



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 27, 1993

THE DIRECTOR

M-93-05

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: Testimony Before Congress on Fiscal
Year 1994 Budget Matters

As the Congress begins its legislative work, we anticipate that Executive branch officials will be asked to testify on matters related to the Administration's Fiscal Year 1994 Budget. Because we are currently formulating the President's 1994 Budget, it is important to ensure that the Administration's policies are communicated clearly to Congress.

Accordingly, we request that any such testimony, both written and oral, make clear that the Administration's position on funding for specific programs or activities is currently under development. The drafting of testimony in this manner will facilitate its timely clearance by OMB. Your assistance in ensuring that this guidance is followed will be appreciated. Thank you.



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

THE DIRECTOR

January 29, 1993

OMB BULLETIN NO. 93-07

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Guidance on Preparation of the FY 1994 Budget

This Bulletin provides guidance for preparing the FY 1994 Budget, including instructions on the process by which agencies may appeal Presidential decisions. Also included are instructions for constructing the FY 1994 Budget data base.

The schedule for preparation of the FY 1994 Budget is based on transmittal to the Congress on February 17th of a summary document providing the Administration's economic plan and transmittal of the FY 1994 Budget on March 23rd.

Presidential decisions on policy proposals will be provided to agencies on Thursday, February 4th. Agency heads may appeal specific savings proposals by proposing alternatives that achieve the same amount of savings, or specific investment/economic stimulus proposals by proposing alternatives that provide for comparable investment or economic stimulus. Agency appeals are due to OMB by Monday, February 8th. All appeals must be resolved by Thursday, February 11th.

With such a short time available for completion of the FY 1994 Budget, it is essential that the above deadlines be met. A schedule listing all deadlines is attached. Your cooperation and assistance in this effort will be appreciated.



Leon E. Panetta
Director

Attachments

Instructions on the Appeals Process

1. **Purpose.** This attachment provides instructions on the process by which agencies may appeal decisions passed back to them on the FY 1994 Budget in early February.
2. **Passback process.** As indicated in Attachment C, passback of Presidential decisions is scheduled for Thursday, February 4, 1993. Decisions will be passed back as changes ("deltas") from baseline estimates and as agency passback levels, as calculated by OMB.

For the nondefense discretionary category (i.e., domestic and international discretionary), these changes will be calculated as deltas from a baseline revised by OMB to reflect economic assumptions released January 29, 1993.

For the entitlement category (i.e., direct spending), changes from the baseline will be deltas from the BPS baseline that supported the Bush budgetary statement.

Defense passback and appeals will be handled on a separate track.

3. **Appeals policy.** Agency heads have the option of appealing individual passback items by proposing specific alternatives that achieve the same amount of outlay savings, or in the case of investment or economic stimulus options, that provide comparable increases in investment or economic stimulus.
4. **Timing and submission requirements.** Agency appeals of passback decisions are due to OMB by c.o.b., Monday, February 8, 1993.

A. **Appeals request format.** Appeals requests should be submitted by agencies in accordance with the instructions in this attachment in the format of the attached exhibit. Appeals requests should be reported on separate sheets of paper for any of the following four options, as appropriate: nondefense discretionary savings, entitlement savings, stimulus options, and investment options. The agency and category (i.e., nondefense discretionary or entitlement) should be identified in the center heading of the request. Information should be reported for FYs 1993-1998, in millions of dollars. Savings amounts should be shown as negatives; increases due to stimulus and investment options as positives.

On appeals requests, economic stimulus options are defined as proposals to stimulate the economy through increases in FY

Instructions for Preparing the BPS Data Base
for the FY 1994 Budget

1. **Purpose.** This attachment provides instructions on updating the Budget Preparation System (BPS) to reflect FY 1994 budget proposals.

2. **Background.** In November and December, the BPS data base was updated and used to prepare the final budgetary statement of the Bush Administration. For that purpose, the data base was revised to reflect past year actuals, enacted current year amounts, and baseline estimates through FY 1998. This data base will be revised to reflect President Clinton's FY 1994 budget proposals and will be the basis for the FY 1994 Budget to be transmitted to the Congress on March 23, 1993.

3. **Timing and submission requirements.** Agencies are required to provide data:

- for any proposed changes to FY 1993 enacted amounts in BPS policy data sections (i.e., supplementals, rescission proposals, legislative proposals);
- for FYs 1994-1998 policy estimates in BPS policy data sections; and
- for FYs 1993-1998 baseline estimates revised to reflect final economic assumptions (January 29, 1993) in BPS baseline sections.

Attachment C provides a schedule for update of the BPS.

Data will be entered directly by agencies into the BPS. The BPS is expected to be available for data entry on Wednesday, February 3, 1993. Agencies will be able to access all data in BPS data sections, except as noted in section 4.

For those agencies without access to BPS, copies of computer listings will be provided by the agency's OMB representative. These agencies will mark up and return two copies of the computer listings. (Changes will be made by drawing a single line through any amount to be changed and entering the revised amount above it.)

Agencies are instructed to update the BPS in two stages in the following order: (1) revision of baseline estimates to reflect final economic assumptions (dated January 29, 1993); and (2) an update to reflect FYs 1994-1998 policy estimates.

the new account. Agencies will not be able to delete PY and CY data lines from the BPS. As a result, agencies will need to inform their OMB representative so that PY and CY data can be deleted or changed centrally by OMB.

D. Locking of other BPS fields. In addition to locking of PY and CY amount fields, BPS fields for the mandatory/discretionary category, pay/non-pay, grant/nongrant, exempt/sequestrable, and other codes reported in these fields will be locked. Agencies are required to report any proposed changes to their OMB representative so that coding in these fields can be changed centrally by OMB.

5. Basis for estimates for FYs 1994-1998. Estimates should be prepared in accordance with OMB Circular No. A-11. Agencies should ensure that all discrepancy messages generated by BPS data entry are resolved before the BPS data base locks.

Policy estimates should reflect the passback, as revised by appeals approved by OMB.

Agencies should note that the special treatment for budget year (BY) character classification data required for the Bush budgetary statement no longer applies. Agencies should develop BY outlay data for the character classification on a policy basis (rather than a baseline basis) and enter the data into BPS data section C.

Baseline estimates will be updated for revised economic assumptions released on January 29, 1993. These assumptions will be provided to agencies under separate cover. All mandatory and discretionary program estimates for FYs 1994-1998 will be updated based on these economic assumptions, as described below.

For discretionary baseline estimates, revisions to budget authority and outlays new and prior will be calculated separately by OMB and automatically loaded into BPS. (The only exception is for accounts in the national defense function; outlays from obligated and unobligated balances in FY 1995 will not be updated.) OMB will calculate revised estimates of pay and nonpay budgetary resources for each discretionary account by inflating the FY 1993 amount by the revised pay and nonpay inflators. In most cases, the amounts calculated by OMB should be correct, and agencies should consult with OMB before changing them. The revised estimates of outlays new and prior should also be reasonable, because they were calculated using the spendout rates entered in BPS for the Bush budgetary statement. Agencies should review and correct these estimates, and they should change all other baseline data in BPS to be consistent with the revised estimates.

Schedule for Preparation of the FY 1994 Budget

Final economic assumptions released.....Fri., Jan. 29

Agencies to update baseline estimates.....Feb. 3 - 11

Passback of Presidential decisions
to agencies.....Thu., Feb. 4

Agency appeals due to OMB.....Mon., Feb. 8

All appeals resolved.....Thu., Feb. 11

Agencies to provide policy estimates.....Feb. 11 - 23

Summary document to GPO.....Mon., Feb 15

Transmittal of budget summary document.....Wed., Feb. 17

Agencies locked out of BPS.....Tues., Feb 23

Detailed budget documents to GPO.....Fri., Mar. 12

Transmittal of detailed budget documents.....Tues. Mar. 23

Amounts should be reported as deltas from the baseline.

Appeals Request
Department of Agriculture
(In millions of dollars)

Category: Nondefense discretionary

Appeal of Passback decisions (1)	Func- tion (2)	Type of Option (3)	1993		1994		1995		1996		1997		1998	
			BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
			(4)		(5)		(6)		(7)		(8)		(9)	
Reduce Ag. Research/ Extension by 10%	350	savings			-166	-104	-173	-154	-179	-168	-186	-180	-193	-189
Eliminate Special Extension grants	350	savings			-13	-13	-13	-13	-14	-14	-14	-14	-15	-15
Ag. user fees					-36	-62	-80	-78	-123	-119	-167	-159	-210	-201
Total, savings options					-215	-179	-266	-245	-316	-301	-367	-353	-418	-405
Alternative proposals														
Eliminate Ag facilities construction	350	savings			-200	-167	-250	-230	-300	-285	-350	-336	-400	-387
Reduce funding for ERS	350	savings			-15	-12	-16	-15	-16	-16	-17	-17	-18	-18
Total, alternative proposals					-215	-179	-266	-245	-316	-301	-367	-353	-418	-405

Agencies should also provide supporting information that describes alternative proposals and discusses pros and cons compared to passback decisions.

Total outlays for alternative savings for any year should be no less than total outlay savings appealed for that year.



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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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February 8, 1993

BUDGET DATA REQUEST NO. 93-38

MEMORANDUM TO: Program Deputy Associate Directors
Assistant Director for General Management
Deputy Controller for Management
Assistant Director for Legislative Reference
Deputy Assistant Director for General Management

FROM: Richard P. Emery, Jr. *RPEA*
Deputy Assistant Director for Budget Review
and Concepts

SUBJECT: Decisions for the FY 1994 Budget

Due Date: 2:00 P.M., Tuesday, February 9, 1993

Affected Divisions: All

BRCD Contacts: Bev. Thierwechter (room 6206, ext 5805) or Mary Wagner (room 6206, ext.1579)

Background: The Director intends to call the 14 cabinet departments tomorrow evening, Tuesday, February 9th, to provide the general outline of Presidential decisions for the FY 1994 Budget. Talking points, prepared by the program divisions, are needed to guide the Director in these calls to the cabinet departments.

Program divisions will provide more detailed guidance to cabinet departments and other agencies on Wednesday, February 10th.

In addition, a memorandum to the heads of agencies has been drafted to provide them with general information on passback, including the across-the-board reductions related to administrative overhead, FTE reductions, etc. (Program divisions have seen an earlier version of this generic guidance.)

Purpose:

- To collect talking points from the program divisions for use by the Director in providing passback information to cabinet departments.
- To inform program divisions that a more detailed passback to agencies by divisions will occur on Wednesday, February 10th.
- To collect comments on the attached draft memo from the Director.

Action required: (a) Program divisions are required to provide the Director with talking points for discussions with cabinet secretaries on Tuesday evening. The talking points should:

- be no more than five or six bullets;
- discuss major funding levels, by category, for the agency for FYs 1993-1998;
- discuss major stimulus, investment, and savings proposals, and other significant policy matters, as appropriate;
- indicate that reductions to be specified in FTE and administrative costs must be achieved in order to fulfill the President's commitment to streamlining the Federal government; and
- be appropriate in tone and level of detail for a discussion between the Director and a cabinet secretary.

(b) Program divisions should also prepare for the more detailed passback they will make to cabinet departments on Wednesday, February 10th, as well as for passback to other agencies on that date.

(c) Program divisions may also wish to comment on the draft memo to agencies attached to this BDR.

Attachment

DRAFT February 8, 1993

M-93-

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta

SUBJECT: The President's Decisions on the FY 1994
Budget

This is to inform you of the President's decisions on policy proposals to be included in the FY 1994 Budget. These decisions focused on four specific areas: economic stimulus proposals, investment, nondefense discretionary savings, and entitlement savings. In addition, these decisions assume that budget authority for discretionary programs not affected by stimulus, investment, and savings proposals are frozen at the FY 1993 level for FYs 1994-1998. More detailed guidance on these decisions and a revised schedule listing deadlines are attached.

Note that agency heads may propose to reallocate resources for programs not affected by specific passback proposals, as long as the total agency budget authority affected by the freeze is not exceeded. Agencies are required to consult with OMB and reach agreement on the details of any reallocation of resources within freeze levels by Thursday, February 18th.

Your cooperation and assistance in this effort will be appreciated.

Attachments

REVISED DRAFT February 8, 1993

**Guidance on the
Passback and Preparation
of the FY 1994 Budget**

General. Passback for the FY 1994 Budget is for the five year period, FYs 1994 - 1998. In addition, decisions on economic stimulus proposals will be passed back for FY 1993.

The decisionmaking process focused on options in four areas: stimulus options, investment options, nondefense discretionary savings, and entitlement savings. Decisions were based on baseline estimates and the impact of various options on the baseline (i.e., changes ("deltas") to the baseline).

Economic stimulus options are proposals to stimulate the economy through increases in FY 1993 budget authority and outlays and the spendout of those outlays in FYs 1994-1998. Investment options are proposals to support President Clinton's themes on rebuilding America, lifelong learning, private sector incentives, health care, and rewarding work, which increase budget authority and outlays during FYs 1994-1998. Investment options should reach their investment goal by FY 1997.

For nondefense discretionary (i.e., domestic and international discretionary accounts) and defense discretionary (except DOD-Military), the baseline from which proposals for changes were measured is based on final economic assumptions (released January 29, 1993). For entitlements (i.e., direct spending), proposals for changes were measured from the baseline and economic assumptions supporting the Bush budgetary statement. The technical assumptions from the Bush statement were also be used.

In addition, for programs not affected by stimulus, investment, or savings proposals, discretionary budget authority is frozen at the FY 1993 level for FYs 1994-1998.

Supplemental appropriation language for stimulus proposals. For any stimulus proposals affecting your agency, supplemental appropriations language must be submitted no later than Saturday, February 13, 1993.

After passback. Since the specific stimulus, investment, and savings proposals included in the passback have been reviewed by

the National Economic Council and approved by the President, no appeals of these items will be considered. (Agencies should note that this guidance supersedes the appeals guidance provided in Attachment A of OMB Bulletin No. 93-07, dated January 29, 1993.)

Within the discretionary freeze levels, your agency has the flexibility to allocate resources at the account level, as long as the total discretionary budget authority affected by the freeze is not exceeded. Your agency is required to consult with their OMB representatives on the detailed distribution of these proposals by account and reach agreement with OMB on the account level budget authority and outlays by no later than Thursday, February 18th. By that time, agreement should be reached on budget authority and outlay levels for all accounts (including those that are not affected by Presidential priorities or the BA freeze.)

OMB Circular No. A-11 requirements for clearance of Congressional justification materials and testimony will apply, as usual.

Update of the budget data base. Agencies are instructed to complete the data base for the FY 1994 Budget by Friday, February 26th.

The data base update will be done in two stages:

- revision of baseline estimates to reflect final economic assumptions (January 29, 1993) by February 11th; and
- an update to reflect FYs 1994-1998 policy estimates by February 26th.

Agencies should refer to OMB Bulletin No. 93-07 on the specifics of the BPS update. (Note: Revised discretionary baseline estimates were calculated by OMB and automatically loaded into BPS in BPS data sections S and T. Agencies should consult with OMB before changing the revised discretionary baseline estimates. Agencies are responsible for revising mandatory baseline estimates to reflect final economic assumptions.)

Appendix print materials. Reprinted galleys with enacted FY 1993 appropriations language (and past and current year BPS data) were forwarded to agencies the first week in February.

Crosscutting Areas

Administrative efficiency. Overhead-type outlays are reduced by .5% in FY 1994, 1.5% in FY 1995, 2.5% in FY 1996, and 3% in FYs

1997 and 1998. For your agency, the total dollar amount of the reduction will be passed back. Your agency has the discretion to allocate the reduction among accounts, as long as the agency dollar reduction target is met.

Overhead is defined as expenditures for contractual services and supplies (object class 20 series), which include travel and transportation of persons (21.0); transportation of things (22.0); rental payments to GSA (23.1); rental payments to others (23.2); communications, utilities and miscellaneous charges (23.3); printing and reproduction (24.0), consulting services (25.1); other services (25.2); and supplies and materials (26.0).

To avoid double counting intragovernmental expenditures, non-interest offsetting collections from Government accounts were deducted from the obligations base before the reductions were calculated.

FTE reduction. Total Executive Branch civilian full-time equivalent employment is reduced by 1997 by 100,000 from the FY 1993 level. The reduction is phased in over the FY 1994-1997 period as follows: -.77% in FY 1994, -2.31% in FY 1995, -3.85% in FY 1996, -4.61% in FYs 1997 and 1998.

For your agency, the total dollar amount of the reduction and number of FTE to be reduced will be passed back. Your agency has the discretion to allocate these reductions among accounts, as long as the agency dollar and FTE reduction targets are met.

[Federal pay raise policy estimates. Federal civilian employee and military personnel pay raises, effective in January, are reduced by 1% each year from FYs 1994-1997. The 1% reduction is taken in the national schedule adjustment that is based on the Employment Cost Index (ECI). For example, the 1994 ECI-based adjustment, now set at 2.2%, is reduced to 1.2%. Pay increases for prevailing rate (blue collar) employees are limited to the ECI-based increase for General Schedule employees. Agency passbacks provide full funding for all pay raises, excluding locality increases, which are discussed below. Pay raise percentage assumptions for outyears will be issued separately.

Locality pay raises for civilian employees will be reflected as a government-wide allowance, rather than distributed by agency. Locality increases for military personnel will be reflected as an allowance under DOD-Military.]

Evaluation of stimulus spending. Your agency will review the outlay impact of its stimulus programs, and starting one year after the initiative begins and every six months for the next

three-year period, will provide an evaluation of the program to OMB. Each evaluation will determine for each quarter of the previous six month period: the number of jobs created directly; the Federal cost per job created; the targeting of jobs to areas of greatest hardship; and revisions and updates of earlier reports. Other benefits and costs of the program should also be included. Evaluation plans (to include the methods and procedures to determine whether the anticipated benefits were actually achieved or realized) will be submitted to your OMB contacts within 90 days after the initiative begins.

Evaluation of investment spending. Your agency will review the outlay impact of its investment programs using OMB Circular No. A-94 (October 29, 1992) for guidance. Within 90 days after the initiative begins, an evaluation plan should be submitted to your OMB contacts to assess the manner and extent that the anticipated benefits were actually achieved or realized, or other forms of analysis which are appropriate for determining impact.

Issues in Coordinated Federal Geographic Data Management. OMB supports the Spatial Data Transfer Standard recently adopted by the National Institute of Standards as FIPS 173. Widespread use of the standard will improve governmental efficiency and reduce duplication of effort and unnecessary costs. Your agency is reminded that it must be in compliance with this standard by February 1, 1994. Agencies are encouraged to comply with that standard sooner if practicable.

OMB endorses the policy statements for Federal geographic data sharing that were announced by the Federal Geographic Data Committee on July 9, 1992.

Member agencies of the Federal Geographic Data Committee should be aware that they may shortly receive, under separate cover, a request from OMB for budgetary information on geographic data acquisition and management.

Federal Coordinating Council on Science, Education, and Technology (FCCSET) Initiative. Funding for the FCCSET initiatives is not being passed back at this time. Funds will be made available to appropriate agencies once decisions are made about which initiatives will carry over and any new ones to be designated by this Administration.

Attachment B

Schedule for Preparation of the FY 1994 Budget

Final economic assumptions released.....Fri.,Jan. 29

Agencies to update baseline estimates.....Feb. 3 - 11

Presidential decisions
provided to agencies.....Feb. 9 - 10

Agencies to provide detailed estimates
for policy proposals.....Feb. 11 - 26

Supplemental appropriation language
for stimulus proposals due.....Sat., Feb.13

Summary document to GPO.....Mon., Feb.15

Transmittal of budget summary document.....Wed.,Feb. 17

Agencies reach agreement with OMB
on account-level detail.....Thur.,Feb 18

Agencies locked out of BPS.....Fri., Feb 26

Detailed budget documents to GPO.....Fri.,Mar. 12

Transmittal of detailed budget documents.....Tue.,Mar. 23

**TESTIMONY OF LEON E. PANETTA
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 18, 1993**

Mr. Chairman, it's a pleasure to be back home. Before I begin, I want to take a moment to congratulate you on your election as Chairman, and also congratulate Mr. Kasich on his selection as ranking minority member. I look forward to working with you both as we seek to implement the bold new economic program the President has proposed for our country.

As you know, the program you have before you is not a complete budget. We are aiming to publish a full budget on March 23. The Clinton Administration is the first new Administration ever to be required by law to submit a complete budget. I am sure you can understand the difficulty of accomplishing that within only a few weeks. Nevertheless, because of the extraordinary process that the President and members of his economic team have gone through over the past several weeks, we have provided a substantial amount of specific information in this document, enough, I hope, for the Committee to begin its work on a budget resolution for fiscal year 1994.

We hope that you will be able to move a budget resolution and follow up with a reconciliation bill that implements the key elements of the President's long-term proposals. In addition, we are hoping that the Appropriations Committees will move swiftly on the economic stimulus that is a part of the economic program.

Mr. Chairman, we entitled this document A Vision of Change for America. That title reflects my beliefs about what the American people want from us here in Washington. Americans did not vote last November for the status quo. They voted for change. They were concerned about the current state of the economy, and they were concerned about our country's future, about the legacy we will provide for our children. Those concerns are alive and well, and with good reason.

THE LEGACY WE INHERIT

First, the recovery from the recession has been weak at best. While we have seen some positive signs, the reality is that the recovery has been accompanied by virtually no growth in jobs. The unemployment rate is still higher than it was at what economists refer to as the trough of the recession. Twice before we have seen the recovery process begin, only to sputter when early signs of growth were not followed by solid gains in employment. This time, we must be absolutely sure that the recovery is strong and durable enough to put Americans back to work.

But America's problems are deeper than a temporary lull in economic activity. The American people worry about the future, because they know that our economy and our society are unprepared for the challenges that face us and our children in the 21st century. They worry what kind of economic opportunity our children will have. They wonder whether the next generation will be the first to have lower standards of living than the one that preceded it.

The fact is, to raise standards of living, we must aim for better jobs at higher wages. We must add to our economy's capacity to create a better life for all. To do that, we must improve the productive capacity of our workers. And to do that, we need to close the investment deficit in our economy, the lack of adequate public and private investment in our people, our infrastructure, our plant and equipment, in research and development, and in new technologies that can add to productivity.

The reality is that the United States devotes a smaller fraction of gross domestic product to business investments than do the other major nations with whom we compete in the international marketplace. Likewise, American governments at all levels have been spending a decreasing share of our total resources on civilian public investment -- both physical investment and the research and development that underpins future growth. We have underinvested in education and training as well.

More investment is vital to raising the growth rate of productivity and boosting living standards. We must invest more in business capital, in public infrastructure, and in the skills of our people. Our future has been shortchanged for too long. We owe it to our children to change course now.

Finally, there is the budget deficit. The budget deficit is a major culprit in the investment deficit, because Federal borrowing drains the private resources needed to invest in our economy. Likewise, growing annual interest payments on the debt crowd out other priorities. You all know the numbers. If we do nothing to reduce deficits, they will climb well over \$600 billion over the next ten years, robbing the resources we need to make a better life for our children.

President Clinton's economic program seeks to respond to each of these problems.

STIMULUS

First, the President is proposing a \$30 billion stimulus package to strengthen and prolong the economic recovery. The focus of the stimulus package is on creating jobs by placing a down payment in the current fiscal year on the long-term investments that will create greater economic growth in the future.

We are asking that Congress pass the stimulus on an expedited schedule. We believe this plan will produce over 500,000 full and part-year jobs through investments in highways,

summer youth employment, community development, natural resource protection, summer Head Start, the WIC program, youth employment, veterans facility upgrading and energy conservation.

Some of the major components of the stimulus proposal are: \$3.0 billion in highway investments; \$2.5 billion in Community Development Block Grants; \$845 million in wastewater clean-up initiatives; \$1.0 billion in summer youth employment and training; and a temporary incremental investment tax credit.

The spending portion of the stimulus package will be within the overall discretionary spending totals for fiscal year 1993 agreed to in the 1990 Budget Agreement. It is a fiscally responsible measure that can help ensure a strong recovery.

LONG-TERM INVESTMENTS

The second component of the President's program is a four-year plan of carefully targeted public investments in economic growth and jobs. The plan provides \$160 billion over four years of investments that focus on rebuilding America through investments in infrastructure, energy and the environment, and housing; improving education and encouraging job training to enhance the current and future productivity of our people; rewarding work by taking working families out of poverty; improving health care and research; and providing incentives to the nation's businesses to invest in technology and improved productivity of people, plants and equipment.

Following are highlights of the additional investments proposed through fiscal year 1997:

REBUILD AMERICA - The Administration plan includes \$18.6 billion by fiscal year 97, \$48 billion over four years, for initiatives to restore the nation's infrastructure, environment, housing stock, and technology base.

- **Transportation** - The Administration proposes \$3.0 billion in fiscal year 1997, \$8.4 billion over four years, for initiatives that include full funding of the Intermodal Surface Transportation Efficiency Act and investments in mass transit, high speed rail, and airport improvements.
- **Technology** - The Administration proposes \$6.1 billion in fiscal year 1997, \$17.0 billion over four years for a number of investments including the National Science Foundation, science, engineering and technology grants, high performance computing, and extension of the research and development tax credit.
- **Environment** - The Administration proposes \$3.5 billion in fiscal year 1997, \$8.0 billion over four years, including \$4.5 billion for clean water and increases for

environmental technology, weatherization grants, forestry research, and natural resource protection.

- **Energy** - The proposal provides over \$1.3 billion in fiscal year 1997, \$3.0 billion over four years, for such items as energy conservation and renewable energy programs, fusion research and more energy efficient Federal buildings.
- **Housing and Community Development** - The Administration proposes \$3.1 billion in fiscal year 1997, \$9.6 billion over four years in Community Development Block Grants, enterprise zones, assisted housing, and extension of the low-income housing tax credit.
- **Rural Development** - Investments include \$620 million in fiscal year 1997, \$1.5 billion over four years, in priorities such as rural water and waste loans and grants and community and business development for rural areas.

LIFELONG LEARNING - The Administration \$15.7 billion in fiscal year 1997, \$37.8 billion over four years for programs to educate and train our people from early childhood through adulthood. Included are defense conversion measures. The following increases are for fiscal year 1997:

- National Service - \$3.0 billion
- WIC: full funding by fiscal year 1996 - \$984 million
- Head Start: full funding by fiscal year 1999 - \$3.7 billion
- Education reform and initiatives - \$3.2 billion
- Worker training - \$4.1 billion
- Youth Apprenticeship - \$500 million
- Parenting and Family Support - \$495 million

REWARDING WORK - The Administration proposes \$7.5 billion in fiscal year 1997, \$25 billion over four years, to remove disincentives for work, protect those who are temporarily unemployed and secure safer communities. These include an expanded Earned Income Tax Credit, the extension of emergency unemployment compensation benefits, and a crime initiative.

HEALTH CARE - The plan provides \$9.4 billion in fiscal year 1997, \$26 billion over four years, for improving public health programs to help families and make our workers more productive, including the following fiscal year 1997 investments:

- AIDS, women's health, and other public health initiatives - \$3.4 billion
- AIDS - Ryan White Act full funding - \$394 million
- Drug and substance abuse prevention and treatment - \$800 million
- Nutrition assistance and USDA food safety initiative - \$102 million
- Improving Social Security disability insurance processing - \$200 million

- VA Medical Care - \$1 billion

PRIVATE SECTOR INCENTIVES. The plan provides \$3.0 billion in fiscal year 1997, \$24 billion over four years, for carefully targeted incentives and initiatives to encourage investments that provide technological gains and improved productivity of plants, equipment, and people, including:

- a targeted capital gains provision
- alternative minimum tax relief for corporations
- a permanent small business investment tax credit
- real estate investment incentives

DEFICIT REDUCTION

Finally, the President is proposing the largest deficit reduction package in history. The gross deficit reduction measures in this package are almost \$500 billion over four years and over \$700 billion over five years. The plan achieves \$140 billion of deficit reduction in fiscal year 1997 and reduces the deficit as a percent of GDP from 5.4% of GDP in fiscal year 1993 to 2.7% of GDP in fiscal year 1997.

Over four years, two-thirds of the deficit reduction in the plan goes to deficit reduction, one-third to incentives.

This plan is fair, it is balanced, it is credible, and it is real. There are no accounting gimmicks. There are no rosy scenarios. Indeed, we have used the very conservative economic estimates of the Congressional Budget Office. There aren't any caps that pretend to cut spending but actually leave decisions for another day. All we did was cut spending in at least 150 ways, and raise revenues. It's all there in black and white, nothing phony, no smoke and mirrors.

And we will propose to enforce the deficit reduction by an extension of the Budget Enforcement Act, with continued caps on discretionary spending, "pay-as-you-go" requirements, and sequesters.

The plan would reduce Federal spending by \$247 billion over four years, including defense savings of \$76 billion, non-defense discretionary spending cuts of \$54 billion, and entitlement reductions of \$91 billion, along with savings in interest on the debt. In addition, revenues are increased by \$246 billion over four years.

In the fourth year of the plan, spending savings far exceed revenue increases, and that trend would continue into the out-years.

The spending savings in the President's plan are in six general categories: programs that don't work or are no longer needed; eliminating subsidies and wasteful programs and

charging fees for government services; managing government for cost-effectiveness and results; controlling health care costs; adjusting defense spending to new post-cold war realities; and asking for shared contribution from all Americans.

Please note that the President has gone first to government to reduce costs in an effort to reduce the deficit. He has ordered cutbacks in the White House staff and throughout the government. He feels strongly that if he is going to ask the American people to change, government must lead the way.

In addition, the plan provides for additional revenues, primarily by ensuring that the wealthy and corporations pay their fair share. The plan also includes a BTU-based energy tax, which will not only raise revenues to reduce the deficit but also have a positive impact on the environment, while encouraging energy conservation and independence.

Clearly, after requiring government to do its share and asking the wealthy to do their share, the President is asking most of the American people to make a contribution as well. We are counting on all Americans to support us in our efforts to make a better life for our children.

Few of these choices were easy. But this President is determined to talk straight to the American people about our problems.

As my former colleagues, I want to ask you -- when was the last time a President talked straight to the American people about the budget? When was the last time a President was willing to take on the tough decisions in every area of the budget, not just one or two.

I have sat in budget summit after budget summit. And you all know the routine. One side comes into the summit willing to make a few domestic spending cuts but unwilling to reduce defense spending or tax the wealthy. The other side comes to the table willing to cut defense and tax the wealthy, but unwilling to take on domestic spending.

No matter how you may feel about individual components of this budget, you all have to concede that this President has tossed aside the old way of doing things. He has come forward with real spending cuts in both domestic discretionary spending and entitlements, as well as defense. He has also come forward with proposals for increased revenues, with a plan that would collect some two-thirds of the increase from the wealthiest in our society. But he has had the courage -- and the leadership -- to ask all Americans to make a contribution.

This President will not run away from the tough choices. For the sake of our children, for the sake of jobs and long-term growth and higher standards of living for our people, I hope you will join us in making this unprecedented commitment to long-term investment in our economy.



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

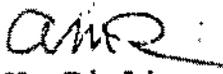
THE DIRECTOR

February 19, 1993

OFFICE MEMORANDUM NO. 93-19

MEMORANDUM FOR OMB STAFF

FROM: Leon E. Panetta
Director


Alice M. Rivlin
Deputy Director

SUBJECT: Thank You

Please accept our sincere thanks for your tireless efforts and invaluable contributions in starting the important work on the President's FY 1994 Budget. Many of you played a central role in creating A Vision of Change for America, a document which will serve as a blueprint of the President's policies.

As we produce the FY 1994 Budget for submission to Congress, and while carrying out OMB's other important activities, we will be counting on each of you to keep up the good work. And, like most of you, we are looking forward to more normal workdays.

Again, thanks.



THE DIRECTOR

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

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Chief, BAB
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cc BAB

February 23, 1993

M-93-06

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta 

SUBJECT: Additional Guidance on Preparation of the FY 1994 Budget

This is to affirm that the dollar levels and other guidance reflecting the President's decisions provided to you last week, together with the additional guidance in this memorandum, represent the President's final decisions for the FY 1994 Budget. In order to meet the deadline for submitting the FY 1994 Budget to Congress, your agency should begin immediately to develop the detail required for the budget data base. The remaining schedule for preparing the FY 1994 Budget is attached. It is imperative that all the actions indicated on the schedule be completed by the dates specified.

If there are any issues concerning the distribution of resources (budget authority, outlays, and FTEs) by account within approved agency totals, these must be resolved with OMB by Friday, February 26th. For purposes of the formal budget submission, no changes will be made to the FTE reductions specified in the President's economic and budget plan.

The President is committed to meeting the estimates contained in his economic and budget plan that he presented on February 17th. Minor adjustments may be needed in the outyear requests in order to ensure that the estimates are met. If so, your OMB contacts will inform you of these adjustments this week.

Attachment

SCHEDULE FOR PREPARATION OF THE FY 1994 BUDGET

Presidential decisions to agencies	Thurs., Feb. 18
Agencies reach agreement with OMB on account-level proposal (and any reallocation of investment or savings proposals)	Fri., Feb. 26
Agencies enter data into OMB budget data base	Feb. 26—March 12
Agencies denied access to OMB budget data base	Fri., March 12
Draft of detailed budget accounts information provided to the Congress	Thurs., March 25
Detailed budget document to GPO	Fri., March 26
Transmittal of detailed budget document	Mon., April 5



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 4, 1993

THE DIRECTOR

M-93-08

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: Testimony before Congress on the FY 1994 Budget

In the coming weeks, you and your representatives will be testifying before Congressional committees in support of the Administration's FY 1994 Budget. Before doing so, however, the following must be accomplished:

- The agency and OMB must reach agreement on account-level budget details and the data must be entered by your agency into the OMB budget database. (A schedule for completion of these steps was included in my memorandum to you on February 23rd); and
- In accordance with existing requirements and traditional practice, agency testimony and budget justification materials must be cleared by OMB.

To the extent that both of the above steps have been accomplished, testimony may be presented before the draft of the President's budget is transmitted to the Congress on March 25th.

Guidance on the clearance of testimony and budget justification materials is provided in OMB Circular No. A-11, section 12.9.

Thank you for your cooperation.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE DIRECTOR

April 16, 1993

M-93-10

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.