



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

March 16, 1993 03:28:16 P8:15

MEMORANDUM FOR THE PRESIDENT

FROM:

LAURA TYSON
ALAN BLINDER

RE:

Budget Update

At the end of February, OMB made a rough estimate of how recent economic events--especially the stunning decline in long-term interest rates--affect future deficits. The main changes are:

1. Much lower longer-term interest rates than assumed in the budget. The OMB calculation assumes an 80 basis point reduction in long rates below CBO levels between 1993 and 1998. This saves \$14.5 billion in 1997 and \$60 billion over 1993-1998.
2. GDP in the fourth quarter of 1992 came in much higher than the CBO baseline forecast. Even keeping the assumed future growth rates the same, the entire projected path of future GDP is higher. This saves \$10.1 billion in 1997 and \$56 billion over 1993-1998.
3. The associated debt service savings from lower deficits along the way is \$4.6 billion in 1997 and \$18 billion over 1993-1998.

Adding this up, the 1997 deficit now looks \$29.2 billion better, and the 1993-1998 sum has improved by \$134 billion.

- John White
- Bob Solow
- Charlie Schultz
- Herb Stein

MAJOR ISSUES IN HOUSE-SENATE BUDGET RESOLUTION CONFERENCE

The major issues in the House-Senate budget conference are 1) the amount of discretionary spending cut below the administration's recommendation, 2) whether the Senate will adopt the House's recommendation on COLA reductions, and 3) whether the House will accept the Senate's additional revenue increases.

DISCRETIONARY SPENDING

- o Both resolutions hit the discretionary BEA outlay caps in FY 94 and FY 95.
- o the House cuts \$53.8 billion in discretionary outlays over five years below the administration's recommendations, the Senate cuts \$40.1 billion in outlays over five years.

RECONCILIATION

Entitlements

- o Agriculture: the Senate rejected \$2.3 billion over five years of administration-proposed cuts in agriculture, the House retained the administration proposals.
- o COLA reductions: the House proposes COLA reductions for civilian and military retirees saving \$8.1 billion over five years, the Senate has no such proposal.
- o IRS/HUD income match: the House reduces spending by \$1.0 billion over five years by requiring the IRS to verify incomes of housing recipients, the Senate has no such proposal.
- o Fees: the House rejects the FDA and SEC fees, the Senate retains these administration proposals.

Revenues

- o the Senate proposes \$22.1 billion over five years in revenues above the administration recommendations, the House retains the revenue levels proposed by the administration.

Other issues:

- Administration Immunization bill - in reconciliation?
- Family Preservation - change from discretionary to mandatory

Resolution Policy Changes from Feb 17 Budget

	94-98 totals	
	House	Senate
Discretionary:		
Defense.....	-3.4	---
Nondefense.....	-25.3	-1.5
Unallocated	-25.1	-38.6
Total.....	<u>-53.8</u>	<u>-40.1</u>
Mandatory:		
Farm Supports.....	---	2.3
Extend NRC fees (House has it in discretionary).....	-1.2	-1.2
FHA & PMA 1/.....	---	0.6
EITC/Food Stamps-2/.....	---	---
Federal employee retirement COLA.....	-8.1	---
IRS/ HUD income match.....	-17.0	---
Drop FDA fee.....	1.4	---
Drop SEC fees.....	0.5	---
Total.....	-8.4	1.8
Interest - debt maturity 3/.....	---	---
Revenues:		
Additional taxes.....	---	-22.1
Subtotal, program changes.....	-62.2	-60.4
Debt Service.....	-7.1	-10.5
Total policy changes.....	-69.3	-70.9

1/ CBO scored these at zero. The House included OMB's Feb 17 estimates

2/ House has Administration's latest estimates for EITC and Food Stamps. Senate has earlier numbers

3/ While CBO scored it at zero, both resolutions put in the Administration estimates of \$16.4 billion.

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FAX MESSAGE COVER SHEET

CENTER ON BUDGET AND POLICY PRIORITIES
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TO

Sylvia Matthews, NEC

DATE

3/26/93

FROM

Robert Greenstein

ATTN

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If there are any problems with the transmission of this document,
Please call Carolyn Palmer Miller, 202/408-1080.

I thought the attached piece on how decisions in
the upcoming budget resolution conference may affect
the Clinton investment package would be of interest.



CENTER ON BUDGET AND POLICY PRIORITIES

THE CLINTON INVESTMENT PACKAGE, THE BUDGET RESOLUTIONS, AND FUNDING FOR DISCRETIONARY PROGRAMS

by Robert Greenstein and Paul Leonard

The budget resolutions approved by the House and Senate follow the basic contours of the Clinton budget. They do, however, add a substantial amount of additional cuts in discretionary programs.

From the standpoint of enacting the Clinton investment package, the discretionary spending levels in the House resolution are more favorable than those in the Senate resolution in fiscal years 1994 to 1996. But the House resolution figures are less favorable for fiscal years 1997 and 1998, with the additional cuts for fiscal year 1998 being particularly troublesome.

The total amounts reflected in the budget resolution for discretionary programs for each of the next five years are likely to be enacted into law later this year as binding caps on overall discretionary funding. Moreover, as the experience of the past few weeks demonstrates, even the ascension of a new President with a popular economic program is not enough to get these caps raised once they are enshrined in law. Thus, the more severe House figures for fiscal year 1998 could place significant limits on the Clinton investment program down the road.

There is another implication of these figures for the Administration — it will have to fight hard in the Appropriations Committees for its investment priorities or a considerable portion of them could disappear.

These points are explained in more detail below.

Discretionary Totals in the Budget Resolutions

As noted, both the House and the Senate budget resolutions make additional reductions in domestic discretionary spending. (See Table 1.)

- The House resolution adds \$55 billion in discretionary cuts over five years to the savings contained in the Clinton budget. It includes \$3.5 billion in additional discretionary reductions in fiscal year 1994, rising to \$18.6 billion in additional discretionary reductions in fiscal year 1995.

- The Senate resolution makes \$13 billion less in discretionary spending cuts over five years than the House. The Senate cuts \$100 - \$200 million more than the House in fiscal years 1994 and 1995. But in fiscal years 1997 and 1998, the Senate cuts far less than the House, with a \$13.4 billion difference in fiscal year 1998 alone.

Table I
House and Senate Discretionary Totals
(In billions of dollars)

Fiscal Year	1994	1995	1996	1997	1998	1994-1998
House						
BA	\$500.5	\$508.6	\$517.4	\$522.2	\$528.4	\$2,377.0
Outlays	538.8	541.3	547.1	540.8	547.9	2,715.7
Senate						
BA	496.7	508.2	516.9	527.3	544.0	2,588.0
Outlays	538.6	541.2	544.7	543.3	561.2	2,728.9
House - Senate*						
BA	3.8	5.4	.4	-5.1	-15.5	-11.0
Outlays	.2	.1	2.4	-2.5	-13.4	-13.2

* Totals may not add due to rounding.

It is not possible to determine which discretionary programs — or which parts of the budget — would be reduced as a result of the additional discretionary savings. For example, some \$25 billion of the \$55 billion in additional discretionary savings in the House resolution are placed in a budget category used for savings currently unspecified. These \$25 billion in savings need not be specified now, as they would be made in fiscal years 1995 through 1998. But this means that the discretionary cuts which the budget resolution appears to make in years after fiscal year 1994 in a given budget function — such as the budget function for education, training, and social services — are considerably smaller than the cuts in that function ultimately are likely to be when this \$25 billion in savings are made more specific and allocated among the various budget functions.

Moreover, the budget resolutions and the Budget Committees cannot determine which discretionary programs will be increased or cut. Those decisions are reserved for the Appropriations Committees.

How is the Clinton Investment Package Likely to be Affected?

Even before the changes made by the Budget Committees, the investment package faced some danger. If the Appropriations Committees prove unwilling or unable to make some of the specific cuts in discretionary programs contained in the Clinton budget, they are likely to secure some of the funds by scaling back various Clinton investment increases. With the budget resolution requiring further discretionary savings, this problem becomes more serious.

The extent of the problem is seen by posing a basic question. If Congress achieves discretionary savings that, in the aggregate, equal those in the Clinton budget (an ambitious goal in itself) — and the additional savings added by the Budget Committees have to be realized by scaling back the Clinton investment program — how much would the investment program shrink? The answer is as follows.

Under the House resolution:

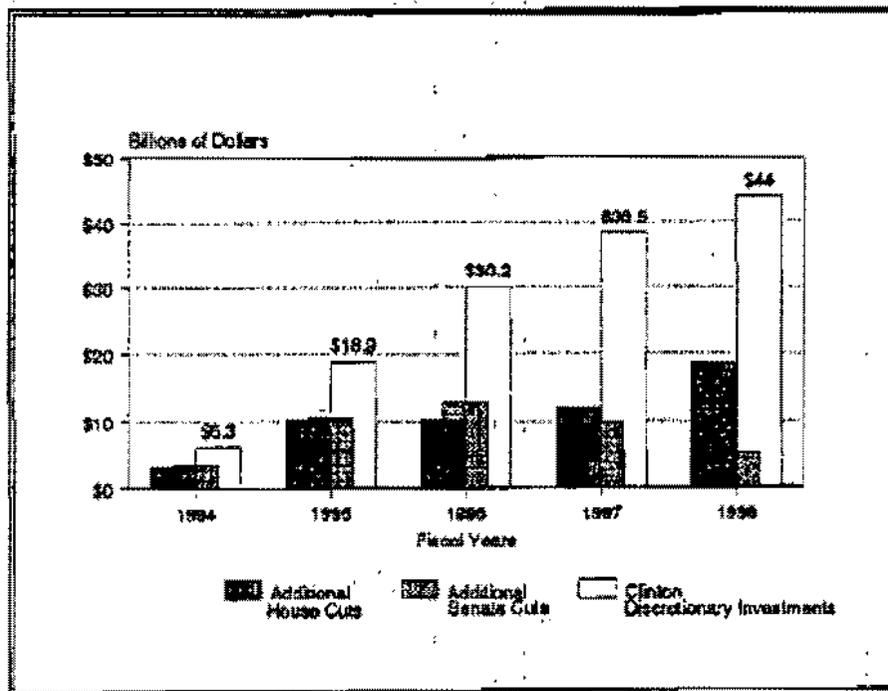
- Over a five-year period, discretionary spending (or outlays) for Clinton investments would be reduced \$55 billion, or 40 percent, compared to the Clinton budget. Budget authority for Clinton investments would be reduced 32 percent.
- In fiscal year 1994, discretionary spending for Clinton investments would be pared back 55 percent, while budget authority would be reduced 28 percent.

Under the Senate resolution:

- Discretionary spending would be scaled back 30 percent over five years and budget authority would be reduced 25 percent. The total amount of discretionary spending cuts over the five-year period is smaller under the Senate resolution than under the House measure.
- On the other hand, in fiscal year 1994, some 58 percent of the additional discretionary spending envisioned under the Clinton budget would be eliminated under the Senate plan, as would *half* of the additional budget authority.

The Senate resolution contains substantially deeper additional cuts than the House resolution does in budget authority for discretionary programs in fiscal years 1994 and 1995, but much smaller reductions than the House resolution in fiscal years 1997 and 1998 in both budget authority and outlays.

Figure 1
Additional Outlay Cuts in House and Senate Budget Committees
Compared to Clinton Discretionary Investment



The House Resolution and the Fiscal Year 1998 Problem

From the standpoint of enacting the Clinton investment package, the discretionary spending levels in the House resolution are more favorable than those in the Senate resolution in fiscal years 1994 to 1996. But the House resolution figures are less favorable for fiscal years 1997 and 1998, with the additional cuts for fiscal year 1998 being particularly troublesome.

In negotiations with conservative Democrats on the House Budget Committee, it was agreed that total outlays for discretionary programs in all fiscal years from 1994 through 1998 would not exceed discretionary outlays in fiscal year 1993. (This is what the mention of a "five-year freeze" refers to.) This decision resulted in the need for large, additional cuts of \$6.6 billion in 1998 on top of the cuts the Committee had agreed to for fiscal year 1997. In fiscal years 1995, 1996, and 1997, the House Budget Committee reduced the Clinton budget totals for discretionary programs by \$10 billion to \$12 billion each year. In fiscal year 1998, the reduction jumped to \$18.6 billion.

It may be argued that fiscal year 1998 is a long way off, after another presidential election, and that we should not worry now about budget numbers for that year. Such a view misses a key point — the total amounts reflected in the budget resolution for discretionary programs for each of the next five years are likely to be enacted into law later this year as binding caps on overall discretionary funding. Moreover, as the experience of the past few weeks demonstrates, even the ascension of a new President with a popular economic program is not enough to get these caps raised once they are enshrined in law. Thus, the severe figures for fiscal year 1998 could place significant limits on the Clinton investment program down the road.

Implications for Conference and for the Coming Months

In the first two years of the five-year budget period, the House budget authority figures for discretionary programs are preferable to those of the Senate. The Senate resolution's additional cuts in discretionary budget authority for fiscal years 1994 and 1995 equal more than half the total amount of discretionary budget authority requested for the Clinton investment package in those years. But for fiscal year 1997 and particularly for fiscal year 1998, the House figures for both discretionary budget authority and outlays are the less favorable ones.

One potential outcome in conference would be to try to adhere more closely to the House numbers for the first couple of years, but to split the difference in discretionary savings between the House and Senate resolutions for fiscal years 1996, 1997, and 1998. Splitting the difference in fiscal year 1998 would be especially important.

If the difference is split for fiscal year 1998, the additional discretionary cuts (beyond those included in the Clinton budget) would total \$12 billion for that year. This is about the same level of additional discretionary savings as the House resolution achieves for fiscal year 1997. (It is about \$6.6 billion less than the amount of additional discretionary cuts included in the House resolution for fiscal year 1998. At the same time, of course, it is \$6.6 billion more than the level of additional cuts for fiscal year 1998 in the Senate resolution.)

There is one other implication of these figures for the Administration — it will have to fight hard in the Appropriations Committees for its investment priorities or a considerable portion of them could disappear.

March 25, 1992

DISCUSS
meeting

**Comparison of House and Senate Budget Resolutions
with the President's Economic Program**

Outlays (dollars in billions)¹

	1994	1994-1998
PRESIDENT'S SAVINGS (as reestimated by CBO)	-28	-406
Senate Budget Committee (SBC) Policy differences		
Higher taxes	-8	-22
Entitlement addbacks (agriculture)	0	+2
Investment cuts	-3	-31
Other appropriation cuts	-1	-10
Subtotal, policy differences	-12	-61
SBC Other differences		
Debt management	-2	-16
Administration tax adjustment	0	-6
Debt service	0	-14
Subtotal, other differences	-2	-36
Total additional savings, SBC	-14	-97
House Budget Committee (HBC) Policy differences		
Appropriation cuts	-3	-55
HUD/IRS	0	-1
COLAs	0	-8
User fees (FDA, SEC)	0	+1
Subtotal, policy differences	-3	-63
HBC Other differences		
Debt management	-2	-16
ETIC/Food stamp adjustment	-1	-1
Debt service	0	-10
Subtotal, other differences	-3	-27
Total additional savings, HBC	-6	-91

1. Numbers may not add due to rounding.

BASIC OPTIONS FOR FUNDING OF ADMINISTRATION DISCRETIONARY
INVESTMENT PROPOSALS

1. Cap Adjustment

- Propose adjusting upward the fiscal year 1994 and 1995 spending caps set in the 1990 Budget Agreement. This could be accomplished in the budget reconciliation legislation or in a stand alone bill extending the Budget Enforcement Act.

2. Additional Reductions in Defense

- Retain the caps, but in the Subcommittee allocation process followed by the House and Senate Appropriations Committees defense spending could be reduced below the budget resolution's recommendations to provide room for some or all of the administration's domestic investments.

3. Additional Reductions in Non-Defense Discretionary

- The Administration could work with the Appropriations Committees to identify spending cuts (either specific or across-the-board) in addition to those proposed in the Administration's budget to create additional room for some or all of the administration's domestic investments.

4. Remove Programs from Under the Caps

- Programs such as Pell Grants or Social Security Administrative expenses could be removed from the category of spending found under the caps. This would "free-up" room under the caps for additional investment spending. These programs would presumably have to be "paid for" to avoid increasing the deficit.

5. Increase Net Revenues/Mandatory reductions to Offset Upward
Cap Adjustment

- Revenue increases in addition to the amount required in the budget resolution or cuts in entitlements could be used to keep any upward cap adjustment deficit neutral.

RECOMMENDATION

1) **Prioritize Investments.** The Administration should prioritize the investments into three categories: A) High Priority. Those the President wants to fully fund under threat of

veto, eg. full funding of highways, WIC, Head Start, National Service, Ryan White; B) Priority I. Those the President strongly wants to fund in FY 1994 at full or lower levels if necessary, eg. airport improvement, weatherization, NIST; and 3) Priority II. Those the President would like funded if room exists but is willing to delay until FY 1995, eg. Forests for the Future and tree planting. The Administration would communicate these priorities to the chairmen of the House and Senate Appropriations Committees prior to the subcommittee allocation process. The Administration would fight for these priorities as action on House and Senate appropriations bills is monitored.

2) Increase Caps. If the economy goes flat or the stimulus bill fails, seek an increase in the spending caps as part of the reconciliation bill to ensure that all of the Administration's investments are fully funded.

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
(in millions of dollars)

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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
<u>Domestic Discretionary:</u>		
Agriculture and Rural Development:		
Agriculture Department:		
Agricultural Research Service.....	7.0	6.3
Cooperative State Research Service: Investment proposal will fund Cooperative forestry research, and National research initiative competitive grants.....	39.0	9.0
Extension Service.....	1.0	1.0
Food Safety and Inspection Service: Salaries and expenses...	18.0	14.0
Farm Service Agency: Initiatives directly assist rural communities to improve the quality of life and increase employment opportunities, update community infrastructure, etc.....	244.7	83.7
Rural Development Administration.....	315.2	23.6
Rural Electrification Administration.....	3.2	0.2
Food and Nutrition Service (FNS): Supplemental feeding programs.....	350.0	319.6
FNS: Temporary emergency food assistance program.....	40.0	40.0
Food and Drug Administration: Salaries and expenses: Initiative provides funds for vaccine safety, implementation of the Safe Medical Device Act, and mammography quality.....	64.6	17.6
Total, Agriculture and Rural Development.....	1,082.7	514.9

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Commerce, Justice, State and the Judiciary:		
Commerce Department:		
Economic Development Administration (EDA): Economic development assistance programs: Funds will be used to provide assistance to communities severely impacted by Defense base closures and procurement reductions.....	33.0	3.3
National Oceanic and Atmospheric Administration (NOAA): Operations, research, and facilities.....	228.4	132.5
NOAA: Construction.....	14.7	2.3
National Institute of Standards and Technology (NIST): Scientific and technical research and services.....	37.2	29.0
NIST: Industrial technology services.....	142.1	45.5
NIST: Working capital fund.....	8.6	4.3
National Telecommunication and Information Administration (NTIA): Salaries and expenses.....	3.0	2.4
NTIA: Information infrastructure grants.....	51.0	1.0
Department of Justice:		
Federal/State partnerships.....	100.0	19.0
Community Relations Service: Salaries and expenses.....	6.6	4.4
Support of U.S. prisoners.....	88.0	52.8
Federal Bureau of Investigation: Salaries and expenses.....	19.0	12.5
Immigration and Naturalization Service: Salaries and expenses.....	25.5	20.4
Federal Prison System: Salaries and expenses: Funding for increase in average prison population, activation of three new prisons, and two expansion projects.....	151.0	104.5

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
(in millions of dollars)

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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Small Business Administration: Business loan program account.....	67.6	44.0
Equal Employment Opportunity Commission (EEOC): Salaries and expenses: Funds to maintain current number of enforcement staff in field offices.....	11.0	9.7
	-----	-----
Total, Commerce, Justice, State and the Judiciary.....	986.7	487.6
Energy and Water Development:		
Energy Department:		
General science and research programs: Linear Accelerator "B-Factory".....	36.0	27.2
Energy supply, Research and development activities: Eight investment proposals.....	228.5	102.8
Corps of Engineers: Operations and maintenance.....	96.0	76.8
	-----	-----
Total, Energy and Water Development.....	360.5	206.8
Interior and Related Agencies:		
Agriculture Department: Forest Service.....	144.0	108.1
Energy Department:		
Fossil energy research and development.....	14.0	5.6
Energy conservation.....	181.5	54.5
Energy information administration.....	4.0	2.6

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Health and Human Services (HHS): Indian Health Services.....	22.0	6.0
Interior Department:		
Bureau of Land Management (BLM): Mangement of lands and resources.....	22.9	19.9
BLM: Oregon and California grant lands.....	5.0	3.7
Geological Survey: Surveys, investigations and research.....	12.6	7.6
Fish and Wildlife Service.....	43.1	34.5
National Park Service.....	89.5	67.1
Bureau of Indian Affairs: Construction.....	18.0	4.1
	-----	-----
Total, Interior and Related Agencies.....	556.6	313.7
Labor, HHS, and Education:		
Education Department:		
Investment proposals for Goals 2000: Educate America Act, School-to-work transition, Urban-rural initiative, Teacher professional development.....	585.0	166.7
Compensatory education for the disadvantaged.....	227.1	27.3
School improvement program: Safe schools initiative.....	75.0	9.0
Bilingual and immigrant education.....	1.2	0.1
Education for the handicapped.....	37.2	4.5
Student financial assistance.....	25.0	2.5
Higher education: Program development, Special grants, Aid to students.....	25.0	3.0
Education, research, statistics and improvement.....	29.6	8.1

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
(in millions of dollars)

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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Health and Human Services:		
Health Resources and Services Administration (HRSA):		
Investment funds for AIDS, women's health, and other public health initiatives.....	542.0	174.8
Centers for Disease Control and Prevention:		
Investment funds for AIDS, women's health, and other public health initiatives.....	499.5	135.9
National Institutes of Health (NIH):		
Investment funds for AIDS, women's health, and other public health initiatives.....	213.9	90.2
Substance Abuse and Mental Health Administration:		
Investment proposal for targeted substance abuse treatment and prevention services.....	115.0	58.8
Health Care Policy and Research: Research into quality, cost, and effectiveness of health care.....		
	30.0	8.2
Public Health Service Management.....	26.0	7.1
Health Care Financing Administration (HCFA):		
Program management: Assistance to States with heavy influx of migrants.....	400.0	400.0
Supplemental security income.....	105.0	105.0
Administration for Children and Families (ACF):		
Child care block grant: Provides additional funding to help low-income families pay for child care and related services..	40.0	30.0
ACF: Children and families services programs/Head Start (\$514 will be used to continue Head Start in the summer)...	1,299.0	814.0

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
(in millions of dollars)

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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Labor Department:		
Employment and Training Administration (ETA):		
Training and employment services: Summer youth employment and training, Dislocated worker assistance, Job Corps, School-to-work.....	2,688.2	339.3
ETA: Community services for older Americans.....	20.5	3.7
ETA: State unemployment insurance and employment serv	150.0	30.0
Social Security: Initiative provides funds to invest in creation of state-of-the-art computing network for SSA and the State Disability Determination Service.....	(345.0)	160.0
	-----	-----
Total, Labor, HHS, and Education.....	7,134.3	2,578.1
Transportation and Related Agencies:		
Transportation Department:		
Federal Railroad Administration (FRA):		
High speed ground transportation development.....	35.0	-73.0
FRA: Trust fund share of high speed ground transportation...	(100.0)	100.0
Federal Transit Administration (FTA): Formula grants:		
Funds will be used to upgrade rail facilities and equipment, and replace rail rolling stock.....	699.0	35.0
Federal Aviation Administration (FAA): Facilities and equipment.....		
	106.8	21.3
FAA: Research, engineering, and development.....	12.6	7.6
FAA: Grants-in-aid for airports.....	(30.4)	5.5
Coast Guard.....	35.0	6.0

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Federal Highway Administration (FHWA):		
Federal-aid highways: Investment initiative proposes to fund the program fully at the level authorized in ISTEA...	(2,657.4)	415.4
National Highway Safety Transportation Administration (NHTSA): Highway traffic safety grants.....	(32.0)	5.9
	-----	-----
Total, Transportation and Related Agencies.....	888.4	523.7
Treasury-Postal Service, and General Government:		
Treasury Department:		
Internal Revenue Service: Continued implementation of tax system modernization.....	97.9	59.0
General Services Administration: Federal buildings fund: Promote energy efficiency in Federal buildings.....	6.7	6.7
	-----	-----
Total, Treasury-Postal Service, and General Government.....	104.6	65.7
Veterans Affairs, HUD, Independent Agencies:		
Housing and Urban Development:		
Subsidized housing programs.....	646.0	24.0
Flexible subsidy fund.....	65.7	16.4
Community partnership against crime.....	90.0	6.3
Severely distressed public housing.....	175.1	--
Community development grants.....	90.0	3.6
Supportive housing program.....	165.9	--
Home Block Grant.....	511.4	10.2
Youthbuild program.....	29.5	--

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
(in millions of dollars)

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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
Treasury Department:		
Community development banks.....	60.0	45.0
Veterans Affairs:		
Medical care.....	584.0	534.0
Construction, minor projects.....	5.0	2.0
Environmental Protection Agency:		
Water infrastructure financing.....	1,328.0	73.7
Research and development.....	30.7	10.7
Abatement, control, and compliance.....	27.3	7.7
Drinking water capitalization grants.....	599.0	24.0
National Aeronautics and Space Administration:		
Research and development.....	74.0	46.5
National Science Foundation.....	427.2	175.2
Total, Veterans Affairs, HUD, Independent Agencies.....	4,908.8	979.4
Undistributed:		
National Service Initiative.....	394.0	103.0
Total, Domestic discretionary investment spending.....	16,416.7	5,772.9

DISCRETIONARY INVESTMENT PROPOSALS BY APPROPRIATIONS BILL
FY 1994
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<u>Appropriations Bill/Major Program</u>	<u>FY 1994 Proposed</u>	
	<u>BA</u>	<u>OL</u>
<u>Defense Discretionary:</u>		
Defense:		
Operations and maintenance: Investment proposal will provide \$59 million for Defense efforts to increase energy efficiency in Federal buildings, and \$12 million for the Office of Economic Adjustment to provide planning grants to communities hard hit by reductions in defense spending.....	71.0	37.0
Research, development, test, and evaluation: Investment proposal will fund numerous research and development programs aimed at developing technologies that have both military and civilian applications. The programs include government-industry partnerships, grant programs and technology extension initiatives. Defense will also fund manufacturing technology programs and partnerships that emphasize dual use applications.....	260.0	133.0
Total, Defense discretionary investment spending.....	331.0	170.0
Total, Discretionary investment spending.....	16,747.7	5,942.9

PREPARATION FOR BUDGET RECONCILIATION PROCESS

Reconciliation Teams

1. Each Cabinet Member will be asked to assign a high level policy staffer to represent the agency on reconciliation issues.
2. These assignees will work as a team with an OMB point person to cover reconciliation activity in each committee.
3. Each chairman with reconciliation responsibilities will receive a letter with the names of the Administration team covering their committee.
4. Regular meetings will be held with all the reconciliation teams to update Administration officials on the progress of legislation.

GS -
NEC designate
to go to meetings
8M - pasting

Preparation of Legislation

1. Legislation is being prepared by agencies reflecting the Administration's deficit reduction proposals. This legislation will be forwarded to the committees of jurisdiction prior to committee action on reconciliation.

Basic Reconciliation Facts

- 13 House Committees and 11 Senate Committees have received instructions to report legislation reducing spending and raising revenues by \$343 billion over five years.
- Reporting Deadline - May 14 in the House and June 18 in the Senate
- Attached are the assumptions for reconciliation in each House Committee.

GENE

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/15/93
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SAVINGS OPTIONS	CBO ESTIMATES					1994-98 Total
	1994	1995	1996	1997	1998	
✓ Agriculture: OLC						
Revenues:						
CFTC fees.....	32	44	47	49	51	223
Outlays:						
CCC:						
Eliminate subsidies to honey producers.....	-34	-14	-6	-5	-3	-62
Increase non-eligible payment acres (triple base) starting in FY 1996.....	---	---	-161	-400	-462	-1,023
Eliminate 0/92 & 50/92 (PAY/92) programs starting in FY 1996.....	---	---	-164	-406	-467	-1,037
Increase assessments on "non-program" crops starting in FY 1996.....	---	---	-76	-119	-132	-327
Permanently extend market promotion program at FY 1993 level.....	-26	-52	-52	-52	-52	-234
Subtotal, CCC.....	-60	-66	-459	-982	-1,116	-2,683
Payments to States from FS rec fees 1/.....	1	2	3	3	3	12
Increase recreation fees: Agriculture Department 1/.....	-7	-11	-12	-13	-13	-56
Subtotal, Agriculture deficit reduction.....	-98	-119	-515	-1,041	-1,177	-2,950
✓ Armed Services:						
Outlays:						
Coast Guard retired pay: under-62 COLAs.....	---	-1	-1	-1	-1	-4
Military retirement: under-62 COLAs.....	-128	-291	-456	-642	-840	-2,357
Subtotal, Armed Services deficit reduction.....	-128	-292	-457	-643	-841	-2,361
✓ Banking:						
Revenues:						
State bank fees paid to FED.....	63	65	68	70	73	339
Outlays:						
Assess exam fees for state-chartered FDIC insured bank	-192	-200	-208	-216	-224	-1,040
GNMA Real estate mortgage insurance conduits.....	-146	-146	-146	-146	-146	-730
IRS income verification, housing.....	---	---	-195	-407	-419	-1,022
Subtotal, Banking deficit reduction.....	-401	-411	-618	-839	-862	-3,131

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

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***Energy & Commerce:**

Outlays:

SAVINGS OPTIONS	CBO ESTIMATES					1994-98 Total
	1994	1995	1996	1997	1998	
NRC Fee 1/.....	---	---	-378	-389	-402	-1,169
Auction FCC spectrum.....	-1,700	-1,800	-1,700	-1,000	-1,000	-7,200
PHS retirement: under-62 COLAs	-0	-0	-0	-0	-0	-1
Medicaid:						
Medicaid offset.....	---	---	---	---	---	---
Eliminate mandatory medical care.....	---	-850	-980	-1,100	-1,240	-4,170
Tighten estate asset rules.....	-75	-150	-250	-375	-450	-1,300
Remove prohibition on drug formularies.....	-15	-40	-50	-55	-65	-225
Reduce match to 50%.....	-140	-325	-365	-410	-460	-1,700
Third Party Liability 2/.....	---	-63	-105	-163	-187	-518
Subtotal, medicaid.....	-230	-1,428	-1,750	-2,103	-2,402	-7,913
Medicare:						
Rural Health Initiative.....	50	55	10	---	---	115
Put hospitals on a calendar year update 1/.....	-660	-725	-795	-865	-940	-3,985
Gradually lower indirect medical education rate 1/.....	---	---	-430	-980	-1,120	-2,530
Eliminate skilled nursing facility return on equity payments 1/.....	-90	-100	-110	-120	-130	-550
Eliminate add-on for hospital based home health agencies 1/.....	-170	-210	-230	-260	-280	-1,150
Reduce hospital update market basket minus 1% in 1994 and 1995 1/.....	-490	-1,230	-1,520	-1,670	-1,810	-6,720
Permanently extend 10% capital reduction, Prospective Payment System neutral 1/.....	---	---	-290	-310	-295	-895
Direct medical education 1/.....	-220	-260	-255	-250	-240	-1,225
Lab rate changes 1/.....	-316	-608	-815	-1,069	-1,389	-4,197
Durable medical equipment - options 1/.....	-72	-121	-135	-152	-171	-651
Set erythropoietin (EPO) at non-U.S. market rates (\$10 per 1000 units) 1/.....	-28	-47	-51	-56	-61	-243
Medicare secondary payor (MSP) reforms 1/.....	-145	-199	-263	-305	-336	-1,248
Phase-in resource-based practice expense 1/.....	-100	-350	-700	-875	-950	-2,975

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

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SAVINGS OPTIONS	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
Implement single fee for surgery 1/.....	-46	-78	-87	-97	-108	-416
Permanently extend 10% capital reduction, outpatient department 1/.....	---	---	-128	-150	-174	-452
Cut outpatient department by 10% 1/.....	---	---	-737	-862	-1,000	-2,599
Permanently extend Medicare Secondary Payer (MSP) for the disabled 1/.....	---	---	-876	-1,285	-1,414	-3,575
Permanently extend MSP for End Stage Renal Disease after 18 months 1/.....	---	---	-84	-119	-127	-330
Permanently extend Internal Revenue Service/Social Security Administration/Health Care Financing Administration data match 1/.....	---	---	-45	-120	-205	-370
Ban physician self referrals 1/.....	---	-50	-100	-100	-100	-350
Reduce default Medicare volume performance and update 1/.....	---	---	-163	-601	-1,247	-2,011
Reduce doctor fees in 1994 except primary care 1/...	-190	-320	-357	-396	-437	-1,700
Inpatient services by hospitals based docs (RAPs) 1/..	---	-88	-147	-162	-179	-576
Provide electronic billing incentive 1/.....	---	---	-27	-45	-50	-122
Medicare -- Maintain SMI Premium at 1996 percent 1	---	---	-1,327	-3,167	-5,148	-9,642
Interactions and premiums effects 1/.....	65	155	213	225	233	891
Medicare third party liability 2/.....	---	-87	-145	-235	-262	-729
Subtotal, medicare.....	-2,412	-4,263	-9,594	-14,026	-17,940	-48,235
Subtotal, Energy & Commerce deficit reduction.....	-4,342	-7,491	-13,422	-17,518	-21,744	-64,518
* Education and Labor:						
Outlays:						
Reform student loan program.....	118	102	-485	-1,669	-2,331	-4,265
Require States to share gsl default costs.....	---	-24	-57	-106	-118	-305
Medicaid Third Party Liability 2/.....	---	-63	-105	-163	-187	-518
Medicare Third Party Liability 2/.....	---	-87	-145	-235	-262	-729
Subtotal, Education and Labor.....	118	-72	-792	-2,173	-2,898	-5,817

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

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SAVINGS OPTIONS	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
Foreign Affairs:						
Outlays:						
Foreign service retirement: under 62 COLAs 1/.....	--	-1	-1	-1	-2	-5
Judiciary:						
Outlays:						
Permanently extend patent and trademark fees.....	--	--	-111	-115	-119	-345
Merchant Marines:						
Outlays:						
Permanently extend tonnage fees.....	--	--	-67	-68	-70	-205
Natural Resources:						
Outlays:						
Impose irrigation water surcharge.....	-10	-10	-10	-15	-15	-60
Extend hardrock mining fees.....	-40	-40	-40	-40	-40	-200
Permanently extend 50% net receipt sharing (on-shore minerals).....	-35	-39	-41	-42	-44	-201
Increase recreation fees: Interior Department.....	-21	-34	-39	-45	-50	-189
Increase recreation fees: Agriculture Department 1/.....	-7	-11	-12	-13	-13	-56
Implement Northern Mariana Islands funding agreement.	-6	-7	-8	-10	-12	-43
NRC Fee 1/.....	--	--	-378	-389	-402	-1,169
Increase recreation fees: Corps of Engineers 1/.....	-13	-18	-18	-18	-18	-85
Payments to States from FS rec fees 1/.....	1	2	3	3	3	12
Subtotal, Natural Resources deficit reduction.....	-131	-157	-543	-569	-591	-1,991
Post Office and Civil Service:						
Complete payment of outstanding postal liabilities:						
FEHB portion.....	--	-116	-116	-116	--	-348
Institute Medicare fee limits over-65: Federal Employees Health Benefits.....	-11	-16	-19	-21	-24	-91

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

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	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
SAVINGS OPTIONS						
Complete payment of outstanding postal liabilities:						
CSRS portion.....	---	-231	-231	-231	---	-693
CSRS/FERS:						
Conform child-survivor benefits age to Social Security.....	-5	-10	-15	-20	-25	-75
Base survivor annuities on reduced retiree annuity.....	-30	-61	-93	-127	-162	-473
CSRS: Under-62 COLAs	-31	-56	-75	-80	-102	-344
End lump-sum benefit.....	---	---	-2,119	-3,113	-3,382	-8,614
Foreign service retirement: under 62 COLAs 1/.....	---	-1	-1	-1	-2	-5
Subtotal, CSRS/FERS.....	-66	-128	-2,303	-3,341	-3,673	-9,511
Subtotal, Post Office and Civil Service deficit reduction.....	-77	-491	-2,669	-3,709	-3,697	-10,643
Public Works and Transportation:						
Revenue:						
Registration fee on general aviation aircraft.....	18	31	44	58	60	211
Outlays:						
Increase recreation fees: Corps of Engineers 1/.....	-13	-18	-18	-18	-18	-85
Subtotal, Public Works deficit reduction.....	-31	-49	-62	-76	-78	-296
Veterans Affairs:						
Outlays:						
Restore 1:9 contribution ratio for GI Bill benefits.....	-78	-88	-88	-95	-95	-444
Permanently extend IRS income verification for pensions.....	---	---	---	---	-136	-136
Extend pensions-medicaid nursing home provs.....	---	---	---	---	-531	-531
Permanently extend medical care cost recovery.....	-11	-130	-143	-154	-168	-606
Permanently extend prescription charge/co-payment.....	na	na	na	na	-79	-79
Set housing loan fees at 2%.....	-143	-118	-122	-126	-124	-633
Implement housing down-payment for second and subsequent uses.....	-27	-22	-23	-24	-23	-119
Permanently extend resale loan loss provisions.....	-7	-6	-6	-6	-7	-32
Subtotal, Veterans Affairs deficit reduction.....	-266	-364	-382	-405	-1,163	-2,580

straight freeze

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE

(In millions of dollars)

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CBO ESTIMATES

SAVINGS OPTIONS

	1994	1995	1996	1997	1998	1994-98 Total
Ways & Means:						
Revenues:						
Revenue raisers.....	45,293	52,276	68,124	84,603	85,832	336,128
Investment (revenue decline).....	-18,018	-11,962	-10,337	-11,132	-12,785	-64,234
Subtotal, revenues.....	27,275	40,314	57,787	73,471	73,047	271,894
Outlays:						
End FSLIC tax double dip.....	136	-14	29	95	109	
Terminate TAA, fund in new discretionary program.....	-6	-31	-64	-75	-75	-251
Charge fee for State SSI administration.....	-50	-110	-180	-180	-190	-710
Strengthen child support enforcement - AFDC.....	-27	-80	-112	-109	-177	-505
Strengthen child support enforcement - Medicaid.....	---	---	---	---	---	---
TAA phaseout.....	-9	-93	-102	-99	-97	-400
Equate matching rates for welfare programs - AFDC.....	-20	-40	-45	-50	-50	-205
Permanently extend customs fee.....	---	---	-750	-820	-850	-2,420
BATF Fees.....	-5	-5	-5	-5	-5	-25
Reform U.S. Customs overtime.....	-18	-18	-18	-18	-18	-90
Extend non-interest period on IRS refunds to 45 days.....	-44	-64	-64	-64	-64	-300
Medicaid Third Party Liability 2/.....	---	-63	-105	-163	-187	-518
Permanently extend IRS income verification for pensions	na	na	na	na	-136	-136
EITC.....	339	3,735	6,895	7,191	7,518	25,678
Medicare:						
Put hospitals on a calendar year update 1/.....	-660	-725	-795	-865	-940	-3,985
Gradually lower indirect medical education rate 1/.....	---	---	-430	-980	-1,120	-2,530
Eliminate skilled nursing facility return on equity						
payments 1/.....	-90	-100	-110	-120	-130	-550
Eliminate add-on for hospital based home health						
agencies 1/.....	-170	-210	-230	-260	-280	-1,150
Reduce hospital update market basket minus 1% in 1994						
and 1995 1/.....	-490	-1,230	-1,520	-1,670	-1,810	-6,720
Permanently extend 10% capital reduction, Prospective						
Payment System neutral 1/.....	---	---	-290	-310	-295	-895
Direct medical education 1/.....	-220	-260	-255	-250	-240	-1,225

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
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CBO ESTIMATES

SAVINGS OPTIONS	CBO ESTIMATES					1994-98
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Lab rate changes 1/.....	-316	-608	-815	-1,069	-1,389	-4,197
Durable medical equipment -- options 1/.....	-72	-121	-135	-152	-171	-651
Set erythropoietin (EPO) at non-U.S. market rates (\$10 per 1000 units) 1/.....	-28	-47	-51	-56	-61	-243
Medicare secondary payor (MSP) reforms 1/.....	-145	-199	-263	-305	-336	-1,248
Phase-in resource-based practice expense 1/.....	-100	-350	-700	-875	-950	-2,975
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Permanently extend 10% capital reduction, outpatient department 1/.....	---	---	-128	-150	-174	-452
Cut outpatient department by 10% 1/.....	---	---	-737	-862	-1,000	-2,599
Permanently extend Medicare Secondary Payer (MSP) for the disabled 1/.....	---	---	-876	-1,285	-1,414	-3,575
Permanently extend MSP for End Stage Renal Disease after 18 months 1/.....	---	---	-84	-119	-127	-330
Permanently extend Internal Revenue Service/Social Security Administration/Health Care Financing Administration data match 1/.....	---	---	-45	-120	-205	-370
Ban physician self referrals 1/.....	---	-50	-100	-100	-100	-350
Reduce default Medicare volume performance and update 1/.....	---	---	-163	-601	-1,247	-2,011
Reduce doctor fees in 1994 except primary care 1/...	-190	-320	-357	-396	-437	-1,700
Inpatient services by hospitals based docs (RAPs) 1/..	---	-88	-147	-162	-179	-576
Provide electronic billing incentive 1/.....	---	---	-27	-45	-50	-122
Medicare -- Maintain SMI Premium at 1996 percent 1	---	---	-1,327	-3,167	-5,148	-9,642
Interactions and premiums effects 1/.....	65	155	213	225	233	891
Medicare third party liability 2/.....	---	-87	-145	-235	-262	-729
Subtotal, medicare.....	-2,462	-4,318	-9,604	-14,026	-17,940	-48,350
Subtotal, Ways and Means deficit reduction.....	-29,441	-41,415	-61,912	-81,794	-85,209	-299,771
Total savings Reconciled	-32,316	-46,303	-71,186	-93,946	-99,307	-343,059

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

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<u>SAVINGS OPTIONS</u>	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
MEMORANDUM:						
Outlays reconciled	-4,928	-5,849	-13,240	-20,298	-26,076	-70,392
Revenues reconciled	27,388	40,454	57,946	73,648	73,231	272,667

- 1/ Jointly reconciled to two committees.
- 2/ Jointly reconciled to three committees.

NEXT STEPS

- ① Who sets up ^{weekly} meetings.
- ② VAT → pander to Congress again.
- ③ Pres define priorities.
- ④ Entitlement converts.

PREPARATION FOR BUDGET RECONCILIATION PROCESS

Reconciliation Teams

1. Each Cabinet Member will be asked to assign a high level policy staffer to represent the agency on reconciliation issues.
2. These assignees will work as a team with an OMB point person to cover reconciliation activity in each committee.
3. Each chairman with reconciliation responsibilities will receive a letter with the names of the Administration team covering their committee.
4. Regular meetings will be held with all the reconciliation teams to update Administration officials on the progress of legislation.

(2) meeting end of week.

Preparation of Legislation

1. Legislation is being prepared by agencies reflecting the Administration's deficit reduction proposals. This legislation will be forwarded to the committees of jurisdiction prior to committee action on reconciliation.

Basic Reconciliation Facts

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- Reporting Deadline - May 14 in the House and June 18 in the Senate
- Attached are the assumptions for reconciliation in each House Committee.

①. Meetings w/ Cabinet members to go over
- substance - political
- message - congressional
- communications

③ Op-Ed piece by Leon. on reconciliation.

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/19/93
10:44 AM

<u>SAVINGS OPTIONS</u>	CBO ESTIMATES					1994-98
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Agriculture:						
Revenues:						
Unspecified savings.....	32	44	47	49	51	223
Outlays:						
CCC:						
Eliminate subsidies to honey producers.....	-34	-14	-6	-5	-3	-62
Increase non-eligible payment acres (triple base) starting in FY 1996.....	---	---	-161	-400	-462	-1,023
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Armed Services:						
Outlays:						
Coast Guard retired pay: under-62 COLAs.....	---	-1	-1	-1	-1	-4
Military retirement: under-62 COLAs.....	<u>-128</u>	<u>-291</u>	<u>-456</u>	<u>-642</u>	<u>-840</u>	<u>-2,357</u>
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RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
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Medicaid:						
Medicaid offset.....	---	---	---	---	---	---
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Reduce match to 50%.....	-140	-325	-365	-410	-460	-1,700
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Eliminate skilled nursing facility return on equity payments 1/.....	-90	-100	-110	-120	-130	-550
Eliminate add-on for hospital based home health agencies 1/.....	-170	-210	-230	-260	-280	-1,150
Reduce hospital update market basket minus 1% in 1994 and 1995 1/.....	-490	-1,230	-1,520	-1,670	-1,810	-6,720

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

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	CBO ESTIMATES					1994-98 Total
	1994	1995	1996	1997	1998	
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Permanently extend 10% capital reduction, Prospective						
Payment System neutral 1/.....	—	—	-290	-310	-295	-895
Direct medical education 1/.....	-220	-260	-255	-250	-240	-1,225
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Implement single fee for surgery 1/.....	-46	-78	-87	-97	-108	-416
Permanently extend 10% capital reduction, outpatient						
department 1/.....	—	—	-128	-150	-174	-452
Cut outpatient department by 10% 1/.....	—	—	-737	-862	-1,000	-2,599
Permanently extend Medicare Secondary						
Payer (MSP) for the disabled 1/.....	—	—	-876	-1,285	-1,414	-3,575
Permanently extend MSP for End Stage Renal Disease						
after 18 months 1/.....	—	—	-84	-119	-127	-330
Permanently extend Internal Revenue Service/Social						
Security Administration/Health Care Financing						
Administration data match 1/.....	—	—	-45	-120	-205	-370
Ban physician self referrals 1/.....	—	-50	-100	-100	-100	-350
Reduce default Medicare volume performance						
and update 1/.....	—	—	-163	-601	-1,247	-2,011
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Inpatient services by hospitals based docs (RAPs) 1/.....	—	-88	-147	-162	-179	-576
Provide electronic billing incentive 1/.....	—	—	-27	-45	-50	-122
Medicare -- Maintain SMI Premium at 1996 percent 1/.....	—	—	-1,327	-3,167	-5,148	-9,642
Interactions and premiums effects 1/.....	65	155	213	225	233	891
Medicare third party liability 2/.....	—	-87	-145	-235	-262	-729
Subtotal, medicare.....	-2,412	-4,263	-9,594	-14,026	-17,940	-48,235
Subtotal, Energy and Commerce deficit reduction.....	-4,342	-7,491	-13,422	-17,518	-21,744	-64,518

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/19/93
10:44 AM

SAVINGS OPTIONS	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
Foreign Affairs:						
Outlays:						
Foreign service retirement: under 62 COLAs 1/.....	—	-1	-1	-1	-2	-5
Judiciary:						
Outlays:						
Permanently extend patent and trademark fees.....	—	—	-111	-115	-119	-345
Merchant Marine and Fisheries:						
Outlays:						
Permanently extend tonnage fees.....	—	—	-67	-68	-70	-205
Natural Resources: <i>Grazing fees working it out elsewhere.</i>						
Outlays:						
Impose irrigation water surcharge.....	-10	-10	-10	-15	-15	-60
Extend hardrock mining fees.....	-40	-40	-40	-40	-40	-200
Permanently extend 50% net receipt sharing (on-shore minerals).....	-35	-39	-41	-42	-44	-201
Increase recreation fees: Interior Department.....	-21	-34	-39	-45	-50	-189
Increase recreation fees: Agriculture Department 1/.....	-7	-11	-12	-13	-13	-56
Implement Northern Mariana Islands funding agreement.....	-6	-7	-8	-10	-12	-43
NRC Fee 1/.....	—	—	-378	-389	-402	-1,169
Increase recreation fees: Corps of Engineers 1/.....	-13	-18	-18	-18	-18	-85
Payments to States from FS rec fees 1/.....	1	2	3	3	3	12
Subtotal, Natural Resources deficit reduction.....	-131	-157	-543	-569	-591	-1,991
<i>touchy</i> * Post Office and Civil Service:						
Complete payment of outstanding postal liabilities:						
FEHB portion.....	—	-116	-116	-116	—	-348
Institute Medicare fee limits over-65: <u>Federal</u>						
<u>Employees Health Benefits</u>	-11	-16	-19	-21	-24	-91

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/19/93
10:44 AM

	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
SAVINGS OPTIONS						
Complete payment of outstanding postal liabilities:						
CSRS portion.....	---	-231	-231	-231	---	-693
CSRS/FERS:						
Conform child-survivor benefits age to Social Security.....	-5	-10	-15	-20	-25	-75
Base survivor annuities on reduced retiree annuity.....	-30	-61	-93	-127	-162	-473
CSRS: Under-62 COLAs	-31	-56	-75	-80	-102	-344
End lump-sum benefit.....	---	---	-2,119	-3,113	-3,382	-8,614
Foreign service retirement: under 62 COLAs 1/.....	---	-1	-1	-1	2	-5
Subtotal, CSRS/FERS.....	-66	-128	-2,303	-3,341	-3,673	-9,511
Subtotal, Post Office and Civil Service deficit reduction....	-77	-491	-2,669	-3,709	-3,697	-10,643
Public Works and Transportation:						
Revenue:						
Registration fee on general aviation aircraft.....	18	31	44	58	60	211
Outlays:						
Increase recreation fees: Corps of Engineers 1/.....	-13	-18	-18	-18	-18	-85
Subtotal, Public Works deficit reduction.....	-31	-49	-62	-76	-78	-296
Veterans Affairs: (<i>extensions mainly</i>)						
Outlays:						
Restore 1:9 contribution ratio for GI Bill benefits.....	-78	-88	-88	-95	-95	-444
Permanently extend IRS income verification for pensions 1/...	---	---	---	---	-136	-136
Extend pensions-medicaid nursing home provs.....	---	---	---	---	-531	-531
Permanently extend medical care cost recovery.....	-11	-130	-143	-154	-168	-606
Permanently extend prescription charge/co-payment.....	---	---	---	---	-79	-79
Set housing loan fees at 2%.....	-143	-118	-122	-126	-124	-633
Implement housing down-payment for second and subsequent uses.....	-27	-22	-23	-24	-23	-119
Permanently extend resale loan loss provisions.....	-7	-6	-6	-6	-7	-32
Subtotal, Veterans Affairs deficit reduction.....	-266	-364	-382	-405	-1,163	-2,580

Bentsen et al. Full time

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/19/93
10:44 AM

Ways & Means: - 80% of bill dependent on ways/means.

SAVINGS OPTIONS	CBO ESTIMATES					1994-98 Total
	1994	1995	1996	1997	1998	
Revenues:						
Revenue raisers.....	45,293	52,276	68,124	84,603	85,832	336,128
Investment (revenue decline).....	<u>-18,018</u>	<u>-11,962</u>	<u>-10,337</u>	<u>-11,132</u>	<u>-12,785</u>	<u>-64,234</u>
Subtotal, revenues.....	27,275	40,314	57,787	73,471	73,047	271,894
Outlays:						
End FSLIC tax double dip.....	136	-14	29	95	109	
Terminate TAA, fund in new discretionary program.....	-6	-31	-64	-75	-75	-251
Charge fee for State SSI administration.....	-50	-110	-180	-180	-190	-710
Strengthen child support enforcement - AFDC.....	-27	-80	-112	-109	-177	-505
Strengthen child support enforcement - Medicaid.....	—	—	—	—	—	—
TAA phaseout.....	-9	-93	-102	-99	-97	-400
Equate matching rates for welfare programs - AFDC.....	-20	-40	-45	-50	-50	-205
Permanently extend customs fee.....	—	—	-750	-820	-850	-2,420
BATF Fees.....	-5	-5	-5	-5	-5	-25
Reform U.S. Customs overtime.....	-18	-18	-18	-18	-18	-90
Extend non-interest period on IRS refunds to 45 days.....	-44	-64	-64	-64	-64	-300
Medicaid Third Party Liability 2/.....	—	-63	-105	-163	-187	-518
Permanently extend IRS income verification for pensions 1/.....	—	—	—	—	-136	-136
EITC.....	339	3,735	6,895	7,191	7,518	25,678
Medicare:						
Put hospitals on a calendar year update 1/.....	-660	-725	-795	-865	-940	-3,985
Gradually lower indirect medical education rate 1/.....	—	—	-430	-980	-1,120	-2,530
Eliminate skilled nursing facility return on equity payments 1/.....	-90	-100	-110	-120	-130	-550
Eliminate add-on for hospital based home health agencies 1/.....	-170	-210	-230	-260	-280	-1,150
Reduce hospital update market basket minus 1% in 1994 and 1995 1/.....	-490	-1,230	-1,520	-1,670	-1,810	-6,720
Permanently extend 10% capital reduction, Prospective Payment System neutral 1/.....	—	—	-290	-310	-295	-895
Direct medical education 1/.....	-220	-260	-255	-250	-240	-1,225

① ITC problem if it goes ~~where~~ *do we do we do w/ money*

② Energy tax

③ Watch for progressivity being eliminated -

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/19/93
10:44 AM

	CBO ESTIMATES					1994-98 Total
	1994	1995	1996	1997	1998	
SAVINGS OPTIONS						
Lab rate changes 1/.....	-316	-608	-815	-1,069	-1,389	-4,197
Durable medical equipment – options 1/.....	-72	-121	-135	-152	-171	-651
Set erythropoietin (EPO) at non-U.S. market rates (\$10 per 1000 units) 1/.....	-28	-47	-51	-56	-61	-243
Medicare secondary payor (MSP) reforms 1/.....	-145	-199	-263	-305	-336	-1,248
Phase-in resource-based practice expense 1/.....	-100	-350	-700	-875	-950	-2,975
Implement single fee for surgery 1/.....	-46	-78	-87	-97	-108	-416
Permanently extend 10% capital reduction, outpatient department 1/.....	---	---	-128	-150	-174	-452
Cut outpatient department by 10% 1/.....	---	---	-737	-862	-1,000	-2,599
Permanently extend Medicare Secondary Payer (MSP) for the disabled 1/.....	---	---	-876	-1,285	-1,414	-3,575
Permanently extend MSP for End Stage Renal Disease after 18 months 1/.....	---	---	-84	-119	-127	-330
Permanently extend Internal Revenue Service/Social Security Administration/Health Care Financing Administration data match 1/.....	---	---	-45	-120	-205	-370
Ban physician self referrals 1/.....	---	-50	-100	-100	-100	-350
Reduce default Medicare volume performance and update 1/.....	---	---	-163	-601	-1,247	-2,011
Reduce doctor fees in 1994 except primary care 1/.....	-190	-320	-357	-396	-437	-1,700
Inpatient services by hospitals based docs (RAPs) 1/.....	---	-88	-147	-162	-179	-576
Provide electronic billing incentive 1/.....	---	---	-27	-45	-50	-122
Medicare – Maintain SMI Premium at 1996 percent 1/.....	---	---	-1,327	-3,167	-5,148	-9,642
Interactions and premiums effects 1/.....	65	155	213	225	233	891
Medicare third party liability 2/.....	---	-87	-145	-235	-262	-729
Subtotal, medicare.....	-2,462	-4,318	-9,604	-14,026	-17,940	-48,350
Subtotal, Ways and Means deficit reduction.....	-29,441	-41,415	-61,912	-81,794	-85,209	-299,771
Total savings reconciled	-32,316	-46,303	-71,186	-93,946	-99,307	-343,059

RECONCILIATION DIRECTIVE BY HOUSE COMMITTEE
(In millions of dollars)

04/19/93
10:44 AM

SAVINGS OPTIONS	CBO ESTIMATES					1994-98
	1994	1995	1996	1997	1998	Total
MEMORANDUM:						
Outlays reconciled	-4,928	-5,849	-13,240	-20,298	-26,076	-70,392
Revenues reconciled	27,388	40,454	57,946	73,648	73,231	272,667

- 1/ Jointly reconciled to two committees.
- 2/ Jointly reconciled to three committees.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

M-93-10

April 16, 1993

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: Testimony before Congress on the FY 1994 Budget

Many of our Cabinet officials will be testifying before House and Senate Committees on budget matters in the coming weeks and there have been inquiries about the Administration's position on its investment proposals. As you know, the President's FY 1994 budget proposes spending above the levels agreed to in the congressional budget resolution, and some have raised the issue of whether the investment proposals are jeopardized because of this lower level of spending.

The Administration is currently developing a strategy with regard to the investments. In the interim, the attached is a suggested response to questions in this area. I believe it successfully describes our strong commitment to the investment proposals while alerting the committees to our interest in working with them to see that these initiatives are accommodated.

Please let me know if you have any questions or if I can be of further assistance.

POSITION ON ADMINISTRATION INITIATIVES AND THE APPROPRIATIONS
PROCESS.

The Administration intends to work closely with the Congress to ensure that the President's initiatives in the areas of Rebuilding America, Lifelong Learning, Rewarding Work and Health Care are approved in the appropriations process this year. We realize that there will be tremendous pressure on the Appropriations Committees because of the spending caps, however we intend to work with the Congress in every way possible to accommodate substantial initiatives in areas like education, infrastructure, research and development and job training.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Rec plan post
BR/Bo/GS/SM
May!

C.C. The Vice President
Mark
RJoin
PASTER
Jelp

03 MAY 6 05:14

May 6, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta
SUBJECT: OMB Activities

This is your weekly memorandum to summarize OMB's activities and provide a running overview of progress on the administration's major policy initiatives.

Legislation reviewed and sent to the Congress includes National Service, student direct lending, and empowerment zones.

Investments: I have met with Chairman Natcher and all of the Subcommittee Chairmen of the House Appropriations Committee to begin the process of funding the Administration's investment priorities. I communicated the priority programs that you chose, totalling \$3.5 billion for FY 1994; after the \$0.5 billion by which the non-investment recommendations fall below the spending cap, these priorities will require \$3.0 billion of additional discretionary cuts. I informed the Committee and Subcommittee Chairmen that the Administration stood ready to provide specific recommendations as to where savings could be found to finance the investments, or that we would work with them to make those choices, at their option. I delivered the same message to Chairman Byrd. The agreement with both Chairmen is that we will work with them and the key subcommittee Chairmen to make room for the prioritized investments. We expect that the Administration must follow the appropriations process on a Subcommittee-by-Subcommittee basis for the duration to achieve our investment objectives. One complication in this process is that seven investment programs require new authorizing language; if funds are appropriated to other programs before those authorizations are passed, it will be very difficult to reclaim those funds for use in the new investments. As you know, other investments in the revenue and entitlement areas (such as immunizations, food stamps and a portion of empowerment zones) will be addressed in the reconciliation process.

Jobs supplemental: We continue to work on formulating a jobs supplemental package to replace the stimulus supplemental. The new package probably will not require legislative drafting by the Administration; rather, a letter from you to the Appropriations Committees making reference to the existing

supplemental language and specifying your current priorities should suffice. Our recommendation is that Governors be allowed to ask for waivers on behalf of cities to extend upward the maximum age for youth summer jobs, to address the issue of unemployed young men raised by Rep. Maxine Waters. We anticipate that the package will be largely paid for through across-the-board reductions of FY 1993 discretionary programs, with discretion for each agency to achieve the savings. This letter must be sent early next week.

Deficit reduction fund: OMB has drafted legislative language to implement the budget process reforms that you recommended in the February 17 proposal. These include extension of the discretionary caps through 1998 to accommodate investments for 1996, 1997 and 1998; a sequester mechanism without the maximum deficit amount (MDA) sequester that was counterproductive under Gramm-Rudman; a ten-year pay-as-you-go scoring requirement, to head off out-year budget time bombs like George Bush's proposed capital gains tax cuts; and a deficit reduction fund. This last item will take pay-as-you-go savings from reconciliation and any other bills that are so designated in the future, and remove them from the pay-as-you-go scorecard -- so that they cannot be spent in subsequent legislation. We believe that this trust fund will make apparent to the American people the deficit reduction that your plan achieves. We plan to have this legislation with an announcement letter for your signature next week.

Reconciliation Update: Generally the House committees are moving positively toward the May 14 deadline for submission of reconciliation legislation. The following is a brief summary of activities this week.

Agriculture

o The Committee is likely to reach its reconciliation targets with a combination of spending reduction proposals, including reductions through triple basing and a freeze in the market promotion program. It is likely that the committee will not eliminate the subsidy to honey producers.

o update: The Committee has been walking through options this week.

Armed Services

o Instead of reducing COLAs for retirees under 62 (not in the administration's budget, but proposed by the Congress), the Committee may propose providing COLAs every fifteen months, instead of every twelve months, for all military retirees.

o update: The Senate Armed Services Committee is having a hearing on the pay issue on May 11. The House Armed Services Committee is planning to mark-up on the 12th, after the hearing. A variety of alternatives to the Administration's pay and retirement proposals are being considered.

Banking

o To achieve the required level of deficit reduction the Committee was asked by the budget resolution to consider various bank fee proposals, GNMA reforms and an IRS income verification proposal related to Federal housing programs.

o update: Alternatives to the bank fees proposed by the administration are being considered.

Education and Labor

o The direct student loan proposal is being criticized on many fronts and attempts may be made to alter it during committee consideration. We will have to watch the deliberations on this issue carefully.

o update: Contact must be made with Rep. Gordon, who has a proposal which substantially alters the direct student loan initiative.

Energy and Commerce

o The budget resolution assumed the committee would adopt a spectrum auction proposal and a variety of specific Medicaid and Medicare spending cut proposals.

o update: The health subcommittee continues to mark-up Medicare and Medicaid proposals, and it is certain that it will approve a scaled-down immunization program. Mark-up on the spectrum auction proposal is expected today.

Foreign Affairs

o The Committee is looking at options for achieving savings in the retirement programs for Foreign Service employees.

Judiciary

o update: Subcommittee mark-up on extension of the patent and trademark fee was completed Wednesday.

Merchant Marine and Fisheries

- o The Committee will likely extend the tonnage fees, a proposal assumed in the administration's budget.

Natural Resources

- o A variety of fee increases for programs administered by the Agriculture and Interior Departments and the Corps of Engineers are expected to be adopted by the committee to fulfill their reconciliation requirements.

- o update: We have checked with the staff director and while not all the administration proposals will be adopted the committee will meet its targets with a variety of fees and collections.

Post Office and Civil Service

- o There are a number of controversial proposals being considered by the Committee related to Federal pay and retirement benefits. We have been working with the Committee to ensure that the deficit reduction levels are achieved, although there may be some changes to proposals made in the administration's budget.

- o update: The personnel subcommittee plans to push additional FTE reductions and administrative cuts instead of the pay proposals advanced by the administration. It is unlikely that the full committee will endorse these ideas.

Public Works and Transportation

- o The Committee is likely to approve the aviation fees proposed in the administration's budget.

Veterans Affairs

- o While there may be some changes in our budget's specific proposals we expect the Committee to fully comply with their reconciliation directive.

Ways and Means

- o The Health Subcommittee marked up its reconciliation legislation last week and met its targets through freezes in various payments to providers. In the Human Resources Subcommittee the Family Preservation bill was adopted along with various savings proposals, and an extension of GATT fast track authority was reported by the Trade Subcommittee.

o update: the full Committee completed a relatively trouble free "walk through" of health, trade and human resources issues on Tuesday and Wednesday. Today they are reviewing tax proposals.

Rubin Sperling (SM) 301

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

May 25, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #M-325

TO: Legislative Liaison Officer -

TREASURY - Richard S. Garro - (202) 622-1146 - 228
NEC - Bonia Mathews - (202) 456-6732 - 429
CEA - Francine Oberhiller - (202) 395-8036 - 242

FROM: JAMES J. JUKE (for) Assistant Director for Legislative Reference

OMB CONTACT: Douglas STRICKER (394-3300) Secretary's line (for simple responses): 395-3454

SUBJECT: Proposed Statement of Administration Policy
on Omnibus Reconciliation Act of 1993

DEADLINE: 4:00 TODAY May 28, 1993

COMMENTS: NOTE TO TREASURY: Please refer this draft to the Deputy Secretary and to Mr. Alan Cohen. NOTE TO NEC: Please refer this draft to Messrs. Rubin and Sperling. NOTE TO CEA: Please refer this draft to Dr. Tyson. Thank you.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

Howard Pastar
George Stephanopoulos
Roy Neel
Greg Simon
Martha Foley
John Angell
Barry Toiv
Barry Anderson
Bob Damus
Chris Edley
Isabel Sawhill
Nancy-Ann Min
Gordon Adams
Joe Minarik
Frank Reeder

Darnie Martin
Don Gessaman
Phil DuSault
Ken Schwartz
Ken Ryder
Ron Cogswell
Kathy Peroff
David Kleinburg
Barbara Selfridge
Hermann Habermann
Ahmad Al-Sanarric
Phil Dene
Gus Lind
Ellen Ballo
Mary Barth
Dick Emery

DRAFT

May 25, 1993
(House Rules)

H.R. _____ - Omnibus Budget Reconciliation Act of 1993
(Subs (D) Minnesota)

The Administration strongly supports H.R. _____. House passage of this measure is a critical step toward enactment of the President's economic program.

The bill provides substantial, fair, and balanced deficit reduction that is essential to the Nation's economic future. It will free capital for private investment and lead to more jobs and higher living standards for working families today and in the future.

With some \$500 billion in deficit reduction, H.R. _____ is the largest deficit reduction package in the Nation's history. It is a balanced measure that provides one dollar of spending cuts for every dollar of additional revenues. Savings come from every major area of the budget, including farm and veterans' programs, Social Security, Medicare and Medicaid, federal pay and retirement benefits, and defense and non-defense discretionary spending.

Of the added revenues in the legislation, 75 percent come from the six percent of all taxpayers with incomes of over \$100,000.

H.R. _____ also contains targeted investments that the President has proposed in a number of vital areas, such as childhood immunizations, family preservation, the earned income tax credit, and empowerment zones. These investments are fully paid for.

The Administration also urges that the Rules Committee add to H.R. _____ a budget enforcement measure that will include discretionary spending limits, pay-as-you-go requirements, sequestration enforcement, and a deficit reduction trust fund. These tools are essential to ensuring that the deficit reduction provided by the bill is actually achieved and maintained.

The President's commitment to deficit reduction has already brought long-term interest rates down by a full point. To maintain that momentum, it is critical that the House adopt the reconciliation bill and send it to the Senate.

Pay-As-You-Go Scoring

(To be supplied.)

(END)



May 27, 1993
(House)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 2264 - Omnibus Budget Reconciliation Act of 1993 (Sabo (D) Minnesota)

The Administration strongly supports H.R. 2264. House passage of this measure is a critical step toward enactment of the President's economic program.

The bill provides substantial, fair, and balanced deficit reduction that is essential to the Nation's economic future. It will free capital for private investment and lead to more jobs and higher living standards for working families today and in the future.

H.R. 2264 will be the largest deficit reduction package in the Nation's history, implementing the \$500 billion in deficit reduction called for by the budget resolution. It is a balanced measure that provides approximately one dollar of spending cuts for every dollar of additional revenues over five years, with more spending cuts than tax increases in the longer term. Savings come from every major area of the budget, including farm and veterans' programs, Social Security, Medicare and Medicaid, federal pay and retirement benefits, and defense and non-defense discretionary spending.

Of the added revenues in the legislation, 75 percent come from the six percent of all taxpayers with incomes of over \$100,000.

H.R. 2264 also contains targeted investments that the President has proposed in a number of vital areas, such as childhood immunizations, family support and preservation, the earned income tax credit, and empowerment zones. These investments are fully paid for.

The Administration supports the budget enforcement measure made in order as part of H.R. 2264 by the Rules Committee that addresses discretionary spending, pay-as-you-go requirements, sequestration enforcement, and entitlement spending, and that establishes a deficit reduction trust fund. These tools are essential to ensuring that the deficit reduction provided by the bill is actually achieved and maintained.

The President's commitment to deficit reduction has already brought long-term interest rates down dramatically. To maintain that momentum, it is critical that the House adopt the reconciliation bill and send it to the Senate.

* * * * *

(Do Not Distribute Outside Executive Office of the President)

This draft Statement of Administration Policy was developed by the Legislative Reference Division (Steiger), in consultation with the Department of the Treasury (Assistant Secretary Samuels, Alan Cohen), CEA (Chairwoman Tyson), NEC (), the White House Offices of Legislative Affairs (Paster), Communications (), and the Deputy Chief of Staff (), OVP (Simon), External Affairs (Toiv), EP (Minarik), AD/B (Anderson), BASD (Lind, Balis, and Barth), and LVE (Selfridge).

H.R. 2264 was ordered reported by the House Budget Committee by a party-line vote of 26-17 on May 20th. According to committee staff, the report is expected to be filed on Tuesday, May 25th. The bill is expected to be considered by the Rules Committee on Wednesday, May 26th and on the House floor on Thursday, May 27th.

Description of H.R. 2264

The following briefly describes the major provisions of H.R. 2264 organized by the House Committee that reported the provisions. It is based on the descriptions contained in the Director's briefing package dated May 14th.

AGRICULTURE

5 Year Savings Target: \$2.95 billion

Savings Achieved

- o Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments) for program crops from 15 to 20 percent, starting with 1994 crop.
- o Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- o Decreases current law assessment on dairy to 10 cents.
- o Reduces Market Promotion Program to \$148 million per year (equals FY 93 level).
- o Lowers payment limit on honey, and wool and mohair programs to \$50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- o Increases Forest Service recreation fees.
- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.

- o Adjusts purchase prices to effectively buy more milk powder and buy less butter.
- o Creates free catastrophic crop insurance for losses above 65 percent.
- o Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.
- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

ARMED SERVICES

5 Year Savings Target: \$2.4 billion direct spending
\$20.3 billion authorization

Savings Achieved:

- o Delays the 1994 military retiree COLA by four months from January to May 1994.
- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998, and May 1999.
- o Exempts disabled retirees and survivors from the COLA delays.
- o Achieves required discretionary spending targets by:
 - Freezing military pay in 1994
 - Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: \$3.1 billion

Savings Achieved:

- o Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.
- o Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings

are due to the additional guarantee fees GNMA collects from each REMIC.

- o Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.
- o Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.
- o Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

EDUCATION AND LABOR

5 Year Savings Target: \$5.8 billion

Savings Achieved:

- o Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.
- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.
- o Removes unintended barriers preventing States from recovering Medicaid payments properly paid by private health insurance.

ENERGY AND COMMERCE

Total 5 Year Savings Target: \$64.6 billion

5 Year Savings Target: \$7.2 billion for Auction of the Radio Spectrum

Savings Achieved:

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum. (Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.)

5-Year Savings Target: \$1.16 billion for Nuclear Regulatory Commission (NRC) Fees

Savings Achieved:

- o Extends for FYs 96 - 98 the current requirement that the NRC recover 100 percent of its costs through user fees. (Without this amendment, NRC would only recover 33 percent of its costs through user fees.)

5 Year Savings Targets: \$48.35 billion for Medicare
\$7.9 billion for Medicaid

Savings Achieved -- Medicare:

- o Reduces the Medicare Volume Performance Standard, which would limit future physician payment fee increases.
- o Limits payments for clinical laboratory tests.
- o Extends current reductions on reimbursement for hospital outpatient capital costs and sets reasonable costs.
- o Reforms Medicare Secondary Payer rules that help ensure that other insurance pays before Medicare trust funds are used.
- o Reduces the scheduled 1994 increase in physician fees.
- o Limits payments for durable medical equipment.
- o Expands the ban on self-referrals by physicians, i.e., to facilities in which the physicians have a financial interest.
- o Extends Part B (SMI) premium levels beyond 1995.

Note: The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of \$28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

Savings Achieved -- Medicaid:

The Committee exceeded by \$356 million the five-year savings target of \$7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:

- o strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;

- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and
- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

Investments

- o The Committee adopted legislation to help ensure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services.
- o The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.
- o The Committee extended some areas of Medicaid coverage, including:
 - raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and
 - funding medical assistance payments for States with a disproportionate share of border-crossing individuals.
 - extending eligibility for some Medicaid services to impoverished TB patients.

FOREIGN AFFAIRS

5 Year Savings Target: \$5 million

Savings Achieved:

- o Supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96 for Foreign Service retirement program.

JUDICIARY

5 Year Savings Target: \$0.3 billion

Savings Achieved:

- o Extends for FYs 96-98 current patent fee surcharges that expire at the end of FY 95. This proposal does not increase patent fees beyond levels anticipated under current law.

MERCHANT MARINE AND FISHERIES

5 Year Savings Target: \$0.2 billion

Savings Achieved:

- o Extends for FYs 96 - 98 the current Tonnage Duty Fees that expire at the end of FY 95. This proposal does not increase fees beyond current levels. The fees are paid by all ships entering U.S. ports after calling on foreign ports.

NATURAL RESOURCES

5 Year Savings Target: \$2 billion

Savings Achieved:

- o Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- o Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- o Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- o Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- o Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- o Extends through FY 98 the existing requirement that the Nuclear Regulatory Commission recover 100 percent of its costs through user fees.

POST OFFICE and CIVIL SERVICE

5 Year Savings Target: \$10.6 billion direct spending
\$28.7 billion authorization

Savings Achieved:

- o Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1 percent in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- o Delays to July 1st the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for FYs 94-98.
- o Reduces the Federal workforce by 150,000 over the next five fiscal years.
- o Eliminates cash awards between FYs 94-98.
- o Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- o Delays COLAs for civilian retirees by three months during FYs 94-96.
- o Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- o Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- o Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- o Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

PUBLIC WORKS AND TRANSPORTATION

5 Year Savings Target: \$0.3 Billion

Savings Achieved:

- o Charges more equitably for Federal Aviation Administration services provided to users of the national airspace system. These charges are described below.
- o Increases annual general aviation aircraft registration fee and ties it to aircraft weight.
- o Increases general aviation aircraft title recordation fee to \$200. (This is a one-time fee paid whenever an aircraft is bought or sold.)

- o Establishes an aviation medical examiner certification fee of \$500.
- o Increases the triennial pilot certificate fee of \$12.
- o Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

VETERANS AFFAIRS

5 Year Savings Target: \$2.6 billion.

Savings Achieved:

- o Extends five provisions in current law that allow VA to:
 - Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
 - Collect a \$2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
 - Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
 - Limit pension payments to \$90 per month for veterans living in Medicaid nursing homes.
 - Include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.
- o Increases fees charged for most VA home loans by .75 percent.
- o Authorizes VA to collect from veterans' health insurers the cost of care for treatment of military-related conditions.
- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.
- o Reduces the new annual increase in GI Bill benefits by one percent.
- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.

WAYS AND MEANS

5 Year Savings Target: \$48.35 billion for Medicare

Savings Achieved:

- o The Ways and Means Medicare package would save \$50.5 billion over five years -- meeting the savings objectives of the President's budget.
- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save \$38 billion over five years.
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used.
- o The Committee extended the Part B (SMI) premium levels beyond 1995.
- o The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

5 Year Investment Target: \$20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

Investments

- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- o ~~Establishes tax and other incentives for Empowerment Zones to stimulate economic growth and job creation in distressed urban and rural areas. (The poverty criteria some areas would be required to meet are less strict than in the Administration's bill and certain additional tax credits are made available.)~~
- o ~~Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.~~

- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50 percent.
- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- o Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.

Debt Limit

- o The bill increases the statutory debt limit to \$4.9 trillion.

Anticipated Rules Committee Amendment

[To be supplied.]

Pay-As-You-Go Scoring

The following table was supplied by BASD (Balis). "Instructions" refers to the reconciliation instructions contained in the budget resolution. The OMB figures are preliminary.

RECONCILIATION SAVINGS (\$ in billions)

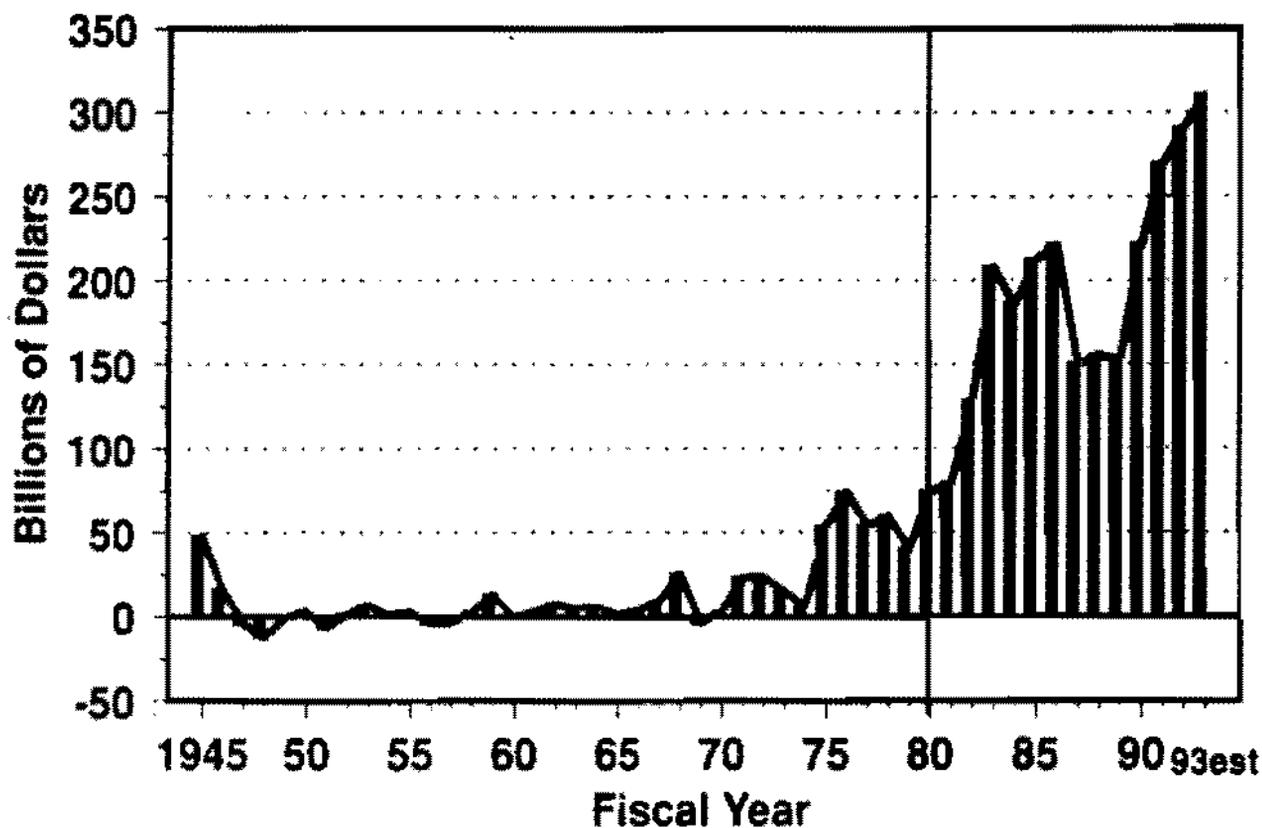
	<u>Instructions</u>		<u>H.R. 2264</u>	
	<u>1994</u>	<u>1994-98</u>	<u>1994</u>	<u>1994-98</u>
OMB Estimates:				
Outlays	-3.2	-59.4	-2.6	-55.4
Receipts	-36.2	-295.7	-36.5	-293.0
Deficit	-39.4	-355.1	-39.1	-348.4
CBO Estimates:				
Outlays	-4.4	-63.1	-4.0	-61.4
Receipts	-27.4	-272.7	-32.7	-275.5
Deficit	-31.8	-335.8	-36.7	-336.9

Note: Receipt increases are shown as minuses because they reduce the deficit.

History Of Postwar Deficits

Chart 1 demonstrates that in the period from World War II to 1980, America never had an annual deficit over \$74 billion. As the chart indicates, after the adoption of President Reagan's economic policies, deficits exploded, rising to over \$200 billion annually.

Chart 1.
Budget Deficits
Fiscal Years 1945 to 1993



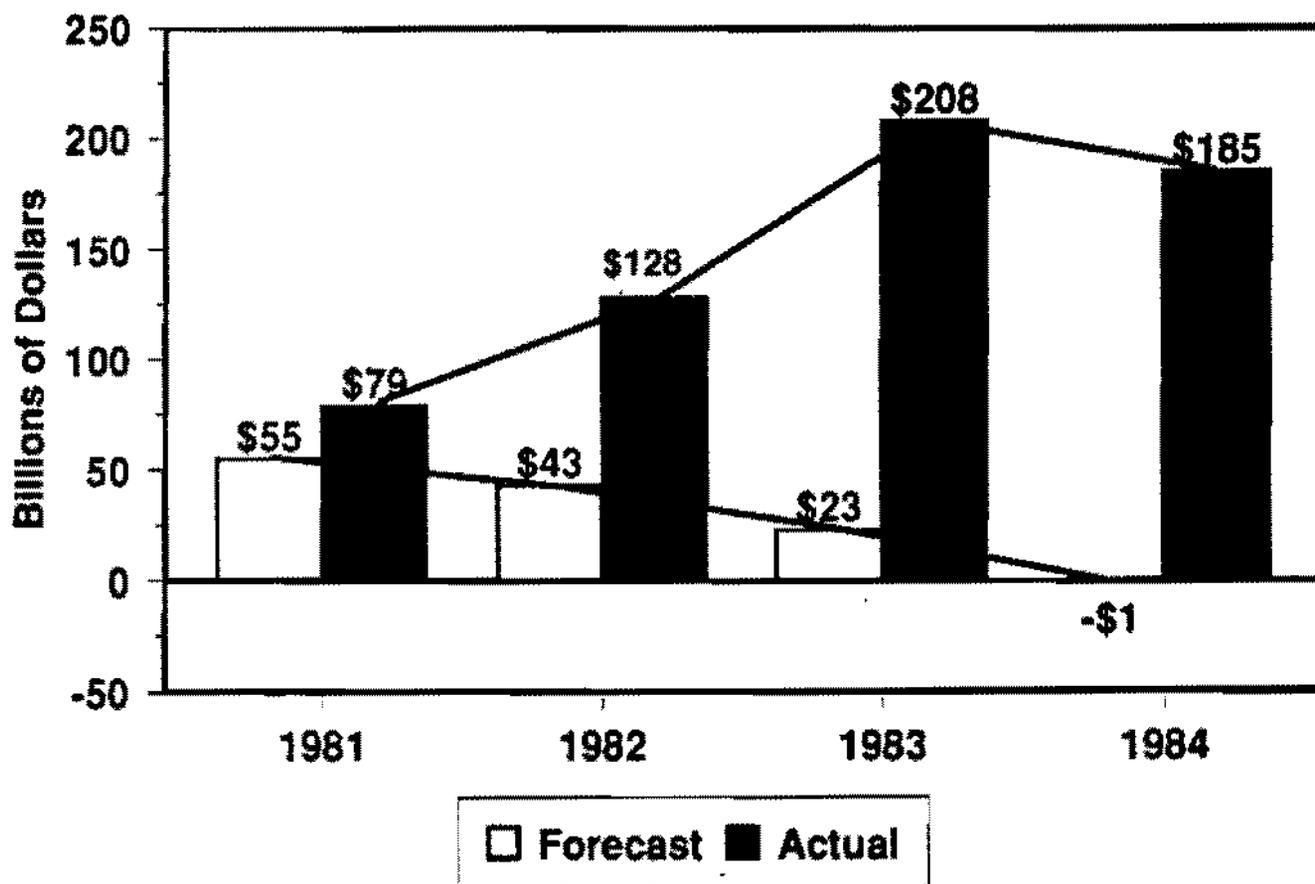
Source: Office of Management & Budget; Congressional Budget Office

Chapter One--The Reagan Deficit Legacy

Chart 2 demonstrates the difference between promise and performance of President Reagan's economic policies. In 1981, President Reagan submitted his famous supply-side budget, which doubled military spending and cut revenues. Congress was told that with passage of that package, the deficit would drop from \$55 billion in 1981 to zero in 1984. Instead, the deficit almost quadrupled.

Chart 2

Reagan Administration Promises vs. Performance on Deficits, Fiscal Years 1981-1984



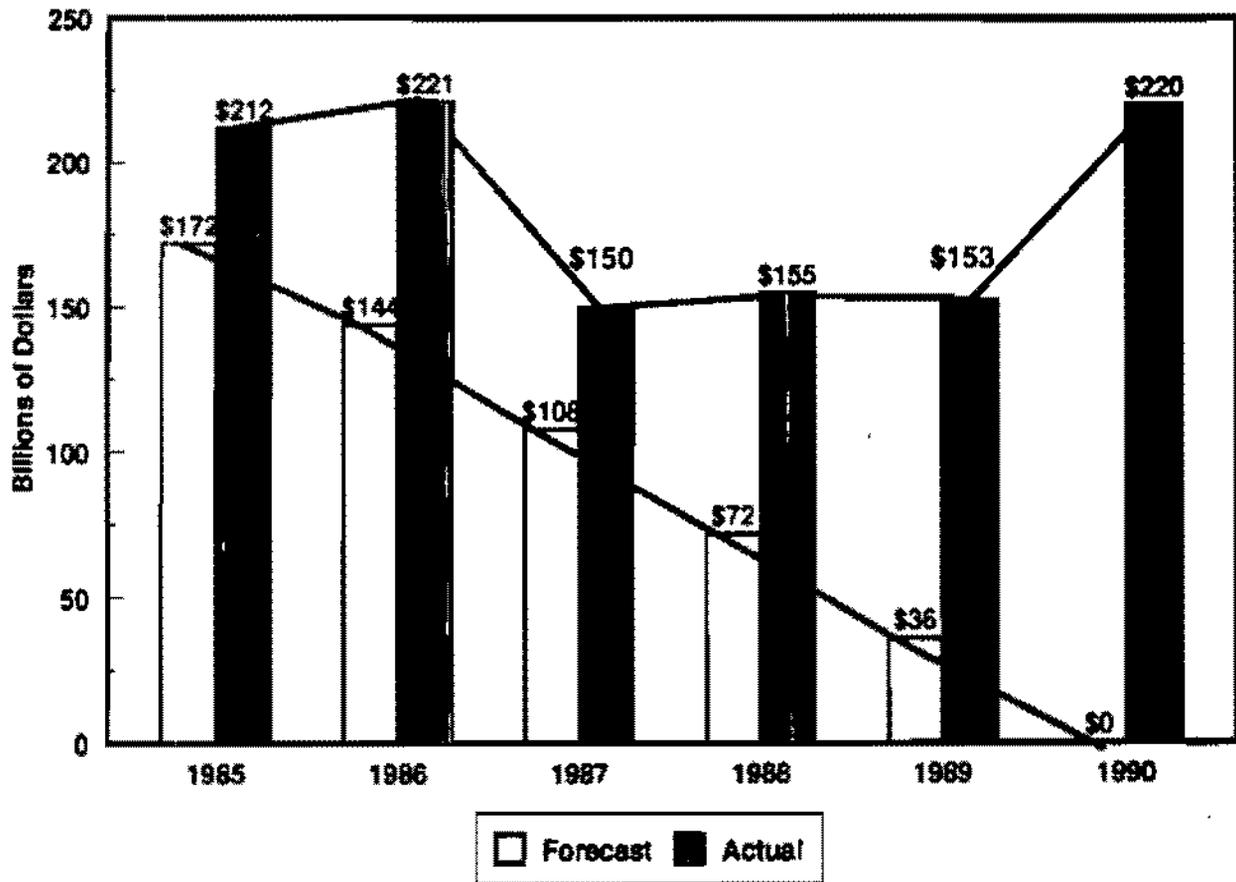
Source: Office of Management & Budget, Joint Economic Committee

Chapter Two--Gramm-Rudman I

The Reagan Administration then tried a second strategy to control those deficits by supporting the Gramm-Rudman magic budget fix. Chart 3 compares what was promised in that package with what actually happened. Congress was told that if Gramm-Rudman was passed that the budget deficit would decline in nice, neat increments, from \$172 billion in 1985 to zero in 1990. But, as the chart demonstrates, the deficit never dropped below \$150 billion, and eventually rose to \$220 billion in 1990.

Chart 3

Reagan Promises vs. Performance Under Gramm-Rudman I Budget Deficits, Fiscal Years 1985-1990



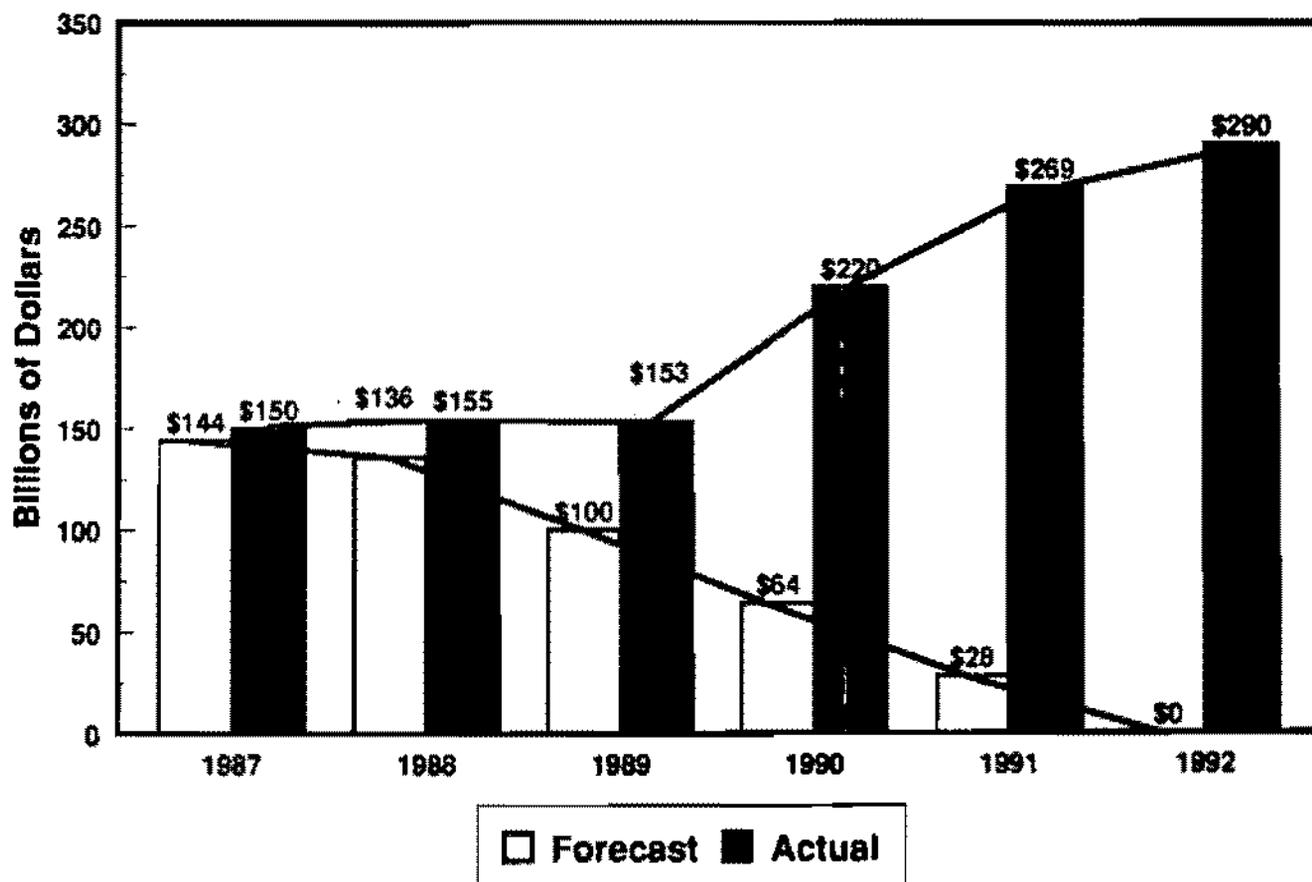
Source: Office of Management & Budget, Joint Economic Committee

Chapter Three--Gramm-Rudman II

When Gramm-Rudman I didn't achieve the promise of deficit reduction, the Reagan Administration then endorsed a second version of Gramm-Rudman, in yet another attempt to control the deficit. As Chart 4 shows, Congress was once again promised that the deficit would fall to zero--in 1992--under the new game plan. But again the gap between promise and performance continued, producing last year's deficit of \$290 billion. The 1990 budget summit agreement was supposed to address this problem, but the economy sagged, and deficits rose.

Chart 4

Reagan-Bush Promises vs. Performance Under Gramm-Rudman II Budget Deficits, Fiscal Years 1987-1992



Source: Office of Management & Budget, Joint Economic Committee

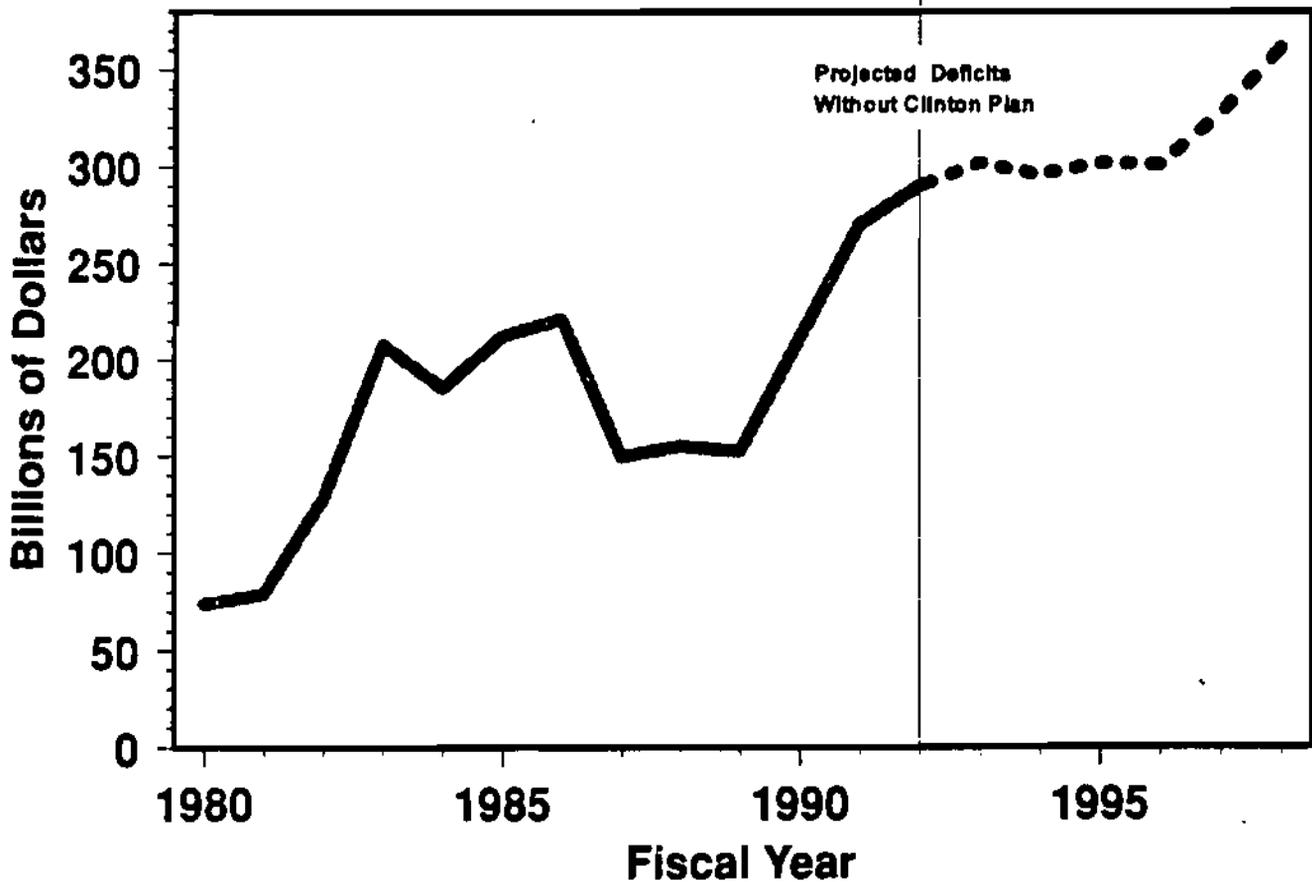
A New Direction

President Clinton has now proposed a plan of action to reverse the upward trend of the deficit, and we will be voting on a key part of that proposal this week.

Chart 5 demonstrates that under policy trends inherited by President Clinton, deficits will continue to rise, from \$290 billion in 1992 to \$361 billion in 1998. To begin to get control of those deficits, the President has proposed the largest deficit reduction in history.

Chart 5

Inherited Deficit Projections Budget Deficits, 1980-1998



Source: CBO

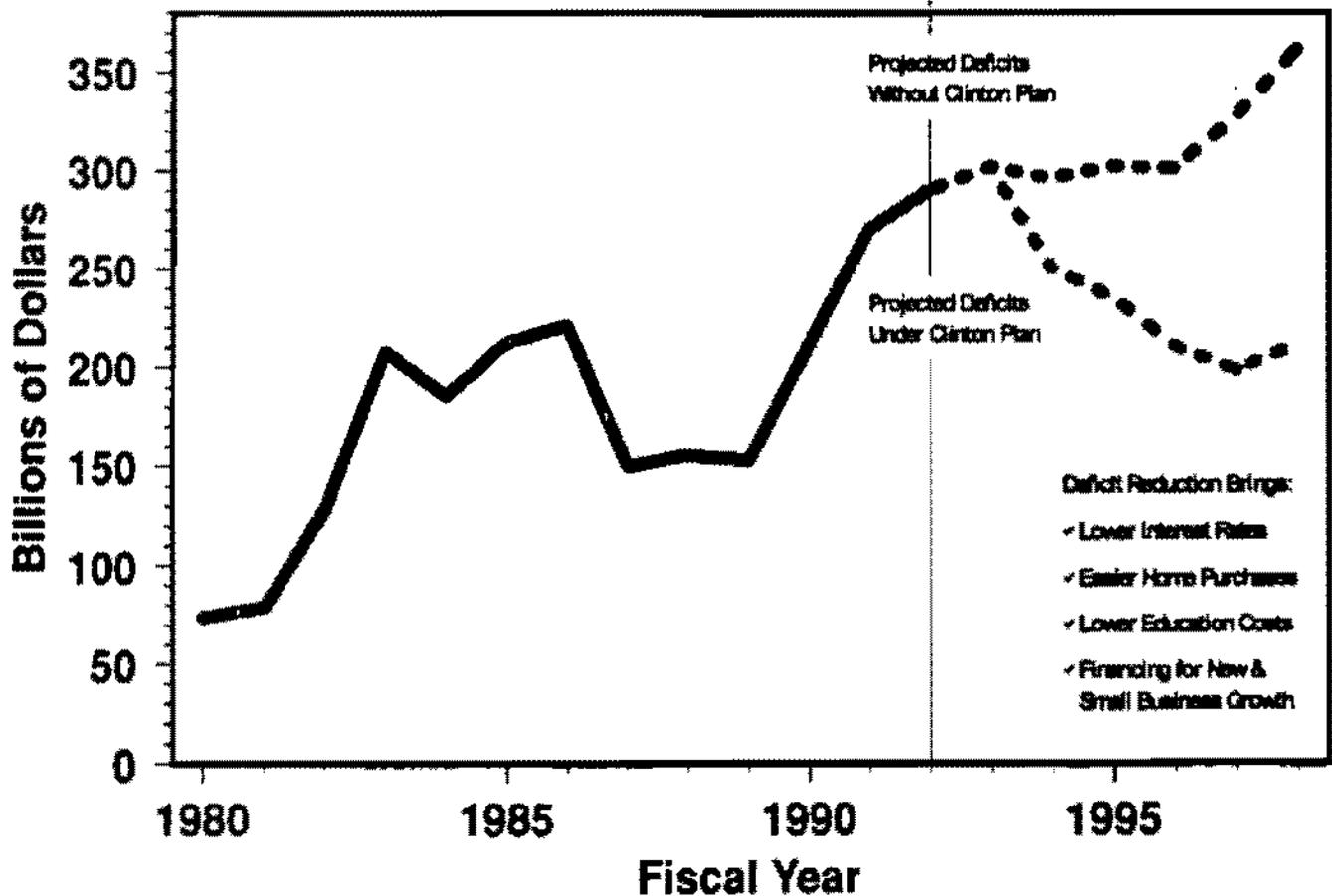
President Clinton's Deficit Reduction Proposal

As Chart 6 shows, if the President's plan is adopted, the deficit is expected to be \$150 billion less in 1998 than it would be if we continue inherited policies. This would cut the deficit almost in half as a percentage of GDP. But now some critics are saying that the President's plan "doesn't cut the deficit enough," or that "the mix of tax and spending cuts isn't right."

Many of these critics are the same people who earlier missed by a country mile in matching their deficit reduction promises with actual performance. The President's plan may not be perfect, but if it is not nit-picked to death, it would be the largest deficit reduction in history. The President's proposed plan looks especially good when compared to the missed-by-a-mile record of his critics over the last 12 years.

So Chart 6 demonstrates the necessity to pass President Clinton's plan. It also demonstrates the need to follow it up with action to reform health care and control costs. Without such reform, runaway health care costs will devour any deficit reduction actions in outer years.

Chart 6
A New Direction
Budget Deficits 1980-1998



Source: CBO; House Budget Committee

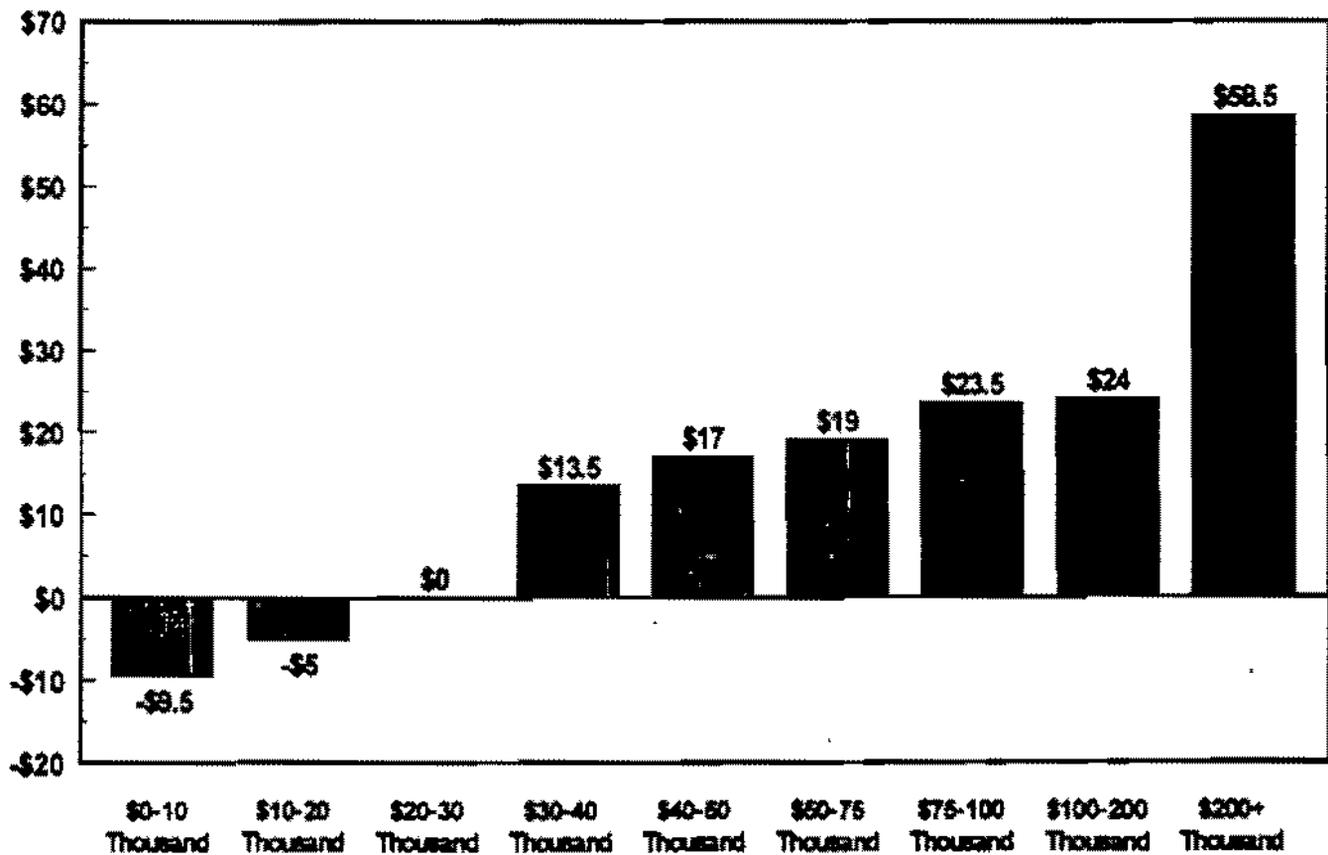
The reduction in the deficit will do more than just save budget dollars. Because of reduced interest rates, a lower deficit will make it easier for first-time home buyers to purchase a home, for families to send their kids to school, and to finance new and small business growth.

The BTU Tax

The President's critics are also objecting to his plan because they don't like the BTU tax. Who does? We would all prefer lower taxes, but honest politicians will admit that the deficit will not be cut without both spending cuts and tax increases, and that the BTU tax is a small price to pay compared to the alternative. For example, for those earning \$40,000, the increase in direct energy costs from the BTU tax is estimated to be only \$9 per month when fully phased in. And the total monthly impact of the BTU tax on those families, including any indirect effects, is projected to be \$1 in the first year, \$7 in the second year, and \$17 when fully phased in by 1997, as shown in Chart 7. That is not pleasant, but it is modest indeed compared to the cost of continuing to avoid hard choices. It is certainly more fair than requiring more reductions in programs such as Social Security, as has been suggested by some in the Senate.

Chart 7

Average Additional Monthly Direct & Indirect Costs Under Proposed Energy Tax in 1997*



Source: Treasury Department

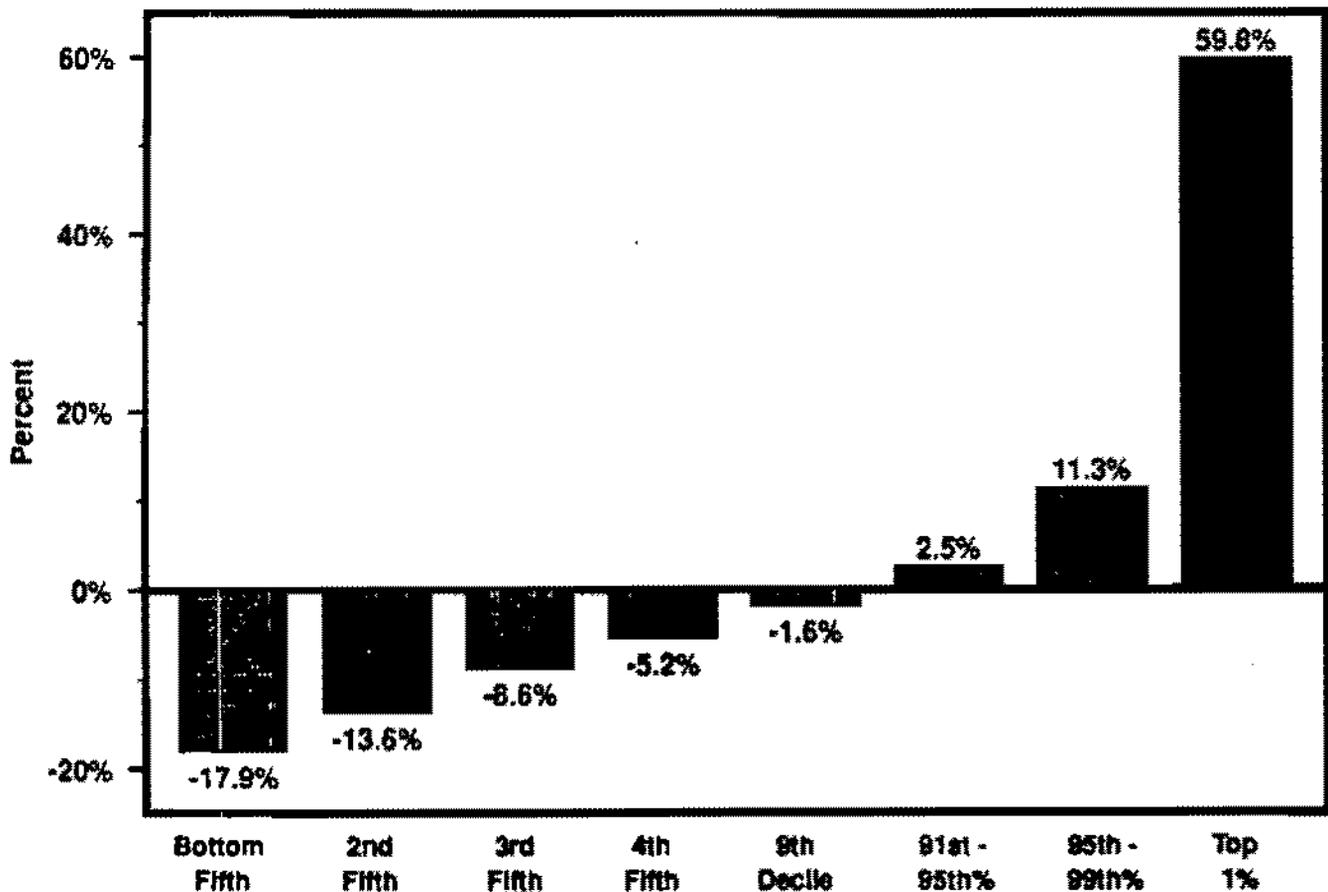
*Including low income offsets.

And for the first time in 12 years, a budget plan presented by a President is fair to working Americans. The lion's share of the tax increases under the President's plan fall where they should--on the wealthiest Americans, who saw their incomes skyrocket during the 1980s. Seventy-five percent of the total increase in taxes come from the top six percent of Americans, those earning over \$100,000. That is a far cry from the distributional burden of policy choices imposed in the 1980s.

Who Got What In The 1980s

Chart 8 shows who won and who lost during the 1980s, while deficits were soaring. The top one percent increased their share of the nation's income by a huge amount -- almost 60 percent -- while 90% of Americans saw their share decline.

Chart 8
**Change in Share of Income
by Income Group, 1979-1989**



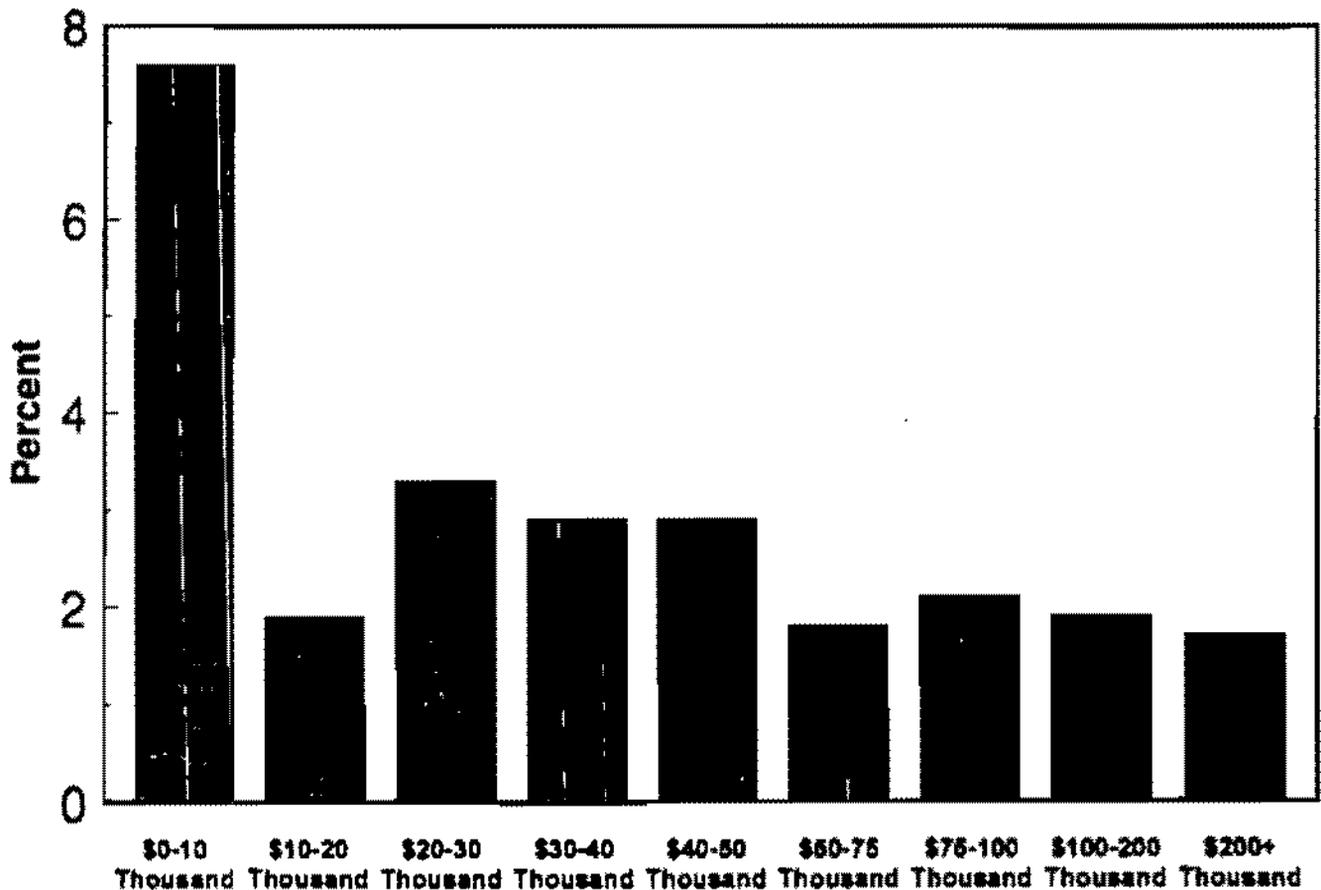
Source: Joint Economic Committee

Added Tax Burdens Under The Original Bush Budget Summit Recommendations

It is appropriate to contrast the distribution of tax burden under President Clinton's approach to the original 1990 Bush budget summit plan. Chart 9 shows the additional tax burden that each income bracket was asked to bear under the 1990 budget summit endorsed by President Bush. It shows that taxpayers earning between \$20,000 and \$40,000 were asked to endure a tax hike that was at least 50 percent larger than was asked from those making over \$200,000. And the poorest Americans were asked to bear a tax increase almost four times as large as the wealthiest.

Chart 9

Increases in Average Monthly Taxes By Income Group Under Original 1990 Bush Summit Plan



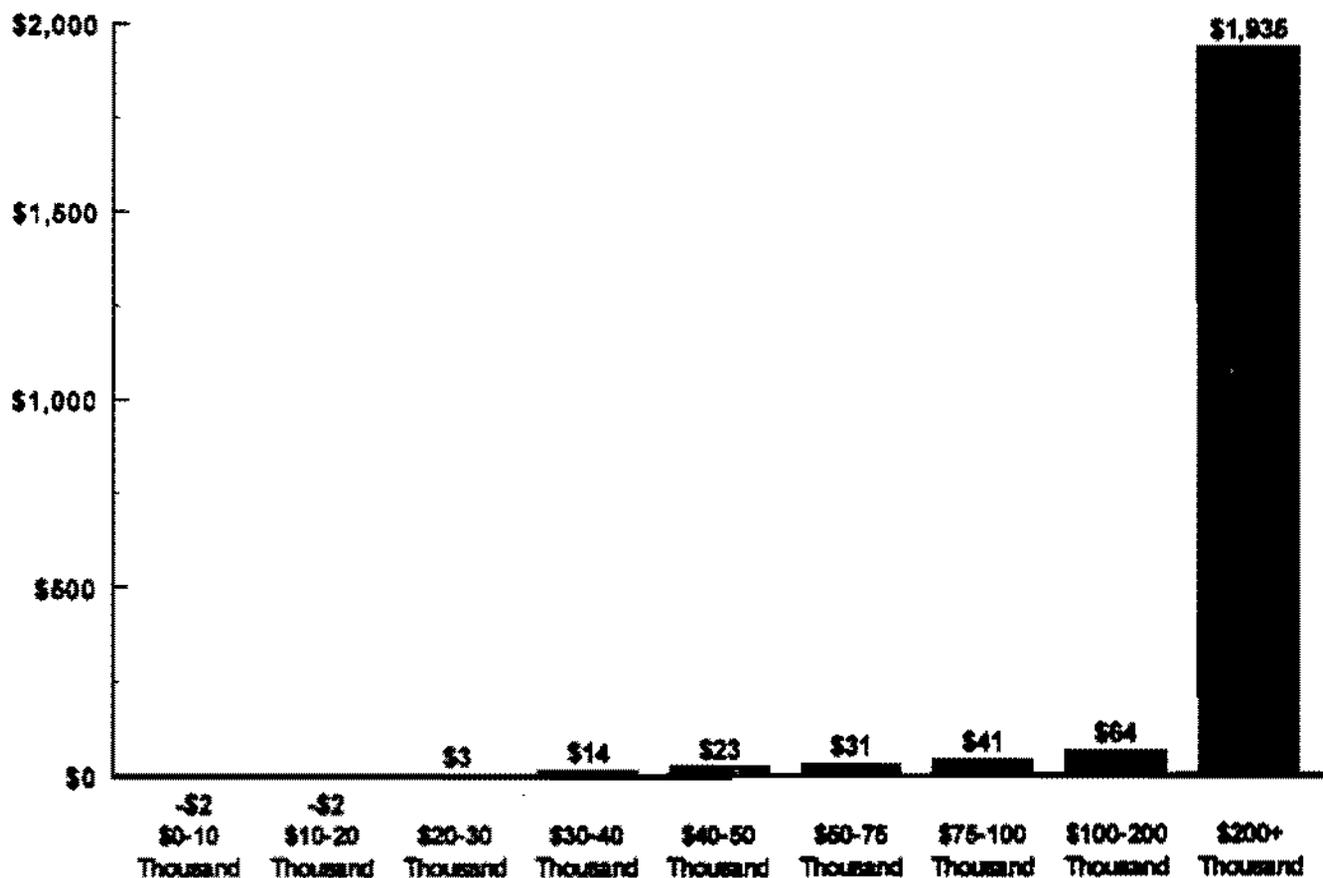
Source: Joint Committee on Taxation

Distribution Under Clinton Plan

In contrast, chart 10 shows where the tax burden is expected to fall under the President's program. The total change in average monthly taxes for most Americans will be very small--only \$3 per month for those earning between \$20,000 and \$30,000. Even those earning between \$100,000 and \$200,000 will only see their taxes rise by \$64 per month. But those earning over \$200,000, the wealthiest 1.3 percent of Americans, will see their taxes increase by \$1,935 per month. Those Americans are the ones who enjoyed huge income increases in the 1980s, and they should now be asked to pay their fair share for the good of the country.

Chart 10

Monthly Contribution By Income Group Under President Clinton's Deficit Reduction Plan*



Source: CBO, 5/18/93

*When Fully Phased In In 1998