

The big budget battle

States could come up short in a number of areas under President Clinton's proposed fiscal 2001 budget.

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President Clinton said his budget proposal would help eliminate the national debt. Photo by Angeline Gazdag, White House photo

The U.S. House and Senate are acting on the fiscal 2001 budget and despite many proposed increases, state officials will need to watch the federal government carefully to prevent cuts in federal funds to states.

The Clinton administration submitted its budget in February. The House passed a \$1.8 trillion budget plan March 24 and the Senate April 7 adopted a similar plan, setting the stage for a quick compromise.

President Clinton also has proposed a \$1.8 trillion budget, which includes an overall increase of 2.5 percent over the fiscal 2000 budget. The increase is an attempt to address the constraints put in place by the Balanced Budget Agreement of 1997, which instituted caps on spending. Clinton's increase would allow the federal government to

grow at the rate of inflation.

The administration estimates a non-Social Security, on-budget surplus of \$746 billion over the next 10 years, and a combined on and off-budget surplus of \$184 billion over 10 years. Administration estimates are more conservative than those of the Congressional Budget Office, which estimates an on-budget surplus of \$839 billion over 10 years, and a fiscal 2001 surplus of \$11 billion on-budget and \$166 billion off-budget, totaling \$177 billion.

With such flush estimates, the president's budget requests significant increases for many areas and proposes new programs. President Clinton and Congress must decide how much to spend on Medicaid, Social Security and debt reduction before finalizing the budget.

Congress supported tax cuts and a

modest spending increase, while the president takes a different approach. His budget aims to eliminate the national debt by 2013, cut taxes by \$351 billion over 10 years and shore up Medicaid and Social Security from insolvency in this century. Additionally, the president wants to add prescription drug benefits for Medicare, which also will be debated by Congress this year.

Areas of the budget of special interest to states follow:

Environment

State revolving funds — Clinton would decrease the Clean Water Act's state revolving loan fund by \$550 million. He would increase the state revolving loan fund for drinking water by \$5 million.

Health

Family care program — The president's budget would create a new program for states to receive an enhanced match to include parents in the same health programs as their children under the State Children's Health Insurance Program and Medicaid.

Medicaid administrative cost allocation — Clinton would direct the secretary of Health and Human Services to reduce each state's Medicaid grant award. Under his plan, the reduction would be the amount of administrative costs charged to Aid to Families with Dependent Children in each state's Temporary Assistance for Needy Families base year that could have been legitimately charged to Medicaid. The proposal would allow states to use funds from the TANF block grant to cover the adjustment.

Human Services

Temporary Assistance for Needy Families — The president's budget would decrease TANF funds by \$250 million in fiscal 2001. The proposal would provide \$16.4 million for the program, but includes a legislative pro-

posal that would reduce TANF supplemental grants by \$240 million in 2001, to the 1998 level for eligible states. The president's proposal would cut an additional \$10 million because 12 states were unable to meet the two-parent work participation requirements.

Social Services Block Grant — Clinton would increase the SSBG (Title XX) by \$75 million, but he would earmark \$25 million of the money for homes for unmarried teen parents and their children.

Child support — The president includes funding for a new state option to pass through child support and collection to families and to disregard those funds when determining assistance levels for TANF families.

Transportation

The Transportation Equity Act for the 21st Century — The president's budget proposes \$54.9 billion for federal transportation programs, an increase of 7 percent over fiscal 2000. The increase is possible because of an estimated \$3 billion surplus generated by gas tax revenues. Clinton would allocate \$740 million of this surplus on activities inconsistent with TEA-21 formulas, such as applying the funding to inter-city passenger rail service development.

Aviation — The president's budget would provide the Federal Aviation Administration \$10.6 billion, a 14 percent increase. The Airport Improvement Program, which is the main source of funding for construction grants for airport improvements, would increase from \$1.89 billion to \$1.93 billion. The budget assumes new user fees to offset the increases. The budget provides funding from the Aviation Trust Fund and provides no general funding for the FAA.

Tax provisions

Child care and dependent care tax credit — The president would increase the credit for middle income families

and make the credits refundable beginning in 2003.

Earned Income Tax Credit — Clinton calls for a 10-year, \$23.6 billion expansion of the EITC to increase the credit for families of three or more children by \$500, to slow down the phase-out for families with two or more children, and to provide tax-penalty relief for married couples.

Tobacco — The president would move up the scheduled 5-cent-per-pack increase of the federal excise tax. Clinton would have the tax take effect on Oct. 1, 2000, instead of Jan. 1, 2001. He also is calling to increase the federal excise tax by another 25 cents per pack. The president also wants to fine tobacco companies \$3,000 for every smoker under age 18 if youth smoking has not been cut in half by 2004. Increases in federal excise taxes on tobacco and penalties could reduce payments to states under the Master Settlement Agreement.

This spring, Congress also will consider legislation to change the annual budget process to a two-year cycle. The Senate will consider S. 92. The House will consider H.R. 396, co-sponsored by about 250 members.

Clinton supported such legislation in the presentation of the annual budget.

The bills could generate bipartisan debate. A biannual process could allow Congress to focus more on authorizing legislation and other legislation, rather than spending much of its legislative days on appropriation bills. ★

Resources

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