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PRESIDENT CLINTON PROPOSES FIRST BALANCED BUDGET IN 30 YEARS

Invests in Education, Child Care, Health, Research, Other Priorities; Reserves Budget Surplus to "Save Social Security First"

Speaking from the East Room of the White House, President Clinton today proposed a balanced Federal budget for 1999, marking the first balanced budget in 30 years and bringing an era of exploding deficits to an end.

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

"We are not only balancing the budget for the first time in a generation, we are reaching balance three years ahead of the schedule we announced last summer with the Balanced Budget Act," the President said. "If we maintain our fiscal discipline, we may very well reach balance this year --four years ahead of schedule."

The President's $1.7 trillion budget for 1999 is not just balanced, it is balanced the right way. It not only ends the deficit, it reflects the values that Americans hold dear --the values of opportunity, responsibility, and community. The budget reflects the President's commitment to continue helping working families with their basic needs --to raise their children, send them to college, and pay for health care.

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

Reflecting the President's call to "save Social Security first," the budget proposes a reserve for the projected budget surpluses for 1999 and beyond, pending a solution to the long-term financing challenge facing Social Security.

Within tight constraints, the President proposes major initiatives to build on his investments in high-priority areas --from helping working families with child care to allowing Americans from 55 to 65 to buy into Medicare; from helping States and school districts reduce class size by recruiting and preparing 100,000 more teachers and building more classrooms to addressing global warming. The budget pays for every initiative dollar by dollar.

Challenging times demand innovative solutions, and this budget meets the challenge by proposing three new investment funds for America --for research, the environment, and transportation --that will focus attention on these critical priorities. Together, the funds provide $75.5 billion, a $4.7 billion increase over the 1998 level for the programs they contain. Because the funds rely on budget offsets to help finance the spending, they, in effect, apply pay-as-you-go principles to discretionary spending.

The funds are:

- The Research Fund for America, which includes a broad range of investments in knowledge, including programs of the National Institutes of Health, the Centers for Disease Control and Prevention, the National Science Foundation, the National Aeronautics and Space Administration, the Energy Department, the Commerce Department's National Institute of Standards and Technology, Agriculture Department research programs, the multi-agency Climate Change Technology Initiative, and other programs. The budget finances this Fund, in part, through receipts from tobacco legislation and savings in mandatory programs.

- The Environmental Resources Fund for America, which encompasses the multi-agency Clean Water Initiative; the new Land, Water, and Facility Restoration Initiative of the Interior and Agriculture Departments; the Agriculture Department's water and wastewater program for rural communities; and the Environmental Protection Agency's programs for cleaning up hazardous waste sites (within the Superfund) and upgrading clean water and safe drinking water infrastructure. The budget finances the Fund, in part, through an extension of Federal taxes that support the Superfund.

- The Transportation Fund for America, which includes the Transportation Department's highway, highway safety, and transit programs; the Flight 2000 free flight demonstration program; and the Federal Aviation Administration's programs, including Airport Grants. The budget finances the Fund, in part, through a new Federal aviation user fee.

The budget continues the President's efforts to reduce the size and scope of Government. This budget is the smallest Federal budget, as a share of the economy, in 25 years. To date, the Administration has cut the civilian Federal workforce by over 316,000 employees, giving us the smallest workforce in 35 years and, as a share of total civilian employment, the smallest since 1931.

But the Administration set out to do more than cut Government. Under the leadership of the Vice President's National Performance Review, it sought to make Government work, to create a Government that is more efficient and effective, to create a Government focused on its customers, the American people. The Administration has reinvented parts of departments and agencies. Now, it proposes to turn agencies around from top to bottom. For 1999, the Vice President will lead an effort to improve the performance of agencies that interact most with the American people.

Under the 1993 Government Performance and Results Act, Cabinet departments and agencies have prepared individual performance plans that they will send to Congress with the performance goals they plan to meet in 1999. These plans, in turn, form the basis for the first Government-wide performance plan, which the Administration is sending Congress along with this budget.

Investing in Education and Training: Nothing is more important to America's future than education. It has become the dividing line between those who are moving ahead and those who are lagging behind. That is why the President has devoted so much effort to ensure that we have a world-class system of education and training in place for Americans of all ages. Over the last five years, the President has worked hard to ensure that every boy and girl is prepared to learn, that schools focus on high standards and achievement, that anyone who wants to go to college can get the financial help to attend, and that those who need a second chance at education and training or a chance to improve or learn skills can do so.

The budget significantly increases funds to help children, especially in the poorest communities, reach challenging academic standards and makes further progress in implementing voluntary national tests. It proposes to pay for 100,000 more teachers and build more classrooms in order to reduce class size. For higher education and training, the budget increases Pell Grants and other college scholarships from the record levels already achieved; expands College Work-Study to a record one million students; streamlines student loan programs and cuts student fees; and expands access to job placement services, training, and related services for dislocated workers and others. Now that anyone who wants to attend college can find the means through Hope scholarships, Pell Grants, and other assistance that the Administration has worked so hard to enact, the President wants to provide the same universal opportunity for job training and re-training to those who need it.

Supporting Working Families: Over the last five years, the President has worked hard to help working families. Working with Congress, the Administration has cut taxes for 15 million working families, provided a tax credit to help families raise their children, ensured that 25 million Americans a year can change jobs without losing their health insurance, made it easier for the self-employed and those with pre-existing conditions to get health insurance, provided health care coverage for up to five million uninsured children, raised the minimum wage, and provided guaranteed time off for workers who need to care for a newborn or address the health needs of a family member.

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

Strengthening Health Care: This past year, the President improved the health care of millions of Americans. Working with Congress, the Administration strengthened Medicare by extending the life of the trust fund until at least 2010 while investing in preventive benefits, introducing more choice of health plans, and strengthening the expanding array of activities to combat fraud and abuse. In addition, the Administration extended health care coverage to up to five million uninsured children, created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry, and later endorsed the Commission's Health Care Consumer Bill of Rights.

With this budget, the President proposes to build on these achievements on a host of important fronts. The President wants to work with Congress to enact national bipartisan tobacco legislation; nothing is more potentially important to the health of our people, particularly children. The budget also proposes to expand health care coverage for some of the most vulnerable Americans aged 55 to 65, to enroll more eligible children in Medicaid, to provide for unprecedented levels of investment in health research, to expand access to powerful AIDS therapies, to expand access to cancer clinical trials, to increase funds for substance abuse treatment and prevention, and to help reduce health-related disparities across racial and ethnic groups.

Protecting the Environment: Last year was a remarkable one for the environment, and the President is determined to build on the progress. Led by the Vice President, the Administration reached an historic international agreement in Kyoto that calls for cuts in greenhouse gas emissions. The Administration also issued new, more protective air quality standards to better safeguard public health; strengthened our citizens' right to know about toxic chemical releases; continued to protect our natural treasures, such as Yellowstone National Park and Florida's Everglades; and made further progress toward the President's goal of cleaning up 900 hazardous waste sites under the Superfund by the end of the year 2001.

The budget proposes an Environmental Resources Fund for America that will support increases for many key environmental programs. It provides for more construction, maintenance, and land acquisition for national parks, forests, refuges, and other public lands; for a new effort to improve the quality of our water; for improvements to community drinking water and wastewater facilities; and for continuing the Administration's efforts to clean up abandoned hazardous waste sites. The budget includes a five-year $6 billion program to prevent global warming, and more resources to protect endangered species, control pollution, and preserve the global environment.

Investing in Infrastructure: The President proposes a Transportation Fund for America, reflecting his commitment to provide the resources to ensure that our transportation infrastructure remains safe, integrated, and efficient enough to serve our growing needs. Investment in infrastructure is good for America because it helps grow the economy, improve safety and public health, strengthen our competitiveness abroad, support our national security, and increase the mobility, access, and choice for Americans who need to travel.

The President believes that we must build upon our vast network of roads, highways, and bridges to meet the demands of the next century for a system that links our various modes of travel, that is cleaner and safer, and that helps bring together and support our urban and rural communities. The budget maintains the Administration's record support for transportation, and the Fund includes all of the Transportation Department's highway, highway safety, transit, and air transportation programs.

Promoting Research: Scientific and technological advances have created a world vastly different from the one our grandparents knew. They have helped generate huge leaps in the speed and economy of transportation, enormous increases in farm productivity, lightning-fast flows of information and services across national borders, and advances in treating and preventing diseases and protecting the environment.

Because the President is committed to America's continued leadership in science and technology, the budget proposes a Research Fund for America, from which many important Federal investments will flow. It includes record increases for the National Institutes of Health, higher funding for the National Science Foundation, new resources to address global climate change, and a wide variety of investments in basic and applied research. These investments are vital; they help the Nation to create new knowledge, train more workers, spur new jobs and industries, address our health care challenges, strengthen our understanding of environmental problems, better educate our children, and maintain a strong national defense.

Enforcing the Law: The President's anti-crime strategy is working. Serious crime is down five years in a row and, in 1996, the Nation witnessed the largest drop in violent crime in 35 years. But, because crime remains unacceptably high, the President believes that we must go further.

The budget expands the Administration's community policing (COPS) program, which is already putting 83,000 more police on the streets toward the President's goal of 100,000 by the year 2000. The budget also proposes a new Community Prosecutors Initiative to help prosecutors prevent crimes from occurring, rather than simply prosecuting criminals after the fact. And it provides the necessary funds to prevent violence against women, to help States and Indian Tribes build prisons, and to address the growing law enforcement crisis on Indian lands. To boost the Administration's efforts to control illegal immigration, the budget provides the resources to strengthen border enforcement in the South and West, to remove illegal aliens, and to expand efforts to verify whether newly hired non-citizens are eligible for jobs. To combat drug use, particularly among young people, the budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction. It builds on the Administration's innovative Drug Courts initiative, proposes School Drug Prevention Coordinators for schools, supports local efforts that target drug-using offenders, expands drug testing, and strengthens the Administration's efforts to make ports and borders more secure from drugs while disrupting drug trafficking organizations overseas.

Strengthening the American Community: Most Americans are enjoying the fruits of our strong economy. But while many urban and rural areas are doing better, too many others have grown disconnected from our values of opportunity, responsibility, and community. Working with State and local governments and the private sector, the President is determined to help bring distressed areas back to life, to replace despair with hope.

The budget expands the President's national service program, giving more Americans the chance to serve their country and help solve problems at the local level while earning money for college. The budget proposes to create more Empowerment Zones and Enterprise Communities that offer tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through the President's Community Development Financial Institutions program. The budget also expands opportunities for homeownership, provides more funds to enforce the Nation's civil rights laws, maintains the Administration's Government-to-Government commitment to Native Americans, and strengthens the partnership that the President has begun with the District of Columbia.

Advancing United States Leadership in the World: Because America continues to have a tremendous stake in world affairs, the budget proposes the necessary funds to maintain national security, to conduct our diplomacy, to promote democracy and free markets abroad, and to increase exports. Last year, the Administration worked with Congress to increase international affairs spending. But, Congress faces an unfinished agenda to provide financial support for, and fulfill America's obligations to, a number of international organizations that benefit our economy and serve other objectives, including the International Monetary Fund (IMF), the United Nations system, and the multilateral development banks.

Congress should continue to support the decisive action of the IMF as well as our leadership in that institution by providing the supplementary contingent IMF funding that the Administration has sought and replenishing the IMF's basic financial resources. Congress also should give the President traditional trade negotiating authority to help fuel our surging exports into the next century. To enhance national security, the budget maintains large-scale funding to support the Middle East peace process, continues assistance to Bosnia to carry out the Dayton Accords, supports NATO expansion, and increases aid to the New

Independent States of the former Soviet Union to support the development of democracy and free markets. The budget also proposes a major initiative to provide critical, targeted assistance to African countries that are undertaking difficult economic reforms, increases counter-narcotics aid to Latin American countries, and supports the Summit of the Americas.

Supporting the World's Strongest Military Force: Our military serves as the backbone of our national security strategy, and the President is committed to maintain a strong and capable military that protects our freedoms and our global leadership role as we approach the 21st Century.

The budget continues the Administration's plan to complete the careful resizing of our military forces, to fully support military readiness, to strengthen quality of life programs for our armed forces, and to provide increased funding to modernize our forces as new technologies become available after the turn of the century. The budget reflects the recommendations of the Quadrennial Defense Review and of the Defense Department's recent Defense Reform Initiative to achieve a leaner, more efficient, and more cost-effective organization by improving management and business practices. To implement these improvements, the Defense Department will send legislation to Congress in conjunction with this budget, including a request for two more rounds of base closures and realignments.

PRESIDENT CLINTON'S FY 1999 BALANCED BUDGET
THE FIRST BALANCED BUDGET IN 30 YEARS

Summary Document: February 2, 1998

THE FIRST BALANCED BUDGET IN THREE DECADES. The President's FY99 budget maintains our fiscal discipline while investing in the critical needs of our people. In only the second year of the historic balanced budget agreement that included $900 billion in net 10-year deficit savings and nearly half a trillion dollars in entitlement savings over 10 years, the President's plan reaches balance three years earlier. <u>And it does so by paying for every initiative dollar by dollar consistent with the 1997 Balanced Budget Agreement.</u>

MAINTAINING OUR FISCAL DISCIPLINE AND INVESTING IN OUR PEOPLE. This budget builds on the President's record of fiscal discipline. In 1992, the deficit was $290 billion, job growth was weak, and the unemployment rate was 7.5 percent. The President's 1993 Economic Plan helped cut the deficit 92 percent, from $290 billion in 1992 to $23 billion in 1997 --its lowest level since 1974. This year, our deficit is projected to be $10 billion, and heading lower. The economy has produced over 14 million new jobs; and the unemployment rate is as low as it has been in 24 years.

- **This budget implements the historic balanced budget agreement reached** last year with Congress. This is the second year of the budget agreement which included $900 billion in net 10-year deficit savings and nearly half a trillion dollars in entitlement savings over 10 years.

- **In a historic shift, this budget delivers surpluses over the next ten years of $1.1 trillion in surpluses --reserved pending Social Security Reform.**

- **Everything is paid for *dollar by dollar* consistent with the 1997 Balanced Budget Agreement and President Clinton's successful record of fiscal discipline.**

SOCIAL SECURITY FIRST

- **Over the next two years, President Clinton is firmly committed to strengthening Social Security for the 21st century.** He therefore proposes that we should not spend any of the projected budget surpluses on anything else until we have reformed Social Security. This proposal, which continues the fiscally responsible policies that have been the hallmark of this Administration, is intended to reserve the surpluses in case they are needed for Social Security reform.

INVESTING IN THE FUTURE. The President's budget maintains our critical priorities by increasing our investments in health care, education and training, the environment and science and technology. It also establishes important new initiatives, which are all paid for, to help prepare America for the 21st century.

Education/Training/Child Care:

- **Class Size.** Aims to Reduce class size to 18 in grades 1-3 by funding 100,000 new teachers by 2005.
- **Head Start.** Increases Head Start funding by $305 million for FY99; Head Start has increased 68%, from $2.8 billion in FY93 to $4.7 billion in FY99. In addition, the number of slots in Early Head Start is doubled over the next 5 years.
- **After-School Programs.** To provide after-school care for 500,000 children per year, the budget includes an $800 million five-year investment to expand the 21st Century Community Learning Center program.
- **$7.5 Billion Child Care Block Grant Over 5 Years.** Doubles the number of low-income families who receive child care subsidies to more than 2 million by the year 2003.
- **Child Care and Early Learning.** Establishes an Early Learning Fund with $3 billion over five years to provide grants to communities to promote early childhood development and improve child care quality for young children.
- **Education Opportunity Zones.** $1.5 billion over five years for

competitive grants to about 50 urban and rural districts who adopt a school reform agenda to increase student learning and implement accountability measures.

- **Dislocated Workers.** Increases funding in FY99 by $100 million to $1.5 billion --nearly tripling the funding since FY93. Provides services to nearly 700,000 dislocated workers.

Health Care:

- **Consumer Bill of Rights.** Protects patients by guaranteeing access to needed health care specialists, access to emergency room services, an assurance that medical records are confidential, and access to a meaningful appeals process for to resolve differences with health plans and health care providers.
- **Biomedical Research.** Provides unprecedented increases of more than $1.1 billion of biomedical research with an emphasis on cancer research
- **Ryan White AIDS program.** Invests $165 million more in the to find ways to prevent and treat diseases --increasing funding 241% since FY 1993.
- **Expanding Medicare Coverage.** Provides new options for Americans ages 55 to 65 to obtain health insurance by buying into Medicare through a premium that ensures that this policy is self-financed.

Environment:

- **Initiative To Cut Greenhouse Gas Emissions.** A dramatic new $6.3 program of tax cuts and R&D aimed at cutting greenhouse gas emissions. Package contains $3.6 billion in tax cuts for energy efficient purchases and renewable energy, and $2.7 billion in additional R&D spending.
- **Clean Water Initiative.** Targets the 40% of the nation's waterways still unsafe for fishing and swimming by assisting states and communities in implementing programs and incentives to adopt practices that protect water quality.

Community Empowerment:

- **Welfare-to-Work Housing Vouchers.** Includes $283 million for 50,000 new vouchers for people who need housing assistance to make transition from welfare to employment.
- **Flexible Funding for Second-Round Empowerment Zones.** Provides $150 million over ten years in mandatory funding for second-round urban and rural EZs. Funds could be used for economic development and housing projects, project-based rental assistance, job training and other social services.
- **CDFI Expansion.** The Administration is requesting a $45 million increase in CDFI funding (from $80 million to $125 million). The increased funding also would be used in part to accelerate development of a

secondary market for CDFI loans.

- **Community Empowerment Fund.** $400 million community empowerment fund that will help local governments attract more businesses and jobs to poor and underserved neighborhoods by encouraging the standardization of economic development lending, a first step in creating a secondary market for such loans. It will provide capital to businesses who recognize the potential and the possibilities of the inner cities.

Drugs

- **COPS.** Funds 17,000 more police, helping to move towards the President's goal of 100,000 new police by the year 2000.
- **$1 Billion Increase in Anti-Drug Budget.** Budget proposes to increase funding to $16.9 billion in FY99 consisting of increases in drug treatment, prevention, domestic law enforcement, interdiction, and international programs.
- **Community Prosecutors.** Budget provides grants of $100 million for hundreds of communities to hire as many as 1,000 new prosecutors.
- **Juvenile Crime Strategy.** Calls on Congress to pass a $245 billion comprehensive anti-gang and youth violence strategy including preventing under 21s from buying guns, new prosecutors and probation officers, tough, new sentences on drug dealers, funding to keep schools open later and promote anti-truancy initiatives and curfews.

TAX CUTS TARGETED TO THE NEEDS OF WORKING FAMILIES:

The President's budget provides about **$24.6 billion of tax cuts over five years** to:

- **Making Child Care More Affordable. (1)** *The Child and Dependent Care Tax Credit* would be increased for 3 million working families, wiping out income tax liability for most families with incomes below 200% of the poverty line (about 35,000 for a family of four) who have maximum allowable child care expenses. (2) A *25% tax credit* for building, operating or contracting costs is also created to encourage businesses to provide child care for their employees.

- **Climate Change Initiative --Increasing Energy Efficiency and Improving the Environment: (1)** Tax credits of $3,000 to $4,000 for fuel efficient cars; **(2)** tax credits of up to $2000 for rooftop solar systems and new energy efficient homes; **(3)** a five-year extension of the tax credit for electricity produced by wind and biomass.

- **Promoting Expanded Retirement Savings: (1)** A three-year tax credit of up to $2,000 for small businesses that establish pension plans; **(2)** a new, simplified defined benefit plan for small businesses and **(3)** and enhancing workers' ability to make contributions to IRAs by payroll deduction.
- **Expanding Education Incentives: (1)** *School Construction* --federal tax credits

to pay interest on nearly $22 billion in bonds to build and modernize over 5,000 public schools; **(2)** *Employer-Provided Educational Assistance* --Extends and expands this tax exclusion.

Expanding and Improving the Supply of Available Low-Income Housing. Calls for increasing the per capita cap on the credit 40% which will mean 150,000 to 180,000 additional rental housing units in the next five years.

PRESIDENT CLINTON'S RECORD ON DEFICIT REDUCTION

- **CUT THE DEFICIT BY 92 PERCENT.** President Clinton has reduced the budget deficit by 92 percent --from $290 billion in FY 1992 to $22 billion in FY 1997. This year the budget deficit is projected to be $10 billion and heading lower. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **LOWEST DEFICIT SINCE 1970 AND FIRST PROPOSED BALANCED BUDGET SINCE 1969.** The deficit has fallen from 4.7 percent of GDP in FY 1992 to 0.3 percent in FY 1997 --the lowest for any year since 1970. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **LOWEST DEFICIT OF ANY MAJOR ECONOMY EXCEPT FOR CANADA.** The total U.S. deficit in 1997 as a percentage of the economy was lower than for any other major country except for Canada. [OECD, *Economic Outlook*, December 1997.]

- **MAKING GOVERNMENT MORE EFFICIENT.** Federal employment has fallen by 318,000 from its 1993 base and is at its lowest level in three decades. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

AS A RESULT OF PRESIDENT CLINTON'S EFFORTS TO REDUCE THE DEFICIT, ECONOMIC PERFORMANCE HAS IMPROVED DRAMATICALLY:

- **LOWER INTEREST RATES LEADING TO INVESTMENT BOOM.** President Clinton's 1993 Economic Plan cut the deficit and helped cut long-term interest rates and strengthen the economy. Under President Clinton, the 30-year interest rate has averaged 6.9 percent --down from 8.2 percent under President Bush and 10.3 percent under President Reagan. And with lower interest rates, businesses have invested in the future: business investment has grown by 11 percent per year under President Clinton --faster than any Administration since John F. Kennedy was President. [Based on data from the Bureau of Economic Analysis, Department of Commerce.]

- **EMPLOYMENT BOOM.** Since January 1993, the economy has added more than 14 million new jobs --including nearly 2 million new jobs in manufacturing and construction combined. [Based on data from the Bureau of Labor Statistics, Department of Labor.]

- **THE LOWEST COMBINED RATE OF UNEMPLOYMENT AND INFLATION SINCE 1967.** In 1997, the combined rate of unemployment and inflation will the lowest in 30 years. And under President Clinton the combined rate of unemployment and inflation has been the lowest since Lyndon Johnson was President. [Based on data from the Bureau of Labor Statistics, Department of Labor.]

EXPERTS AGREE THAT ECONOMIC PERFORMANCE HAS BEEN REMARKABLE:

✔ ***Business Week*:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity." [5/19/97]

✔ **Alan Greenspan, Federal Reserve Chairman, 2/20/96**: The deficit reduction in the President's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."

THE FACTS ON GOVERNMENT SPENDING UNDER PRESIDENT CLINTON

SPENDING IS LOWER TODAY THAN UNDER REAGAN OR BUSH:

- **FEDERAL SPENDING WAS LOWER IN 1997 --AND IS EXPECTED TO REMAIN LOWER IN 1998 --THAN IN ANY YEAR SINCE 1974.** Federal outlays as a share of GDP in 1997 were 20.1 percent --lower than in any year since 1974. And current projections suggest a slight decrease in outlays as a percent of GDP during 1998. Outlays as a share of GDP under President Clinton have been a smaller share of GDP than under Reagan or Bush. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

⇒ **SPENDING GROWTH LOWER UNDER CLINTON THAN UNDER REAGAN OR BUSH**

	Federal outlays (% of GDP)	Real growth in Federal outlays (percent per year)
CLINTON	20.1 [1997]	0.5
BUSH	22.5 [1992]	2.6

REAGAN	22.5 [1988]	2.6

[Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **SINCE PASSAGE OF PRESIDENT CLINTON'S 1993 DEFICIT REDUCTION PACKAGE, EXPECTED GOVERNMENT SPENDING BETWEEN 1993 AND 2002 HAS FALLEN BY MORE THAN $1.8 TRILLION.** Compared to the spending path President Clinton inherited in 1993, total spending in 2002 is now projected to fall by 19 percent. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **GROWTH IN TOTAL FEDERAL SPENDING HAS BEEN LOWER UNDER CLINTON THAN UNDER REAGAN OR BUSH.** Real Federal outlays have grown by 0.5 percent per year under President Clinton --lower than under President Bush (2.6 percent per year) or President Reagan (2.6 percent per year). [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **WHILE MAINTAINING CRUCIAL INVESTMENTS IN PEOPLE, REAL DISCRETIONARY SPENDING HAS FALLEN UNDER PRESIDENT CLINTON --A BETTER RECORD THAN UNDER REAGAN OR BUSH.** Real discretionary outlays have *fallen* two percent per year under President Clinton --under President Bush or Reagan real discretionary outlays *increased* one percent a year. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **NON-DEFENSE DISCRETIONARY SPENDING IS NOW A SMALLER SHARE OF THE ECONOMY THAN IN 11 OF THE 12 YEARS UNDER REAGAN OR BUSH.** Non-defense discretionary outlays are now lower than in 11 of the 12 Reagan-Bush years. Non-defense discretionary outlays are expected to equal 3.4 percent of GDP in 1998. During all the Reagan-Bush years, this ratio dropped this low only once in 1989. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

SOCIAL SECURITY

THE SOCIAL SECURITY SYSTEM. Since its inception in 1935, the Social Security system has proven to be an outstanding success in providing security for the retired and disabled, as well as their families. The elderly poverty rate has fallen from more than 35 percent in 1959 to just 10.8 percent in 1996. It currently provides benefits to about 45 million Americans, and keeps roughly 15 million of them out of poverty. And Social Security benefits represent more than 75 percent of income for elderly households in the bottom 40 percent of the income distribution.

THE LONG-RUN CHALLENGE. The Social Security system, however, is expected to face increasing strains, because the retirement of the baby boomers means that the number of retirees is expected to grow much faster than the number of workers. There are currently just over 3 workers who contribute for every Social Security beneficiary. By 2030, it is expected that there will be only 2 workers for every Social Security beneficiary. According to the intermediate projection of the Social Security Trustees Report, the retirement of the baby boomers is expected to cause the Social Security Trust Fund to start falling by 2019, and to be depleted by 2029 --after which the Social Security system would be able to finance only 75 percent of current law benefits.

PRESIDENT CLINTON'S APPROACH TO SOCIAL SECURITY REFORM. President Clinton is strongly committed to strengthening Social Security over the next two years. His plan includes:

(1) **Putting Our Fiscal House in Order**. Before we could begin to address the long-run problems in Social Security, we first had to put our fiscal house in order. Under President Clinton's leadership, we have now done that. The budget deficit has fallen from $290 billion in 1992 to $22 billion last year, and President Clinton's FY 1999 budget will produce balance by next year.

(2) **Surpluses Reserved Pending Social Security Reform.** As the President emphasized in his State of the Union address, the projected budget surpluses should be reserved pending Social Security reform. Until we address the critical challenge of strengthening the Social Security system and ensuring retirement and disability security for America's hard-working families, the Administration believes that we should not use the projected surpluses for anything else.

(3) **Bipartisan Regional Conferences in 1998.** The President believes 1998 should be used to engage Americans in an inclusive national debate about Social Security reform. He challenges every American to attend a conference or forum on the issue --or to organize and host one if there aren't any planned in a given area. The President has asked the AARP and the Concord Coalition to convene bipartisan and balanced regional conferences. The President or Vice President will attend three to four of these conferences, and will also be hosting a conference on private retirement savings in July. The President and Vice President also encourage other groups to organize conferences. The national dialogue should allow all Americans to express their views, and hear the views of others.

(4) **White House Conference.** At the end of the year, the President will host a bipartisan White House Conference on Social Security as a culmination of the various conferences, forums, and discussions held throughout the year. The purpose of the White House conference is to bring together the lessons learned from the national dialogue.

(5) **Bipartisan Negotiations in January 1999.** Following the White House conference at the end of the year, the President and his team will begin negotiations in January 1999 with the bipartisan Congressional leadership over Social Security reform. The President is firmly committed to strengthening the Social Security system.

PRESIDENT CLINTON'S FY 1999 BALANCED BUDGET TAX RELIEF FOR WORKING FAMILIES

A RECORD OF TAX RELIEF FOR WORKING FAMILIES. Beginning with the tax cut for 15 million working families in 1993, President Clinton has delivered tax relief to make it easier for working families to raise their children and send them to college. The new $500 Child Tax Credit the President pushed for and signed into law last year will help 27 million working families. The President's $1,500 HOPE Scholarship advances his goal of making access to two years of college universal. His Lifetime Learning Tax Credit will help 7.1 million college juniors and seniors, graduate students and working Americans upgrade their skills and education. Because of this strong record, the typical working family of four making the median income now faces the lightest federal tax burden in decades:

Consider a middle income family of four making about $53,720 this year. When President Clinton took office, this family paid 16.8 cents on each dollar of income to the federal government to cover income and payroll taxes. Since then, this tax burden has fallen, so that this year, the typical middle-income family will pay 15.5 cents on each dollar of income to the federal government --the lowest federal tax rate in 20 years. And this burden will fall even further next year, as it reaches 15.1 percent.

The budget takes the next step and provides $24.6 billion over five years and $56 billion over ten years in tax relief to:

MAKING CHILD CARE MORE AFFORDABLE.

- **The Child and Dependent Care Tax Credit** would be increased for 3 million working families, wiping out income tax liability for most families with incomes below 200% of the poverty line (about $35,000 for a family of four) who have maximum allowable child care expenses. These families will receive an average annual tax cut of $330 at a cost of $5.2 billion over five years.

- **New Business Tax Credits.** The budget also invests one-half billion dollars over five years in a 25 percent tax credit (up to $150,000) for annual building, acquisition, operational or contracting costs to encourage businesses to provide child care for their employees.

INCREASING ENERGY EFFICIENCY AND IMPROVE THE ENVIRONMENT. The budget contains $3.6 billion over the next 5 years in tax cuts for energy efficient purchases and renewable energy:

- **Tax Credits For Fuel Efficient Cars.** The tax package includes tax credits of $3,000 and $4,000 for consumers who purchase advanced-technology, highly fuel efficient vehicles --expected to total $660 million over the next five years.

- **Tax Credits For Rooftop Solar Systems.** Another tax provision provides a 15 percent credit (up to $2,000) for purchases of rooftop solar equipment --to provide incentives for meeting the Million Solar Roofs goal.

- **Other Tax Credits For Energy Efficiency.** The tax cuts also include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a credit of up to $2,000 for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

PROMOTING EXPANDED RETIREMENT SAVINGS.

- **Payroll Deduction IRAs.** Contributions of up to $2,000 made to an IRA through a payroll deduction would be excluded from the employee's income for tax purposes.
- **Tax Credit for Small Businesses.** To encourage and help small businesses establish pension plans for their employees, the budget also includes a three year tax credit. For the first year of the plan, the credit would be 50 percent of up to $2,000 in administrative and retirement education expenses associated with a new defined benefit plan (including the new SMART plan described below), 401(k), SIMPLE or other pension plan or payroll deduction IRA arrangement. For each of the second and third years, the credit would be 50 percent of up to $1,000 in such costs. The payroll deduction IRA and the tax credit cost $508 million over five years and $945 million over ten years.

- **A New Simplified Defined Benefit Plan for Small Businesses.** The budget also includes a new simplified defined benefit plan for small businesses. This new pension choice, the SMART plan, is designed to be easy to administer and to provide a guaranteed pension benefit to all eligible employees. The proposal costs $304 million over five years and $555 million over ten years.

EXPANDING EDUCATION INCENTIVES.

School Construction. To spur construction and rehabilitation of our public schools, the President proposes Federal tax credits to pay interest on nearly $22 billion in bonds at a cost of $5 billion over five years and $11.6 billion over ten years. Two types of bonds would be authorized: 1) School Modernization Bonds -special 15 year bonds with half targeted to the 100 school districts with the largest number of low-income children and the other half allocated to states; 2) Qualified Zone Academy Bonds --bonds enacted last year, that encourage public school-business partnerships in high poverty areas, would be expanded.

Employer Provided Education Assistance. The budget also extends and expands the tax exclusion for employer-provided educational assistance. The current exclusion for assistance with undergraduate education is extended for one year to cover courses that begin before June 1, 2001. The tax exclusion is also expanded to assistance with graduate education. This proposal costs $1 billion over both five and ten years.

INCREASING THE LOW INCOME HOUSING TAX CREDIT. To expand and improve the supply of available low income housing, the budget raises the allocation of tax credits to states. Currently, the amount of credits a state can award annually is limited to $1.25 per capita. The President proposes to raise that limit to $1.75 per capita beginning in 1999 at a cost of $1.6 billion over five years and $6.7 billion over ten years. This increase will lead to an additional 150,000 to 180,000 units of affordable housing over five years.

EXTENDING KEY TAX INCENTIVES TO HELP CLEAN UP DISTRESSED COMMUNITIES, MOVE PEOPLE FROM WELFARE TO WORK AND ENCOURAGE RESEARCH AND EXPERIMENTATION:

- **Expensing of Brownfields Remediation Costs.** The budget would make permanent this tax incentive that allows certain environmental remediation costs to be immediately deducted.
- **Work Opportunity Tax Credit.** Set to expire on June 30, 1998, the budget extends this credit to cover employees who begin work before May 1, 2000.
- **Welfare-to-Work Tax Credit.** Designed to encourage employers to hire long-term family assistance recipients, this important credit would be extended for one year and would cover employees who begin work before May 1, 2000.

- **R & E Tax Credit.** To encourage research and experimentation, this credit would be extended for one year through June 30, 1999.

TAX CUTS ARE PAID FOR WITH REDUCTIONS IN UNWARRANTED TAX BENEFITS. ***For example, the budget proposes that firms allocate their export profits between domestic and foreign source income in proportion to their activity in the United States and abroad, to raise $6.6 billion over five years. The budget also proposes to modify reserve rules for annuity contracts and modify corporate owned life insurance rules to more closely reflect the actual economics.***

PRESIDENT CLINTON'S FY 1999 BALANCED BUDGET
EDUCATION: PREPARING OUR CHILDREN FOR THE 21ST CENTURY

MAINTAINING OUR COMMITMENT TO MAKING EDUCATION OUR NUMBER ONE PRIORITY. Building on the historic balanced budget agreement in 1997 which secured the largest education investment in 30 years and the largest investment in higher education since the G.I. Bill in 1945, the President's FY 1999 budget includes the following:

- **Small Classes with Qualified Teachers to Improve Reading in Grades 1-3.** President Clinton is proposing a $12.4 billion initiative over 7 years ($7.3 billion over 5 years) to help local schools provide small classes with qualified teachers in the early grades. This initiative will help ensure that every child receives personal attention, learns to read independently, and gets a solid foundation for further learning. The new initiative will reduce class size from a nationwide average of 22 in grades 1-3 to an average of 18, providing funds to help local school districts hire an additional 100,000 well-prepared teachers. The initiative will also provide funds to states and local school districts to test new teachers, develop more rigorous teacher testing and certification requirements, and train teachers in effective reading instruction practices. School districts will be accountable for demonstrating gains in reading achievement. These steps will help ensure that first through third grade students are receiving high-quality reading instruction in smaller classes from competent teachers.

- **Modern School Buildings to Improve Student Learning.** For students to learn, schools must be well-equipped and be able to accommodate smaller class sizes. To address these and other critical needs, President Clinton is proposing federal tax credits to pay interest on nearly $22 billion in bonds to build and renovate public schools. This initiative provides more than double the assistance of the Administration's earlier school construction proposal, which covered half the interest on an estimated $20 billion in bonds. The tax credits will cost the Treasury $5 billion over 5 years, and more than $10 billion over ten years. Of the $22 billion in bond authority, nearly $20 billion for a new School Modernization Bonds. Half of this bond authority will be allocated to the 100 school districts with the largest number of low-income children, and the other half will be allocated to the states.

- **Education Opportunity Zones: Helping Students in Poor Communities Reach High Standards.** This initiative will strengthen public schools and help students master the basic and advanced skills where the need is greatest: in high-poverty urban and rural communities where low expectations, too many poorly prepared teachers, and overwhelmed school systems create significant barriers to high achievement. The Education Department will select approximately fifty high-poverty urban and rural school districts with: (1) a demonstrated commitment to use high standards and tests as tools to identify and provide help to students, teachers and schools who need it; (2) a strategy to prevent students from falling behind by ensuring quality teaching, challenging curricula, and extended learning time; (3) programs to end social promotion and turn around failing schools; and (4) evidence of improved student achievement. Added investments in these communities will accelerate their progress and provide models of successful, standards-based reform for the nation. The President's initiative will invest $200 million in FY99, and $1.5 billion over 5 years, in raising achievement and sharing lessons learned with school districts around the country.

- **After-School Learning Opportunities.** The FY99 Budget includes a five-year, $1 billion investment in school-community partnerships that create or expand before -and after-school programs. The Department of Education's 21st Century Learning Center Program, funded at $40 million in FY98, would be expanded to $200 million per year. With a local matching requirement --aided by a $55 million gift from the C.S. Mott Foundation --this initiative will leverage a total of $2 billion overall for after-school programs.

- **Reduce and Eliminate Student Loan Fees.** Saving students $3 billion over five years, the budget will phase out the fees that students pay on need-based loans (about 60 percent of all student loans), and will reduce fees on other loans by 25 percent. Until 1993, students lost up to 8 percent of their loans in fees to intermediaries and to the Federal government. Already reduced to 4 percent as a result of reforms enacted in 1993, the Administration's new plan would reduce fees on all loans to 3 percent in 1999, and on need-based loans to 2 percent in 2001, 1 percent in 2002, and eliminated completely in 2003.

- **Work-Study.** The Budget includes a $70 million increase in funding for the Federal Work-Study program, bringing the total number of participants to just over one million in the 1999-2000 school year --reaching that goal one year earlier than planned. This represents a nearly 50 percent funding increase since 1996.

- **Education Technology.** The President's FY 1999 budget includes an increase of $137 million over the 1998 level to ensure that all children have access to the Internet, That teachers know how to use technology effectively, and to broaden access to high quality learning opportunities for adults using the Internet and other new technologies.

  - **Teacher Training in Technology.** This program will ensure that all new teachers entering the workforce can integrate technology effectively into the curriculum and can understand new styles of teaching and learning enabled by technology.

  - **Learning Anytime, Anywhere Initiative.** This initiative makes it easier for Americans who live in remote, rural areas, have a disability, or have competing family and work demands to have access to individualized up-to-date affordable education and training.

- **Early Intervention to Promote College Attendance.** President Clinton will soon announce a long-term effort to bring college opportunity to children in high-poverty areas by providing their families with early information about financial aid and appropriate academic preparation, as well as mentoring and other support services to help the children stay on track through high school graduation and into college.

ACCESS TO HEALTH INSURANCE FOR PEOPLE AGES 55 TO 65

BACKGROUND

Americans ages 55 to 65 face special problems of access and affordability. They face greater risks of health problems, with twice the chances of heart disease, strokes, and cancer as people aged 45 to 54. As people approach 65, many retire or shift to part-time work or self-employment as a bridge to retirement, sometimes involuntarily. Displaced workers aged 55 to 65 are much less likely than younger workers to be re-employed or re-insured through a new employer. As a result, more of them rely on the individual health insurance market. Without the benefits of having their costs averaged with younger people, as with employer-based insurance, these people often face high premiums.

Such access problems will increase, due to two trends: declines in retiree health coverage and the aging of the baby boom generation. Recently, businesses have cut back on offering health coverage to pre-65-year-old retirees; only 40 percent of large firms now do so. In several small but notable cases, businesses have dropped retirees' health benefits after workers have retired. These "broken promise" retirees lack access to employer continuation coverage and could have problems finding affordable individual insurance. Finally, the number of people 55 to 65 years old will rise from 22 million to 35 million by 2010 — or by 60 percent.

POLICY DESCRIPTION

The President has proposed three policy options to improve access to affordable health insurance for targeted groups of Americans ages 55 to 65.

1. Medicare Buy-In for People Ages 62 to 65

The centerpiece of this initiative is the Medicare buy-in for people ages 62 to 65.

- **Eligibility**: People ages 62 to 65 who do not have access to employer sponsored or Federal health insurance may participate.
- **Premium Payments**: Participants would pay two, geographically adjusted premiums:

  - **Pre-65 premium**: The pre-65 premium would be paid monthly between enrollment and when the participant turns age 65. It is the part of the full premium that represents the average Medicare costs for people in this age group. For 1999, it would be around $300 per month and would be updated annually.

  - **Post-65 premium**: The post-65 premium would be paid monthly beginning at age 65 until the beneficiary turns age 85. It is the part of the premium that represents the extra costs if participants are sicker than average. For 1999, it would be around $16 per month for each year of participation (about $48 per month for a person who buys in from age 62 to 65). At the time of enrollment, participants would be told their post-65 premium.

The post-65 premium would be re-estimated for future participants to ensure that it reflects actual experience. This premium would be added to their Part B Medicare premium.

This two-part payment plan acts like a mortgage: it makes the up-front premium affordable but requires participants to pay back the Medicare "loan" with interest.

Enrollment: Eligible people would apply at Social Security offices. They would bring proof of their age and eligibility for Medicare when they turn 65. They would do this within 63 days of either turning 62 or losing access to employer-based or Federal insurance (63 days is the maximum time period that a person can be uninsured and still be protected by Health Insurance Portability and Accountability Act).

Applicability of Medicare Rules: Benefits and most protections would be, for paying participants, the same as those of Medicare beneficiaries. Participants would have the choice of fee-for-service or managed care. No Medicaid assistance would be offered to participants for premiums or cost sharing. Medigap policy protections would apply, but the open enrollment provision remains at age 65.

Disenrollment: People could stop buying into Medicare at any time. People who disenroll would pay the post-65 premium as though they had been enrolled for a full year (e.g., a person who buys in for 3 months in 1999 would pay the post-65 premium as though they participated for 12 months). This is intended to act as a disincentive for temporary enrollment. People may only enroll once; for example, a participant may not disenroll at age 63 and re-enroll at age 64.

Medicare Trust Fund Impact: According to the HCFA Actuaries (who also monitor the status of the Trust Funds for the Medicare Trustees), this initiative will not decrease the life of Medicare's Trust Funds. Premium collections will be allocated to the Trust Funds in proportion to spending from those Funds for participants. The Medicare Part B premium and managed care rates for regular Medicare beneficiaries will be calculated independently of the buy-in.

2. Medicare Buy-In for Displaced Workers Ages 55 and Over

In addition to people ages 62 to 65, a targeted group of 55 to 61 year olds could buy into Medicare. The Medicare buy-in would be the same as above, with the following exceptions.

- **Eligibility**: People would be eligible if they are between ages 55 and 61 and: (1) lost their job because their firm closed, downsized, or moved, or their position was eliminated (defined as being eligible for unemployment insurance) after January 1, 1998; (2) had health insurance on their previous job for at least one year (certified through the process created under HIPAA to guarantee continuation coverage); and (3) do not have access to employer sponsored, COBRA, or Federal health insurance. Spouses of these eligible people may also buy into Medicare.

Premium Payments: Participants would pay one, geographically adjusted premium, with no Medicare "loan". This premium represents the average Medicare costs for people in this age group (one premium for age 55 to 59, another for 60 to 61) plus an add-on to compensate for some of the extra costs of participants who may be sicker than average. For 1999, the premium would be $400 per month and would be updated annually.

Disenrollment: Like people ages 62 to 65, eligible displaced workers and their spouses must enroll in the buy-in within 63 days of becoming eligible. Participants continue to pay premiums until they voluntarily disenroll, gain access to employer-based insurance or turn 62 and become eligible for the more general Medicare buy-in. Once they disenroll, they may only re-enroll if they meet the eligibility rules again (e.g., are displaced again).

3. Employer Buy-In (COBRA Continuation Coverage) for Certain Retirees

The President would also help retirees whose former employer unexpectedly drops their retiree health insurance, leaving them uncovered and with few places to turn.

- **Eligibility**: Termination of retiree health benefits (i.e., they were covered but their employer ended that coverage) for retirees age 55 to 64 and their dependents would become a COBRA qualifying event.

- **Premium Payments**: Participants would pay 125 percent of the active employees' premium. This premium is higher than what most other COBRA participants pay (102 percent) to help offset the additional costs of participants.

Enrollment: Participants would enroll through their former employer, following the same rules as other COBRA eligibles.

Disenrollment: Retirees would be eligible until they turn 65 years old. Dependents would be eligible for other related periods of eligibility as other COBRA enrollees.

Federal Budget Impact: There is no Federal budget impact because costs would be paid for by the private sector, primarily through retiree premium contributions.

Medicare Anti-Fraud, Waste and Abuse Initiatives

The Medicare buy-in would produce some costs primarily because Medicare is "loaning" participants part of the premium at ages 62 to 65. Even though in the long-run the buy-in for 62 to 65 year olds is self-financing, the President has proposed a set of anti-fraud, waste and abuse provisions to offset the up-front "loan" and any costs of the displaced workers' buy-in. These policies also are part of the President's ongoing effort to root out fraud and waste in Medicare. Five of the President's anti-fraud, waste and abuse initiatives produce scorable budget savings.

Eliminating Excessive Medicare Reimbursement for Drugs. A recent report by the HHS Inspector General found that Medicare currently pays hundreds of millions of dollars more for 22 of the most common and costly drugs than would be paid if market prices were used. For more than one-third of these drugs, Medicare pays more than double the actual acquisition costs, and in one case pays as high as ten times the amount. This proposal would ensure that Medicare payments be provider's actual acquisition cost of the drug without mark-ups.

Eliminating Overpayments for Epogen. A 1997 HHS Inspector General report found that Medicare overpays for Epogen (a drug used for kidney dialysis patients). This policy would change Medicare reimbursement to reflect current market prices (from $10 per 1,000 units administered to $9).

Eliminating Abuse of Medicare's Outpatient Mental Health Benefits. The HHS Inspector General has found abuses in Medicare's outpatient mental health benefit — specifically, that Medicare is sometimes billed for services in inpatient or residential settings. This proposal would eliminate this abuse by requiring that these services are only provided in the appropriate treatment setting.

Ensuring Medicare Does Not Pay For Claims Owed By Private Insurers. Too often, Medicare pays claims that are owed by private insurers because Medicare has no way of knowing the private insurer is the primary payer. This proposal would require insurers to report any Medicare beneficiaries they cover. Also, Medicare would be allowed to recoup double the amount owed by insurers who purposely let Medicare pay claims that they should have paid, and impose fines for failure to report no-fault or liability settlements for which Medicare should have been reimbursed.

- **Enable Medicare to Negotiate Single, Simplified Payments for Certain Routine Surgical Procedures.** This proposal would expand HCFA's current "Centers of Excellence" demonstration that enables Medicare to pay for hospital and physician services for certain high-cost surgical procedures through a single, negotiated payment. This lets Medicare receive volume discounts and, in return, enables hospitals to increase their market share, gain clinical expertise, and improve quality.

A series of other anti-fraud, waste and abuse actions are proposed as well *(see "Ten-Point Plan," announced by the President on January 24, 1998)*.

CHILDREN'S HEALTH OUTREACH

BACKGROUND

Last year, the President, with bipartisan Congressional support, signed into law the largest single expansion of children's health insurance in 30 years. The Children's Health Insurance Program (CHIP) provides funds for coverage of millions of working families' uninsured children. These families typically have too much income to qualify for Medicaid but too little to afford health insurance. But, to ensure the success of this program, an aggressive campaign to enroll eligible, uninsured children is needed.

In addition, over 3 million children are uninsured but eligible for Medicaid today. Educating families about their options and enrolling them in Medicaid has always been difficult, but it has recently become even more challenging. The number of children enrolled in Medicaid leveled off in 1995 and, according to the Census, dropped by 6 percent in 1996. While some of this decline may be due to the lower number of children in poverty, another reason for this decrease may be families' misunderstanding of their children's continued eligibility for Medicaid that the welfare reform explicitly guaranteed.

POLICY DESCRIPTION

To give States the tools and funding to find and enroll uninsured children, the President's 1999 Budget invests $900 million over 5 years in children's health outreach policies.

- **Fund for outreach.** In welfare reform, a special $500 million pool was created to fund efforts to improve Medicaid enrollment of families affected by welfare reform.

The President's 1999 Budget includes a proposal that would expand the use of this fund. States would be able to receive a 90 percent matching rate for most outreach activities for all uninsured children, not just those who would have been eligible for welfare. The Federal funds to cover the extra matching (above Medicaid's regular matching amount) would come from this fund. In addition, the proposal would remove the sunset of the fund in 2000 and add another $25 million to assist States with increased outreach activities. This outreach fund would provide States with the resources to simplify enrollment systems, launch ad campaigns, educate community volunteers, and conduct other outreach campaigns to find and help enroll uninsured children.

- **Allowing immediate Medicaid coverage through schools, child care resource and referral centers, and other sites.** The Balanced Budget Act (BBA) of 1997 gave States a new option in Medicaid to grant "presumptive eligibility" to children. Certain children may receive immediate Medicaid coverage on a temporary basis while waiting for a full Medicaid eligibility determination.

  The President's 1999 Budget proposes to make this presumptive eligibility option more flexible and attractive to States. First, it would broaden the definition of who can determine presumptive eligibility to include sites such as schools, child care resource and referral centers, child support enforcement agencies and CHIP eligibility workers. These people are on the front lines in caring for children and could help educate and enroll them in Medicaid. Second, it would eliminate the requirement that States subtract the costs of presumptive eligibility from their CHIP allotments. Instead, these costs would be matched as a regular Medicaid State plan option. Both of these changes would give States greater incentives and flexibility for using this option.

In addition, the Department of Health and Human Services (HHS) has identified a number of ideas and options for States to simplify enrollment and integrate Medicaid and CHIP. This includes encouraging "out-stationing" of eligibility workers; using mail-in, simple applications; and using a joint application form for both Medicaid and CHIP. *(see letter to State Health Officials from HHS, dated January 23, 1998 for details).*

CANCER CLINICAL TRIALS FOR MEDICARE BENEFICIARIES

BACKGROUND

More than 40 percent of Americans will be diagnosed with cancer during their lifetime and more than 20 percent will die from it. Less than three percent of cancer patients participate in clinical trials. Moreover, Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. Many scientists believe that higher participation in clinical trials could lead to faster development of therapies for more of those in need, as it often takes between three and five years to enroll enough participants in a cancer clinical trial to make the results scientifically legitimate and statistically meaningful. Older Americans and people with disabilities covered by Medicare frequently cannot participate in cutting-edge cancer clinical trials because the program does not pay for such treatments until they are established as standard therapies.

POLICY DESCRIPTION

The President has proposed a demonstration that would help Medicare beneficiaries access these cutting-edge cancer treatments.

- **Three-Year Demonstration Program for Medicare Beneficiaries.** The proposal would establish a three-year $750 million demonstration program for Medicare beneficiaries to cover the patient care costs associated with certain cancer treatment clinical trials (research studies with patients).

- **Covers Certain Cancer Clinical Trials.** Studies sponsored by the National Institutes of Health (NIH) would qualify. This includes:

  - Trials conducted by NCI programs that oversee and coordinate extramural clinical cancer research;
  - Trials conducted by Cooperative Groups programs;
  - NCI-sponsored trials at NCI-designated cancer centers;
  - NCI grants supporting clinical investigators; and
  - Clinical trials for cancer conducted at other NIH institutes.

After one year, the proposal also allows for amendments and/or additions to this set of trials by the Secretary of Health and Human Services within the same funding constraints, with the advice of the Institute of Medicine's National Cancer Policy Board.

- **Includes Report to Congress Following Three-Year Demonstration.** The proposal includes a review and evaluation of the demonstration by the Secretary of Health and Human Services, in consultation with the Institute of Medicine's National Cancer Policy Board, to consider whether to extend and/or expand the demonstration, no later than 30 months after enactment.

- **No Impact on the Medicare Trust Fund.** The demonstration would be administered by the Health Care Financing Administration, which administers Medicare, but would be funded by $750 million in receipts from tobacco legislation. It would therefore have no effect the financial condition on the Medicare Trust Fund.
- **Builds on the Bipartisan Legislation in the Congress.** Senator Mack and Senator Rockefeller and Representative Nancy Johnson have taken leadership in this area by proposing similar legislation that would provide cancer clinical trial coverage for Medicare beneficiaries.

FUNDS FOR AMERICA

The 1999 President's budget meets the challenge of investing in our future by proposing three new investment funds for America --for research, the environment, and transportation --to direct resources to these critical priorities.

- **The Research Fund for America** includes a broad range of investments in knowledge, including research programs of the National Institutes of Health; the Centers for Disease Control; the National Science Foundation; the National Aeronautics and Space Administration; the Energy, Agriculture, and Education Departments; the Commerce Department's National Institute of Standards and Technology; the Department of Agriculture; a multi-agency Climate Change Technology Initiative; and other programs.

- **The Environmental Resources Fund for America** encompasses the multi-agency Clean Water and Watershed Restoration Initiative; the new Land, Water, and Facility Restoration Initiative; the Agriculture Department's water and wastewater program for rural communities; and the Environmental Protection Agency's programs for cleaning up hazardous waste sites (within the Superfund) and for ensuring clean water and safe drinking water.

- **The Transportation Fund for America** includes the Transportation Department's highway, highway safety, and transit programs; the Flight 2000 free flight demonstration program; and FAA programs, including Airport Grants.

Together, these deficit-neutral funds provide $75.5 billion in 1999, a $4.7 billion increase over 1998 levels, all of which is requested as discretionary appropriations. The financing of these Funds applies the principle of pay-as-you-go in the Budget Enforcement Act --which applies to mandatory spending --to discretionary spending as well. All three funds are deficit neutral, and are financed with a combination of transfers within the discretionary caps and specific mandatory savings and revenue proposals. For 1999, the Funds are financed as follows:

- **The Research Fund for America** is financed through funds available under the discretionary caps, receipts from tobacco legislation, and savings from VA tobacco reform.

- **The Environmental Resources Fund for America** is financed through funds available under the discretionary caps and a renewed Federal tax to support the Superfund.

- **The Transportation Fund for America** is financed through funds available under the discretionary caps.

The use of mandatory offsets for discretionary spending is permissible under current scorekeeping rules and precedents. Mandatory offsets were used in both the FY 1996 (the sale of the U.S. Enrichment Corporation and debt collection reform) and FY 1997 (spectrum receipts and reform of the bank insurance funds) appropriations processes to fund important discretionary programs. Alternatively, Congress may choose to specifically authorize mandatory offsets for the purposes of these new Investment Funds. The Administration intends to work with the Congress to determine the best approach.

ENVIRONMENT AND NATURAL RESOURCES

The 1999 budget requests $31.5 billion in discretionary spending for high-priority environmental and natural resource programs, $1.4 billion, or five percent, more than the 1998 enacted level. The budget includes a major initiative to begin addressing climate change through higher research spending and new tax incentives to spur energy efficiency and develop low-carbon technologies. The budget also proposes an innovative, deficit-neutral financing mechanism for many key environmental restoration programs --the Environmental Resources Fund for America --that supports two additional initiatives: water quality, and land/facility restoration.

- **Climate Change Technology Initiative.** The budget provides a five-year, $6.3 billion package of tax incentives and research spending to reduce the Nation's emissions of greenhouse gases. The 1999 increase is $0.9 billion, roughly doubling the 1998 enacted level, as a down-payment on the

President's five-year commitment. Approximately $2.7 billion of the $6.3 billion package is R&D spending to develop more fuel-efficient automobiles and trucks, energy-saving technologies for commercial buildings and homes, more energy-efficient industrial processes, and renewable energy sources such as biomass, wind, photovoltaics, and fuel cells. The remaining $3.6 billion of the $6.3 billion package are tax incentives to stimulate the adoption of more efficient technologies in buildings, vehicles, and power generation.

For highly fuel-efficient vehicles, a tax credit of $4,000 would be available in the year 2003 for vehicles that get three times the base fuel economy for their class. A tax credit of $3,000 would be available in the year 2000 for vehicles that get two times the base fuel economy for their class. Both tax credits would phase out over time (the $3,000 credit by 2006; the $4,000 credit by 2010).

- **Environmental Resources Fund for America.** The budget proposes the Environmental Resources Fund for America, a mechanism to use PAYGO offsets to pay for increases in high priority discretionary environmental programs. The Fund provides $7.7 billion, 14 percent above 1998, for key environmental restoration programs. The Fund includes:

Land, Water, and Facility Restoration Initiative: The budget proposes an increase of $92 million, eight percent more than in 1998 (and $961 million, 16 percent, over 5 years) for construction and maintenance for national parks, forests, refuges, public lands, and Indian schools. In addition, the initiative includes a 43 percent increase in land acquisition spending over the next five years from the Land and Water Conservation Fund (LWCF) and a 12 percent increase over five years from the Historic Preservation Fund. The LWCF request in 1999 is at the 1998 enacted level of $270 million, excluding the $699 million in one-time priority land acquisition funding in the 1997 budget agreement.

Clean Water and Watershed Restoration Initiative: The budget includes $2.2 billion, a $568 million or 35 percent increase over 1998, for a multi-agency initiative to restore and protect the Nation's waterways by preventing polluted runoff, protecting public health, and ensuring community-based watershed management. Within this total, the budget proposes $143 million, the full amount authorized, for California Bay-Delta watershed restoration activities and $282 million, 24 percent more than in 1998, to continue the Administration's support for restoring the Everglades.

Water Quality Infrastructure: The budget proposes $1.85 billion in capitalization grants for Drinking Water State Revolving Funds (SRFs), which make low-interest loans to help municipalities address water quality.

Of this amount, the budget includes $1.1 billion in grants for the Clean Water SRFs and $775 million for the Safe Drinking Water Act SRFs. The funding levels for the two SRFs make progress toward the Administration's goal of providing sufficient capital for the funds to provide $2.5 billion a year in financial assistance to municipalities over the long run.

USDA Water 2000: The budget provides funds for USDA's Water 2000 initiative --to bring safe drinking water to rural Americans with some of the Nation's most serious problems of water availability, dependability, and quality --within its $1.3 billion for rural water and wastewater grants and loans.

Superfund Cleanups: The budget proposes $2.1 billion for Superfund, a 40 percent increase over 1998. These funds will help meet the President's pledge to double the pace of Superfund cleanups, bringing the total number of cleanups to 900 by the end of 2001.

- **EPA's Operating Program.** The budget proposes $3.6 billion, an eight percent increase over 1998, for EPA's operating program, which includes most of EPA's research, regulatory, partnership grants (with States and Tribes), and enforcement programs. The program represents the backbone of the Nation's efforts to protect public health and the environment through sound science, standard setting, enforcement, and other means, ensuring that our water is pure, our air clean, and our food safe.

- **Brownfields Redevelopment Initiative.** The budget proposes to extend the President's Brownfields initiative, which promotes cleanup and redevelopment of abandoned land --usually in inner cities --contaminated from previous industrial use. EPA would receive $91 million (+$3 million over 1998) for grants to communities for site assessment and redevelopment planning, and for revolving loan funds to finance clean up efforts at the local level. HUD would receive $50 million, $25 million more than in 1998, to leverage State, local, and private funds for redeveloping cleaned-up sites and creating jobs. The budget also proposes to extend the targeted tax incentives to spur Brownfields cleanup.

- **Endangered Species Act.** The budget provides $113 million, a $36 million increase over 1998, for DOI's endangered species program, mainly for the Administration's new reforms to encourage private landowners to protect species. The budget also includes $40 million, a $10 million increase over 1998, for the National Oceanic and Atmospheric Administration's endangered species program, mainly focused on habitat conservation planning.

- **Multilateral and Bilateral Environmental Assistance.** The budget proposes $322 million, three percent more than in 1998, for bilateral and multilateral environmental assistance. Bilateral assistance includes U.S. Agency for International Development (USAID) activities to address topics such as biodiversity, and to implement USAID's five-year, $1 billion commitment to help developing countries address climate change. Multilateral assistance funds U.S. voluntary contributions to the UN environmental system and other international environmental activities.

- **Global Environment Facility (GEF).** The budget provides $300 million for U.S. obligations to the GEF, which is the world's leading institution for protecting the global environment from climate change, extinction of valuable species, and the oceans' fish population. This proposal includes $193 million for U.S. contributions previously due and $107 million for an initial contribution to replenish the GEF between 1999 and 2002.

- **Federal Facilities Cleanup and Compliance.** The budget provides $6.1 billion, an increase of $275 million over 1998, for the Department of Energy's Environmental Management program for cleaning up Federal facilities contaminated with radioactive or hazardous waste left over from over 40 years of research, production, and testing of nuclear weapons. The budget also includes $4.4 billion for Department of Defense clean-up activities on military bases, a decrease of $450 million from 1998 largely due to the completion of one-time projects and clean-ups at closed military bases.

CLIMATE CHANGE TECHNOLOGY INITIATIVE

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, $5 billion package of tax incentives and R&D spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December to reduce greenhouse gas emissions, the President is now proposing a $6.3 billion initiative over 5 years --$2.7 billion in increased spending and $3.6 billion in tax incentives. For 1999, the budget includes $473 million in increased spending on climate-change related technologies ($1.292 billion vs. $819 million in 1998) and $421 million in tax incentives. The total first-year initiative is $894 million, and covers the following areas:

BUILDINGS

- *Accelerate the deployment of existing technologies* through better labeling of highly efficient technologies and appliances, through the Partnership for Advanced Technologies in Housing (PATH), and through tax credits for the purchase of certain highly efficient building equipment and for the purchase of highly-efficient new homes. PATH will be a cooperative effort by HUD, DOE, and EPA to work with the building industry and communities to develop and deploy the best available housing technologies and practices.

The tax cuts include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a credit of up to $2,000 for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

- ***Million Solar Roofs.*** Last June the President announced an initiative to encourage the installation of one million solar hot water and photovoltaic installations on buildings over the next 10 years. DOE will fund cost-reduction R&D for rooftop solar systems, and will establish partnerships with communities and builders. In addition, the budget includes a 15 percent tax credit (up to $2,000) for purchases of rooftop solar equipment --to provide incentives for meeting the Million Solar Roofs goal.

- ***DOE is also increasing its research*** on building systems modeling and on major components such as advanced heat-pumps, cooling systems, furnaces, and lighting.

INDUSTRY

- ***DOE will intensify its partnerships with industry*** on technology roadmaps and plans to reduce energy consumption and secure early reductions in greenhouse gas emissions. Partnerships currently exist with the aluminum, steel, glass, paper and forest products, metal casting, and chemicals industries. Cost-shared R&D with industry teams and consortia will be enhanced, and complementary efforts will be undertaken by EPA, USDA, and DOC (NIST), leading to voluntary industry greenhouse gas reductions.
- ***Combined heat and power*** is an advanced form of cogeneration that integrates power generation with the provision of useful thermal energy in a factory or building. This initiative combines R&D with a 10 percent tax credit for investments.

- ***Fluorine recovery tax credits.*** Tax credits are proposed for certain investments to remove or recycle fluorine and fluorocarbon compounds that are potent greenhouse gases.

TRANSPORTATION

- ***The Partnership for a New Generation of Vehicles (PNGV)*** is a government-industry effort to develop a safe, clean, and affordable car that gets up 80 miles per gallon. Production prototypes are planned for 2004. DOE is the largest player, followed by EPA, DOC, NSF, and DOT. In 1999, the combined request for PNGV-related work in those agencies is $277 million, up from $227 appropriated in 1998. The budget also proposes tax credits to encourage the purchase of this type of highly-efficient vehicle.

- ***Tax Credits For Fuel Efficient Cars.*** The budget includes tax credits of $3,000 and $4,000 for consumers who purchase advanced-technology, highly fuel efficient vehicles --expected to total $660 million over the next five years.

- ***Partnerships for Light and Heavy Trucks:*** Similar government-industry efforts are proposed to develop more efficient diesel engines for both light trucks and heavy trucks.

- ***Sustainable Transportation*** promotes alternatives to single-occupancy vehicle travel, modeled after the approach adopted by Portland, Oregon. Programs in EPA and DOE will be coordinated with existing and planned DOT programs, and a tax law amendment is proposed to equalize treatment of employee parking and transit benefits.

ELECTRICITY

- ***Renewable energy.*** DOE will expand research partnerships in technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The 1999 budget proposes a $100 million increase for solar and renewable energy R&D --a 37 percent increase over 1998 --and a 5-year extension is proposed for the tax credit for electricity produced from wind and biomass.

- ***Electricity Restructuring.*** DOE and EPA will work with States and utilities to ensure that the restructuring does not impede the adoption of renewable energy technologies.

- ***Nuclear power-plant life extension.*** DOE will initiate an R&D effort addressing the critical technology needs to allow currently-operating nuclear power plants to safely extend their operating lifetimes by 10 to 20 years, which will make the transition to other low-carbon energy sources, such as solar and renewable energy, much easier.

- ***Innovative coal combustion technologies.*** In 1999, DOE will initiate a research program on innovative new approaches to coal combustion that offer the possibility of much lower carbon emissions than existing technologies.

CARBON REMOVAL AND SEQUESTRATION.

- ***Sequestration R&D.*** Research is being funded on biological and physical methods of removing carbon dioxide (CO_2) both from combustion gases and from the atmosphere.

CROSSCUTTING ANALYSIS AND RESEARCH

- ***Emissions credits, incentives, and trading.*** EPA will evaluate options for a domestic trading system and early reduction program in industry, based on industry consultations.

- ***Program and science assessments.*** DOE will lead efforts to assess the implications of new research results produced by the Global Change Research Program.

RESEARCH AND DEVELOPMENT

The 1999 budget provides a total of $78.2 billion for research and development (R&D) investments --a three percent increase over 1998. Civilian R&D comprises 48 percent of this total, continuing a gradual increase in emphasis on non-defense R&D. The budget provides $16.7 billion for basic research and $16.4 billion for applied --increases of eight and five percent, respectively, over the 1998 levels. The budget provides $14.5 billion for university-based research, or six percent more than in 1998. The centerpiece of the Administration's continuing commitment is the proposed Research Fund for America (RFA), from which many of the research dollars will now flow.

RESEARCH FUND FOR AMERICA

- Reflecting the President's commitment to ensuring long-term stability and growth for civilian research programs, the budget proposes a Research Fund for America that will support a wide range of Federal science and technology activities. The budget proposes $31 billion for the Fund, representing an eight-percent increase for these activities over the 1998 level. By 2003, the Fund will grow by 32 percent.

HIGHLIGHTS BY AGENCY

- **Department of Defense (DoD).** The budget provides $37 billion for DoD research and development --a one-percent decrease from 1998. Highlights include the Dual Use Applications Program and the Commercial Operations and Support Savings Initiative, which promote development of dual-use technologies and adapt cost-saving commercial technology for military uses. The budget also supports Advanced Concept Technology Demonstrations, which harness technology and innovation for military use, at less cost.

- **National Institutes of Health (NIH).** The budget provides a $1.15 billion increase for NIH, the largest ever, to a proposed $14.8 billion agency funding level that will support greater research on diabetes, brain disorders, drug demand reduction, genetic medicine, disease prevention strategies, and the development of an AIDS vaccine. Within this level, the budget provides a 10 percent increase in cancer research at NIH, highlighting renewed efforts to prevent, detect, and, ultimately, cure cancer. From 1999 to 2003, the NIH budget will grow by nearly 50 percent and cancer research at NIH will grow by 65 percent.

- **National Aeronautics and Space Administration (NASA).** The budget provides $13.5 billion for NASA in 1999 --a one-percent decrease from 1998 --and supports various ongoing activities, including: $2.1 billion for Space Science --a three percent increase over 1998, leading to more robotic exploration of the solar system; $1.4 billion for Earth Science (formerly Mission to Planet Earth), which explores the influence of natural processes and human activities on the environment; $389 million for Advanced Space Transportation Technology, including funds for the X-33 and X-34 reusable launch vehicle technology demonstrations; $786 million for NASA's Aeronautics Research and Technology programs, including Aviation Safety R&D; and $760 million in future-year funds to support launch vehicles that would lower NASA's launch costs. The budget also includes $2.3 billion for the International Space Station.

- **Department of Energy (DoE).** The budget provides $7.2 billion in R&D funding for DoE --an eleven percent increase over 1998. The budget includes resources for science research and nuclear fusion programs, for constructing the National Spallation Neutron Source, for the international partnership on the Large Hadron Collider, and for DoE research under the Climate Change Technology Initiative.

- **National Science Foundation.** The budget provides $3.7 billion, 10 percent more than in 1998, for NSF, whose broad mission is to promote science and engineering research and education across all fields and disciplines. The $344 million increase is NSF's largest ever.

- **Department of Agriculture (USDA).** The budget provides $1.4 billion for R&D at USDA and includes support for the Agricultural Research Service, the Economic Research Service, and Cooperative State Research, and Forest Service programs. The budget also requests $130 million (+25 percent) for USDA's high-priority National Research Initiative, and proposes a new Food Genome Initiative expanding efforts to understand the genomes of important plants, animals and microbes.

- **Department of the Interior (DOI).** The budget provides $807 million for Interior's U.S. Geological Survey --a 6 percent increase over 1998 --for natural resource and environmental sciences in clean water, natural hazards reductions, and wildlife biology and habitat.

- **Department of Commerce (DoC).** The budget provides $1.1 billion for R&D at DoC --essentially equal to the 1998 level --and includes funding for the National Institute of Standards and Technology (NIST) Advanced Technology Program, construction of an Advanced Measurement Laboratory on the NIST campus in Gaithersburg, Maryland, and Oceanic and Atmospheric Research activities.

- **Department of Veterans Affairs (VA).** The budget provides $0.3 billion to VA's research program to conduct basic clinical, epidemiological, and behavioral studies across the entire spectrum of scientific disciplines. Research will focus on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma, health systems, special populations (including Persian Gulf veterans), and military occupation and environmental exposures.

MULTI-AGENCY INITIATIVE HIGHLIGHTS

- **Climate Change Technology Initiative.** The budget includes a five-year R&D program to reduce the Nation's emissions of greenhouse gases. Led by the Department of Energy and the Environmental Protection Agency, the effort also includes activities of the National Institute of Standards and Technology and the Departments of Agriculture and Housing and Urban Development. The budget proposes a combined $2.7 billion increase over five years for these agencies for R&D on energy efficiency, renewable energy, and carbon-reduction technologies. The budget also proposes $3.6 billion in tax incentives over five years to stimulate the adoption of more efficient technologies in buildings, industrial processes, vehicles, and power generation.

- **US Global Change Research Program.** The budget provides $1.9 billion --essentially equal to the 1998 level --to increase understanding of climate change and variability, atmospheric chemistry, and ecosystems.

- **Large Scale Networking and High End Computing.** The budget provides $850 million for this R&D effort, originally called High Performance Computing and Communications, which the Administration has restructured to focus on clearer goals, milestones, and performance measures. As part of this effort, the budget includes $110 million for the Next Generation Internet Initiative.

- **Partnership for a New Generation of Vehicles (PNGV).** The budget provides $277 million --a 22-percent increase over 1998 --for this cost-shared, industry partnership. Federal funding focuses mainly on development of production prototype vehicles three times more fuel efficient than today's cars, with no sacrifice in comfort, performance, or price.

OTHER HIGHLIGHTS

- **US/Mexico Foundation.** The budget provides $5 million to enhance U.S. and Mexican science and technology strengths by supporting research, training, and human resource development directed at problems common to both countries.

- **Global Learning and Observations to Benefit the Environment (GLOBE).** The budget provides $14 million for GLOBE, an international K-12 education and science partnership linking schools and scientists to make and interpret environmental measurements and share information over the Internet.

- **Education Research Initiative.** The budget provides $50 million per year for five years for a partnership between the Education Department and the National Science Foundation to support research focused on the best approaches to raising student achievement through, for example, learning technologies, and innovative approaches to reading and mathematics instruction that take advantage of the latest research findings in cognitive research, and research on brain development in young children.

HEALTH RESEARCH IN THE RESEARCH FUND FOR AMERICA

BACKGROUND

Recent progress in biomedical research has ensured that many of the diseases Americans faced a generation ago can now be prevented or treated. Smallpox has been eradicated from the entire world and polio is gone from the Western Hemisphere. There are new therapies for some of the most devastating diseases, such as AIDS. These successes would not have occurred without a strong sustained support of biomedical research. Even more breakthroughs are in sight.

For example, new knowledge about both genetics and the structure of tumors may enable scientists to pinpoint more effective treatments for prostate, breast, and ovarian cancer. There are also new opportunities to learn more about preventing diseases. Finally, there are new possibilities to determine how to translate cutting edge discoveries into practical, improved care.

POLICY DESCRIPTION

To build on this progress and new possibilities, the "21st Century Research Fund" contains an unprecedented, multi-year commitment to improve health care research. It contains new funding for investments in biomedical research, prevention research, and research to improve health outcomes. In 1999 alone, this Fund contains:

- **An Historic $1.15 Billion Investment in Biomedical Research.** To build on the progress in biomedical research, the Fund contains a historic up-front investment in biomedical research — a $1.15 billion increase in FY 1999 — and proposes an increase in NIH funding of nearly 50 percent over the next five years. Under the President's proposal, the NIH will devote over $20 billion to biomedical research in 2003. This increases funding at all of the Institutes at NIH, including a 65 percent increase in cancer research funding.

- **$25 Million Increase in New Prevention Research.** The Fund also includes a new Prevention Research Program at CDC to identify interventions that prevent diseases.

- **$25 Million Increase In Quality and Health Outcomes Research.** Research at the Agency of Health Care Policy and Research (AHCPR) bridges the gap between what scientists know and the health care Americans receive. In FY1999, total funding for AHCPR would increase by $25 million to a total of $171 million. Funding for health care quality improvement, which will address the scientific research recommendations of the President's Quality Commission, would double from $15 million to $30 million.

- **$300 Million Increase In Veteran's Research.** The Budget provides $300 million to VA's research program to conduct basic clinical, epidemiological, and behavioral studies across the entire spectrum of scientific disciplines. FY 1999 research will focus on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma, health systems, special populations (including Persian Gulf veterans), and military occupation and environmental exposures.

RESTORING BENEFITS TO VULNERABLE GROUPS OF LEGAL IMMIGRANTS

The President believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the harsh, unnecessary cuts in benefits to legal immigrants that had nothing to do with moving people from welfare to work. As part of last year's Balanced Budget Act (BBA), the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants. In the 1999 budget the President proposes to restore Food Stamp benefits to vulnerable groups of legal immigrants and to provide States the option to provide health assistance to immigrant children.

FOOD STAMP BENEFITS

The 1999 budget proposes to restore Food Stamp benefits for vulnerable groups of legal immigrants. The President's proposals would provide Food Stamp benefits to an additional 730,000 legal immigrants in 1999 at a cost of $2.5 billion over 5 years. Specifically, benefits would be restored for:

- Families with children. This provision restores eligibility to families with children without regard to the immigrant's date of entry into the U.S. It will assist hundreds of thousands of families with citizen children and legal immigrant parents who are now depending upon only a partial Food Stamp benefit for the citizen children. Restoration of benefits to families with children will ensure that children receive the nutrition they need to become healthy, productive members of our society.

- Immigrants with disabilities and elderly immigrants age 65 and older. This provision parallels the action taken in the BBA for SSI and Medicaid. Consequently it applies to those who entered before welfare reform was enacted. Immigrants who have already come to the U.S. should not be penalized when they have played by the rules.

- Refugees and asylees. The current law exemption for refugees, asylees, and those whose deportation has been withheld would be extended from 5 to 7 years. The Nation admits refugees and asylees for humanitarian reasons and many need more time to naturalize than the current exemption provides. This provision parallels the action taken in the BBA for SSI and Medicaid.

- Hmong immigrants from Laos who came to the U.S. after the Vietnam war. This provision recognizes the unique history and special needs of this group.

- Certain Native Americans living along the Canadian and Mexican borders. This provision also parallels a similar provision for SSI and Medicaid in the BBA that corrects an oversight in the welfare reform law.

The Administration's proposal would first require immigrants to seek assistance from those who sponsored the immigrant into the country. Recent immigrants whose sponsors signed the new legally binding affidavits of support would be ineligible for Food Stamps unless the sponsor became destitute. When support is unavailable from an immigrant's sponsor, the Nation should provide a safety net for vulnerable groups of immigrants who are legal, permanent residents of our country.

HEALTH COVERAGE

The 1999 budget also proposes to provide States the option to provide health care coverage through Medicaid and the Children's Health Insurance Program (CHIP) for legal immigrant children. This provision gives States the option to provide health coverage through Medicaid and CHIP to legal immigrant children regardless of when they entered the country. States currently have the option to cover legal immigrant children who entered the country before the 1996 Welfare law was enacted. The 1999 budget extends this option to allow states to cover immigrant children who entered the country after the 1996 welfare law was enacted.
For this purpose, the budget provides an additional $230 million over five years in Medicaid. State spending would be matched at Medicaid matching rates. The budget would also allow states to cover immigrant children through their current CHIP allotment. To give States flexibility, States can chose to cover immigrant children through either Medicaid or CHIP, or through both programs.

This policy provides access to needed medical care for low-income, legal immigrant children who become seriously ill or who have an accident. This policy would also provide access to preventative health care services for a very vulnerable population. The President's proposal does not undermine the central goal of welfare reform --which is to move adults from welfare to work --but, would instead allow immigrant children to get the best possible start in life.

HIV/AIDS

The 1999 budget continues the Administration's strong record of support for HIV/AIDS throughout the government:

HHS DISCRETIONARY AIDS FUNDING UP 8 PERCENT

The budget provides $3.8 billion for discretionary HIV/AIDS activities at the

Department of Health and Human Services, an increase of 8 percent over 1998 and an 83 percent increase over FY 1993. Total funding for HHS HIV/AIDS activities, which includes both mandatory --Medicaid, Medicare and Social Security --and discretionary activities --NIH and Ryan White --is $9.7 billion, an 8 percent increase over 1998 and an 85 percent increase over the 1993 level of $5.2 billion.

RYAN WHITE AIDS TREATMENT GRANTS UP 14 PERCENT

The budget includes $1.315 billion for Ryan White AIDS Treatment Grants, a $165 million (14 percent) increase over 1998 and a 241 percent increase over the 1993 level. Included in this amount is a $386 million set-aside for grants to State AIDS Drug Assistance Programs (a 35 percent increase over the 1998 level of $286 million, and a 642 percent increase since the set-aside began in 1996, which will help ensure that low-income people with HIV/AIDS have access to powerful combination therapy drugs.

HUD HOUSING OPPORTUNITIES FOR PEOPLE WITH AIDS (HOPWA) UP 10 PERCENT

The budget includes $225 million for HOPWA, a $21 million (10 percent) increase over the 1998 level of $204 million and $125 million (125 percent) over the 1993 level of $100 million.

NIH AIDS RESEARCH UP 7.7 PERCENT

The budget includes $1.731 billion for AIDS research activities at the NIH, a 7.7 percent increase over 1998 and a 62 percent increase over 1993. In May 1997, the President challenged the scientific community to develop an AIDS vaccine within the next ten years. As a leader in biomedical research, NIH will spearhead the scientific community's efforts to meet the President's challenge.

CDC HIV AND STD PREVENTION ACTIVITIES INCREASED BY $15 MILLION

The budget includes $15 million in new resources at CDC for HIV prevention (+$5 million) and other sexually transmitted disease activities (+$10 million), as part of the President's initiative to address racial health disparities. The budget has increased resources for CDC HIV Prevention activities by 28 percent since 1993.

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

March 6, 1997

MEMORANDUM TO SYLVIA MATHEWS
RAHM EMANUEL
GENE SPERLING
BRUCE REED
JOHN HILLEY
DON BAER
ANN LEWIS

FROM: Larry Haas LH

RE: The title of our balanced budget plan

CC: Frank Raines
Jack Lew

Okay, here's the challenge: to create an appropriate title for the President's balanced budget plan -- that is, the official statutory language -- that we are preparing to send to Capitol Hill.

Last year, we titled our plan the "Balanced Budget Act of 1996 for Economic Growth and Fairness."

This year, Frank has suggested, "The Balanced Budget and Preparation for a New Century Act of 1997."

Frank asked that I shop that title around with all of you. In addition, I have included the following possibilities from OMB's staff:

1. America's Freedom from Debt Act.

2. Balancing the Budget for the Next Century Act.

3. The Economic Growth and Freedom from Debt Act of 1997.

4. The Economic Growth, Fairness, and Freedom from Debt Act of 1997.

5. The Balanced Budget Act of 1997.

6. The Deficit Reduction and Economic Growth Act of 1997.

7. The Responsible Budget and Bridge to the Future Act.

8. The Sustained Economic Growth and Fairness Act.

9. The Sustained Deficit Reduction, Economic Growth, and Fairness Act.

Could you all get back to me as early as possible on Thursday, March 6, with your input? Believe it or not, this is a rather important unresolved issue; we can't finish our drafting until we have a title.

I'm at 5-3814. Please call me with your thoughts or send me an e-mail. Frank would greatly appreciate your help.

Thank you.

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PRESIDENT CLINTON'S FISCAL YEAR 1998 BALANCED BUDGET

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PRESIDENT CLINTON'S FY 1998 BALANCED BUDGET

Summary Talking Points: February 6, 1997

A BALANCED BUDGET THAT REFLECTS AMERICA'S VALUES. President Clinton's budget demonstrates that we can move the country beyond the false choices of the past -- and that we can finish the job of balancing the budget, to lower interest rates and keep the economy growing, while still investing in key priorities such as education that help the American people thrive and our economy grow.

A DETAILED PLAN TO BALANCE THE BUDGET IN 5 YEARS.

- **Protect and Strengthen Medicare & Medicaid.** Extend the life of the Medicare Trust Fund well into the next century. Protect the fundamental guarantee of health benefits for the disabled, nursing home residents, & strengthen health coverage for children.
- **Invest in Education -- our nation's number 1 priority for preparing for the next century.**
- **Strengthen environmental protections.**
- **Build on the Vice-President's efforts to make our government work better and cost less.**
- **Provide middle-class tax relief to pay for education, health care, to help raise a child and buy and sell a home.**

BUILD ON PRESIDENT CLINTON'S RECORD ON DEFICIT REDUCTION.

- We have cut the deficit by 63% after it had quadrupled during the previous 12 years.
- We now have a smaller deficit as a share of GDP than any other major country in the world.
- FY98 budget builds on this progress and reaches balance by 2002 while investing in the future.

MEETING REPUBLICANS HALFWAY ON MEDICARE.

On difficult issues such as Medicare reforms, the President shows that he is serious about reaching a bipartisan agreement to balance the budget.

- **The President's Balanced Budget uses responsible Medicare policies to strengthen the life of the Trust Fund without placing unnecessary burdens on beneficiaries.** The President's plan achieves $100 billion of savings over 5 years ($138 billion over 6 years) through several reforms including reducing reimbursement to managed care. The plan also guarantees the solvency of the Part A trust fund until 2007 while maintaining choice and the high-quality of Medicare services.

TAX CUTS FOR FAMILIES WHEN THEY NEED IT MOST.

The President's budget provides about **$100 billion of tax cuts over the next five years** to help families:

- Raise their **children** ($500 per child),
- Send them to **college** ($1,500 HOPE Scholarship and $10,000 tuition tax deduction),
- Save for the **future** (penalty-free withdrawals from IRAs for education and first homes; tax-free savings for education through combined use of the tuition tax deduction and education IRA);
- Buy and sell their **homes by the exclusion of $500,000 of capital gains** on the sale of the home,
- **Move from welfare** to work with tax incentives to businesses, by allowing employers a 50% credit on the first $10,000 of annual wages that they pay to long-term welfare recipients.
- And tax incentives to boost **investment** in distressed areas and promote hiring of the economically disadvantaged.

INVESTING IN THE FUTURE. The President's budget maintains our critical priorities by increasing our investments in health care, education and training, the environment and science and technology. It also establishes new initiatives important new initiatives to help prepare America for the 21st century.

Health Care:

- Helps an estimated **3.2 million families, including 700,000 children**, keep their health care coverage for up to six months until their breadwinners find new jobs.
- Provides **health insurance coverage** for millions of children who are uninsured.
- Invests more in the **Ryan White AIDS program and in biomedical research** at NIH to find ways to prevent and treat diseases.
- Establishes a new **Alzheimer's respite benefit** within Medicare and provides for an **annual mammogram** without copayments.

Education and Training:

- Increases funding for **Head Start** by 55%, from $2.8 billion in FY93 to $4.3 billion in FY98.
- Increases **GOALS 2000** funding by 26% to help states raise educational achievement.
- Doubles funding to $500 million next year for the **Technology Literacy Challenge** and a related program to help ensure that all children are technology literate by the turn of the century.
- Includes the largest increase in the maximum **Pell Grant scholarship** in two decades, a $1.7 billion increase in aid over FY97, and expanded eligibility for at least 348,000 more students.
- Creates the **America Reads Challenge** to help insure that all children can read well and independently by the end of third grade ($2.5 billion over five years.)
- Creates a $5 billion new **school construction** fund over four years to spur $20 billion in school construction and renovation.

Environment:

- Funds the **Kalamazoo Initiative** to protect communities from **toxic pollution** by the 2000.
- Increases funds for the **National Park System** to help improve park facilities and further protect our national and cultural treasures.

Crime:

- Funds **17,000 more police**, helping to move towards the President's goal of 100,000 new police by the year 2000.
- Increases funds for the Drug Courts initiative, for drug testing, for the **Safe and Drug-Free Schools** initiative and other programs to fight drugs.
- Funds 7,359 **Border Patrol agents** -- 85% more than in FY93 -- to control illegal immigration.

A BALANCED BUDGET PLAN THAT CLOSES LOOPHOLES AND SPECIAL INTEREST PROVISIONS.

To protect priorities like Medicare, Medicaid, education and the environment, the President believes we should also be closing loopholes and special interest provisions.

- The President's budget proposes approximately **$34 billion** of business tax base broadeners, tax loophole closers and tax compliance measures for FY 1998-2002.

LET'S BUILD ON OUR PROGRESS.

We have cut the deficit by 63%. Deficit reduction has reduced interest rates, and spurred strong investment and the creation of over 11 million new jobs. Now, we must work together to achieve a real and solid balanced budget that keeps America strong and growing.

PRESIDENT'S BUDGET CUTS $252 BILLION OVER 5 YEARS

PRESIDENT CLINTON'S BUDGET:

⇒ **PRODUCES $350 BILLION IN SAVINGS OVER 5 YEARS**
⇒ **CUTS NET SPENDING BY $275 BILLION**
⇒ **CUTS NET SPENDING, INCLUDING CORPORATE SUBSIDIES, BY $309 BILLION**
⇒ **CUTS THE DEFICIT BY $252 BILLION**

THE BUDGET SAVES $350 BILLION OVER 5 YEARS, INCLUDING:

- It saves **$137 billion in discretionary spending**, by cutting unnecessary and lower-priority spending areas;
- It saves **$100 billion in Medicare ($138 billion over six years), extending the life of the Part A** Trust Fund to 2007 while maintaining the high-quality of Medicare services. It also saves $9 billion in Medicaid -- $22 billion in gross savings offset by a $13 billion related to the welfare reform law and new children's health initiatives.
- It saves $34 billion by reducing corporate subsidies.

THE BUDGET CUTS THE DEFICIT BY $252 BILLION:

- It cuts taxes by **$98 billion**, providing tax relief to tens of millions of middle-income Americans and small businesses, while extending several expired tax provisions.

AREA	SAVINGS OVER 5 YEARS, 1998-2002
Discretionary spending	$137.4 billion
Medicare	$100.2 billion*
Medicaid	$9.3 billion**
Spectrum sales/mandatory spending	$11.8 billion
Net interest	$15.9 billion
NET SPENDING CUTS	***$275 billion***
Corporate subsidies	$34.3 billion
TOTAL CUTS INCLUDING CORPORATE LOOPHOLES	***$309 billion***
Extending tax provisions	$41.7 billion
TOTAL SAVINGS	***$350 billion***
Tax cuts	-$98.4 billion
TOTAL DEFICIT REDUCTION	***$252 billion***

** $138 billion over six years*

*** $22 billion in gross savings offset by $13 billion additional spending for children's health and other initiatives*

SELECTED CLINTON ADMINISTRATION DISCRETIONARY INVESTMENTS

INITIATIVE	FY93-FY97 INVESTMENT	IMPACT	FY98 BUDGET
EDUCATION AND TRAINING: The President's FY98 Budget increases funding 33% for major education and training discretionary programs compared to FY93, providing $51 billion for all FY98 education & training.			
Goals 2000	Created Goals 2000 to support state-developed academic standards and school reform, supporting reform in 1,000 schools in 1994.	Goals 2000 is now supporting school reforms in all 50 states.	Increases funding 26% in FY98 to $620 million, supporting standards-based reform in 16,000 public schools across the 50 states.
Technology Literacy Challenge (TLC)	Created and funded in FY97 at $200 million to help ensure that all children are technologically literate by the dawn of the 21st century.	Funds state-wide plans to wire schools, train teachers, and purchase educational software and on-line resources.	More than doubles funding in FY98 to $425 million and provides $2 billion over 5 years. Provides $500 million for the TLC and a related grant program in FY98.
Pell Grants	Increased the maximum Pell Grant 17%, from $2,300 in FY93 to $2,700 in FY97, increasing college opportunities for low-income students.	3.7 million low-income students currently receive Pell Grants of up to $2,700.	Increases the grant from $2,700 to $3,000 in FY98 -- the largest increase in two decades. Provides $1.7 billion more aid in FY98 than FY97, making 348000 more families eligible.
Dislocated Worker Assistance	Doubled funding for dislocated workers, from $651 million in FY93 to $1,286 million in FY97. Will assist 580,000 workers this year.	Provides 274,000 more workers in FY97 with job training and search services to help them find jobs more quickly.	Increases funding to $1,350 million to serve 605,200 dislocated workers in FY98, double then number in FY93.
EARLY CHILDHOOD DEVELOPMENT AND HEALTH:			
Head Start	Increased funding 43% from $2.8 billion in FY93 to $4.0 billion in FY97. Created the Early Head Start program in 1994 to support zero-3 year olds and their families.	Serves 800,000 low-income 3- and 4-year olds this year, including thousands of 0-3 year-olds and their families.	Provides a $324 million increase in FY98, serving 122,100 more children than in FY93 while continuing to increase program quality and the 0-3 program, and on track to serve 1 million children in 2002.
WIC Supplemental Nutrition Program	Increased funding nearly $1 billion or 34% to $3.83 billion in FY97. Provides nutrition packages, nutrition education and health referrals to low-income pregnant women, infants, and children.	Expanded participation by 1.7 million since 1993, or 30% with the requested supplemental, from 5.7 to 7.4 million women, infants, and children.	Increases funding to $4.1 billion to achieve the President's goal of full participation by the end of FY98. Research shows that WIC prenatal services save Medicaid much more by reducing health care costs in the first 60 days after birth.
Ryan White AIDS Treatment	Increased funding 158%, to $996 million in FY97. Provides grants to states and to 49 hard-hit cities, double the number in FY93.	This program may be partly responsible for the 30% decline in AIDS deaths in NYC in 1996.	Provides a 221% increase for State AIDS Drug Assistance since 1996 to expand access to effective new medications to those who could not otherwise afford them.
National Institutes of Health	Increased funding 23%, to $12.7 billion in FY97. NIH now supports 32,000 grants in more than 1,700 universities, medical schools, and other research institutions.	Research has contributed to major advances in treating people with HIV and in medications for Alzheimer's disease.	Increases funding by $337 million to maintain NIH's leadership in medical research.

INITIATIVE	FY93-97 INVESTMENT	IMPACT	FY98 BUDGET
ENVIRONMENT:			
Superfund	Reformed the program, reduced funding 12%, and cleaned up 260 toxic waste sites in the last 4 years.	Cleaned up more sites in the last 4 years than in the previous 12.	Increases funding 50% from FY97 to clean up an additional 500 sites by the year 2000 -- 2/3 of all listed sites.
Environmental Enforcement	Increased funding 12% to $3.1 billion for EPA operations including enforcement.	Will cut chemical plant toxic air emissions 90% and enforced.	Increases funding 9% -- $293 million -- fully funding EPA's portion of the Climate Change Action Plan.
National Parks	Increased operations funding 17% to $1.2 billion. 4% increase in the number of parks since 1993.	Maintaining parks for 275 million annual visitors.	Increases funding 6% to increase maintenance and keep up with increasing visitorship.
COMMUNITY:			
AmeriCorps National Service	Created the AmeriCorps in 1993 to enable young people to earn money for college while serving their communities.	Enabled 70,000 young people to earn money for college through services in 3 years.	Funds 35,000 participants and increases funding 31% to provide tutor coordinators for the President's America Reads Challenge.
Community Development Institutions	Created Community Development Financial Institutions Fund to expand access to credit and capital to distressed communities.	Awarded $37 million in financial and technical assistance to 32 CDFIs in 1996.	Increases funding 150% to $125 million in FY98, and invests $1 billion over the next 5 years.
Ezs/ECs	Created the first federal Empowerment Zones and Enterprise Communities in 1994, providing assistance to distressed urban and rural communities.	Designated 105 EZs/ECs, providing $2.5 billion in tax incentives & $1 billion in funding over 5 years.	Proposes to double the number of EZ/ECs with a second round of designations, and tax incentives to spur the clean up and development of "brownfield" industrial sites.
CRIME:			
Community Policing: COPS	Created COPS program in 1994 Crime Bill to put 100,000 more community police on the streets.	Will have funded 64,000 police by the end of FY97.	Proposes funding for an additional 17,000 officers, on track to fund 100,000 by the year 2000.
Federal Prisons	Increased funding 62% to $1.4 billion in FY97 to open new federal prisons.	Reduced overcrowding while prison population expanded 38%.	Continues to increase funding for new federal prisons and to continue to reduce overcrowding.
INS Border Patrols	More than doubled funding to $729 million in FY97.	6,859 border patrol agents -- 2,894 more.	Funds 7,359 agents -- 85% more than in FY93.
TECHNOLOGY:			
Advanced Technology Program	Increased funding 231% to $225 million in FY97 to develop new technologies with private sector.	Funds high risk technologies w/ large potential public benefit.	$50 million increase to support about 90 new projects with 200 new participants.
Manufacturing Extension	Increased funding 428%, expanding from 7 to 78 extension centers.	Providing technical expertise to smaller manufacturers.	Increases funding an additional 29% in FY98 to help more small manufacturers increase sales & jobs.
NII and Next Generation Internet	Created the National Information Infrastructure program in 1994, funded at $21 million in FY97.	NII supports innovative telecom demonstration projects.	Increases NII and proposes $100 million for the next generation Internet: 100-1,000 faster than today's Internet.

SUMMARY OF TAX CUTS IN THE PRESIDENT'S BUDGET

$100 BILLION IN TAX CUTS. President Clinton's 1998 budget provides nearly $100 billion of tax cuts through FY 2002, including a child credit for middle-income families; tax cuts for education and training; expanded IRAs; targeted home-ownership tax cut; and tax incentives to boost investment in distressed areas and to promote hiring of the economically disadvantaged.

MIDDLE-CLASS TAX CUTS *($90.8 BILLION)*. These proposals will help middle-class families pay the bills, raise their children, send them to college, upgrade their skills, and save for retirement.

- **Tax Credit for Dependent Children *($46.7 billion)*:** Phased-in $500 tax credit for dependent children.
- **Education and Training Tax Incentive *($38.6 billion)*:** HOPE Scholarship tax credits of up to $1,500 per year, for first two years of post-secondary education; a $10,000 tax deduction for post-secondary education and training; income exclusion for forgiveness of certain student loans; and extending the exclusion for employer-provided educational assistance, reinstating exclusion for graduate courses, and providing small businesses a 10% income tax credit for employee education expenses.
- **Expand Individual Retirement Accounts (IRAs) *($5.5 billion)*:** Double, over time, the income limits on deductible IRAs; expand penalty-free withdrawals to cover post-secondary education, unemployment expenses, and first-time home purchases; and add new "special" back-loaded IRAs.

TARGETED HOME-OWNERSHIP TAX CUT *($1.5 BILLION)*. Allow exclusion of $500,000 ($250,000 singles) of capital gains from selling a home. This would exempt over 99% of home sales from capital gains taxes and dramatically simplify taxes and record-keeping for over 60 million homeowners.

TAX INCENTIVES FOR DISTRESSED AREAS *($2.4 BILLION)*

- **"Brownfields" Initiative:** Allow immediate expensing of certain costs to encourage firms to clean up abandoned, contaminated industrial properties in distressed urban & rural areas.
- **Incentives to Empower Communities:** Stimulate revitalization of economically distressed urban & rural communities by designating 20 additional Empowerment Zones and 80 additional Enterprise Communities, providing new tax incentives, additional small business expensing, and new private activity boards.
- **Community Development Financial Institutions (CDFI) Tax Credit:** Provide $100 million of credits to be allocated among equity investors in community development banks.

WELFARE-TO-WORK INITIATIVE *($0.5 BILLION)*. To encourage hiring of long-term welfare recipients, provide a new welfare-to-work credit through September 30, 2000. It would allow employers a 50% credit on the first $10,000 of annual wages that they pay to long-term welfare recipients for up to two years. Also expand the Work Opportunity Tax Credit to include certain able-bodied adults, ages 18-50.

SMALL BUSINESS AND FARM ESTATE TAX RELIEF *($0.7 BILLION)*. To address cash-flow problems that may arise upon the death of a farmer or small business owner, increase the amount of property eligible for a favorable interest rate on deferred tax from $1 million to $2.5 million.

OTHER INITIATIVES. Extend for one year expiring tax provisions (R&E credit, Work Opportunity Tax Credit, others) *($2.7 billion)*. Modify statutes of limitations on tax refunds to treat the disabled fairly *($0.05 billion)*. Revitalize DC with tax incentives *($0.26 billion)* and provide a more efficient and effective tax incentive for Puerto Rico *($0.417 billion)*. Allow FSC software benefits for computer software licenses ($0.56 billion).

THE PRESIDENT'S MEDICARE REFORM PACKAGE

President Clinton's balanced budget balances our values and protects our priorities. It achieves $100 billion in real scorable savings over 5 years, places no undue burdens on beneficiaries, modernizes and improves the program, and extends the life of the Medicare Trust Fund to 2007. This plan meets Republicans halfway -- and they have responded in a constructive and positive manner. The President looks forward to working with both Congressional Democrats and Republicans in a bipartisan process to protect Medicare.

The President's plan reforms and improves Medicare by:

- **Extending the life of the Medicare Trust Fund to 2007.**
- **Bringing the program into the 21st century by:**
  - ⇒ *Providing more choice by establishing new private health plan options.*
  - ⇒ *Establishing market-oriented purchasing for Medicare including new prospective payment systems and competitive bidding authority and centers of excellence to improve quality and cut back on costs.*
- **Adding Medigap protections to increase the security of Medicare beneficiaries.**

The President's plan explicitly:

- **Saves $34 billion by reducing reimbursement to managed care** through a phased in reduction in HMO payment rates and an indirect reduction in HMO payments associated with the traditional fee-for-service cuts.
- **Saves $33 billion in hospital expenditures through reductions in hospital updates, capital payments etc.**
- **Saves about $14 billion over 5 years through the transition to and establishment of a new prospective payment system and other programmatic changes in reimbursement to home health care.**
- **Saves about $7 billion over 5 years through the transition to and establishment of a new prospective payment system and other programmatic changes in reimbursement to nursing home facilities.**
- **Saves about $7 billion over 5 years through a modification of physician updates.**
- **Saves about $9 billion over 5 years through new provisions to combat fraud and abuse.**
- **Saves about $10 billion over 5 years by extending current law that sets the Part B premium at 25% of program costs.**
- **Invests $15 billion over 5 years in preventive health care to improve seniors' health status, in establishing a new Alzheimer's respite benefit starting in 1998 and in buying down excessive outpatient copayments to the traditional 20% level.**

PRESIDENT CLINTON'S RECORD ON DEFICIT REDUCTION

- **CUT THE DEFICIT BY 63 PERCENT.** President Clinton has reduced the budget deficit by 63 percent -- from $290 billion in FY 1992 to $107 billion in FY 1996. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **LOWEST DEFICIT SINCE THE EARLY 1970'S.** The deficit has fallen from 4.7 percent of GDP in FY 1992 to 1.4 percent in FY 1996 -- the lowest for any year since 1974. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **LOWEST DEFICIT OF ANY MAJOR ECONOMY.** The total U.S. deficit in 1996 as a percentage of the economy was lower than for any other major country. [OECD, *Economic Outlook*, December 1996.]

- **MAKING GOVERNMENT MORE EFFICIENT.** Federal employment has fallen by 275,000 from its 1993 base. Federal employment as a share of total employment is the smallest it has been since the early 1930's. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

AS A RESULT OF PRESIDENT CLINTON'S EFFORTS TO REDUCE THE DEFICIT, ECONOMIC PERFORMANCE HAS IMPROVED DRAMATICALLY:

- **INVESTMENT BOOM.** Deficit reduction has lowered interest rates and spurred investment. Equipment investment has grown by 10 percent per year under President Clinton -- faster than any Administration since John F. Kennedy was President. [Based on data from the Bureau of Economic Analysis, Department of Commerce.]

- **EMPLOYMENT BOOM.** Since January 1993, the economy has added more than 11 million new jobs -- a faster rate of job growth than under any Republican Administration since the Roaring 1920's. [Based on data from the Bureau of Labor Statistics, Department of Labor.]

- **THE LOWEST COMBINED RATE OF UNEMPLOYMENT AND INFLATION SINCE JOHNSON.** The combined rate of unemployment and inflation has been lower under President Clinton than for any Administration since Lyndon Johnson was President. [Based on data from the Bureau of Labor Statistics, Department of Labor.]

THE EXPERTS AGREE THAT ECONOMIC PERFORMANCE HAS BEEN REMARKABLE;

√ **Money Magazine**: President Clinton has "presided over the kind of economic progress any Republican President would be proud to post." [*Money Magazine*, August 1996]

√ **Paul Volcker, former Chairman of the Federal Reserve**: "It's been a remarkable period of steady growth, low inflation and low unemployment." [8/3/96]

√ **Allen Sinai, a leading economic forecaster**: "When the history book on this business cycle upturn is written, it will go down as the best ever, compared with other post-World War II upturns." [10/23/96]

THE FACTS ON GOVERNMENT SPENDING UNDER PRESIDENT CLINTON

SPENDING IS LOWER TODAY UNDER REAGAN OR BUSH:

- **FEDERAL SPENDING WAS LOWER IN 1996 -- AND IS EXPECTED TO REMAIN LOWER IN 1997 -- THAN IN ANY YEAR SINCE 1979.** Federal outlays as a share of GDP were lower in 1996 than in any year since 1979. And current projections suggest no increase in outlays as a percent of GDP during 1997. Outlays under President Clinton have been a smaller share of GDP than under Reagan or Bush. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **SINCE PASSAGE OF PRESIDENT CLINTON'S 1993 DEFICIT REDUCTION PACKAGE, EXPECTED GOVERNMENT SPENDING BETWEEN 1993 AND 2002 HAS FALLEN BY MORE THAN $1.4 TRILLION.** The President's budget will cut net spending by an additional $275 billion by 2002 -- for a total spending cut between 1993 and 2002 of more than $1.7 trillion. That's about $25,000 for a family of four. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **GROWTH IN TOTAL FEDERAL SPENDING HAS BEEN LOWER UNDER CLINTON THAN UNDER REAGAN OR BUSH.** Real Federal outlays have grown by 0.7 percent per year under President Clinton -- lower than under President Bush (2.6 percent per year) or President Reagan (2.6 percent per year). [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **WHILE MAINTAINING CRUCIAL INVESTMENTS IN PEOPLE, REAL DISCRETIONARY SPENDING HAS FALLEN UNDER PRESIDENT CLINTON -- A BETTER RECORD THAN UNDER REAGAN OR BUSH.** Real discretionary outlays have *fallen* by 2.5 percent per year under President Clinton -- lower than under President Bush or Reagan. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **NON-DEFENSE DISCRETIONARY SPENDING IS NOW A SMALLER SHARE OF THE ECONOMY THAN IN 8 OF THE 12 YEARS UNDER REAGAN OR BUSH.** Non-defense discretionary outlays are now lower than in 8 of the 12 Reagan-Bush years. With the President's balanced budget plan, non-defense discretionary outlays will fall by 9 percent in real terms between 1997 and 2002. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

⇒ **SPENDING GROWTH LOWER UNDER CLINTON THAN UNDER REAGAN OR BUSH**

	Federal outlays (% of GDP)	Real growth in Federal outlays (percent per year)
CLINTON	21.3	0.7
BUSH	22.1	2.6
REAGAN	22.5	2.6

[Based on data from OMB, *FY 1998 Budget*, February 1997.]

THE CLINTON ADMINISTRATION'S BUDGET ASSUMPTIONS: ESTABLISHING A CREDIBLE RECORD OVER THE PAST 4 YEARS

- **A RECORD OF CREDIBLE FORECASTS.** For the past four years, the Clinton Administration has used middle-of-the-road economic forecasts for budgetary purposes. ***For four years in a row, growth has been higher and the deficit has been smaller than we had projected.***

- **ACTUAL DEFICITS HAVE BEEN SMALLER THAN WE PREDICTED.** Between FY 1994 and FY 1996, **the actual deficit has on average been about $50 billion lower than we had projected the year before.** CBO has been less accurate: their estimates have been off by $59 billion on average.

- **THE 1996 DATA CONFIRM THE CREDIBILITY OF OUR FORECASTS.** The most recently available economic data confirm the credibility of our forecasts. **Our estimates of growth and the deficit for 1996 were too cautious** -- and turned out to be more accurate than the Congressional Budget Office's forecasts.

    - In last year's budget, we projected that real growth during 1996 would be 2.2 percent. But the GDP data released last Friday indicate that growth in 1996 was 2.5 percent (on a year-over-year basis). While both the Administration's forecast and the CBO's forecast were conservative, ours was more accurate (CBO had predicted 2.0 percent). Over the past four years, our real GDP forecasts have been more accurate than CBO's.

    - The FY 1996 deficit was smaller than we had projected. Our projection for the FY 1996 deficit was $170 billion in February 1994 and $197 billion in February 1995. CBO's projections were $177 billion in February 1994 and $211 billion in February 1995. The actual deficit was only $107 billion. Again, while both the Administration and CBO forecasts were conservative, ours were more accurate.

- **NO MORE ROSY SCENARIOS.** As in each of the four years that we have been in office, our estimates of growth in 1996 were thus too low and our estimates of the deficit too high -- confirming that the Clinton Administration does not use rosy scenarios for its budget projections.

- **MAINSTREAM PROJECTIONS FOR THE FUTURE.** Our forecasts for the next 5 years are also mainstream and conservative. For key budgetary variables such as GDP growth (2.2 percent per year) and GDP inflation (2.6 percent per year), **our assumptions match those of the Blue Chip private sector consensus.** While we think that the economy can grow faster than these forecasts would suggest, we continue to use prudent projections for budgetary purposes.

Balanced Budget

COMPARISON OF PLAN OUTLAYS, RECEIPTS, AND DEFICITS
(CBO estimates; dollars in billions)

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	1996	1997	1998	1999	2000	2001	2002
CBO Capped Baseline:							
Receipts	1,418	1,475	1,546	1,618	1,698	1,789	1,884
As a percent of GDP	19%	19%	19%	19%	19%	19%	19%
Outlays	1,628	1,706	1,778	1,884	1,995	2,100	2,224
As a percent of GDP	22%	22%	22%	22%	22%	22%	22%
Deficit	210	230	232	265	297	310	340
As a percent of GDP	3%	3%	3%	3%	3%	3%	3%
1996 Budget:							
Receipts	1,416	1,464	1,534	1,604	1,679	1,768	1,862
As a percent of GDP	19%	19%	19%	19%	19%	19%	19%
Outlays	1,626	1,696	1,765	1,859	1,952	2,054	2,171
As a percent of GDP	22%	22%	22%	22%	22%	22%	22%
Deficit	211	232	231	255	274	286	309
As a percent of GDP	3%	3%	3%	3%	3%	3%	3%
SBC Chairman's Mark:							
Receipts	1,418	1,476	1,547	1,617	1,697	1,789	1,884
As a percent of GDP	19%	19%	19%	19%	19%	19%	19%
Outlays	1,574	1,602	1,642	1,705	1,770	1,818	1,882
As a percent of GDP	21%	21%	20%	20%	20%	19%	19%
Deficit	156	126	95	88	73	29	-2
As a percent of GDP	2%	2%	1%	1%	1%	0%	-0%
HBC Chairman's Mark:							
Receipts	1,432	1,450	1,511	1,570	1,641	1,722	1,815
As a percent of GDP	19%	19%	19%	18%	18%	18%	18%
Outlays	1,588	1,626	1,651	1,704	1,749	1,783	1,815
As a percent of GDP	22%	21%	20%	20%	19%	19%	18%
Deficit	156	175	140	134	108	61	-1
As a percent of GDP	2%	2%	2%	2%	1%	1%	-0%

Balanced Budget

THE PRESIDENT'S ECONOMIC PLAN: A BALANCED BUDGET THAT PUTS PEOPLE FIRST

I. FRAMEWORK TO BALANCE THE BUDGET: Building on his 1993 plan that reduces the deficit by $1 trillion over seven years, the President today is releasing his economic framework for balancing the budget by the year 2005 while still investing in education and training; taking serious steps toward health reform while strengthening the Medicare Trust Fund and protecting beneficiaries; and targeting tax cuts only to working families. The President's plan builds on the savings and investments in his FY1996 budget and calls for real cuts in most areas of government spending other than Social Security.

II. THREE FUNDAMENTAL DIFFERENCES: While the President shares the goal of reaching a balanced budget with the Republican Congress, there are three fundamental differences in what the President will call for to make this a balanced budget that puts working families first.

1. FIRST STEPS TOWARD HEALTH CARE REFORM WHILE STRENGTHENING THE MEDICARE TRUST FUND:

Republican Plan: The Republican plans call for deep Medicare savings that would require a senior couple to pay $1500–$2000 a year more by the year 2002 — only to pay for unjustifiable tax cuts.

President's Plan: The President's plan calls for half the Medicare savings of the Republican plans ($130 billion), no new Medicare beneficiary cuts, and takes the first steps toward serious health reform. The President calls for one–third the level of Medicaid savings ($55 billion) of the Republican plans, gives states additional flexibility, and protects Medicaid coverage by including a per person cap. Elements of the health reform plan include:

- **Protecting the Medicare Trust Fund to 2005**
- **Health Security for Working Families After a Job Loss: (6 months of health coverage for families who lose insurance when they lose a job)**
- **More Options for Medicare Managed Care that Protects choice**
- **Prevention: No Co–payments for Medicare Mammography Screening**
- **Alzheimer Respite Benefit**
- **Downpayment on Home and Community–based Long–term care**
- **Insurance Reforms including Portability and Limits on Exclusions for Pre–existing Conditions**
- **Give Small Businesses Pooling Options, including Participation in FEHBP**
- **Self–Employed Tax Deduction Increased to 50%**

2. PROTECTING INVESTMENT IN EDUCATION AND TRAINING:

Republican Plans: The Republican plans cut investments in education by $43 billion over seven years, cutting Head Start and seeking to eliminate or dramatically cut GOALS 2000, Safe and Drug-Free Schools, AmeriCorps, student aid, and job training at all levels.

President's Plan: The President's plan puts people first by preserving investments in education and training, with significant increases in Head Start, Goals 2000, AmeriCorps, student aid, a new GI Bill of Rights for Workers that increases training through Skill Grants, and a $10,000 education tax deduction.

3. A TAX CUT THAT IS TARGETED ONLY TO WORKING FAMILIES:

Republican Plans: The Republican House plan calls for a $630 billion tax cut over ten years that would give a $20,000 tax cut to the top 1% of taxpayers, and the Senate budget calls for increasing taxes on 14 million working families.

President's Plan: The President's plan keeps his full Middle Class Bill of Rights tax cuts: a $500 tax credit for children under 13; a $10,000 education deduction, and an expanded IRA that allows more working families not only to save for retirement but also to use the savings for education, a first home, or long-term care for a sick relative.

III. COMPONENTS OF SAVINGS FOR BALANCING THE BUDGET: The President's plan does not change the basic budget for FY1996, but it extends the savings pattern in domestic discretionary spending through 2005 while calling for serious, but reasonable entitlement savings.

- Medicare savings are $130 billion over seven years, less than half of the Republican plans, while protecting beneficiaries, securing the Medicare Trust Fund through 2005 and taking the first steps toward health reform.

- Medicaid savings are $55 billion in over 7 years -- one-third the size of the Republican proposals -- and include a per person cap to protect coverage, rather than an aggregate block grant.

- Welfare reform has savings of $35 billion which is less than half of the Republican proposals and essentially consistent with major Democratic alternatives.

- Corporate contribution of $25 billion over seven years through a bipartisan effort to close corporate loopholes, special interest tax breaks, and unwarranted corporate subsidies.

• Other than education, research and selected investments in the environment and other areas, domestic discretionary spending is cut by over 20% in real terms near the end of the plan.

• Defense outlays in the President's plan are above both the House and Senate levels in FY2002, yet savings are achieved by keeping budget authority constant from FY2002–2005.

IV. A MORE BALANCED APPROACH TO BALANCING THE BUDGET:

Republican Plan: The Republican plan calls for deep Medicare cuts and education cuts in order to pay for a tax cut going largely to the most well–off. A top national forecaster, WEFA, (formerly Wharton Econometrics) has projected that this seven–year path would slow growth, increase unemployment to over 8.5%, and delay their deficit projections by at least two years.

President's Plan: By limiting a tax cut to working families and by calling for a moderately longer time path to balance the budget, the President's plan avoids the necessity of cutting education or calling for new Medicare beneficiary cuts. This 10–year plan has the benefits of a solid balanced budget path with less of the downside, contractionary risks of the Republican seven–year proposals.

Balanced Budget

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.

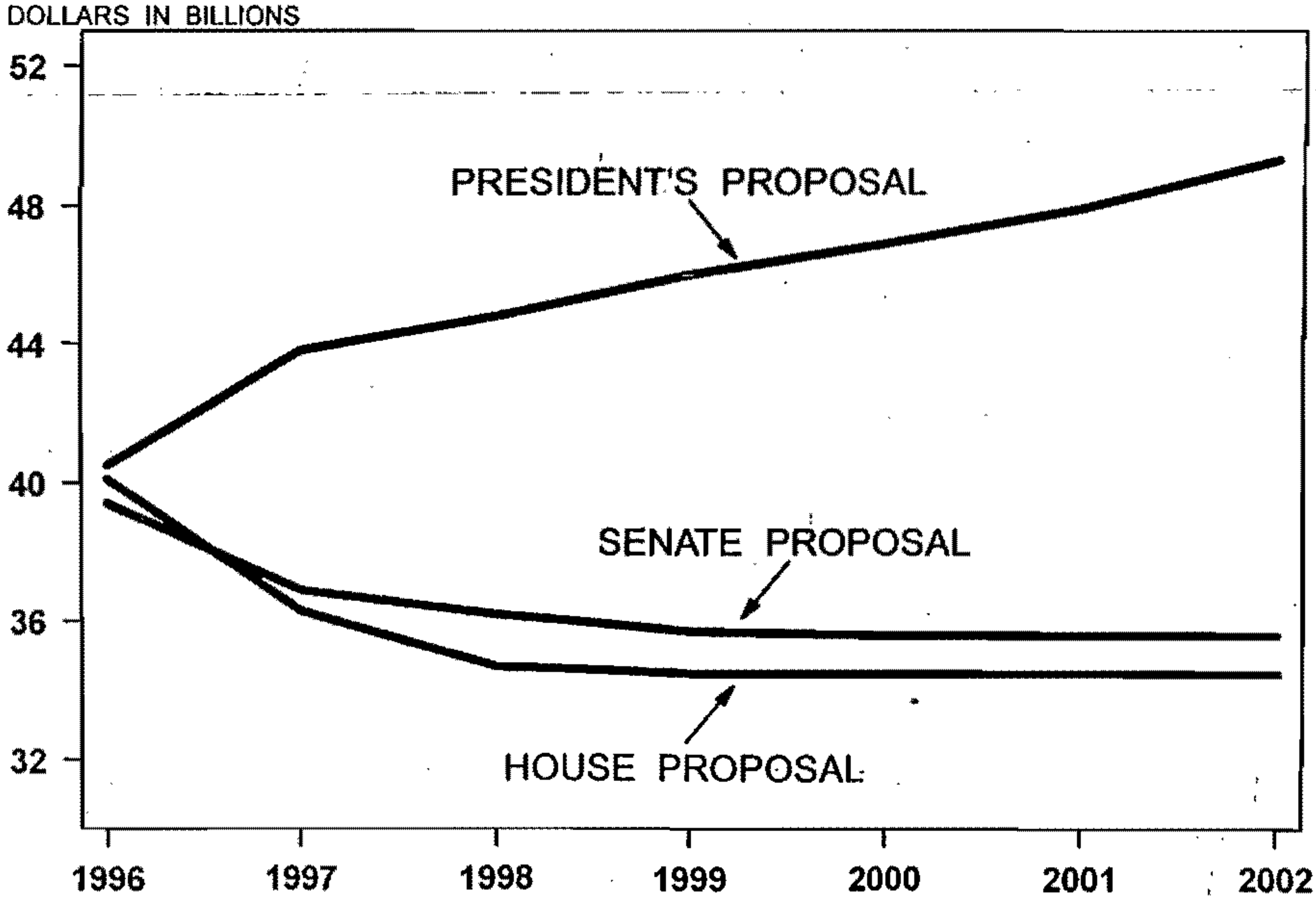
• For Safe and Drug-Free Schools and Communities, the President would maintain funding at $500 million per year, to help nearly ever school district fight drug abuse and reduce violence.

-- 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



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.

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.

REACH TARGET BY 2005

(In billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	10-Year Total
Outlays:												
Discretionary:												
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
Mandatory:												
Health:												
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
Total, outlays	1,537	1,599	1,667	1,719	1,782	1,847	1,919	1,989	2,062	2,139	2,219	18,943
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

Balanced Bdgt

Year-by-Year Savings

(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
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.

Balanced Budget

5

THE PRESIDENT'S ECONOMIC PLAN:

A BALANCED BUDGET THAT PUTS PEOPLE FIRST

Embargoed

For 9. p.m. EDT

THE PRESIDENT'S ECONOMIC PLAN: 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.

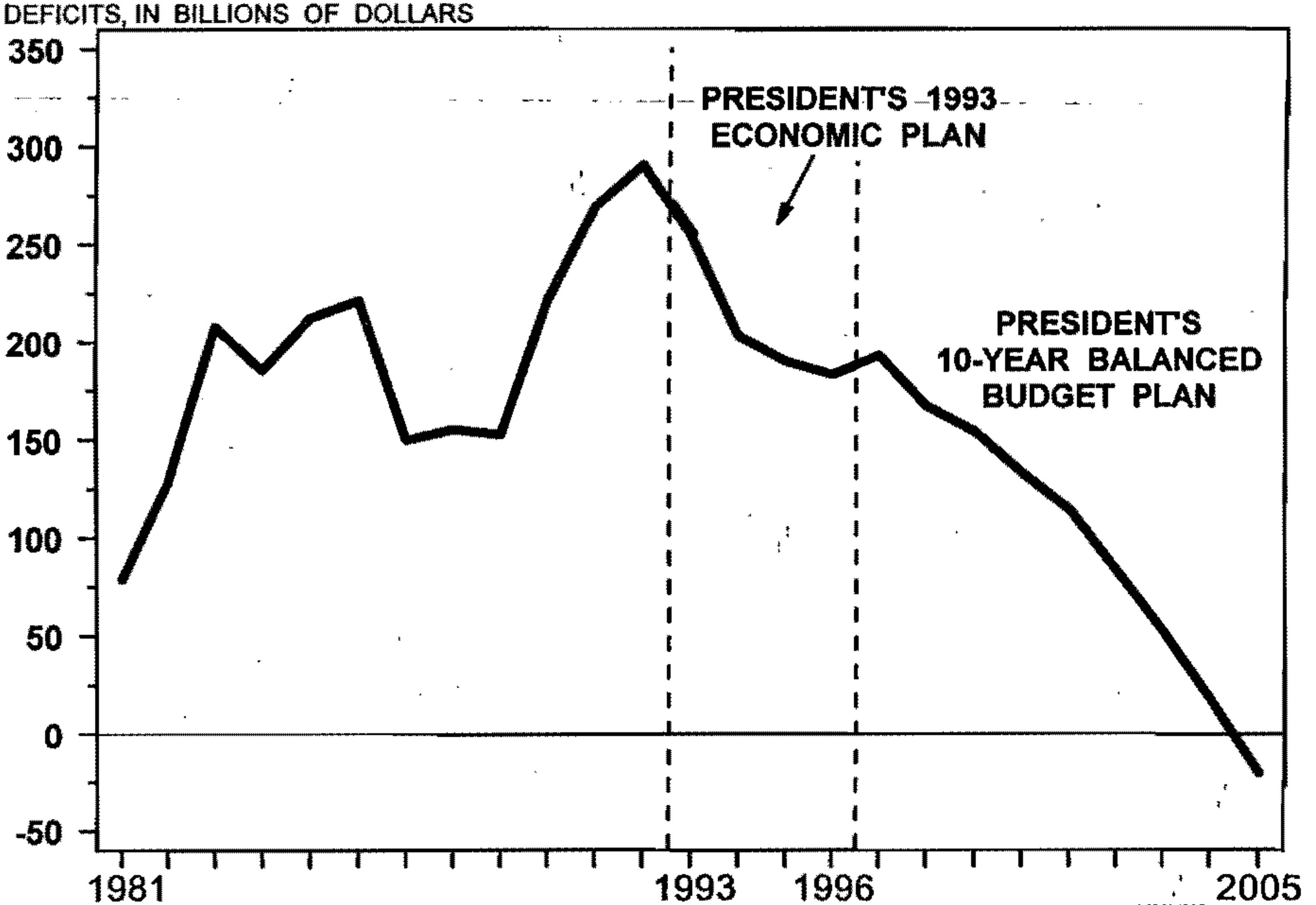
-- Republicans would cut education and anti-crime programs; for instance, their cuts would throw hundreds of thousands of children off Head Start and nutrition programs, and gut the President's anti-crime efforts.

• 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



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 to 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.

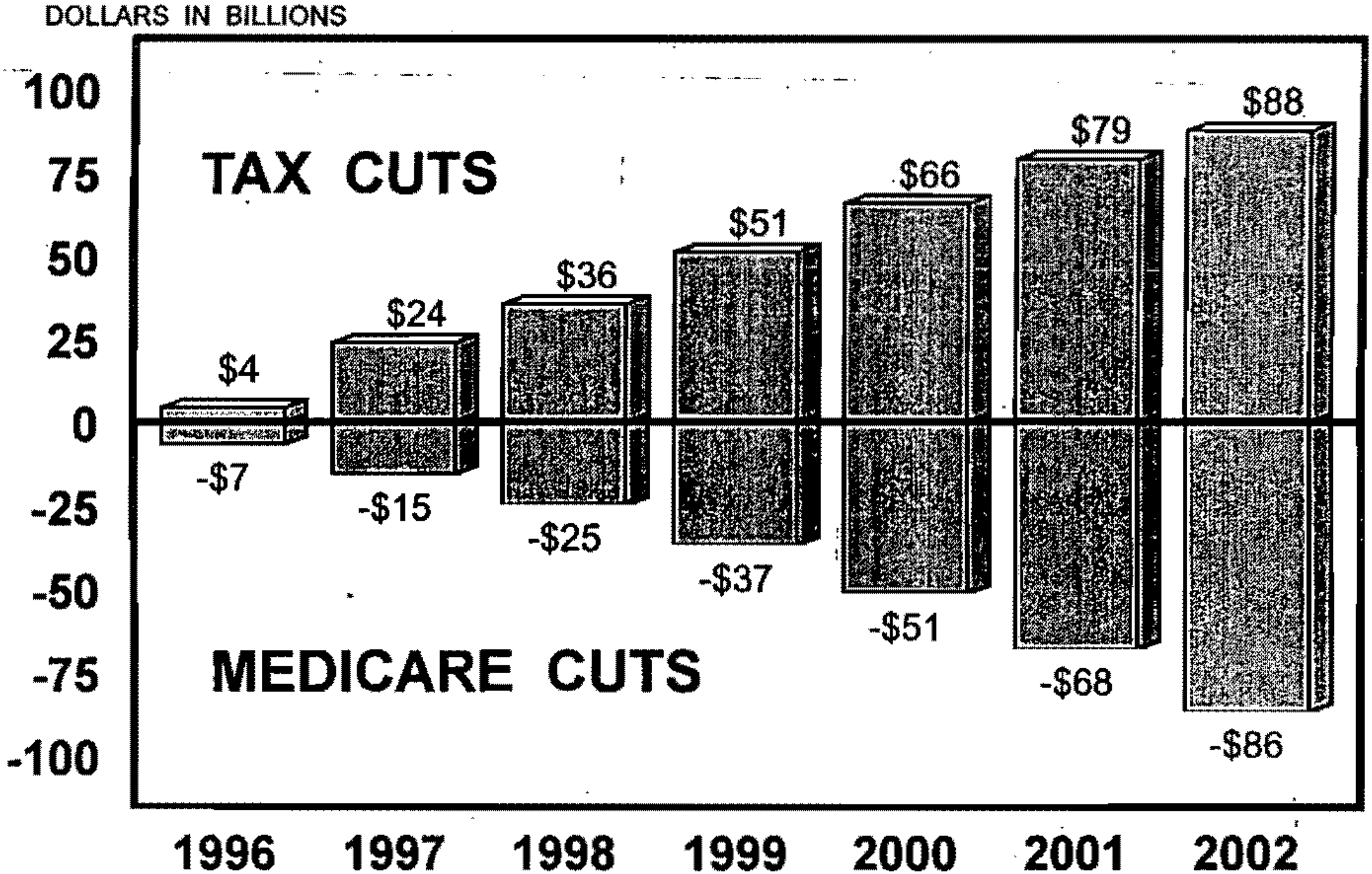
- **Eliminating Unnecessary Federal Strings on States:** To let states manage their Medicaid programs more efficiently, the President's plan substantially reduces Federal requirements.

  -- 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.

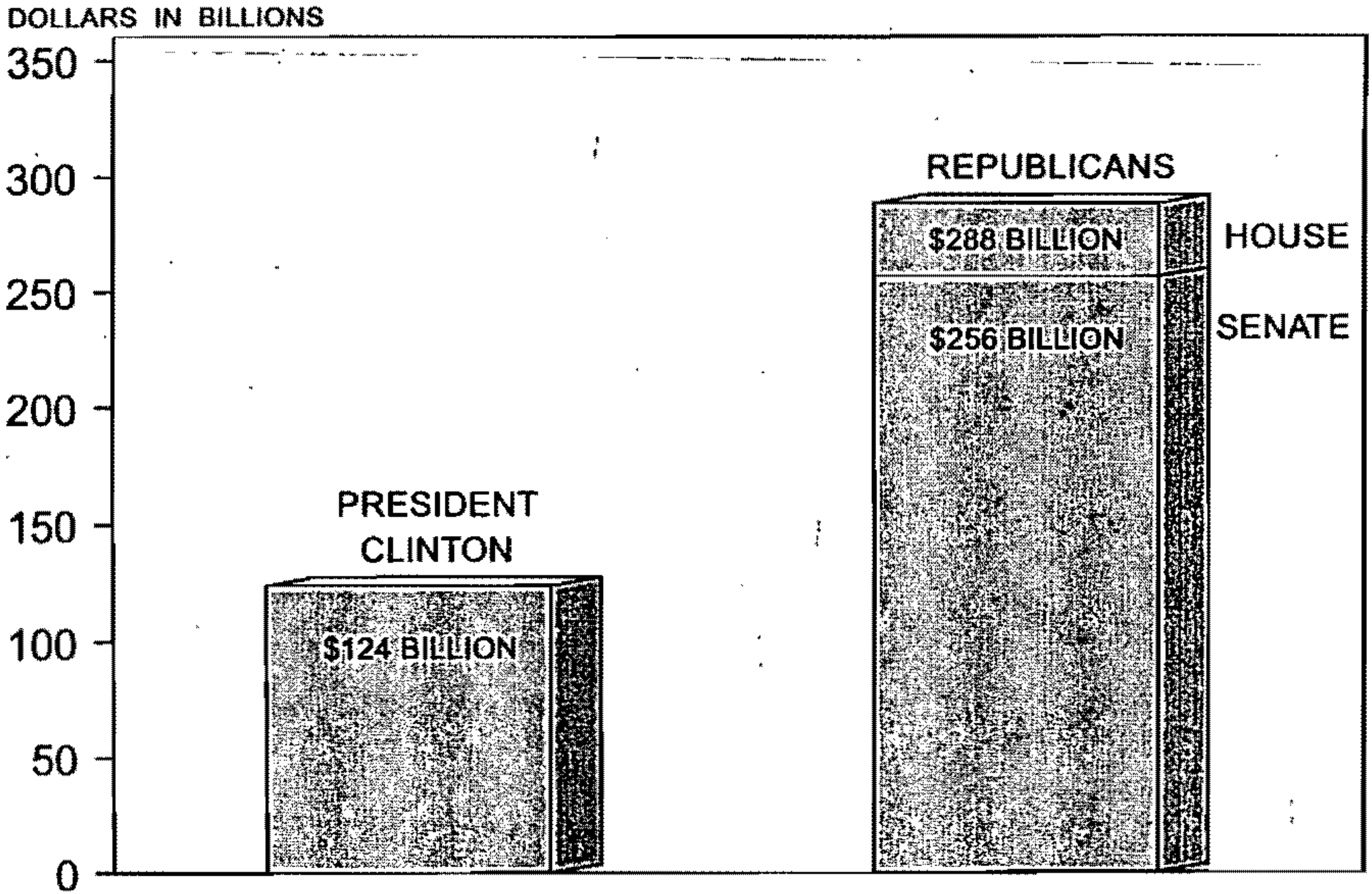
REPUBLICAN TAX CUTS REQUIRE DEEP MEDICARE CUTS



NOTE: House Budget Resolution numbers.

MEDICARE SAVINGS

SEVEN YEARS



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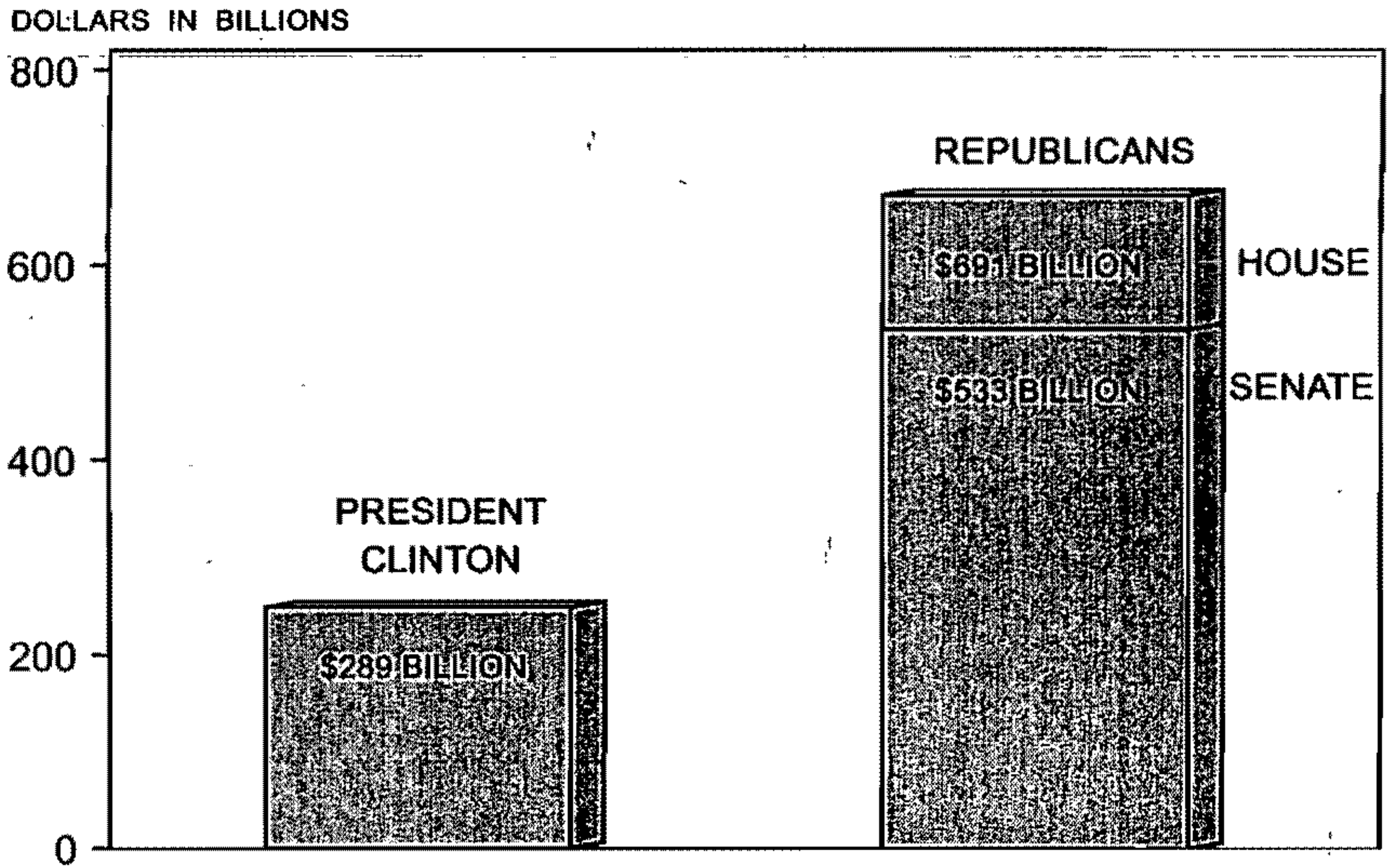
MEDICARE SAVINGS
TEN YEARS



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MEDICARE REFORM
IMPACT ON BENEFICIARIES IN 2002

<u>Republican Proposals</u>

- $1,700 CUT PER COUPLE

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

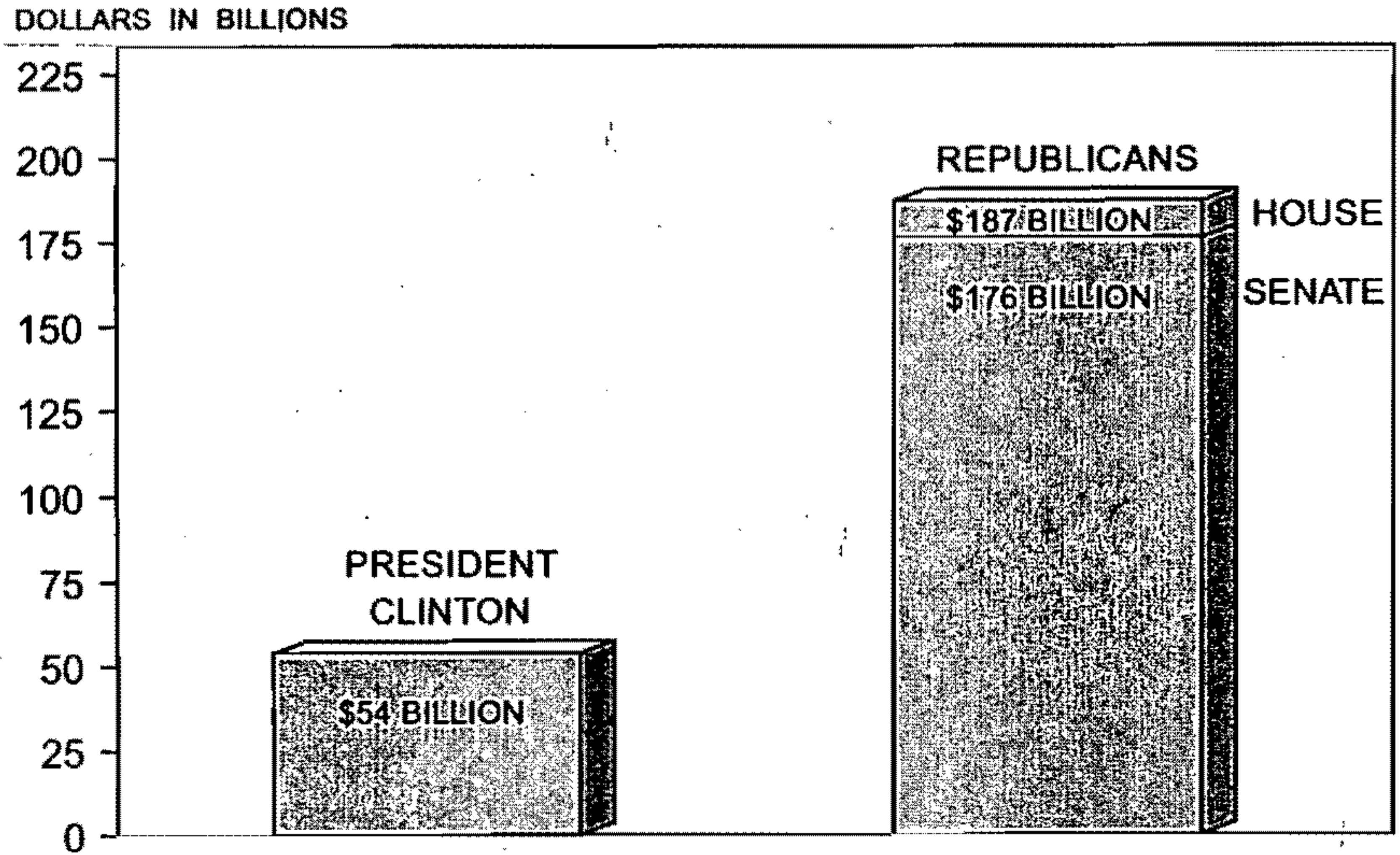
<u>President's Proposal</u>

- 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

NOTE: House Budget Resolution numbers.

MEDICAID SAVINGS
SEVEN YEARS



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NEW INITIATIVES AND OFFSETS ADDED TO PRESIDENT CLINTON'S BALANCED BUDGET

New Initiatives	Offsets
"America Reads" Challenge *3rd Grade Literacy Initiative* New Costs: $1.75 billion **Home Ownership Tax Cut** *Capital Gains Tax Cut* Cost: $1.4 billion **Environmental Initiatives** Cost: $1.9 billion **Welfare-to-Work Jobs Challenge** Cost: $3.4 billion	Package of New Offsets: • Increase Hart Scott Rodino merger filing fees ($0.420 billion) • Replace Sales Source Rule with activity-based rule ($5.300 billion) • Tighten substantial understatement penalty ($0.200 billion) • Replace single-family loan limit with Freddie Mac limit ($0.200 billion) • Relax restriction on FHA multifamily property ($0.080 billion) • Charge vendors for cost of payments by paper check ($0.700 billion) • Reduce corporate jet subsidies ($0.541 billion) • Deny dividends-received deduction for portfolio preferred stock ($0.200 billion) • Synthetic fuel production credit ($0.475 billion) • Repeal Medicare/Medicaid fraud loopholes ($0.470 billion) • New spectrum -- 18 Ghz ($0.500 billion) *Total New Savings: $8.456 billion*
$1,500 "America's HOPE Scholarship" College Tuition Tax Credit Net New Cost: $7.9 billion over 6 years	• Reduction of sales source rule benefits ($3.500 billion) • Auction radio DARS spectrum ($2.100 billion) • International departure fee ($2.3 billion) • Target $10,000 tuition deduction *Net New Savings: $7.9 billion*
Expanded Family & Medical Leave and Employee-Choice Flex-Time Proposal	No cost
School Construction Cost: $5 billion over 4 years	• Auction portion of spectrum between channels 60-69 *New Savings: $5 billion*

TOTAL COST OF NEW INITIATIVES: $21.35 billion

TOTAL OFFSETS: $21.35 billion

#96-4 248 R
VERY PRELIMINARY
15-Sep-96

ESTIMATED BUDGET EFFECTS OF THE REVENUE PROVISIONS IN THE PRESIDENT'S FISCAL YEAR 1997 BUDGET PROPOSAL, RELEASED ON MARCH 19, 1996, AND
THE PRESIDENT'S PROPOSALS, RELEASED ON AUGUST 29, 1996
(DOES NOT INCLUDE PROVISIONS ENACTED AFTER MARCH 19, 1996)
(ASSUMES 1-YEAR DELAY OF EFFECTIVE DATES FOR MAJOR TAX RELIEF PROVISIONS)

Fiscal Years 1997-2006

[Millions of Dollars]

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
THE PRESIDENT'S FISCAL YEAR 1997 BUDGET PROPOSAL														
I. MIDDLE CLASS TAX RELIEF														
A. Families With Children														
1. Credit for families with young children [1] [2]	tyba 12/31/96	-1,515	-7,544	-8,249	-11,555	-9,258	---	---	---	---	---	-38,121	-38,121	-38,121
2. Deduction for higher education expenses [1]	pma 12/31/96	-2,117	-5,995	-6,679	-6,995	-4,532	---	---	---	---	---	-26,319	-26,319	-26,319
B. Provisions Relating to Individual Retirement Plans [1]	1/1/97	---	-1,313	-1,349	-2,296	-2,070	-2,320	-3,274	-3,623	-4,013	-4,201	-7,068	-9,388	-24,499
SUBTOTAL: MIDDLE CLASS TAX RELIEF		-3,632	-14,852	-16,317	-20,846	-15,860	-2,320	-3,274	-3,623	-4,013	-4,201	-71,508	-73,828	-88,939
II. SMALL BUSINESS TAX RELIEF														
1. Modifications to estate tax extension provisions for closely held businesses	dda 12/31/96	---	-204	-234	-256	-281	-307	-289	-296	-299	-302	-975	-1,282	-2,468
SUBTOTAL: SMALL BUSINESS TAX RELIEF		---	-204	-234	-256	-281	-307	-289	-296	-299	-302	-975	-1,282	-2,468
III. PENSION SIMPLIFICATION PROVISIONS														
D. Miscellaneous Pension Simplification														
1. Treatment of multiemployer plans under section 415	yba 12/31/96	-1	-3	-3	-3	-4	-4	-4	-4	-5	-5	-14	-18	-38
2. Excess benefit plans of tax-exempt organizations under section 457	yba 12/31/96	-16	-48	-48	-50	-53	-56	-58	-61	-64	-68	-215	-269	-520
3. Full funding limit for multiemployer plans	yba 12/31/96	---	-3	-15	-15	-14	-14	-13	-13	-12	-12	-47	-61	-111
4. Elimination of partial termination rules for multiemployer plans	ta 12/31/96	Negligible Revenue Effect												
5. Elimination of half-year requirements	yba 12/31/96	31	17	5	6	7	8	9	10	11	12	65	74	116
SUBTOTAL: PENSION SIMPLIFICATION PROVISIONS [3]		14	-35	-61	-62	-64	-66	-66	-68	-70	-73	-208	-274	-551
IV. EMPOWERMENT ZONES; BROWNFIELDS														
1. Designation of additional empowerment zones and enterprise communities; volume cap not to apply to enterprise zone facility bonds with respect to new empowerment zones; and modifications to enterprise zones facility bond rules for all empowerment zones and enterprise communities	[4]	-59	-121	-181	-206	-226	-238	-249	-242	-235	-223	-794	-1,032	-1,991
2. Expensing of environmental remediation costs [1]	ea DOE	-102	-205	-248	-266	-108	5	15	28	40	52	-929	-924	-789
SUBTOTAL: EMPOWERMENT ZONES; BROWNFIELDS		-161	-326	-429	-472	-334	-233	-234	-214	-195	-171	-1,723	-1,956	-2,779

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
V. CORPORATE REFORM AND OTHER REVENUE PROVISIONS														
A. Corporate Reforms														
1. Basis of substantially identical securities determined on average basis	DOE + 30 days	396	379	369	360	351	342	334	325	317	309	1,847	2,189	3,474
2. Require recognition of gain on certain appreciated positions in personal property	[5]	321	100	83	88	73	79	85	91	98	105	625	704	1,083
3. Extend pro rata disallowance of tax-exempt interest expense to all corporations	[6]	43	48	56	64	69	72	76	79	82	85	270	331	673
4. Deny interest deduction on certain debt instruments	dois 12/7/95	101	130	212	262	286	303	317	329	339	351	999	1,302	2,638
5. Interaction of #4, with #13	da 12/7/95	4	5	8	11	12	12	13	13	14	15	40	52	107
6. Defer interest on certain convertible debt	dois 12/7/95	21	36	53	64	78	90	101	108	116	123	252	342	790
7. Gains and losses from certain terminations with respect to property (extinguishment)	[illegible] 30 daDOE	15	25	25	25	25	25	25	25	25	25	115	140	240
8. Determination of original issue discount where pooled debt obligations subject to acceleration	tyba DOE	168	263	270	241	[illegible]	83	67	91	95	99	1,063	1,146	1,518
9. Gain recognition for certain extraordinary dividends	da 5/3/95	-65	-68	-30	10	66	101	110	120	129	141	-87	14	514
10. Recognition of gain in certain section 355 transactions	[7]	155	125	100	75	50	50	50	50	50	50	505	555	755
11. Tax treatment of redemptions involving related corporations	[7]	10	10	10	10	10	10	10	10	10	10	50	60	100
12. Conversion of large corporations into S corporations treated as complete liquidation	tyba 1/1/97	7	36	59	[illegible]	51	62	64	65	66	67	223	285	547
13. Reduction of 70% dividends received deduction ("DRD") to 50%	dra 30 daDOE	242	298	312	324	344	362	380	399	419	440	1,524	1,886	3,524
14. Modification of holding period applicable to DRD [8]	dra 30 daDOE	6	9	11	12	12	13	13	14	15	15	50	63	120
15. Treat certain preferred stock as "boot"	Ta 12/7/1995	237	150	154	160	104	33	34	36	38	40	795	828	976
16. Registration of certain confidential corporate tax shelters	atoIRSg	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[10]	[10]	[11]
17. Further restrict like-kind exchanges involving foreign property	eoa 12/31/95	6	8	11	13	15	17	19	21	23	25	53	70	158
18. Modification of loss carry-back and carry-forward rules; restrict to 1-year carry-back	NOL tyba DOE	-27	1,297	1,651	1,407	704	515	439	400	380	360	4,732	5,247	6,628
19. Repeal percentage depletion for certain non-fuel minerals mined on Federal lands	tyba DOE	34	63	64	66	67	69	71	72	74	76	294	363	656
B. Foreign Provisions														
1. Taxation of certain captive insurance companies and their shareholders	tyba DOE	46	65	-21	-27	-20	-18	-15	-12	-11	-10	43	25	-23
2. Expand subpart F provisions regarding income from notional principal contracts and stock lending transactions	tyba DOE	9	20	20	21	21	21	21	22	22	22	90	111	159
3. Modification to foreign tax credit carryback and carryover periods	Fc tyba 12/31/96	75	500	450	425	400	375	265	265	263	259	1,850	2,225	3,277
4. Modification of foreign tax credit rules applicable to dual capacity taxpayers	tyba DOE	215	310	360	380	400	420	440	460	480	495	1,695	2,115	3,890
C. Accounting Provisions														
1. Termination of suspense accounts for family farm corporations required to use accrual accounting, with inclusion in income of the adjustment for the change in accounting method over 10 years	tyba 9/13/95	121	72	73	74	75	76	77	78	79	80	415	491	754
2. Repeal of lower-of-cost-or-market method of accounting for inventories	tyba DOE	275	310	316	312	136	66	47	52	56	60	1,349	1,415	1,630

Page 3

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
3. Repeal of components-of-cost method of accounting for inventories	tyba DOE	103	131	148	157	169	179	191	200	214	220	708	887	1,715
D. Administrative Provisions														
1. Increase penalties for failure to file correct information returns	rda 90 daDOE	2	7	15	23	24	25	27	28	29	31	71	96	211
2. Require tax reporting for payments to attorneys; delay effective date for 1 year	pma 12/31/96	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[10]	[10]	[11]
3. Repeal exemption for withholding on gambling winnings from bingo and keno where proceeds exceed $5,000	DOE	21	6	6	6	7	7	7	7	8	8	46	53	83
4. Require reporting of payments to corporations rendering services to Federal agencies	rda 90 daDOE	5	7	7	8	9	10	11	11	12	12	36	46	92
5. Information sharing provision: extension of disclosure of return information to Department of Veterans Affairs (outlay reduction) (extend through 9/30/02) [12]	DOE	---	---	14	28	42	56	---	---	---	---	84	140	140
E. Casualty and Involuntary Conversion Provisions														
1. Expansion of requirement that involuntarily converted property be replaced with property acquired from an unrelated person	ica 9/13/95	3	4	6	8	11	13	15	17	19	21	32	45	117
F. Other Excise Taxes														
1. Extend Superfund excise taxes through 9/30/06 [13]	DOE	450	694	707	720	735	750	766	783	801	819	3,306	4,056	7,225
2. Extend Superfund AMT	tyba 12/31/95	963	633	647	672	700	729	760	792	825	859	3,615	4,344	7,580
3. Extend oil spill tax through 9/30/02 and increase the cap on the unobligated balances in the trust fund to $2.5 billion	DOE	154	237	241	245	250	254	259	55	57	---	1,127	1,381	1,752
4. Extend "LUST" excise taxes through 9/30/06	DOE	121	121	121	122	123	123	123	124	124	125	608	731	1,227
5. Extension of airport and airway trust fund excise taxes through 9/30/06 [14]	1/1/97	3,223	4,863	5,149	5,444	5,755	6,079	6,433	6,807	7,207	7,632	24,434	30,513	58,591
6. Treat kerosene as diesel fuel for excise tax purposes	7/1/97	43	40	46	43	42	41	42	44	47	49	214	255	437
G. Employment Taxes														
1. Extend the FUTA surcharge [12]	1/1/99	---	---	871	1,192	1,211	1,231	1,250	1,270	1,290	1,310	3,274	4,505	9,625
2. Require monthly deposits for FUTA taxes [12]	mba 12/31/01	---	---	---	---	---	1,362	42	37	50	52	---	1,362	1,543
H. Other Provisions Relating to Individuals														
1. No rollover or exclusion of gain on sale of principal residence which is attributable to depreciation deductions	fyea 12/31/96	1	3	4	5	6	8	9	10	11	13	19	27	69
SUBTOTAL: CORPORATE REFORM AND OTHER REVENUE PROVISIONS		7,512	10,979	12,584	12,800	12,532	14,051	13,004	13,307	13,876	14,368	55,405	70,456	124,592
TOTAL OF THE PRESIDENT'S FISCAL YEAR 1997 BUDGET PROPOSAL		3,733	-4,436	-4,457	-4,836	-4,007	11,125	9,141	9,106	9,301	9,602	-16,009	-8,884	30,264
THE PRESIDENT'S PROPOSALS RELEASED ON AUGUST 29, 1996														
I. TARGETED HOMEOWNERSHIP TAX CUT														
1. Exclude up to $500,000 in gain from the sale of a home from the capital gains tax	sea 12/31/96	-56	-564	-572	-581	-590	-599	-608	-617	-626	-635	-2,363	-2,962	-6,448
2. Allow penalty-free IRA withdrawals for the purchase of a first home	1/1/97	-116	89	219	175	128	78	75	75	75	75	728	804	1,104

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Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
II. WELFARE-TO-WORK JOBS CHALLENGE														
1. Targeted welfare-to-work tax credit [15]	---	Proposal Needs Additional Specification												
2. Expand the WOTC [16]	10/1/96	-13	-19	-11	-5	-2	---	---	---	---	---	-50	-50	-50
3. Create tax incentives to increase investment in distressed areas ("CDFI" fund)	tyba 12/31/98	-2	-5	-8	-11	-15	-20	-21	-12	-4	[17]	-41	-60	-95
III. AMERICA'S HOPE SCHOLARSHIP TAX CUT	---	Proposal Needs Additional Specification												
IV. REVENUE OFFSETS														
1. Increase Hart Scott Rodino merger filing fees	---	To Be Supplied by CBO												
2. Replace sales source rules with activity-based rule	tyba 12/31/95	400	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	6,600	8,400	18,600
3. Tighten the substantial understatement penalty [18]	1/1/97	25	25	30	30	30	30	---	---	---	---	140	170	170
4. Raise FHA single-family loan limit to equal "Freddie-Mac" loan limit	---	To Be Supplied by CBO												
5. Relax restrictions on FHA multifamily property disposition and loan sales	---	To Be Supplied by CBO												
6. Charge vendors for the cost of making payments by paper check	---	To Be Supplied by CBO												
7. Impose $225/flight fee on business aircraft (3-year phase-in)	10/1/96	39	77	114	119	122	125	129	132	136	139	470	594	1,130
8. Deny DRD for preferred stock with certain non-stock characteristics	sia DOE	3	25	25	25	25	25	25	25	25	25	103	128	228
9. Shorten extension of the credit for producing alternative fuel from biomass or coal facilities by one year	[19]	---	7	22	36	43	41	38	39	40	41	107	148	305
10. Repeal Medicare/Medicaid fraud loopholes	---	To Be Supplied by CBO												
11. Auction 18 GHZ spectrum	---	To Be Supplied by CBO												
TOTAL OF THE PRESIDENT'S PROPOSALS OF AUGUST 29, 1996		278	858	591	1,036	1,165	1,326	1,388	1,492	1,599	1,695	4,239	5,554	11,736
NET TOTAL OF THE FY 1997 BUDGET AND NEW PROPOSALS		4,011	-3,980	-3,576	-7,768	-2,622	12,451	10,529	10,598	10,998	11,297	-13,771	-1,320	42,058

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. Estimates assume enactment date of October 1, 1996.
Estimates are based on information available at the time prepared and are subject to change.

Legend for "Effective" column:
- aiolRSg = after issuance of Internal Revenue Service guideline
- dda = decedents dying after
- dia = debt issued after
- dio/a = debt instruments on or after
- DOE = date of enactment
- DOE + 30 days = 30 days after date of enactment
- dra 30 daDOE = dividends received or accrued 30 days after the date of enactment
- eia = expenses incurred after
- eoa = exchanges on or after
- fc tyba = foreign tax credits arising in taxable years beginning after
- ica = (involuntary conversion after
- icoa = involuntary conversions occurring after
- mba = months beginning after
- NOL tyba DOE = NOLs for taxable years beginning after date of enactment
- pma = payments made after
- rda 90 daDOE = returns due after 90 days after date of enactment
- sea = sales and exchanges after
- seteot 30 daDOE = sales, exchanges and terminations occurring more than 30 days after date of enactment
- sia = stocks issued after
- Ta = transactions after
- ta = terminations after
- tyba = taxable years beginning after
- tyea = taxable years ending after
- yba = years beginning after

[Footnotes for Table #96-4 248 R appear on the following page]

End of Section

JOINT COMMITTEE ON TAXATION STAFF UPDATED PRELIMINARY 10-YEAR REVENUE ESTIMATES FOR PRESIDENT CLINTON'S FY 1997 TAX PROPOSALS, RELEASED SEPT. 20, 1996 (TEXT)

JCX-4 248
VERY PRELIMINARY
16-Sep-96

ESTIMATED BUDGET EFFECTS OF THE REVENUE PROVISIONS IN THE PRESIDENT'S FISCAL YEAR 1997 BUDGET PROPOSAL, RELEASED ON MARCH 19, 1996, AND THE PRESIDENT'S PROPOSALS, RELEASED ON AUGUST 21, 1996
(DOES NOT INCLUDE PROVISIONS ENACTED AFTER MARCH 19, 1996)

Fiscal Years 1997-2006

(Millions of Dollars)

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
THE PRESIDENT'S FISCAL YEAR 1997 BUDGET PROPOSAL														
I. MIDDLE CLASS TAX RELIEF														
A. Families With Children														
1. Credit for families with young children [1] [2]	tyba 12/31/95	-9,259	-7,544	-8,249	-11,555	-9,258	—	—	—	—	—	-45,865	-45,865	-45,865
2. Deduction for higher education expenses [1]	pma 12/31/95	-5,746	-5,995	-6,870	-6,995	-4,532	—	—	—	—	—	-30,948	-30,948	-30,948
B. Provisions Relating to Individual Retirement Plans [1]	1/1/95	-1,095	-635	-1,300	-2,168	-2,840	-2,754	-3,069	-3,605	-3,781	-3,654	-8,036	-10,790	-24,999
SUBTOTAL: MIDDLE CLASS TAX RELIEF		-17,100	-14,174	-18,228	-20,718	-16,630	-2,754	-3,069	-3,605	-3,741	-3,654	-64,848	-67,803	-101,612
II. SMALL BUSINESS TAX RELIEF														
1. Modifications to estate tax extension provisions for closely held businesses	dda 12/31/95	—	-204	-234	-256	-281	-307	-269	-296	-299	-302	-975	-1,282	-2,488
SUBTOTAL: SMALL BUSINESS TAX RELIEF		—	-204	-234	-256	-281	-307	-269	-296	-299	-302	-975	-1,282	-2,488
III. PENSION SIMPLIFICATION PROVISIONS														
D. Miscellaneous Pension Simplification														
1. Treatment of multiemployer plans under section 415	ybs 12/31/98	-1	-3	-3	-3	-4	-4	-4	-4	-5	-5	-14	-18	-38
2. Excess benefit plans of tax-exempt organizations under section 457	ybs 12/31/98	-16	-40	-45	-50	-53	-56	-58	-61	-64	-68	-213	-269	-520
3. Full funding limit for multiemployer plans	ybs 12/31/95	—	-3	-15	-15	-14	-14	-13	-13	-12	-12	-47	-61	-111
4. Elimination of partial termination rules for multiemployer plans	te 12/31/98	Negligible Revenue Effect												
5. Elimination of half-year requirements	ybs 12/31/98	31	17	5	6	7	8	9	10	11	12	65	74	118
SUBTOTAL: PENSION SIMPLIFICATION PROVISIONS [3]		14	-35	-61	-62	-64	-66	-66	-68	-70	-73	-208	-274	-551
IV. EMPOWERMENT ZONES; BROWNFIELDS														
1. Designation of additional empowerment zones and enterprise communities; volume cap not to apply to enterprise zone facility bonds with respect to new empowerment zones; and modifications to enterprise zones facility bond rules for all empowerment zones and enterprise communities	[4]	-89	-121	-181	-206	-225	-238	-249	-242	-233	-223	-784	-1,032	-1,981
2. Expensing of environmental remediation costs [1]	wis DOE	-102	-205	-248	-266	-108	5	15	28	40	52	-929	-924	-789
SUBTOTAL: EMPOWERMENT ZONES; BROWNFIELDS		-181	-326	-429	-472	-334	-233	-234	-214	-193	-171	-1,723	-1,956	-2,770

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
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2. Require recognition of gain on certain appreciated positions in personal property	[5]	321	100	63	68	73	79	85	91	98	105	625	704	1,083
3. Extend pro rata disallowance of tax-exempt interest expense to all corporations	[6]	43	48	58	64	69	72	76	79	82	85	279	351	673
4. Deny interest deduction on certain debt instruments	dio/a 12/7/95	101	136	212	262	268	303	317	329	339	351	999	1,302	2,835
5. Interaction of #4. with #13.	dia 12/7/95	4	5	8	11	12	12	13	13	14	15	40	52	107
6. Defer interest on certain convertible debt	dio/a 12/7/95	21	38	53	64	76	90	101	108	118	123	252	342	790
7. Gains and losses from certain terminations with respect to property (extinguishment)	seiomi 30 daDOE	15	25	25	25	25	25	25	25	25	25	115	140	240
8. Determination of original issue discount where pooled debt obligations subject to acceleration	tyba DOE	188	263	270	241	101	83	87	91	95	99	1,063	1,146	1,518
9. Gain recognition for certain extraordinary dividends	da 5/3/95	-65	-68	-30	10	[illegible]	101	110	120	129	141	-87	14	614
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15. Treat certain preferred stock as "boot"	7a 12/7/1995	227	150	154	160	104	33	34	36	38	40	795	828	976
16. Registration of certain confidential corporate tax shelters	eiolRSg	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[9]	[10]	[10]	[11]
17. Further restrict like-kind exchanges involving foreign property	eos 12/31/95	6	8	11	13	15	17	19	21	23	25	53	70	158
18. Modification of loss carry-back and carry-forward rules; restrict to 1-year carry-back	NOL tyba DOE	-27	1,297	1,651	1,107	704	515	439	400	380	360	4,732	5,247	6,826
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3. Modification to foreign tax credit carryback and carryover periods	ftc tyba 12/31/96	75	500	450	425	400	375	285	265	253	259	1,850	2,225	3,277
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Pag.

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1. Increase penalties for failure to file correct information returns	ida 90 daDOE	2	7	15	23	24	25	27	28	29	31	71	96	211
2. Require tax reporting for payments to attorneys; delay effective date for 1 year	pma 12/31/95	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(10)	(10)	(11)
3. Repeal exemption for withholding on gambling winnings from bingo and keno where proceeds exceed $5,000	DOE	21	6	6	8	7	7	7	7	8	8	48	50	83
4. Require reporting of payments to corporations rendering services to Federal agencies	ida 90 daDOE	5	7	7	8	9	10	11	11	12	12	38	48	82
5. Information sharing provision; extension of disclosure of return information to Department of Veterans Affairs (outlay reduction) (extend through 9/30/02) [12]	DOE	—	—	14	26	42	56	—	—	—	—	84	140	140
E. Casualty and Involuntary Conversion Provisions														
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3. Extend oil spill tax through 9/30/02 and increase the cap on the unobligated balances in the trust fund to $2.5 billion	DOE	154	237	241	245	250	254	259	55	57	—	1,127	1,381	1,752
4. Extend "LUST" excise taxes through 9/30/06	DOE	121	121	121	122	123	123	123	124	124	125	608	731	1,227
5. Extension of airport and airway trust fund excise taxes through 9/30/06 [14]	1/1/97	3,223	4,683	5,149	5,444	5,755	6,079	6,433	6,607	7,207	7,532	24,424	30,513	56,591
6. Treat kerosene as diesel fuel for excise tax purposes	7/1/97	43	40	46	43	42	41	42	44	47	49	214	255	437
G. Employment Taxes														
1. Extend the FUTA surcharge [12]	1/1/99	—	—	871	1,192	1,211	1,231	1,250	1,270	1,290	1,310	3,274	4,505	9,625
2. Require monthly deposits for FUTA taxes [12]	mba 12/31/01	—	—	—	—	—	1,362	42	37	50	52	—	1,362	1,543
H. Other Provisions Relating to Individuals														
1. No rollover or exclusion of gain on sale of principal residence which is attributable to depreciation deductions	tyea 12/31/96	1	3	4	5	6	8	9	10	11	13	19	27	69
SUBTOTAL: CORPORATE REFORM AND OTHER REVENUE PROVISIONS		7,512	10,078	12,584	12,600	12,532	14,051	13,004	13,307	13,878	14,349	56,405	70,456	174,992
TOTAL OF THE PRESIDENT'S FISCAL YEAR 1997 BUDGET PROPOSAL		-9,735	-3,760	-4,356	-8,706	-4,777	10,891	9,346	9,334	9,533	8,649	-31,330	-20,659	17,381
THE PRESIDENT'S PROPOSALS RELEASED ON AUGUST 29, 1996														
I. TARGETED HOMEOWNERSHIP TAX CUT														
1. Exclude up to $500,000 in gain from the sale of a home from the capital gains tax	sea 12/31/95	-56	-564	-572	-581	-590	-599	-608	-617	-626	-635	-2,363	-2,962	-5,448
2. Allow penalty-free IRA withdrawals for the purchase of a first home	1/1/97	-118	-88	-219	-175	-128	-76	-75	-75	-75	-75	-728	-804	-1,104

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-01	1997-02	1997-06
II. WELFARE-TO-WORK JOBS CHALLENGE														
1. Targeted welfare-to-work tax credit [15]	—	Proposal Needs Additional Specification												
2. Expand the WOTC [16]	10/1/96	-13	-19	-11	-5	-2	—	—	—	—	—	-50	-50	-50
3. Create tax incentives to increase investment in distressed areas ("CDFI" fund)	tyba 12/31/96	-2	-5	-8	-11	-15	-20	-21	-12	-2	[17]	-41	-80	-95
III. AMERICA'S HOPE SCHOLARSHIP TAX CUT	—	Proposal Needs Additional Specification												
IV. REVENUE OFFSETS														
1. Increase Hart Scott Rodino merger filing fees	—	To Be Supplied by CBO												
2. Replace sales source rules with activity-based rule	tyba 12/31/96	400	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	6,600	8,400	18,600
3. Tighten the substantial understatement penalty [18]	1/1/97	25	25	30	30	30	30	—	—	—	—	140	170	170
4. Raise FHA single-family loan limit to equal "Freddie-Mac" loan limit	—	To Be Supplied by CBO												
5. Relax restrictions on FHA multifamily property disposition and loan sales	—	To Be Supplied by CBO												
6. Charge vendors for the cost of making payments by paper check	—	To Be Supplied by CBO												
7. Impose $225/flight fee on business aircraft (3-year phase-in)	10/1/96	39	77	114	119	122	125	129	132	136	139	470	594	1,130
8. Deny DRD for preferred stock with certain non-stock characteristics	dia DOE	3	25	25	25	25	25	25	25	25	25	103	128	228
9. Shorten extension of the credit for producing alternative fuel from biomass or coal facilities by one year	[19]	—	7	22	38	43	41	38	39	40	41	107	148	305
10. Repeal Medicare/Medicaid fraud loopholes	—	To Be Supplied by CBO												
11. Auction 18 GHZ spectrum	—	To Be Supplied by CBO												
TOTAL OF THE PRESIDENT'S PROPOSALS OF AUGUST 29, 1996		378	658	861	1,036	1,185	1,326	1,398	1,492	1,588	1,695	4,238	5,564	11,236
NET TOTAL OF THE FY 1997 BUDGET AND NEW PROPOSALS		-9,457	-2,903	-3,467	-7,668	-3,592	12,017	10,734	10,616	11,131	11,944	-27,113	-15,095	20,137

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. Estimates assume enactment date of October 1, 1996.
Estimates are based on information available at the time prepared and are subject to change.

Legend for "Effective" column:
aiolRSg = after issuance of Internal Revenue Service guidelines
dda = decedents dying after
dia = debt issued after
dio/a = debt instruments on or after
DOE = date of enactment
DOE + 30 days = 30 days after date of enactment
dr/a 30 daDOE = dividends received or accrued 30 days after the date of enactment
eia = expenses incurred after
eoa = exchanges on or after
ftc tyba = foreign tax credits arising in taxable years beginning after
ica = involuntary conversion after
icoa = involuntary conversions occurring after
mba = months beginning after
NOL tyba DOE = NOLs for taxable years beginning after date of enactment
pma = payments made after
rds 90 daDOE = returns due after 90 days after date of enactment
sea = sales and exchanges after
setoml 30 daDOE = sales, exchanges and terminations occurring more than 30 days after date of enactment
sia = stocks issued after
Ta = transactions after
ta = terminations after
tyba = taxable years beginning after
tyea = taxable years ending after
yba = years beginning after

(Footnotes for Table #96-4 249 appear on the following page)

Footnotes for Table #96-4 214;

[1] Estimate assumes that this provision reverts to present law after 12/31/00.
[2] Estimates differs from previously released estimate as a result of the use of an updated model and forecast.
[3] Possible outlay effect of proposals contained in pension simplification provisions which relate to ERISA are not included in this total.
These proposals would be estimated by the Congressional Budget Office.
[4] New bond rules effective for qualified enterprise zone bonds issued after date of enactment; two new zones eligible for existing incentives designated within 180 days of enactment; and other new zones and communities designated after date of enactment and before 1/1/98.
[5] Effective for constructive sales occurring either (1) after date of enactment; or (2) after 1/12/96, and before the date of enactment if the position giving rise to the constructive sales remains outstanding 30 days after the date of enactment.
[6] Effective for taxable years beginning after date of enactment with respect to obligations acquired after 12/6/95.
[7] Effective distributions/acquisitions after 3/19/96, with transition rules.
[8] Includes interaction with 80% DRD provision.
[9] Gain of less than $5 million.
[10] Gain of less than $25 million.
[11] Gain of less than $30 million.
[12] Estimate provided by the Congressional Budget Office.
[13] This provision is estimated to be effective on the date of enactment, but consistent with instructions contained in the Congressional budget resolution.
[14] Modified to account for extension through 12/31/98 as enacted under H.R. 3448.
[15] With same administrative rules as WOTC; expires after 9/30/02; and 50% credit on $10,000 of annual wages and certain fringe benefits for 2 years.
[16] Includes 18 - 25 year old individuals who are no longer eligible for foodstamps because of a failure to satisfy work requirements.
[17] Loss of less than $500,000.
[18] Does not apply to returns due after 12/31/01.
[19] Effective for facilities placed in service before 7/1/97 and pursuant to binding contract before 1/1/97.