THE PRESIDENT'S ECONOMIC PLAN:

A BALANCED BUDGET THAT PUTS PEOPLE FIRST

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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.

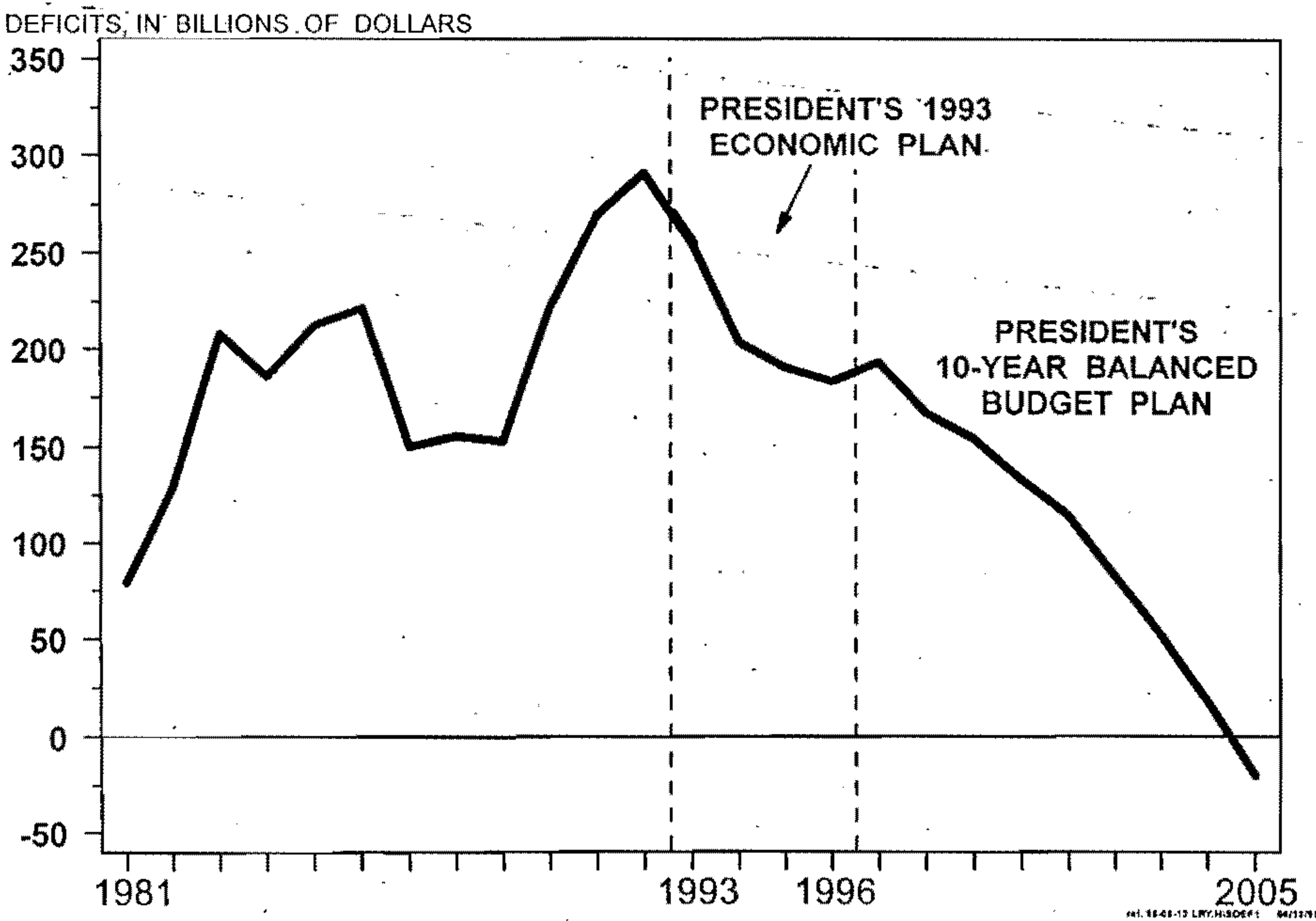
> -- Republicans would cut education and anti-crime programs; for instance, their cuts would throw hundreds of thousands of children off Head Start and nutrition programs, and gut the President's anti-crime efforts.

• 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.

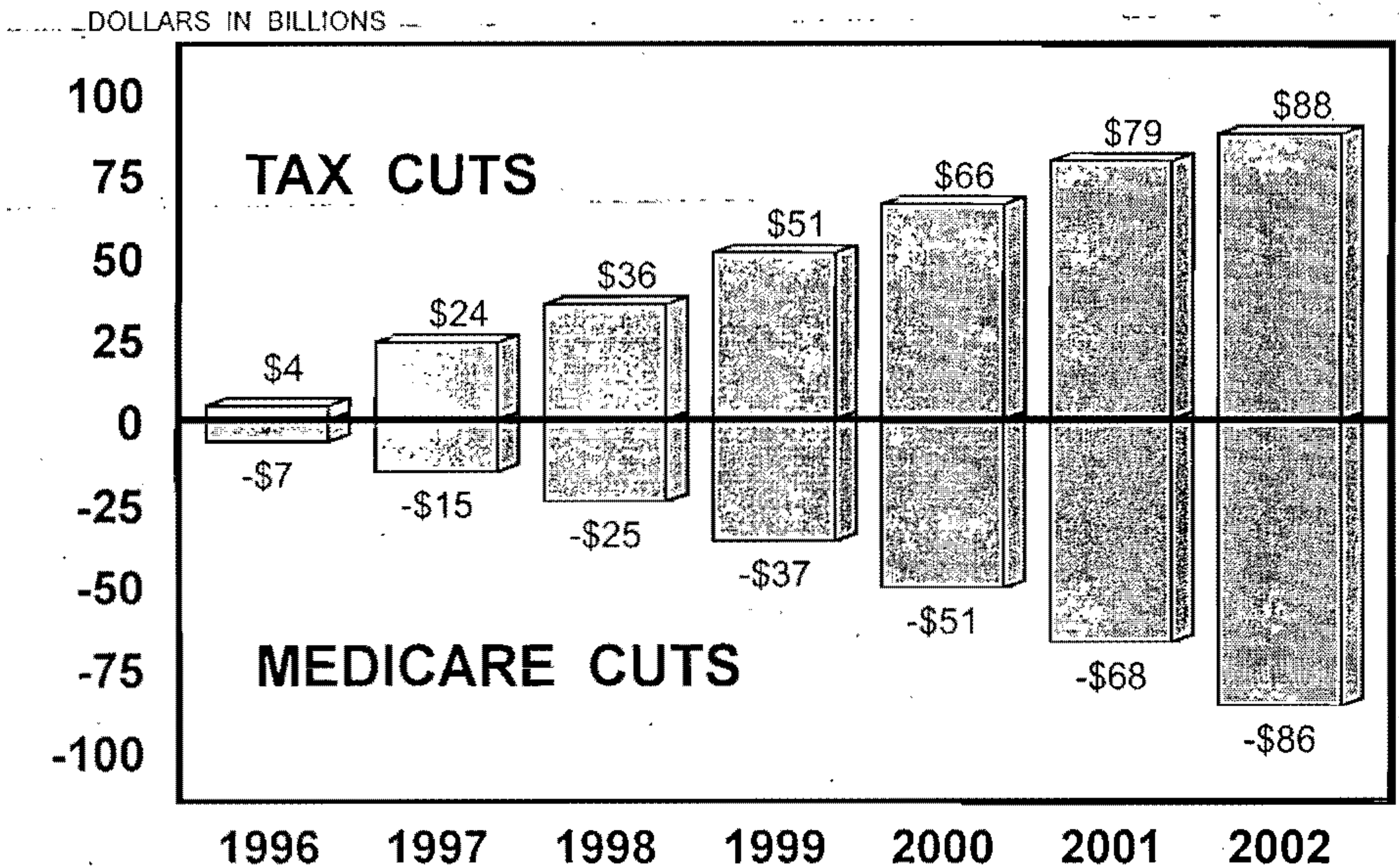
• **Eliminating Unnecessary Federal Strings on States:** To let states manage their Medicaid programs more efficiently, the President's plan substantially reduces Federal requirements.

-- 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.

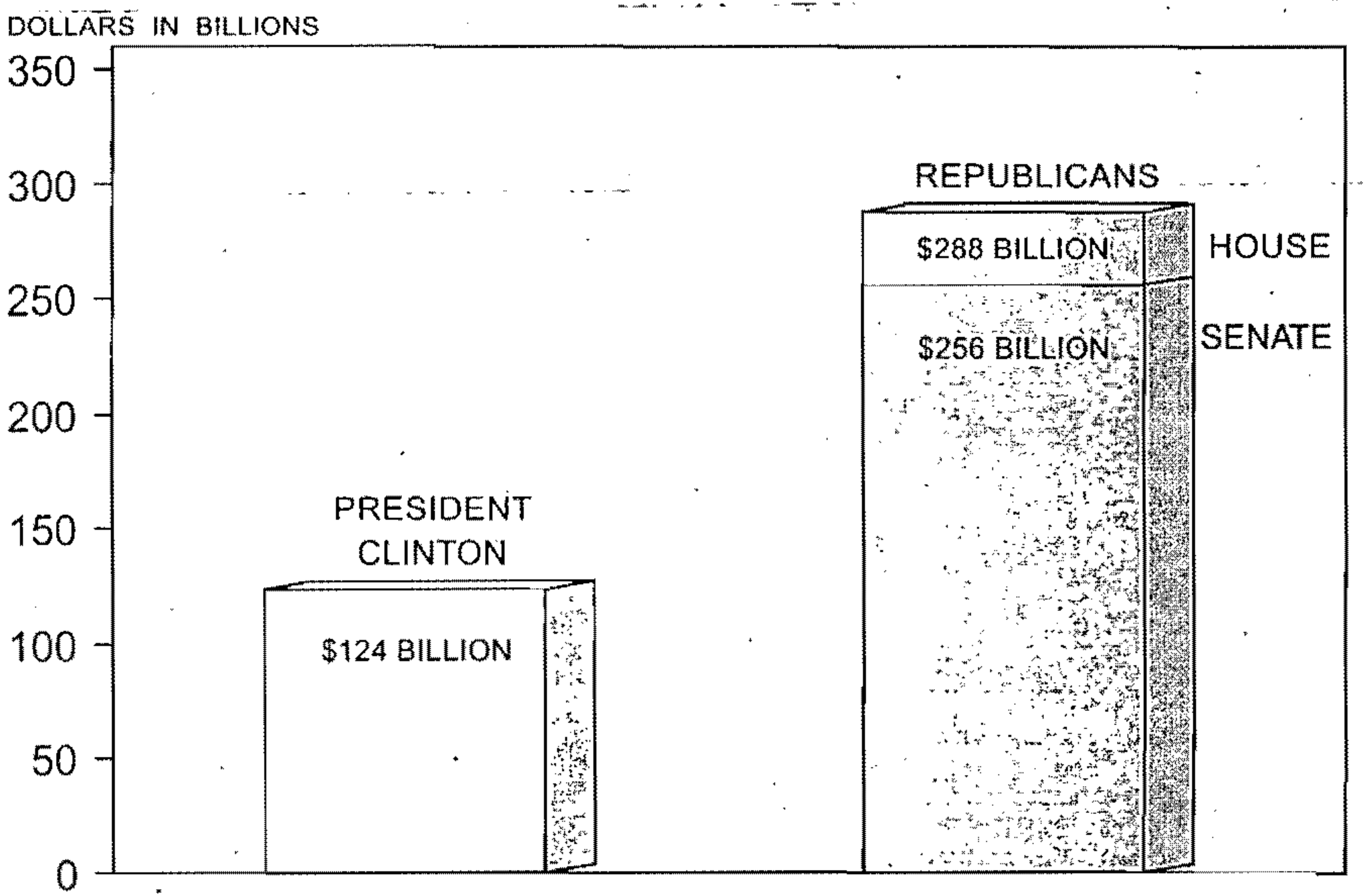
REPUBLICAN TAX CUTS REQUIRE DEEP MEDICARE CUTS



NOTE: House Budget Resolution numbers.

MEDICARE SAVINGS

SEVEN YEARS



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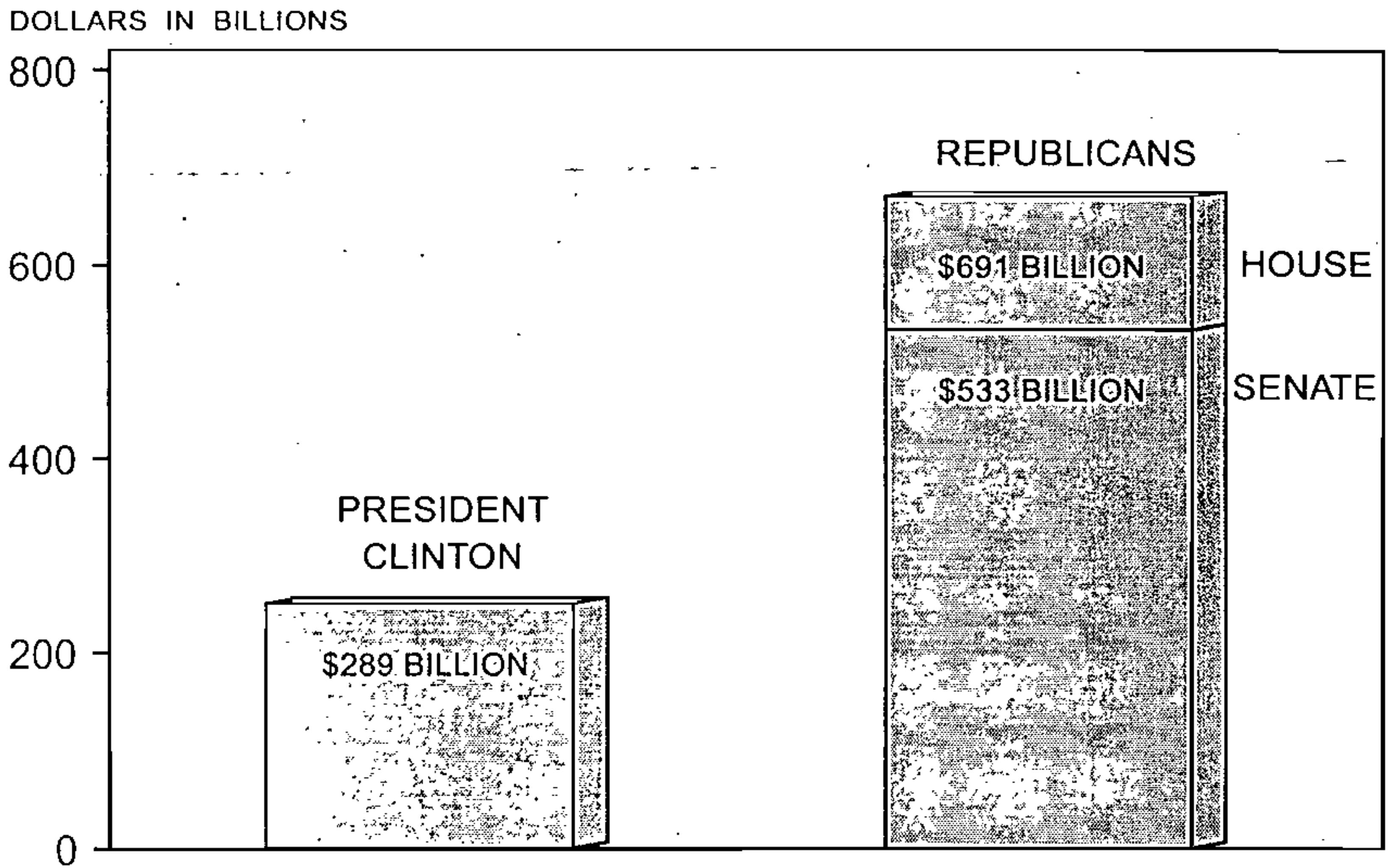
MEDICARE SAVINGS
TEN YEARS



MEDICARE REFORM

IMPACT ON BENEFICIARIES IN 2002

Republican Proposals

- **$1,700 CUT PER COUPLE**

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

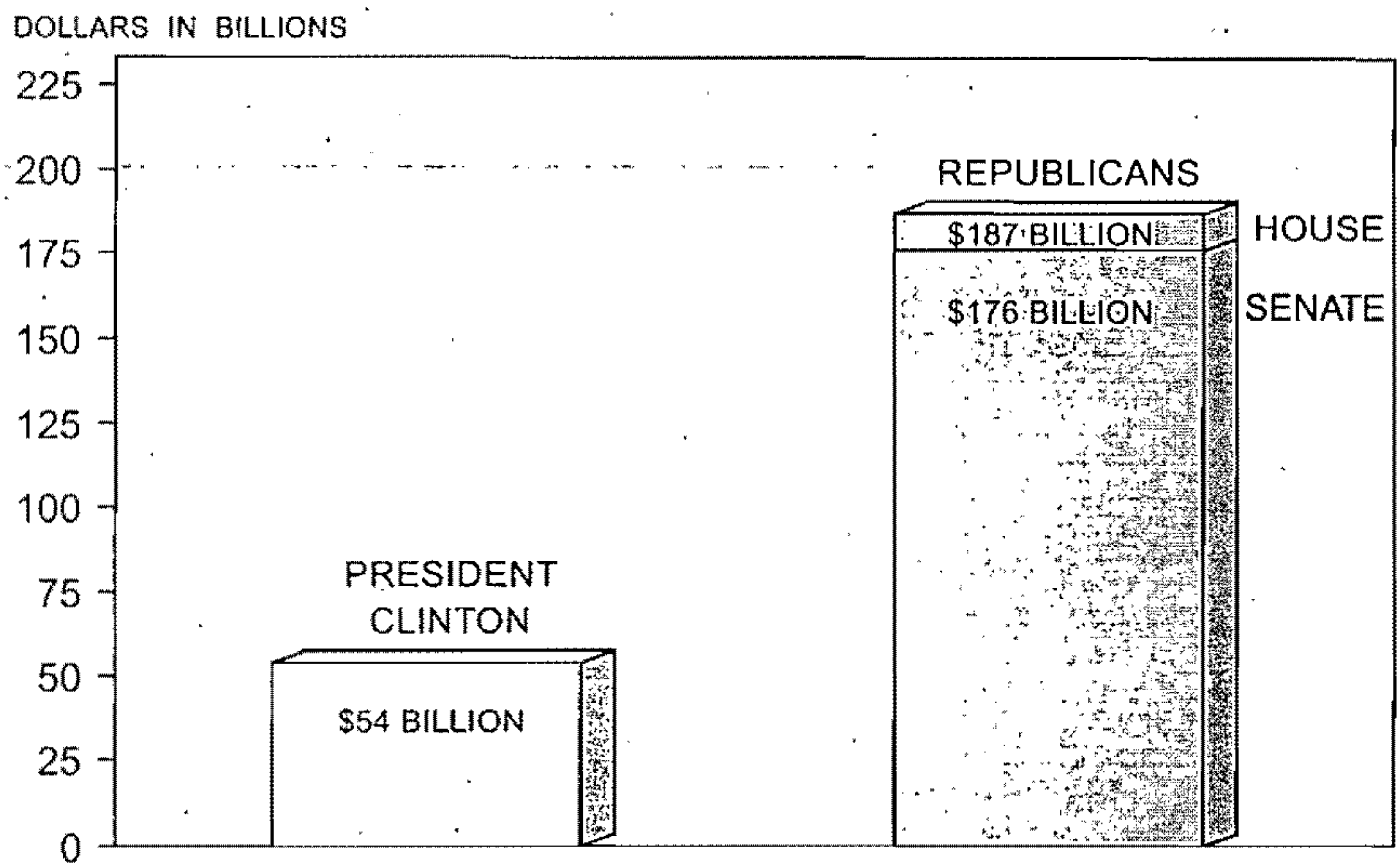
President's Proposal

- **NO NEW BENEFIT CUTS**

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

NOTE: House Budget Resolution numbers.

MEDICAID SAVINGS
SEVEN YEARS



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THE PRESIDENT'S PLAN:
REWARDING WORK AND RESPONSIBILITY

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

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

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

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

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

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

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

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

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

THE PRESIDENT'S PLAN:
REFORMING ENTITLEMENT SPENDING

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

Veterans:

• The President proposes to protect pensions for poor veterans and compensation for service-connected disabled veterans.

-- Republicans would restrict or eliminate compensation benefits for certain veterans, and redefine and narrow eligibility for service-connected disabilities.

Farm Programs:

• The President proposes to save $4.2 billion over 7 years by allowing farmers to use more acreage to plant what the market demands, reducing inequitable treatment of farmers by crop and region, and targeting payments to smaller farmers.

-- Republicans would cut farm program spending 3-4 times as much -- the House by $17 billion over 7 years, the Senate by $12 billion over 7 years -- without specifying how.

Spectrum Auction:

• The President proposes to raise $14.3 billion from 1996-2002 by expanding the Federal Communications Commission's spectrum auctions to a variety of new wireless services.

-- The House and Senate also would expand the Government's auction authority.

THE PRESIDENT'S PLAN: INVESTING IN EDUCATION AND TRAINING

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

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

-- The House would kill all national service programs.

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

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

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

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

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

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

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

-- Republicans would freeze Pell at the 1995 level.

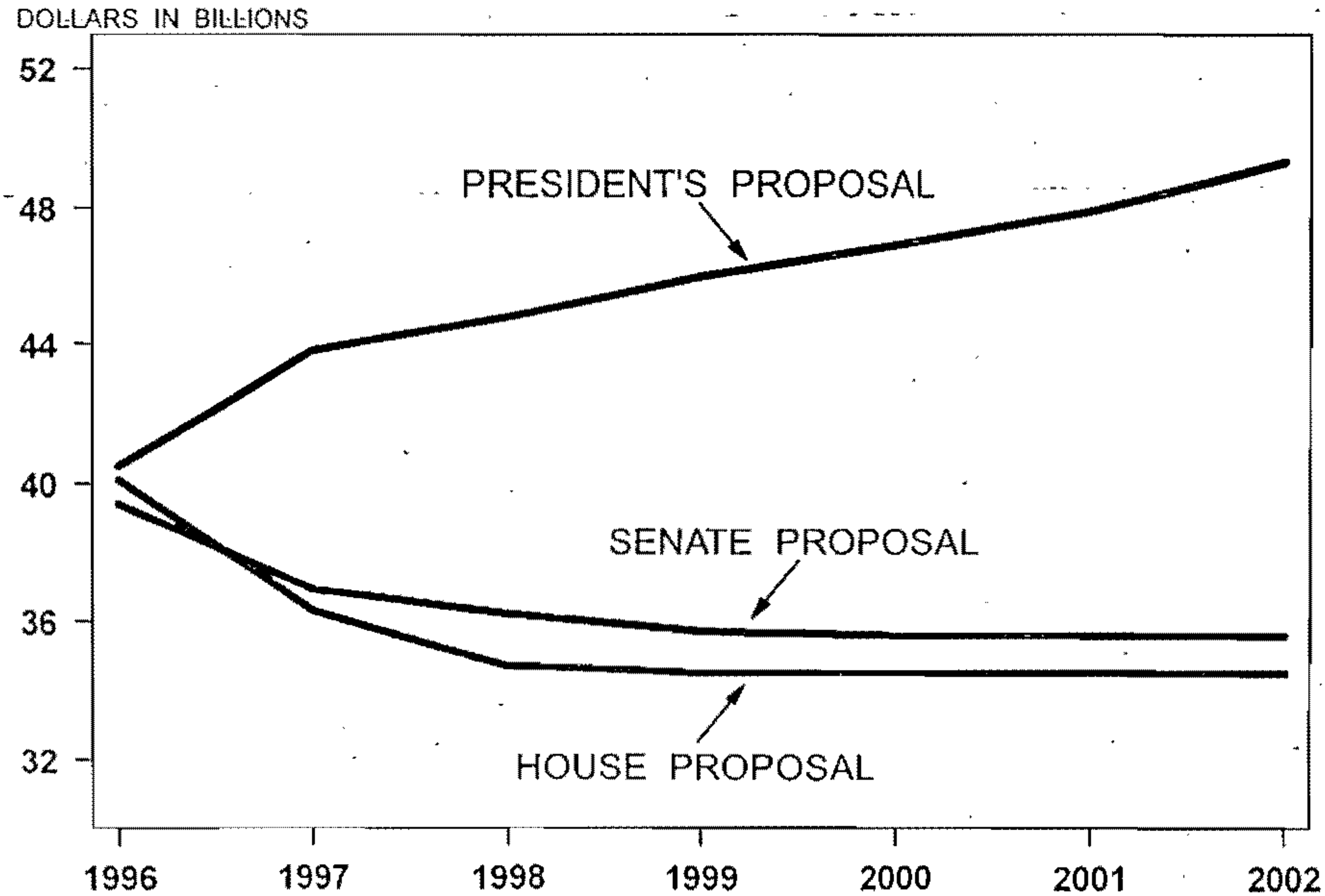
• For Safe and Drug-Free Schools and Communities, the President would maintain funding at $500 million per year, to help nearly ever school district fight drug abuse and reduce violence.

-- 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 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.

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

Year-by-Year Savings

(In billions of dollars)

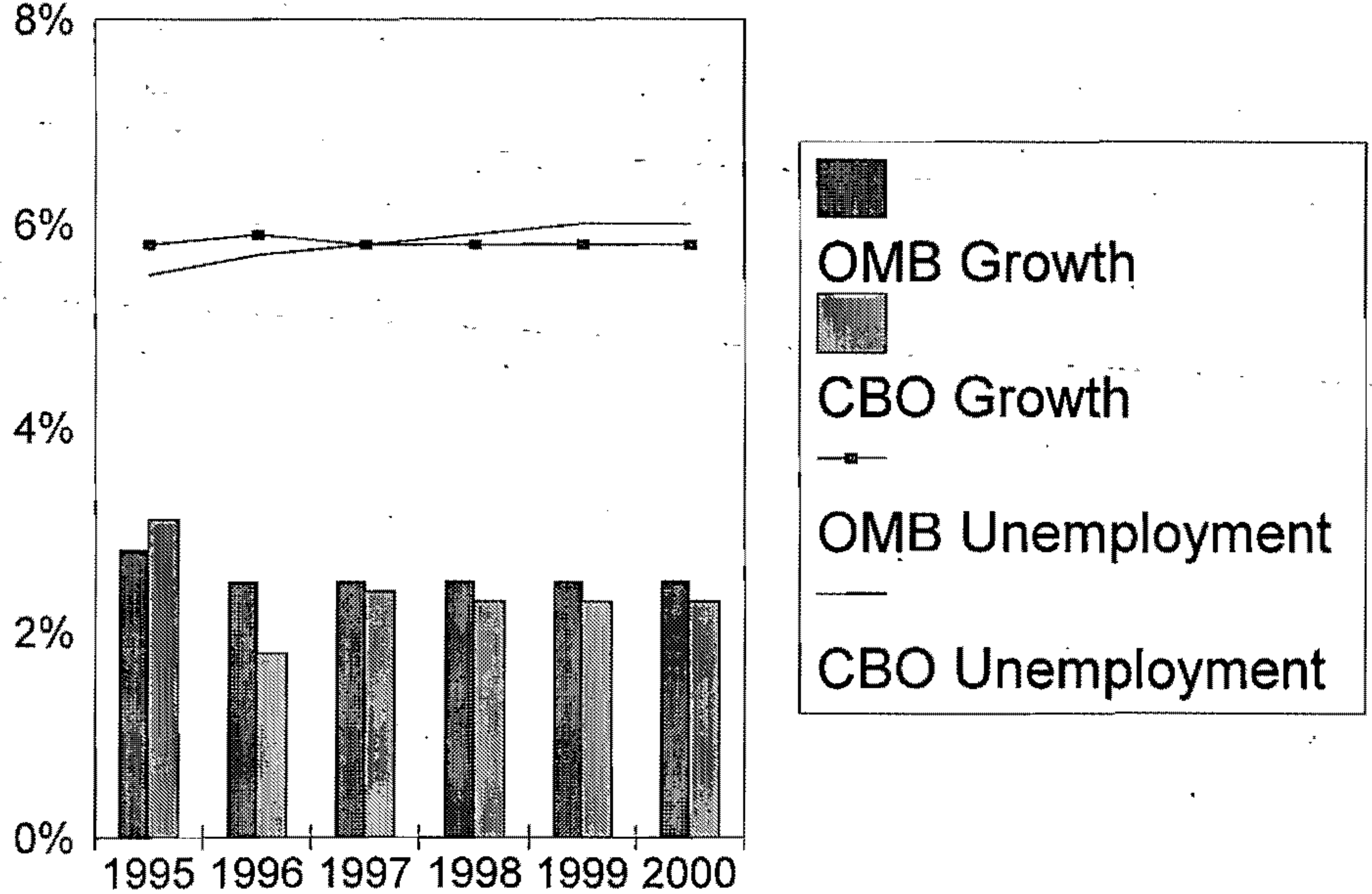
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Baseline deficit	201	218	209	221	229	235	240	248	255	266
Entitlements	-11	-16	-22	-26	-35	-46	-62	-70	-82	-95
Medicare savings	-4	-6	-10	-16	-23	-30	-39	-45	-55	-67
Medicaid savings	-4	-4	-6	-7	-9	-11	-13	-15	-17	-19
Reform of poverty programs	-2	-4	-5	-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)

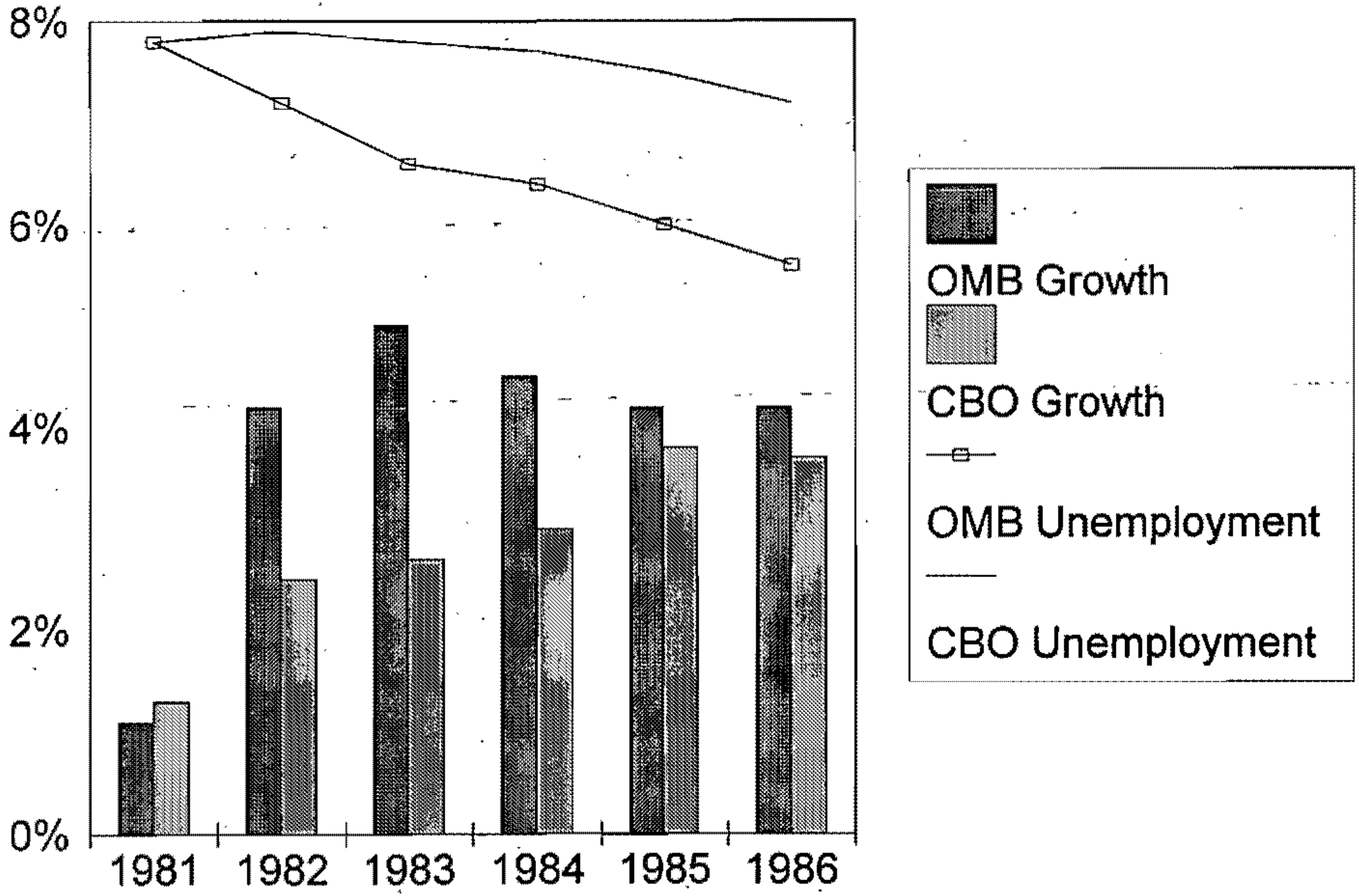
	'96 Budget	House	Senate	President's Plan
Spending:				
Discretionary	-198	-463	-522	-200
Defense	---	43	-24	-3
Nondefense	-198	-506	-497	-197
Mandatory	-44	-669	-626	-216
Medicare:				
Extenders	-28	-28	-28	-28
Additional savings	---	-258	-226	-99
Medicaid	1	-187	-176	-54
Health reform (net)				(-125)
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.

CBO and OMB Economic Assumptions, 1995



CBO and OMB Economic Assumptions, 1981



SUMMARY OF THE CLINTON-GORE ECONOMIC GROWTH PLAN

LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate in his first 30 days in office and put forth a specific and detailed plan to reduce the deficit and increase investment in our people.

CAN WE AFFORD NOT TO CHANGE? If we are serious about the economic health of this country we have to ask whether we can afford not to change? If this bill fails, it will be a victory for gridlock and large deficits and a loss for getting our house in order and moving our nation forward.

STRONG DEFICIT REDUCTION TO GET OUR ECONOMIC HOUSE IN ORDER: The President's plan calls for $500 billion deficit reduction plan, evenly divided between $250 billion in net spending cuts and $250 billion in tax increases.

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION: Under the President's plan every dollar that is targeted for deficit reduction will be locked away in a deficit reduction trust fund so that such savings promised for deficit reduction can never be used down the road for pet spending projects by anyone.

FAIR AND PROGRESSIVE TAXATION: The overwhelming majority of these taxes fall on the most well-off Americans. Indeed, **the Congressional Budget Office found that 75% of the taxes we raise fall on the top 6% most well-off families -- those that make over $100,000, and 66% fall on those making over $200,000.** There is no income tax increase for 98.8% of American taxpayers. Only those families making over $180,000 would see their income tax rates increase.

SPENDING CUTS: The Clinton plan calls for $250 billion in net spending cuts -- a $1 in cuts for every $1 raised in revenues. Every dollar of new investments is paid for with over $3 in spending cuts. There are over 100 domestic programs cut by over $100 million.

NEW INVESTMENTS -- BORROWING LESS WHILE INVESTING MORE: The President's economic plan includes enough savings to lower the deficit by $500 billion while still making room for nearly $100 billion in new investments and $100 billion in new tax investment incentives.

STRONGER ECONOMY: The presentation of the Clinton plan has lowered interest rates and already had a positive effect in turning this economy around. **Jobs:** We have created 755,000 jobs in the first four months of this Administration -- over 90% (702,000) in the private sector. Thus, while the Bush Administration created 1 million private sector jobs in four years, we have created 70% that much in just four months. **Inflation:** Inflation was virtually flat this last month, showing that we are creating jobs and getting growth back without sparking inflation. **Housing and Construction:** Last month new housing sales were up 22.7% -- a seven year high. 130,000 construction jobs have been created in the last four months, the largest four month gain in nearly nine years.

THE PRESIDENT'S DEFICIT REDUCTION PLAN HAS ALREADY PRODUCED ECONOMIC BENEFITS

LOWERED INTEREST RATES TIED TO CLINTON: The strong bond market rally began right after the November election. Investors showed confidence in Bill Clinton's commitment to deficit reduction and the substantial drop in long-term interest rates continued after the President introduced his economic plan -- the largest deficit reduction package ever championed by a U.S. President. The evidence is in the numbers!

Treasury issues	11/06/92	1/26/93	2/19/93	6/18/93
3 mo. bill	3.06%	2.95%	2.93%	3.06%
10 yr. note	6.97	6.50	6.35	5.95
30 yr. bond	7.76	7.26	7.13	6.81
Conventional mortgage rates 30 yr. fixed (FHLMC series)	8.29	N/A	7.65	7.38

IMPACT OF LOWERED RATES ON AVERAGE AMERICANS:

Big Savings On Buying or Refinancing a Home: a March, USA Today article showed that many middle class families will save over $1000 in mortgage costs from the reduced interest rates that have been brought about already from the seriousness of the Clinton plan. [USA Today, 2/24/93]

If a family with a $100,000 mortgage at a 10 percent rate refinanced at a 7-1/2 percent rate, monthly savings would total $175, or $2,100 a year. [Treasury Dept. Estimate] About 375,000 Americans refinanced their homes during the first quarter. [Mortgage Bankers Association Weekly Survey and Treasury Dept. Interpretations]

New Home Sales: Lower interest rates have led to a surge in new home sales. In April, new home sales rose 22.7%, the largest monthly increase in almost seven years.

Construction Jobs: With the lower interest rates, and increased building, construction jobs have increased. The construction sector, which lost 721,000 jobs during President Bush's term of office, has gained 130,000 jobs so far during President Clinton's term -- the largest four-month gain since July of 1984.

RESPONSE TO DOLE ON SPENDING/TAX RATIOS

I. FACTS ON CLINTON BUDGET SPENDING/TAX RATIOS:

House and Senate Budget Committee Both Support Us: Let's Look at the Basic Facts: There are now two version of the plan. The House and the Senate Finance plan.

The House Budget Committee has done an analysis of the House plan and found that their bill had \$250 billion in cuts and \$250 billion in taxes -- exactly \$1 to \$1.

The Senate Budget Committee using the most conservative and traditional methods possible and still found that the package to be over \$1 to \$1 --- with \$1 in spending cuts for every 92 cents in deficit reduction.

o We have an balanced package of \$500 billion, which as Chairman Moynihan said, is the largest package ever. There is \$250 billion in spending cuts. We have about \$100 billion in entitlements: \$100 billion in other spending cuts; and \$50 billion in savings from interest we pay on the national debt.

o There are well-over 100 cuts of \$100 million or more in domestic programs in the Clinton budget.

II. THERE IS NO REPUBLICAN LEADERSHIP -- ONLY REPUBLICAN ATTEMPTS AT GRIDLOCK AND TO PROTECT THE STATUS QUO:

o The Republicans offered 11 amendments to the Senate Finance bill **and not one single one sought to cut spending by one single dollar.**

o The Republican response by Senator Packwood is that "we are not going to do [additional spending cuts] alone" because they do not want to take the hits of showing leadership. (Washington Post, June 19, 1993) Yet, President Clinton -- alone -- put out an entire deficit reduction plan of nearly \$500 billion, with every cut and revenue raiser line-by-line, and year-by-year.

III. DOLE & PACKWOOD DISPUTE THE CHART THE PRESIDENT SHOWED AND SAY THAT THE REAL TAX/SPENDING RATIO WAS ONLY 3:1 OR WORSE AND THAT THE DEFICIT REDUCTION WAS AS LITTLE AS \$347 BILLION.

o Bob Dole has tried to block this change and this leadership by distracting the American public from what is really at stake: the largest deficit reduction in history. I hoped that the Republicans would join the President in showing leadership on deficit reduction.

o It is important to note how extreme their hand out is. It gets a wild 3:1 ration by three steps, which you can see in their attached hand-out: 1) not counting discretionary spending cuts as either spending cuts or even deficit reduction at all; 2) by not counting interest savings as spending cuts, and apparently from their hand-out, this too is not seen as legitimate deficit reduction. 3) User fees for the first time ever, are not counted as spending cuts. Thus, the only thing they calculate in making a 3:1 ratio is taxes and some entitlement cuts.

Discretionary Spending Cuts: Dole denies all of our $100 billion in spending cuts that come from the caps and sequesters -- even though we have line by line cuts. He simply ignores 125 domestic discretionary cuts. **He states that there is no enforcement and that is untrue.** There is an extension of the current procedures in the budget resolutions and the House Bill.

When Dole bragged about the "$500 billion deficit in 1990, he was counting discretionary spending savings under enforced by the same cap and sequester that is being extended in the Clinton plan. (See quotes on following page.)

The Republican alternative in the House -- the Kasich plan -- uses savings from for their deficit reduction package.

Cuts in Paying Interest on the National Debt: Dole & Co. say that cutting the interest government spends on the national debt is not a spending cut and that we are wrong to count that as a spending cut.

Interest savings are used to get to $500 billion in the 1990 plan, and they were always considered spending cuts.

Kasich plan uses $50 billion in net interest in its
so-called "all spending cut/no taxes" House Republican alternative.

Fees: Dole also mocks the notion that so called user fees should be seen as spending cuts. For years, every Administration -- Republican and Democrat -- has counted it as a cut. When we spend money on an airport and we let private jet owners for free, and we make people pay for the use, we cut the spending and it has always been called a cut.

In 1985, Dole was the point person on a deficit plan, in which they specifically counted fees as spending cut.

The 1990 plan that Dole took part-authorship of had user fees, and they were clearly scored by the Bush OMB as spending cuts.

The Kasich plan, clearly has fees and specifically lists them as spending cuts -- indeed they boast that their plan has no new taxes.

OUR SPENDING CUTS ARE REAL

The Clinton plan calls for approximately $350 billion in spending cuts in discretionary spending, entitlement cuts, and cuts on interests paid on the national debt. While there has been a great deal of distortion as to the degree of our spending cuts, the facts are as follows:

- o Half of the President's $500 billion deficit reduction plan, comes from spending cuts.

- o The President's plan actually cuts nearly $350 billion in spending. He uses $250 billion for deficit reduction and nearly $100 billion for new investments in education, training, technology, crime prevention and defense conversion.

- o The $250 billion for deficit reduction comes approximately from $110 billion in discretionary spending cuts, $90 billion in entitlement cuts and $50 billion in cuts on interest paid on the national debt.

- o It is completely untrue that the President is in anyway delaying spending cuts. He has repeated on several occasions that there will be no tax increases without spending cuts. Indeed, below is a summary of some of the proposed spending cuts and the amounts that will be cut in the first year of the budget in FY1994.

SUMMARY OF SPENDING CUTS:

Entitlement Cuts:

- The plan identifies over 30 specific cuts in Medicare and Medicaid that reduce the deficit by $56 billion.
- Agriculture entitlements are cut by $3 billion
- Federal worker entitlements are cut by $11 billion.
- Through FCC spectrum auctions we save $7 billion.

Discretionary Spending Cuts: And that is not counting the spending cuts on the discretionary budget side, which include:

- pay reductions for Federal employees by $13.2 billion
- Administrative cuts by $11 billion
- Cutting 100,000 federal workers to save $10.2 billion
- Nuclear reactors R&D cuts to save $1 billion
- REA subsidies cuts to save $545 million
- Agriculture administrative cuts to save $1.1 billion
- Consolidating overseas broadcasting to save $894 million
- Streamlining education programs to save $2.2 billion

Eliminating Programs: The plan also calls for eliminating several programs:

- Tens of Highway Demonstration projects saving over $1 billion
- Special Purpose HUD grants
- Tens of National Oceanic Atmospheric Administration Demonstration projects
- The current and outdated student loan program
- Earmarked SBA grants
- Agriculture special grant programs
- Unnecessary federal commissions

FAIR TAXATION THAT REWARDS WORK AND PROMOTES INVESTMENT

The President's plan turns around trickle-down economics by putting forth a deficit reduction plan that is as fair as it is real in bringing down the deficit.

TAXES FALL ON THOSE MOST ABLE TO PAY: First, the overwhelming majority of these taxes fall on the most well-off Americans. Most of the taxes are ones that affect only the largest corporations or taxpayers with income well in excess of $125,0000. Only the top 1.2% of families -- those with incomes over $180,000 -- will pay higher income taxes. For the other 98.8% of Americans, their income tax rate stays the same.

Indeed, **the Congressional Budget Office found that 66% of the taxes we raise fall on those making over $200,000, while 75% of the taxes we raise fall on the 6.5% most well-off families -- those that make over $100,000.**

THE IMPACT ON AVERAGE FAMILIES IS MINIMAL: Second, the only tax in the President's initial package that affects the middle class is the energy tax and that does not even go into effect until the summer of 1994 and when it does, it will be phased in three equal stages over three years. The average family making under $30,000 will pay no additional taxes. In 1994, a family making $40,000 will pay only and additional $1 a month under all the Clinton tax proposals. In 1995, they will pay only $7 and then only $17 a month when it is fully phased in according to both Treasury as well as the Congressional Budget Office. On the other hand, the most wealthy households will average over $1,900 per month in additional taxes by 1998.

If a bill with less than the President's energy tax is chosen for the final bill, there will be even less of a monthly burden.

Furthermore, the lower interest rates caused by the announcement of the President's deficit reduction plan has already allowed middle class families to save over $1000 a year in lower mortgage costs. [USA Today 2/24/93]

THE PLAN INCLUDES A MAJOR TAX CREDIT FOR THE WORKING POOR AND OTHER OFFSETS TO ENSURE THAT FAMILIES UNDER $30,000 ARE GENERALLY HELD HARMLESS: The President's plan called for offsets in things such as Earned Income Tax Credit so that families with incomes under $30,000 are on the whole held harmless. According to a study by Arthur Anderson, a family of three making $25,000 would actually see their taxes fall by several hundred dollars.

PRO-BUSINESS INVESTMENT INCENTIVES: The Clinton plan also includes targeted pro-business investment incentives, especially provisions that would promote small business: 1) a plan to increase the amount small businesses could expense from $10,000 to $25,000; 2) new provision to lower the capital gains tax for small businesses and empowerment zones that give businesses incentives to invest and create jobs in distressed economic communities.

Q & A ON SENATE BUDGET PLAN AND OTHER BUDGET ISSUES

SENATE BUDGET BILL:

QUESTION: The Senate has changed much from the President's bill and taken out or revised many of the provisions that are close to his heart. Does this mean that he will support the House bill or is he satisfied with the Senate bill?

> **ANSWER:** We are going to fight for what we consider to be the core principles of this package: 1) $500 billion in deficit reduction to get interest rates low and economic growth up; 2) $250 billion in spending cuts; 3) a tax package that for a change is progressive, in which at least 75% of the burden falls on those making over $100,000; and 4) And which has pro-work and pro-investment incentives.
>
> I think the both the bill that passed the House and what is in the Senate are bills that both generally fit over 80% of the President's package, but we will fight to ensure that the final bill fits these principles of deficit reduction, fairness and spending less but better.

QUESTION: But doesn't the loss of so much of the energy tax mean that either the bill no longer fits these principles or that it is really quite different now from the bill that the President put forward.

> **ANSWER:** No. The main principles that the President cares about are that we have a package that reduces the deficit by $500 billion in the most fair and pro-growth way possible. Both bills include nearly all of the taxes that we called for and they fall on those making over $180,000 while ensuring that average families never pay more than a few dollars more a month.
>
> Our concern is whether reducing the energy tax will lead to a less fair deficit reduction plan by putting too much burden on the working poor or 34 million Americans who rely on Medicare or as some have suggested, by cutting benefits for 27 million Social Security recipients. That is what the President will have his eye on as we fight for final passage.

QUESTION: You said that one of the principles was to get the President's investments. Yet, this package has no empowerment zones, $10 billion less in the Earned Income Tax Credit, and no immunization. Can you say that this package really meets those principles?

> **ANSWER:** I do believe that on the whole what has come out of the Senate Finance Committee is a pro-investment and pro-work bill very much as the President proposed. Do we think this bill is good? Yes. Do we think it could be made better by being even more pro-work and more pro-investment by staying closer to my original proposal. Yes. But we are making progress and we are confident we will be able to work out a strong final bill.

SMALL BUSINESS PROVISIONS:

QUESTION: How about the proposal to cut back small business expensing and the small business capital gains tax cut?

> **ANSWER:** The President has proposed to more than double the amount of investments that small businesses can immediately deduct, and he has offered a plan for a new targeted capital gains tax cut for small business because we believe that small businesses are the engine of creating jobs for middle class America. Both the House and Senate bills increase the investment provision significantly -- but we will certainly fight to make the final bill one that is as strong as possible in spurring job creation and entrepreneurship among our small businesses.

ENTITLEMENT CAPS:

QUESTION: Clearly entitlement spending has contributed significantly to runaway budget deficits. Several Republican alternative plans rely on entitlement caps to achieve entitlement savings. Does the Clinton Administration support any type of entitlement cap to control such spending?

> **ANSWER:** Let me say, that the President does support an entitlement "alarm bell" mechanism -- like the Stenholm/Sprat/Penny proposal -- that forces the President and Congress to deal with entitlement spending any time it goes above estimated targets.
>
> Furthermore, the President supports the notion of essentially capping entitlement costs through health care reform, which is a context in which we can control costs while dealing with the underlying problem of spiraling health care costs. And finally, the President made specific choices and came up with close to $100 billion in specific entitlement savings and he did it in a way that was as fair to entitlement beneficiaries. If the Republicans want more entitlement caps, they have an obligation to give us the specific cuts they want -- and not to hoodwink the American publica with an entitlement cap proposal that sounds good but hides all the tough choices.

REPUBLICAN ALTERNATIVES:

QUESTION: What is your opinion of the Kasich proposal that many Republicans support in the House?

> **ANSWER:** This bill is a case of false advertising. They will tell you that it is good because it has no taxes. What they won't tell you is the following:
>
> Quite simply: the Republican alternative says that in order to have less taxes on the most well-off Americans, we should have $100 billion less deficit reduction, more Medicare cuts to 34 million beneficiaries, less investment in poor children through

investment in poor children through successful programs like Head Start, and that we should then gut every single new investment we have to help the middle class -- from worker training, to college opportunity, to defense conversion, to apprenticeships, to welfare reform, to investing in our environment. They are guilty of false advertising.

Let me make this clear. When you look at Republican alternatives that brag about not raising any taxes -- keep in mind that what they are really saying is that they are not going to ask for any contributions to deficit reduction from the wealthy and they are going to have to make up the difference by further cuts elsewhere -- cuts that almost always fall squarely on the backs of the middle class.

The bargain that supporters of the Kasich plan want America to accept is less investment, less deficit reduction, and tough cuts in health care for 34 million elderly Americans and even poor children so that they can cut the keep the top 1% from having to pay higher taxes; so that they can keep the country club deduction; so that they can keep the 3-martini lunch deduction high and so that corporations can still ask the rest of us to subsidize CEOs who make over $1 million even when their companies are not performing. **There is nothing strong and certainly nothing pro-middle class in doing less deficit reduction, less investment in our people and schools, and more on attacking Medicare so that you can keep special interests happy and taxes on the most-well off Americans low.**

DISCRETIONARY INVESTMENT CAPS:

QUESTION: How are you going to deal with the facts that your investments are tens of billions over the caps? Isn't it the case that you will have to scale back your investment package significantly?

ANSWER: The Clinton plan cuts spending by $250 billion while still finding some additional cuts to pay for new investments in education, training, technology and defense conversion and 100,000 new police on the street. Every dollar of new investments is paid for by a spending cut. As to whether this includes everything we think we need for investment in the future, the answer is no. But our goal over the next four years is to find room for more of the investments in people that we desperately need, but not through spending more, but through finding even additional cuts so that we are spending less, but spending better on economic growth and jobs for our future.

QUESTION: Didn't the President oppose a gas tax during the campaign?

ANSWER: The President did not want to raise any tax that would have any impact on the middle class.

Yet, the deficit –– which had got worse during the campaign –– deteriorated significantly again in January, and required major new deficit reduction sources to get to where we need to be. Rather than practice business as usual –– which is either to ignore a worsening deficit projection or use rosy scenarios to cover it –– the President felt he had to include an energy tax, and he felt the BTU tax, with offsets, was the most fair way, and the way that had the best chance of passage. With the new deficit numbers, he was making the best of a bad situation that he inherited.

When we proposed our plan we felt the BTU tax was needed to get deficit reduction we had to have in the most fair and pro–growth manner possible. That is still our feeling, but our goal is not to make a litmus test out of any one provision, but to fight as hard as we can to make the final bill –– including the energy tax –– that comes out of Conference have $500 billion in deficit reduction and be as pro–growth and pro–fairness as possible.

Econ Reed

NAMES AND NEWSPAPERS FOR 2/19 12:00 PM CONFERENCE WITH BRUCE REED

OPERATORS: CALL ERNIE GIBBLE AT 7150 IF THERE'S ANY PROBLEMS

1. BRUCE REED - ext. 6515
   Deputy Domestic Policy Advisor

2. ALAN ACKERMAN
   Asbury Park Press (NJ)
   908.922.6000

3. JOHN DAY
   Bangor Daily News (ME)
   202.397.2566
   (Will ask about the repeal of luxury boat tax)

4. PATRICIA GRIFFITH
   Pittsburgh Post-Gazette
   202.662.7071

5. ELLEN FERGUSON
   Burlington Free Press
   703.276.5811

6. BARBARA DEMICK
   Philadelphia Inquirer
   212.509.1170

7. CATHY BURGE
   Concord Monitor
   603.224.5301 x323

8. DOUGLAS TURNER
   Buffalo News
   202.237.3188
   (Will ask about matching funds for state programs - ie will states have to be fronted money seeing as they have no funds to get matched.)

9. DEBORAH PRIVITARA
   Bergen Record (States News), (NJ)
   202.623.3100 x257

10. ERNIE GIBBLE
    OFFICE OF MEDIA AFFAIRS x7150

Conference Call - 1:55p EST 2/19/93

Cleveland Plain Dealer - 216-344-4252
Brent Larkin, Editorial Director
Christopher Colford, Editorial Writer

St. Louis Post-Dispatch - 216-344-4252
Phil Dine - Political Editor

Atlanta Journal/Constitution 404-526-5316
Dick Williams

Dallas Morning News 214-977-8259
Rena Pederson

Minneapolis Star-Tribune (202-457-5171)
Mike Meyers, Economics Reporter

DesMoines Register 515-284-8542
Richard Doak, Dep. Editorial Page Editor

Kansas City Star 816-234-4477
Steve Winn

Omaha World-Herald (202-662-7270)
Paul Goodsell

Minot News 701-852-3342
Keith Darnay

4pm

2/19/93
MEMORANDUM

TO: Kim Hopper
Bruce Reed

FR: Lisa Mortman

RE: Economic Plan - Western Press Conference Calls

Here are the list of reporters/newspapers who will be joining the Western conference call:

*Denver Post - Fred Brown - 303-820-1663.

*Rocky Mountain News - John Brinkley - 408-2726

*Portland Oregonian - Foster Church - 503-221-8595

*Fresno Bee - Jim Boren - 209-441-6307

*Visalia Times Delta - Paul Hurley 209-636-1719

*Seattle Post Intelligencer - Chris Hanson - 965-5004

*Albequerque Journal - Chuck McCutcheon and John Fleck - 505-823-3916 (Energy and Defense)

San Diego Tribune - John Moralius

*Sacramento Bee - Amy Chance - 916-321-1199

*Stockton Record - Andy Pollack - 209-546-8273

*Omaha World Herald - Paul Goodsell - 622-7270
* = Confirmed for call

1:30 Conference Call with Michigan media and Bruce Reed/ MI Senator Riegle.
Bruce Reed is Deputy Assistant to the President for Domestic Policy. He oversees a variety of domestic issues for the White House, including welfare reform, reinventing government, political reform, crime and drugs, and community development.

Participants

1. Joe Stroud
   Detroit Free Press
   (313) 222-8805

2. Joe Crawford, Chief Editorial Writer
   Grand Rapids Press
   (616) 459-1483

3. Bill Driskell
   Macomb Daily
   (313) 469-4510

4. Roger Van Noord, City Editor/or DAVE FENECH
   Flint Journal
   (313) 766-6326

5. ~~Gunnar Carlson~~
   ~~Muskegon Chronicle~~
   ~~(616) 722-7446~~

6. Mark Nixon
   Lansing State Journal
   (517) 377-1038

7. Sarah Kellogg
   Booth Newspaper Chain
   (202) 383-7810

8. John Sherwood
   Battle Creek Enquirer
   (616) 966-0688

9. AVI STERN
   SAGINAW NEWS
   (517) 776-9677

NAMES AND NEWSPAPERS FOR 2/19 12:00 PM CONFERENCE WITH BRUCE REED

OPERATORS: CALL ERNIE GIBBLE AT 7150 IF THERE'S ANY PROBLEMS

1. BRUCE REED - ext. 6515
Deputy Domestic Policy Advisor

2. ALAN ACKERMAN
Asbury Park Press (NJ)
908.922.6000

Boats 3. JOHN DAY
Bangor Daily News (ME)
202.397.2566
(Will ask about the repeal of luxury boat tax)

4. PATRICIA GRIFFITH
Pittsburgh Post-Gazette
202.662.7071

S. Bus. 5. ELLEN FERGUSON
Burlington Free Press
703.276.5811

6. BARBARA DEMICK
Philadelphia Inquirer
212.509.1170

7. CATHY BURGE
Concord Monitor
603.224.5301 x323

Inland W'way 8. DOUGLAS TURNER
Buffalo News
202.237.3188
(Will ask about matching funds for state programs - ie will states have to be fronted money seeing as they have no funds to get matched.)

9. DEBORAH PRIVITARA
Bergen Record (States News) (NJ)
202.623.3100 x257

10. ERNIE GIBBLE
OFFICE OF MEDIA AFFAIRS x7150

CONFERENCE CALL WITH BRUCE REED AT 12:45

PARTICIPANTS

1. Pat Truly
   Ft. Worth Star Telegram
   (817) 390-7751

2. Burt Enke
   Louisville Courier Journal
   (502) 582-4011

3. Patrick McGuigan
   Daily Oklahoman
   (405) 475-3466

Δ ats

4. Ron Casey
   Birmingham News and Post Herald
   (205) 325-2117

5. David Ross
   Newport News Daily Press
   (804) 247-4761

6. Bill Wood
   Norfolk VA Pilot
   (804) 247-4761

7. Shera Gross
   St. Louis Business Journal
   (314) 421-6200

Econ Ram

Comments on the President's Schedule
February 16, 1993

"If you join with me, we can create an economy in which all Americans work hard and prosper. This is nothing less than a call to arms, to restore the vitality of the American dream." President Bill Clinton

* Last night, in his first Oval Office Address, President Clinton issued a call to arms to the American people to support his economic program designed to restore the vitality of the American dream. He wants to end the cycle of stagnant incomes and declining jobs for middle income Americans.

* The President said that his program -- to jumpstart the economy, make long-term investments, and to reduce deficits -- would create jobs and increase incomes. In fact, the stimulus package he will send to Congress will create 500,00 jobs in 1993 and 1994 alone.

* The President said that we will propose: incentives to business to create new jobs; investments in education and training; special efforts for displaced defense workers; a fairer tax system to insure that parents who work full time will not raise their children in poverty; welfare reform; vaccinations and Head Start opportunities for children, and a system of affordable health care for all Americans.

* The President warned about the state of the economy, saying that more than nine million of our fellow citizens are out of work. "If this were a real recovery, three million more Americans would already be back to work by now. In fact, there are more jobless people now than there were at what the experts called the bottom of the recession."

* The President's program asks contributions from most Americans to so that his program can benefit all Americans. The President cut the White House staff by 25% and ordered federal agencies to reduce their administrative costs by $9 billion. The President will ask the wealthy to pay their fair share. In fact, 70% of the taxes he will raise in his program will come from people earning over $100,000. While he will ask for a contribution from middle-income Americans, they will receive a big pay-off: more jobs, higher incomes, lower interest rates, and more investments in areas that will create a better life for them and their children.

* The President warned that our goals for a better economy and a brighter future could be jeopardized by organized interests. But that the broad interests of the American people would prevail: "They are the defenders of decline, but we are the architects of the future. I am confident about America." We will prevail.

Copy

TALKING POINTS ON THE ECONOMIC PLAN
DRAFT February 16, 1993 7:10 pm DRAFT

The President's economic plan will bring bold change to America. It completely changes the direction of the federal government, reconnecting it to the needs of working Americans and disconnecting it from the special interests, restoring growth and fairness to economic policy for the first time in a very long time.

The President's plan is rooted in these core principles:

* To generate more and better jobs for millions of Americans who are out of work; over the course of four years, over 8 million new jobs will be created.

* To increase incomes for all working Americans; and

* To provide long-term, structural change to the economy by:

  Increasing investments in the many ingredients necessary for economic strength, including people, infrastructure, and technology development; and

  Reducing the deficit through over 150 specific program cuts.

For the past twelve years, the deficit went up while investment in people went down. The President's plan will flip that pattern 180 degrees: investment will go up and the deficit will go down.

The plan has three basic components:

I An immediate stimulus program of $30 billion to provide a jumpstart for the 9 million Americans that are still out of work:

* The stimulus program will produce nearly 500,000 jobs by the end of 1994

* It invests in the nation's traditional and future infrastructure, with money dedicated to putting people back to work, rebuilding roads and bridges and creating information highways.

* It includes a series of incentives that will spur private investment including a tax credit for small businesses that invest in growth, providing new employment opportunities; and a tax credit for firms that invest in the research that results in technological innovations which, in turn, result in new jobs

* It expands the summer jobs program to finance 683,000 new summer jobs

II An ambitious plan for long-term investment that redirects the misguided spending priorities of the past:

* The plan invests in private sector job creation through tax incentives for small businesses as well as other companies;

* It will invest in education and training, by promoting lifelong learning and initiating the most ambitious plan of training and retraining ever conceived

including a defense conversion plan to insure that displaced workers have the skills they need to find jobs in our changing economy.

- It expands the Earned Income Tax Credit; the president is standing firmly by his commitment to insure that no parent who works full-time will be forced to watch his or her family live in poverty.

- It invests in children by providing money so that all eligible children can attend Head Start and babies who need vaccinations will have them.

- It fully funds the Women, Infants, and Children program (WIC) to guarantee that our children grow up healthy, not hungry.

- It calls for a number of incentives to explore new technologies that will create high-wage jobs and keep America on the cutting edge. These incentives will encourage the use of defense technology for civilian purposes.

III A serious, credible plan for deficit reduction to guarantee long-term economic growth and increases in wages.

- The President's deficit reduction plan is the largest in history; it will result in a $500 billion gross deficit reduction over four years.

- This is accomplished by over 150 real, specific cuts in government programs and a revenue plan that restores fairness to the tax code, asking the most from those who profited the most in the 1980's. These cuts represent $126 billion in non-defense spending over four years.

- This deficit reduction plan will mean a drop in interest rates and a corresponding increase in consumer confidence that will spur economic activity and create jobs.

- When interest rates drop, businesses will be able to afford loans to expand, and middle-class people will be able to afford loans to buy houses, to buy cars, and to send promising students to college.

The entire development of this plan was guided by a commitment to change, fairness, economic recovery, and honesty.

- It provides a balanced approach between getting the economy going again right away and taking the long-term steps, including deficit reduction, to keep the economy going in the future.

- The President's plan brings a new era of integrity and involvement to the budget process:

    It marks the end of smoke and mirror budgets and pie-in-the-sky scenarios; it places a premium on telling the truth and uses one of the most conservative scenarios available for projecting the economy's growth.

    The President was intimately involved in the process and he understands the tough choices facing the American people. [illegible] through the budget line by line and step by step.

Fundamental change in America will require a contribution from every American but the President's plan guarantees that it will be fair.

* His plan turns first to government; he has already cut the White House staff by 25% and ordered the federal government to trim $9 billion in administrative fat over the next four years.
* He turns next to corporations and special interests, raising the corporate tax to 36% and eliminating loopholes that allowed them to avoid paying their fair share in the 1980's.

* The President's plan then turns to the rich and, in fact, asks more of them he thought would be necessary in the campaign. Over 70% of the new revenues in the plan will come from those who make more than $100,000 a year.

    The tax rate for the wealthiest Americans will be raised to 36% and the President is calling for a 10% surtax on millionaires.

* The depth of the problem forced the President to turn to the middle class to contribute as well. The plan introduces a broad-based energy tax, based on the energy content of the fuel. The whole package is the most progressive tax package ever proposed:

    Families whose combined income is under $30,000 a year will be shielded from the effects of the increase.

    The energy tax will conserve resources, decrease dependence on foreign oil, and reduce pollution.

Comments on the President's Schedule
February 17, 1993

Tonight, the President will present his economic plan to the American people in an address before a Joint Session of Congress. The President's plan will bring bold change to America. It completely changes the direction of the federal government, reconnecting it to the needs of working Americans and disconnecting it from the special interests, restoring growth and fairness to economic policy for the first time in a very long time.

The plan will generate more and better jobs for millions of Americans who are out of work. Over the course of four years, over 8 million new jobs will be created.

*The stimulus program is nearly $30 billion and will create nearly 500,000 jobs by the end of 1994 alone.

*It expands the summer jobs program to finance 680,000 new summer jobs.

The President's plan invests in the nation's traditional and future infrastructure, with money dedicated to putting people back to work, rebuilding roads and bridges, and creating information highways.

The plan invests in private sector job creation through a series of incentives that will spur private investment and make it easier for small businesses in particular, the engines of economic growth, to expand.

It will invest in education and training, by promoting lifelong learning and initiating the most ambitious plan of training and retraining ever conceived, including:

*A defense conversion plan to insure that displaced workers have the skills they need to find jobs in our changing economy; and

*Worker profiling to insure that permanently displaced workers receiving unemployment benefits are matched with the training and reemployment services they need to reenter the workforce.

It invests in children by providing money so that eligible children can attend Head Start and babies who need vaccinations will have them.

It expands the Earned Income Tax Credit; the president is standing firmly by his commitment to insure that no parent who works full-time will be forced to watch his or her family live in poverty.

The deficit reduction component of the plan will mean a drop in interest rates. When interest rates drop, businesses will be able to afford loans to expand, and middle-class people will be able to afford loans to buy houses, to buy cars, and to send promising students to college.

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Comments on the President's Schedule
February 18, 1993

Last night the President outlined the specifics of his bold plan to "create jobs, trim [the] deficit, [and] restore economic fairness." Washington Post

* Over 150 specific spending cuts to help reduce the federal deficit: including the elimination of programs that have outlasted their usefulness and a one year freeze on pay raises for federal employees.

* The plan includes a stimulus program of nearly $30 billion that will provide an immediate jumpstart to the economy, creating nearly 500,000 jobs by the end of 1994.

* A fundamental shift in spending priorities that demonstrated clearly how much Bill Clinton shares the values of working men and women, and believes in the things they believe in:

  * Investment in America's infrastructure to create jobs and rebuild our roads and bridges, including full funding of ISTEA;

  * Investment in small business, the engine of economic growth, through a series of tax incentives including a permanent investment tax credit that will reward small businesses for investing in expansion, growth, and job creation;

  * Investment in education and training, initiating the most ambitious plan for training and retraining ever conceived; and

  * Investment in children by providing money for Head Start and money so that babies who need vaccinations will have them.

* The largest deficit reduction program in history that will end the deficit's stranglehold on long-term economic growth. The Washington Post called the President's $493 billion deficit reduction package "as dramatic and comprehensive as he had promised." It will mean a drop in interest rates that will allow middle-class people to afford loans to buy houses, buy cars, and sen d promising children to college.

By all accounts, the President's speech and the supporting documents that accompanied it bring a new era of integrity, honesty, and accountability to the budget process.

* Past Administrations have based their budgets on better-than-best case scenarios; the President deliberately based his on one of the most conservative growth scenarios available. This won universal praise.

The President called on all Americans to come together and help him make this plan succeed. Hundreds of special interests will do their best to avoid doing their part; they will try to break his plan apart piece by piece. The President's plan is a total package to bring change so fundamental that it demands nothing less.

The public was overwhelmingly supportive of the President's plan. A CNN/USA Today poll showed that 79% support the plan and 72% believe it will improve the economy.

Today, the <u>President, Vice President, and the Cabinet leave Washington to visit 29 states</u> over the next few days, to ask Americans for their help and for their support. The President begins his trip in St. Louis, Missouri.

Comments on the President's Schedule
February 19, 1993

"What we have been doing has not worked. We need to take a new direction that will build a high wage, high growth future where people can be educated, where there is affordable health care for all, and where Americans have a fair chance to compete and win. That's what this is all about." President Bill Clinton

* **New Directions in St. Louis and across America.** Yesterday, President Clinton and the Cabinet took to the road to build public support for his economic plan for New Directions. To enthusiastic crowds all over the nation, the message was repeated loud and strong: The price of doing the same thing is higher than the price of change.

* All around the country, strong public support was registered for our plan to change the direction of the country with an economic strategy that will produce more jobs, higher incomes, a reformed health care system, greater access to education, and a reduced national deficit.

* This is a plan that cuts spending by making tough choices. The White House staff is cut by 25%. Administrative budget cuts and personnel reductions produce $9 billion in savings. There are 150 specific cuts in the budget for ideas that, while justified in the past, can no longer be justified. The President spoke of reductions in his proposed budget -- there are savings of billions of dollars in programs such as rural electrification, Superfund payments to lawyers, dated nuclear research, and federal salaries.

* And the President issued a challenge to those who are expressing doubt about the New Direction plan: If you have an alternative to the program cuts he's specified, "show me where (you want to cut), but be specific -- no hot air; show me where and be specific."

* The plan for New Directions proposes the biggest reordering of national priorities since the Roosevelt Administration. The President is asking for: The creation of half a million jobs right now, for people who want to build roads, repair streets, fix airports, and clean up the environment; an expanded EITC to ensure people who work forty-hours per week do not labor in poverty; a plan to throw open the doors of college education to all people and give them a chance to pay back their loans on favorable terms or through service to the nation; 100,000 additional police officers on the street; the ambitious program of training and retraining ever conceived; and a battery of tax incentives for small businesses and large corporations to create jobs, investment in new technologies.

* Support the President's plan for New Directions!

Econ Ran

(Draft 2/25/93)

Q&A ON CLINTON-GORE ECONOMIC PLAN

1. Broder column and the deficit:

Q: Broder implied that the President knew about the deficit increase during the campaign and that thus he was not being straight in saying that it was the deficit that forced him to go beyond the campaign and raise energy taxes. What is your response?

A: It is disturbing that someone could be so wrong about clear and undisputable facts. It is the case that the deficit did deteriorate during the Presidential campaign. Everyone knew that.

But the undisputable fact is that after the election was over the deficit got far worse by any standard. The adjusted OMB shows that the deficit got worse by $100 billion after the campaign. The CBO showed that it go worse by well over $33 billion. So by any standard, it is a clear, objective and undisputable fact that the deficit got $33-$100 billion worse after the campaign -- and since only OMB and CBO do those numbers -- nobody could have possibly known.

2. Business Week Deficit "Prediction:"

Q: But last July, Clinton told Business Week the deficits would approach $400 billion.

Let me repeat, no human being could predict what the OMB or CBO would do with their January 1993 numbers until they came out.

Unfortunately, David Broder made a false charge based on his own confusion. The unexpected increase in the deficit was the rise in FY1997 to $346 billion -- more than $100 billion greater than when we first did our plan. When Clinton spoke to Business Week he was not even talking about the deficit baseline in 1996 or 1997 or anything like that. What he was referring to in that July 6, 1992 interview was that some were predicting that the 1992 budget might rise to near $400 billion because of RTC costs and other factors. When Congress did not deal with the RTC and technical changes were made, the deficit for 1992 ended up being $290. As it turned out, the 1992 number was far lower than anyone expected, but the 1997 number that we have to live with was more than $100 billion worse than Clinton -- or anyone -- could have known in July 1992.

3. Bush Campaign Tax Commercial:

Q: When Bush did a commercial saying that people making $36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

> A: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1–2%. What he proposed in his budget was only on the top 1.2% of families making over $180,000. Almost 99% of Americans are untouched by increases in the income tax — just as Clinton promised.
>
> Even when the deficit increased after the campaign by an additional $50 billion, Clinton ensured that average families were touched as little as possible by overall tax package— no more than $17 a month for an average family — while millions of families will pay far less when you count their reduced mortgage costs.

4. Family Economic Income:

Q: David Broder says that the Clinton counts income in his figures of $30,000 and $100,000 is inflated and counts income that people normally do not count as income and that this is more smoke and mirrors. What is your response?

> A: Those were the same Treasury calculations used in the Treasury for years -- by Republican Administrations. Only now is it challenged. If you look at the Reagan Administration's 1985 "Tax Proposals to the Congress for Fairness, Growth and Simplicity" or their 1984 report "Tax Reform for Fairness, Simplicity, and Economic Growth" — they both use the same concept of "family income" and have an appendix that explained it in detail. Whatever differences there are between family income and the normal adjusted gross income is minimal around $30,000.
>
> In any case, objective studies by the nation's top tax and accounting companies completely confirm our estimates.
>
> Arthur Anderson showed that a family of three making $25,000, would actually receive a $700 tax cut because the amount we increased the Earned Income Tax Credit is so much larger than the energy tax.
>
> Coopers & Lybrand found that for a family of four making $55,000 adjusted gross income their tax rate would go up less than $11 a month.
>
> [It should also be noted that, by any standard, objective study after objective study has shown that the average family pays only around $15 more a month in higher energy taxes, while a USA Today article this week showed that many middle class families will save over $1000 in mortgage costs from the reduced interest rates that have been

brought about already from the seriousness of the Clinton plan. In addition, the worst distribution table shows that the top 10% pay 70% of all of revenues in the Clinton plan.]

5. Clinton Baseline and CBO Baseline:

Q: Isn't Clinton's baseline purposefully made more negative so that it looks like you are doing more on the deficit. After all, the CBO deficit is only $319, while his is $346?

A: The Administration had some slightly more conservative revenue calculations, but let's be clear: the plan's baseline has no effect whatsoever on the $140 billion in net deficit reduction it does in FY1997. It is the same deficit reduction, no matter where you start. In fact, if they had used the $319 billion baseline, it would be bringing the deficit down to below $180 billion -- which would have made their deficit reduction look more impressive. But, here as elsewhere, the Administration was more conservative so that there would be no question that they were shooting straight with the American people.

Remember, the Council of Economic Advisors came up with the same growth numbers as the Blue Chip. They could have used those numbers and no one could have assailed them. Yet, since the CBO numbers were more conservative, they used them so that there could be no chance that anyone could see them as getting out of the nation's problems with rosy scenarios.

6. Spending cuts and spending ratios:

Q: How do you reply to the claims by Pete Domenici that the Clinton is not really doing much on spending cuts?

If you look at his gross cuts, he is cutting $247 billion in spending and has $493 overall in gross deficit reduction. Even when you subtract all of the tax incentives and new investments, you still find $325 billion in net deficit reduction over four years and $473 in net deficit reduction over five years. Even with all of the new investments, this is still close to being the largest net deficit reduction package of all time.

7. Tax and Spending Ratios:

Q: But doesn't he rely far more heavily on tax revenues and really far too little on spending cuts? Some -- like Rep. Kasich -- say the ratio is $3.60 cents to every $1 in spending cuts.

A: The long-term package over five years has $375 billion in gross spending cuts and $222 billion in cuts even if you subtract all of the new investments.

In gross terms, the overall plan relies more on spending cuts and has more spending cuts than revenue raisers by the second full year. Yet, even if you look at the net numbers -- even if you subtract all of the tax incentives and new investments -- there are more spending cuts than taxes by the fourth year out, <u>and most importantly, that pattern continues to grow with each year</u>. In other words, the percentage of spending cuts continues to exceed the revenue raisers by more and more each year starting in the fourth year.

So the plan will set the nation on a new path. We are turning around the pattern of high deficits and low investment and replacing it with lower deficit, higher investments and do so while setting a long-term pattern that relies more and more on spending cuts with each year.

<u>**Specific Spending Cut Issues:**</u>

Q: Our numbers seem good from a distance, but what we are hearing is that you are inflating your spending cuts by counting things that are really spending cuts. I would like to mention the charges one by one and have you respond as to why it is a spending cuts.

8: Interest Cuts?

Q: Both of the critique on the Clinton budget put out by Republicans on the House and Senate Budget Committees say that the Administration is wrong to count interest rate cuts as a spending cut. What is your response?

A: We knew that Washington was out of touch, but we never thought we would live to see the day when if we cut the tragic amount of interest we pay on the debt, we would be told that this is not cutting spending! Do the Republicans think that cutting interest payments on the debt is raising taxes?

We spend nearly $200 billion a year in interest payments on a national debt that has exploded over the last 12 years. We spend this money -- much of it to foreign bond holders -- instead of investing in America. Since, many of the people in Washington have never cut the interest payments we pay on the debt, I can understand that they do not know what to call it. But I think most people know that when they pay down their credit cards so they pay less interest, they are cutting their spending. When we finally have the courage to cut the deficit so that we are cutting the spending we pay on interests, we are cutting spending. Republicans can call this a Kangaroo or an orange or whatever they want, but common sense tell you that you are cutting spending not raising taxes.

9. Social Security?

Q: Many people have criticized the Administration for counting their Social Security provision as a spending cut when they are raising funds by including more Social Security benefits as taxable income?

A: Just Tuesday, at a Dole, Domenici, Packwood Press conference --Senate Finance member Packwood stated clearly that this type of reduction in Social Security has been counted as a spending cut by both the Bush and Reagan Administration. [Reuters Transcript Report, 2/23/93]
Rudy Penner has published before making the point that this reduction should be seen as a spending cut.

And as Herb Stein said in the Wall Street Journal, (1/24/93) there is no reason to call this a new revenue as opposed to a spending cut. The effect is exactly the same. However, it is classified, we are cutting our spending on entitlements by the same amount

The main thing is that it is too bad that people who don't have the courage to change are getting lost in form over substance. For years and years, we have heard that we have to cut what we spend on entitlements, and that we must have the courage to take on Social Security. If the Clinton plan had cut COLAs, it would have been regressive, but everyone would have called that a "spending cut." Yet, the Administration figured out a way to cut spending on social security entitlements by affecting only the top 19% of beneficiaries. That is an important, smart and fair way to reduce entitlements ---whatever you call it.

10. User Fees?

Q: Some are also saying that they are counting fees as cuts when they are really higher taxes:

A: It has always been the standard rule that if a business or a person uses a government service -- paid for by the taxpayer -- and that business or person pays for a specific service and is charged for it in a business like way, then it is counted as a reduction of the costs of the program.
Why should a taxi cab driver have his tax dollars used to subsidize a wealthy person's use of his private jet? Making that private jet owner pay for his use of a public-paid for airport so that we can spend less on our airports is lowering spending costs the average taxpayers have to pay.

11. Earned Income Tax Credit:

Q: The House Budget Republicans say that it is wrong for the Administration to count all of the earned income tax credit as a tax cut, and that they should count part of it as a spending increase?

A: That is a trickle-down definition if I've ever heard one. If a tax cut is given for a rich person it is called a supply-side miracle. When we give a tax cut for working people, Republicans call it a spending increase. That is an outrage. The fact is that President Bush and everyone else scored the earned income tax credit as a tax cut in the 1990 Budget Agreement. It is just one more attempt to distract attention from the fact that Bill Clinton has presented a real deficit package, and the Republicans have no reply.

12. Spending Cuts and Budget Agreement:

Q: What is your response to Domenici and others who say that many of the Administration's spending cuts were already in the 1990 budget agreement?

A: Let's be clear. The Clinton budget has 150 new cuts in domestic programs that had not been made by the past Administration. 150 new cuts -- totalling $246 billion in cuts with the defense reductions -- that are beyond and above any cuts made by the Bush Administration. What some Republicans are suggesting is that since the 1990 budget agreements say that spending should be "capped," the cuts would somehow be magically made and it doesn't count when the Administration comes up with them. It is that gimmicky attitude that is largely responsible for all of our budget problems.

There are no free or magic spending cuts or caps that automatically make cuts or create courage. Saying there should be a cap doesn't make the tough decisions of what to cut. That is what we did --- we made the specific tough decisions. And that is what some critics continue to duck. If they have new cuts, let the Republican national leadership show us $10 billion in new and additional cuts -- specific line by line, just like the Administration did. No caps, no magic asterisks, no rosy scenarios.

13. Gross and Net Deficits:

Q: But didn't the OMB Director purposely mislead us by giving the impression that you were cutting $493 billion in net deficit reduction over four years?

A: No. The Administration has always made it clear that, of the $493 billion in deficit reduction, 2 of every 3 dollars goes for deficit reduction and $1 goes for new investment. In his briefing on February 17th, Leon Panetta referring to the $493 billion said, "Two-thirds of that amount goes for deficit reduction, one-third of that amount goes for investments." The Administration regrets if any misunderstanding took place, but OMB director Panetta's statement was clear.

14. Social Security:

Q: The President claimed that while he was going to ask for more from well-off Social Security recipients, that no one who did not pay tax on their Social Security now would not pay tax under his proposal. Yet, some claim this is not true. They say that the provision will reach below $32,000 and tax new people who never before paid tax on their Social Security benefits.

A: That is not true. We ask more from the top 19% of the Social Security recipients and that is all. The same 80% of Social Security recipients who don't pay a dime on their Social Security benefits will still not pay a dime.

[The formula to increase the amount of benefits subject to taxation, is phased in so that only those over the current threshold -- $25,000 for a single and $32,000 for couple --are affected. The claim that we are reaching deeper is not the case: the thresholds are intact under our plan. (If there are disputes on the revenue we raise, that is a technical issue)]

15. Gramm–Armey?

Q: What about the Gramm–Armey plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non–Social Security entitlements at inflation as they claim?

Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm–Armey does not call for a single new dollar in training for laid–off defense workers, for anti–crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

But far beyond that, their nice sounding plan could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI –– 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

We have given every cut –– no matter how painful –– line by line, dollar by dollar, year by year. Others who don't have the cuts to follow course, throw out gimmicks that sound nice, but when you look behind them you find that they could only take place if we called for painful, dangerous cuts that these same people don't have the courage to be specific about.

16. Kemp–Weber?

Q: How about the Kemp–Weber proposal –– "Empower America?"

A: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

Mr. Kemp calls for hundreds of billions in all sorts of tax cuts to everyone imaginable. He would spend hundreds of billions reducing the payroll tax cut, increasing the personal exemption, while reducing every corporate tax imaginable. Some of this is nice –– I wish we could just give away hundreds of billions. And what is his only suggestion for paying for these massive new tax cuts? He calls for a line–item veto –– which we support –– and what he calls "strong budget caps." We really can't afford four more years just like the last 12 years with people like Mr. Kemp promising everything to everyone, saying we can cure all our problems without having the guts to come forward with even one specific tough choice. We gave America a real budget, with over a 150 specific cuts in program for each of the next five years so that we could both bring the down the deficit while we increased investments in our people. That is tough to do, but that is the type of change the American people want.

ECONOMIC PLAN TALKING POINTS

Econ Plan

CORE

The President's economic plan will be a bold strategy to:

Generate jobs,

Increase incomes, and

Fulfill the President's commitment to long-term deficit reduction as a prerequisite for long-term growth.

GENERAL COST CONTROLS/SPENDING CUTS/REVENUE OPTIONS

We didn't get into this situation of slow growth, stagnant incomes, and big deficits yesterday, and it isn't going to be easy to get out of it. We can renew our economy - but everybody is going to have to do his part. We will all be called on to contribute, but we're going to get a stronger, sturdier America - for ourselves and for our children - in return.

SPECIFIC DEFICIT REDUCTION OPTIONS (COLA delay, energy tax, etc.)

We're working around the clock to craft a plan that will generate jobs and increase incomes. We all recognize that long-term growth requires long-term deficit reduction - and that means everybody will have to make a contribution. We're looking at the full range of options and I can't rule anything in or out. But I can assure you that there will not be a single decision made independent of the total package; every element of this plan will be balanced with every other. The gears will mesh.

DEFICIT REDUCTION IN GENERAL

Long-term deficit reduction is absolutely essential to long-term, sustainable growth. Growth without deficit reduction is sort of like bread without yeast: the economy won't rise without it. The President understands that, and the economic package he presents will reflect that.

STIMULUS PACKAGE

The President is keenly aware that the growth in GDP has not been matched by a growth in jobs. I think you'll see an economic package that will include a shot in the arm for the American workforce. If we can get some money in the pipeline now to rebuild our infrastructure and provide incentives for private investment, we'll see some real job growth. But the President hasn't settled on any firm number yet; this is a total package and the package will be ready by the 17th.

TIMELINE

The President will announce a complete economic package at an Address to a Joint Session of Congress on February 17.

Econ Plan

3/1/93 g.s.

BRIEF Q & A ON CLINTON-GORE ECONOMIC PLAN

Deficit increase

Question: Did the President, as journalists have charged, know about the deficit increase during the campaign and not shoot straight about raising taxes?

Answer: Putting People First was based on January 1992 budget and deficit estimates. The deficit did get somewhat worse during the campaign, but not enough to have forced President Clinton to have had to raise energy taxes to hit our current deficit targets.

But then in January 1993, just two weeks before President Clinton took office, Bush Budget Director Darman revealed that in fact, the deficit in 1997 would be another $70 -$100 billion higher than he had said it would be in August. The Congressional Budget Office also agreed the deficit in 1997 would be a lot bigger -- closer to $30 billion more. Our transition officials found the numbers showed we were $50 billion higher. No one -- no one -- had the capacity to know what the January 1993 CBO and OMB numbers would be before they came out. Therefore, no matter whose numbers you believe, the facts are clear: the deficit is much higher than anyone could have known last summer.

Follow-up: But didn't candidate Clinton tell Business Week in July that the 1997 deficit could hit $400 billion?

Answer: No. Clinton was, in fact, referring to some projections that the 1992 deficit would be massive because of the Savings and Loan bailout and other factors.

Deficit claims in OMB document

Question: Why did OMB mislead the public when it claimed the plan would cut the deficit by $500 billion?

Answer: There's been some confusion about what are called "gross" and "net" deficit reduction numbers. But lets be clear: the Clinton budget cuts the deficit by $325 billion over four years even when you include the $160 billion of new investments the President calls for. [Over five years, the plan reduces the deficit $472 billion net, while also doing over $220 billion in new investments.] The plan will reduce the deficit by $140 billion in FY1997 alone.

Taxes on the middle class

Question: When Bush did a commercial saying that people making $36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

Answer: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1-2%. What he proposed in his budget was only on the top 1.2% -- families making over $180,000. Almost 99% of Americans are untouched by increases in the income tax -- just as Clinton promised.

Even when the deficit increased after the campaign by an additional $50 billion, Clinton ensured that average families were touched as little as possible -- no more than $17 a month for an average family -- while millions of families will pay far less when you count their reduced mortgage costs as a result of reduced interest rates.

Follow-up: But isn't it the biggest tax increase of all time?

Answer: No. The Reagan tax increase of 1982 was larger and far less fair.

Question: Is the President, by using the concept of "family economic income," misleading people about the real impact of his plan on their taxes?

Answer: For more than twenty years the Treasury Department has consistently used "family economic income" when it calculates tax impacts.

Opponents of the Clinton plan are trying to scare the public by making people believe that the Administration is suddenly changing the way it calculates how much you owe in taxes. That's not true.

Look at what the nation's top accounting have shown: Coopers & Lybrand found that for a family of four making $55,000 adjusted gross income, their tax rate would go up less than $11 per month; Arthur Andersen showed that a family of three making $25,000 would actually receive a $700 tax cut because the increase in the Earned Income Tax Credit is much larger than the energy tax.

<u>Spending cuts</u>

Question: Are the Republicans in Congress right when they charge that the Clinton plan doesn't really cut spending?

Answer: Listening to the Republicans talk about cutting spending is like listening to Al Capone talk about cleaning up street crime.

The Clinton plan, in fact, cuts almost $250 billion from defense and 150 separate domestic programs over the next four years. These are specific cuts and they required tough decisions. The President had the courage to detail these cuts and the critics should either come up with specific cuts of their own or shut up.

In fact, if the Clinton plan is adopted, we will spend less -- as a proportion of our national income -- than either Bush or Reagan. [Government spending under the Clinton plan would average 22.7 percent. Under the Republicans, it averaged 23.3 percent.]

Question: Why did the Administration break its promise to offer two dollars in spending cuts for every one dollar in taxes?

Answer: The Clinton plan cuts almost $250 billion from defense and 150 separate programs over the next four years -- and puts almost all those cuts into effect immediately. It is a serious and balanced plan to bring down the deficit and restore economic growth.

The important thing is that the President has said that he will not raise any new revenues unless Congress also votes to cut spending. In addition, the ratio of spending cuts to taxes grows each year. By the fourth year, spending cuts outstrip revenue increases and the gap gets bigger each year after that. We welcome the critics to come up with their own <u>specific</u> lists of further spending cuts.

Question: Isn't the Clinton plan just a ruse to take credit for spending cuts that would have happened anyway under the 1990 Budget Agreement?

Answer: No. Every single one of the 150 programs we cut is a new cut creating new savings and additional savings. The 1990 Budget agreement had caps -- it didn't say what the cuts were, or who would have the courage to identify and call for them. By filling in the black box with real and specific reductions, the Clinton plan converts smoke and mirrors into concrete spending cuts.

Question: What about the various critics who say you should just cap spending, and that will solve our deficit woes?

Answer: The magic asterisk solution to the deficit has been tried before -- and failed. Calling for a cap on spending is the easiest way to avoid making the tough calls and no way to get a handle on the deficit.

The Clinton plan is specific, balanced and fair. It calls for almost $250 billion in cuts in 150 separate programs.

Question: How can you count savings in interest payments as spending cuts?

Answer: Only Republicans who presided over the quadrupling of our national debt would have the gall to ask this question.

When a family gets behind and has to pay interest on its Visa bill, it spends more money each month. When the Federal Government pays interest on an ever-expanding debt, it is wasting the taxpayers' money. When we pay less interest, we spend less.

Question: Why do you count increasing Social Security taxes as a spending cut?

Answer: This is a long standing practice used by the Bush and Reagan administrations for years. The important point is that we need to reduce spending on entitlement programs to reduce the deficit, and we have taken a measure to reduce such spending in a fair and progressive way that leaves untouched 80% of all Social Security recipients.

Question: Why does the Clinton plan count user fees as spending reductions rather than tax increases?

Answer: If the government is asking users of a service to pay more in fees, its costs go down. Therefore, the program costs less to the government.

Every Republican budget produced since 1981 has included user fees as an offset to spending. This is not a new practice.

Question: Isn't a boost in the earned income tax credit really a spending increase?

Answer: This is standard budget practice. It is amazing that when we give a tax cut to working people, as opposed to the wealthiest Americans, some people want to call it spending.

Note: It is possible that Congressional Democrats may insist on counting a portion of the increase in the Earned Income Tax Credit as a spending increase.

Gramm-Armey:

Question: What about the Gramm-Armey plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non-Social Security entitlements at inflation as they claim?

Answer: Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm-Armey does not call for a single new dollar in training for laid-off defense workers, for anti-crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

According to Congressional experts who have studied their plan, it could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI -- 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

Kemp-Weber:

Question: How about the Kemp-Weber proposal -- "Empower America?"
Answer: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

Mr. Kemp calls for hundreds of billions in all sorts of tax cuts to everyone imaginable. He would spend hundreds of billions reducing the payroll tax cut, increasing the personal exemption, while reducing every corporate tax imaginable. Some of this is nice -- I wish we could just give away hundreds of billions. And what is his only suggestion for paying for these massive new tax cuts? He calls for a line-item veto -- which we support -- and what he calls "strong budget caps." We really can't afford four more years just like the last 12 years with people like Mr. Kemp promising everything to everyone, saying we can cure all our problems without having the guts to come forward with even one specific tough choice.

Econ Plan

3/1/93 g.a.

IN-DEPTH Q&A ON CLINTON-GORE ECONOMIC PACKAGE

1. Broder column and the deficit:

Q: Broder implied that the President knew about the deficit increase during the campaign and that thus he was not being straight in saying that it was the deficit that forced him to go beyond the campaign and raise energy taxes. What is your response?

A: The clear and undisputable facts show that he is wrong. It is the case that the deficit did deteriorate during the Presidential campaign. Everyone knew that. But it did not deteriorate enough to require us to have raised energy taxes to get our current deficit target for 1997.

But the undisputable fact is that after the election was over the deficit got far worse by any standard. The adjusted OMB shows that the deficit got worse by $70-100 billion after the campaign. The CBO showed that it go worse by well over $33 billion. When adjustments were made to our internal numbers, the deficit was $50 billion higher. So by any standard, it is a clear, objective and undisputable fact that the deficit got $33-$100 billion worse after the campaign. No one -- no one -- had the capacity to know what the January 1993 CBO and OMB numbers would be before they came out. Therefore, no matter whose numbers you believe, the facts are clear: the deficit is much higher than anyone could have known last summer.

2. Business Week Deficit "Prediction:"

Q: But last July, Clinton told Business Week the deficits would approach $400 billion.

Let me repeat, no human being could predict what the OMB or CBO would do with their January 1993 numbers until they came out.

The unexpected increase in the deficit was the rise in FY1997 to $346 billion -- more than $100 billion greater than when we first did our plan. When Clinton spoke to Business Week he was not even talking about the deficit baseline in 1996 or 1997. What he was referring to in that July 6, 1992 interview was that some were predicting that the 1992 budget might rise to near $400 billion because of RTC costs and other factors. When Congress did not deal with the RTC and technical changes were made, the deficit for 1992 ended up being $290 billion. As it turned out, the 1992 number was far lower than anyone expected, but the 1997 number that we have to live with was more than $100 billion worse than Clinton -- or anyone -- could have known in July 1992.

3. Bush Campaign Tax Commercial:

Q: When Bush did a commercial saying that people making $36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

> A: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1-2%. What he proposed in his budget was only on the top 1.2% of families making over $180,000. Almost 99% of Americans are untouched by increases in the income tax -- just as Clinton promised.
>
> Even when the deficit increased after the campaign by an additional $50 billion, Clinton ensured that average families were touched as little as possible by overall tax package-- no more than $17 a month for an average family -- while millions of families will pay far less when you count their reduced mortgage costs.

4. Family Economic Income:

Q: David Broder says that the Clinton counts income in his figures of $30,000 and $100,000 is inflated and counts income that people normally do not count as income and that this is more smoke and mirrors. What is your response?

> A: Those were the same Treasury calculations used in the Treasury for years -- by Republican Administrations. Only now is it challenged. If you look at the Reagan Administration's 1985 "Tax Proposals to the Congress for Fairness, Growth and Simplicity" or their 1984 report "Tax Reform for Fairness, Simplicity, and Economic Growth" -- they both use the same concept of "family income" and have an appendix that explained it in detail. Whatever differences there are between family income and adjusted gross income, that difference is minimal for the average middle class family.
>
> In any case, objective studies by the nation's top tax and accounting companies completely confirm our estimates.
>
> Arthur Anderson showed that a family of three making $25,000, would actually receive a $700 tax cut because the amount we increased the Earned Income Tax Credit is so much larger than the energy tax.
>
> Coopers & Lybrand found that for a family of four making $55,000 adjusted gross income their tax rate would go up less than $11 a month.
>
> [It should also be noted that, by any standard, objective study after objective study has shown that the average family pays only around $15 more a month in higher energy taxes, while a USA Today article this week showed that many middle class

families will save over $1000 in mortgage costs from the reduced interest rates that have been brought about already from the seriousness of the Clinton plan. In addition, the worst distribution table shows that the top 10% pay 70% of all of revenues in the Clinton plan.]

5. Clinton Baseline and CBO Baseline:

Q: Isn't Clinton's baseline purposefully made more negative so that it looks like you are doing more on the deficit. After all, the CBO deficit is only $319, while his is $346?

A: The Administration had some slightly more conservative revenue calculations, but let's be clear: the plan achieves specific gross cuts of $195 billion in 1997. When you subtract $55 billion for new investments that comes to $140 billion in net deficit reduction.

We have been more conservative in all our numbers so that the American people know we are shooting straight with them. Remember, the Council of Economic Advisors came up with the same growth numbers as the Blue Chip. We could have used those numbers and no one could have assailed them. Yet, since the CBO numbers were more conservative, they used them so that there could be no chance that anyone could see them as getting out of the nation's problems with rosy scenarios.

6. Spending cuts:

Q: How do you reply to the claims by Pete Domenici that the Clinton is not really doing much on spending cuts?

A: If you look at his gross cuts, he is cutting $247 billion in spending and has $493 overall in gross deficit reduction. Even when you subtract all of the tax incentives and new investments, you still find $325 billion in net deficit reduction over four years and $473 in net deficit reduction over five years. Even with all of the new investments, this is still close to being the largest net deficit reduction package of all time.

In fact, if the Clinton plan is adopted, we will spend less -- as a proportion of our national income -- than either Bush or Reagan. [Government spending under the Clinton plan would average 22.7 percent. Under the Republicans, it averaged 23.3 percent.]

7. **Tax and Spending Ratios:**

Q: But doesn't he rely far more heavily on tax revenues and really far too little on spending cuts? Some -- like Rep. Kasich -- say the ratio is $3.60 cents to every $1 in spending cuts.

A: The long-term package over five years has $375 billion in gross spending cuts and $222 billion in cuts even if you subtract all of the new investments.

In gross terms, the overall plan relies more on spending cuts and has more spending cuts than revenue raisers by the second full year. Yet, even if you look at the net numbers -- even if you subtract all of the tax incentives and new investments -- there are more spending cuts than taxes by the fourth year out, <u>and most importantly, that pattern continues to grow with each year</u>. In other words, the percentage of spending cuts continues to exceed the revenue raisers by more and more each year starting in the fourth year.

So the plan will set the nation on a new path. We are turning around the pattern of high deficits and low investment and replacing it with lower deficit, higher investments and do so while setting a long-term pattern that relies more and more on spending cuts with each year.

[Note: In real terms, Treasury has calculated that the 1982 Reagan tax increase was larger and less fair than our tax package]

<u>Specific Spending Cut Issues:</u>

Q: Your numbers seem good from a distance, but what we are hearing is that you are inflating your spending cuts by counting things that are not really spending cuts. I would like to mention the charges one by one and have you respond as to why it is a spending cuts.

8: Interest Cuts?

Q: Both of the critique on the Clinton budget put out by Republicans on the House and Senate Budget Committees say that the Administration is wrong to count interest rate cuts as a spending cut. What is your response?

A: We knew that Washington was out of touch, but we never thought we would live to see the day when if we cut the tragic amount of interest we pay on the debt, we would be told that this is not cutting spending! Do the Republicans think that cutting interest payments on the debt is raising taxes?

We spend nearly $200 billion a year in interest payments on a national debt that has exploded over the last 12 years. We spend this money -- much of it to foreign bond holders -- instead of investing in America. Since, many of the people in Washington have never cut the interest payments we pay on the debt, I can understand that they do not know what to call it. But I think most people know that when they pay down their credit cards so they pay less interest, they are cutting their spending. When we finally have the courage to cut the deficit so that we are cutting the spending we pay on interests, we are cutting spending. Republicans can call this a Kangaroo or an orange or whatever they want, but common sense tell you that you are cutting spending not raising taxes.

9. Social Security?

Q: Many people have criticized the Administration for counting their Social Security provision as a spending cut when they are raising funds by including more Social Security benefits as taxable income?

A: Just Tuesday, at a Dole, Domenici, Packwood Press conference -- Senate Finance member Packwood stated clearly that this type of reduction in Social Security has been counted as a spending cut by both the Bush and Reagan Administration. [Reuters Transcript Report, 2/23/93] Former CBO director Rudy Penner has published an article stating that this reduction should be seen as a spending cut.

And as Herb Stein said in the Wall Street Journal, (1/24/93) there is no reason to call this a new revenue as opposed to a spending cut. The effect is exactly the same. However it is classified, we are spending less on entitlements by the same amount

The main thing is that it is too bad that people who don't have the courage to change are getting lost in form over substance. For years and years, we have heard that we have to cut what we spend on entitlements, and that we must have the courage to take on Social Security. If the Clinton plan had cut COLAs, it would have been regressive, but everyone would have called that a "spending cut." Yet, the Administration figured out a way to cut spending on Social Security'entitlements by affecting only the top 19% of beneficiaries. That is an important, smart and fair way to reduce entitlements -- whatever you call it.

10. User Fees?

Q: Some are also saying that they are counting fees as cuts when they are really higher taxes:

> A: It has always been the standard rule that if a business or a person uses a government service -- paid for by the taxpayer -- and that business or person pays for a specific service and is charged for it in a business-like way, then it is counted as a reduction of the costs of the program. Why should a taxi cab driver have his tax dollars used to subsidize a wealthy person's use of a private jet? Making that private jet owner pay for his use of a taxpayer financed airport so that we can spend less on our airports is lowering the spending costs average taxpayers have to pay.

11. Earned Income Tax Credit:

Q: The House Budget Republicans say that it is wrong for the Administration to count all of the earned income tax credit as a tax cut, and that they should count part of it as a spending increase?

> A: That is a trickle-down definition if I've ever heard one. If a tax cut is given for a rich person it is called a supply-side miracle. When we give a tax cut for working people, they call it a spending increase. The fact is that President Bush and everyone else scored the earned income tax credit as a tax cut in the 1990 Budget Agreement. It is just one more attempt to distract attention from the fact that Bill Clinton has presented a real deficit package, and the Republicans have no reply.

12. Spending Cuts and Budget Agreement:

Q: What is your response to Domenici and others who say that many of the Administration's spending cuts were already in the 1990 budget agreement?

> Answer: No. Every single one of the 150 programs we cut is a new cut -- beyond what was implemented in the Bush Administration -- creating new savings. The 1990 Budget agreement had caps -- it didn't say what the cuts were, or who would have the courage to identify and call for them. By filling in the black box with real and specific reductions, the Clinton plan converts smoke and mirrors into concrete spending cuts.

13. Gross and Net Deficits:

Q: But didn't the OMB Director purposely mislead us by giving the impression that you were cutting $493 billion in net deficit reduction over four years?

> A: No. There may have been some confusion over what was gross deficit cuts and what was a net deficit cut. The Administration has always made it clear that of the $493 billion in gross deficit reduction, 2 of every 3 dollars goes for deficit reduction and $1 goes for new investment. In his briefing on February 17th, Leon Panetta referring to the $493 billion said, "Two-thirds of that amount goes for deficit reduction, one-third of that amount goes for investments."

14. Social Security Thresholds:

Q: The President claimed that while he was going to ask for more from well-off Social Security recipients, that no one who did not pay tax on their Social Security now would not pay tax under his proposal. Yet, some claim this is not true. They say that the provision will reach below $32,000 and tax new people who never before paid tax on their Social Security benefits.

> A: That is not true. We ask more from the top 19% of the Social Security recipients and that is all. The same 80% of Social Security recipients who don't pay a dime on their Social Security benefits will still not pay a dime.
>
> [The formula to increase the amount of benefits subject to taxation, is phased in so that only those over the current threshold -- $25,000 for a single and $32,000 for couple --are affected. The claim that we are reaching deeper is not the case: the thresholds are intact under our plan. (If there are disputes on the revenue we raise, that is a technical issue)]

15. The Need for a Stimulus?

Q: Now that we see how great the growth was for the 4th Quarter of 1992, do we still need a stimulus package?

> A: In light of the strong upsurge in consumer confidence that occurred in the last few months of 1992 because of optimism over President Clinton's election, we are gratified by the encouraging news. Yet, as we have said before, the President's criteria is jobs, and we still have a jobless recovery, with historically low job creation rates. If this were even an average recovery, we would have 3 million more jobs in the economy today. In fact, the unemployment rate is higher today than it was at the very bottom of the recession. So we are not satisfied, and we will not be satisfied until we get a job creating recovery.

16. Gramm-Armey?

Q: What about the Gramm-Armey plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non-Social Security entitlements at inflation as they claim?

A: Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm-Armey does not call for a single new dollar in training for laid-off defense workers, for anti-crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

But far beyond that, their nice sounding plan could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI -- 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

We have given every cut -- no matter how painful -- line by line, dollar by dollar, year by year. Others who don't have the cuts to follow course, throw out gimmicks that sound nice, but when you look behind them you find that they could only take place if we called for painful, dangerous cuts that these same people don't have the courage to be specific about.

17. Kemp-Weber?

Q: How about the Kemp-Weber proposal -- "Empower America?"

A: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

Mr. Kemp calls for hundreds of billions in all sorts of tax cuts to everyone imaginable. He would spend hundreds of billions reducing the payroll tax cut, increasing the personal exemption, while reducing every corporate tax imaginable. Some of this is nice -- I wish we could just give away hundreds of billions. And what is his only suggestion for paying for these massive new tax cuts? He calls for a line-item veto -- which we support -- and what he calls "strong budget caps." We really can't afford four more years just like the last 12 years with people like Mr. Kemp promising everything to everyone, saying we can cure all our problems without having the guts to come forward with even one specific tough choice. We gave America a real budget, with over a 150 specific cuts in program for each of the next five years so that we could both bring the down the deficit while we increased investments in our people. That is tough to do, but that is the type of change the American people want.

18. Marriage Penalty?

Q: Isn't there a marriage penalty in this package?

A: No. This plan doesn't even touch the incomes taxes of any other than the top 1.2% of all taxpayers. Some have complained that the surtax on those making over $250,000 is a marriage penalty for those in that bracket because it didn't distinguish between singles and married couples who are extremely well-off. That just goes to technical aspects of that provision and is a red-herring at best.

THE WHITE HOUSE

WASHINGTON

TO: Domestic Policy Program Staff

FROM: Carol H. Rasco

SUBJ: End of week commentary

DATE: May 14, 1993

Attached is a piece prepared by OMB that will give you a good summary of where the President's plan stands in the House as the plan moves closer to the full House for a vote. You will note a schedule of action is also included. Later today we hope to have weekend talking points for everyone....the full push is on! If you know of constituent groups with interest in this package, you should be on the phone with them reminding them of the need for strong and public support.

Because I will again be tied up next week in the morning hours with budget briefings as well as health care briefings, I am asking that barring complications in your schedule you join me both Monday and Thursday of next week in noon "bring your own lunch" sessions in my office where we will on Monday catch up on one another's activities and from that meeting decide on an agenda for Thursday.

Have a good weekend, I hope to see you Monday at noon!

STATUS OF PRESIDENT'S ECONOMIC PROGRAM

RECONCILIATION	5-YR. SAVINGS ($ in billions)	STATUS
Agriculture	3 *	✓
Armed Services	2	✓
Banking	3	✓
Education and Labor	6 *	✓
Energy and Commerce	48 *	✓
Foreign Affairs/Judiciary Merchant Marines/Public Works	1 *	✓
Natural Resources	2 *	✓
Post Office and Civil Service	11 *	✓
Veterans Affairs	3 *	✓
Ways and Means	300 *	✓
Total	343	
DISCRETIONARY SAVINGS	102	✓
DEBT SERVICE	51	✓
TOTAL:		
CBO Scoring	496	
OMB Scoring	524	

*Includes items reconciled to multiple committees.

BUDGET ENFORCEMENT MECHANISMS

- o Discretionary Spending Controls
- o Pay-As-You-Go
- o Sequester
- o Deficit Reduction Trust Fund
- o Modified Line-Item Veto

HISTORY OF RECONCILIATION SAVINGS

(In billions of dollars)

Reconciliation Legislation 1/	Deficit Reduction Achieved Over 3 Years	5 Years
1981	-233	NA
1982	128	NA
1983	4	NA
1984	63	NA
1985	18	NA
1986	13	NA
1987	48 2/	NA
1989	24	41
1990	130	245
1993	150 3/	343 3/

1/ Includes separate tax bills in 1981 and 1982.

2/ Estimates available for only 2 years.

3/ Targets.

RECONCILIATON SCHEDULE

May 14 - Committees report reconciliation

May 17 - All legislation to House Budget Committee

May 20 - House Budget Committee reports reconciliation bill

May 25 - Reconciliation bill filed

May 26 - Rules Committee

May 27 - House floor

AGRICULTURE COMMITTEE

5 Year Savings Target: $2.95 billion

Savings Achieved

- o Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments). for program crops from 15 to 20 percent, starting with 1994 crop.
- o Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- o Decreases current law assessment on dairy to 10 cents.
- o Reduces Market Promotion Program to $148 million per year (equals FY 1993 level).
- o Lowers payment limit on honey, and wool and mohair programs to $50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- o Increases Forest Service recreation fees.
- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.
- o Adjusts purchase prices to effectively buy more milk powder and buy less butter.
- o Creates free catastrophic crop insurance for losses above 65 percent.
- o Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.
- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

HOUSE ARMED SERVICES COMMITTEE

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

Savings Achieved

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

HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: $3.1 billion

Savings Achieved

- Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.

- Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.

- Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.

- Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.

- Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

HOUSE EDUCATION AND LABOR COMMITTEE

5 Year Savings Target: $5.8 billion

Savings Achieved

- Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.

- To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.

- Removes unintended barriers preventing States from recovering Medicaid payments properly paid by proper health insurance.

ENERGY AND COMMERCE COMMITTEE

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

<u>Savings Achieved</u>

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum.

- o Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.

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

<u>Savings Achieved</u>

- o Reconciliation bill amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.

- o The NRC fee extension increases receipts by $1.16 billion in FY96 through FY98.

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

<u>Savings Achieved -- Medicare</u>

- o reduction in the Medicare Volume Performance Standard that would limit future physician payment fee increases;

- o limits payments for clinical laboratory tests;

- an extension of current reductions on reimbursement for hospital outpatient department capital costs and sets reasonable costs;
- Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- a reduction in the scheduled 1994 increase in physician fees;
- limits payments for durable medical equipment;
- expands the ban on self-referrals by physicians, i.e.,to facilities in which the physicians have a financial interest; and
- extends Part B (SMI) premium levels beyond 1995.

Note:

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

Savings Achieved -- Medicaid

- The Committee exceeded by $356 million the five-year savings target of $7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:
- strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;
- improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- enable States to adopt prescription drug formularies;
- assure that disproportionate share hospital payments to public hospitals are tied to costs; and

- correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

Investments

- The Committee adopted legislation to help assure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.

- The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.

- The Committee extended some areas of Medicaid coverage, including:

  -- raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and

  -- funding medical assistance payments for States with a disproportionate share of border-crossing individuals.

  -- extending eligibility for some Medicaid services to impoverished TB patients.

HOUSE FOREIGN AFFAIRS COMMITTEE (HFAC)

5 Year Savings Target: $5 million

Savings Achieved:

- o HFAC deferred to the House Post Office and Civil Service Committee (PO & CS) to report out legislation necessary to amend COLA benefits to retirees, including those in the Foreign Service retirement program.
- o HFAC informed the House Budget Committee in writing today that HFAC supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96.

HOUSE JUDICIARY COMMITTEE

5 Year Savings Target: $0.3 billion

<u>Savings Achieved</u>

- This proposal extends patent fee surcharges created by Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase patent fees beyond levels anticipated under current law.

- The savings begin in 1996, at slightly over $100 million per year through 1998.

HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

5 Year Savings Target: $0.2 billion

<u>Savings Achieved</u>

- o Meets the target by extending the Tonnage Duty Fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA.
- o The savings begin in 1996, at over $65 million annually.
- o The Fees are collected by the Customs Service but are credited as offsets to the Department of Transportation for services provided by the Coast Guard to the merchant marine industry such as aids to navigation.
- o The fees are paid by all ships entering U.S. ports after calling on foreign ports.

HOUSE NATURAL RESOURCES COMMITTEE

5 Year Savings Target: $2 billion

Savings Achieved

- Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- Extends through FY 1998 the existing requirement that the Nuclear Regulatory Commission recover 100% of its costs through user fees.

HOUSE POST OFFICE and CIVIL SERVICE COMMITTEE

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

Savings Achieved

- Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1% in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- Delays to July 1 the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for fiscal years 1994 through 1998.
- Reduces the Federal workforce by 150,000 over the next five fiscal years.
- Eliminates cash awards between fiscal years 1994 through 1998.
- Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disbility Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

5 Year Savings Target: $0.3 Billion

Savings Achieved

- Charges more equitably for Federal Aviation Administration (FAA) services provided to users of the national airspace system. These charges are described as follows.
  - Increases annual general aviation aircraft registration fee and ties it to aircraft weight. Fee ranges from $40 per year for small aircraft to $2,000 for larger aircraft. This is estimated to raise $137 million over 5 years.
  - Increases general aviation aircraft title recordation fee to $200. This is a one-time fee paid whenever an aircraft is bought or sold. The Committee action will permit the fee to be weight based, i.e., the fee must average $200 across all payees. This is estimated to raise $48 million over 5 years.
  - Establishes an aviation medical examiner certification fee of $500. Doctors take classes from the FAA for free, receive credit towards their state accreditation requirements, and then charge pilots for the annual medical exam required by the FAA. This will raise an estimated $15 million over 5 years.
  - Increases the triennial pilot certificate fee of $12. This will raise $13.8 million over 5 years.
- Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

HOUSE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: $2.6 billion.

Savings Achieved

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

HOUSE WAYS AND MEANS COMMITTEE

5 Year Savings Target: $48.35 billion for Medicare

Savings Achieved

- o The Ways and Means Medicare package would save $50.5 billion over five years -- meeting the savings objectives of the President's budget.

- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save $38 billion over five years.

- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;

- o The Committee extended the Part B (SMI) premium levels beyond 1995.

- o The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

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

Investments

- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.

- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.

- Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.
- Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.

THE WHITE HOUSE

WASHINGTON

May 9, 1993

MEMORANDUM FOR GENE SPERLING

FROM: PAUL DIMOND

SUBJECT: IT'S THE ECONOMY, STUPID!

I. THE CURRENT BUDGET BATTLE.

Although I am no expert on public perception, our basic problem is that an increasing proportion of the public properly perceives that we propose to raise taxes (and spending) now, while putting off any material cuts in programs (and reduction of the deficit) until later.

In his Economic Message to Congress, the President was able to convince the American public -- at least for that moment -- that our schedule of increasing taxes and investments now and cutting spending and the deficit later is in the best interests of the country for four basic reasons:

- to bolster a fragile economic recovery now with new investments
- to begin the shift from public consumption to public investment now
- to shift more of the tax burden from the middle class to the wealthy now
- to cut federal spending (and the deficit) in later years after the economy is on sounder footing in order to spur economic growth over the long haul.

Over the past few months, much of the public has lost sight of this message for three basic reasons:

- the energy tax, at least as explained or understood, does not fit the message
- the public is cynical about promises of cuts in the out years
- the public is losing confidence in the claim that new investments are anything more than old-style liberal democratic spending masquerading in new democratic garb

This battle over the message must be fought honestly -- on the merits -- by convincing the American public that

• all proposed increases in spending are public investments essential for the short-term health and long-term growth of the economy and are not old-style liberal spending

• all proposed tax increases are part of the shift in the tax burden from the middle class to the wealthy

• all proposed cuts are cast in concrete (not only as to specific amounts, but also as to a credible overall reduction in the deficit that is enforceable and can be believed).

The obvious weakness for us, of course, is that the mood of the American public may be more for both cutting spending some <u>and</u> reducing taxes on the middle class <u>more</u> now as the better means to bolster a fragile economy and to set the stage for future public investments and deficit reduction later. But that is an approach that we have consciously rejected and against which we have chosen to -- and must -- fight during the current Budget Reconciliation battle.

II. THE NEXT BUDGET BATTLE.

Whatever the outcome of the particular budget, spending and tax battles in reconciliation this spring and summer, however, the budget season for the next fiscal year affords the President another opportunity to choose a different ground upon which to get across our basic message on the economy: commit up-front to a certain substantial percentage or total dollar reduction in existing spending programs in the "baseline." At least for all of 1993, we bear no responsibility for these existing programs: we have a one-year opportunity to cut wrong-headed programs, to eliminate waste, and to make good programs go further with less money.

No matter what the outcome in the current budget, such substantial cuts in the "baseline" are also the only politically viable source for any new investments which are not included in Budget Reconciliation. It is not a stupid notion -- for the economy or the politics -- for the President to shift to a new ground: to demand that all such new investments come out of a portion of the cuts in existing government spending. After all, if there is too much public consumption, then the best way to pay for new public investment is to cut existing spending rather than to raise new taxes. I would propose a gainsharing approach, something like $1 in new investment for every $2 or $3 in spending cuts from the baseline. [Such a disciplined approach to investment and deficit reduction may, of course, point out an achilles heel of our defense of the current Economic Plan during Budget Reconciliation.]

We can get ahead of the curve on this, for a change -- **but only if the President decides to so direct**. If we are to do so, however, we cannot afford to wait for the Vice-President's task force to reinvent government to get on with this.

File: Econ Plan

4/7/93 b.t.

SUMMARY POINTS ON THE APRIL BUDGET

I. This plan targets investments to promote long-term economic growth and reduces budget deficits as a share of the economy by nearly one-half by 1997.

II. It will increase economic growth and raise the incomes and living standards of American families.

III. Congress, in its earliest action ever on a budget, has already adopted a budget resolution which contains the elements of the President's economic program.

IV. The Clinton Administration is the first new administration to submit a complete line-by-line budget during its first year in office.

V. The combination of the President's plan and the changes made by the congressional budget resolution would achieve a total of $514 billion of deficit reduction over the next five years, making it the largest deficit reduction package in history.

VI. This includes $447 billion, which is the reestimated net deficit reduction achieved in the President's budget, an additional $57 billion in discretionary spending cuts and $2 billion in mandatory spending cuts endorsed by the Congress, and $8 billion in additional interest savings.

VII. The President's budget provides for more than 200 specific spending reductions in domestic and defense programs, and raises additional revenues, most of which would come from the wealthiest taxpayers.

VIII. These involve numerous difficult choices, which include the following:

A. Increased taxation of Social Security benefits
B. Significant savings in Medicare, though not affecting beneficiaries
C. Broad-based energy tax
D. Significant defense savings
E. Savings in the rural Electrification Administration, Power Marketing Administration, and Appalachian Regional Commission
F. Inland waterway user fees
G. Redesign of the space station
H. Point XIII below
I. Examination fees for State-chartered, FDIC-insured banks
J. Elimination of the "b" portion of impact aid
K. Savings in the Cooperative State Research Service and Agricultural Research Service, meat/poultry inspection fees, crop insurance savings
L. Savings in HUD special purpose grants

IX. It reduces the deficit as a percent of GDP from 5.2% of GDP in fiscal year 1993 to 2.8% of GDP in fiscal year 1997. The additional savings endorsed by the Congress push the deficit down to 2.7% of GDP in 1997.

X. The long-term investments in the budget are directed towards areas that are vital to raising the productivity of American businesses and the American people, which will improve long-term economic growth, incomes, and standards of living. They are directed toward the following priorities: Rebuild America/Infrastructure, Lifelong Learning, Rewarding Work, Safe Streets, Health Care, and Private Sector Incentives.

XI. The five-year ratio of spending cuts to tax increases is 52% to 48%. In the fifth year alone, the ratio is 59% to 41%.

XII. The Administration's spending reductions would eliminate or reduce spending in programs that do not work or are no longer needed, eliminate or reduce unfair or unnecessary subsidies, reform programs for better management of taxpayers' dollars, control health care costs without harming program beneficiaries, make substantial overall reductions in agency expenses and the size of the Federal bureaucracy.

XIII. The domestic discretionary savings include $45 billion in reductions in the cost of government from civilian personnel cuts of more than 100,000, reduction of administrative expenses, an across-the-board pay freeze for Federal civilian and military employees as well as other savings in personnel compensation, and streamlining of departments and agencies.

4/8/93 b.t.

LONG-TERM INVESTMENTS IN THE PRESIDENT'S BUDGET

The long-term investments in the budget are targeted towards areas that are vital to raising the productivity of American businesses and the American people, which will improve long-term economic growth, incomes, and standards of living.

They are directed toward the following priorities:

- Rebuild America/Infrastructure. Investments totaling $52 billion in outlays over five years (with $11 billion in FY 1994 budget authority) in highways and mass transportation, environmental infrastructure, technology, building and restoring housing, and conserving and developing alternative forms of energy. The category includes five-year outlays of $15 billion for technology initiatives.

- Lifelong Learning. Investments of $52 billion in outlays over five years ($6 billion in FY 1994 budget authority) in educational programs and reforms, full funding of Head Start and the WIC feeding program, national service, and several innovative job training initiatives.

- Rewarding Work. A five-year total of $32 billion, most of which will be used to take working families out of poverty by expanding the Earned Income Tax Credit.

- Safe Streets. A five-year investment of $4 billion in outlays ($390 million in FY 1994 budget authority) for anti-crime initiatives, such as putting an additional 100,000 police on the beat in cities and towns.

- Health Care. Investment outlays of $32 billion over five years ($3.4 billion in FY 1994 budget authority) in health care and research, including women's health research, full funding of the Ryan White Act for AIDS prevention and treatment, and veterans' health care.

- Private Sector Incentives. A five-year total of $50 billion ($12 billion in FY 1994) in business productivity tax incentives, including a small business investment tax credit and capital gains exclusion, permanent extension of the research and experimentation tax credit, and enterprise zones.

Comments on the President's Schedule
February 18, 1993

Last night the President outlined the specifics of his bold plan to "create jobs, trim [the] deficit, [and] restore economic fairness." Washington Post

* Over 150 specific spending cuts to help reduce the federal deficit: including the elimination of programs that have outlasted their usefulness and a one year freeze on pay raises for federal employees.

* The plan includes a stimulus program of nearly $30 billion that will provide an immediate jumpstart to the economy, creating nearly 500,000 jobs by the end of 1994.

* A fundamental shift in spending priorities that demonstrated clearly how much Bill Clinton shares the values of working men and women, and believes in the things they believe in:

    * Investment in America's infrastructure to create jobs and rebuild our roads and bridges, including full funding of ISTEA;

    * Investment in small business, the engine of economic growth, through a series of tax incentives including a permanent investment tax credit that will reward small businesses for investing in expansion, growth, and job creation;

    * Investment in education and training, initiating the most ambitious plan for training and retraining ever conceived; and

    * Investment in children by providing money for Head Start and money so that babies who need vaccinations will have them.

* The largest deficit reduction program in history that will end the deficit's stranglehold on long-term economic growth. The Washington Post called the President's $493 billion deficit reduction package "as dramatic and comprehensive as he had promised." It will mean a drop in interest rates that will allow middle-class people to afford loans to buy houses, buy cars, and sen d promising children to college.

By all accounts, the President's speech and the supporting documents that accompanied it bring a new era of integrity, honesty, and accountability to the budget process.

* Past Administrations have based their budgets on better-than-best-case scenarios; the President deliberately based his on one of the most conservative growth scenarios available. This won universal praise.

The President called on all Americans to come together and help him make this plan succeed. Hundreds of special interests will do their best to avoid doing their part; they will try to break his plan apart piece by piece. The President's plan is a total package to bring change so fundamental that it demands nothing less.

The public was overwhelmingly supportive of the President's plan. A CNN/USA Today poll showed that 79% support the plan and 72% believe it will improve the economy.

Today, the President, Vice President, and the Cabinet leave Washington to visit 29 states over the next few days, to ask Americans for their help and for their support. The President begins his trip in St. Louis, Missouri.

TALKING POINTS ON THE ECONOMIC PLAN
DRAFT February 17, 1993 7:20 am DRAFT

The President's economic plan will bring bold change to America. It completely changes the direction of the federal government, reconnecting it to the needs of working Americans and disconnecting it from the special interests, restoring growth and fairness to economic policy for the first time in a very long time.

The President's plan is rooted in these core principles:

* To generate more and better jobs for millions of Americans who are out of work; over the course of four years, over 8 million new jobs will be created.

* To increase incomes for all working Americans; and

* To provide long-term, structural change to the economy by:

  Increasing investments in the many ingredients necessary for economic strength, including people, infrastructure, and technology development; and

  Reducing the deficit through over 150 specific program cuts.

For the past twelve years, the deficit went up while investment in people went down. The President's plan will flip that pattern 180 degrees: investment will go up and the deficit will go down.

The plan has three basic components:

I An immediate stimulus program of $30 billion to provide a jumpstart for the 9 million Americans that are still out of work:

* The stimulus program will produce nearly 500,000 jobs by the end of 1994.

* It invests in the nation's traditional and future infrastructure, with money dedicated to putting people back to work, rebuilding roads and bridges and creating information highways.

* It includes a series of incentives that will spur private investment including a tax credit for small businesses that invest in growth, providing new employment opportunities; and a tax credit for firms that invest in the research that results in technological innovations which, in turn, result in new jobs.

* It expands the summer jobs program to finance 683,000 new summer jobs.

II An ambitious plan for long-term investment that redirects the mistaken spending priorities of the past:

* The plan invests in private sector job creation through tax incentives for small businesses as well as other companies; it recognizes that small businesses are the engines that drive economic growth and invests in them by: establishing a permanent investment tax credit for small businesses; and making a special

effort to insure that small manufacturers have easy access to technical expertise.

* It will invest in education and training, by promoting lifelong learning and initiating the most ambitious plan of training and retraining ever conceived, including a defense conversion plan to insure that displaced workers have the skills they need to find jobs in our changing economy.

* It expands the Earned Income Tax Credit; the president is standing firmly by his commitment to insure that no parent who works full-time will be forced to watch his or her family live in poverty.

* It invests in children by providing money so that all eligible children can attend Head Start and babies who need vaccinations will have them.

* It fully funds the Women, Infants, and Children program (WIC) to guarantee that our children grow up healthy, not hungry.

* It calls for a number of incentives to explore new technologies that will create high-wage jobs and keep America on the cutting edge. These incentives will encourage the use of defense technology for civilian purposes.

III A serious, credible plan for deficit reduction to guarantee long-term economic growth and increases in wages.

* The President's deficit reduction plan is the largest in history; it will result in a $500 billion gross deficit reduction over four years.

* This is accomplished by over 150 real, specific cuts in government programs and a revenue plan that restores fairness to the tax code, asking the most from those who profited the most in the 1980's. These cuts represent $126 billion in non-defense spending over four years.

* This deficit reduction plan will mean a drop in interest rates and a corresponding increase in consumer confidence that will spur economic activity and create jobs.

* When interest rates drop, businesses will be able to afford loans to expand, and middle-class people will be able to afford loans to buy houses, to buy cars, and to send promising students to college.

The entire development of this plan was guided by a commitment to change, fairness, economic recovery, and honesty.

* It provides a balanced approach between getting the economy going again right away and taking the long-term steps, including deficit reduction, to keep the economy going in the future.

* The President's plan brings a new era of integrity and involvement to the budget process:

  It marks the end of smoke and mirror budgets and pie-in-the-sky rosy scenarios; it places a premium on telling the truth and uses one of the most conservative scenarios available for projecting the economy's growth.

The President was intimately involved in the process and fully understands the tough choices facing the American people. He went through the budget line by line and step by step.

Fundamental change in America will require a contribution from every American but the President's plan guarantees that it will be fair.

* His plan turns first to government; he has already cut the White House staff by 25% and ordered the federal government to trim $9 billion in administrative fat over the next four years.

* He turns next to corporations and special interests, raising the corporate tax to 36% and eliminating loopholes that allowed them to avoid paying their fair share in the 1980's.

* The President's plan then turns to the rich and, in fact, asks more of them than he thought would be necessary in the campaign. **Over 70% of the new revenues in the plan will come from those who make more than $100,000 a year.**

  The tax rate for the wealthiest Americans will be raised to 36% and the President is calling for a 10% surtax on millionaires.

* The depth of the problem forced the President to turn to the middle class to contribute as well. The plan introduces a broad-based energy tax, based on the energy content of the fuel. The whole package is the most progressive tax package ever proposed:

  Families whose combined income is under $30,000 a year will be shielded from the effects of the increase.

  The energy tax will conserve resources, decrease dependence on foreign oil, and reduce pollution.

ECONOMIC PROBLEMS

- Short-Term Weakness
  - Slow job growth
  - Debt: household, business, government
  - Weak financial institutions
  - Overbuilt commercial real estate
  - Defense downsizing
  - Corporate downsizings
  - Smaller tax refunds

3.6 Hwys
2.5 CDBG
800 wastewater
Summer youth

- Investment Deficit
  - Infrastructure
  - Skills and technology
  - Private investment

- Fiscal Deficit
  - Debt
  - Consequences

HIGHLIGHTS OF THE PRESIDENT'S ECONOMIC PROGRAM

- Economic Stimulus
  - $ 30 billion stimulus package
  - Job creation: 500,000
  - Down-payment on long-term investment
  - Insurance for the economic recovery

- Long-Term Public Investment for Economic Growth and Jobs
  - Four-year, $160 billion investment plan
    - Rebuild America — Hways, Clean Water; Rural Development, Energy; Technology - $17B/4, Housing + CD
    - Lifelong learning — Nat service - 3B, WIC, H. Start - 8; Parenting, Ed Reform, Safe Schools
    - Rewarding work — EITC - $6.6B, Crime - $3?
    - Health care — AIDS
    - Private-sector incentives

- Deficit Reduction to Spur Private Investment for Growth and Jobs
  - Largest in U.S. history
  - $493 billion over four years, $703 billion over five years
  - Two of every three dollars to deficit reduction
  - $140 billion of deficit reduction in FY 1997

HOPE FOR THE FUTURE

- Jobs: 500,000 by 1994; 8,000,000 by 1996 !

- Targeted Public Investment
  - Infrastructure: $48 billion
  - Lifelong learning: $38 billion
  - Rewarding work: $25 billion
  - Health care: $26 billion

- Renew Private Investment: $60 billion

- Restore Resources Through Deficit Reduction
  - $140 billion in FY 1997
  - Cuts deficit as a percent of GDP in half

- Higher Standard of Living

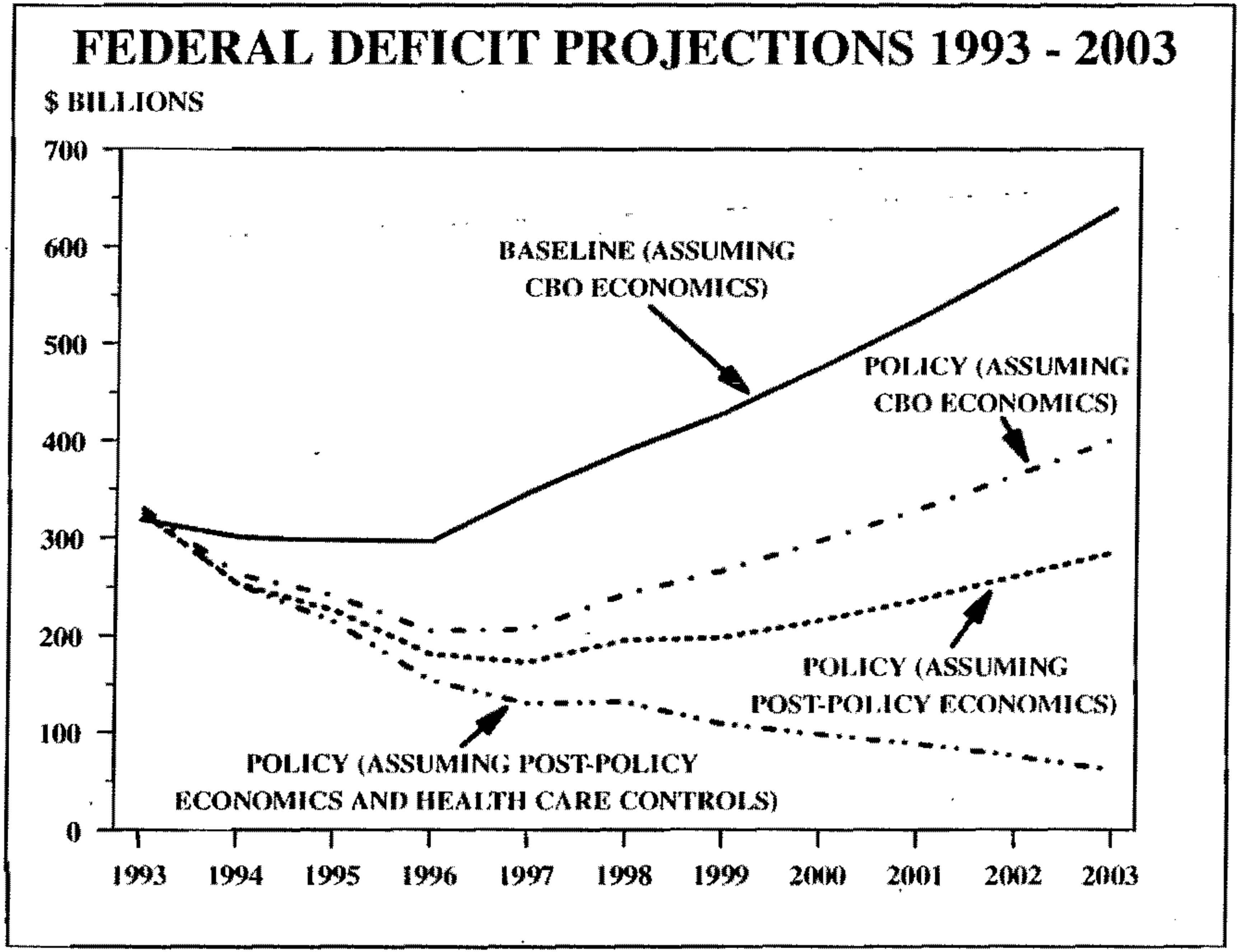
Panetta: 100,000 FTES + 50,000 Δ
= 150,000 FTES overall
- some discretion

O'Leary: wants to do w/ 148,000 DOE contract employees

DEFICIT REDUCTION

	1997	1994-97
■ Defense	37	76
■ Nondefense	20	50
– Programs not needed		
– Trim subsidies/ fees for services		
– Management		
– Streamline		
■ Entitlements	34	76
– Trim subsidies/ fees for services		
– Management		
– Health care		
– Shared contribution 20% → 50 85% civ. service + military pay 100%		
■ Revenues	83	246
– Wealthy – 36% 10% over 250,000 1m – no deduction		
– Corporate – 36%		
– Energy – modified BTU		
– Other B+E deduction 85-50% End lobbying deduction		

Extend caps, pay as you go, line-item veto


FEDERAL DEFICIT PROJECTIONS 1993 - 2003
$ BILLIONS
700
600
500
400
300
200
100
0
BASELINE (ASSUMING CBO ECONOMICS)
POLICY (ASSUMING CBO ECONOMICS)
POLICY (ASSUMING POST-POLICY ECONOMICS)
POLICY (ASSUMING POST-POLICY ECONOMICS AND HEALTH CARE CONTROLS)
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003

INVESTMENT OPTIONS

(in millions of dollars)

	1997	1994-97 Total
REBUILD AMERICA		
Infrastructure		
Federal-aid highway program	1,632	5,625
Smart cars/smart highways (part of Federal-aid highway obligations)	(100)	(345)
Mass transit formula capital grants	714	1,489
High speed rail and MAGLEV	258	736
Highway safety and other transportation capital	97	244
Rural airport improvement program	114	313
Air traffic control modernization	150	404
Public land highways and Indian reservation roads	156	321
Drinking water state revolving funds (EPA)	1,560	3,280
Rural water and waste loans and grants (USDA)	197	407
Safety of dams on Indian reservations	30	76
Water resources development (Corps of Engineers)	160	606
Natural resource protections and environmental infrastructure (Interior and USDA)	363	1,309
Watershed resource restoration (EPA)	48	159
Environmental restoration and waste management	107	230
Tree planting initiative (USDA)	76	273
Forests for the Future	50	190
Energy efficiency in Federal buildings	341	886
Weather service modernization (NOAA)	58	394
Close-out costs for DOE reactors	3	68
NASA civil aviation	222	589
NASA short-haul aircraft research	20	53
Defense Conversion		
Moderate defense conversion program	1,500	5,767
Enterprise Zones (tax incentive)	1,228	2,420
Community Development Banks	110	394

INVESTMENT OPTIONS

(in millions of dollars)

	1997	1994-97 Total
Housing		
50% HOME/50% vouchers (150,000 units)	354	571
Preservation of assisted housing	720	1,707
Supportive housing program	74	145
Other		
Community development block grant (CDBG)	406	930
SUBTOTAL, TAX INCENTIVES	1,228	2,420
SUBTOTAL, SPENDING INCENTIVES	9,520	27,168
TOTAL, REBUILD AMERICA	10,748	29,588

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INVESTMENT OPTIONS

(in millions of dollars)

	1997	1994-97 Total
LIFELONG LEARNING		
Head Start		
Program growth	2,628	5,987
Related Medicaid	116	275
Related child care feeding	295	806
Summer	569	2,085
WIC (Special supplemental food program for women, infants, and children)	984	2,634
National Service	2,020	4,580
Youth Apprenticeship	500	1,336
Education Reform and Initiatives	3,277	7,294
Dislocated Worker Assistance Act	2,000	5,400
Parenting and Family Support	495	890
Other		
Job Corps: adopt "50-50 plan"	243	430
Job Corps: maintenance	50	137
JTPA, Summer Youth Employment and Training	625	2,288
One-stop career shopping	250	800
Older Americans employment	35	125
TOTAL, LIFELONG LEARNING	14,087	35,067

INVESTMENT OPTIONS

(in millions of dollars)

	1997	1994-97 Total
PRIVATE SECTOR INCENTIVES		
Revenue Provisions:		
Tax Incentives		
Exclusion on capital gains from original-issue, small business stock (tax incentive)	207	467
Earned income tax credit (EITC) (tax incentive)	1,290	3,779
Mortgage Revenue Bonds (tax incentive)	182	563
High speed rail bonds (tax incentive)	11	16
Extend R&E tax credit (tax incentive)	1,977	6,437
Extend low-income housing credit (tax incentive)	1,162	2,769
Capital Recovery		
Small business investment tax credit	3,865	14,573
Alternative minimum tax depreciation preference	849	3,142
Big business depreciation enhancement	3,392	11,580
Technology:		
Federal Coordinating Council for Science Engineering, and Technology (research initiatives)	1,850	4,330
Crosscutting high performance computing (NSF, HIH, NASA, & NIST)	320	847
Environmental Technology (EPA)	128	294

INVESTMENT OPTIONS

(in millions of dollars)

	1997	1994-97 Total
Other		
National Research Initiative grants (USDA)	110	207
Forestry Research Initiative (USDA)	105	273
National Inst of Standards and Technology growth	500	1,118
Energy conservation and renewable energy programs (Energy Policy Act)	420	1,020
Natural gas research and development: Emphasize utilization	90	185
Advanced Neutron Source	243	437
Fusion energy research	90	224
Uranimum supply and enrichment	---	---
Information highways (DOC)	137	311
National labs (non-defense)	50	193
Increase weatherization grants	100	351
Alternative fuels vehicles	30	120
SBA 7(a) loan guarantees	161	569
National Science Foundation	957	2,519
Fully invest in IRS tax system modernization including acceleration	696	1,826
Social Security Administration (automation)	245	980
Green programs	25	79
SUBTOTAL, TAX INCENTIVES/ CAPITAL RECOVERY	12,935	43,326
SUBTOTAL, SPENDING INCENTIVES	6,257	15,883
TOTAL, PRIVATE SECTOR INCENTIVES	19,192	59,209

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INVESTMENT OPTIONS

(in millions of dollars)

	1997	1994-97 Total
HEALTH CARE		
AIDS, women's health, and other public health initiatives:		
Targeted growth	3,425	8,893
AIDS - Ryan White Act	394	1,028
Other		
Substance abuse prevention and treatment	800	1,569
TEFAP	68	272
VA medical care	1,068	2,690
Food safety initiative (USDA)	34	123
Social Security Administration (DI processing)	200	800
TOTAL, HEALTH CARE	5,989	15,375
REWARDING WORK		
Expand Welfare Reform and Related Activities	6,200	17,600
Other		
Extend unemployment compensation	---	2,300
Equal Employment Opportunity Commission	18	70
Worker profiling	15	55
TOTAL, REWARDING WORK	6,233	20,025
CRIME INITIATIVE, including "100,000 Cops"	1,120	3,905
TAX INCENTIVES/CAPITAL RECOVERY, ALL CATEGORIES	14,163	45,746
SPENDING INCENTIVES, ALL CATEGORIES	43,206	117,423
TOTAL, ALL CATEGORIES	57,369	163,169

PROPOSED FY 1993 STIMULUS OPTIONS
(in millions of dollars)

FUNCTION	SELECTED STIMULUS OPTIONS	BUDGET AUTHORITY	OBLIGATIONS	OUTLAYS	FULL-YR. EQUIV. JOBS
	DEPARTMENT OF AGRICULTURE				
300	Soil Conservation Service: Watershed & conservation	50	50	25	1,000
350	Agricultural Research Service: Enhanced facility maintenance	40	40	31	775
300	**Enhanced natural resources protection and environmental infrastructure (Forest Service)**	200	200	180	5,000
370	FmHA Low-Income Housing Repair Loans:				
	Loan Levels	(3)	(3)	N/A	
	Loan subsidy	1	1	1	
370	FmHA Very Low-Income Housing Repair Grants	6	6	5	600
600	Food & Nutrition Service: Women, Infants, and Children (WIC) supplemental feeding program	75	75	68	300
350	Food & Nutrition Service: The Emergency Food Assistance Program (TEFAP)	25	25	25	---
500	Head Start Summer Program -- Child Care Feeding	56	56	48	---
450	**Rural Development Admin.: Water and waste loans and grants**				
	Loan levels	(500)	(500)	N/A	N/A
	Loan subsidy	71	71	2	179
	Grants	300	300	6	
	Subtotal, Agriculture	824	824	391	7,854
	DEPARTMENT OF COMMERCE				
370	**Economic Development Administration grants**	100	100	10	375
370	**National Institute of Standards and Technology (NIST): Advanced technology and manufacturing centers**	110	75	35	200
370	NIST: Networking and computer applications	15	15	12	150
300	National Oceanic and Atmospheric Administration: equipment acquisition	86	86	71	133
370	**National Telecommunications & Information Administration: "Information Highways"**	68	40	3	130
370	Minority Business and Development Administration	2	2	1	9
	Subtotal, Commerce	381	318	132	997
	DEPARTMENT OF DEFENSE				
300	DOD-Civil: Army Corps of Engineers (accelerate water project construction and cyclic maintenance)	100	100	30	1,500

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PROPOSED FY 1993 STIMULUS OPTIONS
(in millions of dollars)

FUNCTION	SELECTED STIMULUS OPTIONS	BUDGET AUTHORITY	OBLIGATIONS	OUTLAYS	FULL-YR. EQUIV. JOBS
	DEPARTMENT OF EDUCATION				
502	**Pell Grant unfunded shortfalls:**				
	Fund current law for 1993-94 school year without borrowing from 1994 funds	653	653	N/A	N/A
	Fund shortfall caused in prior years without borrowing from 1994 funds	1,371	1,371	N/A	N/A
	Subtotal, Pell grants	2,024	2,024	---	N/A
500	Summer 1993 pre-school & school programs	500	500	400	14,000
	Subtotal, Education	2,524	2,524	400	14,000
	DEPARTMENT OF ENERGY				
250	**Non-defense laboratories (CRADAs)**	50	50	23	250
270	**Increase weatherization grants**	50	50	15	4,000
270	Building and industrial conservation	20	20	10	740
	Subtotal, Energy	120	120	48	4,990
	DEPARTMENT OF HEALTH & HUMAN SERVICES				
500	Head Start Summer Program	500	500	425	12,500
550	Immunization	212	212	148	250
550	**AIDS: Ryan White Act**	200	200	152	---
650	Social Security Admin.: Disability insurance (DI) processing	302	302	302	---
550	National Institutes of Health: Networking and computer applications	10	10	6	70
	Subtotal, Health & Human Services	1,224	1,224	1,033	12,820
	DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
600	Accelerate home investment partnership	---	---	---	---
600	Accelerate public housing modernization	---	---	86	1,120
600	**Community development block grants**	3,000	3,000	780	17,940
600	**Supportive housing program**	150	150	---	?????
	Subtotal, Housing & Urban Development	3,150	3,150	866	19,060

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PROPOSED FY 1993 STIMULUS OPTIONS
(in millions of dollars)

FUNC-TION	SELECTED STIMULUS OPTIONS	BUDGET AUTHORITY	OBLI-GATIONS	OUTLAYS	FULL-YR. EQUIV. JOBS
	DEPARTMENT OF THE INTERIOR				
300	**Enhanced natural resource protection and environmental infrastructure (Nat'l Park Service and Interior bureaus)**	374	374	337	5,000
450	**Economic development on Indian reservations**				
	Loan Levels	(80)	(80)	N/A	N/A
	Loan subsidy and road maintenance	51	51	46	1,800
300	**National Park Service: Historic preservation repair and maintenance**	25	25	15	400
500	**Bureau of Indian Affairs: Enhanced school operations**	40	20	15	600
	Subtotal, Interior	490	470	413	7,800
	DEPARTMENT OF LABOR				
500	Job Training Partnership Act: Summer youth employment and training program	625	625	413	98,000
600	Extend unemployment compensation	3,300	3,300	3,300	N/A
	Offsets: EUC extension results in lower spending on Extended Benefits program	---	---	-600	--
500	**Older Americans employment**	35	35	6	6,000
500	**Worker profiling**	15	15	5	--
	Subtotal, Labor	3,975	3,975	3,124	104,000
	DEPARTMENT OF TRANSPORTATION		Restoration | [illegible] | Resurface Rehab.		
400	**Airport improvement program (obligation limitation)**	--	250	34	200
400	Federal-aid highway program (obligation limitation)	--	2,976	218	10,000 13,000
400	AMTRAK Capital	200	200	30	1,500
400	Mass transit	984	984	158	4,000
400	Obligation limitation	---	16	1	N/A
	Subtotal, Transportation	1,184	4,426	441	15,700
	DEPARTMENT OF THE TREASURY				
800	Treasury: Accelerate tax system modernization	158	158	111	430

PROPOSED FY 1993 STIMULUS OPTIONS

(in millions of dollars)

FUNCTION	SELECTED STIMULUS OPTIONS	BUDGET AUTHORITY	OBLIGATIONS	OUTLAYS	FULL-YR. EQUIV. JOBS
	DEPARTMENT OF VETERANS AFFAIRS				
700	**Veterans Affairs: Fund maintenance backlog**	250	250	220	8,000
	OTHER AGENCIES				
806	**District of Columbia**	30	30	30	---
304	Environmental Protection Agency (EPA):				
	Watershed Resource Restoration Grants	50	50	25	750
	Green programs	25	25	9	180
	Wastewater State revolving fund	900	765	41	918
	Subtotal, EPA	975	840	75	1,848
751	Equal Employment Opportunity Commission	9	9	6	166
800	GSA: Vehicle energy conversion	30	30	30	250
252	NASA: Networking and computer applications	5	4	3	40
250	National Science Foundation (NSF):				
	Research and development	200	160	90	1,125
250	Networking and computer applications	20	16	9	110
	Subtotal	220	176	99	1,235
370	SBA: 7(a) loan guarantee level	(2,742)	(2,742)	N/A	---
	Loan subsidy	150	150	45	3,216
	Subtotal, Other Agencies	1,419	1,239	290	6,755
	P00/GJA /				
	CROSSCUTTING OPTION: Federal bldgs. energy efficiency	20	20	6	---
	TOTALS:				
	FY 1993 Enacted Appropriations Under the Caps	**16,262**	N/A	**10,073**	N/A
	Sub-total, Stimulus proposals - Spending	**15,819**	**18,798**	**7,505**	**203,906**
	Loan levels	3,325	3,325	---	1,800
	Less: subsidy BA	-273	-273	---	---
	SUB-TOTAL SPENDING, including loan levels	18,871	21,850	7,505	205,706
	Investment tax credit and other tax stimulus provisions	3,833	3,833	3,833	????
	TOTAL, Stimulus proposals	22,704	25,683	11,338	205,706

February 11, 1993 Version

WORKING OUTLINE FOR FEBRUARY 17 REPORT
"A Vision of Change for America"

I. The Clinton Vision of America for the 21st Century -- changing policies for a changed world

A. Renewed world leadership -- revitalizing our economy as basis for our security in a new era.

B. Rising standard of living in which all groups share -- growth with reduced inequality.

1. Not just jobs, but productive jobs at good wages for those who work hard.

2. Jobs that produce high-quality goods and services which compete well in international markets; a government that aggressively opens markets and strengthens rules for fair competition.

3. A quality of life that honors the environment while rejecting the false choice between jobs and environmental protection.

C. Opportunities for all who want to work hard and play by the rules.

1. Opportunities for all young people to acquire the skills they need for good jobs and successful parenting -- and support for the millions working harder to balance the necessity of two incomes with healthy family life.

2. Universal access to affordable, high-quality health care, so working families are freed from the insecurity of losing coverage, or the fear that they're just one illness away from bankruptcy.

3. Yet compassion for those trying hard to make it but thus far failing -- along with a responsibility to take advantage of the ladder of hope made available (e.g. welfare reform).

D. Government that works

1. A government that's responsive, user-friendly, efficient.

2. A government financed by a fair tax system that rewards work, and assures that all pay their fair share.

3. A government that pays its way just like families and businesses must.

II. **The Problems That Face Us -- Legacies of Past Neglect and Mismanagement**

A. Overview -- need for change; note failures of past policy that's left us in this situation.

B. Slow recovery from recession.

1. Economy improving but unemployment remains high.

2. To sustain durable recovery, need employment increase to compensate for shocks in many parts of economy: defense cutbacks, downsizing by key industries, etc.

C. Stagnant long-run growth.

1. Slow productivity growth, hence slow wage growth, lagging family incomes.

2. Investment deficit -- both public and private.

3. Skills deficit.

D. Increasing inequality -- people left behind.

(include widening income gap; education as key to income; fostering urban underclass -- legacy of hopelessness, violence and despair; millions with inadequate health care and no coverage. A nation of truly Dickensian ironies: elderly millionaires get free cataract treatments from Medicare while poor pregnant women can't get a check-up.)

E. Fiscal Deficit -- Government Not Paying Its Way

1. Sources of the deficit.

2. Why deficits are a problem.

a. Reduced private investment cuts future growth.

b. Rising interest burden and other problems.

c. Burden on our children -- moral case for action.

E. Burgeoning Health Costs and Their Impact on the Economy and Government Budgets.

F. Government that's inflexible, bureaucratized, not focused on results (Include how command and control regulations don't work on environment -- false trade-off between economy and environment.

III. **What We Must Do --**

A. Overview (CHANGE!; invest in future; shift from consumption to investment in public and private, etc.).

B. Insuring economic recovery and creating jobs (as best way to promote investment).

1. Case for stimulus, fast start on investments with early payoff in jobs, insurance against relapse.

2. Discussion of "stimulus" spending package with emphasis on early action to solve longer term problems.

3. Tax portion of stimulus (ITC, etc.).

C. Investing in the Future: Increasing <u>Public</u> Investment.

1. Rebuild America.

(include also a "sidebar" on defense conversion package here)

2. Lifelong Learning.

(special section highlighting national service?)

3. Revitalizing Technology.

4. Health care.

5. Rewarding Work.

D. Investing in the Future: Reducing the Deficit to Increase <u>Private</u> Investment.

1. <u>The Plan -- Philosophy/Rationale</u>.

a. The target by 1997 and why it's right target.

b. How we'll get there in broad strokes (and with our best spin on, e.g. x% spending cuts, y% taxes).

c. The conservative assumptions we used (as prudent stewards, unlike those we succeed, we don't bet farm on rosy scenario). How our health assumptions fit here, and why our treatment avoids magic asterisk problem.

d. The principles we used to decide what's in and what isn't.

e. Our strategy and timetable for implementing. Why our plan will stick -- the enforcement mechanism (Q: how to finesse lack of control on autopilot entitlements?)

f. Brief flag of what will still be left to do after our four-year plan: the second term 'finish the job' agenda (more detail in health section below)

2. <u>The Plan --Details</u>

a. Spending Cuts

i. Cutting programs that don't work or have outlived their usefulness

ii. Ending government giveaways
A. Subsidies
B. Fees
C. Pork

iii. Managing government for cost effectiveness and results

iv. Controlling health care costs

v. Rightsizing defense for a new era

vi. Shared contribution
A. Social security
B. Military/civil retirement

b. Revenues

E. Investing in the Future: Tax Incentives to Promote Investment

F. Reversing the Growth of Inequality
a. Tax Side
b. Spending Side
(Include distribution charts)

G. The Task Remaining: What This Plan Will and Won't Do

a. If we adopt plan, recovery proceeds and growth increases

b. But even if we achieve CEA assumptions, still long-term deficit problem

c. Health is key. Plan coming in May. If achieves GDP + x growth, impact on budget is y. Charts showing alternative potential paths.

H. Making Government Work Better

1. Immediate "gov't sacrifice/squeeze" initiatives

2. Broader management initiatives

IV. **Appendixes** (Need to spec precisely)

- Overall plan summary
- Plan by theme
- Plan by budget function
- Plan by agency
- Other?

* * *