

Congress will be facing major issues in 2000 that affect the future of states. These include taxes on retail sales over the Internet and budget bills.

With the passage of the final spending package on Nov. 19, the House and Senate completed action for 1999. The budget caps issue and the threat of using the Social Security surplus for non-Social Security measures became the biggest issue that inflamed partisanship in both the House and the Senate. The package (HR 3194) included the Labor, Health and Human Services, and Education appropriations, the District of Columbia appropriations, the Interior appropriations, and the Commerce, State, Justice appropriations. In the end, a .38 percent, across-the-board cut in all discretionary spending programs was included in the bill to provide offsets.

Significant spending deferrals included in the fiscal 2000 budget to 2001 will make this year's budget action extremely difficult. At least \$14 billion of spending was put off until 2001, including a measure to pay Department of Defense employees on Nov. 1, 2000, the start of fiscal 2001, instead of on Oct. 31, 2000. The president and Congress will have to decide on how to treat budget caps and the Social Security surplus in the coming year, in addition to deciding on extensive cuts to finance the \$14 billion in spending from the fiscal 2000 budget.

Fiscal 2000

The fiscal 2000 appropriations bill includes the following:

- An extension of the Northeast Dairy Compact for two years and language to block the Clinton administration plan to overhaul federal dairy pricing;
- Restoration of full flexibility of the Social Services Block Grant program

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and a cut in funding from \$1.909 billion to \$1.775 billion;

- Eligibility changes in the Welfare to Work program that will take effect after Oct. 1, 2000;
- \$2.8 billion in funding for state and local law enforcement programs, including \$595 million for the Community Oriented Policing program;
- Agreement to spend \$1.325 billion on Clinton's class-size reduction initiative, which allows more flexibility for states and local school districts to spend money to hire and train teachers;
- No cuts to the following programs: Temporary Assistance to Needy Families, child support, Medicaid, the Children's Health Insurance Program and the Low-Income Home Energy Assistance Program; and
- Satellite television legislation.

Internet taxation

In addition to budget battles, Congress is likely this year to consider one of the biggest issues affecting state and local governments. The 1998 Internet Tax Freedom Act called for a three-year moratorium on the application of sales taxes on Internet sales. The bill also called for an Advisory Commission on Electronic Commerce to explore the issue and report back to Congress with findings and recommendations by April 2000.

Despite the fact that the commission has not completed its work, U.S. Sen. John McCain, R-Ariz., a presidential hopeful, has introduced a bill that would permanently ban sales tax application on sales over the Internet. Senate Bill 1611 would amend the Internet Tax Freedom Act that initiated a three-year moratorium on sales tax on Internet sales. The Council of State Governments opposes S 1611, since it would pre-empt state and local authority.

Additionally, Ohio Rep. John Kasich has introduced a bill in the House, "The Internet Tax Elimination Act" (HR 3252), that would ban Internet access

Lots to do in 2000

Congress will face a tough budget battle in 2000.

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and usage taxes. His bill seeks to "nurture the Internet in its infancy." CSG opposes HR 3252.

Other issues

Congress recessed without completing action on several other issues of interest to states. These issues are as follows:

- Bankruptcy reform;
- Electricity restructuring;
- Stafford Act or Disaster Assistance amendments;
- Superfund amendments;
- "Federalism Accountability Act of 1999" (S 1214) and "Federalism Act of 1999" (HR 2245), each of which would prevent pre-emption of state and local authority; and
- Juvenile justice reform. 