost: \$30 billion.)
- **School Construction.** Tax credits for \$25 billion of bonds for the construction and modernization of up to 6,000 schools. (Cost: \$8 billion.)
- **Earned Income Tax Credit.** The President's budget would increase and expand the Earned Income Tax Credit to better reward work and family, reducing poverty for families with three or more children. (Cost: \$23 billion.)
- **Marriage Penalty and Broad Tax Relief.** The President's proposal would reduce the marriage penalty by increasing the standard deduction by more than \$2,000 for married, two-earner couples. (Cost: \$45 billion.)
- **Alternative Minimum Tax Relief.** The President proposes to ensure that the Alternative Minimum Tax does not penalize large families who play by the rules. (Cost: \$33 billion.)
- **Long-term Care.** A \$3,000 long-term care tax credit to compensate people with long-term care needs or their caregivers for the cost of care. (Cost: \$27 billion.)
- **Tax Credits for Medicare 55-65 and Americans In Between Jobs.** The President's budget would provide tax credits to help make his Medicare buy-in proposal affordable and to for people in between jobs. (Cost: \$12 billion.)
- **Child Care.** The President's proposal would expand the child care tax credit to defray up to 50 percent of expenses and make it refundable in order to help working families afford child care. (Cost: \$30 billion.)
- **New Markets Tax Credit.** More than double the proposed New Markets tax credit to spur \$15 billion of private investment in New Markets. (Cost: \$5 billion.)
- **Empowerment Zones.** The President's proposes to extend and expand Empowerment Zone tax cuts and to give all Empowerment Zones the same wage and business tax incentives. (Cost: \$4.4 billion.)
- **Better America Bonds.** The President proposes to establish \$10.75 billion of Better America Bonds to allow State, local, and tribal governments to borrow interest free in order to preserve green space, create or restore urban parks, protect water quality and clean up brownfields. (Cost: \$3 billion.)
- **Energy Efficiency.** In order to improve energy efficiency and help the environment, the President proposes \$9 billion in tax credits for energy-efficient cars, homes, and appliances. (Cost: \$9 billion.)
- **Philanthropy.** Encouraging philanthropy by allowing non-itemizers to take a tax deduction for charitable giving, improving the tax treatment of foundations, and allowing larger donations of stock and assets by individuals. (Cost: \$14 billion.)

MOVING FORWARD ON AN INVESTMENT AGENDA

Education and Training:

- **Largest Head Start Expansion in History.** An increase in Head Start's funding by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children.
- **Universal After-School for Students in the Most Need.** \$1 billion in the 21st Century Community Learning Centers program to help ensure that every child in every failing school can have a safe place to learn during the after school and summertime hours.
- **Accountability Fund.** An increase in funding from \$134 million to \$250 million to turn around failing schools.
- **Class Size Reduction.** \$1.75 billion – an increase of \$450 million – to hire 49,000 teachers in our public schools.
- **Teaching to High Standards.** A new \$1 billion teacher quality plan to recruit, train and reward good teachers.
- **School Construction and Modernization.** \$24.8 billion in tax credit bonds to build or modernize up to 6,000 schools. And a new \$1.3 billion initiative to provide urgent repairs for 5,000 schools each and every year.
- **College Opportunity Tax Cut.** A \$29.8 billion tax cut over the next 10 years to make college, graduate school, and job training more affordable for millions of families.
- **Increasing Support for College Access.** A nearly \$1 billion increase for initiatives such as the Pell Grant, SEOG, and Work Study programs.
- **Keeping Young People On Track for Success.** An increase of more than \$200 million for programs such as GEAR UP, TRIO, and College Completion Challenge Grants that prepare students to take full advantage of post-secondary educational opportunities.
- **Bureau of Indian Affairs (BIA) School Construction and Repair.** \$300 million, more than double last year's level, to replace and repair BIA-funded schools on reservations.

Child Care:

- **Tax Cuts to Enable Child Care.** A variety of measures offering tax relief so that good child care becomes affordable for working families.
- **Helping Low-Income Families Afford Child Care.** Expansion of the Child Care and Development Block Grant by \$817 million in FY2001, enabling the program to provide child care subsidies to nearly 150,000 more children next year.
- **Largest Head Start Expansion in History.** An increase in Head Start's funding by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children.
- **Promoting Early Learning.** \$3 billion over five years for the Early Learning Fund to help improve child care quality and early childhood education for children under five years old.

Health Care:

- **Addressing the Nation's Multi-Faceted Long-term Care Needs.** A \$28 billion, 10-year investment in long-term care, the centerpiece of which is a \$3,000 tax credit for people with long-term care needs or their caregivers – tripling the credit over last year's proposal.

- **Patients Bill of Rights and Medical Privacy.** Assuring the Quality of Health Care through a Patients' Bill of Rights and by Protecting Medical Privacy.
- **Preventing Medical Errors and Improving Quality of Care.** Funds to improve medical errors prevention, patient safety research, and reporting and information dissemination.
- **Supporting Biomedical Research.** Almost \$19 billion, an increase of \$1 billion over last year's funding level, for biomedical research at the National Institutes of Health.
- **Combating the Spread of HIV / AIDS and Other Diseases.** A variety of initiatives to curtail HIV/AIDS and other diseases abroad and at home.

Environment:

- **Protecting our Environment and Public Health:** Overall, President Clinton and Vice President Gore propose a record \$42.5 billion in FY2001 – an 11 percent increase over FY2000 and a 36 percent increase over FY 1993 – to protect our natural resources, communities and families.
- **A Permanent Lands Legacy for America.** \$1.4 billion, the largest one-year investment ever in helping communities protect wildlife and open space; saving natural and historic treasures; and providing special assistance to coastal areas. In addition, the President is proposing a new, protected budget category to preserve this higher level of funding in future years.
- **Meeting the Challenge of Global Warming.** The President is proposing \$2.4 billion – a 42 percent increase – to combat global climate change, and \$1.7 billion for scientific research into factors influencing climate and the likely consequences of global warming.
- **Protecting Forests and Biodiversity Around the World.** \$150 million for a new Greening the Globe initiative to help stem the loss of forests worldwide.
- **Building Livable Communities.** \$9.3 billion, a 14 percent increase, for the Administration's Livable Communities initiative to help communities grow in ways that enhance quality and strong economies.

Working Families:

- **Helping Low-Income Families Get to Work.** The President's budget will make it easier for working families to own a reliable vehicle and receive food stamps by allowing states to conform their food stamp vehicle policy with a more generous TANF vehicle policy. The budget also proposes to double Access to Jobs transportation funding to \$150 million to expand grants to communities to develop innovative public transportation solutions that help people get to work.
- **Helping Millions Move from Welfare to Work.** Since January 1993, the welfare rolls have fallen by more than half, from 14.1 million to 6.9 million. Three years after enactment of the welfare reform law, the number of Americans on welfare is at its lowest level since 1969. The President and Vice President will continue these policies and work to see that the federal government fills its job openings with former welfare recipients when appropriate.
- **Ensuring Equal Pay.** \$27 million for the Equal Pay Initiative, an increase of \$12 million over Fiscal Year 2000, to provide training and assistance to employers on how to comply with equal pay requirements, to launch a public service announcement campaign on wage issues, to train women in nontraditional jobs, and other measures.

- **Fathers Work/Families Win Grants.** \$255 million in new competitive grants to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty.

Community Empowerment:

- **The New Markets Initiative.** Significant new tax credits and loans guarantee incentives to stimulate \$22 billion of new private capital investments in economically distressed communities and build a network of private investment institutions to funnel credit, equity and technical assistance to businesses in America's new markets. In addition, the budget proposes a new initiative, known as First Accounts, to provide low-cost bank accounts to working families.
- **Empowerment Zones.** The President's proposes to extend and expand Empowerment Zone tax cuts and to give all Empowerment Zones the same wage and business tax incentives. The Administration will also fight for the full \$150 million in annual funding for the Second Round of Empowerment Zones.
- **Creation of the Delta Regional Authority.** \$153 million for the creation of a new Delta Regional Authority to bring the resources of a Federal-state partnership to the fight for economic growth in the Mississippi Delta region.
- **Expanding Housing Vouchers.** \$690 million for 120,000 new housing vouchers to subsidize the rents of low-income families.
- **Encouraging Philanthropy.** \$14 billion over 10 years for a comprehensive package of new tax proposals to encourage philanthropy.

From Digital Divide to Digital Opportunity:

- **Private Sector Involvement in Bridging the Digital Divide:** \$2 billion over 10 years in tax incentives to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers.
- **Teacher Training:** \$150 million to help train all new teachers entering the workforce to use technology effectively in the classroom.
- **Community Technology Centers:** \$100 million to create up to 1,000 Community Technology Centers in low-income urban and rural communities.
- **Public-Private Partnerships for Home Access:** \$50 million for a public/private partnership to expand home access to computers and the Internet for low-income families.

Research & Development:

- **Biomedical Research.** \$1 billion increase in biomedical research at the National Institutes of Health.
- **Nanotechnology.** \$495 million for the National Nanotechnology Initiative – an increase of 83 percent.
- **National Science Foundation.** A \$675 million increase in the NSF's budget – double the largest dollar increase in its history.

Safe Communities:

- **21st Century Policing Initiative.** The initiative funds: 50,000 more police for our streets by FY2005; access for law enforcement to the latest crime-fighting technologies; collaboration

between new prosecutors and local law enforcement; and public-private partnerships to prevent crime.

- **Stopping Crime by Stopping Drugs.** \$215 million – doubling current funding – to move more offenders off of drugs and away from crime.
- **Safe Schools.** \$250 million – a \$100 million increase – for the Safe Schools/Healthy Students Initiative to help communities develop community-wide responses to school and youth violence.
- **Supervising Released Offenders: Project Reentry.** \$60 million for a community supervision initiative to create “reentry partnerships” and “reentry courts” to address community safety concerns, lower recidivism rates, and promote responsible fatherhood among offenders returning to communities.
- **Reauthorization of the Violence Against Women Act.** The President’s budget also includes \$516 million to combat domestic violence.
- **Improving Law Enforcement in Indian Country.** \$439 million, an increase of \$103 million over FY2000, for the Departments of Justice and Interior for the third year of the President’s Indian Country Law Enforcement Initiative.
- **Largest National Gun Enforcement Initiative in History.** \$280 million for the largest national gun enforcement initiative in history, including funding for: 500 ATF agents and inspectors; 1,000 gun prosecutors; comprehensive crime gun tracing; a new national integrated ballistics information network; and local anti-gun violence media campaigns.
- **Funding Innovative Smart Gun Technology.** \$10 million to fund the expansion, testing and replication of “smart” gun technologies that can limit a gun’s use to its adult owner or other authorized users.
- **Strengthening Brady Background Checks.** Doubling funding to \$70 million for improvements in state criminal history records and in the speed and accuracy of Brady background checks.

United States Leadership in the World:

- **Kosovo.** \$175 million to bolster democracy in Kosovo and help the democratic opposition in Serbia.
- **Southeast Europe Initiative.** \$428 million to promote the political and economic integration of the Balkans into Europe and into the global community and economy.
- **Middle East Peace.** \$1.8 billion from the Economic Support Fund (ESF) and \$3.4 billion from Foreign Military Financing (FMF) to support the next phase of negotiations between Israel and its neighbors.
- **Expanded Threat Reduction Initiative (ETRI).** \$974 million to contain the spread of weapons of mass destruction (WMD) from the former Soviet Union and to promote stability.
- **Colombia Assistance.** \$954 million in FY2000 emergency supplemental appropriations plus \$318 million in new FY2001 for drug interdiction in Colombia.
- **Debt Forgiveness.** \$600 million for a U.S. contribution to the Heavily Indebted Poor Country trust fund over three years, including a \$210 million supplemental request in FY2000. The budget also includes \$37 million for the Tropical Forest Initiative, to use debt relief funds in support of conservation.
- **AIDS/Vaccines.** To combat AIDS and other infectious diseases, especially in the developing world, the budget proposes \$100 million for AIDS prevention, \$50 million for the Global

Alliance for Vaccines and Immunizations, increased funding for vaccine research, and a new tax credit that will encourage the development of vaccines.

- **Expanding the Fight Against Abusive Child Labor.** More than double combined investments in child labor from customs enforcement to helping children move out of dangerous work situations and into schools.

America's Armed Forces:

- **Increased Funding.** Discretionary funding of \$292.2 billion in budget authority and \$278.6 billion in outlays for 2001 to strengthen our armed forces, an increase in \$11.3 billion over the proposed 2000 level and \$4.8 billion over the 2001 level assumed in the 2000 budget.
- **Enhancing Military Readiness.** The current high level of readiness is the Administration's top defense priority. Increased funding will enable the Services to support unit operations and joint exercises, meet their required training standards, maintain their equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment.
- **Modernizing Weapons Systems.** \$60.3 billion for the procurement program, which is \$6.1 billion more than the 2000 level, to maintain our status as the best equipped armed force in the world.
- **Developing Missile Defenses.** \$1.9 billion in 2001 for an National Missile Defense system plus \$2.8 billion for other missile defense technologies and systems.

Restoring Fairness to Legal Immigrants:

- Overall, \$2.5 billion over five years to restore critical disability, health, and nutrition benefits to additional categories of legal immigrants.

Tobacco Policy:

- A 25 cents per pack excise beginning in FY2001 to raise further the price of tobacco products from the 45-cent increase agreed to by the states and the industry in 1998.
- \$3,000 assessment charged to the tobacco industry for every smoker under age 18 starting in 2004 if youth smoking has not been cut in half and to remain in effect until the youth smoking reduction goal has been met.

Farm Safety Net:

- **Farm Safety Net for Family Farmers.** Overall, an \$11 billion package to strengthen the farm safety net through 2002, when the next farm bill will be enacted to repair the weaknesses of the 1996 Farm Bill.
- **Income Assistance.** An estimated \$2.5 billion for the 2000 crop and \$3.1 billion for the 2001 crop on counter-cyclical farm income support payments.

Building One America:

- **Civil Rights Enforcement.** \$698 million – a 13 percent increase – for civil right enforcement agencies.
- **Ensuring Equal Pay.** \$27 million for the Equal Pay Initiative, an increase of \$12 million, to fund a variety of measures aimed at reducing disparities of pay between men and women who perform similar jobs.

- **Hate Crimes.** \$20 million to train Federal, state, and local law enforcement to prevent and respond to hate crimes and to promote police integrity.
- **Native American Initiative.** \$9.4 billion – an increase of \$1.2 billion – to fund school construction and repair and infrastructural upkeep on Indian reservations as well as budgetary increases for tribal colleges, the Indian Health Service, the President’s Indian Country Law Enforcement Initiative, and other programs as well.

