

I. THE BUDGET MESSAGE OF THE PRESIDENT

The Federal Government Dollar Fiscal Year 2001 Estimates

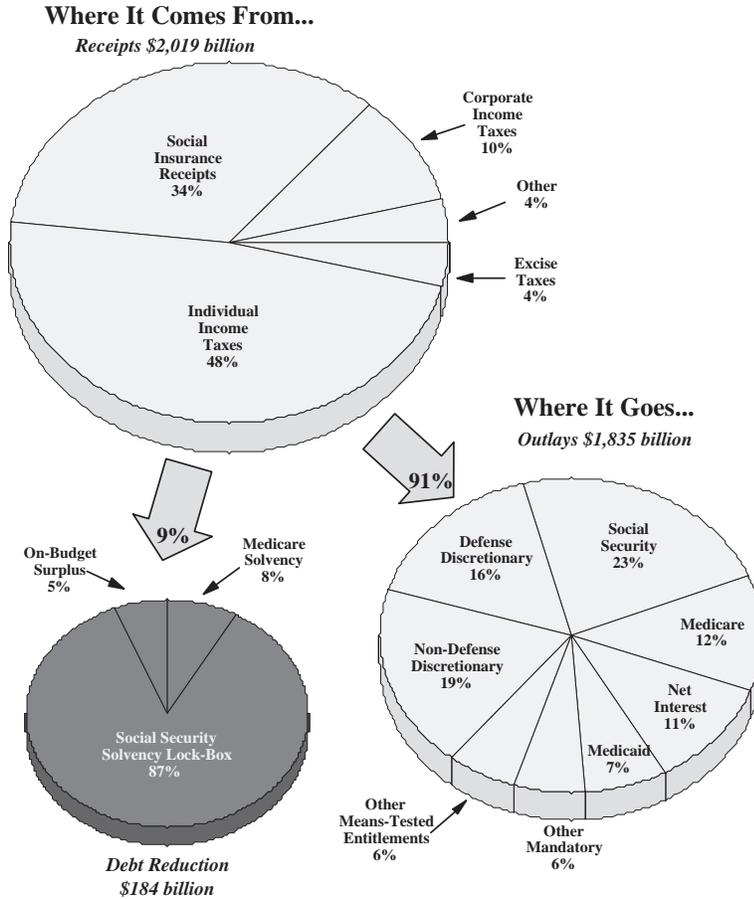


Table I-1. Budget Totals
(In billions of dollars)

	1999 Actual	Estimates										Total 2001-2010	
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		2010
Receipts	1,827	1,956	2,019	2,081	2,147	2,236	2,341	2,440	2,559	2,676	2,785	2,917	24,202
Outlays	1,703	1,790	1,835	1,895	1,963	2,041	2,125	2,185	2,267	2,362	2,456	2,553	21,683
Total unified budget surplus	124	167	184	186	185	195	215	256	292	314	329	363	2,519
Debt Reduction:													
Social Security solvency lock-box	124	148	160	172	184	195	214	224	239	250	260	272	2,169
Medicare solvency transfers			15	13				26	47	57	61	80	299
Reserve for catastrophic prescription drug coverage								4	5	7	8	11	35
On-Budget surplus ...	1	19	9	1	*	*	2	1	1	*	*	*	16
Total debt reduction	124	167	184	186	185	195	215	256	292	314	329	363	2,519

* \$500 million or less.

THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The 2001 Budget, which I am submitting to you with this message, is the fourth balanced budget of my Administration. This budget upholds my policy of fiscal discipline and promises new opportunity for our Nation.

We have made great progress in the last seven years, rejecting the fiscal disarray of an earlier era and in its place, asserting a steadfast commitment to live within our means, balance the budget, and uphold fiscal discipline. As a result, we have created the conditions for unprecedented prosperity. The longest peacetime economic expansion in American history has produced more than 20 million new jobs. Unemployment has hit its lowest level in a generation. Today, more Americans own their own homes than ever before in our Nation's history.

Our success in reversing what once seemed to be uncontrollable growth in the Federal budget deficit has created more than prosperity. We have restored to America a spirit of purpose and confidence. This is a rare moment in history. Few nations are blessed with a combination of economic prosperity and social stability at home and with the security of a relatively peaceful world. It is time to make the most of this moment of promise to extend prosperity to all corners of our Nation.

My first budget of the new century is built upon a commitment to expanding opportunity, promoting responsibility, and building community. It includes my New Markets Initiative, which relies on public and private sector cooperation to spur economic development in areas of our Nation that have not yet fully benefited from this wave of prosperity. It includes an expansion of the Earned Income Tax Credit to lift more hard-pressed working families out of poverty. It expands health insurance coverage to more

uninsured low-income children and extends this coverage to their hard-working parents.

Because education is fundamental to creating opportunity, my budget contains resources to prepare the next generation for the future with new and expanded efforts to improve the quality of our schools, prepare our students for college, and make college more accessible. It includes efforts to narrow the digital divide, the gap that separates those who have access to information technology and those who do not, so that all will be equipped with the technological tools they need to succeed. It also includes a science and technology initiative to lay the foundation for new scientific breakthroughs.

This budget responds to the pressing needs of today and builds an America of the future by making our Nation debt free by 2013. To be prepared for the retirement of the baby boom generation, my budget also provides a framework to extend the life of the Social Security and Medicare trust funds, while modernizing Medicare with a needed prescription drug benefit.

This budget uses the same straightforward approach of relying on conservative assumptions, as have all the budgets of my Administration. This conservative approach has built confidence in our budgets, because when unforeseen results have materialized, an inevitable development in forecasting, they have always brought good news. In turn, reversing recent trends, my 2001 Budget builds on the tradition of straightforward budgets to meet the pressing needs of today in a balanced plan that adheres to the principles of fiscal discipline and debt reduction. This budget also maintains a strict set of budget rules upholding our long commitment to fiscal discipline, which has sustained the conditions for our economy to flourish.

The 2001 Budget continues to project that the Federal budget will remain in surplus for many decades to come, provided that a responsible fiscal policy holds course, to foster sustained economic growth. Our challenge now, in this era of surplus, is to make balanced choices to use our resources to meet the pressing needs of today, and the needs of generations to come.

Building on the Success of Our Fiscal Discipline

When I took office in 1993, the current strength of our economy seemed beyond possibility. At that point, both the Federal budget deficit and the national debt had exploded, threatening our economic future. The costs of massive Federal borrowing drove interest rates up, incomes were stagnant for all but the most well off, and the economy had barely grown during the prior four years. The Nation needed a new course, and we worked hard to secure the passage of legislation, with the support of Democrats in Congress, to get the economy moving again.

My three-part economic strategy, built upon reducing the deficit, investing in the American people, and engaging the international economy yielded results. The budget deficit quickly began to drop from its peak of \$290 billion, and in 1997, we pressed ahead with our deficit reduction efforts as Congress passed the Balanced Budget Act on a bipartisan basis to finish the job. Four years ahead of schedule, the budget reached balance and is projected this year to produce its third surplus in a row. We have started to pay down the national debt and are on a path to make the Nation debt free by 2013 for the first time since 1835.

Throughout the past seven years, my Administration has been committed to creating opportunity for all Americans, demanding responsibility from all Americans, and strengthening the American community. The crime rate, which had tripled during the previous three decades, continues to fall and crime is down in every region of the Nation. We have reformed the welfare system, and more than seven million Americans in the

past seven years have made the transition from welfare to work.

Most of all, the prosperity and opportunity of our time offers us a great responsibility—to take action to ensure that Social Security is there for the elderly and the disabled, while ensuring that it not place a burden on our children, that the life of Medicare is extended for future generations, and that we modernize Medicare with a needed prescription drug benefit. If we continue to follow sound fiscal policy, we can provide for the future, produce a balanced tax cut and meet the needs of today, while sustaining the conditions that have brought us this current wave of prosperity. All this can be done, but balanced and sound fiscal policy is the key.

Improving Performance Through Better Management

At the start of this Administration, the Vice President and I set out to create a Government that works better, costs less, and gets results Americans care about. We believe that with better stewardship, the Government can better achieve its mission and improve the quality of life for all Americans. The success of these efforts is reflected in the significant changes of the past seven years in the way Government does business.

We have streamlined Government, cutting the civilian Federal work force by 377,000, giving us the smallest work force in 39 years. We have done more than just reduce or eliminate hundreds of Federal programs and projects. We have also empowered government employees to cut red tape, and used partnerships to get results.

While we have made real progress, there is still much work to do. We are forging ahead with new efforts to improve the quality of the service that the Government offers its customers. My Administration has identified its highest priorities—24 Priority Management Objectives listed in this budget, that will receive heightened attention to ensure positive changes in the way Government works. It is a mark of our success that in early 2000, we were able to remove last year's number one objective from the list: Manage the Year 2000 (Y2K) Computer

Problem. Due largely to the efforts of Federal employees and the leadership provided by my Council on Year 2000 Conversion, the Federal Government's Y2K efforts were, beyond all expectation, remarkably trouble free. We will continue to move ahead to address other priorities, including modernizing student aid delivery, implementing IRS reforms, and strengthening the management of Health Care Financing Administration, which oversees Medicare.

I believe the steps we have taken to change and improve the way Government works have also changed the way Americans view their Government, increasing the confidence and trust of the American public. It is our job to keep at this task, so that the Federal Government continues to improve its performance and the American public is better served. I am determined that we will do more to solve the very real management challenges before us.

Strengthening our Nation in the 21st Century

Education, in our competitive global economy, has become the dividing line between those who are able to move ahead and those who lag behind. For this reason, I am committed to ensuring that we have a first-rate system of education and training in place for Americans of all ages. Over the last seven years, we have worked hard to ensure that every boy and girl is prepared to learn, that our schools focus on high standards and achievement, that anyone who wants to go to college can get the financial help to attend, and that those who need another chance at education and training, or a chance to improve or learn new skills, can do so. My budget builds on the commitment to make college more affordable by expanding the tax credits for higher education and increasing Pell Grants and other college aid beyond the record levels already reached. It promotes smaller learning environments in high schools and invests in reducing class size by recruiting and preparing thousands more teachers and building thousands more classrooms, as well as providing for urgent and essential school repairs.

My budget includes significant increases to expand access to after-school and other extended learning time opportunities, a central element of my accountability agenda to help children, especially in the poorest communities, reach challenging academic standards while supporting efforts to demand more from schools and support them in return. It promotes efforts to recruit teachers in high-poverty areas and includes a peer review initiative to help school districts raise teacher standards and teacher pay. The budget proposes improving school accountability by holding States, districts and schools accountable for results by providing resources to identify and turn around the worst-performing schools, and incentives to reward States that do the most to improve student performance and close the achievement gap. It invests in programs to help raise the educational achievement of Latino students. And my budget supports efforts to narrow the digital divide by expanding resources for technology centers to make computers accessible in low-income community areas.

During the past seven years, we have taken many steps to help working families, and we continue that effort with this budget. We cut taxes for 15 million working families, provided a tax credit to help families raise their children, ensured that 25 million Americans a year can change jobs without losing their health insurance, made it easier for the self-employed and those with pre-existing conditions to get health insurance, provided access to health care coverage for up to five million uninsured children, raised the minimum wage, and provided guaranteed time off for workers who need to care for a newborn or to address the health needs of a family member.

I am proposing a significant expansion of the Earned Income Tax Credit to provide support to America's hard working, low-income families, especially larger families who are more likely to be poor than families with only one or two children. My budget also significantly increases 21st Century Learning Community Centers and expands after-school learning time. It makes child care more affordable by expanding tax credits for middle-income families and for businesses that provide child care services to their employees,

by assisting parents who want to attend college meet their child care needs, as well as making a child care tax credit available to parents who choose to stay at home to raise a young child. My budget proposes to create an Early Learning Fund and builds on our expansion of the successful Head Start program to help meet the goal of serving one million children by 2002. And it promotes responsible fatherhood by proposing tough new measures to ensure that all parents who can afford to pay child support do so, while providing support to increase the employment earnings and child support payments of low-income fathers. My budget includes efforts to increase access to food stamps for the working poor, in part by proposing that low-income working families, who need efficient transportation to get to work, be permitted to own a modest vehicle and retain food stamp eligibility. And, it proposes resources to provide health care to legal immigrant children, to restore Supplemental Security Income benefits to legal immigrants with disabilities, and to restore food stamp benefits to legal immigrants in families with eligible children.

We have continued to improve health care for millions of Americans. Since the establishment of the State Children's Health Insurance Program in 1997, two million children have enrolled in programs across all 50 States. I am proposing a significant expansion of this successful program to extend health coverage to more children in hard working, low-income families. My budget also extends this coverage to their parents, low-income working adults who lack health insurance, which will help increase the enrollment of their children by enabling entire families to receive coverage through the same program. My budget contains other significant incentives to increase access to affordable health care, including tax credits for small businesses and a provision to allow hundreds of thousands of Americans aged 55 to 65 to purchase Medicare coverage.

My budget puts forth a plan that extends Medicare solvency to at least 2025, respects fiscal discipline, and eliminates the national debt. My plan will modernize Medicare with a needed drug benefit, expand access to preventative benefits, and improve Medicare

management. I intend to keep pressing ahead and working with Congress to enact essential patient protections including emergency room access and the right to see a specialist. By Executive Order, I have extended these rights to 85 million Americans covered by Federal health plans, including Medicare and Medicaid beneficiaries and Federal employees.

Most Americans are enjoying the fruits of our strong economy, yet we must do more to bring this prosperity to all corners of our great Nation. We must use this moment of promise to spread the values of community, opportunity, and responsibility, and to help create the conditions for all to share in our prosperity. My New Markets Initiative, an expanded approach built upon the same public-private cooperation at the center of last year's plan, will provide tax credit and loan guarantee incentives to stimulate tens of billions of dollars in new private investment in distressed rural and urban areas. It will build a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's untapped markets, and provide the expertise to targeted small businesses that will allow them to use investment to grow. I am also proposing to expand the number of Empowerment Zones, which provide tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through my Community Development Financial Institutions program. My budget also includes significant funding increases for Native American communities to help this generation and future generations receive greater opportunities. It provides additional funds to enforce the Nation's civil rights laws, and strengthens the partnership we have begun with the District of Columbia. In addition, my budget proposes an \$11 billion package for farmers in need and to help mend the farm safety net by providing assistance when crop prices are low.

Our anti-crime strategy is working. Serious crime has fallen without interruption, and the murder rate is at its lowest point in three decades. Building on our successful community policing (COPS) program that is helping communities fund 100,000 cops on the beat, the 21st Century Policing initiative

was enacted last year to put us on track to fund new anti-crime technology and 50,000 more police. This year, I am launching the largest gun enforcement initiative ever, adding funds to hire 500 new ATF agents, 1,000 State and local gun prosecutors and funds for smart gun technology. The budget also provides funds to prevent violence against women, and to address the growing law enforcement crisis on Indian lands. To boost our efforts to control illegal immigration, the budget provides resources to strengthen enforcement, particularly on the Southwest and Northern borders, and to remove illegal aliens. To combat drug use, particularly among young people, my budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction.

During the past seven years, I have sought to strengthen science and technology investments in order to serve many of our broader goals for the Nation in the economy, education, health care, the environment, and national defense. Building on the balanced portfolio of basic and applied research in the 21st Century Research Fund, my budget includes a Science and Technology Initiative which places special emphasis on high-priority, long-term basic research, including nanotechnology, the manipulation of matter at the atomic and molecular level, which offers the promise that medical science may one day be able to detect cancerous tumors when they are comprised of only a few cells. My budget also increases resources for the Information Technology research and development program to invest in long-term research in computing and communications. It will accelerate development of extremely fast supercomputers to support civilian research, enabling experts to develop life-saving drugs, provide earlier tornado warnings, and design more fuel-efficient, safer automobiles. The budget provides strong support for the Nation's two largest sources of civilian basic research funding for universities: the National Science Foundation and the National Institutes of Health.

The Nation does not have to choose between a strong economy and a clean environment. The past seven years are proof that we can have both. We have set tough new

clean air standards for soot and smog that will prevent up to 15,000 premature deaths a year. We have set new food and drinking water safety standards and have accelerated the pace of cleanups of toxic Superfund sites. We expanded our efforts to protect tens of millions of acres of public and private lands, including Yellowstone National Park, Florida's Everglades, and California's redwoods. Led by the Vice President, the Administration reached an international agreement in Kyoto that calls for cuts in greenhouse gas emissions. My budget significantly expands support for the environment, by establishing dedicated funding and increasing resources for the historic interagency Lands Legacy initiative to preserve the Nation's natural and historic treasures. My budget also supports the Clean Energy initiative to reduce the threat of global warming, and the Greening the Globe initiative to save tropical and other forests around the globe. It provides resources to support farm conservation to upgrade water quality, the Clean Water Action plan to clean up polluted waterways, and climate change technology efforts to increase energy-efficient technologies and renewable energy to strengthen our economy while reducing greenhouse gases.

In the past year, America's leadership was essential to the success of the NATO alliance in halting the ethnic cleansing of Kosovo's ethnic Albanians and containing the risk of wider war at the doorstep of our allies. The United States has played a critical role in the strides made toward lasting peace in Northern Ireland, the Middle East, and Sierra Leone. The United States has worked to detect and counter terrorist threats and continue efforts with Russia and other former Soviet nations to halt the spread of dangerous weapons materials. My budget seeks to build on these efforts, proposing funding to build a democratic society and stronger economy in Kosovo, initiatives to further protect our men and women overseas, and a 2000 emergency supplemental to provide critical assistance to the Government of Colombia in its fight against narcotics traffickers. My budget also proposes funding to promote international family planning, contain the global spread of AIDS, promote debt forgiveness to help people in the world's poorest

countries join the global economy, and promote trade by opening global markets.

The Armed Forces of the United States serve as the backbone of our national security strategy. As it did successfully last year in Kosovo, the military must be in a position to protect our national security interests and guard against the major threats to U.S. security. These include regional dangers, such as cross-border aggression; the proliferation of the technology of weapons of mass destruction; transnational dangers, such as the spread of illegal drugs and terrorism; and, direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction. To ensure that the military can fulfill this mission, I made a major commitment last year to maintain our military readiness, which this budget builds upon with additional resources to ensure that the services can meet required training standards, maintain equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment. To help improve the quality of life and strengthen the Department's ability to attract and retain quality individuals, this budget includes a major initiative to reduce servicemembers' out-of-pocket costs for off-base housing. In addition, this budget provides resources for the Department of Defense and other agencies to combat emerging threats, including terrorism and weapons of mass destruction, and to provide for critical infrastructure protection. It provides funds to support counter-narcotics efforts, including a 2000 supplemental to increase assistance to the Government of Colombia in their fight against narcotics traffickers. It also

provides additional funding for contingency operations in Southwest Asia, Bosnia, and Kosovo.

Building Prosperity for the Future

This is a rare moment in American history. Never before has our Nation enjoyed so much prosperity, at a time when social progress continues to advance and our position as the global leader is secure. Today, we are well prepared to make the choices that will shape our Nation's future for decades to come.

By reversing the earlier trend of fiscal irresponsibility, balancing the budget, and producing a historic surplus, we have restored our national spirit and produced the resources to help opportunity and prosperity reach all corners of this Nation. We have it within our reach today, by making the right choices, to offer the promise of prosperity to generations of Americans to come. If we keep to the path of fiscal discipline, we can build a foundation of prosperity for the Nation's future.

My plan to extend the solvency of Social Security and Medicare allows the United States to become debt-free in the next 13 years, for the first time since 1835. Eliminating the debt will strengthen our economy, devote resources to Social Security, and prepare us to meet the challenges of the aging of America. Through fiscal discipline and wise choices we can extend the life of Social Security to the middle of the century, extend the solvency of Medicare until 2025, and modernize Medicare with a needed prescription drug benefit.

By continuing to maintain discipline, we can provide for the aging of America and for the investments of the future—including education, the environment, research and development, and defense—which are central to our economic growth, health, and national security. By making choices that respect fiscal discipline, we can make room to provide

both for a balanced tax cut and for investments that will help this Nation stay strong in the future.

This new century is filled with promise, for we live at a remarkable time. By making wise choices, we have it within our power to extend the same promise and prosperity to generations to come.

WILLIAM J. CLINTON

February 7, 2000