

I. THE BUDGET MESSAGE OF THE PRESIDENT

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To the Congress of the United States:

The 1999 Budget, which I am submitting to you with this message, is a balanced Federal budget, marking the first such budget in 30 years and bringing an era of exploding deficits to an end.

By reaching balance, my budget represents a remarkable turnaround in our fiscal policy over the last five years. It brings to an end three decades of fiscal chaos, a period in which Americans had lost confidence in their Government and the ability of their leaders to do the people's business.

This budget is not just balanced, it is balanced the right way. It not only ends the deficit, it reflects the values that Americans hold dear—the values of opportunity, responsibility, and community. The budget reflects my commitment to continue helping working families with their basic needs—to raise their children, send them to college, and pay for health care.

The budget invests in education and training and in research to raise the standard of living for average Americans. It invests in the environment and in law enforcement to raise the quality of life across our Nation. It invests in our communities at home while providing the resources to maintain a strong defense and conduct the international relations that have become so important to our future.

In the public and private sectors, prospects for a budget surplus are spurring a wide array of ideas about how to spend it. At this point, the Government has not yet reached the surplus milestone, and I continue to believe strongly that we should not spend a surplus that we don't yet have.

More specifically, I believe that the Administration and Congress should not spend a budget surplus for any reason until we have a solution to the long-term financing challenge facing Social Security. With that in mind, my budget proposes a reserve for the projected surpluses for 1999 and beyond.

Preparing the Nation for a New American Century

Five years ago, my Administration took office determined to restore the American Dream for every American. We were determined to turn the economy around, to rein in a budget that was out of control, and to create a Government that once again would focus on its customers, the American people.

Five years later, we have made enormous progress. Our economy is strong, our budget is headed toward balance, and our Government is making noticeable progress in providing better service to Americans.

We are beginning to bring Americans together again, to repair the social fabric that has frayed so badly in recent decades. All across America, crime is down, poverty is down, and welfare is down. Incomes are rising at all levels, and a new spirit of optimism is sweeping through many of our urban and rural communities that are rebounding from decades of lost jobs and lost hope.

Now that we have turned the economy around, our task is to spread the benefits of our economic well-being to more Americans, to ensure that every American has the chance to live out his or her dreams. As we move confidently ahead as a Nation, we want to ensure that nobody is left behind.

A century ago, the economy shifted from agriculture to manufacturing, changing the way that Americans lived, the way they worked, the way they related to one another. Today, the economy is shifting once more, this time from manufacturing to services, information, technology, and global commerce.

We can ensure that every American fully enjoys the benefits of this exciting new age, but only if we continue to give people the tools they need and create the conditions in which they can prosper. That is what my budget is designed to do.

Creating a Bright Economic Future

When my Administration took office, the Nation was mired in economic problems. The economy had barely grown over four years, creating few jobs. Interest rates were high. Incomes remained stagnant for all but the most well-off. The budget deficit, which had exploded in size in the early 1980s, had reached a record \$290 billion and was headed higher. Clearly, the Nation needed a new course.

We launched an economic policy with three central features that had never before been tried together: We set out to reduce the deficit, invest in the American people, and open up markets abroad. Only by pursuing all three elements could we restore the economy and build for the future.

My 1993 budget plan, the centerpiece of our economic strategy, was a balanced plan that cut hundreds of billions of dollars of Federal spending while raising income taxes only on the top 1.2 percent of Americans. By cutting unnecessary and lower-priority spending, we found the resources to cut taxes for 15 million working families while investing in education and training, the environment, and other priorities.

Five years later, we have cut the deficit dramatically, and this budget will finish the job by reaching balance and keeping the budget in balance for the foreseeable future. We have invested in the education and skills of our people, giving them the tools they need to raise their children and get good jobs in an increasingly competitive economy. We have expanded trade through global as well as bilateral agreements, generating record exports that create high-wage jobs for millions of Americans.

The economy responded almost immediately to our policies. When I announced my 1993 budget plan, interest rates fell, and they fell even more as I worked successfully with Congress to put the plan into law. These lower interest rates helped to spur the steady economic growth and strong business investment that we have enjoyed for the last five years. Our policies have helped create over 14 million jobs, while interest rates

have remained low and inflation has stayed under control.

As we move ahead, I am determined to ensure that we stick with the policies that are working. We must maintain our fiscal discipline so that we not only reach balance, but also keep the budget in balance.

Improving Performance Through Better Management

We are balancing the budget the right way, by reducing the size and scope of our Government.

We have done more than just eliminate hundreds of Federal programs and projects. We have cut the civilian Federal work force by over 316,000 employees, giving us the smallest work force in 35 years. In fact, as a share of our total civilian employment, we have the smallest work force since 1931.

But we set out to do more than just cut Government. Under the leadership of the Vice President's National Performance Review, we set out to make Government work, to create a Government that is more efficient and effective, to create a Government focused on its customers, the American people.

We have made real progress, but we still have much work to do. We have reinvented parts of departments and agencies, but now we are determined to turn our agencies around from top to bottom. For 1999, the Vice President will lead an effort to improve the performance of agencies that interact most with the American people. We want to enable Americans not only to quickly enjoy better service from our Government, but to regain confidence in Government as well.

At the same time, I am determined that we will solve the very real management challenges before us. A good example is the challenge of ensuring that our computer systems can accurately process the year 2000 date change. I have directed my Administration to take the necessary steps to meet the problem head-on.

Preparing for the 21st Century

Nothing is more important to our future than education. It has become the dividing line between those who are moving ahead and those who are lagging behind. That is why I have devoted so much effort to ensure that we have a world-class system of education and training in place for Americans of all ages. Over the last five 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 a second chance at education and training or a chance to improve or learn new skills can do so. My budget significantly increases funds to help children, especially in the poorest communities, reach challenging academic standards and makes further progress in implementing voluntary national tests. It proposes to build more classrooms and pay for 100,000 more teachers so that we can reduce class sizes. For higher education and training, my budget increases Pell Grants and other college scholarships from the record levels that we have already achieved; expands College Work-Study to a record one million students; streamlines student loan programs and cuts student fees; and expands access to job placement services, training, and related services for dislocated workers and others. Now that anyone who wants to attend college can find the means through Hope scholarships, Pell Grants, and other assistance that we worked so hard to enact, I want to provide the same universal opportunity for job training and re-training to those who need it.

Over the last five years, we have worked hard to help working families. 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 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 address the health needs of a family member. Now,

with my new Child Care Initiative, I am determined to provide the help that families need when it comes to finding safe, high-quality, affordable child care. Parents should know that, when they go to work, their children are in safe, healthy environments. I also propose to address the problems faced by a particular group of working families—legal immigrants. In signing the 1996 welfare reform law, I said that I would try to restore the cuts in benefits for legal immigrants that were not only harsh and unnecessary but that had nothing to do with the fundamental goal of welfare reform—to move people from welfare to work while protecting children. My budget restores Food Stamps to 730,000 legal immigrants and lets States provide health insurance to the children of legal immigrants.

This past year, we continued to improve health care for millions of Americans. We strengthened Medicare by extending the life of the trust fund until at least 2010, while we also invested in preventive benefits, introduced more choice of health plans, and strengthened our expanding array of activities to combat fraud and abuse. We extended health care coverage to up to five million uninsured children. We created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry and we later endorsed its Health Care Consumer Bill of Rights. With this budget, I propose that we build on our achievements on a host of important fronts. I want to work with Congress to enact national bipartisan tobacco legislation; nothing is more potentially important to the health of our people, particularly children. My budget also proposes to expand health care coverage for some of the most vulnerable Americans aged 55 to 65, to enroll more eligible children in Medicaid, to provide for unprecedented levels of investment in health research, to expand access to powerful AIDS therapies, to expand access to cancer clinical trials, to increase funds for substance abuse treatment and prevention, and to help reduce health-related disparities across racial and ethnic groups.

Last year was a remarkable one for the environment, and I am determined to build on our progress. Led by the Vice President, the Administration reached an historic inter-

national agreement in Kyoto that calls for cuts in greenhouse gas emissions. We also issued new, more protective air quality standards to better safeguard public health, and we strengthened our citizens' right to know about toxic chemical releases. We continued to protect our natural treasures, such as Yellowstone National Park and Florida's Everglades, and to make further progress toward my goal of cleaning up 900 hazardous waste sites under the Superfund by the end of the year 2001. With this budget, I am proposing an Environmental Resources Fund for America that will support increases for many of our key environmental programs. It provides for more construction, maintenance, and land acquisition for national parks, forests, refuges, and other public lands; for a new effort to improve the quality of our water; for improvements to community drinking water and wastewater facilities; and for continuing our efforts to clean up abandoned hazardous waste sites. My budget also includes a new, five-year, \$6 billion program to prevent global warming, and more resources to protect endangered species, control pollution, and preserve the global environment.

I am proposing a Transportation Fund for America, reflecting my commitment to provide the resources to ensure that our transportation infrastructure remains safe, integrated, and efficient enough to serve our growing needs. Investment in infrastructure is good for America because it helps grow the economy, improve safety and public health, strengthen our competitiveness abroad, support our national security, and increase the mobility, access, and choice for Americans who need to travel. We must build upon our vast network of roads, highways, and bridges to meet the demands of the next century for a system that links our various modes of travel, that is cleaner and safer, and that helps bring together and support our urban and rural communities. My budget maintains the Administration's record support for transportation, and the Fund includes all of the Transportation Department's highway, highway safety, transit, and air transportation programs.

Scientific and technological advances have created a world vastly different from the one our grandparents knew. They have helped

generate huge leaps in the speed and economy of transportation, enormous increases in farm productivity, lightning-fast flows of information and services across national borders, and advances in treating and preventing diseases and protecting the environment. Because I am committed to America's continued leadership in science and technology, I am proposing a Research Fund for America, from which many of our important investments will flow. It includes record increases for the National Institutes of Health, higher funding for the National Science Foundation, new resources to address global climate change, and a wide variety of investments in basic and applied research. These investments are vital; they help to create new knowledge, train more workers, spur new jobs and industries, address our health care challenges, strengthen our understanding of environmental problems, better educate our children, and maintain a strong national defense.

Our anti-crime strategy is working. Serious crime is down five years in a row and, in 1996, we witnessed the largest drop in violent crime in 35 years. But, because crime remains unacceptably high, we must go further. My budget expands our community policing (COPS) program, which is already putting 83,000 more police on the streets toward my goal of 100,000 by the year 2000. The budget also proposes a new Community Prosecutors Initiative to help prosecutors prevent crimes from occurring, rather than simply prosecuting criminals after the fact. And it provides the necessary funds to prevent violence against women, to help States and Indian Tribes build prisons, and to address the growing law enforcement crisis on Indian lands. To boost our efforts to control illegal immigration, the budget provides the resources to strengthen border enforcement in the South and West, to remove illegal aliens, and to expand our efforts to verify whether newly hired non-citizens are eligible for jobs. To combat drug use, particularly among young people, my budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction. It continues to build on our innovative Drug Courts initiative, proposes School Drug Prevention Coordinators for our schools, sup-

ports local efforts that target drug-using offenders, expands drug testing, and strengthens our efforts to make our ports and borders more secure from drugs while disrupting drug trafficking organizations overseas.

Most Americans are enjoying the fruits of our strong economy. But while many urban and rural areas are doing better, too many others have grown disconnected from our values of opportunity, responsibility, and community. Working with State and local governments and with the private sector, I am determined to help bring our distressed areas back to life, to replace despair with hope. My budget expands my national service program, giving more Americans the chance to serve their country and help solve problems at the local level while earning money for college. I am proposing to create more Empowerment Zones and Enterprise Communities that offer 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 expands opportunities for homeownership, provides more funds to enforce the Nation's civil rights laws, maintains our Government-to-Government commitment to Native Americans, and strengthens the partnership we have begun with the District of Columbia.

Because America continues to have a tremendous stake in world affairs, my budget proposes the necessary funds to maintain national security, to conduct our diplomacy, to promote democracy and free markets abroad, and to increase exports. Last year, my Administration worked with Congress to increase international affairs spending. But, Congress faces an unfinished agenda to provide financial support for, and fulfill America's obligations to, a number of international organizations that benefit our economy and serve other objectives, including the International Monetary Fund (IMF), the United Nations system, and the multilateral development banks. Congress should continue to support the decisive action of the IMF as well as our leadership in that institution by providing the supplementary contingent IMF funding that the Administration has sought and replenishing the IMF's basic finan-

cial resources. Congress also should give the President traditional trade negotiating authority to help fuel our surging exports into the next century. To enhance national security, my budget maintains large-scale funding to support the Middle East peace process, continues assistance to Bosnia to carry out the Dayton Accords, supports NATO expansion, and increases aid to the New Independent States of the former Soviet Union to support the development of democracy and free markets. I am also proposing a major initiative to provide critical, targeted assistance to African countries that are undertaking difficult economic reforms, and my budget increases counter-narcotics aid to Latin American countries and supports the Summit of the Americas.

Our military serves as the backbone of our national security strategy, and I am committed to maintain a strong and capable military that protects our freedoms and our global leadership role as we approach the 21st Century. The budget continues the Administration's plan to complete the careful resizing of our military forces, to fully support military readiness, to strengthen quality of life programs for our armed forces, and to provide increased funding to modernize our forces as new technologies become available after the turn of the century. My budget reflects the recommendations of the Quadrennial Defense Review and of the Defense Department's recent Defense Reform Initiative to achieve a leaner, more efficient, and more cost-effective organization by improving management and business practices. To implement these improvements, the Defense Department will send legislation to Congress in conjunction with this budget, including a request for two more rounds of base closures and realignments.

Investing in the Common Good

Our commitment to balance the budget, and to keep it in balance, will mean that the Administration and Congress must use taxpayer dollars as wisely as possible. If we are to continue funding Federal programs, they will have to show that they are reaching the goals set for them. That is, they will have to show that they are well-run and that they can produce results.

In 1993, I actively supported, and was eager to sign, the Government Performance and Results Act. With this budget, I am delighted to send Congress what the law envisioned—the first comprehensive, Government-wide Performance Plan.

In developing this budget, the Administration for the first time could rely on performance measures and annual performance goals that are now included in agency Annual Performance Plans. We have made a good

start on the process that the Administration and Congress outlined in enacting the 1993 law.

As we continue to implement this law, my Administration will focus more and more attention on how programs work, whether they are meeting their goals, and what we should do to make them better. We look forward to working with Congress on our shared goal of improving Government performance.

WILLIAM J. CLINTON

February 2, 1998