

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. release	96 Campaign Release (6 pages)	10/9/96	Personal Misfile
002. Release	96 Campaign Release (17 pages)	10/09/96	Personal Misfile

COLLECTION:

Clinton Presidential Records
 Domestic Policy Council
 Chris Jennings (Subject File)
 OA/Box Number: 23756 Box 6

FOLDER TITLE:

Clinton-Gore Campaign Materials [1]

gf6

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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facsimile
TRANSMITTAL

to: Chris Jennings
fax #: 202/456-5542 7431
re:
date: October 18, 1996
pages: 2, including this cover sheet.

The attached is from Rick Pollack.

From the desk of...

Donna J. Zebe
Program Manager
American Hospital Association
325 Seventh Street NW
Washington, DC 20004

202/626-2311
Fax: 202/626-2355



Liberty Place
Washington Office
325 Seventh Street, N.W.
Suite 700
Washington, DC 20004-2802
202-638-1100

October 16, 1996

The Honorable John Boehner
U.S. House of Representatives
1121 Longworth Building
Washington, DC 20515

Dear John:

Thank you for your October 15 letter. The American Hospital Association always has been free of partisanship in relation to presidential campaigns and 1996 is no exception.

That's why we understand your concern about how public statements are characterized. When we heard the reference to the AHA in the first presidential debate, we immediately contacted officials at the White House to make clear what our public statements have been on the matter. Upon hearing another reference in the vice presidential debate, we again took action with the White House by providing them with documents outlining AHA's public statements. What we said was that 700 hospitals derive two thirds or more of their net patient revenue from Medicare and Medicaid, and that large Medicare reductions mean needed hospitals in rural and inner-city communities could be forced to shut their doors.

And when requested by your staff to clear up the situation, we informed them of the actions we already had taken and sent documentation to them—the same information that we sent to President Clinton and Vice President Gore.

We value our important working relationship with you and the Republican Conference. Your leadership on key issues, such as delivery system restructuring, has been deeply appreciated. We look forward to working with you when the 105th Congress convenes in January. That is why we acted promptly to set the record straight on our public statements about the effect of Medicare changes on hospitals.

Sincerely,

A handwritten signature in cursive script that reads "Dick".

Richard J. Davidson
President

MEMORANDUM

October 17, 1996

TO: Mike McCurry
Barry Toiv
Lorrie McHugh
Mary Ellen Glynn
April Mellody
Larry Haas

FROM: Chris Jennings
Jen Klein

SUBJ: Back-up for President's Statement About Potential Hospital Closings

Attached is background material to justify the President's claim that the Republicans' Medicare cuts "could" have closed 700 hospitals.

We hope this information will be helpful. Please call us if you have any questions.

THE DOLE-GINGRICH BUDGET PUT HOSPITALS AT RISK

AARP:

- In June, 1995, AARP wrote: "Spending cuts could limit access to providers. Many hospitals across the country — particularly in rural areas — would be forced to close." [AARP, 6/29/95]
- In June, 1995, AARP wrote: "[The] Congressional Budget Resolution Could Devastate Medicare Beneficiaries." Dole voted for this budget resolution which cut Medicare by \$270 billion — same as the vetoed budget. [AARP, 6/29/95]
- In November, 1995, AARP wrote that the Dole-Gingrich \$400 billion cuts from Medicare and Medicaid "[D]o not meet the fairness test." [AARP, 11/16/95]
- In November, 1995, AARP wrote that under the Dole-Gingrich budget, existing Medicare and Medicaid protections against the high cost of long-term care, "are now at risk" [AARP, 11/16/95]

AHA:

- In summer, 1995, the AHA ran newspaper advertisements saying "Medicare is being reduced... But not only seniors — everyone will feel the impact... Needed hospitals in rural or inner-city communities could be forced to shut their doors, period."
- In October, 1995, AHA wrote a letter to Senator Dole saying the Dole Medicare cuts would mean: "[R]educations of that magnitude would result not in a reduction in the rate of growth, but in a real cut. That means per beneficiary spending for hospital care grows less than the rate of inflation." [AHA, 10/16/95]
- In November, 1995, AHA wrote: "Reductions of this magnitude represent a real cut in payments to hospitals, not simply a reduction in the rate of increase. Quality and availability of care will be adversely affected... Particularly hard hit will be communities with hospitals serving a large proportion of Medicare and Medicaid patients... Almost 700 of the most vulnerable hospitals derive two thirds or more of their net patient revenue from Medicare and Medicaid." [AHA, 11/95]



Liberty Place
325 Seventh Street, N.W.
Washington, DC 20004-2802

Office of the President

One North Franklin
Chicago, Illinois 60606

October 16, 1995

The Honorable Bob Dole
United States Senate
141 Hart Senate Office Building
Washington, DC 20510

Dear Senator Dole:

You and your Senate colleagues are about to make public policy decisions of truly historic proportions. Your debate and action on the Fiscal 1996 budget reconciliation bill, particularly where Medicare is concerned, will affect the lives of all Americans.

That's why the American Hospital Association, on behalf of its 5,000 members in the community delivering care every day, wants to make you aware of a report by Lewin-VHI, a respected research firm. It analyzes the effect of Medicare spending reductions on hospitals.

The bill now before the U.S. Senate calls for reductions of \$86 billion in hospital services. The principal finding of this analysis is that reductions of that magnitude would result not in a reduction in the rate of growth, but in a real cut. That means per beneficiary spending for hospital care grows less than the rate of inflation.

Repeatedly, the American people have been assured that the Medicare program would not suffer real cuts. This is a promise that must be kept. Eighty six billion dollars in reductions will seriously jeopardize the ability of the hospital community to continue to provide high quality care, not only to seniors, but to all our citizens. This is the potential impact of the current Senate proposal.

In its conclusion, Lewin-VHI, Inc., states: "The potential for payment reductions to result in real decline in hospital spending over the next seven years should indicate to policymakers the need to carefully consider the impacts of potential Medicare changes on the different categories of health care providers."

This is what the nation's hospitals ask of you and your colleagues in the critical days ahead.

Sincerely,

Diea Davidson

MEDICARE AND MEDICAID ARE IMPORTANT TO HOSPITALS

- For nearly one in four hospitals, 60% of patient days are Medicare patient days.
- More than 2,300 hospitals (nearly half) have large Medicaid patient loads (15% or more of their inpatient days).
- ^{//} Almost 700 most vulnerable hospitals derive two thirds or more of their net patient revenue from Medicare and Medicaid – about 300 of these hospitals derive three quarters or more of their net patient revenue from Medicare and Medicaid.
 - ✓ Nationally, these hospitals represent 13 percent of all hospitals, providing 9 percent of hospital stays including all patients not just Medicare and Medicaid, and contributing 11 percent of all emergency room visits.
 - ✓ 56 percent of these highly vulnerable hospitals are rural; 20% are inner-city hospitals.

Source: American Hospital Association analysis based on data from the 1993 AHA Annual Survey and the Medicare Provider Specific file.

DEAR MEMBER OF CONGRESS

WHAT WILL YOU TELL YOUR VOTERS IF YOU TAKE \$250 BILLION OUT OF THEIR MEDICARE?

*Some in Congress want to reduce Medicare by more than
\$250 billion over seven years.*

With the largest Medicare reductions in history on the table, now might be a good time to consider how you're going to explain a vote to damage the Medicare system.

Who will be hurt the most? Certainly seniors will be harmed, because their Medicare is being reduced — again. But not only seniors — *everyone* will feel the impact if community hospitals have to reduce their services or close their doors.

A new study by Lewin-VHI, one of the nation's top research firms, finds that with reductions of \$250 billion, Medicare could be paying less than 89 cents on the dollar of an elderly patient's stay in the hospital seven years from now.

WHAT WILL HAPPEN TO HEALTH CARE?

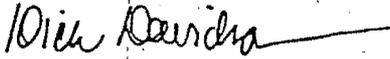
These reductions will mean:

- Money-losing but crucial services like trauma care, burn units and ICUs may have to be closed.
- Senior citizens will find it harder to receive the level of care they need as they grow older.

- New life-saving technology that people need could be delayed.
- Innovative community outreach programs that help millions of Americans could get trimmed.
- Needed hospitals in rural or inner-city communities could be forced to shut their doors, period.

Hospitals are successfully controlling costs, but these reductions go beyond what is reasonable. They're going to hurt—not just folks on Medicare, but anyone who may need the high quality care that only a hospital can give. And that will leave some very important people—your voters—looking for answers.

What will you say? We urge you to tell them that you Reject proposals to reduce Medicare!


Dick Davidson, President

 American Hospital Association

TOO MUCH, TOO FAST

The Impact on Older Americans of Medicare and Medicaid
Reductions in the FY'96 Budget Resolution

Prepared by the
American Association of Retired Persons
June 29, 1995

For further information contact:
Tricia Smith
ARP Federal Affairs Department Health Team
(202)434-3770

- At the highest income categories, beneficiaries would pay triple the amount they now pay for the Part B premium. If the income thresholds for the proposed high-income premium are not indexed, each year a greater percentage of Medicare beneficiaries would be required to pay the new, higher premium. In the future, Congress could simply choose to lower the income threshold, thereby increasing revenues.
- At the same time that an income-related premium would be imposed on Medicare beneficiaries, federal subsidies for health care costs for those under age 65 would continue, regardless of an individual's income. These subsidies come in the form of the tax deduction for employer-provided health insurance. As a result of the savings target under the Budget Resolution, Congress could impose higher health costs on higher-income older Americans but would continue federal subsidies for corporate executives, middle-aged millionaires, and Members of Congress. A May, 1994 Price Waterhouse analysis estimated that reducing federal subsidies for higher-income individuals under age 65 in the same manner as for Medicare beneficiaries would result in federal budget savings that are four times as large as the Medicare income-related premium savings.

7) *Beneficiary Access to Care could be Jeopardized*

Medicare beneficiaries' access to needed health care could be seriously hurt by the unprecedented reductions in Medicare spending included in the FY 96 Budget Resolution. For the average older American, the \$270 billion in Medicare spending reductions will mean:

- **Increased Out-of-Pocket Costs That Could Limit Access to Services:** For the average beneficiary, the proposal to reduce Medicare spending could cost about \$3,400 more out-of-pocket over the next seven years in the form of higher premiums, coinsurance and deductibles. For many beneficiaries — particularly those with low incomes — the additional costs are on top of the \$2,750 they already pay out-of-pocket for health care in 1995. Older Americans spend roughly 20 percent of their income on health care — nearly three times as much as those under age 65. Increasing out-of-pocket costs could mean that fewer beneficiaries would be able to afford the care they need and many would be forced to wait until a condition worsens and care is even more expensive.
- **Spending Cuts That Could Limit Access to Providers:** As physician payments are reduced, many doctors will try to shift more costs onto Medicare beneficiaries. One likely way for this to happen is through the elimination of the Medicare balance billing limits. This change would allow doctors to charge beneficiaries significantly more than what Medicare approves. If this happens, many older Americans would no longer be able to afford to see their doctors. In other

cases, physicians may find that it is no longer profitable to treat Medicare patients, leaving beneficiaries without access to a doctor. Still other beneficiaries may have to travel long distances for hospital care since many hospitals across the country — particularly in rural areas — would be forced to close.



- **Spending Cuts That Could Limit Access to Health Plans:** The level of spending reductions included in the Budget Resolution could result in substantially higher premiums for beneficiaries who choose to remain in traditional fee-for-service Medicare. Some beneficiaries might no longer be able to afford to stay in fee-for-service and would be forced into managed care.

8) *Medicare Caps could be Imposed*

- **Structure**

Members of Congress are considering a Medicare spending "cap" as one method for achieving budget savings. Under this approach, yearly spending limits or targets would be established for the Medicare program. This cap could take one of several forms: a total spending limit for the program, a limit on the annual growth rate in the program; or a per capita spending limit. The cap could be fixed in law or determined on a yearly basis.

Annual Medicare spending would then be measured against the cap. Under one approach, known as a "look-back," actual Medicare spending would be compared with the target at the end of each year. If actual spending exceeded the target, then Medicare spending for the following year would be reduced by the amount exceeding the target.

- **Impact on Beneficiaries**

A Medicare cap would have a direct bearing on Medicare beneficiaries. If Medicare spending exceeds the yearly cap, automatic cuts in Medicare spending would likely translate into higher out-of-pocket costs for Medicare beneficiaries — in the form of higher premiums, coinsurance or deductibles — as well as reductions in payments to hospitals and doctors which would affect beneficiary access to services.

Advocates of a Medicare cap claim that this kind of target is necessary to keep program spending in check. However, for the average beneficiary — who has little control over Medicare program spending — this would mean an even greater out-of-pocket burden for Medicare services.

m) This analysis is based on the June 22, 1995 Budget Resolution Conference Agreement.

n) Increased out-of-pocket costs are averaged across all Medicare beneficiaries.

o) Out-of-pocket health costs include all health care expenses of non-institutionalized older individuals except those paid by Medicare. Medicare and private premiums, and prescriptions drugs, for example, are considered out-of-pocket costs. Data are based on December, 1993 CBO projections of population subgroups and National Health Accounts data by type of service and payer.

CHAIRMAN
JOHN A. BOEHNER
8TH DISTRICT, OHIO

ROOM 1018
LONGWORTH HOUSE OFFICE BUILDING
20515 DC 20515



House Republican Conference
U.S. House of Representatives
Washington, DC 20515

October 15, 1996

Mr. Richard Davidson
American Hospital Association
Liberty Place
325 Seventh Street, N.W.
Washington, D.C. 20004-2802

Dear Dick,

In both Sunday's Presidential debate and Wednesday's Vice Presidential debate, President Clinton and Vice President Gore repeatedly cited a "study" from your organization contending the Medicare Preservation Act would result in 700 hospitals closing nationwide. As you know, *the AHA has never produced such a study* - only an estimate of the total number of hospitals that are "Medicare dependent."

I am sure you realize the Clinton-Gore campaign is manipulating your position for partisan gain. And I'm disappointed that even though we've expressed these concerns, you have steadfastly refused to correct the record, unlike the Concord Coalition, which just today released a statement correcting Vice President Gore's misrepresentation of Senator Dole's Medicare plan.

President Clinton and Vice President Gore clearly have a vested interest in distorting the Medicare Preservation Act. The AHA should not. Though we've had policy differences throughout the last 18 months, we've always been honest with each other, and that partnership has produced some real accomplishments for hospitals - the Medicare Preservation Act's Provider Service Networks, and more recently the assurance that hospitals will receive their full Medicare updates, on time.

While we have been working together to save Medicare from bankruptcy, for 18 months the Democrats and their Washington-based special interest allies have demonized the Medicare Preservation Act, running million-dollar ad campaigns against House Republicans. At every opportunity, the Clinton-Gore ticket echoes this message, further distorting the record of the Republican Congress. Your silence in light of the Clinton-Gore campaign's latest manipulation of your position sends the signal - intentional or not - that your Washington office simply isn't concerned if you're used for partisan political gain.

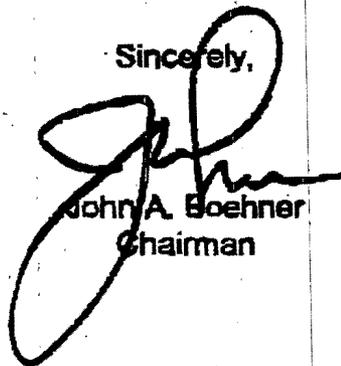
You have worked with your members — and the public at large — to get out the message that if the Part A Trust Fund goes broke, all hospitals will face a crisis of unbelievable proportions. Yet since your Washington office stands mute as your organization is used for partisan political purposes, I sadly conclude that they are comfortable in allowing this to happen in a way that is contradictory to the interests of your organization and to our nation's health care needs.

Your silence is even more puzzling given that the AHA vehemently opposed the Clinton administration's Health Security Act, based in part on *your* study showing its devastating impact on hospitals and Medicare recipients. We both know the 104th Congress' plan to save Medicare increased spending and ensured that all Part A savings were used to extend the life of the Hospital-Insurance Trust Fund. That's a far cry from using Medicare savings to nationalize *all* Americans' health care, the goal of the Clinton-Gore Health Security Act.

The next presidential debate is Wednesday, October 16. I'm sure that once again, the President will use your "study" to justify his actions in allowing Medicare's bankruptcy. I again urge you to use the time between now and then to *publicly* erase any doubts that the AHA is supporting the Clinton-Gore re-election. You can do this by publicly correcting the White House's repeated misuse of your figures and your organization's good name.

We've had a very productive relationship during the 104th Congress, working together toward some important goals. I would deeply regret it if this incident were to sour relations between the AHA and House Republicans as we look toward future efforts to save Medicare from bankruptcy.

Sincerely,



John A. Boehner
Chairman

cc: AHA State Affiliates

DOLE Response to POTUS



U.S. HOUSE OF REPRESENTATIVES

Committee on the Budget
Majority Caucus
Washington, DC 20515



The President's Debatable Claims

REBUTTALS TO STATEMENTS BY PRESIDENT CLINTON IN THE OCTOBER 6 PRESIDENTIAL DEBATE

7 October 1996

The following discussion analyzes a variety of questionable or factually incorrect statements made by President Clinton during last night's presidential debate. This analysis was assembled by the majority staff of the House Committee on the Budget at the request of the CNN television network.

BALANCING THE BUDGET

CLINTON CLAIM: "The way to get a better America is to balance the budget . . ."

FACTS: This statement flatly contradicts the position the President held for the three years of his term before the current election year.

- ▶ In November 1993, the President lobbied hard against a balanced budget constitutional amendment, and in a letter to Senate leaders he wrote: "The balanced budget amendment is, in the first place, bad economics."
- ▶ He once again lobbied against a balanced budget amendment in the Senate in early 1995.
- ▶ As recently as last spring, administration officials were still speaking *against* the goal of balancing the Federal budget.

- In testimony to the House Budget Committee, then-Budget Director Alice M. Rivlin said: "I do not think that adhering to a firm path to balance by 2002 is a sensible thing to do," and, "It is not always good policy to have a balanced budget."

- The 1995 report of the President's economic advisors said: "... the administration opposes a balanced budget amendment to the Constitution." It also contained a

This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.

special section, titled "The Shortcomings of a Balanced Budget Amendment," that defended the use of "fiscal policy" [i.e. deficit spending] to "stabilize" the economy.

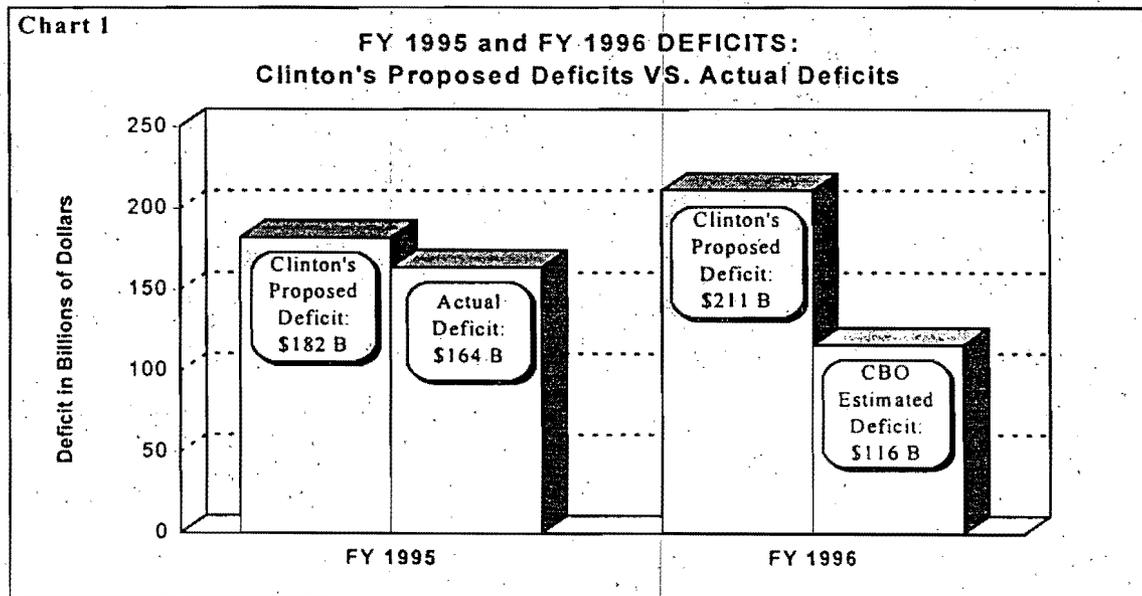
- ▶ He never even endorsed the balanced budget plan developed by the House Democrat coalition known as the "Blue Dogs."

REDUCING DEFICITS

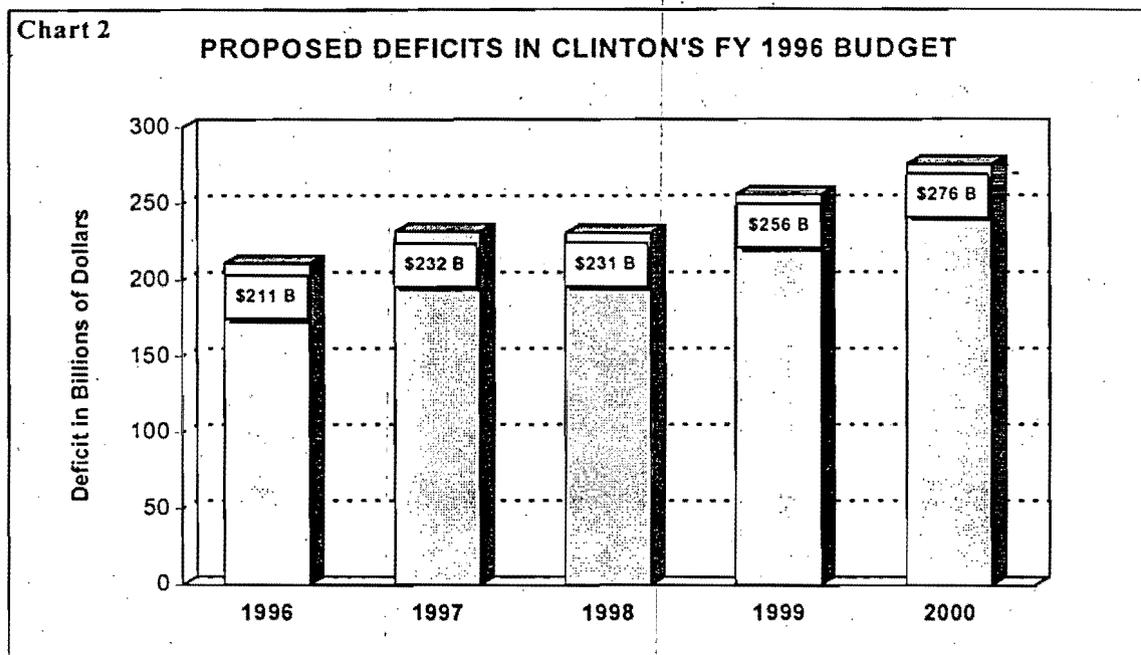
CLINTON CLAIM: "We cut the deficit four years in a row . . ."

FACTS: The decline in the deficit since 1993 has been principally because of Congress' spending restraint, and has occurred in spite of the President's proposals to spend more and increase deficits.

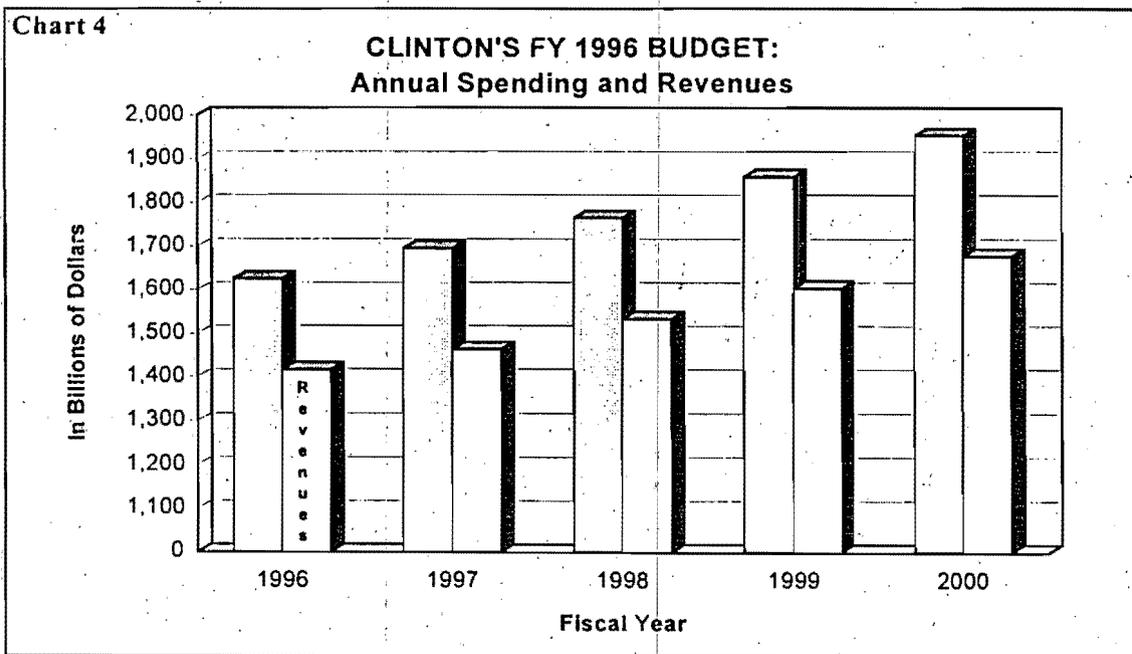
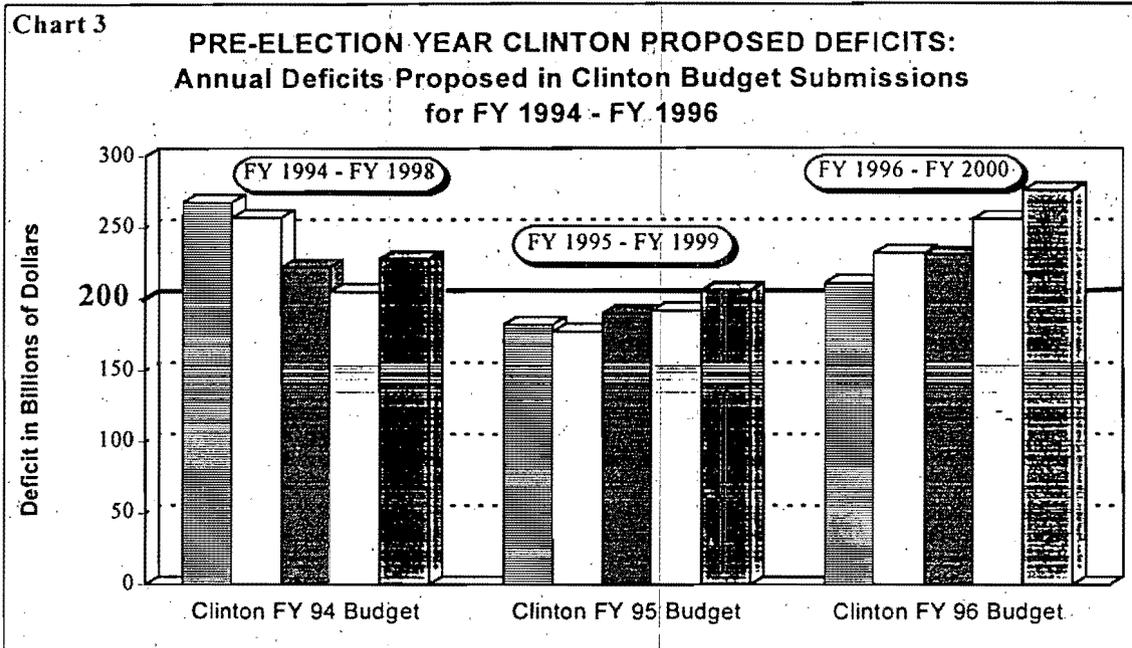
- ▶ In both his pre-election-year budgets [for fiscal years 1995 and 1996], President Clinton proposed *higher spending than what actually occurred, and increasing deficits*. But Congress' spending restraint reduced deficits below the levels proposed by the President [see Chart 1 below].
- ▶ In February 1995, one month after Republicans took control of the 104th Congress, President Clinton proposed a fiscal year 1996 budget calling for a deficit of \$211 billion. But when the fiscal year ended yesterday, the actual deficit was down to \$116 billion — \$95 billion below the President's proposal [see Chart 1 below].



- ▶ The President's fiscal year 1996 budget called for *increasing* the deficit from \$211 billion to \$276 billion by 2000 [see Chart 2 below]. While he proposed higher deficits, he called Republicans "extremist" for trying to reduce them.
- ▶ All three of the President's pre-election-year budgets [for fiscal years 1994, 1995, and 1996] proposed deficits in the range of \$200 billion a year or more for as far as the eye could see [see Chart 3 on the next page].



- ▶ In his most recent pre-election-year budget [fiscal year 1996], President Clinton continued to propose greater spending increases than the growth in revenue allowed, which is why his proposed deficits continued to increase.
 - By this time, the President's 1993 tax increase — which was supposedly intended to reduce the deficit — was fully in place.
 - Nevertheless, the President's budget continued to outspend the growth in tax revenue. In this budget, for every dollar tax revenue increase, the President proposed \$1.31 increase in spending [see Chart 4 on the next page].



-
- ▶ While the President keeps trying to take credit for lower deficits, his record shows he has made every effort to *block* deficit reduction, including the following:
 - Proposing a \$16-billion government make-work program — called a “stimulus” package — with the spending to go into effect immediately in 1993, at the same time he claimed he was trying to reduce the deficit.
 - Lobbying hard against a constitutional amendment to balance the budget. In a November 1993 letter to Senate leaders, he wrote: “The balanced budget amendment is, in the first place, bad economics.”
 - Lobbying strenuously *against the Penny-Kasich amendment* — a modest, bipartisan effort to save \$90 billion over 5 years. Put another way, the Penny-Kasich amendment called for saving 1 penny out of every dollar of government spending over 5 years.
 - Proposing a government takeover of the Nation’s health care system that would have increased deficits by \$122 billion over 7 years.
 - Vetoing the Balanced Budget Act, which would have balanced the budget by 2002.
 - Seeking \$60 billion more in total spending for fiscal year 1996 than what was approved when Congress finished this year’s budget work yesterday. This higher spending also would contribute to higher deficits.
 - ▶ The deficit was *already expected* to decline during this period because of actions taken by the Bush administration:
 - Four months before President Clinton’s inauguration, the Congressional Budget Office [CBO] had already projected a 26-percent decline in the deficit between 1993 and 1995 — *and this was before the President proposed the largest tax increase in history, supposedly to reduce the deficit.*
 - This predicted deficit improvement was largely the result of the economic recovery that began in the last year of the Bush administration.
 - The President’s claimed discretionary savings result from the 25-percent defense downsizing undertaken during the Bush administration — and every year President Clinton has spent those savings to expand domestic spending, not to reduce deficits.

THE PRESIDENT'S "BALANCED BUDGET" PLAN

CLINTON CLAIM: My balanced budget plan will still invest and grow this economy.

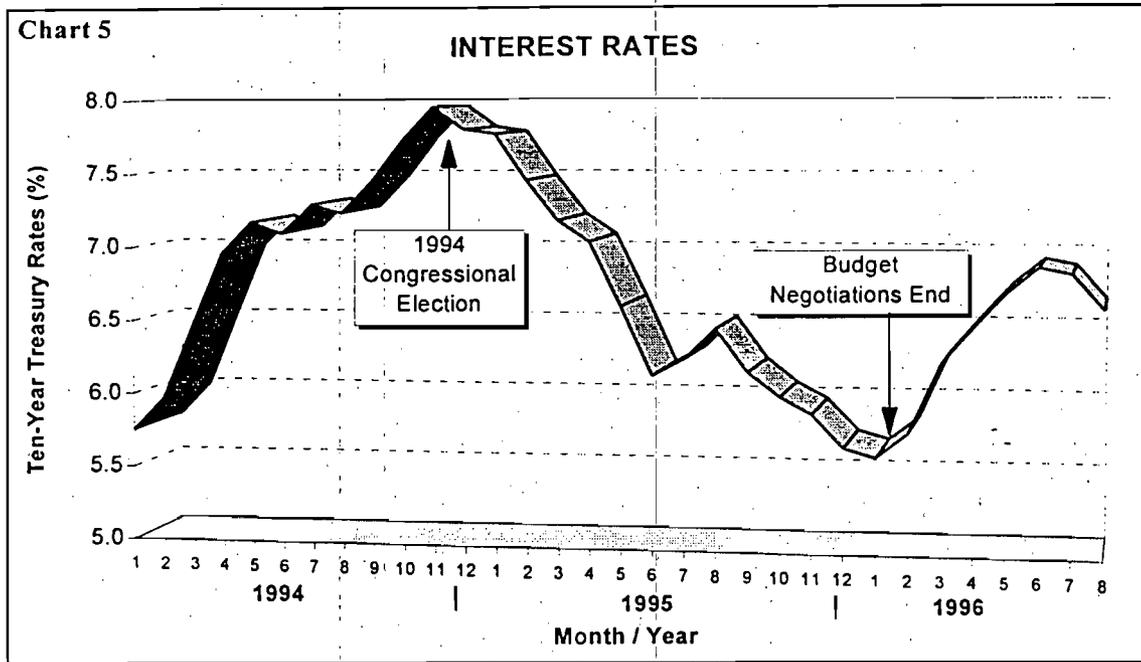
FACTS: The President's fiscal year 1997 budget does not achieve balance except by using a gimmick.

- ▶ According to the testimony of June E. O'Neill, Director of the Congressional Budget Office [CBO]: "... CBO estimates that the basic policies proposed in the President's budget would lower the deficit substantially but that the deficit would still total \$81 billion in 2002."
- ▶ The only way the President's plan can be described as achieving balance is through its mysterious set of "contingent" budget proposals.
 - These total \$124 billion over 6 years, with \$84 billion of the "savings" in 2002.
 - The "contingent policies" include \$67 billion in unspecified discretionary cuts. These reductions are *in addition to* the \$161 billion in discretionary cuts in the President's basic budgetary proposal.
- ▶ The other aspect of the President's "contingent" policies involves sunsetting his proposed tax cuts.
 - With one hand, the plan he offers tax reductions of \$129 billion through 2002; but with the other he snatches back \$90 billion through tax increases. This yields a net total tax reduction of \$38 billion.
 - To balance the budget, he "sunsets" his tax cuts, thereby raising taxes \$32 billion in 2001 and 2002. This takes back virtually all that's left of his net \$38 billion tax cut, so that his actual tax reduction is only \$6 billion over 6 years. The sunset plan also means a *net one-year tax increase* in 2002 of \$16 billion.

ARE WE BETTER OFF?

CLINTON CLAIM: "We got those interest rates down ..."

FACTS: In fact, interest rates fell during 1995, as Congress worked to develop a credible balanced budget plan. The rates began to rise again early in 1996, when budget negotiations between the White House and Congress ended. [See Chart 5 on the next page.]



CLINTON CLAIM: “Wages are going up for the first time in a decade.”

FACTS: According to the Census Bureau’s 1995 report on “Money Income in the U.S.,” the same report cited by the Clinton administration:

- ▶ Overall [median] household income has not recovered to its 1989 peak at the end of the Reagan expansion (\$35,421 in 1995 dollars). Household income was \$33,187 in 1994 and \$34,076, both figures lower than the 1989 level.
- ▶ The earnings of full-time year-round workers fell from 1994 to 1995, by 0.7 percent for men and 1.5 percent for women.
- ▶ The Census report also said: “The percentages of both men and women who worked year round full time increased between 1994 and 1995 . . . However workers of neither gender experienced an increase in earnings.”

CLINTON CLAIM: The incomes for “all groups of people are growing.”

FACTS: This claim is incorrect, according to the Census report.

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- ▶ Twenty States show decreases in real median incomes since 1993.
 - ▶ Real median household income since 1994 dropped 5.1 percent for Hispanics and dropped 2.4 percent for Asians.

MEDICARE

CLINTON CLAIM: [The Republican] budget cuts Medicare \$270 billion, more than was necessary to repair the Medicare trust fund.

FACTS: None of the Republican proposals cut Medicare.

- ▶ The Medicare Preservation Act did not cut Medicare, but slowed the growth from a 10 percent increase each year to a 7 percent increase each year. The plan would have increased spending from \$177 billion in 1995 to \$289 billion in 2002, and it would have increased spending on each beneficiary from \$4,800 in 1995 to \$7,100 in 2002.
- ▶ In the President's Health Security Act that he proposed in 1992, he used more than \$200 billion in Medicare savings to create more government bureaucracies. In doing so, the President employed the same explanation about slowing the growth of spending rather than cutting the program. He said: "Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation . . . Only in Washington do people believe that no one can get by on two times the rate of inflation. So, when you hear all this business about cuts, let me caution you that is not what is going on." (October 5, 1993)
- ▶ The Medicare plan in the Balanced Budget Act more than met the President's standard set for his own Health Security Act, as Medicare would grow more than twice the rate of inflation of 3 percent, increasing spending on average 7 percent each year.

CLINTON CLAIM: "[The Republican Medicare plan] would have charged seniors more for out of pocket costs as well as more in premiums because doctors could have charged them more."

FACTS: The Republican Medicare plan did not increase out-of-pocket costs for Medicare beneficiaries. The plan contained no new or increased deductibles or coinsurance, while the President's Health Security Act proposed copayments, which do not now exist, for home health care and clinical laboratory benefits.

- ▶ The Republican plan proposed maintaining the Medicare Part B monthly premium at the *same percentage* of program costs as it was in 1995 — 31 percent. Beneficiaries would have

seen this monthly payment — which was \$46.10 at the time of the Republican proposal — increase by inflation, as it does every year.

- ▶ The President's comment that "doctors could have charged them more" is misleading because the Republican plan in no way changes current laws that restrict the amount providers can "balance bill" Medicare beneficiaries in traditional fee-for-service Medicare. And — under the Republican plan — beneficiaries would always have the option to stay in the traditional Medicare fee-for-service plan.

CLINTON CLAIM: "The American Hospital Association . . . all said hundreds of hospitals could close and people would be hurt badly under the Dole-Gingrich Medicare plan that I vetoed."

FACTS: While payments to Medicare providers grew by over 10 percent last year, health care spending in the private sector grew at a rate below 6 percent, primarily because employers and other buyers of insurance are demanding lower premiums. As a result, hospitals and other providers are positioning themselves to compete in a health care system where total resources will grow much less rapidly than they have for many decades. Hospitals have proven again and again that they have the ability to make up for payment reductions through productivity increases.

- ▶ In June 1996 testimony before the Ways and Means Committee, the Prospective Payment Assessment Commission (The commission established by Congress and the White House to advise the Congress and the Secretary of HHS on Medicare's payment policies and their effects on beneficiaries) reported that in 1996 the average hospital profit margin from Medicare payment is expected to be 8.8 percent.
- ▶ The hospital inflationary increase assumed in the Republican plan falls within the range that ProPAC recommended in their March 1996 report. (In its report, ProPAC supported an update between market basket minus 0.7 and market basket minus 2.0 percentage points. The most recent Republican proposal includes market basket minus 2.)
- ▶ The Medicare Preservation Act include 2 spending proposals to supplement the payment of urban and rural hospitals which are highly dependent on Medicare payments. In addition, the Republican plan allows higher inflationary updates for high priority hospitals which are classified as "Sole Community Hospitals."

CLINTON CLAIM: "It was simply wrong to finance their last scheme to cut Medicare \$270 billion to run the risk of it withering on the vine."

FACTS: CBO's estimate of the Medicare Preservation Act stated it would not diminish the quality of the Medicare program, and that with the reforms in place, the program would be sufficiently funded.

CLINTON CLAIM: "I vetoed Senator Dole's Medicare plan that would have forced a lot of seniors into managed care, and taken a lot more money out of their pockets, and led to Medicare withering on the vine."

FACTS: This is absolutely false.

- ▶ The Republican plan did not force Medicare beneficiaries into managed care. All beneficiaries were given the option to choose from among a variety of health care alternatives — including managed care. But any beneficiary who so desired, could have chosen to remain in the traditional fee-for-service Medicare plan with no increased copayments or deductibles.
- ▶ Many of the health care plan alternatives that were offered to beneficiaries in the Republican plan had the potential of saving beneficiaries a large amount in out-of-pocket costs they currently must spend on prescription drugs, copayments, deductible, and supplementary insurance.
- ▶ The Republican plan would not have allowed the traditional Medicare to "wither on the vine" so long as any Medicare beneficiaries still chose this as their health care delivery option.

CLINTON CLAIM: "But it won't be possible to do if his tax scheme passes, because even his own campaign co-chair, Senator D'Amato, says he'll have to cut Medicare even more than was cut in the bill that I vetoed."

FACTS: According to the Dole plan, Medicare spending would increase according to the budget passed by Congress for Fiscal Year 1997 (which included Medicare savings of \$158 billion over the next 6 years). Actual spending difference from the Clinton Medicare plan is 2 percent over the 6 year plan. (Clinton \$1,510 billion v. Dole \$1,479 billion)

CLINTON CLAIM: "Now, my balanced-budget plan adds 10 years to the life of the Medicare trust fund, 10 years."

FACTS: According to the President's Medicare trustees, the Medicare Hospital Insurance Trust Fund is projected to be bankrupt in fiscal year 2001. According to the Congressional Budget Office, the

administration's plan would only save the trust fund until 2002, adding 1 year to the life of the trust fund, not 10.

- ▶ A large portion of the savings in the Administration's plan simply transfers spending from the Hospital Insurance Trust Fund (Part A) to the Supplementary Medical Insurance Trust Fund (Part B).
- ▶ In a letter from CBO Director June E. O'Neill to Senator Domenici states in a letter dated May 15, 1996:

"CBO estimates that the Administration's Medicare Proposal, including the transfer of certain spending for home health services to the Supplementary Medical Insurance (SMI) program, would postpone [the bankruptcy date] to 2005. Without the transfer, CBO estimates that the trust fund would become insolvent in 2002."
- ▶ In other words, without the accounting gimmick of transferring spending, the administration's plan would add *one* year, not 10 years.

WELFARE REFORM

CLINTON CLAIMS: "We moved nearly 2 million people from welfare to work working with States and communities."

FACTS: The statement takes credit for reforms that were undertaken at the State and local level. In addition, caseloads might be even lower today if the Clinton administration had not stood in the way of State efforts to implement meaningful reform.

- ▶ For example, the Clinton administration never acted on Wisconsin's request for a waiver of Federal laws that would have allowed the State to implement its work first reform plan. It took the 104th Congress to adopt comprehensive welfare reform legislation to permit Wisconsin to begin implementing its reform proposals.
- ▶ In virtually every case in which the administration granted waivers, States were required to modify their original program to obtain Federal approval for the waiver. That left the real power in the hands of the Department of Health and Human Services and Washington bureaucrats, diluting the benefits that could have been obtained from the experimentation that the States were seeking to initiate.
- ▶ The Clinton administration did not approve four parts of the Ohio waiver request. For example:

-
- The administration watered down the 36 month time limit on AFDC eligibility for participants in the AFDC JOBS program, essentially making the time limit not apply if the person is unable to find a job after making a good faith effort.
 - The administration denied the State's request to block increases in Food Stamp benefits for persons whose AFDC benefits are reduced as a sanction for a failure to comply with conditions of the new Ohio program.
 - The administration denied the state's request that persons found guilty of welfare fraud could have their Medicaid benefits revoked (the provision applied only to adults in the Household — children's benefits would have continued.)
 - The administration limited the states ability to expand its subsidized job program, even though it contained safeguards against eliminating currently existing jobs to create new subsidized jobs.
- ▶ The administration vetoed welfare reform legislation twice before finally signing the third legislative proposal passed by the Congress in a year. It contended that it was reforming the system through waivers, but very few waivers were granted statewide, and most of them involved non-controversial issues such as requiring teenage mothers to attend school or remain in their parents home as a condition of receiving benefits.
 - ▶ Moreover, since the Administration signed the Congressional Welfare Reform bill in August, it has continually stated its goal to undo important parts of the bill, including the Food Stamp reforms and the limitation on welfare eligibility for non-citizens. Shortly after signing the bill, the President approved a waiver for the District of Columbia that would have gutted the time limits provisions of the bill for up to ten years for DC welfare recipients. That was an example of a waiver being used to gut reform. It became controversial enough that the Administration later changed its position and canceled the waiver.

EDUCATION

CLINTON CLAIM: "That budget you passed that I vetoed would have . . . cut back on student loans and scholarships."

FACTS: Under the Republican Balanced Budget Act, student loans would have *grown* from \$24.5 billion in 1995 to \$36.4 billion in 2002 — an increase of more than 50 percent.

- ▶ Republicans did reduced the taxpayer contribution to the student loan program by cutting subsidies paid to banks. Although President Clinton has attacked Republicans for these reductions, he included most of these cuts in his fiscal year 1997 budget proposal.

-
- ▶ Republicans also saved money by capping the government controlled direct lending program at 10 percent of loan volume because we think the private sector can do a better job of running student loans than a huge government bureaucracy. All the savings in the Republican budget came from reducing subsidies to banks and limiting government bureaucracy.
 - ▶ President Clinton's fiscal year 1996 budget proposed the elimination of six scholarship programs, including the Christa McAuliffe Fellowships and the State Student Incentive Grants. In his fiscal year 1995 budget, President Clinton tried to terminate the Perkins Scholarship program.

CLINTON CLAIM: "I might say the results [of the Milwaukee school choice plan] are highly ambiguous."

FACTS: A recent Harvard University - University of Houston study looked at students who applied to the choice program and were accepted or rejected by the lottery.

- ▶ Reading scores for the choice students in their third and fourth years averaged 3 and 5 percentage points higher, than those of the public school students.
- ▶ Math scores averaged 5 and 12 percentage points higher for the third and fourth years.

CLINTON CLAIM: "... I vetoed the budget that you passed with \$30 billion in education cuts."

FACTS: The Balanced Budget Act, which the President vetoed, contained \$4.9 billion — not \$30 billion — in education savings over seven years.

- ▶ These savings were achieved by cutting funds paid to banks in the student loan program. Although he has attacked Republicans for these reductions, President Clinton included most of these cuts in his fiscal year 1997 budget proposal.
- ▶ Republicans also saved money by capping the government controlled direct lending program at 10 percent of loan volume because the private sector can do a better job of running student loans than a huge government bureaucracy.

FIGHTING CRIME

CLINTON CLAIMS: "We passed the 100,000 police . . . Now let's keep going by finishing the work of putting police on the street and tackling juvenile gangs."

FACTS: The program sounds better than its results.

- ▶ According to Investor's Business Daily on July 16, 1996: "...the number of new police on the street falls way short of that lofty goal, and a significant number are patrolling parks and marine sanctuaries, not tough inner city street or even suburban enclaves." COPS award documents showed that the Clinton administration has provided millions of dollars of the COPS funding to Environmental Protection Agency offices and state parks- and not to prevent violent crime.
- ▶ The administration has sought more Federal spending and control under the guise of putting 100,000 new police officers on the street by the year 2000. But little of the President's "cops on the beat" funding has gone where it is most needed. *Many cities with the highest violent crime rates have received a disproportionately small amount of the "cops on the beat" funding.*
- ▶ The President's "cops on the beat" program requires a 25-percent local match for communities to receive any Federal funds, and the 1994 crime bill allows the Attorney General to favor applicants that exceed the 25-percent match. Hence, a disproportionate share of the Federal money can go to wealthier communities, not those with more serious crime problems.
- ▶ The "cops on the beat" program includes so many conditions on receiving funds that many officials have chosen not to apply because the program is too expensive. Further, if the "cops on the beat" program is to result in 100,000 new officers, it will require \$28 billion of additional local spending.
- ▶ The "cops on the beat" funding for police is gradually phased out over the 3-year funding period so that the States eventually assume the full costs of the officers. Therefore, the communities that hired the police officers under the President's program will, in the end, have to either pay their full cost or let them go.

SUPERFUND

CLINTON CLAIM: "[Their budget] cut funds to clean up toxic waste dumps . . . by a third."

FACTS: The Congress never sent the President legislation that cut the Superfund program by a third. Furthermore, his criticism attempts to obscure the real issues of the program: it is incapable of achieving its fundamental goal of cleaning up hazardous waste sites. President Clinton's 1996 budget even stated that the "program attracts criticism for costing too much and accomplishing too little."

- ▶ This criticism of Superfund is not new. In 1994, the House Committee on Commerce, then controlled by Democrats, stated: "[T]he program's weaknesses are recognized by virtually all

Superfund stakeholders.” The Environmental Protection Agency’s own Inspector General recently echoed this concern when he wrote that “the various requirements under [Superfund] and how the laws are implemented...can result in more a focus on achieving process steps, rather than accomplishing end results (i.e., site cleanups).”

- ▶ What is important, and what the Republican budget directed EPA to do, however, is to prioritize those sites that pose the greatest immediate health risk to the public.

MEDICAID

CLINTON CLAIM: “And finally, their budget withdrew the national guarantee of health care to poor children, families with children with handicaps, and the elderly in nursing homes, poor pregnant women.”

FACTS: To protect the most vulnerable, the Medicaid reform legislation in the Republican budgets all *include coverage guarantees* requiring the States to continue to cover the following groups:

- ▶ Pregnant women and children under age 6 with family incomes below 133 percent of poverty.
- ▶ Children age 6 to 12 with family incomes below 100 percent of poverty.
- ▶ Disabled individuals, including children, who meet specified income and resource standards.
- ▶ Elderly individuals, including those in nursing homes, who meet SSI income and resource standards.
- ▶ The House-passed Welfare and Medicaid Reform Act of 1996 added to this list a phasing in of children aged 13 to 18 with incomes below 100 percent of poverty.
- ▶ Further, the Republican budgets of the 104th Congress provided adequate Federal funds to assure that the States would have the money to pay for such care.
- ▶ For example, in the latest Medicaid reform proposal, the Welfare and Medicaid Reform Act of 1996, Medicaid Federal funding increased from the current level of \$95.7 billion to \$136.5 billion in fiscal year 2002.

REDUCING THE SIZE OF GOVERNMENT

CLINTON CLAIM: "We have reduced the size of the Federal Government to its smallest size in 30 years."

FACTS: The bottom line is that the Federal Government spends more, taxes more, and regulates more than at any time in history. Beyond that, President Clinton's claim of reducing the Federal civilian workforce by 244,700 full-time equivalents [FTE's] from 1993 through 1997 is misleading on several counts, including the following:

- ▶ More than two-thirds of the cut (163,900 FTEs) is from the Department of Defense. These personnel reductions actually come from the defense downsizing of the Bush administration, which occurred because the United States and its allies won the cold war under the Reagan-Bush administrations.
- ▶ The President also claims credit for personnel reduction caused by sunseting of the Resolution Trust Corporation [RTC] which was a temporary agency that was scheduled to finish its work by December 31, 1995.
- ▶ From the 1993 base year to 1997, Clinton's budget will *add* 15,800 FTEs in non-defense executive branch civilian employment. *Moreover, the President's budget actually adds 13,700 new FTEs in 1997 when compared with 1996 levels.* Most of these are in agencies that had reduced FTEs in previous years, such as the Commerce Department, the Interior Department, the Treasury Department, the Department of Labor, and the Department of Health and Human Services. The Department of Transportation had no employee reductions at all.
- ▶ Overall, the President's budget *adds* a net of 3,000 non-defense Federal employees in 1997 compared with 1996.
- ▶ Although the total number of Federal employees may be lower, the number of nondefense employees is 230,000 greater than in 1966.
- ▶ Meanwhile, in the past two years the Republican Congress has terminated 297 Federal programs, according to the Appropriations Committee.

DEFENSE

CLINTON CLAIM: "... We've managed the end of the Cold War supporting a big drop in nuclear weapons in Russia ... the integration of Central and Eastern European democracies into a new partnership with Russia ..."

FACTS: President Clinton is taking credit for measures which won the cold war under Republican administrations.

- ▶ Not only were the Soviet Union and the Warsaw Pact defunct by the time he took office, the landmark arms control treaties that reduced Russian nuclear weapons were negotiated under Presidents Reagan and Bush. The disposal of Russian nuclear weapons was initiated under the Nunn-Lugar legislation passed before he took office.
- ▶ The Partnership for Peace initiative of President Clinton is a means of *delaying* NATO membership for Central and Eastern European democracies. There is substantial disillusionment in those countries about the slow pace of integration into NATO.

CLINTON CLAIM: "There are no nuclear missiles pointed at the children of the United States tonight and have not been in our administration for the first time since the dawn of the nuclear age."

FACTS: This claim is meaningless in military terms. Russian nuclear missiles can be retargeted in about 15 minutes.

CLINTON CLAIM: "We made progress in Northern Ireland . . . we are better off than we were four years ago."

FACTS: Not only has the killing resumed in Northern Ireland, the British Mainland has been subjected to a new wave of terrorist bombing.

- ▶ In the past two weeks, British police raided an IRA stronghold and found 10 tons of explosive.
- ▶ While President Clinton highlights his antiterrorist initiatives, the fact remains that his invitation of Gerry Adams to the White House was a setback in the fight against international terrorism. Adams has never renounced violence as a political tool.

CLINTON CLAIM: "There is very little difference in the budget that I propose and the Republican budget over the six-year period."

FACTS: Over the next two years, the President's defense budget is \$25 billion in budget authority below the Republicans' proposed levels for fiscal years 1996 through 1998.

CLINTON CLAIM: “We are spending a lot of money to modernize our weapon systems. I proposed a lot of improvements in the quality of life for our soldiers . . . ”

FACTS: The President in fact vetoed last year’s defense authorization bill before changing his mind.

- ▶ His administration has persistently criticized Congressional defense budgets for spending more on modernization than he has proposed.
- ▶ According to the nonpartisan General Accounting Office’s audit of the Clinton defense program, the administration has not programmed nearly enough money to fund its own modernization program.
- ▶ While the President claims credit for quality of life improvements for our troops, it took Congress to increase funding for quality of life programs two years in a row.



U.S. HOUSE OF REPRESENTATIVES
Committee on the Budget
Majority Caucus
Washington, DC 20515



TAKING CREDIT FOR THE DAWN

THE PRESIDENT'S CLAIMS *versus* CONGRESS' DEFICIT REDUCTION RECORD

1 October 1996

INTRODUCTION

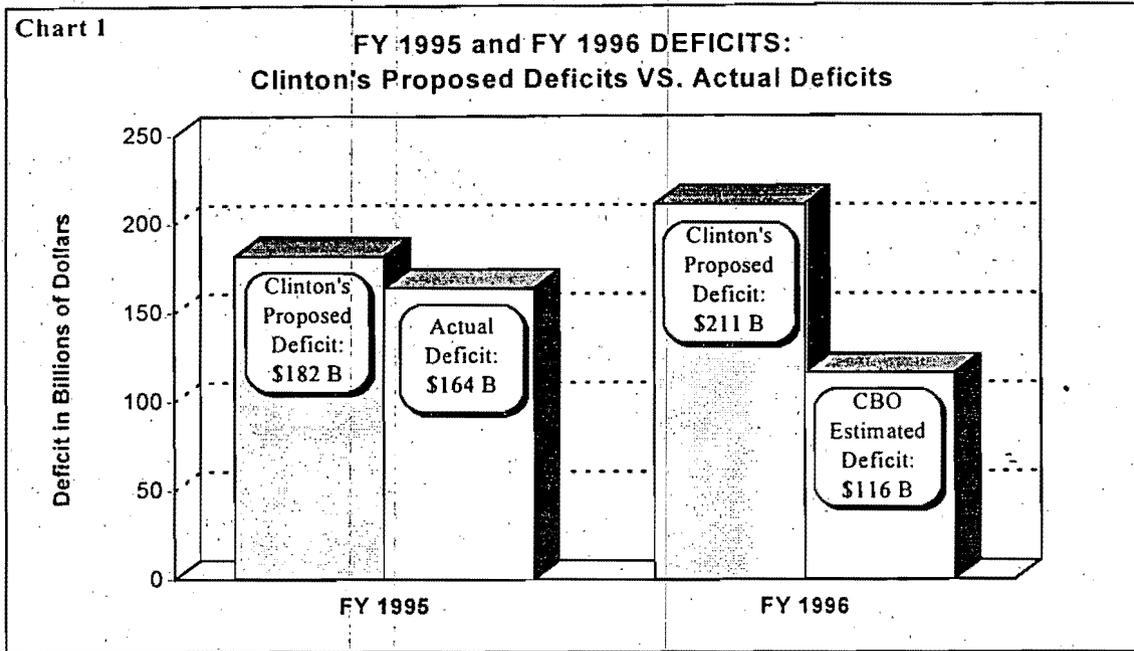
In February 1995, a month after Republicans took control of the 104th Congress, President Clinton proposed a fiscal year 1996 budget calling for a deficit of \$211 billion. But when the fiscal year ended yesterday, the actual deficit was down to \$116 billion — \$95 billion below the President's proposal. The President has tried to claim credit for this deficit reduction. In fact, he keeps trying to claim credit for reducing the deficit 4 years in a row and cutting the deficit in half. But his record shows that he has consistently sought more spending, more government, and higher deficits.

This packet, prepared in response to Members' questions, clarifies the facts of deficit reduction. It shows that *deficits are lower than projected because of the Republican Congress, not the administration*. In fact, Congress' spending restraint will yield \$320 billion of deficit reduction between now and 2002.

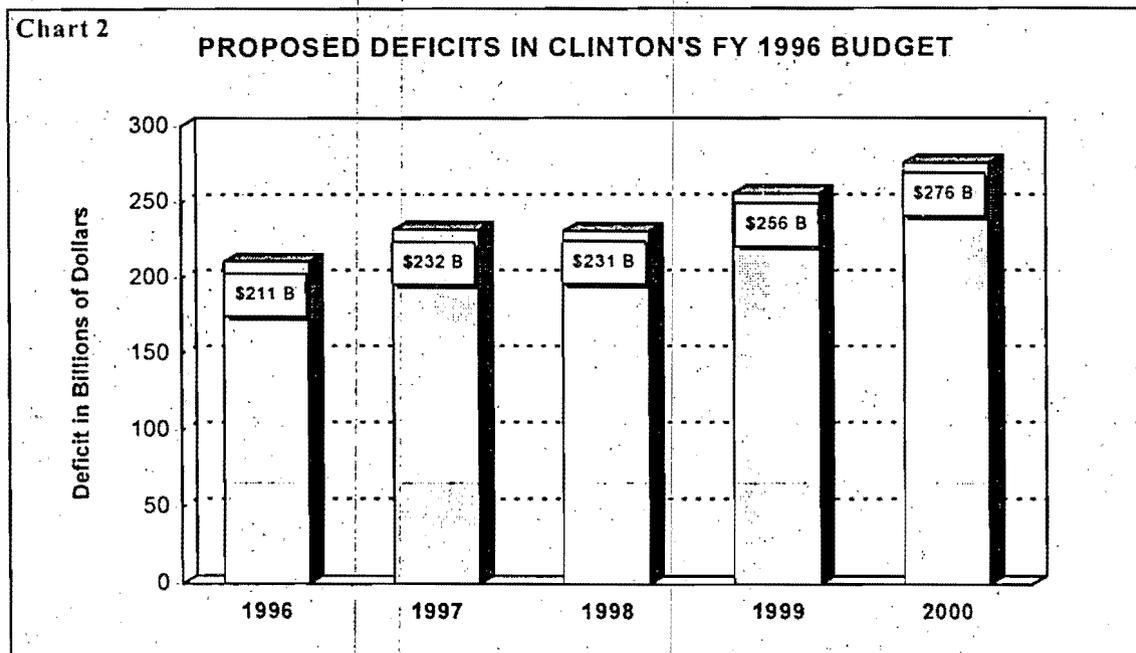
TAKING UNDUE CREDIT FOR DECLINING DEFICITS

- ▶ In both his pre-election-year budgets [for fiscal years 1995 and 1996], President Clinton proposed *high spending and higher deficits*. But Congress' spending restraint reduced deficits below the levels proposed by the President [see Chart 1 on the next page].
- ▶ In February 1995, one month after Republicans took control of the 104th Congress, President Clinton proposed a fiscal year 1996 budget calling for a deficit of \$211 billion. But when the fiscal year ended yesterday, the actual deficit was down to \$116 billion — \$95 billion below the President's proposal [see Chart 1].

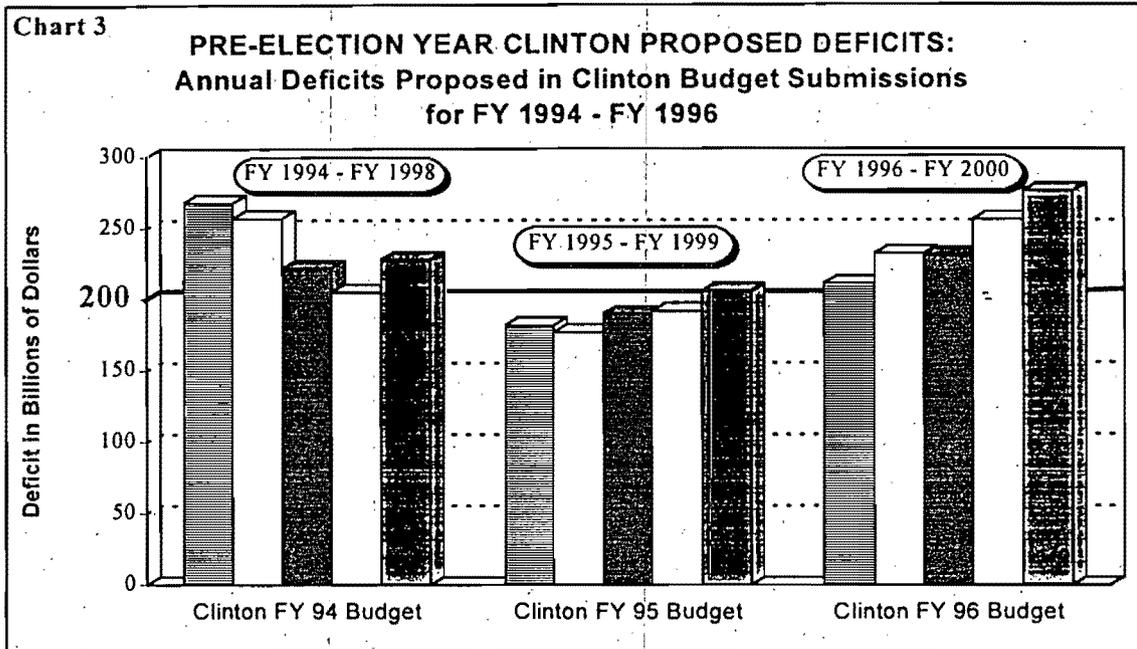
This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.



► In fact, the President's fiscal year 1996 budget called for increasing the deficit from \$211 billion to \$276 billion by 2000 [see Chart 2 below].



- ▶ This follows the President's established pattern: All three of his pre-election-year budgets [for fiscal years 1994, 1995, and 1996] proposed deficits in the range of \$200 billion a year or more for as far as the eye could see [see Chart 3 below].



- ▶ While the President keeps trying to take credit for lower deficits, his record shows he has made every effort to *block* deficit reduction, including the following:
 - Lobbying hard against a constitutional amendment to balance the budget. In a November 1993 letter to Senate leaders, he wrote: "The balanced budget amendment is, in the first place, bad economics."
 - Proposing a government takeover of the Nation's health care system that would have increased deficits by \$122 billion over 7 years.
 - Vetoing the Balanced Budget Act, which would have balanced the budget by 2002.
 - Seeking \$60 billion more in total spending for fiscal year 1996 than what was approved when Congress finished this year's budget work yesterday. This higher spending also would contribute to higher deficits.

-
- ▶ In trying to claim credit for 4 consecutive years of deficit reduction, the President resembles the rooster taking credit for the dawn. Four months before President Clinton's inauguration, the Congressional Budget Office had already projected a 26-percent decline in the deficit between 1993 and 1995 — *and this was before the President proposed the largest tax increase in history, supposedly to reduce the deficit.*
 - ▶ Only after the 104th Congress proved it could balance the budget by 2002 and cut taxes at the same time did President Clinton begin to endorse the balanced budget goal — and now he claims to be a born-again budget balancer.

THE CLINTON VISION — MORE SPENDING, MORE TAXES, MORE GOVERNMENT, MORE DEFICITS

The President talks the talk of spending restraint, but his record shows that he *does* the opposite.

- ▶ In the four budgets he has proposed [for fiscal years 1993 through 1997], his “new initiatives” have called for increasing spending by \$659 billion from 1993 through 2002.
- ▶ He proposed a \$16 billion “stimulus” package; a government takeover of the Nation's health care system that, over 7 years, would have increased Federal spending by \$310 billion, raised taxes by \$190 billion, and increased deficits by \$122 billion.
- ▶ Though he now claims to want a balanced budget, his budget for fiscal year 1996 called for \$60 billion more spending than what was approved when Congress finished this year's budget work yesterday.
- ▶ These items explain why the President keeps proposing deficits of \$200 billion a year or more: Higher spending means higher deficits.

CONGRESS' RECORD *versus* THE PRESIDENT'S RHETORIC

- ▶ The table on the next page shows how the spending restraint of the Republican-led 104th Congress will yield \$320 billion in deficit reduction between now and 2002.
- ▶ This figure includes savings from discretionary spending cuts; enactment of welfare reform, health insurance reform, and the farm bill; direct savings in interest payments because of the lower deficit; and interest savings from the decline in interest rates that occurred because of Congress' commitment to balance the budget.

DEFICIT REDUCTION ENACTED TO DATE
by the REPUBLICAN-LED CONGRESS
(In billions of dollars)

	1996- 2002
Deficit Reduction Due to Legislative Action	
Discretionary Spending Reductions	-53
Welfare Reform	-54
Health Insurance Reform	-5
Farm Bill	-3
Contract with America Advancement Act	-4
Interest Savings	
Due to Policy Changes	-23
Additional Deficit Reduction Resulting from the Republican-Led Congress	
Interest Savings	
Due to Declining Interest Rates	-178
Total Deficit Reduction Enacted by the Republican-Led Congress	-320



Congress of the United States
Washington, DC 20515



PRESS RELEASE

**Congress Brings Budget Deficit Down to \$109 Billion,
Budget Committee Chairmen Announce**

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Washington, DC, October 9, 1996 — The Federal budget deficit for fiscal 1996 will fall to about \$109 billion, more than \$55 billion lower than last year's deficit and more than \$100 billion below the deficit proposed by the Clinton administration in the President's fiscal 1996 budget, according to the chairmen of the House and Senate Budget Committees.

The chairmen — Sen. Pete V. Domenici of New Mexico and Rep. John R. Kasich of Ohio — attributed the improved deficit performance, in part, to Congress' determined efforts to restrain spending and pursue a balanced Federal budget by 2002. Another factor has been Congress' advocacy of changing tax policy to encourage capital formation and job creation. This was the first full year of Republican congressional stewardship over the Federal budget in 40 years.

"This is good news for American taxpayers," said Domenici. "It shows that when Congress really wants to control spending, it can. However, we cannot let up; we owe it to all Americans to force the Federal Government to live within its means."

House Budget Chairman John R. Kasich called the deficit decline another major success for the 104th Congress. "This is the kind of dramatic change we promised the American people," he said. "We made a pledge to get Federal spending under control, and we kept our word."

The U.S. Treasury Department will publish the deficit figure, which applies to the fiscal year that ended September 30, later this month. The announcement by the two Budget Committee chairmen was based on Treasury Department data that are not expected to change significantly.

The chairmen attributed the deficit improvement — which is even better than the \$116 billion deficit projected by the Congressional Budget Office [CBO] in August — to several factors resulting from Congress' work during 1995 and 1996:

- ▶ **CUTTING WASTEFUL WASHINGTON SPENDING** — For the first time since 1969, Congress actually cut "discretionary" spending [spending that is approved on a year-by-year basis]

by \$13 billion from the 1995 level. Congress also spent \$60 billion less in total Federal spending than President Clinton requested in his fiscal year 1996 budget.

- ▶ **LOWER INTEREST RATES** — Congress' commitment to balancing the budget drove down interest rates throughout 1995, resulting in lower debt service costs for the government. The rates had been growing throughout 1994, until the November election that delivered Republican majorities to the House and Senate. The rate on the 30-year Treasury bond was over 8 percent at the time of the election, but has fallen to 6.8 percent now.
- ▶ **CHANGING THE ONE-SIZE-FITS-ALL MENTALITY OF ENTITLEMENT PROGRAMS TO GIVE STATES MORE FLEXIBILITY** — Even as the President resisted Congress' efforts to reform entitlement programs and move money and authority out of Washington, States began to take on the job themselves, developing innovations and efficiencies that have saved Federal taxpayers billions of dollars. For example, even though the President vetoed the Medicaid reform embraced in the Balanced Budget Act of 1995, Medicaid spending has slowed to about 3 percent a year, less than one-third the rate of growth projected by CBO in April of 1996. This has occurred because States, responding to congressional efforts to restructure the Federal/State Medicaid program, have undertaken reforms on their own.

Another factor in the deficit improvement is additional capital gains revenues. During 1995, the Republican-led Congress proposed reducing the capital gains tax rate to promote capital formation and job creation. Even though the rate reduction was vetoed by the President, approximately \$15 billion in higher-than-anticipated capital gains revenues were collected when taxpayers filed their returns in April. The apparent reason for the added revenues is that taxpayers anticipated the rate reduction, and therefore realized more capital gains in 1995, the tax year in which the reduction was expected to occur.

Both chairmen were quick to point out the continued need for the kind of spending restraint exhibited by the 104th Congress. Without such continued restraint, they said, the deficit will explode once again.



WHY THE DEFICIT HAS DECLINED

THE PRESIDENT'S RHETORIC *versus* CONGRESS' DEFICIT REDUCTION RECORD

10 October 1996

Data from the U.S. Treasury Department show that the Federal budget deficit for fiscal year 1996, which ended September 30, will plummet to \$109 billion, the lowest level in 4 years. more than \$55 billion lower than last year's deficit and more than \$100 billion below the deficit proposed by the Clinton administration in the President's fiscal 1996 budget. This document, prepared in response to Members' questions, explains how efforts of the Republican-led 104th Congress to restrain spending and reduce the size and scope of government have produced this dramatic improvement in the deficit picture. The discussion also disputes the administration's efforts to claim credit for deficit reduction. It shows that, to the contrary, the President's actions, as opposed to his rhetoric, have been a major impediment to deficit reduction. This analysis is organized as follows:

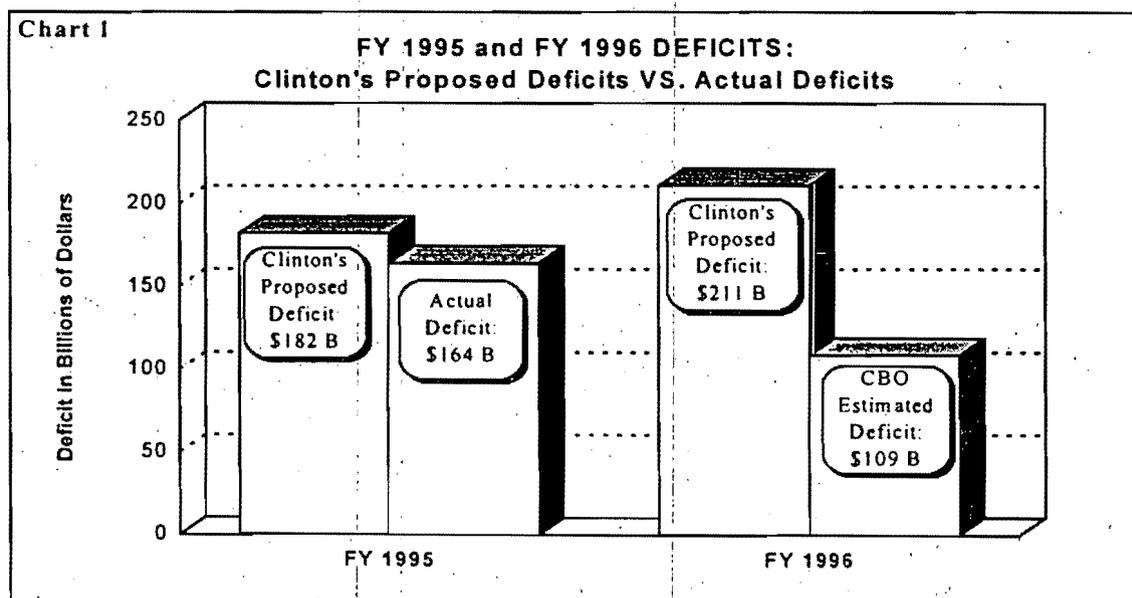
- ▶ **TAKING UNDUE CREDIT FOR DECLINING DEFICITS**
 While the President tries to take credit for declining deficits, *the record shows that his own 1993 tax increase, supposedly aimed at deficit reduction, failed.* He then aggravated the problem by seeking *higher* spending and *increasing* deficits, and by blocking Congress' efforts to reduce spending and deficits and balance the budget. PAGE 2
- ▶ **THE CLINTON VISION — MORE SPENDING, MORE TAXES, MORE GOVERNMENT, MORE DEFICITS**
 The President claims to advocate spending restraint, but his record shows that he *does* the opposite, repeatedly proposing higher spending. Virtually every time he has been faced with a real, legislative proposal to restrain spending, he has opposed it. PAGE 7
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- ▶ **CONGRESS' RECORD VERSUS THE PRESIDENT'S RHETORIC**
 While the President talks, Congress acts. Actions already taken by Congress are expected to yield \$320 billion in deficit reduction between now and 2002. PAGE 16

This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.

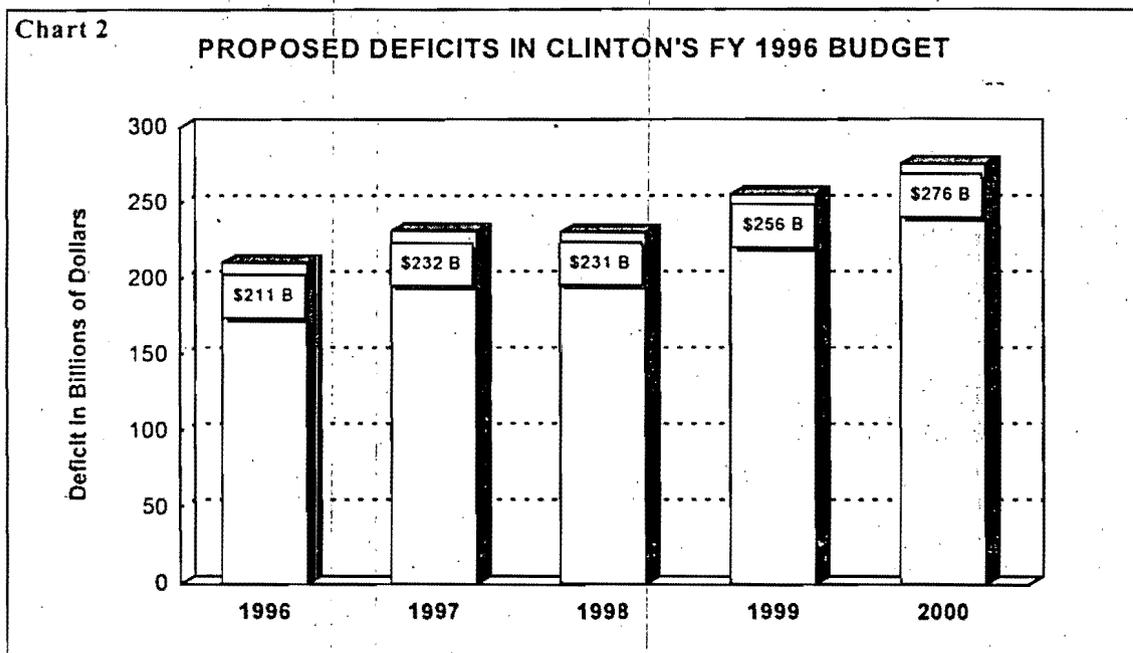
TAKING UNDUE CREDIT FOR DECLINING DEFICITS

While the President tries to take credit for declining deficits, *the record shows that his own 1993 tax increase, supposedly aimed at deficit reduction, failed.* He then aggravated the problem by seeking *higher spending and increasing deficits*, and by blocking Congress' efforts to reduce spending and deficits and balance the budget. The deficit reduction that has occurred during this administration results principally from congressional spending restraint or actions taken before President Clinton's inauguration. *The President's true inclinations are clear in the three budgets he proposed before the current election year.* The proposal he offered this year (for fiscal year 1997) was simply intended to mask his higher-spending inclinations. [This election-year makeover budget is reviewed separately in a section below.]

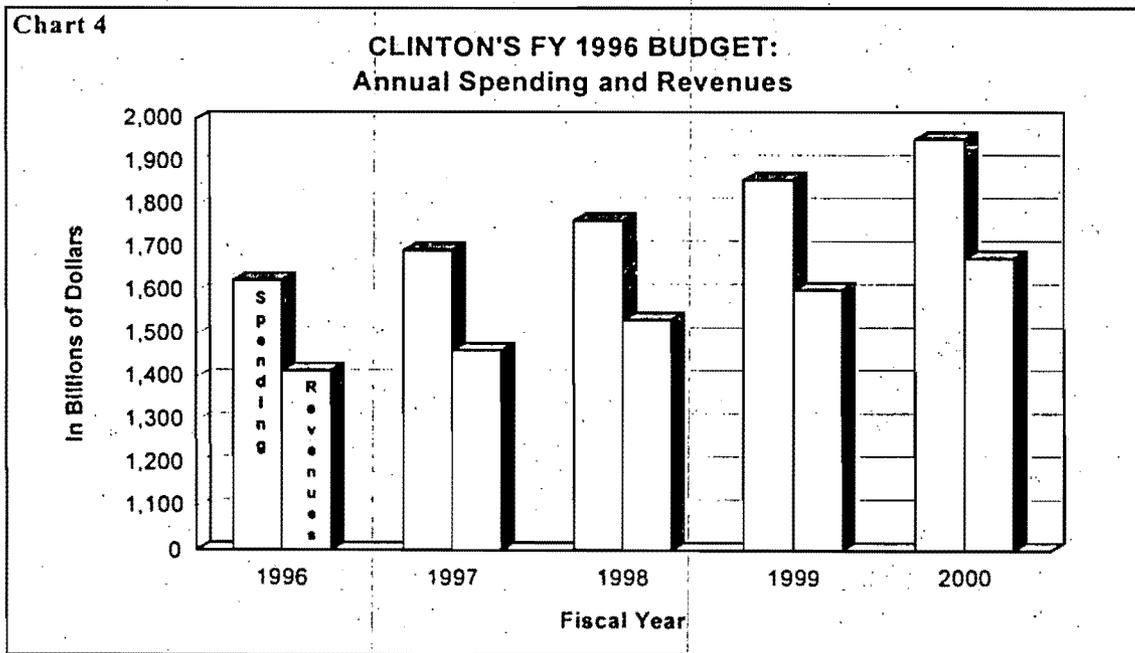
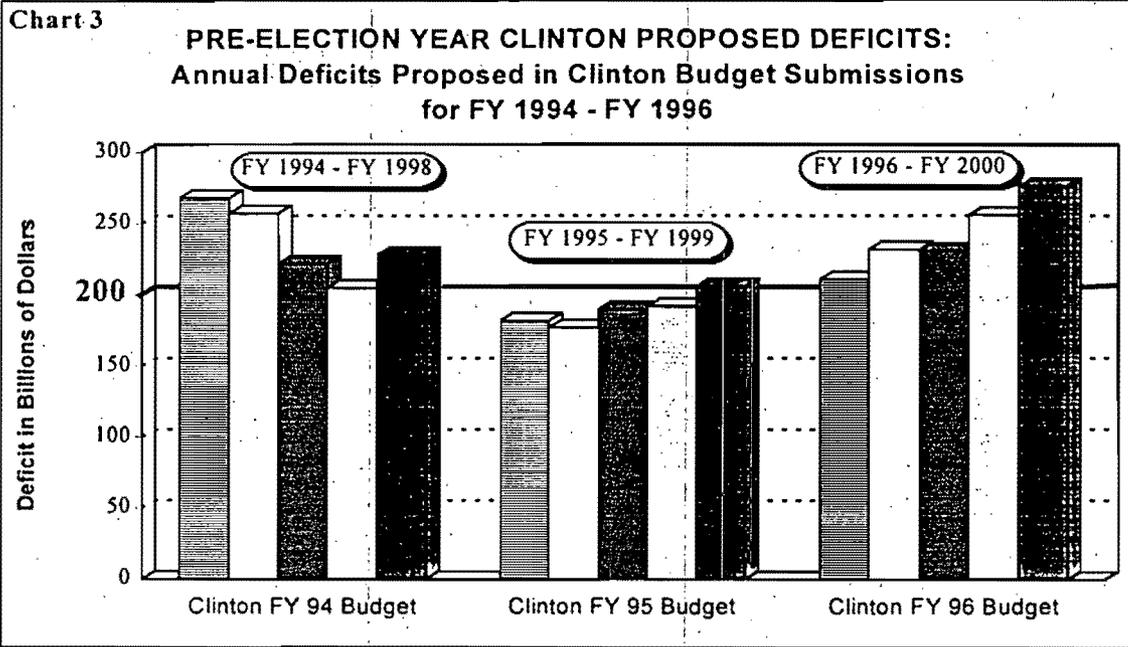
- ▶ In his budgets for fiscal years 1995 and 1996, the President proposed *higher spending and higher deficits than what actually occurred.* Congress' spending restraint brought deficits below what the President proposed [see Chart 1 below].
- ▶ In February 1995, one month after Republicans took control of the 104th Congress, President Clinton proposed a fiscal year 1996 budget calling for a deficit of \$211 billion. But when the fiscal year ended September 30, the actual deficit was down to \$109 billion — \$102 billion below the President's proposal [see Chart 1 below].



- ▶ The President's fiscal year 1996 budget also called for *increasing* the deficit from \$211 billion to \$276 billion by 2000 [see Chart 2 below]. *These proposed deficit levels demonstrate that the President's 1993 tax increase — which was fully in place by this time — failed to yield the deficit reduction the administration claimed.* Yet while he proposed these higher deficits, the President called Republicans "extremist" for trying to reduce them.
- ▶ This follows the President's established pattern: All three of his pre-election-year budgets (for fiscal years 1994, 1995, and 1996) proposed deficits in the range of \$200 billion a year or more in each year of the 5-year budget period [see Chart 3 on the next page].



- ▶ In his most recent pre-election-year budget (fiscal year 1996), President Clinton continued to propose greater spending increases than the growth in revenue allowed, which is why his proposed deficits continued to increase.
 - *As noted above, the President's 1993 was by this time fully in place, but was clearly failing to yield deficit reduction.*
 - *Nevertheless, the President's budget continued to outspend the growth in tax revenue. In this budget, for every dollar tax revenue increase, the President proposed a \$1.31 increase in spending [see Chart 4 on the next page].*



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- ▶ While the President keeps trying to take credit for lower deficits, his record shows he has made every effort to *block* deficit reduction, including the following:
 - Proposing a \$16-billion government make-work program — called a “stimulus” package — with the spending to go into effect immediately in 1993, at the same time he claimed he was trying to reduce the deficit.
 - Lobbying hard against a constitutional amendment to balance the budget. In a November 1993 letter to Senate leaders, he wrote: “The balanced budget amendment is, in the first place, bad economics.”
 - Lobbying strenuously *against the Penny-Kasich amendment* — a modest, bipartisan effort to save \$90 billion over 5 years. Put another way, the Penny-Kasich amendment called for saving 1 penny out of every dollar of government spending over 5 years.
 - Proposing a government takeover of the Nation’s health care system that would have increased deficits by \$122 billion over 7 years.
 - Vetoing the Balanced Budget Act of 1995, which would have balanced the budget by 2002.
 - Seeking \$60 billion more in total spending for fiscal year 1996 than what was approved when Congress finished the year’s budget work on September 30. The higher spending sought by the President also would have contributed to higher budget deficits.
 - ▶ As recently as last spring, *administration officials were still speaking against the goal of balancing the Federal budget:*
 - In testimony to the House Budget Committee, then-Budget Director Alice M. Rivlin said: “I do not think that adhering to a firm path to balance by 2002 is a sensible thing to do,” and, “It is not always good policy to have a balanced budget.”
 - In the 1995 *Economic Report of the President*, the President’s economic advisors wrote: “. . . the administration opposes a balanced budget amendment to the Constitution.” It also contained a special section, titled “The Shortcomings of a Balanced Budget Amendment,” that defended the use of “fiscal policy” [i.e., deficit spending] to “stabilize” the economy.
 - ▶ The President never even endorsed the balanced budget plan developed by the House Democrat coalition known as the “Blue Dogs.”

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- ▶ The President changed his rhetoric after the Republican-led Congress proved it could balance the budget by 2002 and cut taxes for middle-class working families at the same time. Then he offered several smokescreen budgets alleged to achieve balance over various time periods — first 10 years, then 9 years, and so on.
 - ▶ Nevertheless, *he kept pressuring Congress throughout last fall and winter for higher spending* in “domestic discretionary” programs (domestic spending that is approved on a year-by-year basis). [See further discussion in the next section.]
 - ▶ In trying to claim credit for 4 consecutive years of deficit reduction, the President resembles the rooster taking credit for the dawn. *The deficit was already expected to decline* during this period because of actions taken by the Bush administration:
 - As early as 4 months before President Clinton’s inauguration, the Congressional Budget Office [CBO] had already projected a 26-percent decline in the deficit between 1993 and 1995 — *and this was before the President proposed the largest tax increase in history, supposedly to reduce the deficit.*
 - This predicted deficit improvement was largely the result of the economic recovery that began in the last year of the Bush administration.

THE CLINTON VISION — MORE SPENDING, MORE TAXES, MORE GOVERNMENT, MORE DEFICITS

The President claims to advocate spending restraint, but his record shows that he *does* the opposite, repeatedly proposing higher spending. Virtually every time he has been faced with a real, legislative proposal to restrain spending, he has opposed it.

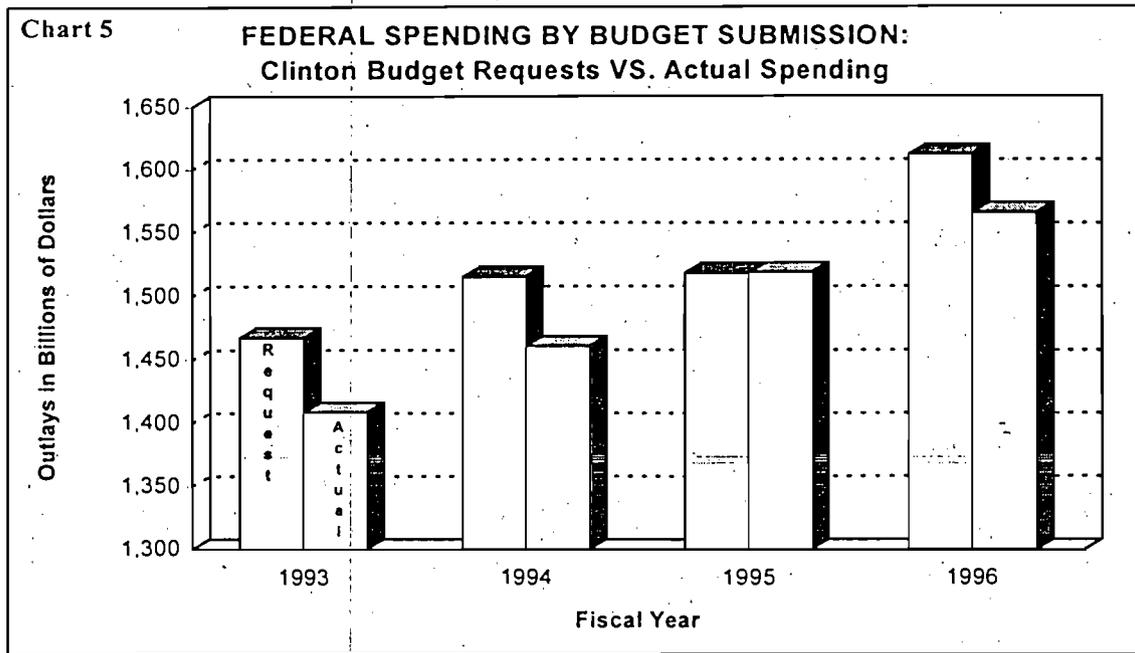
- ▶ When running for the White House in 1992, candidate Clinton promised a middle-class tax cut. But once he took office, his first budget called for the largest tax *increase* in history — a net of \$267 billion over 5 years — which was passed by the then-Democrat-controlled Congress and signed into law by President Clinton.
- ▶ In his first months in office, he proposed a \$16 billion government make-work “stimulus” package, calling for *higher Washington spending* to take effect *immediately*.
- ▶ In November of his first year in office, President Clinton and his Cabinet strenuously *lobbied against the Penny-Kasich amendment* — a modest, bipartisan effort to save \$90 billion over 5 years. Put another way, the Penny-Kasich amendment called for saving 1 penny out of every dollar of government spending over 5 years.
- ▶ Also in November, the President lobbied hard against a balanced budget amendment to the Constitution. In a letter to Senate leaders, he wrote: “The balanced budget amendment is, in the first place, bad economics.”
- ▶ His next major initiative was to propose a nationwide, one-size-fits-all *government-run health care system* that, over 7 years, would have increased Federal spending by \$310 billion, raised taxes by \$190 billion, and increased deficits by \$122 billion.
- ▶ The President and members of his administration *preened about all the places where he would increase government spending*, which they called public “investments.” Even when they proposed savings they promptly sought to spend the money elsewhere. These “investments” have included the following:
 - Increases in foreign aid of \$4.5 billion in budget authority and \$4.9 billion in outlays over 5 years.

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- Increases in public housing of \$9.9 billion in budget authority and \$2.3 billion in outlays over 5 years.
 - Increases for Commerce Department programs (most of which are corporate welfare) of \$5.7 billion in budget authority and \$4.6 billion in outlays over 5 years.
 - Increases for "departmental management" at the Labor Department of \$115 million in budget authority and \$111 million in outlays over 5 years.
 - Increases for "management and administration" at the Department of Housing and Urban Development [HUD] of \$89 million in budget authority and \$85 million in outlays over 5 years.

▶ The total costs of the President's "new initiatives" are as follows:

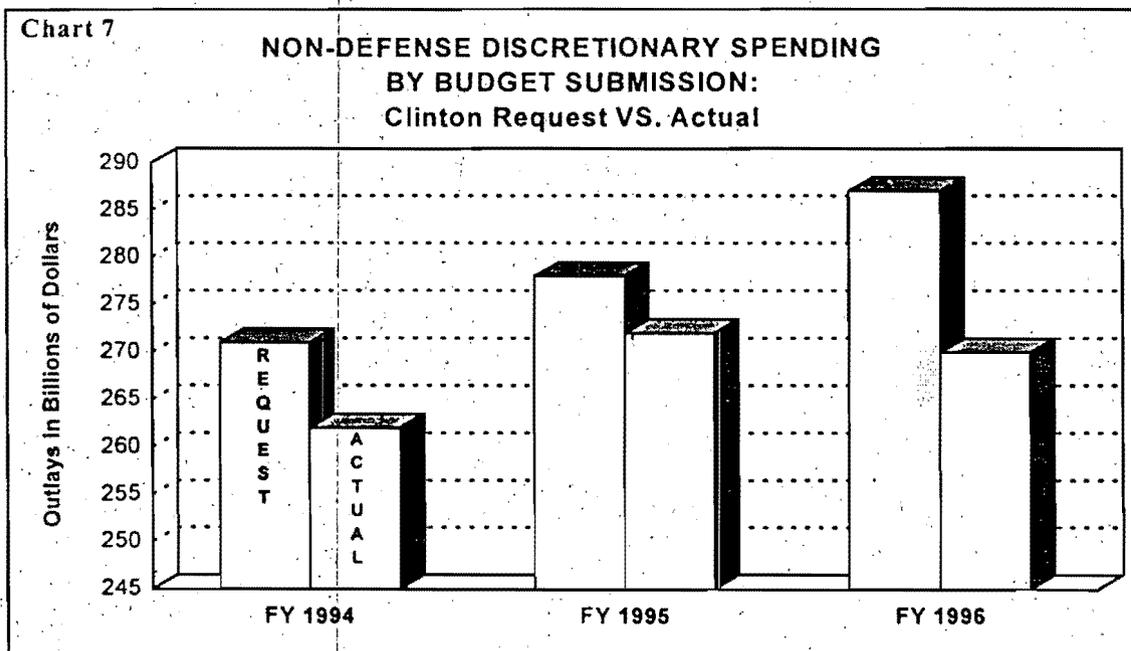
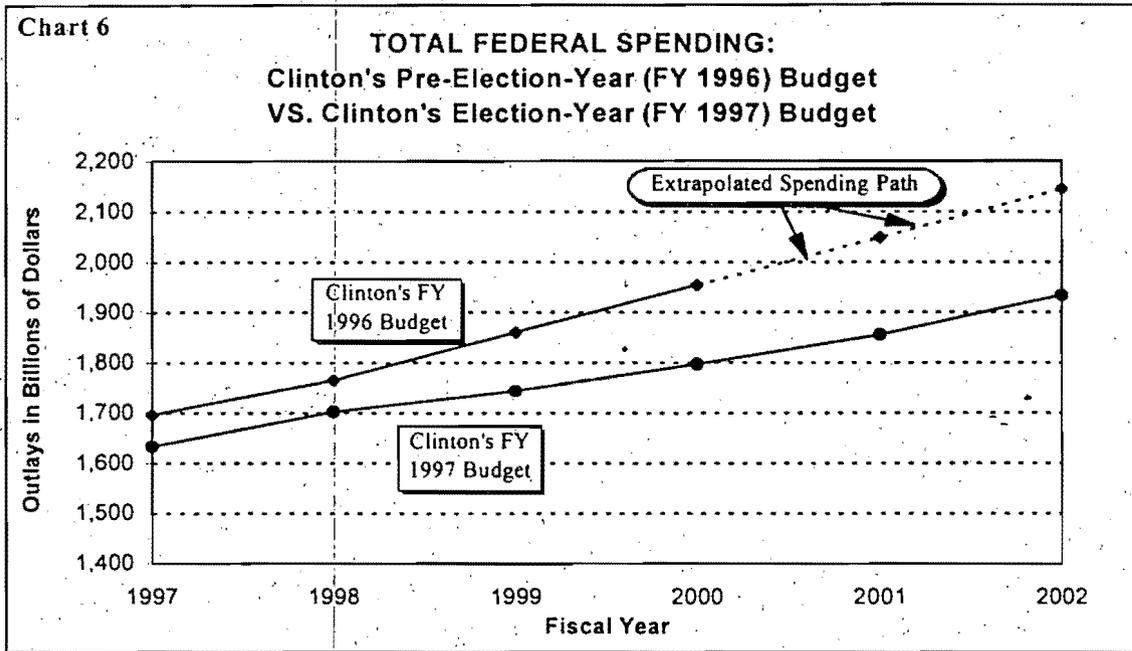
- **TOTAL NEW SPENDING INITIATIVES** — The President's budgets for fiscal years 1994 through 1997 call for new initiatives that increased spending by \$658.9 billion in budget authority and \$549.9 billion in outlays for the period starting in 1993 and ending in 2002. Between 1993 and 1996, these initiatives would have increased spending by \$432 billion in budget authority and \$369.8 billion in outlays.
- **FISCAL YEAR 1994 BUDGET** — The President's "new initiatives" would have increased spending by \$178.7 billion in budget authority and \$140.3 billion in outlays for 1994 through 1998.
- **FISCAL YEAR 1995 BUDGET** — The President's "new initiatives" would have increased spending by \$151.9 billion in budget authority and \$120 billion in outlays for 1995 through 1999.
- **FISCAL YEAR 1996 BUDGET** — The budget contained no list of new initiatives, but the Congressional Budget Office [CBO] calculated it would have increased spending by \$85.6 billion in budget authority and \$96.4 billion in outlays for 1996 through 2000.
- **FISCAL YEAR 1997 BUDGET** — This budget also contained no list of initiatives, but CBO calculated it would increase spending above a spending "freeze" by \$226.9 billion in budget authority and \$179.8 billion in outlays for 1997 through 2002.

- ▶ The President's budgets for the past 3 years (fiscal year 1994 — which included the \$16 billion "stimulus" package that he intended to be spent in fiscal year 1993 — and fiscal years 1995 and 1996) called for \$160 billion more spending than what was actually approved by Congress [see Chart 5 on the next page].



► If his fiscal year 1996 budget had been approved, the President would have spent \$63 billion more in 1997 and \$211 billion more in 2002 than his fiscal year 1997 budget proposed [see Chart 6 on the next page]. This comparison is important because the fiscal year 1996 budget — proposed one month after Republicans took control of Congress — shows the President’s true intentions. In contrast, his fiscal year 1997 “balanced budget” plan is only a gimmick-filled makeover done in response to Congress’ success in developing a budget that cut middle-class taxes and still reached balance by 2002. [See further discussion in the next section.]

- After the Republican-led Congress proved it could balance the budget by 2002 and cut taxes for middle-class working families at the same time, the President offered several smokescreen budgets alleged to achieve balance over various time periods — first 10 years, then 9 years, and so on.
- Nevertheless, *he kept pressuring Congress throughout last fall and winter for higher spending* in “domestic discretionary” programs (domestic spending that is approved on a year-by-year basis). Chart 7 on the next page shows how much more of this spending the President wanted compared with what was approved by Congress.



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- ▶ The President's one action that supported deficit reduction was signing welfare reform, and even this was equivocal.
 - He vetoed welfare reform twice before, even though he had campaigned promising to "end welfare as we know it."
 - His decision to sign welfare reform this year was motivated mainly by political, rather than policy, considerations.
 - Almost as soon as he signed the measure, the President began making plans to undo the reform next year.

 - ▶ President Clinton's actions actually have closely matched those of the liberal Democrat leaders and Members in the House, as reflected in the following examples:
 - A total of 130 House Democrats, 64 percent of their Members, voted against the balanced budget constitutional amendment, which President Clinton opposed.
 - A total of 108 Democrats (54 percent) voted against the Blue Dog coalition budget resolution.
 - Only 5 House Democrats voted for the Balanced Budget Act; 188 Democrats — 97 percent of their Members — voted "no."
 - House Democrats did not even support their own balanced budget alternative, known as the "Blue Dog" reconciliation bill, which the President never endorsed. Only 68 Democrats voted for it, while 129, or 65 percent of their Members voted "no."

ELECTION-YEAR MAKEOVER: THE PRESIDENT'S LEMON BUDGET FOR FISCAL YEAR 1997

After the Republican-led 104th Congress proved it could cut taxes and still balance the budget by 2002, the President felt obliged in this election year to come up with a balanced budget plan as well. But his fiscal year 1997 budget is merely a makeover that does not balance except through the use of a massive gimmick.

- ▶ According to the testimony of June E. O'Neill, Director of the Congressional Budget Office [CBO]: "... CBO estimates that the basic policies proposed in the President's budget would lower the deficit substantially but that the deficit would still total \$81 billion in 2002." [See Table 1 on the next page.]

- ▶ The only way the President's plan can be described as achieving balance is through its mysterious set of "contingent" budget proposals. [See Table 2 on Page 14.]
 - These total \$124 billion over 6 years, with \$84 billion of the "savings" in 2002.

 - The "contingent policies" include \$67 billion in unspecified discretionary cuts. These reductions are *in addition to* the \$161 billion in discretionary cuts in the President's basic budgetary proposal.

- ▶ The other aspect of the President's "contingent" policies involves sunsetting his proposed tax cuts.
 - With one hand, the plan offers tax reductions of \$129 billion through 2002; but with the other he snatches back \$90 billion through tax increases. This yields a net total tax reduction of \$38 billion. [Table 1.]

 - To balance the budget, he "sunsets" his tax cuts, thereby raising taxes \$32 billion in 2001 and 2002. This takes back virtually all that's left of his net \$38-billion tax cut, so that his actual tax reduction is only \$6 billion over 6 years. The sunset plan also means a *net 1-year tax increase* in 2002 of \$16 billion. [This figure is derived by subtracting the \$25-billion revenue increase caused by sunsetting the President's tax relief from the \$9 billion of tax relief that would occur without the sunset provision. See Table 2.]

TABLE 1

**CBO ESTIMATE OF THE PRESIDENT'S BUDGET:
Without Contingency Proposals**
(Outlays in billions of dollars)

	1997	1998	1999	2000	2001	2002	6-Year Total
CBO Baseline Deficit	165	175	182	191	194	210	-----
Discretionary Savings							
Unspecified Discretionary Reduction	-4	-6	-26	-42	-46	-38	-162
Entitlement Savings							
Medicare	-5	-8	-14	-20	-26	-31	-104
Medicaid	2	-2	-6	-10	-16	-22	-54
Welfare Reform	-4	-6	-6	-7	-7	-8	-38
FCC Spectrum Auction	0	-2	-3	-4	-5	-16	-30
Proceeds from Asset Sales	-1	0	0	0	0	-2	-3
Other Policy Changes	-4	1	-1	-2	-8	-6	-20
Subtotal	-12	-17	-30	-43	-62	-85	-249
Debt Service	0	-1	-3	-6	-11	-16	-37
Gross Savings	-17	-23	-59	-91	-116	-138	-444
Revenue Changes ¹	8	2	3	7	9	9	38
Net Savings	-9	-21	-56	-84	-107	-129	-406
Deficit / Surplus	156	153	125	108	87	81	-----

SOURCE: *The Economic and Budget Outlook: Fiscal Years 1997-2006*,
Congressional Budget Office (May 1996)

NOTE: Totals may not add due to rounding.

¹/ Revenue losses are shown with a positive sign because they increase the deficit.

TABLE 2

**CBO ESTIMATE OF THE PRESIDENT'S BUDGET:
With Contingency Proposals
(Outlays in billions of dollars)**

	1997	1998	1999	2000	2001	2002	6-Year Total
CBO Baseline Deficit	165	175	182	191	194	210	----
Discretionary Savings							
Unspecified Discretionary Reduction	-4	-6	-26	-42	-46	-38	-162
Entitlement Savings							
Medicare	-5	-8	-14	-20	-26	-31	-104
Medicaid	2	-2	-6	-10	-16	-22	-54
Welfare Reform	-4	-6	-6	-7	-7	-8	-38
FCC Spectrum Auction	0	-2	-3	-4	-5	-16	-30
Proceeds from Asset Sales	-1	0	0	0	0	-2	-3
Other Policy Changes	-4	1	-1	-2	-8	-6	-20
Subtotal	-12	-17	-30	-43	-62	-85	-249
Debt Service	0	-1	-3	-6	-11	-16	-37
Gross Savings	-17	-23	-59	-91	-116	-138	-444
Revenue Changes ¹	8	2	3	7	9	9	38
Net Savings	-9	-21	-56	-84	-107	-129	-406
Deficit / Surplus	156	153	125	108	87	81	-----
Contingent Budgetary Proposals							
Sunset Tax Relief	0	a	a	a	-7	-25	-32
Additional Medicare Savings	-1	-1	-2	-2	-3	-3	-13
FCC Spectrum Auction Failsafe	0	0	0	0	0	-6	-6
Additional Unspecified Discretionary Reductions	0	0	0	0	-22	-46	-67
Resulting Debt Service Savings	a	a	a	a	-1	-4	-6
Subtotal, Changes	-1	-2	-2	-2	-33	-84	-124
Revised Deficit / Surplus	155	152	123	105	54	-3	-----

SOURCE: *The Economic and Budget Outlook, Fiscal Years 1997-2006*,
Congressional Budget Office (May 1996)

NOTE: Totals may not add due to rounding.

¹ Revenue losses are shown with a positive sign because they increase the deficit.

a/ Less than \$500 million.

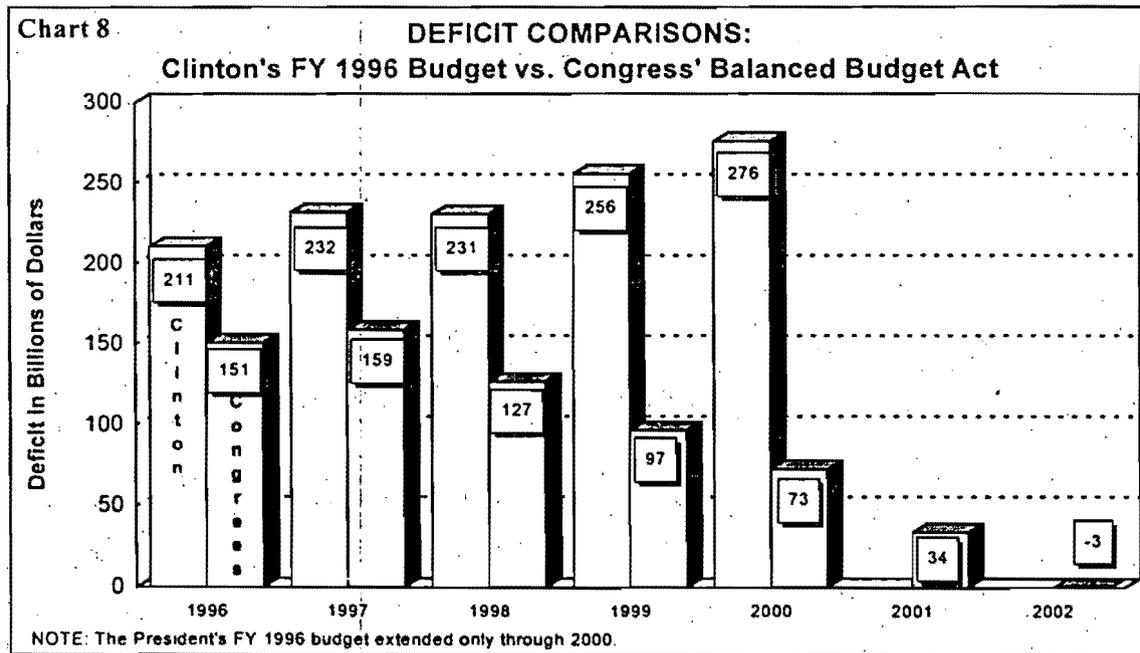
• *Even officials in his own administration have disavowed his election-year (fiscal year 1997) budget.*

- Veterans' Affairs Secretary Jesse Brown stated that he is "not planning to live with" the President's budget and that the President pledged he would "negotiate the budget each and every year."
- Daniel S. Goldin, Administrator of NASA, has said: "The White House has instructed us to take no precipitous action on outyear budgets; and we are taking them at their word."
- L. Craig Johnstone, the State Department's Budget Director, said in a speech on September 19: "We have a Secretary of State who is absolutely committed to sending forward a 1998 budget request to OMB, and to the President, that is substantially higher than the budget the administration sent to the Congress in February for fiscal 1997. It will be a budget request that is much higher than the guidance levels given to us by OMB. And it goes without saying that it will be a budget request that will be vastly higher than the levels contained in the budget resolutions passed by the Congress this year."

CONGRESS' RECORD *VERSUS* THE PRESIDENT'S RHETORIC

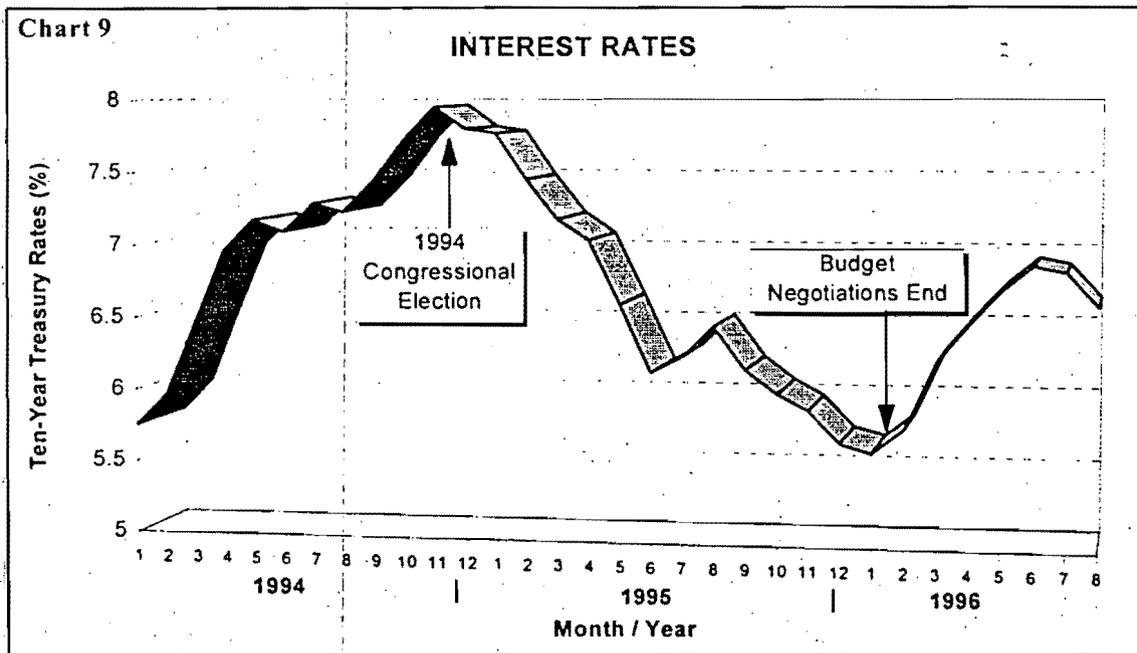
While the President talks, Congress acts. Actions already taken by Congress are expected to yield \$320 billion in deficit reduction between now and 2002.

As noted earlier, when Republicans took control of Congress at the beginning of 1995, President Clinton's first budget submission to the new Congress (for fiscal year 1996) proposed a deficit of \$211 billion in fiscal year 1996, with deficits increasing to \$276 billion by 2000. Throughout 1995, Congress developed the Balanced Budget Act, which reduced the deficit to \$73 billion in 2000 and yielded a surplus of \$3 billion in 2002. Chart 8 below compares the President's proposed deficits in his fiscal year 1996 with those of the congressional Balanced Budget Act, which the President vetoed.



The most recent estimate from the Congressional Budget Office shows this year's deficit actually will be about \$109 billion. This deficit improvement can be traced to *congressional* budget efforts, including the following:

- ▶ **CUTTING WASTEFUL WASHINGTON SPENDING** — For the first time since 1969, Congress actually cut “discretionary” spending (spending that is approved on a year-by-year basis) by \$13 billion from the 1995 level. Congress also spent \$60 billion less in total Federal spending than President Clinton requested in his fiscal year 1996 budget.
- ▶ **LOWER INTEREST RATES** — Congress’ balanced budget efforts drove down interest rates throughout 1995, resulting in lower debt service costs for the government. The rates had grown throughout 1994, until the November election that delivered Republican majorities to the House and Senate. The rate on the 30-year Treasury bond was over 8 percent at the time of the election, but has fallen to 6.8 percent now. [See Chart 9 below.]



- ▶ **CHANGING THE ONE-SIZE-FITS-ALL MENTALITY OF ENTITLEMENT PROGRAMS TO GIVE STATES MORE FLEXIBILITY** — Even as the President resisted Congress’ efforts to reform entitlement programs and move money and authority out of Washington, States began to take on the job themselves, developing innovations and efficiencies that have saved Federal taxpayers billions of dollars. For example, even though the President vetoed the Medicaid reform embraced in the Balanced Budget Act of 1995, Medicaid spending has slowed to about 3 percent a year, less than one-third the rate of growth projected by CBO in April of 1996. This has occurred because States, responding to congressional efforts to restructure the Federal/State Medicaid program, have undertaken reforms on their own.

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- ▶ **ADDITIONAL REVENUE DUE TO AN ANTICIPATED REDUCTION IN THE CAPITAL GAINS TAX RATE** — During 1995, the Republican-led Congress proposed reducing the capital gains tax rate to promote capital formation and job creation. Although the President vetoed the rate reduction, approximately \$15 billion in higher-than-anticipated capital gains revenues were collected when taxpayers filed their returns in April this year, apparently because taxpayers anticipated the rate reduction, and therefore realized more capital gains during 1995.

The actions already taken by the 104th Congress are expected to yield \$320 billion in total deficit reduction by 2002. As the table on page 14 shows, this deficit reduction will come about as follows:

- ▶ **DISCRETIONARY SPENDING REDUCTIONS** — Congress' reductions in discretionary spending [spending that is approved year by year] in fiscal years 1996 and 1997 will produce \$53 billion in deficit reduction through 2002. In the past 2 years, the Republican-led 104th Congress has terminated 297 programs and approved spending cuts that will yield \$53 billion in deficit reduction through 2002, according to the Committee on Appropriations.
- ▶ **WELFARE REFORM** — The enacted version of welfare reform legislation (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) will slow the growth of Federal welfare spending by \$54 billion through 2002.
- ▶ **HEALTH INSURANCE REFORM** — The Health Insurance Portability and Accountability Act of 1996 will save \$5 billion through 2002, principally through provisions that clamp down on fraud and abuse.
- ▶ **THE FARM BILL** — The Federal Agricultural Improvement and Reform [FAIR] Act, which transitions farming to a more market-based system, will save \$3 billion in Federal farm programs by 2002.
- ▶ **THE CONTRACT WITH AMERICA ADVANCEMENT ACT** — This measure gradually raised the Social Security earnings limit. It will achieve \$4 billion in savings through 2002 by disqualifying drug addicts and alcoholics for Social Security Disability Insurance [SSDI] and Supplemental Security Income [SSI] disability benefits.
- ▶ **INTEREST SAVINGS DUE TO POLICY CHANGES** — These savings result directly from lower deficits. The government will pay less in interest because it will borrow less.
- ▶ **INTEREST SAVINGS DUE TO DECLINING INTEREST RATES** — As shown in Chart 9 above, Congress' commitment to balancing the budget led to a decline in interest rates throughout 1995. The decline in interest rates reduces the amount of interest payments the government will have to make. These savings are calculated by comparing the amount of interest payments that would have been required under the January 1995 interest rates with the payments required under the low rates of May 1996.

TABLE 3

**DEFICIT REDUCTION ENACTED TO DATE
by the REPUBLICAN-LED CONGRESS
(In billions of dollars)**

	1996- 2002
Deficit Reduction Due to Legislative Action	
Discretionary Spending Reductions	-53
Welfare Reform	-54
Health Insurance Reform	-5
Farm Bill	-3
Contract with America Advancement Act	-4
Interest Savings	
Due to Policy Changes	-23
Additional Deficit Reduction Resulting from the Republican-Led Congress	
Interest Savings	
Due to Declining Interest Rates	-178
Total Deficit Reduction Enacted by the Republican-Led Congress	-320