

**THE PRESIDENT'S ECONOMIC PLAN:**

**A BALANCED BUDGET THAT PUTS PEOPLE FIRST**

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A BALANCED BUDGET THAT PUTS PEOPLE FIRST**

**AN OVERVIEW**

The President today proposed a bold plan to balance the budget by 2005, cut taxes for middle-income Americans, and continue investing in education and training -- all to raise average living standards.

The President's plan provides a sharp contrast between his policies and those of the Republicans. The President wants to balance the budget over a reasonable period of time -- 10 years -- so he can protect Medicare, and invest in education and training and other priorities for the American people. Because Republicans balance the budget more quickly, and also provide a huge tax cut for the wealthy, they have to slash Medicare and Medicaid and cut education.

- To help raise living standards of average Americans, the President's plan will:
  - balance the budget, freeing up capital for private investment;
  - invest in education and training to give Americans skills to get high-wage jobs; and
  - take the first, serious steps to reform the health care system, expanding coverage and reducing costs for average Americans.
  
- By contrast, Republican policies will:
  - increase the "education deficit;"
  - turn Medicare and Medicaid into second-class health care systems; and
  - give huge tax breaks to the wealthy.

The President would balance the budget the right way, by eliminating wasteful spending, streamlining programs, and ending unneeded subsidies; taking the first, serious steps toward health care reform; reforming welfare to reward work; cutting non-defense discretionary spending that doesn't include the President's investments by 22 percent in real terms, while leaving room to provide increases for education, the environment, and anti-crime efforts; and targeting tax relief to middle-income Americans.

Republicans would balance the budget the wrong way: To reach balance in 7 years and provide a huge tax break for the wealthy, they would slash Medicare and Medicaid and cut deeply in education and other investments that help raise average living standards.

The President's plan builds upon the policies of his first 2-1/2 years that cut the deficit, created nearly 7 million jobs, controlled interest rates and inflation, expanded trade to create more high-wage jobs, and rewarded work by cutting taxes for 15 million families. The President is also building on his efforts to create a new kind of government, one that creates opportunity, not bureaucracy, and provides the tools that average Americans need to build better lives for themselves and their families.

## THE PRESIDENT'S ECONOMIC PLAN:

### HIGHLIGHTS

- The President, who has cut the deficit from \$290 billion in 1992 to an estimated \$190 billion this year, proposes to balance the budget by 2005.

- Republicans, none of whom voted for the President's 1993 plan, now want to balance the budget the wrong way -- cutting Medicare, education, and other important priorities deeply to fund a huge tax break for the wealthy and reach balance in 2002.

- The President proposes to take a first, serious step toward health care reform, providing net savings of \$124 billion in Medicare and \$55 billion in Medicaid by 2002 while expanding coverage and initiating insurance reforms.

- Republicans would simply cut over \$430 billion from Medicare and Medicaid, enough to turn them into second-class health systems.

- The President would save \$64 billion in non-health entitlements by 2002 by reforming welfare, farm, and other programs.

- Republicans would cut too deeply; for example, by increasing interest costs of student loans.

- The President would cut \$200 billion from discretionary programs by 2002 by eliminating, cutting, or consolidating hundreds of programs and targeting available funds to defense, education, children, and anti-crime efforts.

- Republicans would cut education and anti-crime programs; for instance, their cuts would throw hundreds of thousands of children off Head Start and nutrition programs, and gut the President's anti-crime efforts.

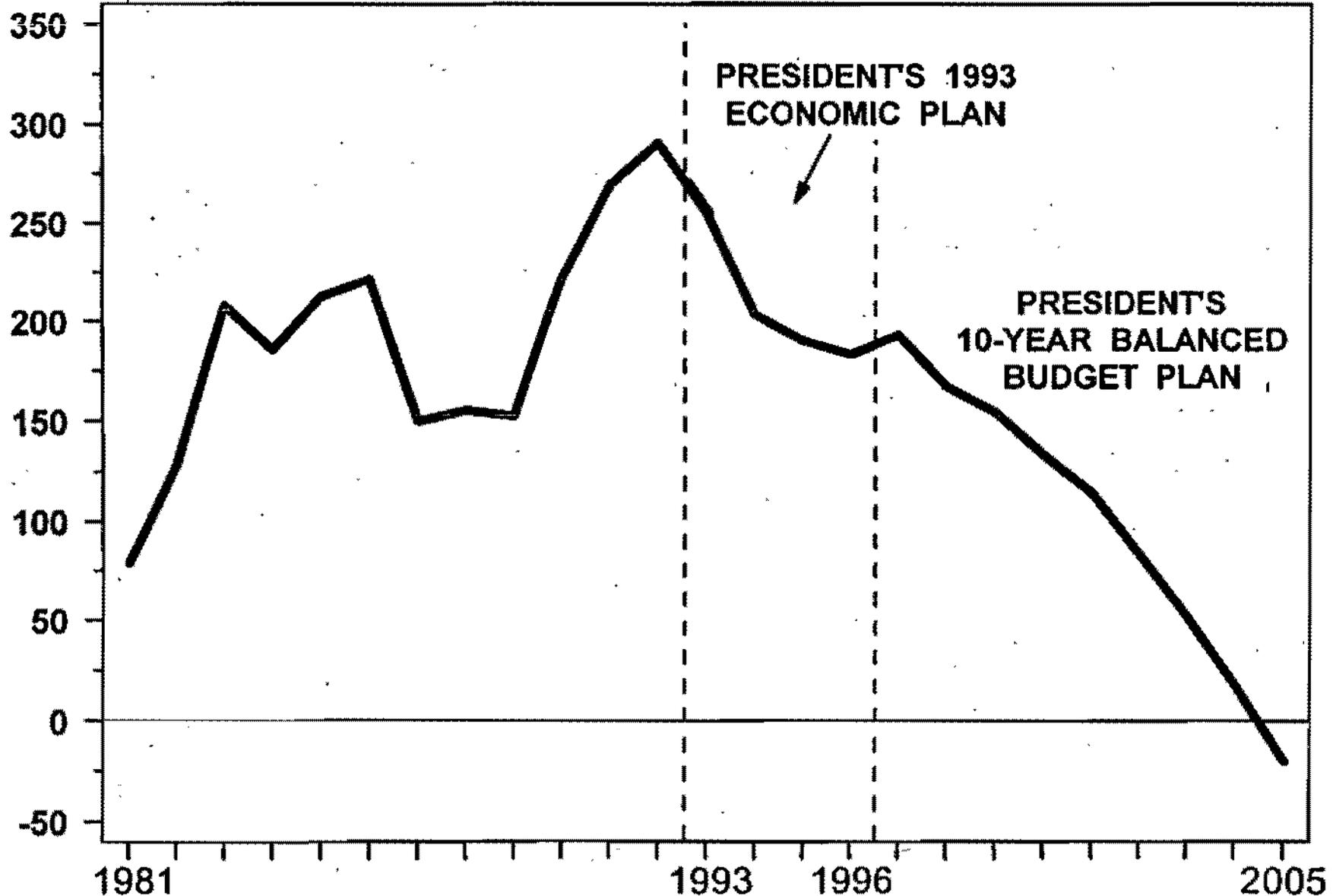
- The President would target tax relief to middle-income Americans, enabling them to more easily raise their children, pay for post-secondary education, and save for the future.

- Republicans would provide a huge tax break whose benefits would flow disproportionately to the wealthy, and also would raise taxes on millions of working families.

- The President proposes to work with Congress to save \$25 billion by eliminating unneeded corporate subsidies.

# BALANCING THE BUDGET: THE PRESIDENT'S ECONOMIC PLAN

DEFICITS, IN BILLIONS OF DOLLARS



## THE PRESIDENT'S ECONOMIC PLAN:

### REACHING BALANCE IN 2005

- In 1993, the President faced a deficit that was rising out of control -- from \$290 billion in 1992 to more than \$600 billion early in the next century.
- The President's 1993 economic plan has cut the deficit dramatically -- from \$290 billion to a projected \$190 billion this year.
- More importantly, it cut the deficit as a percentage of the economy (GDP) -- from 4.9 percent in 1992 to an estimated 2.7 percent this year and 2.1 percent by the end of the decade.
- If not for interest on the debt accumulated between 1981 and 1993, the budget would be in balance today.
- But, largely due to health care costs, the deficit will begin to rise again -- gradually reaching \$266 billion in 2005.
- Now, the President proposes to finish the job -- to balance the budget by 2005.
- In 2005, the President proposes to save:
  - \$96 billion in entitlements:
    - Medicare, \$67 billion
    - Medicaid, \$19 billion
    - Poverty programs, \$9 billion
    - Other entitlements, \$1 billion
  - \$92 billion in discretionary spending:
    - Defense, \$27 billion
    - Non-defense, \$65 billion
  - \$6 billion in corporate subsidies.
  - \$117 billion in interest savings.
- The President would target tax relief to average Americans, costing \$26 billion in 2005.
- All told, the President's plan would bring the budget at least to balance by 2005.

## **THE PRESIDENT'S HEALTH REFORM INITIATIVE: A SERIOUS STEP TOWARD HEALTH CARE REFORM**

As the President has said, the key to long-term deficit reduction is controlling health care costs through health care reform. Thus, in his plan to balance the budget by 2005, the President presents a serious first step toward reform that:

- strengthens the Medicare Hospital Insurance (HI) Trust Fund, ensuring Medicare solvency until 2005;
- provides health security for 6 months for working families after a job loss;
- reforms Medicare to make quality managed care options more attractive while preserving choice;
- improves Medicare with new benefits that (1) provide Alzheimer's respite care, and (2) waive the copayment for women who need mammograms;
- provides home- and community-based care grants for disabled and elderly Americans;
- maintains Medicaid as a safety net for low-income Americans while reforming it to target funds more efficiently and increase state flexibility;
- reforms the insurance market to ensure that Americans can keep their coverage if they change jobs, that they won't lose coverage if they get sick, and to improve the availability and affordability of coverage for small businesses;
- gives small businesses voluntary pooling options, including access to Federal Employees Health Benefits Program (FEHBP) plans;
- expands the self-employed tax deduction to 50 percent; and
- reduces the deficit by \$271 billion over the next decade.

The President's plan expands coverage, cuts the deficit with less than half the Medicare savings and a third of the Medicaid savings that Republicans propose, and imposes no new cost increases on Medicare beneficiaries.

By contrast, the Republican budget proposals threaten Medicare beneficiaries, reduce Medicaid coverage for millions of children and elderly Americans, and endanger many hospitals, including academic health centers. The Republicans' cuts (assuming a 50/50 beneficiary/provider split) would increase out-of-pocket costs for couples by \$1,700 in 2002 alone (under the House budget resolution). Moreover, the Republicans do not reinvest one penny into health care; instead, the Republicans use Medicare and Medicaid cuts to pay for hundreds of billions of dollars of tax cuts for well-off Americans.

## **DETAILED EXPLANATION**

### **1. Reforming the Insurance Market**

Insurance reforms, based on proposals that both Republicans and Democrats supported in the last Congress, will improve the fairness and efficiency of the insurance marketplace.

- **Portability and Renewability of Coverage** -- Insurers will be barred from denying coverage to Americans with pre-existing medical conditions, and plans will have to renew coverage regardless of health status.
- **Small Group Market Reforms** -- Insurers will be required to offer coverage to small employers and their workers, regardless of health status, and companies will be limited in their ability to vary or increase premiums on the basis of claims' history.
- **Consumer Protections** -- Insurers will be required to give consumers information on benefits and limitations of their health plans, including the identity, location, and availability of participating providers; a summary of procedures used to control utilization of services; and how well the plan meets quality standards. In addition, plans would have to provide prompt notice of claims denials and establish internal grievance and appeals procedures.

### **2. Helping Working Families Retain Insurance After a Job Loss**

Families that lose their health insurance when they lose a job will be eligible for premium subsidies for up to 6 months. The premium subsidies will be adequate to help families purchase health insurance with benefits like the Blue Cross/Blue Shield standard option plan available to Federal employees.

### **3. Helping Small Businesses Afford Insurance**

- **Giving Small Employers Access to Group Purchasing Options:** Small employers that lack access to a group purchasing option through voluntary state pools would get that option through access to the Federal Employees Health Benefits Program (FEHBP) plans. This would increase the purchasing power of smaller businesses and make the small group insurance market more efficient. Small firms would get coverage from plans that also provide coverage to Federal employees through FEHBP, but the coverage would be separately rated in each state, leaving premiums for Federal and state employees unaffected.
- **Expanding the Self-Employed Tax Deduction:** The President's plan provides a fairer system for self-employed Americans who have health insurance. Self-employed people would deduct 50 percent of the cost of their health insurance premiums, rather than 25 percent as under current law.

### **4. Reforming and Strengthening Medicare**

- **Strengthening the Trust Fund:** The President's plan would reduce spending in Medicare's Part A by \$79 billion over 7 years to ensure the solvency of the Medicare

HI Trust Fund to 2005. The plan finds such savings by reducing provider cost growth, not raising beneficiary costs.

- **Eliminating the CoPayment for Mammograms:** Although coverage by Medicare began in 1991, only 14 percent of eligible beneficiaries without supplemental insurance tap this potentially lifesaving benefit. One factor is the required 20 percent copayment. To remove financial barriers to women seeking preventive mammograms, the President's plan waives the Medicare copayment.
- **Expanding Managed Care Choices:** The President's plan expands the managed care options available to beneficiaries to include preferred provider organizations ("PPOs") and point-of-service ("POS") plans. The plan also implements initiatives to improve Medicare reimbursement of managed care plans, including a competitive bidding demonstration proposal. Also included in his plan are important initiatives to streamline regulation.
- **Combatting Fraud and Abuse:** "Operation Restore Trust" is a five-state demonstration project that targets fraud and abuse in home health care, nursing home, and durable medical equipment industries. The President's budget increases funding for these critical fraud and abuse activities.

## 5. Long-Term Care

- **Expanding Home and Community-Based Care:** The President's plan provides grants to states for home-and community-based services for disabled elderly Americans. Each state, will receive funds for home-and community-based care based on the number of severely disabled people in the state, the size of its low-income population, and the cost of services in the state.
- **Providing for a New Alzheimer's Respite Benefit within Medicare:** The President's plan helps Medicare beneficiaries who suffer from Alzheimer's disease by providing respite services for their families for one week each year.

## 6. Reforming Medicaid

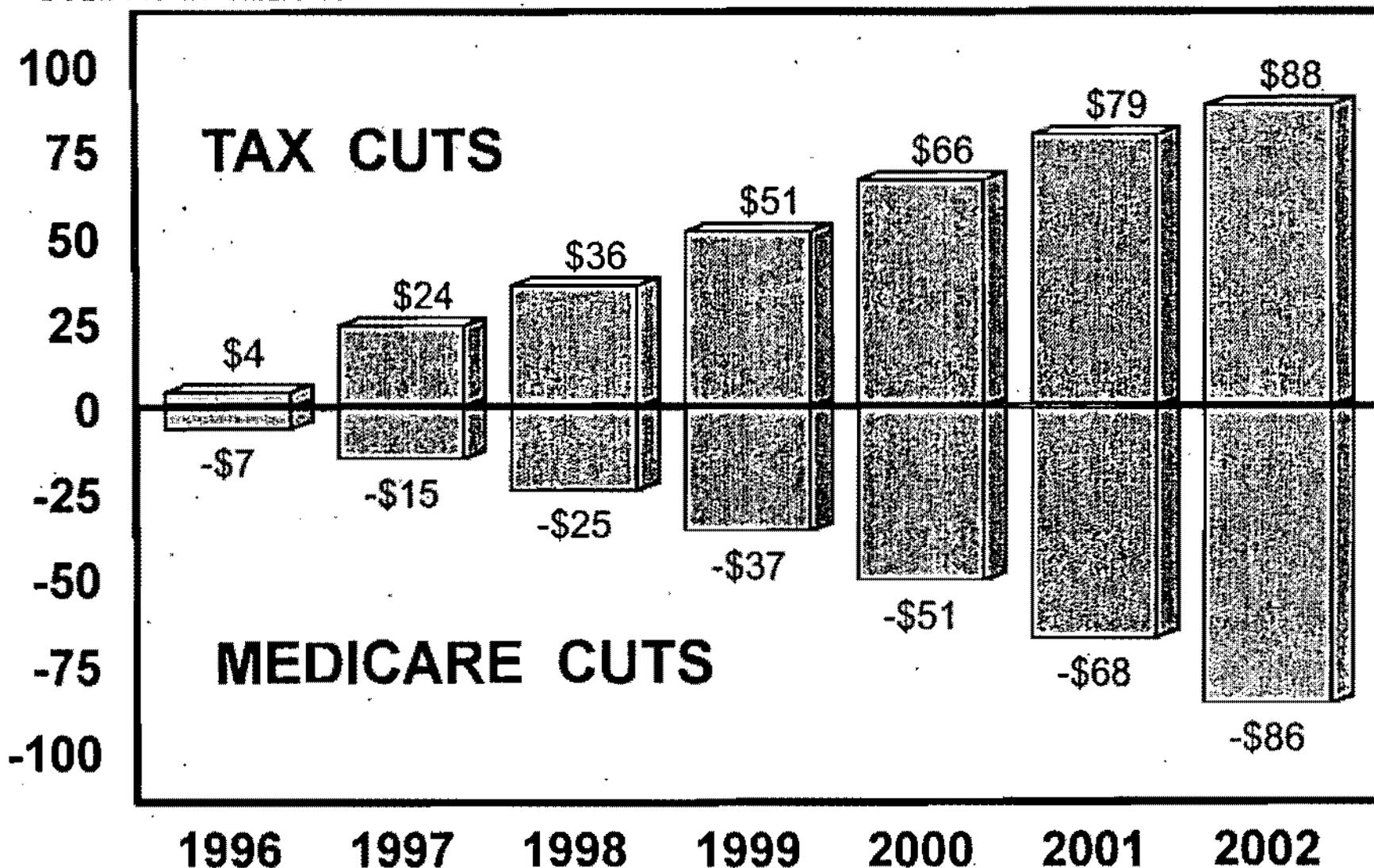
The President maintains Medicaid, expanding state flexibility, cutting costs, and assuring Medicaid's ability to provide coverage to the vulnerable populations it now serves.

- **Eliminating Unnecessary Federal Strings on States:** To let states manage their Medicaid programs more efficiently, the President's plan substantially reduces Federal requirements.
  - States will be allowed to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and
  - The "Boren Amendment" and other Federal requirements that set minimum payments to health care providers will be repealed.
- **Reducing Medicaid Costs:** The President proposes a combination of policies to reduce the growth of federal Medicaid spending, including expanding managed care,

reducing and better targeting Federal payments to states for hospitals that serve a high proportion of low-income people, and limiting the growth in federal Medicaid payments to states for each beneficiary. Per-person limits, as opposed to a block grant on total spending, promote efficiency while protecting coverage.

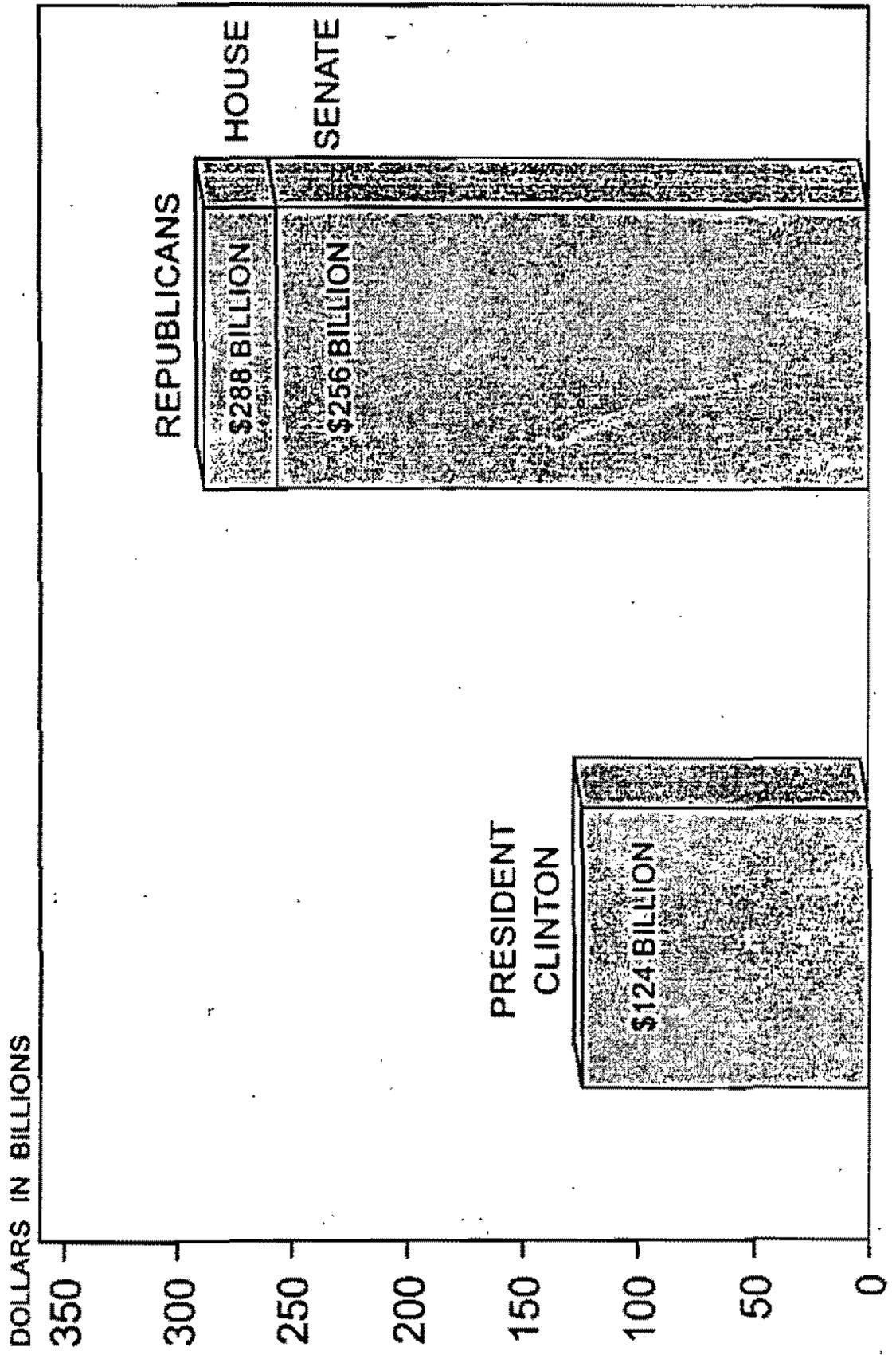
# REPUBLICAN TAX CUTS REQUIRE DEEP MEDICARE CUTS

DOLLARS IN BILLIONS

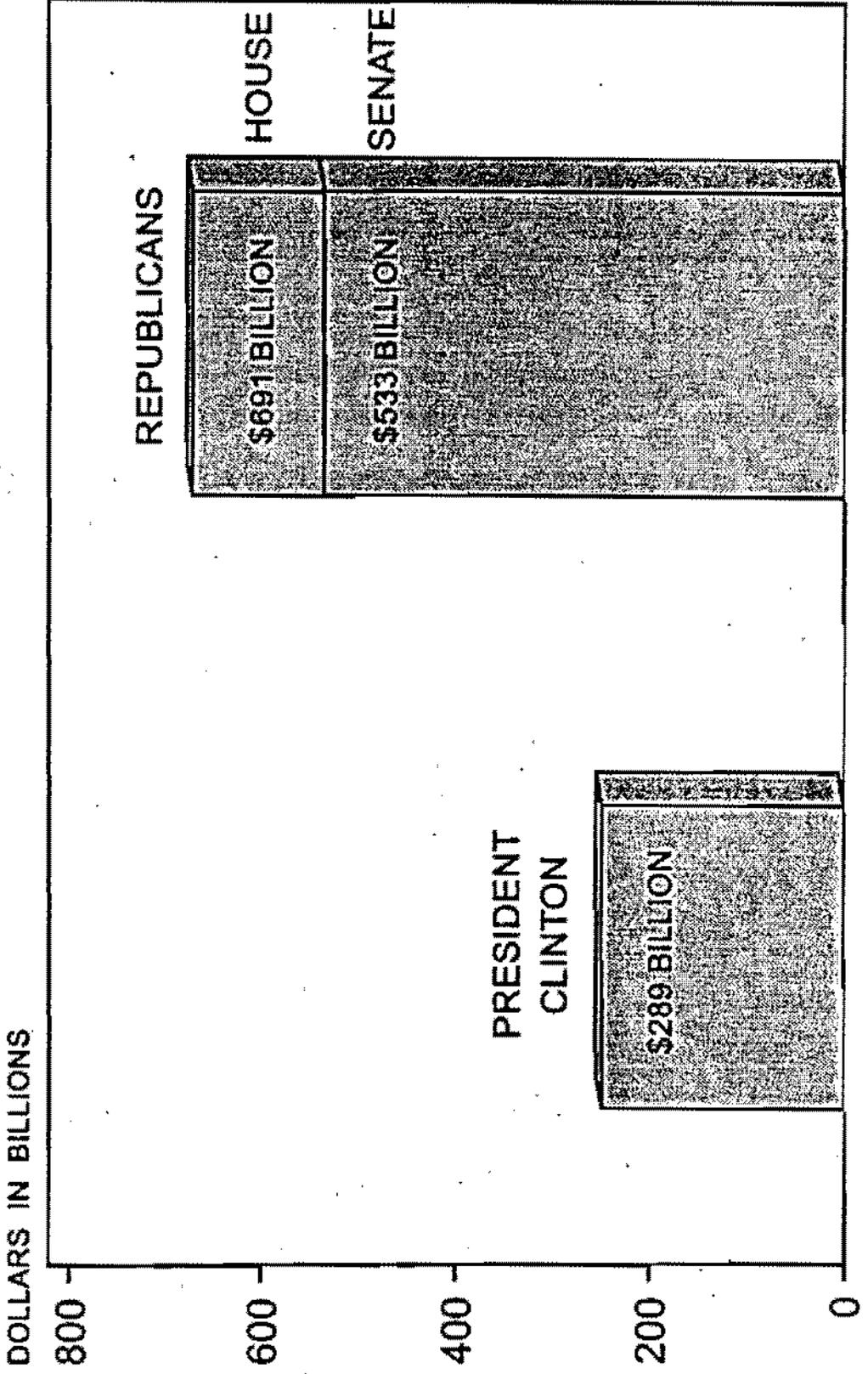


NOTE: House Budget Resolution numbers.

# MEDICARE SAVINGS SEVEN YEARS



# MEDICARE SAVINGS TEN YEARS



# MEDICARE REFORM

## IMPACT ON BENEFICIARIES IN 2002

### Republican Proposals

▪ **\$1,700 CUT PER COUPLE**

- **Additional Costs**
  - Higher Co-Payments
  - Higher Premiums
  - Coercive Plan
  - 2nd Class Health Care System for Seniors

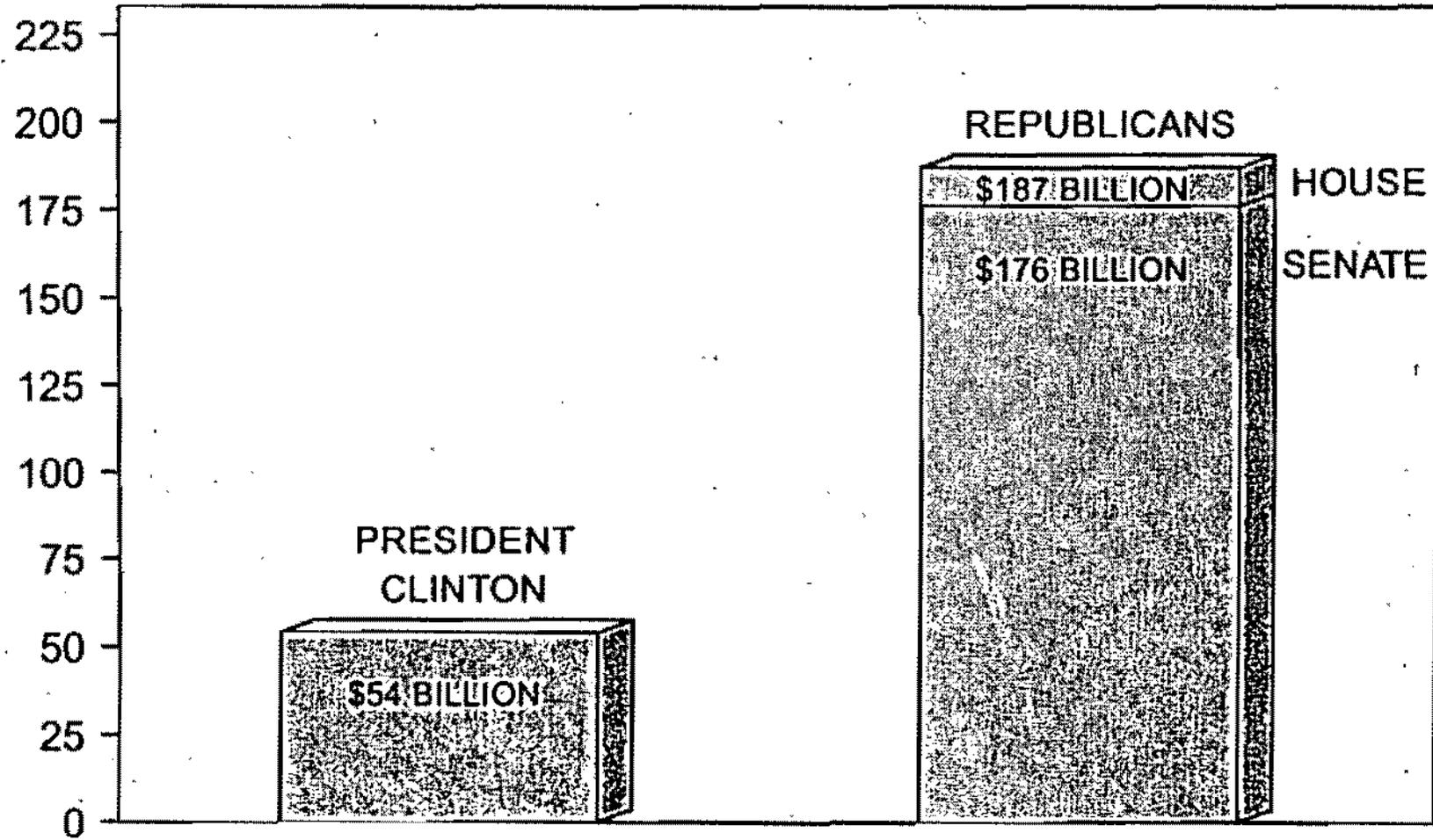
### President's Proposal

▪ **NO NEW BENEFIT CUTS**

- **Additional Benefits**
  - Home- and Community-Based Care Grants
  - Respite Benefits for Alzheimer's Caretakers
  - Preventive Health Benefits: No Mammography Co-Payment

# MEDICAID SAVINGS SEVEN YEARS

DOLLARS IN BILLIONS



## **THE PRESIDENT'S PLAN: REWARDING WORK AND RESPONSIBILITY**

For low-income programs, the President would move people from welfare to work through strict work requirements and investments in training and child care. He would expand efforts to fight fraud and abuse, maintain the national nutrition safety net, target support to the neediest, and protect poor children. These proposals would save \$38 billion over 7 years, after accounting for investments in child care and work and training for welfare recipients. Republican proposals would cut more than \$100 billion over 7 years, tearing apart the social safety net, imposing unattainable work requirements while slashing child care, and putting millions of children at risk.

- For the Earned Income Tax Credit, the President proposes to continue the expansion of tax relief for the working poor, save \$3 billion over 7 years by improving error and fraud control, and make sure illegal aliens who are not authorized to work in the U.S. do not receive the EITC.

- By cutting the EITC by \$21 billion over 7 years, Senate Republicans would raise taxes on 10 million working families with children and 4 million low-income workers without children.

- For cash assistance and social services programs, the President would save \$10 billion over 7 years by tightening SSI eligibility, tightening rules for AFDC, encouraging recipients to move from welfare to work, curtailing abuses, and investing in child care and work programs.

- Republicans would drastically cut funding for cash assistance (\$29-44 billion over 7 years), remove requirements that States contribute to program funding, place new strings on States, and, in the House plan, ultimately deny cash to millions of children. In addition, the House would eliminate SSI benefits for up to 170,000 disabled children now receiving benefits and for as many as 550,000-850,000 who would otherwise receive them over the next five years.

- For benefits to immigrants, the President would save \$5 billion over 7 years by tightening sponsorship and eligibility rules for non-citizens, thus forcing sponsors of legal immigrants to bear greater responsibility for those whom they encourage to come to the U.S.

- Republicans would slash \$27-\$33 billion over 7 years by denying assistance to low-income immigrants, including over 1 million legal immigrants now in the U.S.

- For food assistance, the President would maintain the national nutrition safety net programs while cutting mandatory spending by \$20 billion over 7 years. He would protect spending on WIC and give 600,000 more women, infants and children access to WIC's important health and nutrition benefits.

- Republicans would eliminate the national nutrition safety net, slashing \$33-\$49 billion over 7 years, by capping Food Stamps and block granting the school lunch and other child nutrition programs. In addition, Republicans would force up to 300,000 women, infants, and children off WIC in 1996.

## **THE PRESIDENT'S PLAN: REFORMING ENTITLEMENT SPENDING**

The President is proposing a series of reforms in entitlements and other mandatory programs that will raise tens of billions of dollars by targeting benefits to those who need them and ensuring that taxpayers get a fair return on public resources. Republicans would cut too deeply into entitlements and threaten services and benefits on which millions of Americans rely.

### **Veterans:**

- The President proposes to protect pensions for poor veterans and compensation for service-connected disabled veterans.
  - Republicans would restrict or eliminate compensation benefits for certain veterans, and redefine and narrow eligibility for service-connected disabilities.

### **Farm Programs:**

- The President proposes to save \$4.2 billion over 7 years by allowing farmers to use more acreage to plant what the market demands, reducing inequitable treatment of farmers by crop and region, and targeting payments to smaller farmers.
  - Republicans would cut farm program spending 3-4 times as much -- the House by \$17 billion over 7 years, the Senate by \$12 billion over 7 years -- without specifying how.

### **Spectrum Auction:**

- The President proposes to raise \$14.3 billion from 1996-2002 by expanding the Federal Communications Commission's spectrum auctions to a variety of new wireless services.
  - The House and Senate also would expand the Government's auction authority.

## **THE PRESIDENT'S PLAN: INVESTING IN EDUCATION AND TRAINING**

The President proposes to invest more in education and training, giving average Americans the skills they need to get high-wage jobs in the new economy. He would increase investment in education and training by \$9.5 billion a year by 2002. The President's plan increases education and training by \$40 billion over the next 7 years; Republicans would cut it by up to \$43 billion over the same period.

- For National Service, the President would expand the Corporation for National and Community Service, enabling nearly 1 million young Americans to serve their communities and earn scholarships for higher education.

- The House would kill all national service programs.

- For the GI Bill for America's Workers (excluding Pell grants), the President consolidates 70 programs and add an additional \$2.3 billion in 2002 for adult skill grants and youth programs.

- Republicans would cut funding 25 percent below the 1995 level.

- For Head Start, the President would increase annual funding by \$1.5 billion by 2002 to reach another 50,000 children -- for a total of 800,000 per year -- and to improve quality.

- House Republicans would cut up to 200,000 children, compared to 1995.

- For Goals 2000, the President would increase funding from \$124 million in 1995 to \$867 million in 2002, helping all States and school systems extend high academic standards, better teaching, and better learning to 44 million children in over 85,000 schools.

- House Republicans would kill support to help States raise education achievement.

- For Pell Grants, the President would increase annual funding by \$3.4 billion by 2002 to reach 960,000 more recipients (for a total of 4.8 million) and increase the maximum award from \$2,340 to \$3,128.

- Republicans would freeze Pell at the 1995 level.

- For Safe and Drug-Free Schools and Communities, the President would maintain funding at \$500 million per year, to help nearly every school district fight drug abuse and reduce violence.

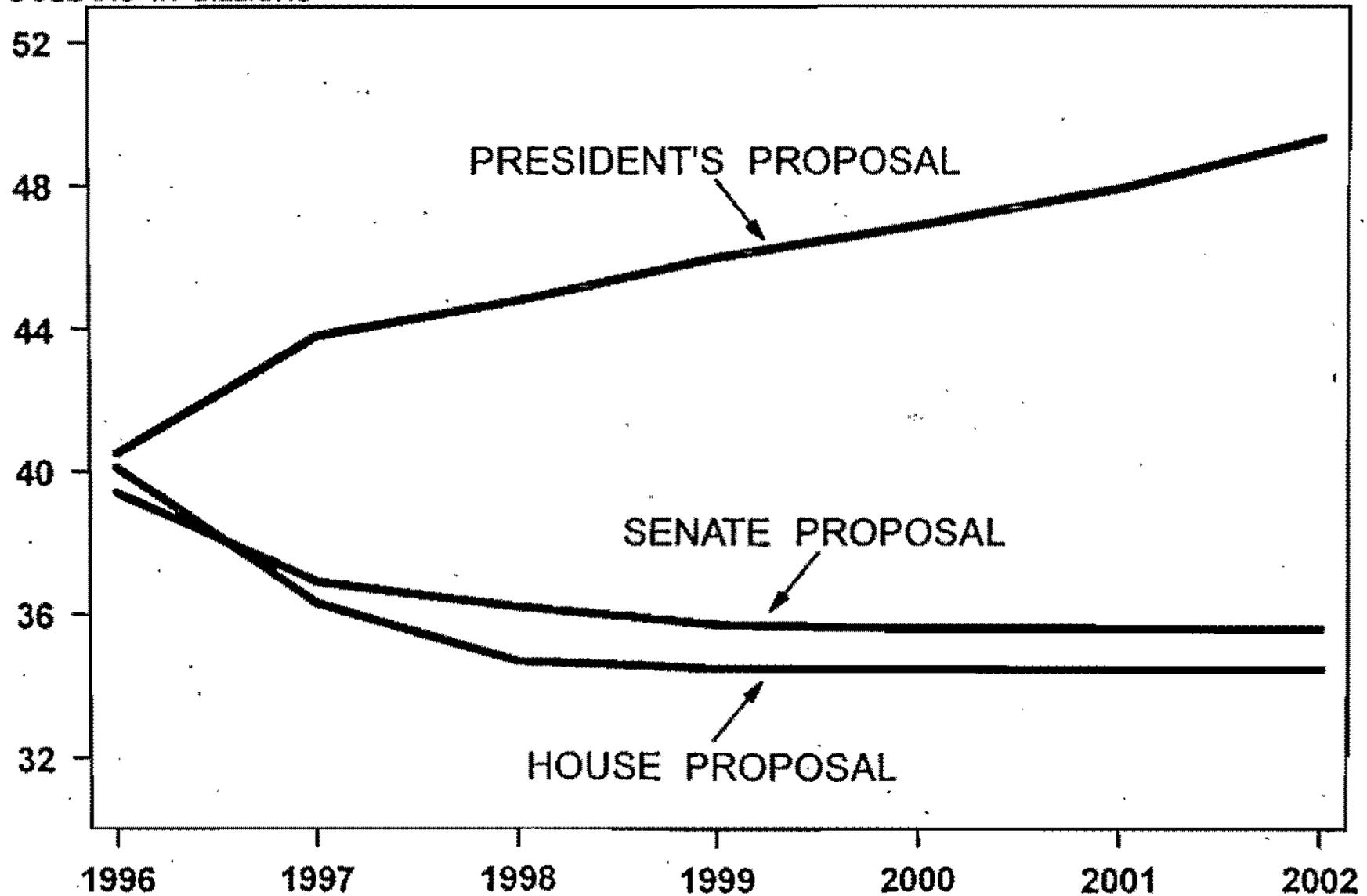
- Republicans would turn the program into a block grant and cut funding 30 percent.

- The President would phase in Federal Direct Student Loans quicker, affecting \$25 billion in loans to 6 million people a year, at lower cost to government, schools, and students.

- House Republicans would eliminate the in-school interest exemption for 4 million financially needy borrowers, requiring a low-income college graduate who borrowed the maximum amount to pay \$3,150 more for loans than under the President's plan.

# INVESTMENTS IN EDUCATION AND TRAINING

DOLLARS IN BILLIONS



## THE PRESIDENT'S PLAN: PROTECTING THE ENVIRONMENT

The President proposes to protect the environment and our natural resources, but still save money by focusing funds on legitimate Federal functions, cutting or eliminating lower-priority programs, and increasing the use of user fees. Republicans would jeopardize the environment by eliminating funds for constructing municipal wastewater and drinking water facilities, ending the acquisition of land for national parks and forests, and cutting park and forest budgets by 10 percent below 1995.

- The President proposes to consolidate the Clean Water and Safe Drinking Water State Revolving Funds that make loans for municipal wastewater and water treatment construction, giving States more flexibility in meeting local priorities. He would reduce funding over time to \$1.5 billion a year as States gain access, as a permanent source, to the repayments of previous loans.

- The Senate would eliminate these programs by 1998; the House would provide less funding than the President.

- The President proposes to increase funding by \$265 million a year by 2002 for the Environmental Protection Agency's operating program, the backbone of our efforts to protect the environment. This increase comes after \$150 million in savings due to streamlining and decreased EPA oversight of State delegated programs. The operating program increases address global climate change, promote development and export of environmental technology, and protect sensitive ecosystems.

- Republicans would eliminate the program to develop environmental technologies that improve the environment at lower cost while opening new export markets, and terminate funding for programs that protect water quality and preserve habitat for ducks and fish.

- The President proposes increases each year for National Park operations and rehabilitation in order to maintain parks and their facilities.

- Republicans would cut national park construction by half, and park operations by 10 percent, the latter of which would strain the National Park Service's ability to keep parks open and up to standards.

- The President proposes to phase-down spending on Federal land acquisitions to \$100 million a year, focusing on high-priority projects and the expanded use of land exchanges.

- Republicans would terminate Federal land acquisitions.

## **THE PRESIDENT'S PLAN: CONTROLLING VIOLENT CRIME**

The President proposes to expand his vigorous fight against violent crime, providing a \$6.7 billion increase a year by 2002 for grants to States and localities; more resources for Federal investigations, prosecutions, and imprisonment; and more support for the Federal Judiciary to try and convict violent offenders. The President would spend \$7.5 billion more in 2002 than House Republicans and \$200 million more than Senate Republicans.

- The President proposes to fully fund the Violent Crime Reduction Trust Fund (VCRTF), providing the full \$30.2 billion authorized by the VCRTF from 1995-2000. In addition, for 2001-02 the President would add \$8.5 billion, bringing total VCRTF funding to \$38.7 billion for 1995-2002.

- House Republicans would cut programs authorized by the VCRTF from 1995-2000.

- The President's proposal for the VCRTF would finance:

- 100,000 cops for State and local police forces, fulfilling a major promise of the President and adding almost 20 percent to State and local police forces;

- reimbursements to States which have paid to incarcerate criminal illegal aliens; and

- State and local grants to:

- bring new prison cells into service;

- confront the problems of violence against women; and

- finance "drug courts" which provide cost-effective ways to deal with first-time, non-violent drug offenders.

- The President would provide an increase of \$1.7 billion by 2002 for Justice Department crime fighting programs, including heightened border enforcement, increased FBI and DEA funding to address drug abuse, street crime, and terrorism; and increased resources for the Federal Prison System for new prisons and costs tied to a growing population of violent criminals.

- Republicans would not provide specific increases for these programs.

- The President would increase funding by \$500 million a year by 2002 for the Federal court system to adjudicate violent criminal cases.

- Republicans would not provide any increases for the Federal Judiciary.

- The President would terminate several unnecessary or redundant programs, such as the State Justice Institute, the Administrative Conference of the U.S., and the U.S. Parole Commission.

## **THE PRESIDENT'S PLAN: STRENGTHENING OUR COMMITMENT TO SCIENCE AND TECHNOLOGY**

The President proposes to significantly improve the Nation's global economic competitiveness through a balanced mix of basic research, applied research, and technology development, much of it through cooperative projects with private industry. Republicans would significantly reduce investments in basic research, applied research, and technology development.

- The President proposes to add \$2.5 billion a year by 2002 for biomedical and behavioral research at the National Institute for Health.

- The House would cut biomedical and behavioral research at NIH by \$542 million.

- The President proposes that the National Science Foundation's investments in basic research and education programs keep pace with inflation, adding \$500 million a year by 2002.

- Republicans would invest significantly less, with the Senate cutting \$100 million and the House adding \$240 million.

- The President would provide \$100 million more a year by 2002 for the science facilities utilization initiative, ensuring more research time for scientists working on "cutting edge" research facilities.

- Republicans would force many of these valuable facilities to close their doors.

- The President proposes to add at least \$500 million a year by 2002 for NASA's investments in basic research, including Mission to Planet Earth, which will provide the first global study of the impact of man on the Earth's environment.

- Republicans would cut these important research programs significantly.

- The President is proposing to increase the Advanced Technology Program (ATP) million and the Manufacturing Extension Partnership (MEP) by almost \$500 million a year by 2002. ATP invests in partnerships with industry to accelerate the development of high-risk technologies with significant commercial potential. The MEP is a nationwide, locally managed network of manufacturing centers to help the nation's 381,000 small manufacturers adopt modern manufacturing technologies.

- Republicans would eliminate both programs.

The President is proposing to increase funding by \$100 million from 1996-2002 for the Defense Department's DOD Technology Reinvestment Project (TRP), which invests in partnerships with industry to accelerate the development of technologies that are critical to national security but can also benefit civilian purposes (i.e., dual use).

- The House would eliminate it in the draft 1996 authorization bill.

**THE PRESIDENT'S PLAN:  
TARGETING TAX RELIEF TO MIDDLE-INCOME AMERICANS**

The President also proposes to raise living standards with a tax cut for middle-income Americans. The President proposes to help average Americans to save, and to meet the cost of raising and educating their children. Republicans would provide a huge tax cut whose benefits flow disproportionately to wealthy people and corporations and whose costs must be offset by deep cuts in Medicare and other priorities.

- To assist families raising children, the President proposes a tax credit of up to \$500 for each child under age 13. The credit starts at \$300 per child through 1998, and increases to \$500 in 1999. It is phased out between incomes of \$65,000 and \$75,000 per year.

- House Republicans also include a \$500 child tax credit, but phase it out between incomes of \$200,000 and \$250,000. Because Republicans propose a tax cut for people of high incomes -- about 6 times that of the typical family -- they must cut deeply into Medicare and other priorities.

- To help families meet the costs of education beyond high school, the President proposes a deduction for post-secondary tuition and fees of up to \$10,000 per year. The deduction begins at \$5,000 in 1996, rising to \$10,000 in 1999. It is phased out at incomes between \$100,000 and \$120,000 per year for married couples (\$70,000 and \$90,000 for other taxpayers).

- Republicans have offered no such incentive for education.

- To help families save, the President proposes to expand Individual Retirement Accounts. Income limits would double; couples with incomes up to \$80,000 (and single persons with incomes of \$50,000) could make fully deductible contributions. The President would allow penalty-free withdrawals for catastrophic medical expenses (including for parents and grandparents), higher education costs, the purchase of a first home, and unemployment. The President proposes a new back-loaded IRA; contributions are not tax deductible, but withdrawals after five years are tax free.

- House Republican have a similar proposal but would allow back-loaded contributions with no income limit -- again, forcing deep cuts in Medicare and other priorities.

\* \* \*

- House Republicans also have proposed enormous tax cuts for wealthy persons and corporations, forcing them to cut deeply into Medicare and other priorities. The tax cuts include: the virtual end of the alternative minimum tax for large corporations, costing \$35 billion over 10 years; a liberalization of tax depreciation laws that would save large corporations over \$150 billion between 1999 and 2005; a cut in estate taxes for persons with at least \$600,000 of accumulated wealth, costing \$20 billion; and a capital gains tax cut, costing \$90 billion and providing 58 percent of its tax benefits to the 2.5 percent of taxpayers with incomes over \$200,000 per year.

**REACH TARGET BY 2005**

(In billions of dollars)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>10-Year Total</u>
<b>Outlays:</b>												
<b>Discretionary:</b>												
Defense.....	272	262	258	255	260	268	276	281	282	283	283	2,709
Non-Defense.....	280	285	287	286	284	281	286	293	297	303	308	2,911
Total discretionary.....	552	547	545	541	545	550	562	574	579	586	591	5,619
<b>Mandatory:</b>												
<b>Health:</b>												
Medicare.....	154	172	186	199	213	227	243	260	282	303	326	2,411
Medicaid.....	88	92	100	109	117	127	138	150	163	177	193	1,367
Other.....	---	---	3	4	4	4	4	5	5	6	6	40
Subtotal, health.....	243	264	290	312	334	358	386	415	450	486	524	3,818
Other.....	508	533	566	594	626	659	690	718	754	791	830	6,760
Subtotal, mandatory.....	751	796	856	906	960	1,017	1,075	1,133	1,203	1,277	1,355	10,579
Net interest.....	234	256	266	272	277	280	282	282	279	277	273	2,745
<b>Total, outlays.....</b>	<b>1,537</b>	<b>1,599</b>	<b>1,667</b>	<b>1,719</b>	<b>1,782</b>	<b>1,847</b>	<b>1,919</b>	<b>1,989</b>	<b>2,062</b>	<b>2,139</b>	<b>2,219</b>	<b>18,943</b>
Receipts.....	1,346	1,416	1,473	1,550	1,626	1,712	1,804	1,904	2,007	2,119	2,236	17,849
Deficit.....	190	183	194	169	156	135	116	85	54	21	-18	1,094

## Year-by-Year Savings

(In billions of dollars)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Baseline deficit.....	201	218	209	221	229	235	240	248	255	266
Entitlements.....	-11	-16	-22	-26	-35	-46	-62	-70	-82	-95
Medicare savings.....	-4	-6	-10	-16	-23	-30	-39	-45	-55	-67
Medicaid savings.....	-4	-4	-6	-7	-9	-11	-13	-15	-17	-19
Reform of poverty programs.....	-2	-4	-5	-6	-6	-7	-8	-8	-8	-9
Other.....	-2	-2	-1	3	3	3	-2	-2	-2	-1
Discretionary.....	-8	-11	-16	-28	-41	-45	-51	-65	-77	-92
Defense.....	---	---	---	---	---	---	-3	-10	-18	-27
Nondefense.....	-8	-11	-16	-28	-41	-45	-48	-54	-59	-65
Interest.....	-1	-5	-12	-22	-35	-47	-62	-79	-97	-117
Corporate Subsidies.....	-1	-2	-3	-4	-5	-5	-5	-6	-6	-6
Revenue changes.....	3	11	12	16	21	23	25	26	28	26
Deficit or surplus.....	183	194	169	156	135	116	85	54	21	-18

**A COMPARISON OF DEFICIT REDUCTION PLANS**  
 (Seven year totals compared to OMB capped baseline, in billions of dollars)

	'96 Budget	House	Senate	President's Plan
Spending:				
Discretionary.....	-198	-463	-522	-200
Defense.....	---	43	-24	-3
Nondefense.....	-198	-506	-497	-197
Mandatory.....	-44	-669	-626	-216
Medicare:				
Extenders.....	-28	-28	-28	-28
Additional savings.....	---	-258	-226	-99
Medicaid.....	1	-187	-176	-54
Health reform (net).....				(-125)
Farm.....	-3	-17	-12	-4
Veterans.....	-6	-6	-10	-6
Civil service.....	---	-3	-7	---
Poverty.....	-4	-131	-116	-38
Spectrum.....	-8	-15	-25	-15
Other.....	4	-23	-27	3
Net interest .....	-27	-272	-346	-172
Revenues.....	96	340	-9	96
Corporate subsidies.....	---	-25	---	-25

1/ President's plan includes major increases in key education and training programs.

THE WHITE HOUSE  
WASHINGTON

July 21, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D. TYSON *Laura D. Tyson*  
RE: MONDAY'S BUDGET SPEECH AND OUR BUDGET CAMPAIGN

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As you know, the White House Working Group to promote the Clinton Budget is now up and running. Both the members of the Working Group and the principals, who comprise the NEC Budget Strategy Group and advise the Working Group, agree that you should give a speech on Monday, July 24, 1995 to re-introduce your balanced budget plan to the American people and to kick off our concerted campaign to promote it around the country.

The principals of the NEC Budget Strategy Group believe that this campaign is of critical importance because it is our only real source of leverage to realize an ultimate budget deal which reflects your priorities and which can be used to define the Clinton economic vision during the 1996 election year. We must make the case for our budget consistently, forcefully and clearly to the American voters during the next few weeks so that they strongly prefer it to the Republican alternative. Their active support is essential if we are to succeed in realizing a compromise we can accept sometime during the fall.

Many of the NEC principals also believe that we must find opportunities to express our concern about a likely budgetary train wreck this fall. One possibility would be to voice such concern in your Monday speech. The press currently seems quite interested in the train wreck story, and your speech could key into this interest with a multi-part message: "I am concerned and disappointed that the Congress is far behind schedule on the reconciliation process; I exhort them to accelerate the pace of their work, so that the American people have time to understand and evaluate the profound budgetary choices confronting them; I am prepared to do everything I can to avoid a train wreck; But I will not sacrifice my priorities and vision to do so; and I will not allow the American people to be blackmailed into accepting huge cuts in Medicare, education and training and a huge tax cut for the wealthy."

Several of your advisers believe that a strong message along these lines will increase our leverage to avoid a train wreck both by alerting the American people to the budgetary game of chicken which some Republicans wish to play and by indicating to the Congress that you will not blink in such a game. Right now many of your advisers fear that Congressional Republicans do not take our veto threats seriously because they believe that we have more to

lose by a prolonged budgetary crisis than they do. We may be able to increase their losses from such a crisis by beginning now to identify them as the culprits should it occur. Such a strategy could also help inoculate us against culpability in the event of a crisis.

Finally, your NEC principal advisers believe that your Monday speech on the budget should serve as the defining statement of your budgetary vision and priorities during the coming months. This in turn implies that the speech articulate how your plan to balance the budget fits into your overall economic strategy for restoring the American dream. As all of us have repeatedly argued, balancing the budget is not the ultimate end of economic policy, as the Republicans argue--rather it is a means to the end of rising incomes and prosperity for all Americans.



## ATTACHMENT

### Major Provisions in Ways and Means Tax Bill (approved September 19, 1995)

#### Earned Income Tax Credit Reductions

- Over \$23 billion in reductions in the EITC, representing increased taxes on low-income working Americans, would result from:
  - reducing the EITC for individuals who receive otherwise nontaxable social security, pension, retirement account, and annuity payments;
  - ✗ repealing the small credit available to very low-income workers who do not reside with qualifying children, and
  - ✗ increasing the rate at which the EITC is reduced for taxpayers with income in excess of \$11,620.

*None equal*

#### "Corporate Reforms" and Other Revenue Raisers

✗ ● The pension asset reversion provision would permit transfers to an employer -- for any purpose -- of pension assets in excess of 125% of a defined benefit plan's "current liability." Currently, an employer cannot recover pension assets without terminating the plan and paying a substantial excise tax (of up to 50%). Under this proposal, no excise tax would be imposed on transfers prior to July 1, 1996, and only a 6.5% excise tax would be imposed thereafter.

✗ ● The low-income housing tax credit would sunset after December 31, 1997, ostensibly to facilitate a review of whether the credit should be retained.

● The Puerto Rico and possession tax credit (section 936) would be repealed as of the end of 1995, with a generous grandfather rule for existing beneficiaries of the credit. This proposal would reduce or eliminate the job-creating incentive effect of the provisions, including an economic activity limitation, that were enacted in 1993 in response to Administration efforts to reformulate the credit.

✓ ● Deductions for interest attributable to the purchase of so-called corporate owned life insurance (COLI) policies would be denied. COLIs are primarily a tax-advantaged corporate investment that arbitrages the interest deduction and the tax-free death benefits.

✓ ● The tax deferral enjoyed by certain closely held farming corporations relating to changing from cash-method to accrual accounting would be eliminated and generally recovered over a 20-year period.

*on 11/19/95  
on 11/19/95*

• The "income forecast" method of depreciating the cost of motion picture films, video tapes, sound recordings, and other similar property would be modified to slow down the rate of depreciation.

X • The tax credits for wind energy and "closed loop" biomass would be phased out by limiting the credit to electricity produced from facilities placed in service before September 14, 1995.

power • The exclusion from income for subsidies provided by a utility for the purchase or installation of an energy conservation measure would be repealed, except with respect to subsidies targeted to dwelling units.

X • The tax benefits for ethanol and methanol from renewable sources would be significantly modified to raise \$9.5 billion over 7 years. The 54-cents-per-gallon ethanol income tax credit would be reduced to 51 cents-per-gallon, while the small ethanol producers credit would be increased from 10 cents per gallon to 13 cents per gallon. ETBE and similar ethers would not be eligible for either ethanol or methanol tax benefits, as permitted in recent Treasury regulations. Fuel alcohol generally would be subject to the same excise tax rules as gasoline, thereby eliminating reduced excise rates for gasohol.

• Income earned by Indian tribes from the conduct of certain gaming activities would become subject to federal income taxes.

• The exclusion from income for damages received on account of personal injury or sickness would be limited to damages received on account of physical injury or physical sickness. No exclusion would apply to damages received on account of nonphysical injuries (such as those resulting from discrimination or related to emotional distress) or to any punitive damages received.

✓ • The Ways and Means Committee's version of the expatriation tax is included (H.R. 1812). These provisions impose income taxes on certain expatriates on their U.S. source income for a period of ten years, without regard to the motivation for their expatriation, and generally are intended to override contrary provisions in U.S. tax treaties.

X • The tax credit for contributions to community development corporations (CDCs) authorized by OBRA 1993 would be repealed for contributions or loans made after the date of enactment.

✓ • Tax-exempt organizations would be subject to intermediate sanctions for violating the prohibition against private inurement, in lieu of the current sanction of revoking the organization's tax-exempt status. This provision is similar to an Administration proposal.

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THE WHITE HOUSE  
WASHINGTON

Gene -

In the future, it would  
be nice to see these memos  
before they go forward.

Sam

3-4-95

THE WHITE HOUSE  
WASHINGTON

95 AUG 2 8:52

August 1, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: ERSKINE BOWLES *EB*  
LAURA TYSON

SUBJECT: Update on Budget Working Group Activities

*The media education  
with American is being*

I. APPROPRIATIONS UPDATE

**House Floor Action:** Yesterday, the House completed action on the VA/HUD Appropriations bill (228-193). They reversed a vote on the Boehlert amendment (210-210) which would have struck 17 legislative riders relating to environmental programs from the bill. The vote reversal occurred largely due to absenteeism. No Republican switched their vote. One Democrat, Dooley, switched his vote. Defense Appropriations is pending on the House floor.

- ▶ Your statement today on the Environmental riders received considerable media attention, with significant play on *CNN* for much of the day despite of the Bosnia and tropical storm developments.
- ▶ Your statement today was also picked up by all three major networks and appeared on the *ABC, CBS, and NBC* evening news.

The Labor/HHS Appropriations bill is scheduled for floor consideration tomorrow, August 2. There is a possibility that the House may not take up the bill until after the recess due to concern over timing and votes.

- ▶ We are planning a brief oval office event with Minority Leader Gephardt, Rep. Obey, Secretary Riley and Secretary Reich for Thursday, August 3, to highlight the extreme GOP cuts to education and training. Details still being worked out. The current idea is for Secretary Riley to release a "State of Education report."

**Senate Floor Action:** The Senate is considering the Energy & Water Appropriations bill. A Bumpers amendment which deletes funding for gas turbine spending was adopted on a 62-38 vote. The Senate is expected to complete action on the Energy & Water and Defense Appropriations bills before the August recess.

**Medicare Education:** We are beginning an effort to educate the elite media about the Medicare Trust Fund to dispel the myth that your budget does nothing for the solvency of the Trust Fund while the Republican budget does.

We have planned a series of small group briefings with Tyson, Rivlin, and others to outline: (1) what the Part A Trust Fund is and how it differs from the Part B Trust Fund; (2) the history of the solvency of the Part A Trust Fund; (3) what you have done to improve the solvency of the Trust Fund; and (4) how what the Republicans are proposing is not necessary to extend the solvency of the Trust Fund.

We are also planning to place an op-ed from the Administration trustees (Rubin, Reich, Shalala) to address these issues.

**Regional Media:** We have begun implementing a two week radio strategy on Medicare targeting key legislative and senior markets. 19 White House, HHS and Labor Dept. officials will give us two 45 minute slots each week for morning and evening drive radio.

Set-up four budget/Medicare tongs this week with Tyson, Stephanopoulos, Rivlin and Griffin.

## MONDAY, JULY 31, 1995

**RIVLIN Mid-Session Review:** On Monday, OMB issued its Mid-Session Review of the Budget, highlighted the Administration's success in reducing the deficit and now forecasting a balanced budget in 9 years under your balanced budget plan.

Director Rivlin testified today before the Senate Budget Committee on the Mid-Session and will do so Thursday before the House Budget Committee. She continues to conduct many print, TV, and radio interviews about the Administration's budget priorities and success to date. Her communications staff is doing the same in interviews and conversations with reporters, whether on the budget in general or on proposals about specific programs in particular.

### Other Activity

- Sec. Pena conducted radio interviews with target cities regarding impact of transit cuts to rural areas.
- Sec. Reich will held an OSHA event on Republican attacks on worker protection laws.

## TUESDAY, AUGUST 1, 1995,

**POTUS Environmental Statement:** As described above, your statement on the GOP amendment on Environmental riders was the major budget news of the day.

### Other Activity

- Sec. Ron Brown did a Sperling Breakfast.
- Adm. Johnson participated in a radio interviews with WBTE in Charlotte, NC.
- Sec. Reich participated in a Satellite tour with communities dislocated due to base closures. The communities included Philadelphia, Charleston, San Antonio and key sites in California.
- Sec. Glickman was in MN for Farm Fest Convention where there was a forum on budget cuts.

## WEDNESDAY, AUGUST 2

### Other Activity

- Sec. Pena conducts radio interviews regarding impact of transit cuts to rural areas.
- Sec. Pena appears before the Senate Commerce Science and Transportation Committee on FAA reform.
- Sec. Rubin will do a Sperling Breakfast.
- Sec. Reich will hold press event on summer jobs.

### THURSDAY, AUGUST 3

**POTUS/ Event Highlighting Extreme GOP Cuts to Education and Training**

**RIVLIN House Testimony on Mid-Session Review**

**White House Media Affairs** Will begin implementing a specialty press conference calls focusing on African-American, Hispanic, women's and older American press.

#### Other Activity

- Sec. Brown meets with Washington Business Reps. to discuss and update on budget issue priorities.
- Sec. Brown addresses Women's briefing regarding minority business. (OEOB)
- Sec. Shalala will be in Anaheim California addressing the California Teachers Association meeting.
- Sec. Shalala briefs seniors in Anaheim California on Medicare
- Sec. Reich will release data on dangers at worksites.
- Reich/Riley radio interviews: Labor/HHS appropriations.

### FRIDAY, AUGUST 4, 1995

**We will pitch guests attending Saturday Family Medical Leave radio address to regional reporters on Friday for set-up pieces for the address.**

#### Other Activity

- Sec. Rubin Attending Sperling breakfast.
- Secretary Babbitt Conference call with media from New York State; focus on budget, clean water, environmental issues.
- Sec. Shalala attends Peace Corps convention in Austin, TX.
- Sec. Reich will attend the FMLA hearing.
- Maria Echaveste, Director of Wage & Hour, and Asst. Sec. Anderson will hold an amplification event for the anniversary of FMLA.

### SATURDAY, AUGUST 5

**POTUS Family Medical Leave Act 2nd Anniversary Radio Address:**  
Budget Content still being determined.

#### Other Activity

- Shalala at National Women's Political Caucus in Nashville, TN.

#### MONDAY, AUGUST 7

- Sec. Pena will do a budget event in Des Moines, IA
- Sec. Pena will conduct radio interviews with target cities regarding impact of transit cuts to rural areas.

#### TUESDAY, AUGUST 8

##### **POTUS Environment, Health, and Public Safety event**

Current planning is an event coupled by issuance of an Executive Order on Community Right to Know. Details being worked out.

- Sec Pena will do a budget related event in Cleveland, OH

#### WEDNESDAY, AUGUST 9

**POTUS National Baptists Convention (Charlotte, NC)**

#### THURSDAY, AUGUST 10, 1995

**POTUS Press Conference (tentative)**

#### FUTURE ACTIVITIES

- **Recess Planning:** We are meeting tomorrow to finalize plans for the Congressional Recess. Our strategy will be to use Cabinet, groups, and outside validators to keep the pressure on key members while they are at home in their districts.
  - OMB finishing analyses of GOP cuts on 50 major cities.
  - Cabinet / Group activity
  - Mayors will meet in Seattle on Aug 28th. Plan is to have them do events in their cities that week, culminating with a huge event.press conference with 50 Mayors on the 8/28th. Possibly Put them on Sunday News shows on the 27th.

- **September Planning:** Meetings continue with key education groups and Congressional staff to coordinate back-to-school activities in early September.

We are working on coordinated activities with education groups during the week of September 11th, which is "back to school" week and "save student aid" week.

Planning also continues for the last two weeks of September. We are working on strategy to counter GOP release of Medicare plan set for September 21.

THE WHITE HOUSE  
WASHINGTON

August 4, 1995

MEMORANDUM FOR THE PRESIDENT

THROUGH: LEON PANETTA  
LAURA TYSON

FROM: GENE SPERLING  
ROBERT GORDON

SUBJECT: Clinton Record and Perot Promises

This memo compares the Clinton Administration's record with Ross Perot's proposals in two books published during and immediately after the 1992 campaign: United We Stand, which came out during the campaign, and Not For Sale at Any Price, published shortly after we proposed our budget in 1993. While Perot made many other statements on many other subjects, the great majority of his substantive positions were stated in these books.

The memo is divided into three sections: Economic Policy, Domestic Policy, and Political Reform. His statements on foreign policy and social issues like abortion and race are sketchy and are not included. In the three main areas mentioned above, we have tried to highlight similarities while also emphasizing key differences. An executive summary follows.

One note of caution: Perot's proposals tend to be vague. Therefore, except for the 28 specific items in his budget calculations, it is hard to give exact percentages as to how we have done compared to his proposals. What we can say is that we have at least partly achieved nearly 70% of his 28 general budget proposals. We will work over the next couple of days to see how many common achievements or proposals we can list and see if there are any other ways of doing percentages that would hold up. One thing that is certainly striking is how much closer to us he is than to the Congressional majority when it comes to public investment and the role of government.

## EXECUTIVE SUMMARY

### I. ECONOMIC POLICY

Both the Clinton Administration and Ross Perot have both put forth economic plans that call for balancing the budget while increasing key public investments in education and other areas.

Of 28 items in Ross' Perot's "deficit reduction plan" from 1993, the Clinton Administration has accomplished part or all of 19 items (68%), while flatly opposing only 7 items (21%).

Most of the differences can be traced to the fact that we have proposed a more progressive tax policy while taking less from working families in entitlement -- particularly Medicare -- savings. On tax policy, we pursued a more progressive path with less overall tax increases, more on those in the highest income ranges, more protection for the middle class, while providing tax breaks to the working poor; Perot's larger tax increases were more heavily targeted at low-and middle-income individuals. Perot called for heavier five year savings in Medicare and Medicaid and agriculture.

#### *Key Similarities*

- **Historic Deficit Reduction.** Perot advocated \$754 billion over 5 years in deficit reduction, much of it unspecified; the Clinton Administration is already achieving \$1 trillion in deficit reduction over seven years from its 1993 budget plan. In the 10 year balanced budget, we propose an additional \$1.2 trillion in deficit reduction over 10 years.
- **Major Spending Cuts.** Perot advocated cuts in "wasteful spending and subsidies" in general terms, but he singled out only six specific discretionary programs for cuts in his two books. His balanced budget actually *increased* discretionary spending. The Clinton Administration cut 300 programs totalling \$255 billion in its first two budgets, including wasteful subsidies like those for honey, wool, and mohair. In our current budget, we propose \$434 billion in discretionary savings over 10 years, with 85% in nondefense areas.
- **Investments in People and Jobs.** Perot supported increased investments in five domestic areas: education, cities, research and development, defense reinvestment, and infrastructure. The Administration has increased investment in all of these areas. Indeed, Perot actually called for higher amounts of investment in R&D. "Where will we be twenty years from now," asked Perot, "If we don't continue to make important public investments?" (United We Stand, p.61)

- **Entitlement Savings from Most Well-Off:** Perot supported measures taken in 1993 such as repealing the limit on income subject to the Medicare wage tax and raising the portion of Social Security benefits that are taxable to 85%.
- **Tax Incentives for Job Creation.** Perot joined the Administration in supporting permanent extension of the R&D tax credit, investment tax credits, and deductions for investment in job creation. He also supported reductions in the capital gains tax that were far deeper and less targeted than ours.

### *Key Differences*

- **Perot Relied on Tax Increases More.** Perot's budget had \$320 billion in tax increases compared to \$250 billion in the President's 1993 budget-- 28% more than the Clinton 1993 plan.
- **Perot's Tax Changes Were Far Less Progressive.** Perot supported smaller tax increases on the wealthiest Americans, far larger tax increases on the middle-class (including a 50-cents gas tax, cuts in the home mortgage deduction, and a tax on employer-provided health care), and no tax relief for working poor families (earned income tax credit).
- **Perot Was Willing to Take More Contractionary Risk with 5-Year Balanced Budget.** While our 10-year plan protects working families and minimizes the dangers of economic slowdown by reaching balance gradually over 10 years, Perot proposed a 5-year balanced budget, with no discussion of its potential short-term impact on the economy.
- **Perot Cut Health Care More Deeply.** While both Perot and the Administration supported health care savings, Perot's were over twice as deep (\$179 billion to \$56 billion) and he proposed increases in Medicare B premiums and a tax on employer-provided health care. Perot never spelled out how \$140 of his \$179 billion in health care savings would be achieved. Even with our new balanced budget proposal with health savings in the context of reform, Perot's five year plan still calls for heavier Medicare savings (\$120 billion in five years versus our \$124 billion over seven years).
- **Perot Cut Agriculture More Deeply.** Perot proposed cutting agriculture subsidies by \$18 billion, compared to \$2 billion in reductions in the Clinton 1993 and an additional \$4.2 billion proposed over 7 years in the 10-year balanced budget proposal.
- **Perot Supported the Balanced Budget Amendment (eventually).** Perot actually changed his position from opposition during the 1992 campaign to support shortly afterwards.

## II. POLITICAL REFORM

Perot shared with the President the same overall political reform agenda: reduce needless bureaucracy and wasteful spending; rein in special interest lobbyists; and diminish the role of big money in campaigns.

Perot put special emphasis on three idiosyncratic goals which the President has not sought to achieve: (1) drastically reducing the benefits of government service; (2) restricting the influence of foreigners in government; and (3) dramatically altering the electoral process. The President, on the other hand, has emphasized the goal of reinventing government far more than Perot did.

The President has achieved or supported about two-thirds of Perot's political reform agenda. Because of Congress's failure to act on our campaign finance and lobbying reform proposals, however, we have partly or fully achieved only about two-fifths of the items on Perot's agenda.

### *Key Similarities*

- **Cutting White House, Executive Branch, and Congressional Staffs.** Perot called for "drastic" cuts in the number of executive branch employees and 30% cuts in White House and congressional staffs. We are cutting 272,000 executive branch employees and cut 25% from the White House staff while challenging Congress to do the same.
- **Improving Government Performance.** Perot advocated increased flexibility for federal employees and better treatment of citizens by government. These are key achievements of the reinventing government initiative.
- **Lobbying Reform (Though We Support Tougher Steps).** Perot proposed closing the "revolving door" and stopping top officials from lobbying for foreign governments. We did both. Perot also supported a gift ban similar to those we have advocated, although none has yet been enacted. In addition, the Administration has taken steps in two areas Perot did not emphasize: closing the "lobbyists' loophole," which Perot did not discuss, and supporting much broader lobbyists disclosure legislation. The President is also making a new Executive Order requiring Lobbyist Disclosure for all lobbying of the executive branch.
- **Line-Item Veto.** Both support giving the President the line-item veto.
- **Campaign Finance Reform.** Both the President and Perot have called for limiting PAC contributions, although Perot called for somewhat harsher limits in his second book. Both have also called for bans on the use of soft money and free air time for major federal candidates.

## *Differences*

- **Perot Supported Cutting Federal Employee COLAs.** While the Administration delayed COLAs in 1993, Perot supported eliminating them indefinitely.
- **Perot Supported Term Limits in His Second Book.** Perot actually changed his position on term limits from opposition to support. The Administration has consistently opposed them.
- **The Clinton Administration Supports Voluntary Spending Limits; Perot Did Not.**
- **Miscellaneous Issues.** Perot supported a range of changes in election law that the Administration has not addressed, including eliminating the electoral college, moving elections to Saturday and Sunday, eliminating the 89th wing of the Air Force, closing down Camp David, and forbidding non-citizens from volunteering on campaigns.

### III. DOMESTIC POLICY

Perot's domestic policy program had little in common with the current view of some of the Congressional majority that government is the source of every problem. Rather, his positions were more of an undeveloped, skeletal form of the "new Democratic" approach, moving away from top-down bureaucracy and toward a government that is a partner with citizens and communities in solving problems from the grassroots up.

Except for some important but isolated issues such as private school choice and nuclear power, many of Perot's proposals are not too different from our own.

- **Health Care: Universal Coverage in the Private System.** While Perot was harshly critical of our efforts in 1994, in 1993 he agreed that there was a health care crisis and outlined principles of reform very similar to ours: gradual movement toward universal coverage, based on a basic benefits package, within the private system. [He is coming out with a new book on health care soon.]
- **Education: Top Down Support for Bottom Up Reform.** Perot supported higher standards and greater autonomy and accountability within the public school system, both key objectives of Goals 2000. He also supported greater investment in education, particularly pre-school, which the Administration has achieved.

*Differences.* The President has put far greater emphasis on increasing college opportunity and improving job training, goals which Perot rarely discussed. In addition, while the President has supported choice within the public schools but opposed using public money to support private schools, Perot supported private school vouchers.

- **Crime: Punishment and Prevention.** Like the President, Perot supported getting tough on criminals through measures such as "three strikes and you're out" and a crackdown on gang violence. But Perot also joined the President in supporting preventive efforts such as expanded drug treatment and skills training for prisoners.

*Differences.* Perot did not emphasize the importance of police officers or community policing, and he did not support the President's goal of putting 100,000 more police officers on the streets.

- **Welfare Reform.** In his books, Perot did not emphasize welfare reform nearly as much as the President. The only area in which he offered details was improving child support enforcement, where his proposals were similar to the President's, including keeping a national database and using tax forms to withhold income from deadbeat parents. Perot supported improving incentives for people on welfare to move to work, but he did not offer any details of the sort we presented in 1994; nor did he support the EITC.

- **Environment and Energy.** While as a businessman Perot often disregarded environmental concerns, as a candidate he supported an environmentalist agenda. Like the President, he rejected the idea of a tradeoff between jobs and the environment. Policies supported by Perot that the President has pursued include encouraging businesses to implement sustainable development strategies; supporting a leadership role for the U.S. in global development; investing in environmental technologies; and increasing user fees for private use of public resources.

*Differences.* Perot supported expanding use of nuclear energy, which we have opposed. He also supported using higher gas taxes to reduce foreign oil imports, while we have sought to increase domestic production and use of alternative fuels.

## I. ECONOMIC POLICY

The Clinton Administration and Perot share a basic framework for national economic policy: eliminate the budget deficit, but increase key public and private investments in people and in jobs.

A numerical analysis of Perot's "deficit reduction plan" from 1993 confirms the overlap: of 28 line-items in that plan, the Clinton Administration accomplished most or all of his proposals in 12 areas (43%); accomplished modifications of his agenda in another 7 areas (25%); and supported but did not achieve another 3 items on his agenda (11%).

This means that the Clinton Administration accomplished part or all of Perot's budget agenda on over two-thirds (68%) of the items, while completely opposing him on only 21% of the items (6).

Nearly all of the differences come from either the magnitude of entitlement cuts or the size and targeting of tax increases: we supported fewer tax increases and a more progressive tax structure than Perot, while opposing deep health savings from working families outside of the context of health reform.

**A. DEFICIT REDUCTION.** Perot claimed to have a plan to balance the budget, but the plan as detailed in his 1993 book relied on a number of errors and exaggerations. He used an outdated baseline that failed to include over \$425 billion in higher deficits over 5 years that were already projected by CBO. His budget included \$140 billion in unspecified health care cost containment which he never detailed and which his economist, John White, said he had no real plan to achieve. Perot's budget also included \$108 billion in discretionary domestic cuts that were specified with only six specific cuts that could account for a fraction of those savings. Finally, he also included \$10 billion in savings from improved tax collection, \$21 billion from cracking down on transfer pricing, and \$145 billion in interest savings due to deficit reduction.

Taken by itself, the Administration's 1993 deficit reduction plan--with its real, credible numbers--stands up very well to Perot's sketchy plan. With our proposal for a 10-year balanced budget, we get to balance just as Perot did--but on a more sensible timeline and with much less reliance on tax increases.

- **Perot Changed His Position on the Balanced Budget Amendment from Opposition to Support; the Clinton Administration Consistently Opposed It.** In 1992, Perot opposed the BBA, saying, "Why tamper with the Constitution when what we need is for Congress to apply restraint over its own procedures?" In 1993, Perot changed his position and said, "The only way to get our elected servants to balance the budget and get rid of the debt is to pass the Balanced Budget Amendment to the Constitution."

- **The Clinton Administration Cut the Deficit by \$616 Billion Over 5 Years and \$1 Trillion Over 7, and in the 10-Year Plan, Proposed an additional \$1.2 Trillion More in Deficit Reduction; Perot Cut the Deficit by \$754 Billion Through Unspecified and At Times Exaggerated Savings.**
- **Just To Match the Clinton Administration's Record So Far, Perot Would Have Had To Achieve All of His Specific Savings and 65% of His Soft and Unspecified Savings.** Of Perot's \$754 billion in deficit reduction, \$393 billion is from unspecified health care cost containment, barely specified domestic discretionary cuts, and interest savings. Just to equal our \$616 billion in actual deficit reduction so far, Perot would have had to achieve 65% of these unspecified savings and 100% of his specific entitlement cuts and tax increases.
- **Perot Relied on Tax Increases More--\$320 Billion to \$250 Billion--And Targeted Them at the Middle Class.** If Perot's budget is classified as OMB has classified ours, it contains \$320 billion in net tax increases. (There are \$302 billion in tax hikes by his own admission.) Our 1993 plan as enacted had only \$250 billion in tax cuts-- his was 28% higher over 5 years. In addition, Perot's tax hikes were much less progressive than ours--much more targeted at the middle class and much less at the wealthy, with less relief for working families. Perot proposed no expansion in the Earned Income Tax Credit.
- **Our Balanced Budget Plan Gets To Balance On a More Reasonable Time Frame with No New Tax Increases.** Perot's proposal created unnecessary contractionary risks by seeking to balance within 5 years. The Clinton Administration reduces that risk with a prudent plan to reach balance that protects working families. There are no new tax increases, and we get to balance in 10 years rather than five.

**B. DISCRETIONARY SPENDING CUTS.** The Clinton Administration has achieved more net savings and made more specific cuts than Perot proposed. Much of the additional savings is from deeper defense cuts, but some is from deeper discretionary cuts. In addition, the Administration has been able to achieve specific savings--including many through Reinventing Government--that Perot only vaguely outlined. The Administration has also proposed many of the same user fee increases as Perot, though many were not enacted.

### *Differences*

- **Our Total Discretionary Savings Is Higher Than Perot's, Including Deeper Proposed Cuts in Domestic Programs.** Perot achieved a net reduction of \$38.5 billion in discretionary spending between 1994 and 1998: \$40 billion in reductions in Defense and increased net domestic discretionary spending of \$1.5 billion (\$108 billion in cuts and \$109.5 billion in investments). By contrast, the first Clinton budget included \$108 billion in savings from lowering the discretionary caps. While these savings were predominantly in defense, our current budget proposal calls for \$434 billion in discretionary cuts, with over 85% of these in nondefense discretionary programs. Over 5 years, the cut from our new plan is \$104 billion--entirely from nondefense programs.
- **The Clinton Administration Cut 300 Specific Programs; Perot Cut Six.** In his two books, Perot only singled out six specific programs for cuts, four domestic and two Defense: the Space Station, Superfund, Small Business Administration, Rural Electrification Administration, B-2 Bomber, and Seawolf. In its 1993 five year plan, the Clinton Administration cut \$255 billion and had cuts in 300 programs in each of its first two years--including REA and the B-2, but not Perot's other cuts.
- **The Administration's Achieved and Pending Cuts through Reinventing Government Are Larger Than Perot's Unspecified Administrative Cuts.** Over two-thirds of Perot's domestic discretionary cuts were achieved from a 10% across-the-board administrative cut of \$73 billion--his only major (but still unspecified) savings from any sort of reinventing government. Just from Phase I of the Reinventing Government initiative, the Administration has already achieved \$63 billion in savings, predominantly discretionary, including \$40 billion from streamlining bureaucracies and \$12 billion from procurement reform. In Phase II, the Administration proposed \$37 billion in savings. While some of this \$37 billion overlaps with the \$63 billion and some of it is on the entitlement side, our total discretionary savings from REGO I and II are greater than Perot's administrative cut.
- **Defense Cuts.** Perot called for \$40 billion in savings from defense beyond President Bush's baseline. The Administration called for more savings in defense in our 1993 five year plan.

### *Similarities*

- **Both Called for Higher User Fees.** Perot called for raising air traffic, island waterway, and natural resources fees. The Clinton Administration proposed increases in all three categories in the 1993 budget, but most were not included by Congress in reconciliation. In its current budget, the Administration proposes raising fees for private use of public goods by continuing the auction of the radio spectrum and through other measures.

**C. ENTITLEMENT CUTS.** Perot and the Clinton Administration made many similar reforms in entitlement spending, yet the Clinton budgets have called for less savings than Perot because his fall heavily on middle class recipients. Of 5 specific changes in entitlements that Perot proposed, we enacted 3 in the same or very similar form and 1 in part. In 1993, we achieved Medicare and Medicaid savings of smaller magnitude than Perot claimed he could (\$56 billion versus \$179 billion) (\$49 billion versus \$120 billion in Medicare). We did not increase costs to beneficiaries, as Perot explicitly would have done through a proposed \$38 billion increase in Medicare premiums over five years. In our current budget proposal, our added savings from Medicare and Medicaid are still on a smaller scale than Perot's proposed savings, and still differ in that they do not hit beneficiaries with cuts.

On non-health care entitlements, Perot and the Administration proposed similar cuts in wasteful subsidies to special interests. Perot proposed deeper cuts in Agriculture, but we have achieved savings that he did not propose from direct lending, auctioning the radio spectrum, and veterans' benefits.

#### *Similarities*

- **Both Repealed \$135,000 Limit on Income Subject to Medicare Wage Tax.** Perot proposed, and we supported and enacted, repealing the \$135,000 limit on income subject to the HI (Medicare) wage tax, which raised \$29 billion over 5 years from the wealthiest retirees. Our savings from this went to Medicare Trust Fund and helped extend its solvency.
- **Both Raised the Portion of Social Security Benefits That Are Taxable to 85%.** Perot proposed raising from 50 percent to 85 the amount of Social Security benefits subject to income tax for retirees earning above \$25,000 (single) or \$32,000 (couple). We proposed the same change, and due to congressional modification, signed into law an increase to 85 percent for those earning above \$34,000 (single) or \$44,000 (couple), raising \$18 billion.
- **Both Cut Federal Retirement COLAs By About \$12 Billion.** Perot proposed reducing COLAs for retired Federal employees by one-third, saving \$13 billion. The Administration saved \$11.5 billion by delaying COLAs for retirees.
- **Both Cut Wasteful Subsidies Such as Honey, Wool, and Mohair.** Perot proposed cutting "wasteful subsidies," but was not specific. The Clinton Administration has eliminated federal support payments for wool and mohair (\$1 billion in 5-year savings) and for honey (about \$20 million).

## *Differences*

- **Perot Cut Agriculture More Deeply.** Perot proposed "eliminating our entire system of farm subsidies for giant agricultural corporations," with savings totalling \$17 billion. The Clinton Administration has taken a more targeted approach to agriculture subsidies, with savings totalling about \$2 billion in the 1993 budget, and an additional \$4.2 billion over 7 years in the 10-year budget proposal. The Administration is also cutting an additional \$1.5 billion in order to implement GATT (\$600 million through 1998), and has eliminated specific agricultural subsidies such as wool, honey, and mohair.
- **Perot Supported Cutting Beneficiaries by Raising Premiums for Medicare B; the Clinton Administration Has Not.** Perot would have raised \$38 billion by raising the Medicare B premium for beneficiaries from 25% to 35% of costs. None of the 1993 OBRA changes in Medicare targeted cost increases at beneficiaries, and our 10-year balanced budget calls for *no* new savings from Medicare beneficiaries.
- **Both Called For Some Medicare and Medicaid Savings; His Were Larger, Ours Have Been Real.** Perot's projected cuts were \$120 billion in Medicare and \$59 billion in Medicaid over 5 years, but he never specified how \$140 billion in these savings would be achieved, and his economist, John White, said he had no concrete plan. In 1993, the Clinton Administration saved \$49 billion in Medicare and \$7.2 billion mainly by reducing payments to providers. In our balanced budget proposal, we would achieve \$124 billion in additional Medicare savings and \$54 billion in additional Medicaid savings. However, these savings would be achieved in the context of health care reform. Over the period 1993-98, even combined with the 1993 savings, these savings are smaller than those in Perot's proposal.
  - **Perot Premiums Hikes:** Perot called for increasing the Part B premium from 25% to 35% on at a cost of \$38 billion over five years. That averages over \$1000 per beneficiary over five years. We support keeping the premium at 25%.
- **We Have Achieved Other Entitlement Savings Perot Did Not Discuss.** Our direct lending initiative is already saving \$6.8 billion; in our current budget, we propose accelerating implementation to save more. In addition, our 1993 budget saved \$3.5 billion from Veterans programs.

**D. INCREASED REVENUES.** Perot's budget included 7 major tax increases. Of these, the Clinton Administration enacted 3 in the same or similar form, and supported enactment of one other. We did not support 2 of Perot's tax proposals that would have hit the middle class hard. In general, our policies on taxes represent a strong contrast with Perot's proposals in two respects:

- First, we enacted *smaller* tax increases than he proposed, \$250 billion versus \$320 billion.
- Second, our tax policies were far *more progressive*. Specifically, we cut taxes for the working poor, which he didn't; we protected the middle class from major tax hikes, while he raised their taxes significantly; and we raised taxes on the wealthiest considerably more than he did, so that the burden on working families would be smaller and real deficit reduction could still be achieved.

### *Similarities*

- **Both Raised Income Taxes on the Wealthy; the Clinton Administration Increase Was Larger:** Perot proposed increasing the top marginal tax rate for individuals from 31% to 33% or 35% if necessary. OBRA 1993 created two new top brackets at 36% and 39.6%, thus raising taxes for only the wealthiest 1.2% of Americans, joint filers earning over \$180,000 in Adjusted Gross Income. The 1993 plan also imposed a new 10-percent surtax on taxable income above \$250,000.
- **Both Cut Deduction for Business Entertainment Expenses to 50 percent.** Perot proposed, and we supported and signed into law, a reduction in the deduction for business entertainment expenses from 80 percent to 50 percent, saving \$16 billion over 5 years.
- **Both Supported Cracking Down on Transfer Pricing; the Administration's Savings Have Been Less than Expected.** During the campaign, we called for new restrictions on transfer pricing to raise \$45 billion; Perot proposed raising \$21.4 billion. The Clinton Administration has taken several steps to reduce transfer pricing, but scoreable savings have been limited to about \$4 billion.
- **Both Supported Higher Tobacco Taxes.** Perot proposed raising \$19 billion from higher excise taxes on tobacco. The Clinton Administration supported a higher tobacco tax in the context of health care reform.
- **Both Supported Eliminating Unnecessary Corporate Subsidies.** Perot's plan included \$22 billion in savings from "wasteful subsidies." The Administration has already eliminated wasteful subsidies for wool, honey, and mohair, and proposed cuts in hundreds of programs. In our current balanced budget, the Administration proposed to eliminate \$25 billion in corporate welfare, on both the tax expenditure and the spending sides.

*Differences: Our Tax Hikes Were Smaller and More Progressive*

- **We Had Fewer Tax Hikes--\$320 billion versus \$250 billion.** Counting tax increases as we did, Perot's plan included \$319 billion in tax increases (\$302 billion by his own admission), compared to \$250 billion in our 1993 plan as enacted.
- **Perot Supported Large Gas Tax Hike with No Offsets to Protect Working Families; We Enacted a Small Gas Tax Increase with Protection for Families.** Perot supported a 50-cent gas tax (10 cents increase per year over 5 years) that would have raised taxes by \$158 billion over 5 years, without any increase in energy assistance or the EITC to protect working families. By contrast, the Administration enacted into law a 4.3 cent increase in the gas tax (less than 10% as large), raising \$24 billion, while also increasing the EITC and providing a new EITC for 4 million workers without children to ensure that the effect of the tax did not regressively hurt poor workers. Earlier, the Administration had proposed a BTU tax that was still less than half as large as Perot's --\$71 billion --and we provided an even more generous EITC along with energy assistance to protect lower-income families.
- **Perot Supported Cutting the Home Mortgage Deduction for the Middle Class; We Don't.** Perot supported limiting the deduction for mortgage interest to \$250,000 on a first home. The Clinton Administration has not supported that change, which would raise taxes for middle-class families in areas with high real estate prices.
- **Perot Supported a New Tax on Employer-Provided Health Care; We Didn't:** Perot proposed taxing employer-provided health care programs in excess of a premium of \$135 per month for an individual and \$335 per month for a family. The Administration supported no such proposal in 1993, although we did say we would consider such increases ten years into a comprehensive health care reform.
- **We Supported the EITC for Working Families; Perot Didn't.** We proposed and Congress enacted a \$21 billion expansion in the Earned Income Tax Credit, providing tax relief to 15 million working families earning \$27,000 or less. We have now also proposed \$63 billion in tax relief for the middle class. Perot supported no such credit or tax relief.
- **The Clinton Administration Supported Making the Wealthiest Pay More than Perot, Including Increases in Corporate Taxes.** As noted above, the Clinton Administration has enacted higher increases in personal income taxes. The Administration has also raised the corporate income tax on the top 1 percent of corporations from 34 to 35 percent.
- **Perot and the Administration Differed on Several Smaller Tax Provisions.** We eliminated the deduction for lobbying expenses, savings \$700 million over 5 years, while Perot had no such proposal. We also eliminated certain other deductions, such as those for club dues and moving expenses.

E. **TAX CUTS.** Perot and the Clinton Administration have both supported limited tax incentives to support job creation. These tax incentives have been similar in form, focusing on investments and targeted capital gains, but ours have in general been smaller and more targeted to small businesses. We have also supported a tax cut specifically directed at helping working families; Perot has not supported such a cut.

### *Similarities*

- **Both Supported Permanent Extension of the R&D Tax Credit.** We achieved a 3-year extension.
- **Both Supported Investment Tax Credits; Ours Is Smaller and Targeted to Small Businesses.** Perot supported a 10% investment tax credit costing \$27 billion. In 1993, we proposed a permanent small business tax credit for investment in equipment, costing \$12.2 billion. The Administration achieved a 75% increase in the maximum expensing for small businesses, costing \$4 billion.
- **Both Supported Targeted Capital Gains Tax Cut; Ours Is Much Smaller and Targeted at Small Businesses.** Perot supported a reduction in the long-term capital gains tax costing \$17 billion. He wrote that "we need a stairstepped capital gains tax, decreasing each year over five years, on shares purchased from public companies with the money going into the treasury to build the company." He also claimed that we should have no capital gains for investment in a starting-up small business. Our 1993 budget included a targeted capital gains exclusion for long-term investment in small businesses costing just \$800 million.
- **Both Supported Tax Incentives for Investment in Education, Though These Differ.** Perot supported a tax credit for firms that invest in worker training costing \$10 billion. The 10-year balanced budget includes a tax deduction for tuition costs of up to \$10,000, costing \$24 billion, and going directly to workers and students or their families.
- **The Clinton Administration Has Passed Other Tax Extensions and Incentives that Perot Did Not Discuss.** The Administration supported a series of tax credits Perot did not discuss, including extending the low-income housing tax credit; modifying passive loss rules for certain real estate; and extending the targeted jobs tax credit.

### *Differences*

- **We Support a Tax Cut for Working Families; Perot Did Not.** We support a tax cut that is targeted to help working families raise their children and pay for education. While as noted earlier, Perot did support tax incentives for education, he did criticize a broad middle-class tax cut as too costly.

**F. INVESTMENTS IN PEOPLE AND JOBS.** Unlike many of the leaders of today's Republican Party, Ross Perot was not reflexively opposed to government. He proposed increased spending in five domestic areas. The Clinton Administration has expanded investment in all these areas, though generally not by the amounts he proposed. **We would welcome his support for increasing these investments.** "Where will we be twenty years from now," asked Perot, "If we don't continue to make important public investments?" (United We Stand, p.61)

- **Both Invested More in Education:** Perot supported \$12 billion in increased education spending over 5 years. The agenda we are trying to implement would top that growth. In just the two years from 1993 to 1995, we have increased funding by \$5.5 billion for key education investments (including Head Start, Goals 2000, School-to-Work, National Service, and job training) With our proposed increases in 1996, our total 3-year increase would be \$11.4 billion. Over the next 7 years, we would increase investment in education by \$41 billion.
- **Both Invested More in Cities:** Perot proposed \$11 billion in new investment in cities, including enterprise zones. Our empowerment zone initiative offers \$2.5 billion in tax incentives and an additional \$1 billion in flexible block grants. Our Community Development Financial Institutions initiative authorizes \$500 million to leverage billions more in private capital. And other investments of ours, like expanding Head Start and Chapter 1, will also greatly benefit urban areas.
- **Both Invested More in Research and Development, though Perot Supported Very Large Increases.** Perot supported a massive increase in R&D spending--\$46 billion over 5 years, with \$13.5 billion more in 1996 than in 1993. Our civilian R&D budget is up \$4.6 billion from 1993 to 1996, and in addition we have increased investment in dual-use technologies. The Administration has clearly stated that it will seek to protect critical technology investments in any effort to balance the budget.
- **Both Supported Defense Reinvestment.** Without a cost estimate, Perot proposed programs to help convert military bases to other uses and help military personnel move into civilian employment. Perot wrote that "we need to convert many of our defense industries to new and productive tasks so that downsizing of our industries is not accompanied by a downturn in jobs. The federal government can play an important role." The Clinton Administration has initiated a 5-year, \$20 billion Defense Reinvestment and Conversion Program.

- **Both Believed that there were Methods of Public-Private partnership in Technology and Innovation without Industrial Policy:** While the current Congressional majority targets for elimination many of the Clinton initiatives that call for a governmental role in technology and innovation, Perot saw there could be a role without impeding on the marketplace or leading to industrial policy. In United We Stand, Perot has three pages on "Target Growth Industries" making the case for "targeting and stimulating new industries, applications, and inventions..."
- **Both Invested in Infrastructure.** Perot supported \$40 billion in added spending on roads, bridges, and tunnels over 5 years, with a \$16 billion increase from 1993 to 1995 alone. The Clinton Administration has increased funding for infrastructure by smaller but still significant amounts: for example, highway aid is up over \$2 billion from 1993 to 1995; mass transit formula grants are up over \$500 million; and there have been smaller new investments in next generation high speed rail and an intelligent vehicle highway system. However, many infrastructure investments could be threatened by a 10-year balanced budget.

## II. POLITICAL REFORM

In political reform as in economic reform, the Clinton Administration's agenda overlaps significantly with Perot's. Both have sought to eliminate needless bureaucracy and improve the way government works; to reduce extravagant perks; to limit the influence of special interest lobbyists; and to diminish the role of big money in election campaigns.

Within this shared framework, there is a difference of emphasis. Perot and the Clinton Administration have both treated lobbying reform and campaign finance reform as major priorities, though Congress has stalled our proposals. Perot has put special emphasis on three idiosyncratic areas: drastically reducing the benefits of government service (e.g., eliminating COLAs for current federal workers); restricting the influence of "foreigners" (e.g., banning foreigners from volunteering on campaigns); and dramatically altering the electoral process (e.g., moving elections to Saturday and Sunday). While the Clinton Administration has not supported these efforts, we have much more vigorously sought to "reinvent government," producing major savings and improved services that Perot vaguely discussed.

Of the 30 items supported by Perot on the political reform issues that follow, we have completely opposed or taken no action on only 10 of the items, nearly all from outside the political mainstream. Thus, the Clinton Administration has partly or fully supported Perot's goals on two-thirds of these items. However, due to Congressional inaction on our campaign finance and lobbying reform proposals, we have partly or fully achieved only 13 of the items (43%). Had Congress enacted just our lobbying reform and campaign finance proposal, we would have accomplished 19 of the items on Perot's agenda (63%).

**A. REINVENTING GOVERNMENT.** Perot's rhetoric about improving government that is similar to ours, but in general he put much *greater emphasis on reducing perks for government officials than on improving services or cutting costs for taxpayers.* The Reinventing Government initiative has achieved both savings and improvements that Perot vaguely sketched but did not seriously detail. With regard to the perks, we have reduced some of the benefits that Perot wanted to cut, and sought to reduce others. But the Administration has not embraced Perot's more draconian proposals or attacked policies that are traditionally Congressional prerogatives.

### *Similarities*

- **Our Achieved and Pending Cuts through Reinventing Government Are Larger Than Perot's Unspecified Administrative Cuts.** Over two-thirds of Perot's domestic discretionary cuts were achieved from a 10% across-the-board administrative cut of \$73 billion--his only major savings from "reinventing government," which he did not specify at all. Just from Phase I of the Reinventing Government initiative, we have already achieved \$63 billion in savings, predominantly discretionary, including \$40 billion from streamlining bureaucracies and \$12 billion from procurement reform. In Phase II, we have proposed \$37 billion in savings. While some of this \$37 billion overlaps with the \$63 billion and some of it is on the entitlement side, our total discretionary savings from REGO I and II are greater than Perot's administrative cut.

- **Both Cut Federal Employees.** Perot proposed "drastically" cutting the number of executive branch employees. The Administration is reducing the number of federal civilian employees by over 272,000, to the lowest level since the Kennedy Administration.
- **Both Cut White House Staffs.** Perot proposed cutting White House staff costs by 25% and White House staff by 30%. We cut the White House staff by 25%.
- **Both Increased Flexibility for Federal Employees.** Perot said employees should be enabled to be more "responsive.... We need to lift restrictions that keep our employees from doing their best jobs." Through a new emphasis on achieving agency missions, the Reinventing Government initiative has cut red tape and freed employees to focus on getting their jobs done rather than abiding by regulations
- **Both Support Making Government Serve Citizens Better.** Perot said we should "encourage federal employees to treat citizens as owners." Our efforts to emphasize customer service and putting outcomes first seek the same goal. For example, the Administration has reduced a massive SBA loan application to two pages.
- **Both Applied Laws of Nation to Congress.** Perot supported the legislation which we enacted to make sure that legislation passed by Congress applies to Congress.
- **Both Support Line-Item Veto.**
- **Both Reduced Use of Limousines By Federal Employees.** Perot proposed eliminating "limousines and chauffeurs" for most federal employees. We have eliminated car service to the homes of all but a few senior officials. The Administration continues to allow top officials to use car service (not limousines) for business purposes only.
- **Both Supported Cutting Congressional Perks.** Perot proposed eliminating congressional perks such as subsidized haircuts, food, and free parking, and "cutting other perks by 40 percent." The Congressional budget is traditionally a congressional prerogative, but the Administration has supported efforts to reduce the congressional budget in general terms.
- **Both Supported Cutting Congressional Staffs.** Perot proposed cutting congressional staffs by 30 percent. You challenged Congress to cut their staffs by 25%, and the House is now reducing committee staffs by one-third, though not personal staffs.
- **Perot Supported Electronic Town Halls; We Have Expanded Public Participation Dramatically.** Perot proposed using interactive electronic town meetings to "reach a consensus" on certain issues. The President has used town meetings and White House conferences across America on different subjects to bring public debate out of Washington and to learn more about the nation's needs. However, we have not sought to make binding decisions on the spot at town meetings.

## *Differences*

- **Perot Supported Reducing the Number of Agencies; We Have Streamlined Major Agencies and Proposed Eliminating Smaller Ones.** Perot called for fewer Federal departments, though he did not say which he would cut. You have issued an executive order to reduce agency administrative costs by 14%; the second phase of the Reinventing Government initiative has offered proposals to dramatically restructure nine agencies; and we have proposed eliminating the Interstate Commerce Commission and other smaller agencies.
- **Perot Supported Eliminating Federal Employee COLAs; the Administration Delayed COLAs.** Perot proposed eliminating all automatic COLAs for Federal employees. In 1993, the Clinton Administration delayed COLAs for federal employees in order to reduce the deficit.
- **Perot Supported Cuts in Elected Officials' Salaries and Pensions.** Perot sharply criticized the "million dollar pensions" of some Congressmen, and proposed cutting salaries for the President and Congress by at least 10 percent. The Administration has not addressed these issues, which are traditionally a congressional prerogative.
- **Perot Supported Reducing Availability of Airplanes and Vacation Retreats for Federal Officials.** Perot proposed selling 1200 government airplanes used to fly senior officials, eliminating the 89th wing of the Air Force, and closing down federal "vacation retreats." The only notable such "retreat" is historic Camp David, which you--like all previous Presidents--have maintained. We have shut down the executive dining rooms in the White House.

**B. LOBBYING REFORM.** Of Perot's five proposals to reduce the influence of special interest and foreign lobbyists, we have implemented two by executive order in slightly less stringent form. We have supported two others --taking a broader and tougher position on lobbyist disclosure--but Congress blocked our efforts. Thus, we have supported or achieved 80% of Perot's lobbying agenda. We have not acted on one measure supported by Perot (banning foreign lobbyists), and we have taken one step not supported by him, closing the lobbyists' loophole.

### *Similarities*

- **Perot Proposed Closing the "Revolving Door"; We Closed It.** Perot sought to ban former top officials from lobbying government for 5 years. We banned top officials from lobbying their own agencies for 5 years.
- **Perot Supported Stopping Top Officials from Ever Taking Money from Foreign Governments; We Stopped Them from Ever Lobbying.** Perot proposed forbidding any top official from accepting a penny for any reason from any foreign interest. The Clinton Administration has required senior officials to pledge never to become registered agents on behalf of any foreign government.
- **Both Supported Gift and Contribution Bans.** Perot sought to ban donations or gifts by lobbyists to elected officials. We have supported legislation to bar lobbyists from giving campaign contributions to, or raising funds for, the lawmakers they contact for one year after the contact, and from lobbying lawmakers to whom they have contributed for one year after the contribution. In your State of the Union address, you challenged Congress to voluntarily adopt a gift ban.
- **The Administration Supported Much Broader Lobbyist Disclosure Legislation Than Perot.** Perot focused on regulating the behavior of foreign lobbyists, but said little about disclosure by domestic lobbyists. The Administration supported legislation, blocked by Republicans, that would require all professional lobbyists to register, fully disclose who pays them and how much they are paid, and require full disclosure of their interest (i.e., supporting or opposing a particular bill).

### *Differences*

- **We Closed the "Lobbyists Loophole"; Perot Had No Position on the Issue.** President Clinton eliminated the tax provision that allowed corporations to deduct the costs of lobbying expenses. He supported no similar policy.
- **Perot Supported Eliminating Foreign Lobbyists; the Clinton Administration Supported Tougher Disclosure Laws.** Perot supported an outright ban on lobbying for foreign interests. The Administration has supported tougher disclosure by all lobbyists, but no such ban.

**C. CAMPAIGN FINANCE AND ELECTION REFORM.** We have supported campaign finance reforms that would reduce the influence of big money in political campaigns. The Clinton Administration's proposals have had similarities to those of Perot. Yet, the Administration has supported constraints on candidate self-financing and voluntary spending limits that Perot did not support, while the Administration's proposed limits on PACs have been somewhat moderated by the need to maintain broad congressional support.

In addition, the Administration has not supported procedural changes--such as term limits and eliminating the electoral college. Finally, through Motor-Voter, we have achieved one of Perot's major goals of facilitating voter registration.

### *Similarities*

- **Both Support Easier Voter registration.** Perot supported measures to make it easier to register to vote. You signed the Motor-Voter Act into law.
- **Both Support Free Air Time.** Perot proposed providing equal free time on airwaves to major federal candidates. We have supported free air time for federal candidates as well for candidates who abide by voluntary spending limits.
- **Both Supported Restraints on PACs: Perot Changed His Position from Limiting PAC Contributions to \$1,000, to Eliminating PACs Altogether; We Supported Limiting PAC Contributions to \$1,000.** In his first book, Perot called for limiting contributions to PACs (and all contributions) to \$1,000. In his second book, Perot called for flat-out eliminating PACs. We never supported the latter, but we have supported a \$1,000 limit on PAC contributions. The Administration's campaign finance proposal last year included the limit for presidential candidates, with a higher limit for House and Senate candidates.
- **Both Called for Bans on the Use of "Soft Money."** Perot called for eliminating soft money contributions. The Administration has supported legislation that would ban the use of soft money in federal elections and for national party committees except for narrow purposes. Our proposal would allow state party grassroots activity for federal candidates to be conducted through state parties, funded through "hard money" raised and disclosed under Federal limits.

## *Differences*

- **We Support Voluntary Spending Limits; Perot Doesn't.** We have supported voluntary limits on campaign spending, with free air time provided to candidates who abide by the limits. Perot supported no such limits.
- **Perot First Opposed, Then Supported Term Limits; the Administration Has Consistently Opposed Them.** Perot switched positions on term limits. In his first book, he said "we don't need term limits as long as we have the ballot." Later, during the debates, he endorsed term limits. And in his 1993 book, he proposed that Members of Congress face automatic removal if the deficit reduction plan did not meet its targets. The Administration has consistently opposed term limits.
- **Perot Proposed Treasury Confiscation of Excess Campaign Funds.** Perot proposed that unspent campaign funds be given over to the Treasury. The Administration has made no similar proposal.
- **Perot Supported Changes in the Campaign Calendar.** Perot proposed shortening campaigns by law and holding elections on Saturday and Sunday rather than Tuesday. We have made no similar proposals.
- **Perot Proposed Sharp Constraints on Foreigners' Role in Campaigns.** Perot proposed preventing foreigners from contributing to or serving on campaigns. The Administration has made no similar proposal.
- **Perot Proposed Eliminating the Electoral College.** Perot proposed a constitutional amendment to elect Presidents by popular vote. We have made no similar proposal.
- **Perot Proposed Legislation To Forbid Release of Polling Data on Election Day Until After Polls Close in Alaska and Hawaii.** Currently, news organizations police themselves to prevent premature release of information on Election Day. We have made no legislative proposal in this area.

### III. DOMESTIC POLICY

Ross Perot's central concerns were the economy, political reform, and trade, and he devoted relatively little space in his books to domestic policy issues. For example, in his first book he wrote about six pages about education and three or fewer about welfare, crime, the environment, and health care. The second book hardly addresses these issues at all.

Nonetheless, Perot did outline programs in all of these fields. Perot's ideas have little in common with the current Republican view that government is the source of every problem. Rather, his positions were a skeletal form of the "new Democratic" approach, moving away from top-down bureaucratic solutions and toward a government that is a partner with communities and ordinary citizens in solving problems from the grassroots up.

Except for some important but isolated issues such as private school choice and nuclear power, many of Perot's proposals are close to ours.

#### A. HEALTH CARE

In 1993 and 1994, Perot was sharply critical of the Health Security Act. He called it a government takeover of health care that would reduce patients' choice of doctors, hurt small businesses, and cost too much. Denying there was a health care crisis, Perot looked to doctors to lead reforms that would be implemented on a pilot basis.

During his campaign, however, Perot's line had been very different. In his book he criticized the health care system, saying, "We have 37 million people who aren't covered at all.... Health-care costs have grown at twice our economic growth rate.... Our companies are forced to divert money from jobs."

[???]While Perot did not offer a detailed prescription for health care reform, he did suggest major changes that were similar to our proposals: maintaining a private insurance system while cutting costs and expanding coverage.

#### *Similarities*

- **Both Supported National Health Reform.** Perot said that in the longer-term, America needed "comprehensive national health care reform based on a public-private partnership." This was the principle behind the Health Security Act.
- **Both Supported a National Health Board.** The HSA would have established such a board.

- **Both Supported A Basic Benefits Package.** Perot said that a basic benefits package should be established, though he did not say by whom or what it should include. The HSA would have established a basic benefits package.
- **Both Supported Universal Coverage.** Perot explicitly called for "universal coverage." The HSA would have achieved universal coverage gradually.
- **Both Supported Expanded Preventive Care.** Perot said that in the short-run, the priorities for health care should be cost-containment and preventive care. This is consistent with the HSA, and in addition, we have greatly expanded support for preventive care through initiatives like our immunization program.

## B. EDUCATION

Perot recognized the importance of education in the new economy: "Failing schools and shoddy performance are undermining our nation's ability to compete and our children's expectations for the future." Perot did not share the view of some Republicans today that the federal government has no role in public education. Rather, he shared the belief that results should be measured and successes disseminated from Washington, but that responsibility should continue to remain with communities. In a formula, he supported "top-down support for bottom-up reform."

We have taken steps in all the major areas that Perot emphasized except private school choice, while also doing much more than Perot contemplated to emphasize *lifelong* learning.

### *Similarities*

- **Both Supported Improving and Expanding Pre-School Programs.** Perot extolled the benefits of investments in pre-schooling, saying we should "Establish Comprehensive Pre-School Education." In the Administration's first two years, we increased funding for Head Start by \$1.2 billion, and he signed into law a bill authorizing \$1 billion in support for family preservation programs and family support programs like HIPPI. Our current budget would expand Head Start by \$1.5 billion by 2002 to reach another 50,000 children.
- **Both Supported "local autonomy with accountability."** This Perot formula expresses the approach of the Goals 2000 legislation that we strongly supported, which provides funding for schools to set challenging academic standards--and to help students meet them.

- **Both Supported "Creating National Standards and Measuring Results."** Again, Goals 2000 does both of the things that Perot is calling for, codifying the national Goals 2000 framework and creating voluntary national standards, while also making continued support contingent on implementing reform proposals and meeting benchmarks.
- **Both Supported Wider Use of School Buildings.** Perot said that school buildings should be used before and after school for day-care, medical clinics, adult literacy, and other purposes. The Crime Bill includes provisions for community schools that stay open after hours for these and other purposes.
- **Both Supported New Methods of Certification for Teachers.** Perot said that the teacher certification system should be reexamined. The Administration has supported the National Board for Professional Teaching Standards, which is developing a voluntary system of advanced certification for teachers. The Administration has also supported the development of alternative routes to--but not lower standards for--certification.
- **Both Support Some Merit Pay.** Perot said that teachers should be paid for performance. The Administration has supported the efforts of the National Board, which include support for differentiated pay for board certified teachers, who clearly achieve the highest standards in the profession.
- **Both Support Emphasis on Learning in Schools.** Perot emphasized the need to put first things first in schools. The Department of Education has strongly supported reports on time and learning that seek to refocus schools on learning and teaching rather than social services.
- **Both Support Refocusing Educational Research.** Perot said that funds should be shifted from researching what works in education to implementing successful models. The Administration has refocused research on producing useful information and on making this research more accessible. For example, the new PATHWAYS program will make state-of-the-art knowledge about best practices accessible to teachers across the country with access to the Internet.

## *Differences*

- **We Have Supported Lifelong Learning Measures that Perot Did Not Discuss.** Our agenda has been broader than Perot's, including measures such as School-to-Work Opportunities, Direct College Loans with Pay-as-you-can repayment, national service, and Skill Grants for unemployed and low-income workers. Perot said little in any of these areas.
- **Both Supported Empowering Parents: Perot Supported Public and Private School Choice; the Administration Has Opposed Private School Choice.** Both Perot and the Administration have emphasized the need to return power and responsibility to parents. Perot proposed encouraging school districts to allow parents to choose among the public schools in the district, while removing federal obstacles to state and local pilots with private school choice. The Clinton Administration has supported parenting education, public school choice and efforts to engage parents more in their children's education, through parental resource centers and through Secretary Riley's parental responsibility campaign. The Administration has opposed private school choice.
- **Both Supported Recruiting Military Professionals To Teach in Public Schools, Though the Administration Cut This Program.** In its first two budgets, the Clinton Administration supported the "Troops-to-Teachers" program to help military professionals move into teaching in schools with shortages of teachers. However, the program is expensive, and the 1996 budget request included no funding for this year.

**C. CRIME.** Perot shared the view that America's approach to crime should balance punishment and prevention. His 1992 proposals show little affinity for the purely punitive approach of the current House Republicans. The 1994 Crime Bill takes steps in the direction of all of Perot's proposals except one, without fully achieving some of his goals.

## *Similarities*

- **Both Support Three Strikes and You're Out.** Perot supported mandatory life sentences without parole for three violent crimes at any age. You signed a proposal enacting "three strikes and you're out" for adults and giving judges discretion to impose much tougher penalties on minors.
- **Both Support Expanded Drug Treatment.** Perot supported drug treatment on demand. The Clinton Administration proposed drug treatment on demand as part of our health care legislation; proposed the largest increase ever in treatment for hard-core abusers for three years; and achieved an increase of \$140 million in 1994 and another \$250 million in 1995. In addition, the Crime Bill authorized \$1 billion for new Drug Courts, including treatment and testing of drug criminals.

- **Both Support Cracking Down on Gangs.** Perot said he would "apply all appropriate statutes to prosecute gangs and ask the nation's prosecutors and U.S. attorneys what further legal tools they need." The Crime Bill increases the maximum prison sentence for gang-related drug or violent crimes-by up to 10 years.
- **Both Support Making Literacy and Skills a Precondition for Prison Release.** The Crime Bill withholds parole credits from federal prisoners who do not have and are not making progress toward a high school diploma or GED.
- **Both Support Using Former Military Bases and Other Facilities for Drug Rehabilitation.** The federal government has already converted several military bases to prisons. In addition, the Crime Bill authorizes the conversion of military bases for other purposes, including boot camps with drug treatment.
- **Both Support Establishing Mandatory Drug-testing for Prisoners and Parolees.** The Crime Bill mandates drug treatment and testing for federal prisoners who have committed drug offenses. In addition, the bill provided additional funding for states and localities to test and treat prisoners.

### *Differences*

- **We Have Begun Putting 100,000 Police Officers on the Streets; Perot Had No Comparable Proposal.** Perot did not emphasize the importance of police officers to fighting crime.
- **Perot Supported Programs to Divert Gang Members to Entrepreneurship; the Administration Is Skeptical.** Many people believe that they simply give gang members the opportunity to make money while continuing to engage in illegal activities.

**D. WELFARE REFORM.** Perot did not provide a detailed welfare reform plan in either of his two books. He showed significant interest in only one area, deadbeat dads, offering proposals similar to ours. Perot's vague statements concerning incentives to work may indicate that he would have favored an approach like ours that emphasizes empowerment for future work rather than punishment for past mistakes.

### *Similarities*

- **Both Support Keeping a National Database of Deadbeat Parents.** The Clinton Administration's welfare reform legislation would set up such a database.
- **Both Support Using Tax Forms to Withhold Income from Deadbeats.** Our welfare reform allows for wage withholding only from child support delinquents, while Perot would have authorized wage withholding for all parents who owe child support payments.
- **Both Support Crackdown on Deadbeats.** Perot wanted to make crossing state lines to avoid child support payments a felony. Our legislation would have established a more uniform enforcement system, allowed states to use central registries, and required them to withhold drivers and professional licenses from delinquent parents.
- **Both Support Improving Incentives to Work.** Perot said, "We need income incentives to enable people who work, even minimally, to see immediate positive results in their monthly income." Ironically, Perot did not call for the EITC as we did.

### *Differences*

- **We Have Offered Comprehensive Welfare-to-Work Proposals; Perot Didn't.** Perot offered nothing comparable to the Work and Responsibility Act or to the current budget proposal in either expanding education and training or requiring able-bodied welfare recipients to go to work.

**E. ENVIRONMENT AND ENERGY.** Perot's views on the environment were hard to discern. As a businessman, he showed blatant disregard for the environment, blowing up an entire coral reef and driving a bird onto the endangered species list by illegally clearing land. In his off-the-cuff remarks, he said things such as, "You can't have a whole area devastated because of this exotic concern over a handful of birds [spotted owls]; and "If we're broke we can't fix the environment. We have got to rebuild our industrial base." Perot also expressed support for oil drilling in the Arctic National Wildlife Refuge.

Yet in his campaign platform and certain other statements, Perot supported an environmentalist agenda. His book argued that "protecting the environment versus creating jobs" represented a false choice, saying instead that "A strong, considered environmental strategy... can create growth and jobs." Most of the proposals in United We Stand expressed vague but strong support for environmental strategies similar to ours--emphasizing sensible regulation, environmental protection, global environmental leadership, and environmental technologies. There are only two notable items on which Perot and the Administration differ: a gas tax and nuclear power.

### *Similarities*

- **Both Support Business Strategies for Sustainable Development.** Perot said government should work with industries to prevent pollution rather than fighting against them. The Administration is doing so through numerous initiatives. The Council on Sustainable Development unites business leaders with top Administration officials to develop public policy recommendations. The Climate Change Action Plan relies almost entirely on public-private partnerships and incentives to reduce greenhouse gas emissions. The Partnership for a New Generation of Vehicles joins public and private sector in the "clean car" initiative.
- **Both Support Incentives over Regulation.** Perot criticized overregulating and emphasized creating incentives as an alternative. With the Vice President's leadership, the Administration has already announced landmark regulatory reforms, with results including: cutting the reporting and record keeping burden of EPA by 25%; creating one-stop emissions reporting; providing a six-month grace period for small businesses to correct pollution violations; and extending the use of emissions trading--a market incentive--for more air and water pollution sources.
- **Both Support Leadership Role in Global Economic Development.** Perot said that the United States should support international efforts to limit population growth and reduce poverty. The Administration took a leadership role at the population growth conference in Cairo, and our first two budgets provided funding for international family planning for the first time since 1985.

- **Both Support Investing in Environmental Technologies.** Perot said U.S. companies should remain at the forefront in developing new environmental technologies. The Administration recently released a 19-point plan to promote the export of environmental technologies through export financing, streamlined regulations, and other measures. Our current budget also proposes a budget for environment technology investments at EPA that is three times larger than the 1993 level.
- **Both Support Higher User Fees for Mining and Timber, Though the Administration's Efforts Were Thwarted.** Perot said that private industry should not be allowed to use up public resources for personal gain without paying for it. The Administration has sought to increase fees for private use of public resources, although Congress did not act on most of the increases.
- **Both Support Natural Gas Industry.** Perot expressed support for natural gas and proposed reexamining its regulation. The Clinton Administration has continued processes that are opening up natural gas markets to free competition and enabling large users to buy gas directly from producers and transmit it along established pipelines.

### *Differences*

- **Perot Supported Expanding Nuclear Energy; We Have Not.** Perot called for renewed efforts to develop nuclear power sources in the U.S. The Administration has not sought to do this.
- **Both Support Cutting Down on Oil Imports; Perot Supported Much Higher Gas Taxes for this Purpose; We Didn't, But Support Increased Domestic Production and Alternative Fuels.** Both Perot and the Administration supported the goal of reducing oil exports. He would have achieved this goal mainly through an extremely high gas tax. The Administration supported a much smaller increase in the gas tax, but have pursued a dual strategy of boosting domestic oil production and encouraging energy efficiency. The Administration has supported increased investment in technology to lower exploration and production costs, and announced support for deep water royalty relief in order to spur domestic production. In addition, the budget has increased the funding for renewable energy by over 20%, and the Administration is working to reduce energy consumption in federal buildings.
- **Perot Supported Increased Clean Coal R&D; the Administration Has Opposed It.** The Administration is phasing out the Clean Coal program. It was designed to help commercialize technologies in order to help companies comply with the requirements of the Clean Air Act. That goal has been accomplished, and so the program is no longer needed.

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THE WHITE HOUSE  
WASHINGTON

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August 5, 1995

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Excellent!!!*

MEMORANDUM FOR THE PRESIDENT

FROM: ERSKINE BOWLES  
LAURA TYSON

SUBJECT: Update on Budget Working Group Activities

Appropriations Update

- House. Thursday, the House completed action on the Labor/HHS Appropriations bill (219-208). Nine Republicans opposed the bill and six Democrats (the margin of difference for defeat) supported the bill. The House was unable to complete Defense Appropriations prior to recess.
- Senate. The Senate is expected to complete action on the Treasury/Postal Appropriations bill today. Dole still intends to complete the Defense and Interior Appropriations bills prior to departing for recess.

Cabinet Activity

- Members of the Cabinet, Sub-Cabinet, and Senior Administration Officials are conducting extensive constituency and media outreach, and frequent trips to districts and visits with elected officials to educate the American people about the differences between the Republican budget resolution and your balanced budget.

Medicare Regional Media

- We have begun implementing a two week radio strategy targeting key legislative and senior markets. 19 White House, HHS and Labor Dept. officials will give us two 45 minute slots each week for morning and evening drive radio.
- Four budget/Medicare media tongs were held this week with Tyson, Stephanopoulos, Rivlin and Griffin. Five more tongs are scheduled for next week.

## Medicare Education

- Recognizing the need to provide reporters with basic education on the status of the Medicare Trust Fund, Administration actions, and the Republican plan, we have organized a series of reporter briefings by Dr. Tyson, Chris Jennings, and Gene Sperling.
- The first 2 briefings occurred on Friday, August 4. 2 more briefings are scheduled for next week. In addition to the oral briefing, a Medicare education document was prepared by the Budget Working Group and given to each of the reporters. A copy of that document is attached.

### Participants 8/4/95

Eleanor Clift	Newsweek
Tom Oliphant	* Boston Globe
Robyn Toner	New York Times
Lisa Greene	USA Today (Money Section)
Josh Moss	Washington Times
Jay Carney	Time Magazine
David Broder	Washington Post
Martin Kasindorf	Newsday
George Rodrigue	Dallas Morning News
Catherine Berger	ABC News
Bill Plante	CBS News
Jeff Levine	CNN
Kevin Bohn	CNN
Dina Temple-Raston	Bloomberg Business Wire
Alexis Simendinger	BNA

We are also planning to place an op-ed from the Administration trustees (Rubin, Reich, Shalala) to address these issues.

## State-By-State Analyses

- We prepared a booklet for the House Recess highlighting the state-by-state impact of the Republican cuts on Older Americans, Students, and Working Families. All House Democrats received this material in their Recess Packets.
- White House Media Affairs mailed the comprehensive State-by-State analysis to top 150 editorial boards and all D.C. news bureaus.
- The following agencies have also done nation wide releases of State-by-State comparisons of the Republican Budget's drastic cuts vs. the your balanced budget plan: USDA, HUD, HHS (Medicare), Education (Education & Job Training)

## SUMMARY OF THIS WEEK'S ACTIVITY

### Monday, July 31, 1995

**RIVLIN Mid-Session Review:** OMB issued its Mid-Session Review of the Budget, highlighting the Administration's success in reducing the deficit and now forecasting a balanced budget in 9 years under your balanced budget plan.

#### Other Activity

- Sec. Pena conducted radio interviews with target cities regarding impact of transit cuts to rural areas.
- Sec. Reich held an OSHA event on Republican attacks on worker protection laws.

### Tuesday, August 1, 1995

**POTUS Environmental Statement:** Your statement on the GOP amendment reinstating the Environmental riders was the major budget news of the day.

#### Other Activity

- Sec. Ron Brown did a Sperling Breakfast.
- Adm. Johnson participated in a radio interviews with WBTE in Charlotte, NC.
- Sec. Reich participated in a Satellite tour with communities dislocated due to base closures. The communities included Philadelphia, Charleston, San Antonio and key sites in California.
- Sec. Glickman was in MN for Farm Fest Convention where there was a forum on budget cuts.

### Wednesday, August 2, 1995

- Sec. Pena conducted radio interviews regarding impact of transit cuts to rural areas.
- Sec. Pena appeared before the Senate Commerce Science and Transportation Committee on FAA reform.
- Sec. Reich held press event on summer jobs.

Thursday, August 3, 1995

**POTUS Event Highlighting Extreme GOP Cuts to Education and Training:**

- ▶ Your meeting with Congressional Democrats and 10 education practitioners served to reinforce your commitment to education and your concerns regarding the Labor/HHS/Education appropriations bill approved by the House last night.
- ▶ Media Affairs set-up print, TV and radio interviews in targeted congressional markets (Buffalo, Cleveland, Pittsburgh, Worcester, Madison and Baltimore) for participants in the Education event. Sent POTUS remarks to regional and education reporters.
- ▶ While the bill was eventually approved, it should be noted that none of the targeted Members representing individuals we invited to the radio address ended up voting in favor of final passage.

**RIVLIN House Testimony on Mid-Session Review**

**Specialty Media.** White House Media Affairs began implementing a specialty press conference calls focusing on African-American, Hispanic, women's and older American press.

Other Activity

- Public Liaison conducted a briefing for the leadership of the African-American organizations on Education, Medicare, Medicaid, and the EITC.
- Public Liaison conducted a briefing for business associations through the Am. Society of Assn. of Executives (ALAE).
- Public Liaison conducted four conference calls with hispanic leaders in CA, TX, CO, AZ, NY, FL, and IL.
- Public Liaison conducted a briefing for Meeting with Families USA Medicaid coalition.
- Sec. Brown met with Washington Business Reps. to discuss and update on budget issue priorities.
- Sec. Brown addressed Women's briefing regarding minority business.
- Sec. Shalala was in Anaheim California addressing the California Teachers Association meeting.

- Sec. Shalala briefed seniors in Anaheim California on Medicare
- Sec. Reich released data on worksite fatalities and likely increases under the Republican budget.
- ONDCP Director Lee Brown attended an Empowerment Zone Event in Atlanta, GA.
- Sec. Glickman released state-by-state numbers on the impact of Republican budget cuts on rural areas.

### Friday, August 4, 1995

**Education.** The Department of Education did a budget release to 11,700 daily newspapers

**House Recess Materials.** Prepared and distributed House Recess packets for Members going home to their districts, which includes state by state as well as county by county analysis. Also included talking points that stress the impact of the Medicare cuts on beneficiaries and directly respond to RNC trust fund scare tactic ad.

#### Other Activity

- Treasury Sec. Rubin Attended Sperling breakfast.
- Labor Sec. Reich participated in Family Medical Leave Act hearing.
- Maria Echaveste, Director of DOL Wage & Hour, and Asst. Sec. Anderson will hold an amplification event for the anniversary of FMLA.
- HUD Secretary Henry Cisneros did an event emphasizing the impact of GOP cuts on Urban Policy and Budget Events in Portland, ME
- Interior Secretary Babbitt participated in a conference call with media in New York state, focusing on the impact of GOP cuts on clean water and environmental issues.
- HHS Secretary Shalala attended Peace Corps convention in Austin, TX.
- SBA Adm. Lader spoke to the graduating class of Minority Business Executives at Dartmouth.
- EPA Adm. Browner was interviewed by *Business Week* and *Christian Science Monitor*. Regarding the GOP environment cuts.
- HHS Dep. Sec. Broadnax addressed the National Black Nurses Association in Washington DC.

- Dir. of the Office of Civil Rights Dennis Hayashi spoke at National Convention of the Asian Pacific American Labor Alliance (AFL-CIO) in New York, NY.

### Saturday, August 5, 1995

#### **POTUS Family Medical Leave Act 2nd Anniversary Radio Address**

#### Other Activity

- Shalala at National Women's Political Caucus in Nashville, TN.
- Sec. Cisneros budget event in Burlington, VT

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### Sunday, August 6, 1995

- Sec. Cisneros tours Empowerment Zone in Camden, NJ

### Monday, August 7, 1995

**Medicare County-by-County Numbers.** Analysis released out to all counties in the country, all states, all state legislators.

- ▶ Press releases on the county numbers by county executives in the following states: Ohio, Iowa, Wisconsin, Michigan, Florida, Virginia, Washington, Illinois, CA, Minn., MD, Kentucky, Georgia, Delaware, PA, Oregon.
- ▶ Press briefings by HHS and White House officials.

#### **Speaker Gingrich's Medicare Teleconference/Rally in Georgia.**

Monday, Speaker Gingrich hosts a Medicare teleconference/rally in Atlanta, GA. Friendly elected officials and groups have been notified and provided talking points / fact sheets / background information:

- ▶ Coinciding with the timing of the rally, the county by county information will be released.
- ▶ Public liaison is working on events with elected officials and senior groups to counter the Gingrich event.
- ▶ We also hope to have an Op-Ed by Reich, Shalala, and Rubin in Monday's papers.

**Regional Media Roundtables** with Rivlin, Sperling, Feder and Jennings to release Medicare county-by-county numbers. Numbers will go out via U.S. Newswire to 50 state APs and all major dailies, radio stations and tv stations nationwide.

**Women.** Large budget briefing for women's groups focusing on Medicare, and the Labor/HHS/Education appropriations bill.

**African Americans.** Conference calls with regional African-American leaders and ethnic leaders.

**Religious Leaders.** Briefing for the national religious groups.

Other Activity

- Sec. Pena will do a budget event in Des Moines, IA
- Sec. Pena will conduct radio interviews with target cities regarding impact of transit cuts to rural areas.
- Sec. Brown will release Export Enhancement Act/Competitiveness Report this week.
- Sec. Reich will be on *CNN Morning News* on budget.

Tuesday, August 8, 1995

**POTUS Environment, Health, and Public Safety event**

Details are being finalized on a Community Right to Know Executive order.

- ▶ In conjunction with your event, Governors and Legislative Leaders and Committee Chairs will put out press releases on the environmental impact of the Republican cuts.
- ▶ Possible White House release of Environmental State-by-State impact numbers
- ▶ Administrator Browner will travel on the press bus to the event in Baltimore, and brief the White House press core on the impact of the drastic cuts and your executive action.

Other Activity

- DOT Sec. Pena will do a budget related event in Cleveland, OH

- Commerce Sec. Brown and Amb. Kantor will meet with Washington Business Representatives will take place in White House
- Labor Sec. Reich will hold a conference of Mayors
- Treasury Asst. Sec. Larry Irving will be in Alaska to focus on the Budget and NII issues.

**Wednesday, August 9**

**POTUS National Baptists Convention (Charlotte, NC)**

Cabinet Briefing on recess message and the Medicare materials we have available for them for their recess events.

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**Thursday, August 10, 1995**

**POTUS Press Conference**

- Sec. Brown will meet with Business Representatives on sustained development
- DOT and EPA are expected to release State-by-States reports this week.

## FUTURE ACTIVITIES

### Recess Planning

- ▶ Political Affairs and Legislative Affairs compiled a target list of House members. Each Cabinet member has been assigned a number of targeted members to keep the pressure on over the recess through press interviews and travel.
- ▶ A political "SWAT Team" consisting of groups, political operatives, state party chairs, local officials, and outside validators, has been mobilized to attack the GOP budget proposal through talk radio and press/events in targeted states.
  - OMB finishing analyses of GOP cuts on 50 major cities.
  - Cabinet / Group activity
  - Mayors will meet in Seattle on Aug 28th. Plan is to have them do events in their cities that week, culminating with a huge event/press conference with 50 Mayors on the 8/28th. Possibly Put them on Sunday News shows on the 27th.

### September Planning

- ▶ Meetings continue with key education groups and Congressional staff to coordinate back-to-school activities in early September.
- ▶ We are reviewing options for your participation in Back to School events during the second week in September. The Department of Education is working with groups around the country to instill a budget message into hundreds of Back to School events nationwide.

▶ We are also considering the possibility of having a meeting with you and University Student Body Presidents from around the country.

▶ Planning also continues for the last two weeks of September. We are working on strategy to counter GOP release of Medicare plan set for September 21.

THE WHITE HOUSE  
WASHINGTON

August 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM:

LAURA TYSON  
ALICE RIVLIN  
BO CUTTER

SUBJECT:

BUDGET "END GAME" STRATEGY

The NEC has reviewed the procedural and substantive issues that are likely to arise in the fall as part of the budget "end game." You are scheduled to meet with this group soon. The purposes of this meeting will be (1) to provide you with an overview of these issues; (2) to seek your general guidance for our continued efforts through August and early September; and (3) to arrive at a decision on how to proceed on the immediate question of guidance to agencies on RIFs.

**Calendar**

Attached is a calendar which outlines the sequence of events that is likely in the fall. The most important highlights are as follows:

**September:**

A positioning period. The Congress will be considering both the appropriations bills and reconciliation. We will draw a clear distinction between the responsible and flexible balanced budget that you have proposed, and the extremist budget being prepared by the Congress.

September 5 Congress returns and is likely to begin approving conference reports on individual appropriations bills. Veto decisions are likely as early as September 8, when the Legislative Branch conference report is expected to arrive, followed by Treasury/Postal and Energy/Water.

September 22 Deadline for congressional committees to complete their work on reconciliation including Medicare and Medicaid cuts and farm cuts. We do not expect Congress to meet this deadline.

September 30      End of the fiscal year and deadline for action on at least a first continuing resolution to avoid a shutdown of departments for which FY 1996 appropriations have not been signed into law.

**October:**

This month will involve a series of confrontations. We anticipate more than one continuing resolution face-off and, perhaps, a completed reconciliation bill later in the month. At the same time, the agencies will have to begin RIF actions. It is quite possible that there will be at least one brief governmental shutdown during this month.

Early October      First continuing resolution decision. If no continuing resolution is in place on October 1, government would shut down. However, because in all likelihood, the Congress will not have completed the reconciliation bill, we believe that they will agree to a straight-forward continuing resolution lasting only until Congress expects to complete reconciliation.

Late October      Unacceptable conference report on reconciliation could be completed, probably negotiations on a second continuing resolution, perhaps a broader shut down confrontation. (These issues will extend into November.)

**November:**

November 15      Potential debt ceiling crisis as \$25B interest payment is due.

**Decisions and Activities through September 1**

There are several areas where early decisions and contingency planning are necessary. In particular, the question of reductions in force (RIFs) of federal workers is an immediate decision, as is planning for potential government shutdowns.

- RIFs -- RIFs will be needed for agencies that must bring their FY 1996 spending down below FY 1995 appropriated levels. Because of notice requirements, in order for RIFs to be implemented early in the fiscal year, decisions must be made now regarding guidance that should be given to the agencies. You have a memo from Alice Rivlin which reflects the options which the NEC has identified, and seeks your decision.

- Shut-downs -- The Department of Justice will revise its legal guidance concerning shut-down situations to reflect legislation enacted in 1991 limiting the activities that can continue during a shut-down to those that involve an "imminent" risk to health or property. This revised opinion is due by August 15 and agencies will be expected to submit revised shutdown plans to OMB by September 5. Attached is an outline of what a shutdown might entail.

### Major Issues to be Decided After September 1

After Congress returns, there will be a series of major decisions on both stop-gap measures to deal with potential lapses of funding and on permanent measures for both appropriations bills and reconciliation.

### Continuing Resolutions

Beginning on September 30, there is likely to be a need for a series of short term continuing resolutions until Congress and the Administration reach agreement on a final budget compromise, which is unlikely to occur until much later in the fall.

- At the beginning, there is the expectation that Congress will be relatively willing to provide short term CRs, though there is likely to be a negotiation even on "clean" CRs (ones without riders) about how to handle programs that the Congress wants to eliminate in the regular appropriations bills and how long each CR should last.
- Since action on reconciliation is not expected to be complete until late October or early November, this initial CR stage, which might involve multiple short-term CRs, is likely to last through mid-November. As the debate over reconciliation advances, there will be growing pressure within the Republican ranks to present CRs with unacceptable riders and funding levels. Congress could also propose a CR that would expire at about the time the debt limit is due to be reached if they want to put maximum pressure on us.
- While there may be a day or two when there is a lapse in funding during the early period, the risk of medium to long term shut-downs is greatest in November; and this risk may be accompanied by the even greater risk of default if Congress fails to extend the debt limit.

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- There are no set rules regarding the content or the timing of continuing resolutions. The best CR from our point of view would be a clean CR without riders, which extends current funding levels without resolving pending policy fights one way or the other. To be prepared either to take the initiative or respond to alternative congressional proposals, we are exploring the impact on key programs of a variety of possible approaches, and will be prepared to review these with you in early September.

### Appropriations Bills

Our strategy on appropriations bills has been to insist on the need to increase the size of the pot in order to meet necessary priorities.

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much left

- The difference between our budget and the allocations in the Congressional budget resolution are so great, that it will be a significant victory if we achieve 1995 funding levels on our key investments.
- Unless there is a significant shift of resources from defense to non-defense, the only way to accommodate minimal level funding of many key programs is to increase the total allocation to discretionary spending. This issue will not be resolved until there is a negotiated reconciliation agreement.
- A compromise is not likely to permit even level funding of all priorities, and even if we win a partial restoration, we will need to make difficult choices among our investment priorities and some non-investment areas where deep cuts are expected.
- Individual appropriations bills will be presented for signature or veto prior to September 30 and during the period that a CR is in effect. Unless you choose to veto all of the bills to highlight the need to increase the total allocation for domestic programs, it will be necessary to make bill by bill decisions.
- While the Senate is making progress removing riders and providing at least modest funding for investment priorities, conference reports on Labor/HHS/Education and VA/HUD, which includes EPA and National Service, are still likely to be unacceptable, and both Defense and Military Construction are likely to be significantly above DoDs request.

- The most difficult decisions will come on the bills that are acceptable or close to acceptable, where particularly in the Senate, Democrats have worked to improve the bills to make them signable.

## Reconciliation

Congress will wrap together a large number of controversial issues. We must expect that the first round of reconciliation will be very confrontational if Congress is able to pass a bill. Indeed, it is not likely that the Republicans could pass a reconciliation bill that you could sign without first forcing a veto.

Medicare and Medicaid will be the most public battleground, and political pressures are also likely to moderate congressional action in areas such as farm subsidies and federal retirement. But other low income programs, which are less popular politically, will face a major assault. The EITC is particularly vulnerable in this regard.

- The Republicans may try to shift cuts from Medicare to Medicaid. We need to work hard to arouse opposition to this.
- **Medicare** will be the highest profile issue in reconciliation. It is possible that our attacks will break Republican unity and move them more rapidly to a position closer to ours, which is the most likely final result. However, this is not likely to occur before a significant test of wills surrounding the first reconciliation bill.
- **Low income programs** including AFDC, EITC, and Food Stamps will face severe cuts in the Republican reconciliation bill. The magnitude of the likely cuts is so great that even splitting the difference between our budget and the congressional budget resolution will result in very painful cuts. We will have to negotiate on trade-offs among these programs and on overall funding levels that are necessary.

## Taxes

The tax package will be subject to two broad kinds of pressures --

- A vocal group in Congress is opposed to any tax reductions. As the programmatic trade-offs become more difficult and as compromises are reached in our direction, this group will be arguing even more for reductions in the size of a tax cut.

- Our tax priorities -- the education incentives and more careful targeting -- are very different from the Republican approach of the child credit and IRA expansion. Therefore, within any tax package there will be trade-offs on the composition.

### Debt Limit Extension

According to the best estimates of the Treasury, the current debt limit of \$4.9 trillion will be reached in late October. If an increase in the limit is not passed in October, it will be extremely difficult to make the 3rd of November Social Security benefit payments. In that case, we may be forced to disinvest part of the Social Security Trust Fund which would generate great public concern. If the impasse were to continue, the US Government could be forced to default on its \$25 billion interest payment due November 15. There may be further extreme measures available to avoid a default on US Treasury securities, however, these actions will require further research and judgement.

Default would be an unprecedented step; the US Government has never defaulted in its history. It could have significant short-run and long-run consequences for domestic and global financial markets and on the interest rate on future government debt.

The Congress could exercise maximum pressure on us by presenting us with an unacceptable reconciliation bill and debt limit increase very close to the time the debt limit would be reached. A large number of Republican members of the House have signed a letter endorsing such a strategy. If we veto the bill and the veto is sustained, the responsibility will rest with the Congress to vote to increase the debt limit in the absence of a reconciliation agreement. Many members of the Congress, especially the Republican freshmen, do not yet seem to understand the momentous nature of the debt limit and may be willing to act irresponsibly.

The Administration will continue to exhort the Congress to behave responsibly and pass a clear debt limit extension as soon as possible. As autumn nears, we will need to increase our pressure on the Congress to pass such an increase and avoid a default, enlisting Alan Greenspan and leaders in domestic and global financial markets to make the case.

## Message

The debate of the next few months over these budget issues will be one of the central confrontations of your Presidency and will go far toward defining the main themes of the election. We have made marked progress since your balanced budget proposal in May. But continued success through the fall will require a disciplined and coordinated effort throughout the Administration to make the following four points:

- **Medicare** - The point of attack for the next several weeks will be to draw a bright line between their Medicare proposals and ours. This is clearly the issue on which the Republicans are the most vulnerable; about which the public is the most concerned; and which we can make the most widely understood.
- **Broader Programmatic and Government Philosophy** - But beyond our Medicare arguments, and any specific program argument, we should express a broader philosophy and set of beliefs. Improving the lives of middle-class Americans, preparing the country for the future, building a government appropriate to the 21st century are all important themes which describe our objectives and the basis on which we wage the debate this fall. The inevitable sharp debates of the fall provide an important opportunity clearly to define how we differ from the Republicans.
- **Common Ground versus Extremism** - The Republicans are increasingly vulnerable on this point and will continue to be. Their balance budget combines both an explicit fiscal agenda and an unstated agenda that has fundamental and radical effects on the nature of the country, the role of government and the distribution of incomes. Your balanced budget solves the fiscal problem and establishes a practical common ground for dealing with the problems of the future. We cannot let them out of the corner into which they have painted themselves over the last several months.
- **Recklessness** - The impending confrontations are unnecessary. In order to pursue an extreme agenda, the Republicans are willing to put the country and the government through the turmoil and cost of shut-downs; and perhaps even to play chicken with the debt limit and default. You will not allow them to accomplish their extreme agenda, but you are concerned that a large number of them do not understand the consequences of their recklessness.

Your message and political strategy for the fall is being developed now. The one additional recommendation we make is that you deliver a speech in early to mid-September establishing the rationale for your vetoes and warning the nation about the consequences of the reckless confrontation the opposition is forcing.