Carol Rasco

THE WHITE HOUSE

WASHINGTON

January 4, 1994

The attached document is background for tomorrow's NEC meeting, to be held from 5:00–6:00 p.m. in Room 248 of the OEOB.

This document contains some sensitive information and your careful handling is appreciated. Thank you.

Sylvia Mathews, NEC

Attachment

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 28, 1993

MEMORANDUM FOR BOB RUBIN

FROM: LLOYD BENTSEN

SUBJECT: **FY 1995 BUDGET PROPOSALS – EXPIRING TAX PROVISIONS**

SUMMARY: The targeted jobs tax credit (TJTC), exclusion for employer-provided educational assistance, and the orphan drug tax credit expire on December 31, 1994. The R&E tax credit and the R&E 50-percent allocation rule expire mid-year in 1995. If the President wishes to propose the extension of some or all of these provisions, such proposals should be included in the FY 1995 budget submission to the Congress. This memorandum describes each of the expiring provisions and provides you with a recommendation regarding how long these provisions should be extended.

RECOMMENDATION: Because of revenue constraints and other factors set forth below, I recommend that the President propose a package consisting of either a (1) one year extension of the exclusion for employer-provided educational assistance and the orphan drug credit ($491 million over 5 years), with a commitment to study the R&E credit, 50-percent R&E allocation, and TJTC and to consider including a revised version of these provisions in the FY 1996 budget or (2) one year extension of all the expiring provisions ($3.2 billion).

Either of these two approaches would, as I believe we should, minimize the number of tax increases in the budget (which will be necessary to pay for extending the expiring provision under the pay-go rules). During an election year, both Democrats and Republicans are likely to oppose another round of tax increases particularly after the enactment of the 1993 Budget Act. It is also important to keep in mind that at some time next year we will have to propose ways to finance the GATT--Uruguay Round (approximately $11 billion over 5 years), Generalized System of Preferences ($2.7 billion), unemployment insurance extended benefits program ($3.3. billion), the dislocated workers program ($5 billion), and welfare reform ($20 billion). I would note that a package of permanent extensions of the expiring provisions would cost in excess of **$14 billion** over 5 years.

The first of the two alternatives I recommend excludes the R&E credit, 50-percent R&E allocation rule and TJTC. Since the R&E provisions expire in mid-1995, we could defer this issue and include both of these provisions in the FY 1996 budget. In addition, several proponents of the credit (i.e., Senators Baucus and Danforth and Rep. Pickle) have proposed a number of modifications to the credit rules. We would like to evaluate these proposals before proposing to further extend the credit. In addition, the Department of Labor recently issued a report which indicates that the TJTC may be an ineffective and inefficient tax subsidy. Thus, the first alternative also excludes this credit. In 1994, we would review this credit with the Labor Department to determine if the credit should be restructured or allowed to expire.

The second alternative, which would extend all five of the expiring provisions for one year, would cost **$3.2 billion** over 5 years. This proposal would provide for the minimal possible extension of the expiring provisions in 1994 so as to ensure that the provisions would not have to be extended retroactively at some point in 1995.

DISCUSSION:

1. In General. The provisions expiring before the end of FY 1995 are as follows:

December 31, 1993	• Health insurance deduction for self-employed individuals
December 31, 1994	• Targeted jobs tax credit • Exclusion for employer-provided educational assistance • Orphan drug tax credit
June 30, 1995	• R&E tax credit
July 30, 1995	• R&E 50-percent allocation rule

The Administration's FY 1994 budget proposed permanent extensions of these provisions but the political support for permanent extension was tepid at best. The final 1993 deficit reduction bill included permanent extension of the low-income housing credit, the mortgage revenue bond program, small-issue industrial development bonds, and alternative minimum tax (AMT) relief for charitable contributions of appreciated property.

2. Specific Provisions

Health insurance deduction for self-employed individuals. The extension of this provision is included in the health care proposal. The proposal in the health care bill permanently extends and increases the deduction from 25 percent to 100 percent. This proposal loses **$9.8 billion** over 5 years.

TJTC. The TJTC provides a maximum credit of $2,400 per employee to employers that hire individuals who are recipients of payments under means-tested transfer programs, economically disadvantaged or disabled. The Labor Department is responsible for overseeing state programs to certify eligible recipients.

A recent study by Labor's Inspector General analyzed the effectiveness of the TJTC in Alabama. This study found that most of the workers hired by companies would have been hired without the credit. Many employers taking the credit do not know at the time a job offer is extended if the individual will qualify for the credit. In addition, some employers are reluctant to ask the questions necessary to determine eligibility because of privacy concerns and a fear of discrimination suits by applicants who do not receive job offers. Thus most of the work is delegated to TJTC consultants. The Inspector General is currently conducting a nationwide study, which is expected in June of 1994.

Despite these problems the TJTC has strong support on Capitol Hill (i.e., from Senators Boren and Baucus and Rep. Rangel). Because of the ongoing study and concerns recently raised by Labor's report we believe that a viable option is that an extension of the credit not be proposed at this time and that a study of the TJTC be undertaken during 1994. In addition, Labor is interested in developing tax incentives to encourage worker training, youth apprenticeships, etc. We also need time to determine if they are viable proposals and, if so, whether they should supplement or replace the TJTC.

A permanent extension loses **$1.3 billion** over 5 years and a one year extension loses **$307 million** over 5 years.

Employer-provided educational assistance. An employee may exclude the first $5,250 of educational assistance paid for or provided by the employer during the taxable year pursuant to an educational assistance program. The exclusion is not limited to job-related educational assistance, but does not apply to any education involving sports, games, or hobbies. A permanent extension loses **$2.5 billion** over 5 years and a one year extension loses **$467 million** over 5 years. Senator Moynihan is a strong supporter of this provision.

Orphan drug credit. The orphan drug credit is a 50% nonrefundable tax credit for expenses incurred in the testing of drugs for certain rare diseases. A rare disease is a disease that (1) affects less than 200,000 persons in the U.S. or (2) affects more than 200,000 persons but for which there is no reasonable expectation that businesses could recoup the costs of developing a drug for it from U.S. sales of the drug (e.g., Lou Gehrig's disease, Tourette's syndrome, etc.). Last year's budget did not include a proposal to extend this credit because this was considered a health care issue. The credit, however, was included in the final 1993 budget bill. The Administration's health care proposal does not propose to extend the credit. We, therefore, recommend that it be included in the budget. A permanent extension loses **$124 million** over 5 years and a one year extension loses **$24 million** over 5 years.

R&E credit. The President and I have consistently endorsed a permanent R&E credit. In the past, however, revenue constraints have forced Congress to settle for temporary extensions. The credit expires on June 30, 1995 (i.e., several months after the presentation of the FY 1996 budget). Consequently, we have to decide whether to include the extension in the FY 1995 or FY 1996 budget. If it is decided to defer extension to the FY 1996 budget, it would be appropriate to study a number of issues regarding the structure and efficacy of the credit during 1994. For example, many argue that the current method of computing the credit denies the credit to deserving businesses. The credit is available only for incremental research expenses in excess of a base amount. The base amount is determined based on data from the 1983-1988 period, and thus may not reflect the current circumstances of many businesses. Other issues have been raised by recent proposals involving enhanced incentives for collaborative research, and use of the credit to ease defense conversion by making the credit available to companies converting from high technology defense businesses to civilian businesses that may be relatively less research-intensive. These and other proposals were included in a bill introduced earlier this year by Senator Danforth.

In contrast to those who would enhance the credit and improve its incentive effects, others question whether any research credit is justifiable. In particular, Rep. Rostenkowski has long been skeptical of the efficacy of the credit. He was one of the proponents of the reduction in the credit from 25 to 20 percent of incremental research expenditures as part of the Tax Reform Act of 1986.

Finally, a long-term extension of the credit would be difficult to finance. Permanent extension of the credit loses **$7.6 billion** over 5 years. Thus, a permanent extension would require us to propose a package of significant revenue raisers. A one year extension would lose **$1.8 billion** over 5 years.

R&E allocation. In 1977, Treasury regulations were issued that required U.S. multinationals to allocate between foreign and domestic source income the amount of their research and experimentation expenses (the apportionment in general was according to the proportion of foreign and domestic sales or gross income). The effect of requiring U.S. multinationals to allocate some of their R&E deductions to foreign income, even though the R&E may have been entirely performed in the U.S., was to cause some U.S. multinationals to lose foreign tax credits. Viewing this result as undercutting the tax incentive for R&E, the Congress imposed a moratorium on the 1977 regulations, and has extended this moratorium nine times since 1977, the last time in OBRA '93. The OBRA '93 moratorium provision provided that 50 percent of R&E expense could be allocated to U.S. income before apportionment. It expires July 31, 1995. A permanent extension of the OBRA '93 moratorium would lose **$2.8 billion** over 5 years and a one-year extension would lose **$568 million** over 5 years.

Despite urging from the Congress to provide a 50 percent or better R&E allocation rule **by regulations** (which would spare the Congress the necessity of paying for an extension), our judgment (and that of the previous Administration) is that the Treasury lacks the statutory authority to provide a tax **incentive** for R&E by regulations. Our authority is limited to an allocation rule that matches R&E expenses with the income produced by those expenses. We therefore believe that a 50-percent (or higher percentage) rule must be accomplished by legislation. If the R&E credit is extended, we believe that the R&E allocation rule should also be extended. On the other hand, if the R&E credit extension is deferred to the FY 1996 budget we suggest that the R&E allocation rule also be deferred and studied during 1994.

THE WHITE HOUSE

NATIONAL ECONOMIC COUNCIL

ATTENTION: NEC WEEKLY MEETING GROUP

	FAX Number
LLOYD BENTSEN, THE SECRETARY OF THE TREASURY	622-0073
RONALD BROWN, THE SECRETARY OF COMMERCE	482-2741
ROBERT REICH, THE SECRETARY OF LABOR	219-7659
LEON PANETTA, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET	395-3888
MICKEY KANTOR, UNITED STATES TRADE REPRESENTATIVE	395-3390
LAURA TYSON, CHAIR, COUNCIL OF ECONOMIC ADVISERS	395-6947
THOMAS F. (MACK) MCLARTY, CHIEF OF STAFF	456-6797
GEORGE R. STEPHANOPOULOS, SENIOR ADVISER FOR POLICY AND STRATEGY	456-2883
DAVID R. GERGEN, COUNSELOR TO THE PRESIDENT	456-2215
HOWARD G. PASTER, ASSISTANT FOR LEGISLATIVE AFFAIRS	456-6220
JOHN D. PODESTA, STAFF SECRETARY	4562702(P)
BOB RUBIN, ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY	456-2878
CAROL RASCO, ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY	456-2878
ROGER C. ALTMAN, DEPUTY SECRETARY OF THE TREASURY	622-0404
LAWRENCE SUMMERS, UNDERSECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS	622-0081
ALICE RIVLIN, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET	395-1005
BOWMAN CUTTER, NATIONAL ECONOMIC COUNCIL	456-1605
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# #

RESPOND TO:
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Phone: 456-2802
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Rm. 234
Old Executive Office Building

Rlo3

NOTE

Talk to me.

Bill will attend.

URGENT !!!

DUE TO A PRESIDENTIAL MEETING THAT WILL INVOLVE SEVERAL PRINCIPALS SCHEDULED TO ATTEND THE NEC WEEKLY MEETING ON TUESDAY, OCTOBER 19TH, THE NEC WEEKLY MEETING HAS BEEN MOVED TO WEDNESDAY, OCTOBER 20TH AT 5:30 P.M. IN THE ROOSEVELT ROOM.

OCT 18 REC'D

THE WHITE HOUSE

NATIONAL ECONOMIC COUNCIL

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Rm. 234
Old Executive Office Building

NEC WEEKLY MEETING

OCTOBER 19, 1993

5:30 P.M.

ROOSEVELT ROOM

# # # # # #

AGENDA

1995 budget process, including legacy exercise.

Update on a variety of issues.

- APEC
- NAFTA
- Defense Procurement
- Maritime, Shipbuilding
- TRP Grants
- Airline Paper
- Dislocated Workers
- Economic outlook.
- Superfund

Xc: DPC program staff

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 15 REC'D

THE DIRECTOR

December 14, 1993

Sent 12/16

MEMORANDUM FOR MACK McLARTY
DAVID GERGEN
HOWARD PASTER
ROBERT RUBIN
CAROL RASCO
GENE SPERLING
GEORGE STEPHANOPOULOS
LAURA D'ANDREA TYSON
CHRISTINE VARNEY

FROM: Leon E. Panetta
Director

SUBJECT: OMB Bi-Weekly Update of Major Administration Initiatives

Please find attached our bi-weekly update of major initiatives.

Attachment

OFFICE OF MANAGEMENT AND BUDGET

MAJOR INITIATIVES STATUS REPORT

December 14, 1993

NOTE: Revisions from previous edition are printed in BOLD FACE type

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
1	National Service	NS DPC	Sawhill	Enacted.	President signed the bill on 9/21.	Agency implementation.	VanWie
2	Direct Loans	ED DPC	Sawhill	Legislation transmitted by the President May 5.	Compromise enacted in Reconciliation.	Implementation. ED to announce first round schools 11/15.	Smith
3	Systemic Reform - Goals 2000: Education America Act	ED DPC	Sawhill	Legislation transmitted by the President April 21	Modified version passed the House, 10/13.	Senate floor action.	White Brown Matlack (Title IV) Walsh
4	Elementary & Secondary Education Act Reauthorization	ED DPC	Sawhill	Final congressional consideration expected Spring/Summer 1994.	House deferred consideration to next session.	Work on issues with House, Senate and interest groups.	White Brown Steil
5	Dislocated Worker Assistance	DOL NEC	Sawhill	Legislation in early 1994.	**Agreement reached to delay transmission of bill until early in the next season. OMB and DOL met 11/18 to discuss status of initiative and loans as alternative to grants.**	**FY 1995 Budget process will address funding.**	Menchik Kitti Walsh
6	School-to-Work Transition	DOL ED	Sawhill	Legislation transmitted 8/4	Reported by both House and Senate labor committees 11/10. Passed House 11/15.	Floor Action in Senate .	Matlack Walsh Brown
7	One-stop Career Shopping	DOL NEC	Sawhill	Legislation in early 1994.	**Agreement reached to delay transmission of bill until early in the next season. OMB and DOL met 11/18 to discuss status of initiative.**	DOL preparing white paper on major issues. FY 1995 Budget process will address funding.	Kitti Walsh Brown

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
8	Head Start	HHS DPC	Sawhill	Reauthorization 1994	Drafts of HHS advisory council report circulating, to be transmitted to the Secretary the week of December 13th. Funding level under discussion in budget process.	Staff work to support PAD in advisory council role. Advisory council recommendations due by end of year.	Steil
9	Welfare Reform	HHS Task Force DPC	Sawhill	Later this fall	Sawhill participating on task force. Working group papers circulated.	Options being developed for discussion by working group 11/20.	Fontenot Dean
10	Family Support & Preservation	HHS DPC	Sawhill	Enacted	Modified version of Administration bill enacted -- about $1.4 billion rather than $1.7 billion proposed.	Agency implementation.	Ellertson
11	Food Stamps	USDA	Sawhill	Enacted	Modified version of Administration bill enacted -- about $2.5 billion rather than $7 billion proposed.	Agency implementation.	Cash
12	EITC	Treasury	Sawhill	Enacted.	Modified version of Administration bill enacted -- about $21 billion rather than $29 billion proposed. Budget proposal for new credit for childless workers enacted.	Agency implementa-ion.	Cash

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
13	PBGC Reform	DOL	Sawhill Minarik	Next season.	Ways and Means hearings on 10/4. Bill introduced on 10/28.	Committee hearings. (No further hearings scheduled.)	Lewis Arthur
14	WIC	USDA DPC	Sawhill	FY 1995 Issue	Under consideration in budget process.		Cash
15	DI Trust Fund Solvency (95 budget proposal)	HHS	Sawhill	October.	Dropped in conference due to budget rules. Met with HHS on 10/12 to discuss growing careloads.	Legislation will probably be reintroduced and considered in the spring.	Fontenot Popper
16	Community Development Bank	NEC DPC	Edley	Immediate	House passed Bill - 11/21.	________	Rhinesmith
17	Enterprise Zones	NEC DPC	Edley	Immediate	VP meeting with urban and rural community developers on 10/14.	Request for proposals scheduled for release in early December.	Redburn Wartell
18	Infrastructure	NEC	Edley	Not determined	Guidelines being prepared for review by the Deputies.	Subgroup of major infrastructure agencies is preparing guidelines for issuance by President. Sending letter to Connie Lee asking for specific data supporting their proposal to become an Infrastructure GSE.	Schwartz (for Management group) Meyers (for Financing group)
19	Small Business Financing	NEC	Edley	Immediate	OMB staff developed options paper for promoting equity investments in small firms.	NEC staff consolidating options papers for discussion memo to NEC deputies.	Rhinesmith

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
20	Information Highway Grants	NEC	Edley	Immediate	10/14 Held invitational seminar.	Invitations to seminar - pending PAD decision.	Schwartz
21	Financial Services Reform	OMB	Edley	Longer term -- possible FY95 Budget.	Reigle introduced a consolidated proposal 11/9.	OMB staff discussions with the Fed and FDIC on their supervisory costs.	Rhinesmith
22	Review of Maritime industry Supports	NEC	Edley	August - September	Immediate decision made: issue to be postponed for at least 3 months pending DOD review of defense maritime requirements.	DOJ letter on minority and women-owned business in clearance.	Schwartz
23	Continuation of RTC Funding	OMB	Edley	Immediate	House passed RTC bill with $18.3B for RTC with 18 month extension. No SAIF funding.	Enrolled Bill memo being drafted.	Rhinesmith
24	Health Care Reform	HRC DPC	Panetta Rivlin Min	Transmittal of legislation to Congress planned for mid-October 1993.	Presidential speech to Joint Session of Congress; First Lady testifies before relevant committees week of 9/27.	Work on final analytical estimates of costs and savings and financing proposals in OMB and Treasury.	Min

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
25	Immunization Bill	HHS DPC	Min	Transmittal 4/1/93	Immunization provisions were passed and signed as part of OBRA 93. The signed provisions are similar to the House-passed version and the original Administration proposal. Signed version includes a $585 million Federal vaccine purchase program for eligible children.	Federal purchase program will begin in FY 1995. HHS will need to address several implementation questions before Federal purchase can begin. OMB staff will work with HHS to resolve implementation issues.	Clendenin
26	Abortion - Foreign Aid Authorizing Bill	DPC	Min Adams	Final Congressional action on bill early in 1994.	Cleared Bill submitted informally to Congressional committees 11/22/93.	Await Congressional comments. Transmit bill formally in January.	Min DuSault
27	NAFTA + Uruguay Round	USTR	Adams Edley Foley	NAFTA bill enacted 11/17/93. Uruguay Round due for 12/15 completion.	Prepare legislation and paygo offsets.	Win support for bill.	DuSault Bent Kizer Witt
28	International Broadcasting Consolidation	NSC OMB	Adams	Authorizing legislation to be enacted probably late fall 1993.	Compromise on grantee status of surrogate broadcasting apparently reached with Senators Biden & Feingold. Radio free Asia may be an issue.	Work out response to Biden to USIA letter on compromise before Senate action on bill scheduled for 1/25/94.	DuSault Sasser Lehman

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
29	International Environment	NEC/NSC WH	Adams Glauthier	Review on remaining issues continues, possibly through September.	PDD 16 on international environment activities signed 11/5/93.	NEC/OMB review of FY 95 budget for the environment in mid-December.	Bent Piller Fairweather
30	International Assistance Programs	NEC NSC	Adams	Review continues under discussion September-November.	SC-chaired cabinet on 9/10. Agreement that small drafting group should frame issues.	NEC/OMB review of FY 1995 budget for international assistance programs in mid-December	DuSault Bent
31	Defense Conversion	NEC	Adams	Under way	Technology Reinvestment Project - awards 10/22 and 11/24.	Remainder of Technology Reinvestment Project announcement in December.	Gessaman Vickers
32	Acquisition Reform	DOD	Adams	October 1993	Support Senate Bill which incorporates principles of DOD and NPR acquisition reform proposals.	Works with Senate sponsors to enact final acquisition reform package.	Dotson Brown
33	Russian Assistance	NSC	Adams	Appropriation to be enacted in September 1993.	Appropriation enacted September 29.	Work on implementation issues; no further action.	DuSault Bent Cassella
34.	Non-Proliferation and Export Controls	NSC	Adams	PDD has been approved; implementation is ongoing.	PDD was signed by the President and a Fact Sheet released on 9/27. New policy was cited in President's U.N. speech.	NSC is proceeding with an implementation plan, leading to a 12/31 report to the President.	Taft

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
35	Peacekeeping Organization and Funding	NSC	Adams	End of August.	Principals endorsed peacekeeping task force recommendations of 9/5/93 and sent them to the President. Principals met on 9/17/93 to make final changes to PRD-13.	**Finalized and PRD-13 to be sent to President; consultations with Congress.**	Gessaman DuSault Sasser
36	Democratization	Defense State	Adams	Fall 1993	Paper has been redrafted by State (Catherine Dalpino DAS/Democracy). OMB provided detailed comments on new draft.	Interagency meeting to discuss new paper likely to be held soon.	DuSault Bent Sasser
37	Economic Intelligence	NSC	Adams	Timing unclear.	Last meeting 5/13.	"For Comment" draft to be circulated.	Donahue
38	Counter-narcotics (CN)	NSC DPC	Adams	Fall 1993	**PDD finalized 11/93.**	Draft paper being prepared for Principals review by late November.	DuSault Sasser Ashford
39	Encryption	NSC	Adams	Early fall	Plan announced 4/17. IWG formed 4/26; meets weekly.	**Draft report due by early December.**	Donahue
40	Classification System	NSC	Adams	November 1993	Task Force meeting on 11/5 to review comments.	**Task Force draft to NSC for review.**	Donahue
41	Forest Conference Follow-up	OEP USDA DOI DPC	Glauthier Selfridge	Ongoing	**Strategic plan being routed for policy sign-off. Development of implementation plan on-going week of 11/29.**	**Next MAC meeting scheduled for 11/30. Implementation plan ready for final approval by 12/15.**	Beard Matlack Redburn Weatherly

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
42	Clean Water Act Reauthorization and State Revolving Funds (plus "Needy Cities" Programs)	EPA	Glauthier	Submit detailed legislative positions to Congress in late January.	Testimony clearance completed for seven Senate Hearings. Preliminary costing effort on legislative changes completed.	Develop benefit estimates for legislative proposals.	Fairweather
43	Drinking Water State Revolving Funds	EPA	Glauthier	Enact authorizing legislation in order to make appropriated funds available.	Administration position on drinking water legislative changes announced on 9/7. EPA testified on proposals 10/27.	Work with Senate Env. Cmte that introduced safe drinking water bill on 10/14.	Fairweather
44	Public Land Subsidies (Hardrock Mining Royalties & Grazing Fees)	DOI USDA	Glauthier	On-going. Hardrock mining bill conference during second session.	Interior FY 94 Appropriations bill passed with no grazing reform language. Administration may proceed with revision of regulations administratively. Hardrock mining bill passed House on 11/18 by a vote of 316 to 108. Royalty level is 8 percent.	Support House mining bill during conference. Complete draft grazing reform regulation and EIS by the end of 1993.	Beard Weatherly
45	Biodiversity/National Biological Survey	DOI	Glauthier	On-going. Presidential announcement 4/21 for Earth Day.	House passed NBS authorization bill, HR 1845 on 10/28. Several objectionable amendments were adopted. DOI FY94 Appropriations bill established NBS.	Senate Committee consideration of HR 1845 possible in early CY 1994.	Beard

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
46	Geographic Information Systems	DOI USDA Other Agencies	Glauthier	On-going.	Topic published as formal NPR issue. Draft E.O. provided to OGC, NPR, for assignment of priority.	Begin draft E.O. formal circulation according to assigned priority.	Beard
47	Columbia Snake River Salmon Restoration (WA/OR/ID)	Army Crps Commerce (NMFS) Energy	Glauthier Schwartz Peroff	Continues until recovery plan chosen (late 1993)	Recovery team issued draft recovery plan for public and peer review on 10/20/93. Comments due by 12/6/93.	Informally review recovery plan.	Long
48	Food Safety Enhancement	USDA HHS/FDA EPA DPC	Glauthier Min	Enact pesticide reform legislation prior to end of Congress.	Agencies testified before several committees on pesticide reform legislation in the fall. U.S. District Court blocked implementation of USDA's safe food handling rule. USDA plans to start the rule-making process over and re-propose a safe food handling rule. OMB met with USDA Asst. Sec. Branstook on 11/9 to discuss preparation of strategy plan for FY 94 and '95. OMB will participate in USDA interagency task force forming early in 1994.	Work with committees on developing legislative language for pesticide reform legislation. USDA draft regulations to require industry to change meat slaughter and processing practices is under formulation. Agency working with consumer and industry representatives. Final safe food handling rule not yet received by OMB. OMB concurs with USDA's FY 95 budget proposals for full funding of Food Safety Initiative.	Weatherly Fairweather

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
49	USDA Streamlining	USDA DPC	Glauthier Reeder	On-going.	Sec. Espy 9/7 re-org plan incorp. into NPR recomm. Authorizing legislation based on NPR/Espy plan sent to Congress on 9/24. Provision also included in Gov. Reform Act to reduce field offices and FTE's. House Ag Cmte. adopted Admin. language. But current rescission markup would only provide $12 million of the $36 million in first year savings assumed from streamlining proposed in Admin. rescission package.	Ag cmtes indicated they are not satisfied with level of detail on Espy plan submitted by USDA. They expect to hold hearings in Dec and Jan. Markup a bill in Feb. 1994.	Weatherly
50	Bureau of Indian Affairs Trust Fund Mgmt	DOI DPC	Glauthier Reeder	On going	Preparation of strategic plan. DOI supports Senate interest in a GAO review of Trust Mgmt. are following up.	Reconcile tribal accounts thru contractor. Continue follow-up with interior. Both activities on going.	Beard

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
51	Interagency Wetlands Task Force	Multi-Agency: DOI USDA EPA Army Corps	Glauthier	Fall '93, Winter '94 for implementing details of wetlands policy.	Admin testified before House on 9/28. Interagency FY 96 budget crosscut completed. Selected increases are recommended in USDA, DOI, EPA.	OEP/OMB to organize process to implement 80 wetlands policy recommendations. Crosscuts results to be transmitted to A. Rivlin. OMB recommends 300,000 acre Wetlands Reserve Program signup for FY 95 budget.	Beard Weatherly Fairweather Long
52	Climate Change Action Plan	OEP State EPA DOE USDA DOT CEA DPC	Glauthier	Agencies preparing plans and implementing them.	OMB auditing FY 1994 budget reprogramming request.	Implement admin. actions. Pursue needed legislation. EPA and OMB briefed EPA's House appropriations subcommittee on budget impacts the week of 11/15. Review FY 1995 budget funding for the action plan.	Fairweather Mietus
53	Space Station Redesign Implementation	OSTP NEC VP/OMB	Glauthier	Ongoing	The Vice President agreed to slip the schedule if necessary to stay within the $2.1 billion annual space station funding cap. NASA has space station-related programs outside the cap.	OMB staff are working with NASA to put programs back under the cap. A memo to the President seeking his decision to formally invite the Russians as partners is being prepared to by OSTP (needed by December 6th).	Fellows

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
54	R&D Review	OSTP NEC OMB	Glauthier	On-going	R&D crosscut session held 11/19 to examine the relative priority of R&D/technology commercialization programs and possible offsets. No particular decision was made.	Not clear, but likely to be pursued in crosscut sessions with the President.	Fellows
55	Federal Coordinating Council for Science, Engineer, and Technology (FCCSET)	OSTP	Glauthier	On-going.	FY 1995 FCCSET initiatives discussed at OMB review of NASA'S FY 1995 budget. All agency expected FCCSET contributions have been accommodated except for DOC's contributions to global change and high performance computing (frozen at FY 1994 level). The shortfall in global change was raised in the Environment crosscut session on 11/19.	Not clear how to resolve FCCSET funding disconnects in DOC. OSTP still working on restructuring the FCCSET under the new National Council on Science and Technology.	Fellows
56	Establish United States Enrichment Corporation	OMB	Glauthier	Summer	Determination Order issued that restored remaining assets on 11/29/93.		Goldberg Bennethum

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
57	Implementation of Energy Policy Act (EP Act)	OMB	Glauthier	Ongoing	Received conservation investment data. Approved solar/ renewable reprogramming language.	Prepare OMB Bulletin to implement OMB requirement under Sec. 159 of EP Act.	Steer Bennethum
58	Partnership for a New Generation of Vehicles	Commerce OSTP	Glauthier Rivlin	Ongoing	Industry agreed to prepare strawman research proposal. Industry and government agreed to complete inventories of existing research.	Evaluate industry proposal vs. project goals and existing government/industry research activity.	Pfeiffer Steer
59	Department of Energy National Laboratories M&O Contracts & Missions	NEC OSTP OMB	Glauthier	December	Initial draft report prepared.	DOE briefing to OMB in early December. Review and finalization of draft report.	Kaufman
60	Use of Russian and U.S. Highly Enriched Uranium (HEU)	OMB	Glauthier Adams	Summer.	Agreement that USEC to act as agent for U.S. Government and cover all costs of Russian HEU contract for 2 years.		Goldberg Taft Bennethum
61	Review of Yucca Mountain Nuclear Waste Repository	OMB	Glauthier	Ongoing	Director's Review within OMB on DOE budget. Principal issue concerns Yucca Mountain and how that effects 1995 budget.	Glauthier to meet with Secretary O'Leary to discuss potential Admin proposal on financing Yucca Mountain.	Goldberg Bennethum

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
62	Waste Management and Clean-up	Energy	Glauthier Adams	Ongoing/3 year pilot	DOE has proposed a GPRA pilot project to add 1600 FTE to EM program over 3 years through contractor conversion. Director authorized addition of 400 FTE in FY 1994. Decision on remaining 1200 FTE is pending.	ESD will work with DOE to establish performance measures to monitor implementation.	Bennethum
63	DOE-Use CRADAs	Energy OSTP NEC/OMB	Glauthier	March 1994	CRADA documents were requested in September, but have yet to be received.	Documents will be re-requested to complete the analysis.	Peroff Bennethum
64	Superconducting Supercollider (SSC)	Energy OSTP NEC/OMB	Glauthier	Several years	Severance package for on-site employees was announced on 11/24. 15% of the workforce (340 employees have been terminated).	DOE and OSTP to coordinate with experts to reassess U.S. high energy physics program and consider future uses of SSC site. DOE and Governor Richards have agreed to a process to establish appropriate compensation for Texas. Their respective counsels will meet 12/13. OMB and DOE are studying FY 95 budget impacts.	Peroff

NO.	TITLE	LEAD RESPONSIBILITY OVERALL	OMB	APPROXIMATE TIMING	LATEST ACTION	NEXT STEPS	OMB STAFF CONTACTS
65	Federal Facilities Cleanup Policy Group	OMB OEP	Rivlin Glauthier	Ongoing. Submission of President's budget.	Revised draft mission statement and issues agenda based on agency comments and agreed that "priority setting" should be first issue considered.	Call first meeting of interagency group to explore common "priority setting" problems and agree on next steps.	Pfeiffer
66	NAFTA Environment	NEC USTR State Treasury EPA USDA Other Agencies	Adams Glauthier	On-going. Submission of President's budget.	NAFTA legislation enacted.	Develop additional environmental legislation and budget proposals needed to support NAFTA implementation.	Bent Fairweather
67	Midwest Floods	USDA HUD FEMA Army Corps EPA DOT SBA OEP DOI DPC DOC EDA	Glauthier Edley	On-going. Prepare by 4/30/94 a comprehensive strategy for addressing flood damage reduc. & flood disaster recovery.	Promulgated rules for SCS/CORPS levee reconstruction and FDA funding for certain ineligible levees.	Appoint executive director for comprehensive strategy and begin work.	Weatherly Long Redburn
68	Superfund Reauthorization	OEP EPA	Glauthier	On-going. Presidential decisions in December.	Costing of legislative proposals virtually complete and decision memo to President drafted.	Principals mtg scheduled for 12/3 with memo to President shortly thereafter.	Fairweather

Fy96 budget - file
JUN 30 REC'D

THE COMMITTEE FOR EDUCATION FUNDING

FOR IMMEDIATE RELEASE
June 29, 1994

CONTACT: Beth Buchlmann, President
202/466-4790
Susan Frost, Executive Director
202/543-6300

HOUSE PASSES APPROPRIATIONS BILL WITH NO INVESTMENT FOR EDUCATION

Educators Call on Senate to Correct the Situation

WASHINGTON, DC -- The Committee for Education Funding (CEF), a coalition representing more than 75 national education associations, is extraordinarily disappointed by the lack of education investment in the House-passed Labor, Health and Human Services, Education Appropriations bill for FY1995. The FY1995 spending bill, which cleared the House floor today, contained only a 2.3 percent net increase for education—an amount insufficient to meet even inflationary costs (see chart #1). For higher education, the bill is even more stark; overall funding is well below FY1994 levels.

"The 103rd Congress directed much of its attention to reshaping education at the elementary, secondary, and postsecondary levels," said CEF President Beth Buehlmann, Director of Federal Relations for the *California State University*, "but without adequate funding to implement these changes, the legislative efforts are absolutely meaningless."

In February 1994, President Clinton called for an increase of $1.7 billion for programs across the Department of Education (see chart #2)—a request the education community praised as the largest overall investment proposed by the White House in more than a decade. In May of this year, Congress adopted an FY1995 Budget Resolution sufficient to fund education initiatives and maintain support for existing education programs.

[more]

read
to Carol
7/29 passed

But in H.R. 4606 the Fiscal Year 1995 Appropriations bill for the Departments of Labor, Health and Human Services, and Education—education received less than a third of the President's recommended increase, $1.1 billion below the budget recommendation.

Under H.R. 4606, Chapter 1 compensatory education for disadvantaged students, which faces an increasing number of children living in poverty, received less than half of the recommended increase. As a result, millions of eligible students will go unserved. The federal share of support for education programs for students with disabilities continues to erode to a fraction of the level promised when the federal mandate to serve these students was enacted.

John Forkenbrock, CEF Vice-President and Executive Director of the *National Association of Federally Impacted Schools* said, "Elementary and secondary programs are currently undergoing a major reform as Congress reauthorizes the Elementary and Secondary Education Act. Established programs like Chapter 1, Chapter 2, and Impact Aid have been redirected to serve students better. Under the House bill, education dollars will fall far short of being able to accomplish the objectives envisioned by the authorizing committees."

In addition, appropriators' decision to place a cap on the number of Pell Grant recipients is a fundamental change in the nature of the program and an abandonment of the commitments made in the Higher Education Act Amendments of 1992. This cap, along with the $75 million cut in financial aid to students, undermines the National Education Goals by signaling to students that even if they achieve high academic standards, federal student aid may not be available. Next year, students will receive lower awards than last year, and many will have to go further into debt to finance their education.

"As we talk about re-engineering our economy and our workforce, it is ironic that we continue to cut student access and choice to education," stated CEF Treasurer Violet Boyer, Director

[more]

of Congressional Relations for the *National Association of Independent Colleges and Universities.* "Study after study shows that a college degree will increase a worker's lifetime earnings—and that grant funding increases the chances of graduation for minorities."

Buehlmann stated that the coalition, "urges this Congress not to sell America's students short. Specifically, we call upon the Senate to approve spending levels consistent with the President's request and the Congressional Budget Resolution. This Congress simply must increase the investment in education this year—and sustain that investment in the future—if we are to strengthen the nation's economic vitality, promote educational opportunity, and preserve national security. After all, a limited investment will only yield limited results."

CEF is a non-profit, nonpartisan organization established in 1969 to achieve adequate financial support for our nation's educational system. As the largest education coalition of its kind, CEF members include elementary, secondary, and postsecondary students, parents, teachers, administrators, librarians, counselors, trustees, school employees, and state and local school board members.

# # #

[more]

Chart #1:

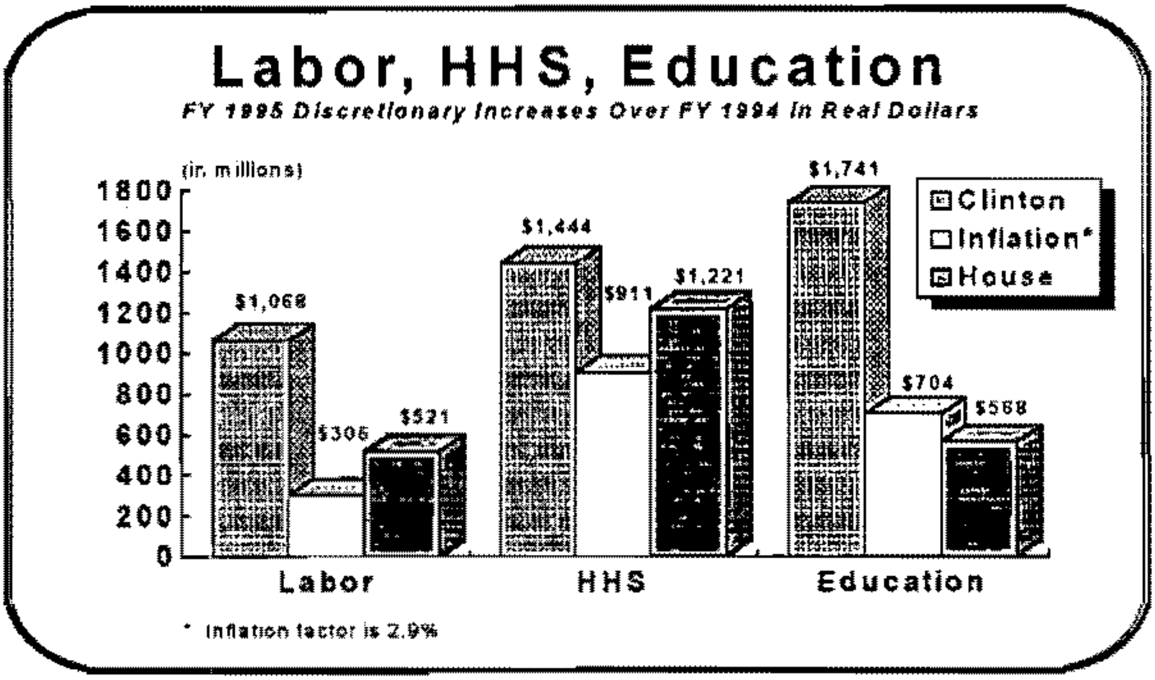
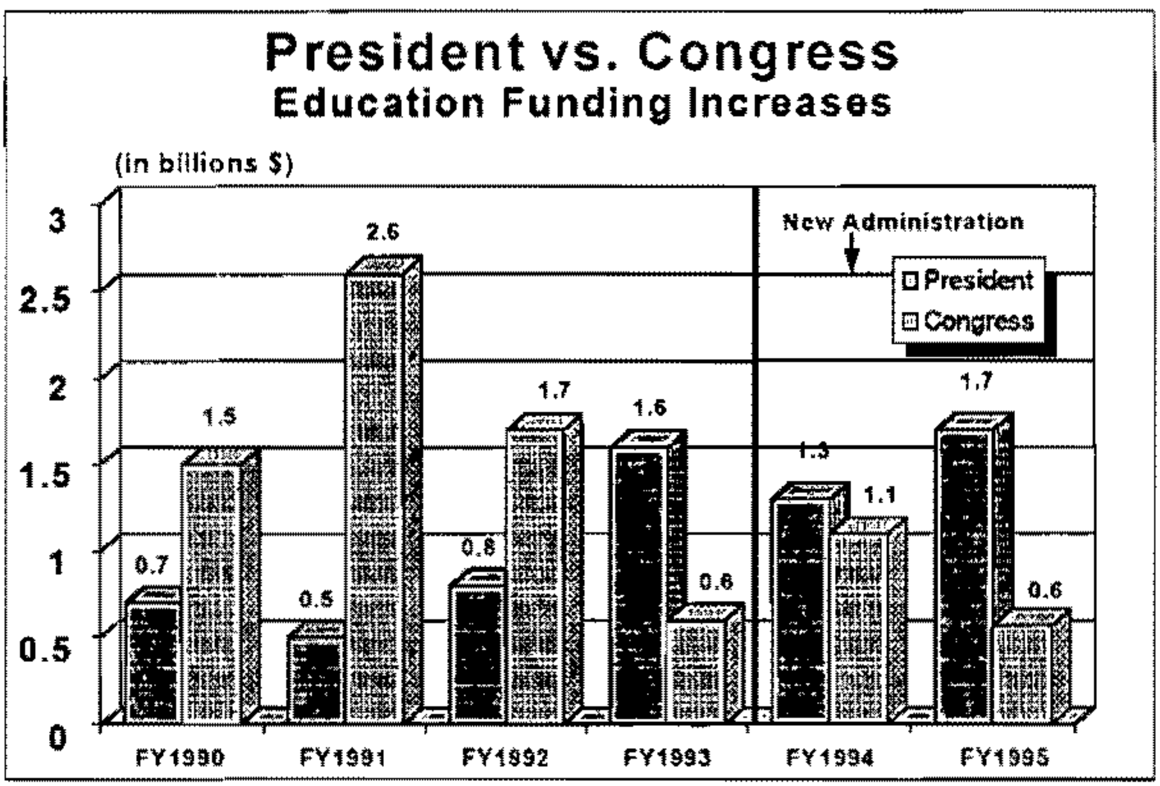


Chart #2:



THE WHITE HOUSE

WASHINGTON

July 28, 1993

MEMORANDUM FOR LEON PANETTA

FROM: CAROL H. RASCO for CHR

SUBJECT: BUDGET

Knowing that final details are being "hammered out," I would appreciate an update phone conversation on immunization and family preservation with you or your designee today or prior to 11:00 a.m. Central time tomorrow (Thursday).

I can be reached at: P6/(b)(6)

I realize it is a very busy time for you, but I am receiving enough calls on these two items I feel it is critical I receive an update.

Many Thanks!

cc: Mack McLarty

Pat—

Please type and deliver (or have delivered) to Panetta and McLarty today.

Thanks

Roy

To: Leon Panetta
From. Carol H. Rasco in Little Rock
Subj: Budget
Date: 7-28-93

Knowing that final details are being "hammered out," I would appreciate an update phone conversation on immunization and family preservation with you or your designee today or prior to 11:00 a.m. Central time tomorrow (Thursday). July 29

I can be reached at: [redacted]

P6/(b)(6)

I realize it is a very busy time for you, but I am receiving enough calls on these 2 items I feel it is critical I receive an update.

Many thanks!

cc: Mack McLarty

THE WHITE HOUSE

WASHINGTON

FAX COVER SHEET

OFFICE OF THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
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THE WHITE HOUSE
WASHINGTON, DC 20500
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(202)456-2878 FAX

TO: CHR

FAX #: 501-664-9134

FROM: CAROL H. RASCO / Rick

DATE: 7-28

NUMBER OF PAGES (including cover sheet): 5

COMMENTS: ~~copy of this will be hand delivered to Kathy Way today.~~ Rick is hand-delivering

If you have any problems with the fax transmission, please call Rick at (202)456-2216.

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FAX COVER SHEET

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TO: CHR

FAX #: 501-664-9134

FROM: CAROL H. RASCO / Phil.

DATE: 7-28

NUMBER OF PAGES (including cover sheet): 5

COMMENTS: ~~Copy of this will be hand delivered to Kathy [illegible]~~ KOC is hand-delivering

If you have any problems with the fax transmission, please call Phil at (202)456-2216.

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XEROX TELECOPIER 7020

To: Leon Panetta
From: Carol H. Rasco in Little Rock
Subj: Budget
Date: 7-2-93

Knowing that final details are being "hammered out," I would appreciate an update phone conversation on immunization and family preservation with you or your designee today or prior to 11:00 a.m. Central time tomorrow (Thursday).

I can be reached at: P6/(b)(6)

I realize it is a very busy time for you, but I am receiving enough calls on these 2 items I feel it is critical I receive an update.

Many thanks!

Cc: Mack McLarty

SUMMARY OF THE CLINTON-GORE ECONOMIC GROWTH PLAN

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

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

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

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

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

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

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

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

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

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

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

IMPACT OF LOWERED RATES ON AVERAGE AMERICANS:

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

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

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

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

RESPONSE TO DOLE ON SPENDING/TAX RATIOS

I. FACTS ON CLINTON BUDGET SPENDING/TAX RATIOS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUR SPENDING CUTS ARE REAL

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

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

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

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

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

SUMMARY OF SPENDING CUTS:

Entitlement Cuts:

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

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

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

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

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

FAIR TAXATION THAT REWARDS WORK AND PROMOTES INVESTMENT

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

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

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

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

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

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

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

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

Q & A ON SENATE BUDGET PLAN AND OTHER BUDGET ISSUES

SENATE BUDGET BILL:

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

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

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

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

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

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

SMALL BUSINESS PROVISIONS:

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

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

ENTITLEMENT CAPS:

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

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

REPUBLICAN ALTERNATIVES:

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

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

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

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

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

DISCRETIONARY INVESTMENT CAPS:

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

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

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

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

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

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

SUMMARY SHEET ON SEVEN KEY POINTS

LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE

* After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate in his first 30 days in office and put forth a specific and detailed plan to reduce the deficit and increase investment in our people.

SPENDING CUTS ARE SIGNIFICANT AND REAL

* There are three dollars in spending cuts for every new dollar in new investments. In other words for every dollar of new investments that goes to things like new cops, national service, immunizations and defense conversion, nearly two additional dollars in spending cuts goes to deficit reduction. There are 200 cuts in spending programs; $250 billion in deficit reduction through spending cuts.

SPENDING CUTS TO FUND DEFICIT REDUCTION AND NEW INVESTMENTS

* In the reconciliation plan alone, there were enough entitlement cuts to fund $100 billion in deficit reduction and pay for important new investments in our people, including childhoold immunization, family preservation, empowerment zones, direct student lending, the Mickey Leland Hunger Bill, and an expansion of the earned income tax credit that would ensure that every parent who worked 40 hours a week and had a child at home would not be in poverty.

FAIR AND PROGRESSIVE TAXATION

* The overwhelming majority of these taxes fall on the most well-off Americans. Indeed, **the Congressional Budget Office found that 75% of the taxes we raise fall on the 6% most-well families -- those that make over $100,000.** Second, we use increases in such things as energy assistance and the Earned Income Tax Credit so that families with incomes under $30,000 are (on the whole) held harmless. According to a study by Arthur Anderson, a family of three making $25,000 would actually see their taxes fall.

THE ENERGY TAX IS MODEST AND PHASED-IN

* The energy tax does not even go into effect until the summer of 1994, and when it does, it will be phased in three equal stages over three years. In 1994, a family making $40,000 will pay only $1 a month. In 1995, only $7 and then only $17 a month when it is fully phased in according to both Treasury and the Congressional Budget Office

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION

* That is what the Deficit Reduction Trust Fund Does. It locks in $496 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction. It is a needed enforcement provision because currently, the budget law the President inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts.

LOWER INTEREST RATES OFFSET TAX INCREASES

* Longterm interest rates are at their lowest in 20 years. They are 7.43% today, while on November 6, 1992 they were at 8.29. A family who refinances their 10% $100,000 mortgage at 7.5% saves $175 a month or $2,100 a year.

ECONOMIC PLAN TALKING POINTS
May 17, 1993

LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE

* After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate in his first 30 days in office and put forth a specific and detailed plan to reduce the deficit and increase investment in our people.

* Change is tough -- particularly when that change means reducing the deficit -- but if we are serious about the economic health of this country we have look at the package as a whole, and ask if it is real and whether we will be stronger if we support this change. The answer on both accounts is yes.

* Everyone talks about doing tough things to get the deficit down, but they all never come forth with the tough, specific choices: they all rely on balanced budget or entitlement cap ideas. Bill Clinton put forth a detailed and specific plan.

* This week Congress took a major step in moving the President's Economic Plan through the Congress. Thirteen committees of the House of Representatives adopted the spending cuts and revenue increases needed to implement the President's $496 billion deficit reduction plan -- the largest deficit reduction plan in history. Best of all, the President's core principles have remained intact. He insisted on specific spending cuts before asking the American people to contribute. And he insisted that any increase in taxes be fair to the middle class and the working poor and rely most on those who can afford to pay.

EVEN DISTRIBUTION BETWEEN SPENDING CUTS AND TAXES

* There are over 200 specific spending cuts. Spending cuts reduce the deficit by approximately $250 billion over five years. The $496 billion plan to reduce the deficit is evenly divided between spending cuts and revenue increases. Indeed, with each year, the ratio of spending cuts to taxes increases so that by the end of the five years there is significantly more spending cuts than tax increases each year.

* Every tax dollar in the bill goes to deficit reduction.

* There are three dollars in spending cuts for every new dollar in new investments. in other words for every dollar of new investments that goes to things like new cops, national service, immunizations and defense conversion, nearly two additional dollars in spending cuts goes to deficit reduction.

* Policies to cut spending are not delayed. They are being proposed and will be legislated at the same moment that any tax increase goes into law. Indeed, $100 billion in entitlement cuts have already been approved and sent to the floor in the House.

SPENDING CUTS TO FUND DEFICIT REDUCTION AND NEW INVESTMENTS

* As with the entire package, the reconciliation package includes enough cuts to support not only serious deficit reduction but new investments as well. As mentioned above, in

the entire economic plan as a whole, for every dollar of new investment, there is a dollar of spending cut to pay for it and two more for deficit reduction.

* In the reconciliation plan alone, there were enough , there were enough entitlement cuts to fund $100 billion in deficit reduction and pay for important new investments in our people, including childhood immunization, family preservation, empowerment zones, direct student lending, the Mickey Leland Hunger Bill, and an expansion of the earned income tax credit that would ensure that every parent who worked 40 hours a week and had a child at home would not be in poverty.

SIGNIFICANT SPENDING CUTS:

In addition to the spending cuts that will be passed during the appropriations process, there are significant entitlement cuts in this reconciliation package. A lot of people like to talk about entitlement cuts by calling for caps and other devices that keep them from having to be specific. This plan has tough specific cuts:

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

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

- pay reduction for Federal employees by $13.2 billion
- Administrative cuts by $11 billion
- Cutting 100,000 federal workers saves $10.2 billion
- Nuclear reactors R&D saves $1 billion
- Agriculture administrative cuts saves $1.1 billion
- Consolidate overseas broadcasting saves $894 million
- Streamlining education programs saves $2.2 billion

* In addition, many of our cuts call for eliminating several programs:

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

FAIR AND PROGRESSIVE TAXATION

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

* First, the overwhelming majority of these taxes fall on the most well-off Americans. Indeed, **the Congressional Budget Office found that 75% of the taxes we raise fall on the 6.5% most-well off families -- those that make over $100,000.**

* Second, we use increases in such things as energy assistance and the Earned Income Tax Credit so that families with incomes under $30,000 are on the whole held harmless. According to a study by Arthur Anderson, family of three making $25,000 would actually see their taxes fall by several hundred dollars.

* **Third, the energy tax does not even go into effect until the summer of 1994, and when it does, it will be phased in three equal stages over three years. In 1994, a family making $40,000 will pay only $1 a month. In 1995, only $7 and then only $17 a month when it is fully phased in according to both Treasury and the Congressional Budget Office**

LOWER INTEREST RATES OFFSET TAX INCREASES

* Long-term interest rates are at their lowest in 20 years. They are 7.43% today, while on November 6, 1992 they were at 8.29.

* While some families will pay a small contribution, millions of families will save hundreds a year through lower interest rates that lower their mortgages and other borrowing if our deficit reduction package is passed. A family who refinances their 10% $100,000 mortgage at 7.5% saves $175 a month or $2,100 a year.

* According to a bipartisan poll by Teter/Hart, 74% of people in their 30s now believe that homeownership is accessible. It was only 47% one year ago. Most agree the main difference is lower interest rates.

* Certainly, some businesses would prefer to not have any tax increases. We would prefer not to raise any taxes too. Yet, you cannot look at any one item in isolation from the whole plan. This plan as a whole will bring down the deficit and lower interest rates and the costs of capital. Everyone agrees that this is the one thing all businesses need to invest more and compete.

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION:

* That is what the Deficit Reduction Trust Fund Does. It locks in $496 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction.

* It is a needed enforcement provision because currently, the budget law the President inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts.

* What we heard from people all over this country is that they are willing to accept entitlement cuts and even fair tax increases if they can be assured that all of it will go to deficit reduction, and that Congress cannot later change its mind.

* The Deficit Trust Fund has been unfairly compared to such gimmicks as the Bush "tax check-off" idea. That Bush campaign proposal is another in a long list of gimmicks designed to masquerade as an idea for more deficit reduction, without having to say where the tough choices are. The Clinton plan lays out $496 billion spending cuts line-by-line, year-by-year. The Deficit Reduction Trust Fund is simply a legal guarantee that those funds targeted for deficit reduction in this plan will not ever be diverted.

DEFICIT REDUCTION TRUST FUND

As an integral part of his longterm economic growth plan, President Clinton put forth the largest and most significant deficit reduction plan ever proposed to Congress by a President. It was then passed through the budget resolution process in record time. After 12 years of increasing deficits and decreasing investments, the President's program fundamentally changes the direction of the past 12 years by dramatically reducing the deficit while increasing investments in America and the American people.

On May 12, 1992, President Clinton proposed a Deficit Reduction Trust Fund to ensure that all of the net revenues and net entitlement and discretionary spending cuts that are targeted for deficit reduction, are legally bound to be used only for deficit reduction and can never be diverted to spending programs. Americans have sent the message loud and clear that they are willing to see tough choices if they know that every dollar that is targeted for deficit reduction, must go to nothing but deficit reduction. The Deficit Reduction Trust Fund provides a legally binding guarantee that locks in the savings from the President's five year deficit reduction plan, and gives the American people a guarantee that all of these net cuts and net revenues must go to deficit reduction.

Facts on Deficit Reduction Trust Fund

Description:

An account in the Treasury containing funds that are set aside and cannot be used for new spending or tax cuts.

The account will be located in the Treasury and managed by the Secretary of the Treasury.

All of the net revenues, entitlement cuts and discretionary spending cuts in the President's budget must be permanently set aside and cannot be used for any purposes other than deficit reduction.

Under current law, enacted in the Budget Enforcement Act of 1990, the tax increases and direct spending reductions enacted in reconciliation could be used to finance (offset) new direct spending or tax cuts. Thus, current rules do not "lock in" such deficit reduction. The Deficit Reduction Trust Fund mechanism (together with the Administration proposal to extend "pay-as-you-go" through 1998) will change these rules so that the deficit reduction in reconciliation will be locked-in.

Q&A ON DEFICIT REDUCTION TRUST FUND

QUESTION: The Deficit Reduction Trust Fund proposed this week has already been criticized as a "gimmick" by Republicans in Congress. What's your response?

> **ANSWER:** It is a needed enforcement provision because currently, the budget law does not have a way of locking in the deficit savings that come from taxes and entitlement cuts. We have done this with this Deficit Reduction Trust Fund and it is hard to understand how anyone who is serious about reducing the deficit could oppose this.
>
> We have a real and specific deficit reduction package that the CBO has stated would reduce the deficit by $496 billion. That is undisputable. What we heard from people all over this country is that they are willing to accept entitlement cuts and even fair tax increases if they can be assured that all of it will go to deficit reduction, and that Congress cannot later change its mind. That is what this idea does. It locks in $496 billion in deficit reduction and throws away the key.

FOLLOW-UP QUESTION: But isn't this just like President Bush's check-off provision that you and your staff railed against during the campaign?

> **ANSWER:** No, the two policies are completely different. The check-off was one of a long and seemingly never-ending list of budget gimmicks in which someone wanted to say that they have found a way to reduce the deficit without having to make one single tough choice that they have to make. That proposal sought to masquerade as a measure to reduce the deficit by offering to set aside taxpayer designated check-off funds for deficit reduction without saying how spending would be cut to pay for even a penny of it. That is the same with entitlement cap proposals: supporters call for deficit reduction without specifying any of the tough choices that would need to make.
>
> The Clinton plan lays out every specific cut and tough choice we need for $496 billion in deficit reduction -- line-by-line, year-by-year. What the Deficit Reduction Trust Fund does is create an enforcement provision that locks in this deficit reduction and gives the American people a legal guarantee that it will all go to deficit reduction. It prevents gimmicks -- an idea that we wouldn't expect some of our critics to recognize.

QUESTION: Doesn't this prevent you from ever using entitlement savings of revenues to fund health care or other new initiatives?

> **ANSWER:** No. The Deficit Reduction Trust Fund locks in the net funds targeted for deficit reduction in this five-year budget. It does not prevent, for example, a stand-alone piece or legislation from using entitlement savings or new revenue-raisers to pay for a new initiative that the public wanted to support and pay for.

QUESTION: Doesn't this prevent you from funding immunization or the Earned Income Tax Credit with entitlement cuts or the increased taxes on well-off Americans?

> **ANSWER:** No. The Deficit Reduction Trust Fund locks in the net savings promised in the President's five-year plan. For example, the plan includes both tax cuts (such as increasing small business investment expensing to $25,000) and tax increases (such as raising the top rate to 36% on the top 1.2%.) The net effect is to raise $240 billion in tax revenues for deficit reduction. The Deficit Reduction Trust Fund ensures that the net amounts of tax revenues and the net amount of spending cuts that are dedicated to deficit reduction are locked in through a legally-binding account.