

THE OMNIBUS APPROPRIATIONS BILL:

Fact Sheet

April 25, 1996

- The bill restores \$5.1 billion in 1996 (over rejected bill levels) for education and training, national service, the environment, technology, law enforcement, and other key priorities -- well over half of the President's request of \$8.1 billion.

-- It funds numerous programs that at least one house of Congress had sought to kill, including: COPS, Goals 2000, Advanced Technology Program (ATP), National Service, the Ounce of Prevention Council, Summer Youth, Community Development Financial Institutions (CDFI), Office of Consumer Affairs, and Council on Environmental Quality (CEQ).

-- It funds many other programs at close to, or above, 1995 levels that at least one house of Congress had sought to cut deeply, including: UN Peacekeeping, Safe and Drug Free Schools, School-to-Work, Department of Labor enforcement programs, and Head Start.

- To help pay for these investments, the bill raises funds by providing new debt collection authorities, selling the U.S. Enrichment Corporation, and cutting travel and administrative spending.

- The bill also eliminates or permits the President to waive the most egregious legislative riders, including those that would have blocked enforcement of some of the nation's key environmental laws.

\$5.1 BILLION RESTORED FOR KEY PRIORITIES

Labor/HHS/Education

- The bill provides nearly \$3 billion more for key programs in this part of the bill, out of the President's request for \$4.5 billion, including:

-- \$195 million more for Goals 2000 (for a total of \$350 million);

-- \$953 million more for Title 1 - Education for the Disadvantaged (total of \$7.2 billion);

-- \$266 million more for Safe and Drug-Free Schools (total of \$466 million);

-- \$71 million more for School-to-Work at the Education Department (total of \$180 million), and \$61 million more for School-to-Work at the Labor Department (total of \$170 million);

-- \$625 million more for Summer Jobs for Youth (total of \$625 million);

-- \$233 million more for Dislocated Worker Assistance (total of \$1.1 billion);

-- \$14 million more for One-Stop Career Shopping (total of \$110 million);

-- \$169 million more for Head Start (total of \$3.6 billion); and

-- \$82 million more for Ryan White Act AIDS Treatment (total of \$738 million).

VA/HUD

• The bill provides \$1.6 billion more for key programs in this part of the bill, out of the President's request for \$2.5 billion, including:

-- \$387 million more for national service (total of \$402 million);

-- \$45 million more for Community Development Financial Institutions (total of \$45 million); and

-- \$817 million for the EPA budget, including:

• \$465 million more for Water Programs (total of \$1.8 billion).

• \$40 million more for EPA enforcement (total of \$231 million).

• \$150 million more for Superfund (total of \$1.3 billion).

Commerce/Justice/State

• The bill provides \$564 million more for key programs in this part of the bill, out of the President's request for \$881 million, including:

-- \$221 million more for the Advanced Technology Program (total of \$221 million).

LEGISLATIVE LANGUAGE

- The bill lets the President waive language that allows environmentally damaging timber sales in the Tongass National Forest, in Alaska.
- The bill lets the President waive language that transfers management of the Mohave National Preserve, in California, from the National Park Service to the Bureau of Land Management, undermining the intent of the California Desert Protection Act.
- The bill lets the President waive language that prohibits the use of funds for listing or designating critical habitats under the Endangered Species Act.
- The bill lets the President waive language that blocks the EPA from spending funds to implement the wetlands provisions of federal law.
- The bill drops language that would have imposed a cap on the volume of direct student loans.
- The bill drops language that would have restricted the use of National Service funds.
- The bill drops language that would have turned the Community Oriented Policing Services (COPS) program into a block grant, jeopardizing the President's commitment to put 100,000 more police on the streets.
- The bill drops language that would have prohibited new grants for the Advanced Technology Program (ATP).
- The bill drops language that would have given States the option of denying abortion funding for poor women who are victims of rape or incest.
- The bill includes language, which the Administration sought, that would repeal a law requiring the discharge of military personnel with HIV.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

January 3, 1996

STATEMENT BY THE PRESIDENT

The Briefing Room

3:19 P.M. EST

THE PRESIDENT: Good afternoon. I have just finished meeting with my Cabinet to receive an update on the consequences of the government shutdown that Congress has imposed on the American people, and on the hardworking public employees who are now working without pay and the many who want to work, but are not permitted to return to work. Each day this shutdown continues the consequences grow worse.

Before I get into some of the specific things that came out of the Cabinet meeting, let me remind the American people that this shutdown is not caused by the fact that the congressional leaders and I have not yet reached agreement on a balanced budget plan or on all the appropriations for this year. In fact, it is part of an explicit strategy by Republicans to shut the government down to get their way on budget and tax issues.

This has never been done before. It is not a natural disaster. It is an unnatural disaster borne of a cynical political strategy.

It is long past time to reopen the government. I am pleased that after two weeks of this shutdown, the Senate Republicans have voted to reopen the government, putting the interest of our country ahead of politics. Our budget talks are proceeding seriously and in good faith. I have been impressed by the efforts made on all sides, including those by Senator Dole and by Speaker Gingrich and Leader Armey and Senator Daschle and Mr. Gephardt. We are working together in good faith. This shutdown is not speeding our talks. It is only casting a shadow over them.

Let me report to you some of the specific examples of harm already caused by the shutdown. This week, the Meals On Wheels program for senior citizens will run out of money. Half the Head Start programs in the country will run out of money within the month.

The Centers for Disease Control tracking system cannot accurately keep up with the flu outbreak in the midwest. On an average day, 260 small businesses are being denied \$40 million in capital -- loans that would create new jobs for Americans.

We are not able to enforce our trade laws to protect our workers and our products. We're not able to weatherize homes in this winter to protect the elderly from the cold.

Yesterday, the Environmental Protection Agency shut down toxic waste cleanups at 32 sites across America. Every day, 240 calls to the Drinking Water Contamination Hotline now go unanswered. The EPA's efforts to prevent cryptosporidium from contaminating city

MORE

water supplies, something that proved a deadly threat in the city of Milwaukee, have been badly delayed. EPA enforcement efforts have completely stopped.

Medicare contractors who serve our elderly are not being paid. Many of them now are dipping into their own pockets to keep health care coming, but they won't be able to do it for long. Ten states have run out of the funding they use to run our unemployment insurance program, and 15 more will so do so.

Ninety-five percent of all workplace safety activities have been shut down. All sweatshop enforcement has been stopped. And investigations into 3,500 potential cases of pension fraud have ground to a halt.

Two weeks ago when a mill burned down in Massachusetts, workers received immediate assistance for child care, transportation and job training. Last week when 2,000 workers lost their jobs from a Rhode Island factory, the Labor Department could not respond at all.

Medicaid funding that goes to pay for nursing home care, pregnant women, the disabled, and poor children will be exhausted by the end of this month. Every day we are unable to process 2,500 applications for mortgage insurance. That means now a backlog of 20,000 who are losing their home loans -- many of them losing their chance to buy their new homes. Funds to pay for drugs, food and supplies at veterans hospitals run out today. And 170,000 veterans did not receive their December educational benefits.

At FEMA, an agency that has been universally praised by Republicans and Democrats alike, the emergency food and shelter program for people facing disasters has run out of funds. And according to Director James Lee Witt, some state emergency management agencies have actually had to shut their operations. We can only hope that they will not suffer a disaster while this occurs.

The Secretary of State reports that this shutdown is adversely affecting the national security of the country. We are running the risk of not being able to maintain our diplomacy abroad. And this shutdown, frankly, is injuring the reputation of the United States around the world. People wonder what is going on.

The shutdown has been especially devastating to hundreds of thousands of dedicated public servants who work for the American people through the federal government. Some of them have actually had their phones cut off, or can no longer pay for child care because they are working without pay or because they are not permitted to work. Some of those are so dedicated to their mission that they've actually tried to go to work and had to be run off.

It's time to stop holding the federal workers hostage in this process. As the Secretary of State says, this is not how a great country behaves. And as I have said for months and months and every day since this shutdown occurred, this is not how to balance the budget; it is not influencing our talks; we ought to reopen the government.

Again, let me say I'm convinced both sides want to balance the budget. We have different philosophies about how to do so. Based on the hours and hours we've spent working together, I'm convinced we can do it. But it is wrong, it is deeply wrong to shut the government down while we negotiate, under the illusion that somehow that will affect the decisions that I would make on specific issues. As I said, this is only casting a shadow over our talks. I will continue to do everything I can in good faith to reach an agreement. But it is wrong to shut the government down.

Again, let me compliment the Senate on abandoning that process and voting to open the government while we continue to work, and ask the House to follow suit.

MORE

Thank you very much.

Q Mr. President, House leaders --

Q What about your role in this, Mr. President?

Q Is there anything you can do to bring the workers, some workers back?

THE PRESIDENT: Well, I have worked with our people, obviously, at OMB to explore every conceivable option to bring them back. And I will continue to do that. I have done everything that I have been told I can legally do, and we are exploring some other options. As other options come up, I will do whatever I can. I think this is very wrong.

But they also deserve to be paid. And the American people need to know that those who are not working are not out there idle of their own choice. They want to be here, they want to be working, and we ought to give them a chance to do it.

THE PRESS: Thank you.

END

3:29 P.M. EST

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



F A X C O V E R S H E E T

DATE:

TIME:

TO:

Julie Deneo
Carol Fusco

PHONE:

FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060

FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet:

Message:

Marcia Hale
Chris Jennings
Pat Griffin
Ten Klein
Gene Sperling

Here's the
letter John
Monahan
wrote & got
both HHS &
OMB sign off
It went to
NGA/DGA +
Sephard



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON D.C. 20201

DEC 21 1995

The Honorable Richard A. Gephardt
United States House of Representatives
Washington, DC 20515

Dear Congressman Gephardt:

The current "partial shutdown" of government has created an extremely difficult situation with respect to the Medicaid and Aid to Families with Dependent Children (AFDC) programs. Both of these programs are entitlements, but still require annual appropriations action. Absent that action, no Federal funds are available for these programs. During the first quarter of fiscal year 1996, AFDC and Medicaid operated under an advance appropriation. To date, no funds have been appropriated for the second quarter and beyond. The situation in each program is as follows:

Medicaid

The Medicaid program still has about \$9.3 billion available in carry-over balances. This is 40 percent of what we estimate is needed for the second quarter, about \$22 billion. Without further action, the Federal match for Medicaid and its 36 million beneficiaries, including 18 million children, will run out in about 30 days. Since States are required to reimburse the full payable amount for Medicaid claims, States cannot partially reimburse providers to stretch out this time period.

AFDC

Without a Continuing Resolution in place by December 22, the Federal government will not be able to provide the \$4 billion matching payment to the States for AFDC in time for the scheduled January assistance payment. These funds provide assistance to about 13 million recipients, 9 million of whom are children. Any delay beyond December 22, barring exceptional processing procedures, would likely result in a delay in the Federal matching payment. Unlike Medicaid, there are no Federal carry-over balances.

Unless a State elects to withdraw from participation in the Medicaid or the AFDC program, States are required to reimburse providers for Medicaid services in the second quarter and to make monthly AFDC payments, even in the absence of Federal matching funds. Some States' constitutions or laws may prohibit them from advancing State monies in the absence of Federal matching payments. In such circumstances, where Federal obligations and State prohibitions conflict, Federal obligations may pre-empt State law.

The Secretary, Page. 2

A continuing resolution in the standard form, covering some part of January 1996, would give the Federal government legal authority to make the full second quarter Medicaid and AFDC grants to the States.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donna E. Shalala", with a long, sweeping horizontal stroke extending to the right.

Donna E. Shalala

EXAMPLES OF REDUCED GOVERNMENT SERVICES DURING A SHUTDOWN

A. **National Park Services** facilities are closed.

1. *On an average December day*, 383,000 people visit National Park Services facilities.
2. Potential per day losses for businesses in communities adjacent to National Parks could reach \$14 million, due to reduced recreational tourism.

B. Access and use of **National Forests** is restricted.

1. Campgrounds, monuments, and visitors centers are closed in 155 National Forests.
2. No timber sales activities, including preparation, advertising and award of sale are occurring. Harvesting will continue for sales that were awarded prior to the shutdown.

C. The **Smithsonian** museums, **Kennedy Center**, **Holocaust Museum**, **National Zoo**, and **National Gallery of Art** are closed.

1. *On an average day*, 80,000 people visit the Smithsonian Museums on the Mall and the National Zoo.
2. *On an average day*, 12,400 people visit the National Gallery of Art.
3. *On an average day*, 6,900 people visit the JFK Center for Performing Arts. (This does not include individuals who pay to attend performances, for which the Kennedy Center will continue to be open.)
4. *On an average day*, 3,000 people visit the Holocaust Museum.

D. **FHA mortgages** are halted.

1. *On an average day*, the Federal Housing Administration processes 2500 home purchase loans and refinancings totaling \$200 million worth of mortgage loans for moderate-and low-income working families nationwide.

- E. Applications for **passports** are not being processed and foreign visitors are unable to obtain visas.
1. *On an average day*, the State Department receives 23,000 applications for passports.
 2. *On an average day*, the State Department issues 20,000 visas to visitors who spend on average of \$3,000 on their trips for a total of \$60 million.
- F. **Veterans** will suffer because while claims applications are being accepted and questions answered, processing of claims and payment of benefits has ceased. In addition:
1. 3.3 million veterans and survivors will not receive their January 1 benefit checks on time if an appropriation is not available by Thursday, December 21.
- G. The most vulnerable in our country will lose vital income support through **AFDC**. Specifically:
1. Under normal processing, AFDC grants necessary for January 1 benefit checks will be delayed to 4.7 million families representing over 13 million recipients if an appropriation is not available by December 22.
- H. "**Deadbeat Dads**" are getting a holiday through the shutdown.
1. The Federal Parent Locator Service, to which 20,000 cases per day on average are referred, is closed.
- I. Assistance to those **recovering from natural disasters** is interrupted.
1. Eleven operational Disaster Field Offices administering long-term recovery programs authorized by Presidentially-declared disasters throughout the nation have been closed.
 2. The processing of all grants (estimated to be approximately \$3 billion) to States and local governments to rebuild infrastructure and mitigate against future damage, including the Northridge earthquake, has been interrupted and subsequently delayed.
 3. With the exception of retaining limited capability to support tele-registration "helpline" services, FEMA's National Processing Service Centers have been closed so no disaster applications or checks are being processed.
- J. Assistance to **Small Businesses** is interrupted.

1. *On an average day*, over 260 small businesses are not receiving SBA guaranteed financing totaling over \$40 million of loans.
 2. *On an average day*, over 90 small businesses are prevented from bidding on government contracts because they are unable to receive SBA guaranteed bid bonds which allow them to bid on those contracts.
 3. *On an average day*, 1,200 small business owners are not receiving SBA-sponsored training and counseling normally available to them.
 4. Banks issuing federally-guaranteed loans from SBA, VA, and HUD have stopped receiving default claim payments. In addition to potential cashflow shortages to participating banks, this will result in higher costs to the Government, because the claims will accrue additional interest during the furlough period.
 5. No outyear payments for Advanced Technology Program awards made in prior years to over 100 innovative, high-tech companies are being made totalling \$68 million.
- K. Many **protections for American workers** are suspended due to the shutdown of much of the Labor Department. *For each day of the shutdown:*
1. 95 percent of workplace safety complaints are going unanswered.
 2. 170 workplace safety and health inspections are not being performed.
 3. 190 worker complaints of minimum wage and overtime violations remain unresolved.
 4. 500 requests for information and assistance from pensioners participating in plans with \$3 trillion in assets are going unanswered.

L. Important **environmental protections** are curtailed due to the shutdown. For each day of shutdown, on average:

1. All EPA non-Superfund civil environmental enforcement actions have stopped. On an average day, \$3 million of fines or injunctive relief against polluters will be lost and 8 Federal environmental compliance inspections of polluters' facilities will not be conducted.
2. About 240 calls each day to EPA's "hotline" for drinking water contamination outbreaks are going unanswered. Five other "hotlines" receiving thousands of calls each month are shut down, depriving the public of potentially critical information on pesticides and toxic substances, asbestos in schools, and other public health information.
3. EPA-issued permits for air, land, and water pollution limits nationwide cannot be approved and necessary EPA technical assistance to States for State-issued permits cannot be provided. Approvals of some companies' activities will be put on hold while their competitors with approved permits are allowed to operate.
4. All emergency exemptions for farmers to use restricted pesticides to fight pest outbreaks have stopped, potentially resulting in severe crop damage and loss of income.

M. Vital **Education programs** are shutdown.

1. Middle and low income parents and students cannot get Federal college aid. *On an average day* at this time of year, 20,000 students and parents apply for Federal Pell grants or student loans. These applications cannot be processed because verifications of Social Security numbers (at SSA) and immigrant status (at INS) cannot be carried out. Without this application processing, these students and families are denied the aid without which they may not be able to pay for college.
2. Civil rights violations in schools cannot be investigated. *In an average week*, the Education Department's Office for Civil Rights receives about 100 new complaints of discrimination on the basis of race, color, national origin, sex, age or disability. These complaints cannot be investigated or remedies sought. Buildup up of backlogs delays justice for individuals.
3. Criminal investigations in education programs have been suspended.
4. Help cannot be given to parents and teachers. *During an average week*, the Department of Education answers 8,000 inquiries from teachers, school administrators and concerned parents, seeking help with education problems that cannot be answered during the shutdown.

- N. American **exporting businesses** are being disadvantaged during a shutdown.
1. *On an average day*, over 30 export licenses with a value of \$30.5 million that would otherwise have been approved by the Bureau of Export Administration will not be acted upon.
 2. *On an average day*, over \$92 million in sales of U.S. products are blocked due to inability of the Department of State's Defense Trade Center to process license applications for the export of defense articles and dual-use technology. During the previous shutdown, over 4000 export applications were delayed and some of that backlog was still being processed.
 3. *On an average day*, over 2500 telephone calls and faxes from U.S. businesses seeking export advice, information and counseling are not being responded to by the Bureau of Export Administration or the International Trade Administration due to the shutdown.
- O. Vital **legal and law enforcement** functions are shutdown or will be delayed.
1. FBI training of state and local law enforcement officers has ceased.
 2. Investigations of employment discrimination on the basis of race, sex, religion, or national origin are suspended.
 3. Processing of prison grant applications has slowed down. Appropriated funds to assist states in constructing and bringing on line new prison facilities will be delayed.
 4. Collection activities by Justice's Civil Division has ceased. The cessation of collection activities means that the Treasury receives less income and thus the deficit actually grows. In addition, individuals who owe the government money can withhold payment without any particular penalty.
- P. Key **statistical data** are not being collected and disseminated.
1. Important statistical releases will be delayed -- most importantly the Bureau of Economic Analysis' Gross Domestic Product and Corporate Profits for the 3rd Quarter of 1995, the October 1995 U.S. International Trade in Goods and Services, and Personal Income and Outlays for October and November.
 2. *On an average day*, 2,000 people call the Census Bureau and 4,000 people call the Bureau of Labor Statistics requesting information on economic and demographic statistics. These calls are going unanswered.

Q. After expending carryover balances in one day, the **National Institute of Standards & Technology** has shutdown.

1. Companies, universities, hospitals, and defense and law enforcement agencies depend upon NIST's laboratory-based research and services. For example, NIST provides in excess of 20,000 measurement samples and performs thousands of calibration tests each year for more than 3000 large and small companies.
2. U.S. firms will be denied critical support in their efforts to deal with international standards and testing requirements that limit the sale of U.S. goods overseas.

OFFICE OF LEGISLATIVE &
INTER-GOVERNMENTAL AFFAIRS
FAX COVER SHEET

of Pages: Cover + 3

DATE: 12/11/95

TO:

Jennifer Kline

Fax: _____

Phone: _____

FROM:

Debbie Chang

Fax: (202) 690 - 8168

Phone: _____

REMARKS:

HEALTH CARE FINANCING ADMINISTRATION
Washington, D.C.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financial Administration

The Administrator
Washington, D.C. 20001

DEC - 8 1995

TO: Walter Broadnax
Kevin Thurm
Jerry Klepner
John Callahan

FROM: Bruce Vladeck

SUBJECT: Second Quarter 1996 Medicaid Funding

Attached is a note from the Director of the Medicaid Bureau's Office of Financial Services explaining where we stand with respect to Medicaid payments to States for the quarter starting January 1.

Chris,
This answers your question!

Debbie
12/11/95

OLIGA

From: David McNally
To: BVladeck, DChang
Date: 12/7/95 11:00am
Subject: Second Quarter FY96 Medicaid Funding--UPDATE

This note is to update one I believe Rozann sent you last Friday regarding Medicaid funding for the quarter starting January 1. Our FY95 appropriation included \$27 billion for the first quarter of FY96. Our grant awards to States for this quarter have totalled about \$23 billion to date. The \$4 balance, together with \$11 in remaining FY95 appropriations, gives us \$15 billion for the upcoming quarter. The States' funding requests for the upcoming quarter total about \$23 billion. Accordingly, we are preparing grant awards giving every State 60 percent of the full quarter's funding, for both medical assistance payments and State administration. We will deliver these grant awards to the Division of Accounting, OFHR, by COB Monday, December 11, for entry into the HHS Payment Management System. Whether or not there is another furlough, States will have access to these funds January 1, the effective date of the grant awards.

My staff are also preparing a second set of grant awards, to provide all States the 40 percent balance of funds for the January quarter. We will issue these awards within five working days of enactment of a new CR. Thus, if there is a new CR on December 16, all States will have full funding for the new quarter by January 1.

Attached is a copy of the letter we will send each State on December 20 with its "60 percent" grant award. If we have a new CR by then, I'll be issuing full funding awards and there will be no need for this letter.

If you have any questions, please give me a call (786-3292).

CC: WHickman, RAbato, SRichardson



HEALTH CARE FINANCING ADMINISTRATION
Medicaid Bureau

DRAFT

DRAFT

December 20, 1995

FIELD(1)
FIELD(2)

Dear FIELD(1):

Attached is your initial second quarter fiscal year (FY) 1996 Medicaid grant award dated January 1. You will note that we had to reduce the amount approved by the regional office for medical assistance payments and administration by 40 percent due to the lack of an appropriation for FY 1996.

The Medicaid funding for the first quarter of FY 1996 is passed by Congress as an advanced appropriation and is included as part of the FY 1995 Medicaid appropriation. The amount that was passed by Congress for the first quarter of FY 1996 was \$27.0 billion. The approved State funding amounts for all States for the first quarter exceeded \$23 billion. The \$4 billion balance coupled with \$11 billion left over from FY 1995 leaves only a total of approximately \$15 billion on hand for second quarter grant awards. Given this shortfall, and our commitment to ensuring that Federal Medicaid funds are available on January 1 without any interruption, we have reduced the amount approved for all States for medical assistance payments and administration for the second quarter by 40 percent. This reduction enables us to fund all States with 60 percent of their funding requests. This will ensure an uninterrupted flow of Federal Medicaid funding for all States well into February.

Once the Congress passes the full Medicaid appropriation for FY 1996, we will restore your remaining second quarter funding authority up to the level approved by the regional office. We expect this to happen well before you exhaust the Federal Medicaid funding that we are awarding you now.

If you or your staff have any questions please contact Miles McDermott on (410) 786-3722.

Sincerely yours,

Director
Office of Financial Services
Medicaid Bureau

**FROM THE BEGINNING, THE REPUBLICAN LEADERSHIP HAS PLANNED TO USE
DEFAULT AND SHUTDOWN AS A COERCION TACTIC TO ACHIEVE BUDGET
PRIORITIES THAT WILL VIOLATE AMERICA'S FUNDAMENTAL VALUES**

November 13, 1995

Speaker Gingrich has made clear that the Congressional Republicans' strategy is to use the threat of default and shut down as a political weapon to pass their budget priorities:

April The *Washington Times* reported that, "House Speaker Newt Gingrich vowed yesterday create a titanic legislative standoff with President Clinton by adding vetoed bills to must-pass legislation increasing the national debt ceiling." [*Washington Times*, April 3, 1995]

Gingrich boasted that the President "will veto a number of things, and we'll then put them all on the debt ceiling. And then he'll decide how big a crisis he wants." [Speaker Gingrich, *Washington Times*, April 3, 1995]

June In early June Speaker Gingrich declared, "We're going to go over the liberal Democratic part of the government and then say to them: 'We could last 60 days, 90 days, 120 days, five years, a century. There's a lot of stuff we don't care if its ever funded.'" [Speaker Gingrich, *Rocky Mountain News*, June 3, 1995]

Gingrich said of the President: "He can run the parts of the government that are left [after the Republican budget cuts] or he can run no government . . . Which of the two of us do you think worries more about the government not showing up?" [Speaker Gingrich, *Time Magazine*, June 5, 1995]

Sept. Speaker Gingrich: "I don't care what the price is. I don't care if we have no executive offices and no bonds for 60 days -- not this time." [Speaker Gingrich, *Washington Post*, September 22, 1995]

President Clinton has repeatedly called for the Republicans to put partisanship and rancor aside, and join him on a common ground balanced budget that reflects American's fundamental values. On June 13, the President offered the nation a common ground balanced budget plan that protected Medicare, Medicaid, the environment and education while targeting tax cuts to the middle class.

Despite this, Republicans have continued their posture of threatening to close down the government:

July Representative Kasich remarked: "If we close down, people will listen" [Rep. John Kasich, *Washington Post*, July 25, 1995]

The next day Kasich said: "I don't see the government being shut down as a negative. . . . I see it as a positive if it gets things righted." [Rep. John Kasich, *AP Online*, July 26, 1995]

Representative John Christensen joined the chorus: "If we have to temporarily shut down the government to get people's attention to show we're going to balance the budget, then so be it." [Rep. John Christensen, *AP Online*, July 26, 1995]

Sept. Speaker Gingrich: "I don't care what the price is. I don't care if we have no executive offices and no bonds for 60 days -- not this time." [Speaker Gingrich, *Washington Post*, September 22, 1995]

On September 27, despite these threats, the President brought the Congressional Leaders together to agree on a fair Continuing Resolution to keep the government running while Congress finished its work.

Leon Panetta said, "this continuing resolution will establish a level playing field, extending the deadline for Congress to do its job and allowing us to resolve the significant differences that remain over budget issues."

Even though the Republican Congress has been unable to even reach agreement among themselves to finish their own budget on time, they have now -- as they had planned all along -- constructed new Continuing Resolution and Debt Limit proposals that use default and shut down as a coercive political threat:

Oct: Senator Dole issued a new warning to the nation, "This will not be an autumn of compromise, make no mistake about it." [*The New York Times*, October 22, 1995]

Nov: Republican leaders responded by adding conditions to the debt limit bill that dramatically increased the risk of government default. Republican leaders have made very clear the purpose of these measures. As House Ways and Means Chairman Archer observed, the goal is "to attempt to exert pressure on the president and Congress to resolve their difference." [Rep. Archer, *The Reuter European Business Report*, 11/8/95]

The same day, *Investors Business Daily* reported that: "Gingrich has said he would force the government to miss interest and principal payments for the first time ever to force Democrat Clinton's administration to agree to his seven-year deficit reduction." [*Investor's Business Daily*, November 8, 1995]

On November 13, 1995, President Clinton vetoed the Republican blackmail attempt at a Debt Limit bill and promised a similar veto on the Republican Continuing Resolution bill that increases Medicare premiums as a condition for keeping the government running:

"The Republican Congress has said to me with brutal simplicity, you will sign our cuts in Medicare, education, the environment, or we will shut the government down. You will agree to support our budget and all of its major elements. You will agree to support what we have called regulatory reform, repealing 30 years of bipartisan commitment to a clean environment and a safe food supply, or we will push the government into default. ...But I was elected President to restore the American Dream for all of our people, to keep our nation the strongest in the world and to bring our people together. I cannot, and will not, under pressure sign a budget that will rob the American Dream for millions of Americans, divide our people instead of uniting them, and undermine our ability to remain the strongest nation in the world and the greatest force for those things we believe in."

"...As long as they insist on plunging ahead with a budget that violates our values in a process that is characterized more by pressure than constitutional practice, I will fight it. I am fighting it today. I will fight it tomorrow. I will fight it next week and next month. I will fight it until we get a budget that is fair to all Americans."

-- President Clinton, November 12, 1995.

REPUBLICANS WANT TO RUSH AND INCREASE PREMIUMS ON MEDICARE BENEFICIARIES EVEN BEFORE THEY HAVE MET THEIR RESPONSIBILITY TO COMPLETE THEIR WORK ON THE BUDGET

November 13, 1995

"For months, the Congressional Republicans have made a consistent threat, if I don't sign legislation cutting Medicare, education and the environment, they'll plunge the government into default and force it to close its doors. ...I will not allow them to impose new, immediate cuts in Medicare, education and the environment as a condition of keeping the government open. I believe we can resolve these differences without hurting the American people or our future."

-President Clinton
November 12, 1995

- ▶ **The Republicans want to rush and increase premiums on Medicare beneficiaries, even before they have met their responsibility to complete their work on the budget.** Their Continuing Resolution increases premiums by 25% effective January 1, 1996 -- which amounts to an \$11 a month increase, \$132 per beneficiary and \$264 a couple in the first year alone.
- ▶ **A Continuing Resolution is supposed to be a fair holding pattern so that the government can function for the people while the Congress finishes its business and then works out differences with the President.** When Congress does not complete their work on time, they are supposed to pass a Continuing Resolution -- which the President can choose to sign or veto -- in order to give Congress more time to complete their work.
- ▶ **Instead of following the path of reconciliation, the Republicans in Congress have once again gone their own way, and left the values of the American people behind.**
 - **This week, they voted on an unprecedented measure to attach a Medicare premium increase on every beneficiary onto the Continuing Resolution bill.** On Thursday night, as a part of their bill to keep the government going, both Houses voted a 25 percent increase in Medicare premiums for every single senior citizen on Medicare.
 - **An extraordinary, unprecedented act.** No Congress in our history has ever demanded an increase in Medicare premiums as a condition of keeping the government open.
 - **Congressional Republicans are attempting to blackmail the American people** by making one of the most controversial aspects of their entire budget a pre-condition for keeping the government operating -- a plan to raise Medicare premiums for 37 million beneficiaries, including 33 million older Americans and 4 million Americans with disabilities.
 - The Republicans want to rush and increase premiums on Medicare beneficiaries, even before they have met their responsibility to complete their work on the budget. Their Continuing Resolution increases premiums by 25% effective January 1, 1996 -- which amounts to an \$11 a month increase, \$132 per beneficiary and \$264 a couple in the first year alone.
 - **The Republican plan to blackmail the American people into accepting higher Medicare premiums as a condition for keeping open the federal government is wrong and President Clinton will not accept it.**

**BACKGROUND ON THE REPUBLICAN PROPOSAL TO INCREASE MEDICARE
PREMIUMS AS PART OF THE CONTINUING RESOLUTION**

November 13, 1995

Medicare Premiums Since 1984: 25% of Part B program costs

Medicare Premium in 1995: \$46.10 a month

-- Premiums were set in specific dollar amounts -- as opposed to a 25% percentage -- for each year between 1991-1995 in an effort to protect beneficiaries against the possibility that increases in the medical inflation or the Medicare baseline would make premiums too high.

-- It turned out that \$46.10 amounted to 31.5% of program costs, *even though Congress never intended to raise premiums above 25% of program costs.*

-- Congress never legislated policy that Premiums be equal to 31.5%. The policy goal was 25%, and the number set for 1995 accidentally turned out to be equivalent to a higher amount.

**Medicare Premium in 1996
Under Current Law:** 25% of program costs, which equals \$42.50 a month

**Medicare Premium in 1996
Under Republican Continuing
Resolution:** 31.5% of program costs, which equals \$53.50 a month

-- a \$7.40 increase from the 1995 premium

-- a \$11 increase from current law of \$42.50, or a 25% increase

-- \$132 increase a year per beneficiary

-- \$264 increase a year per couple

Medicare Premium in 1996 25% of program costs, which equals \$42.50 a month

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

November 13, 1995

REMARKS BY THE PRESIDENT
IN SIGNING VETO LEGISLATION

The Oval Office

8:26 A.M. EST

THE PRESIDENT: Good morning. Today I am vetoing HR 2586, which the congressional leadership sent to me last night. It would allow the United States to pay its debts for another month, but only at a price too high for the American people to pay. Here are the reasons why.

First, the bill actually increases the likelihood of a default on America's obligations for the first time in our history by taking away from the Secretary of the Treasury the tools he now has to avoid default under extraordinary circumstances.

Second, the bill obligates the government -- Congress and the President -- to pass the Republican congressional budget plan with its huge cuts in Medicare and Medicaid, education and technology, the environment, and its tax increases on working families.

Third, the bill implements the Republican congressional proposal to reverse a 30-year bipartisan commitment to environmental protection and public health. It would increase pollution and decrease the purity and safety of our air, water and food.

This legislation is part of an overall back-door effort by the congressional Republicans to impose their priorities on our nation. Here is what is really going on.

Last spring Speaker Gingrich said he and his new Republican congressional majority would force me, the congressional Democrats and the American people to accept their budget and their Contract by bringing about a crisis in the fall, by shutting down the government and pushing America into default, unless I accepted their extreme proposals. In this way, the congressional Republicans sought to get around the United States Constitution which gives the President the power to veto measures not in the public interest.

They are now implementing the strategy Speaker Gingrich told us about last spring. And because I refuse to go along with it they say I am refusing with them to solve these short-term problems.

When the time came for the Republicans to announce their balanced budget plan, I said I supported a balanced budget. I said I agreed with balancing the budget, but I did not agree with the way they proposed to do it. So I offered an alternative plan, and I offered then to work with them. I offered it repeatedly, beginning five months ago. They dismissed my offer, and said at every turn that I would simply have to accept their budget conditions. That is what this legislation says again today.

When the time came for them to pass their own budget, however, they did not do their work. It is now six full weeks into

MORE

the new budget year, and they have passed only three of the required 13 budget bills. Furthermore, they have not yet resolved the differences between the Republican House and Senate versions of the balanced budget. Instead, they propose to attach element of a budget plan and their Contract to essential bills to raise the debt ceiling so that America can meet its obligations and to keep the government running until they do finish their budget work and a proper budget is passed. Their goal is to force me to sign legislation which I know to be harmful to our nation and to its future, or to veto the legislation, also with harmful consequences.

This is a critical moment of decision for our country. But the issue is not whether we will balance the budget, and not whether I will work with them to solve this short-term problem. I do want to balance the budget. Remember that in 1993 when I took office, we had a huge deficit that was growing larger. Congress passed my economic plan, and since then we have reduced our deficit three years in a row for the first time in nearly 50 years. Today, only one industrialized nation has a lower deficit than the United States. We have also reduced the size of the federal government dramatically, so that, today, as a percentage of the civilian work force, our federal government is the smallest it has been since 1933. The American economy has done well since 1993, since this budget plan was passed, as everyone knows.

The balanced budget plan that I have proposed would finish the job. It would eliminate the deficit in a way that strengthens our economy, and most important, reinforces our most important values -- our responsibility to our parents and to our children, to provide opportunity to all Americans to make the most of their own lives through education and technology, to strengthen our families, to preserve our environment, to keep America the world's strongest force for freedom and democracy, for peace and prosperity.

So that is the issue here. I believe we must pass a budget that is consistent with our values and our interests. I have said for months that I will not sign a budget that violates these values and undermines our economic interests.

This bill I veto today is a big down payment on that Republican congressional budget. It is not good for America.

Our country has to choose between two very different options, two very different visions and paths to the 21st century. Throughout our history, our nation has been able to reach important decisions on matters like this about national priorities through proper channels of deliberation and debate as set out in our Constitution. This year the Republican Congress has failed to pass most of its spending bills, has not yet passed its overall budget plan, but instead has sought to impose some of its most objectionable proposals on the American people by attaching them to bills to raise the debt limit and to keep the government running.

Now, the appropriate step for Congress to take would be to authorize America to meet its obligations and to pass temporary legislation to keep the government running while this overall budget battle is taking place. This has been the course of action taken at other moments in history when Congress failed to meet its budget deadlines. That is exactly what we did just last September when the Congress did pass and I signed legislation to keep the government running.

Our agreement in September was fair. It was unbiased. It kept the government going, able to pay its bills and meet its obligations. That agreement was an honorable compromise. In recent days, Congress has chosen the path of confrontation. It is not in the national interest, but it is exactly what they said they would do last April.

They have attached these controversial long-range proposals to emergency legislation not only to meet our financial obligations, but just to keep the government running. In the bill to keep the government running they voted to raise Medicare premiums by 25 percent for every single senior citizen who uses Medicare -- \$264 a year for the typical couple, beginning the first of January. They voted to roll back three decades of environmental laws. Now they voted to put the United States in the path to default.

This is an unacceptable choice. Congress has said it will pass emergency legislation to keep the government going and paying its bills only if we increase Medicare, cut education, cut the environment, take other unacceptable steps.

I know the American people want us to balance the budget, with common sense and without bitterness; to drop the extreme proposals and get to work. Congress should take the sensible step of passing the legislation necessary to keep the government and to have America meet its financial obligations. Therefore, today, I am transmitting legislation to Congress that would enable the government to pay its bills without forcing the acceptance of extreme cuts in Medicare, education and the environment. This legislation would enable us to have a fair debate on our country's direction without rancor or threats. Congress should pass it without delay. This is not the time or the place for them to back-door their budget proposals. It is not the right thing to do. I cannot, and I will not, accept it.

Q What happens now? Is the government going to shut down? Will we default on our bills?

THE PRESIDENT: That's up to the Congress. That is entirely up to them. I am certainly willing to work with the bipartisan leadership of the Congress to resolve this problem, but it is important that the American people have a forthright debate over this budget in the ordinary constitutional way. That is important. It is critically important that the President not permit this budget to be passed in a back-door way, because we have to keep the government running, because we have to meet our financial obligations.

This budget is a dramatic, even a radical, departure from the deliberate, disciplined, and I might add, highly successful plan that this administration has pursued over the last two years. It is also an dramatic and unacceptable departure from the appropriate way of doing business in this government. America does not react well to this kind of pressure.

Q Mr. President, Speaker Gingrich yesterday appeared to offer what may be an olive branch when he said that everything was on the table if you would just agree to sit down and talk and agree in principle to a balanced budget in seven years. Is that possible? Could you do that? And why not?

THE PRESIDENT: I cannot agree in principle -- we had a discussion in here the other day, I did with the Speaker and Senator Dole, I would remind you, about the budget and other things. We can have any discussion we want on the budget. But I will not agree as a matter of principle to any discussion in which they say, we want to raise Medicare premiums by 25 percent in a bill designed to keep the government running, or that we want to do it in a bill designed to enable America to meet its financial obligations.

I have asked them to do only one thing. I have asked them to say forthrightly that they're willing to meet with me and the bipartisan congressional leadership in an atmosphere in which they can pass whatever bills they want to pass in the budget process, but they will not attempt to raise Medicare premiums just as the price of letting the government run for two more weeks or another month. I

just don't -- I don't think that is right. I don't think the American people think that is right.

There is a procedure for passing budgets and for passing the budget plan. That is a procedure they have chosen not to follow. I don't know how many years, how many decades it's been since the Congress got six years into a new budget plan, having voted on only three of the 13 budget bills for the year. They have still not even met and resolved the differences between the House and the Senate balanced budget plans.

There is a procedure for dealing with this. Now, they have to resolve those differences. And it is time to get on the timetable. But avoiding that, they seek to tack on to measures necessary to simply go through the ordinary business of the government their budget, including a dramatic increase in Medicare premiums. All I have asked them to do is to say that they will not seek to increase Medicare premiums on this interim legislation to keep the government running, and that we will have this bipartisan meeting of the congressional leadership. And we will talk about everything if they do that. That is all I have asked them to do.

But America has never liked -- ordinary Americans don't like pressure tactics. And I would be wrong to permit these kind of pressure tactics to dramatically change the course of American life. I cannot do it and I will not do it.

Q Mr. President, what do you know about Riyadh?

THE PRESIDENT: At this moment, I know very little more than you do. I know that Americans were killed in an explosion. We have expressed our condolences and deep regret to the families of those who were killed, and we have already begun the process of determining what happened and who, if anyone, was responsible if it was not an accident. And we will devote an enormous effort to that.

Q Were they all Americans? Were they all Americans?

Q Secretary Rubin, what are you going to do to prevent default now?

SECRETARY RUBIN: We'll talk about that later.

THE PRESS: Thank you.

END

8:39 A.M. EST

11/7/95

MEMORANDUM TO DISTRIBUTION

FROM: LISA KOUNTOUPES

RE: DEBT LIMIT EXTENSION PASSES WAYS AND MEANS

The House Ways and Means Committee just reported out HR 2586, to provide for a temporary increase in the debt limit. The bill would raise the debt limit to \$4.967 billion only through December 12th. On the 13th, the limit will go back down to \$4.8 billion -- which is \$100 billion below the existing statutory limit. The bill would prohibit the Secretary of Treasury from using balances in trust funds to avoid hitting the limit. The vote was party line 13-21 except Mr. Christensen R-NE, who joined the Democrats in opposing the bill. Rules Committee consideration has been pushed to Wednesday, November 8th, no time certain yet.

An amendment by Mr. Crane was agreed to by voice vote which added an additional \$17 billion to the level in the original bill (\$50 billion). This was worked out during the markup when the Republicans agreed to accept the Treasury numbers that show \$67 billion is needed to make it through December 12th.

Other failed Democratic amendments:

1. Mr. Cardin (D-MD) offered an amendment which was defeated on a party line roll call vote 12-22, which would have been a ?clean? increase of the debt limit \$67 billion. Under the amendment, the limit would revert back to current law level of \$4.9 billion, not \$4.8 billion, on December 13th and there would be no restrictions on the Treasury Department?s authority. Stating a commitment to work in a bipartisan fashion, Mr. Cardin said if his amendment were adopted, he would vote for the temporary extension bill.

2. Mr. Gibbons (D-FL) offered an amendment to increase the debt limit to \$5.5 billion (the language in the reconciliation bill). It failed on a voice vote. Mr. Gibbons stressed that the members of the House and Senate have already repeatedly approved this level in the reconciliation bills. He will offer this amendment again on Wednesday at the Rules Committee.

3. Mr. Payne (D-VA) offered an amendment that would increase the debt limit to \$4.985 billion through December 12th or the 30th day after a budget reconciliation bill is presented to the President. -- whichever is later. It was defeated on a party line roll call vote 12-22.

Democratic message

Mr. Levin (D-MI), after getting the Treasury Department on record saying we will default under this bill after December 12th, secured a commitment from Treasury that the Secretary would not touch the Social Security Trust Fund. He then stressed that the only substantive difference between the Administration/Democrats and the Republicans was that the Republicans were willing to jeopardize the well being of the nation to make a political point. He also said it was clear that Treasury would veto the committee bill, but sign the Cardin substitute. Mr. Gibbons, Mr. Matsui and Mr. Rangel (D-NY) were strong in making the point that the regular order legislative process is breaking down with the Republicans in charge. They cited the lack of progress on appropriations bills and the fact that the Congress has not completed work on a budget reconciliation bill as examples of the Republican inability to do their job and reach a deal even among themselves. They suggested that maybe the Republicans cannot even come to closure with the Senate. Mr. Rangel said pointedly, that the Republicans know they do not have enough votes to override a veto so if they send the President that reconciliation bill with this debt limit increase they are knowingly threatening the full faith and credit of the United States. He said the Republicans are in this position of trying to avoid a veto and a subsequent unsuccessful override vote because they are so concerned about protecting the ?crown jewel? of the Contract with America -- the \$245 billion tax cut. He said to protect this tax cut they will put the whole country at risk. Mr. Gibbons and others suggested the Republicans are holding a gun to the President's head and trying to blackmail the President with the country as the hostage.

Republican message

The Republicans kept stressing that they want to work with the President, but he does not want to and/or has not been willing to meet. Mr. Houghton (R-NY) said he is uncomfortable playing with the debt limit, but voted with the Republicans. Chairman Archer kept stressing that the President was not trying to talk to the Congress to cut a deal on the budget. He even suggested that when the President did not call for the Speaker or the Senate Majority Leader to come talk to him on Air Force One in route to the funeral it signified a lack of interest in working toward a deal.

DETAILED TALKING POINTS
ON THE HOUSE REPUBLICAN DEBT LIMIT PROPOSAL

What the Administration wanted: Because Republicans have held a permanent debt limit hostage to passage of their budget bill, the Administration asked Ways and Means for a short-term, clean debt limit bill that separates the debt limit from the budget.

What Ways and Means Produced: Instead, Ways and Means has produced debt limit legislation that says: accept our big Medicare cuts and big tax cuts or plunge America into default after December 12.

The Treasury candidly informed the Republicans of the possible tools -- subject to significant legal and practical difficulties -- for cash management that could delay default if Republicans continued their blackmail threats and refused to send the President a clean debt limit extension.

Now, they seek to take those possible tools away, and make default more likely if they continue their blackmail posture.

Worse still, once this bill pushes America into default, it effectively prevents the government from paying Medicare benefits, SSI, food stamps, tax refunds, and national defense payments to personnel and contractors.

The President is right to promise he will veto this bill. This bill doesn't do the job; rather, it is about politics and blackmail, plain and simple. Congress should pass a clean debt limit, and we should reject this "Send America into Default, Stop paying Medicare Checks Act of 1995."

Talking Points

Under the Ways and Means bill, borrowing authority is extended only to December 12th, and then it reverts to \$100 billion below the existing level of \$4.9 trillion. Their message: Accept our budget with tax breaks for the rich and big cuts in Medicare, or we will send America into default.

Under the Ways and Means bill, Treasury loses possible cash management options that the Treasury had said might be available to delay default if the Republicans continued their blackmail. Treasury has already taken steps to avoid default, because of Congress's failure to pass a debt limit bill. By taking away remaining brakes that might have been available to the Treasury to keep the United States from going over the brink, the Republicans have made it much more likely that we will default for the first time in history.

Under the Ways and Means bill, once the Republicans push us into default, most if not all payments are cut off to most Federal beneficiaries. Their bill would stop payments under Medicare, stop payments under SSI, stop payments to military personnel, and stop payments to small business. Thus millions of Americans won't be paid money they are owed -- unless we

submit to blackmail and accept their budget.

REPUBLICAN CR AND DEBT LIMIT PROPOSALS
CONTINUE THE ASSAULT ON MEDICARE
November 8, 1995

REPUBLICANS HAVE OFFERED THE FOLLOWING CHOICE:
DRASTIC MEDICARE CUTS OR DEFAULT FOR THE FIRST TIME IN
THE NATION'S 200 YEAR HISTORY.

Blackmail. For months, Republican leaders have made clear that if the Administration does not accept a seven year balanced budget plan that includes \$270 billion in Medicare cuts huge tax cuts for the most well-off Americans, they will not extend the debt limit and they will put the nation into default for the first time in history.

NOW THE REPUBLICANS SEEK A BILL THAT WOULD ENHANCE
THE LIKELIHOOD OF DEFAULT AND VIRTUALLY ENSURE THAT
MEDICARE PAYMENTS WOULD NOT BE MADE UNDER SUCH A
DEFAULT.

Increasing the Likelihood of Default. Now, they are putting forth a debt limit bill that increases the likelihood of default by taking away even the possible debt management tools Treasury might have used to avert default. They are now strengthening their blackmail threats by making default quicker and more certain unless the Administration succumbs to their call for harsh Medicare, Medicaid, education and environment cuts.

Making Non-Payment of Medicare A Virtual Certainty Under the Republican Plan for Default. In addition to heightening the likelihood of default, they are also making it a near certainty that Medicare payments would not be made if this default occurs. Indeed, their plan explicitly excludes Medicare from the benefits that would be protected in a default, and by giving priority to other benefits, practically ensures that payments would stop for both Medicare Part A and Medicare Part B. In addition, they would have to stop payments for SSI, food stamps, tax refunds, and national defense payments to personnel and contractors.

REPUBLICANS CLEARLY CAN'T WAIT TO RAISE MEDICARE
PREMIUMS: THEY WANT TO CHANGE THE LAW TO RAISE
MEDICARE PREMIUMS ON ALL MEDICARE RECIPIENTS EVEN
BEFORE THEY HAVE FINISHED THEIR BUDGET.

The Republicans have proposed increasing the premiums that Medicare recipients pay by increasing the percentage of costs they are charged from 25% to 31.5%.

Now, even before they have finished their work, they want a CR that would change current law to increase Medicare premiums by \$11 a month, effective January of 1996. Republicans clearly can't wait to raise Medicare premiums.

11/8/95

MEMORANDUM TO DISTRIBUTION

FROM: LISA KOUNTOUPES

RE: HOUSE COMMITTEE REPORTS RULE FOR FLOOR CONSIDERATION OF
LIMIT EXTENSION TEMPORARY DEBT

The Rule adds a number of new provisions to the bill HR 2586 that was reported yesterday from the House Ways and Means Committee:

1. A commitment that the President and Congress commit to enacting in calendar year 1995 legislation to achieve a balanced budget by FY 2002 and an affirmation of the intent of Congress that it will not enact a further increase in the public debt limit until the President has signed the reconciliation legislation;
2. Medicare coverage of certain anti-cancer drug treatments;
3. Text of Senate passed habeas corpus reform provisions of the anti-terrorism bill (S 735); and
4. Department of Commerce Dismantlement bill.

Also made in order as a stand alone amendment is compromise language between the House and Senate regulatory reform legislation. It will be debated for 40 minutes divided between an opponent and a proponent (Walker, R-PA). Mr. Walker specifically requested that this language receive a separate vote on the House floor and not be included in the base text.

The language of items 1-3 will be printed in the report on the Rule which will be available in LA this morning. I will send out another E-mail when we have gotten it from the hill. Commerce Dismantlement and Regulatory Reform will be printed in the Congressional Record of Wednesday, November 8. I also have the language of the regulatory reform language in 243 if anyone would like to make a copy and will have the Commerce language before noon.

The Rule will provide for one hour of debate divided between the majority and the minority. The Democrats, through the Minority Leader, will also have one opportunity to recommit the bill to committee with instructions.

The Rule also makes in order an amendment as yet unidentified to be offered by Chairman Archer. Presumably this will be used as a tool to add things to the bill that may be needed to ensure the Republican leadership has the votes for passage. Articulated at the markup -- even by Committee Chairman Solomon -- is the

dynamic that many House Republicans have never voted for an increase in the debt limit while they were members of the minority and many of the Republican freshmen do not want to vote for an increase. It is likely that the Republican leadership had to agree to attach a number of ?desirable? measures to ensure the necessary level of support from the members of their party. The Rule does not waive points of order against the bill, so whatever is included in this amendment -- if anything -- would have to be germane to the bill. Authority to offer a similarly structured amendment by Appropriations Committee Chairman Livingston was stricken at Rules Committee Tuesday night before consideration of the Continuing Resolution bill.

Rejected amendments

All proposed Democratic amendments to the bill were defeated or not included. Mr. Payne (D- VA) a Ways and Means Committee member and a member of the Coalition, offered the same amendment he offered yesterday at the Ways and Means Committee markup that would provide for an increase in the debt to \$4.985 trillion until either December 12 or 30 days after the budget reconciliation bill is presented to the President. Mr. Gibbons was slated to offer the language in the budget reconciliation bill that he offered yesterday in Ways and Means that permanently increases the debt to \$5.5. trillion but he did not attend the markup. An attempt by Mr. Rohrbacher (R-CA) to strip the provisions in the Department of Commerce language related to the PTO privatization and substitute language that would create a government corporation while the issue is examined further was rejected. An amendment offered by Mr. Gekas (R-PA) was also not made in order. He proposed providing automatic continuing appropriations. Many Republicans said they thought it was a worthwhile idea, but not this year. When pressed by Mr. Gekas to be more clear, Mr. Goss (FL) said that this year all the leverage possible is needed to negotiate with the President. Mr. Stockman?s (R-TX) request that the Committee include language to preempt the States of Texas law that prohibits lenders from enforcing liens on home equity loans was rejected.

Three amendments offered by Mr. Smith (R-MI), to allow Treasury to prioritize payments in the case of a crisis; to preclude the government from issuing debt after September 30, 2001 and requiring a balanced budget in 2002; and to preclude the government from issuing debt to the public to raise cash when it has disinvested or under invested trust funds, were also not made in order by the Committee.

Next week?s schedule

At the conclusion of the markup, Chairman Solomon expressed

confidence that the House would be out of session Thursday night and through the weekend. He said members will likely be called back to D.C. early Monday to wrap up business related to the debt limit and the CR. However, he also said Rules Committee would not meet before 4:00 pm on Monday and he did not anticipate getting the support of 2/3rds of the members of the House to allow a bill considered in Rules to be brought to the floor in the same day. If the House needs to pass another CR bill after a veto, it would have to do that Monday before midnight.

**FROM THE BEGINNING, THE REPUBLICAN LEADERSHIP HAS PLANNED TO USE DEFAULT
AND SHUTDOWN AS A COERCION TACTIC TO ACHIEVE BUDGET PRIORITIES THAT WILL
VIOLATE AMERICA'S FUNDAMENTAL VALUES**

November 13, 1995

Speaker Gingrich has made clear that the Congressional Republicans' strategy is to use the threat of default and shut down as a political weapon to pass their budget priorities:

April The *Washington Times* reported that, "House Speaker Newt Gingrich vowed yesterday create a titanic legislative standoff with President Clinton by adding vetoed bills to must-pass legislation increasing the national debt ceiling." [*Washington Times*, April 3, 1995]

Gingrich boasted that the President "will veto a number of things, and we'll then put them all on the debt ceiling. And then he'll decide how big a crisis he wants." [Speaker Gingrich, *Washington Times*, April 3, 1995]

June In early June Speaker Gingrich declared, "We're going to go over the liberal Democratic part of the government and then say to them: 'We could last 60 days, 90 days, 120 days, five years, a century. There's a lot of stuff we don't care if its ever funded.'" [Speaker Gingrich, *Rocky Mountain News*, June 3, 1995]

Gingrich said of the President: "He can run the parts of the government that are left [after the Republican budget cuts] or he can run no government . . . Which of the two of us do you think worries more about the government not showing up?" [Speaker Gingrich, *Time Magazine*, June 5, 1995]

President Clinton has repeatedly called for the Republicans to put partisanship and rancor aside, and join him on a common ground balanced budget that reflects American's fundamental values. On June 13, the President offered the nation a common ground balanced budget plan that protected Medicare, Medicaid, the environment and education while targeting tax cuts to the middle class.

Despite this, Republicans have continued their posture of threatening to close down the government:

July Representative Kasich remarked: "If we close down, people will listen" [Rep. John Kasich, *Washington Post*, July 25, 1995]

The next day Kasich said: "I don't see the government being shut down as a negative. . . . I see it as a positive if it gets things righted." [Rep. John Kasich, *AP Online*, July 26, 1995]

Representative John Christensen joined the chorus: "If we have to temporarily shut down the government to get people's attention to show we're going to balance the budget, then so be it." [Rep. John Christensen, *AP Online*, July 26, 1995]

Sept. Speaker Gingrich "I don't care what the price is. I don't care if we have no executive offices and no bonds for 60 days -- not this time." [Speaker Gingrich, *Washington Post*, September 22, 1995]

On September 27, despite these threats, the President brought the Congressional Leaders together to agree on a fair Continuing Resolution to keep the government running while Congress finished its work.

Leon Panetta said, "this continuing resolution will establish a level playing field, extending the deadline for Congress to do its job and allowing us to resolve the significant differences that remain over budget issues."

Even though the Republican Congress has been unable to even reach agreement among themselves to finish their own budget on time, they have now -- as they had planned all along -- constructed new Continuing Resolution and Debt Limit proposals that use default and shut down as a coercive political threat:

Oct: Senator Dole issued a new warning to the nation, "This will not be an autumn of compromise, make no mistake about it." [*The New York Times*, October 22, 1995]

Nov: Republican leaders responded by adding conditions to the debt limit bill that dramatically increased the risk of government default. Republican leaders have made very clear the purpose of these measures. As House Ways and Means Chairman Archer observed, the goal is "to attempt to exert pressure on the president and Congress to resolve their difference." [Rep. Archer, *The Reuter European Business Report*, 11/8/95]

The same day, *Investors Business Daily* reported that: "Gingrich has said he would force the government to miss interest and principal payments for the first time ever to force Democrat Clinton's administration to agree to his seven-year deficit reduction." [*Investor's Business Daily*, November 8, 1995]

On November 13, 1995, President Clinton vetoed the Republican blackmail attempt at a Debt Limit bill and promised a similar veto on the Republican Continuing Resolution bill that increases Medicare premiums as a condition for keeping the government running:

"The Republican Congress has said to me with brutal simplicity, you will sign our cuts in Medicare, education, the environment, or we will shut the government down. You will agree to support our budget and all of its major elements. You will agree to support what we have called regulatory reform, repealing 30 years of bipartisan commitment to a clean environment and a safe food supply, or we will push the government into default. ...But I was elected President to restore the American Dream for all of our people, to keep our nation the strongest in the world and to bring our people together. I cannot, and will not, under pressure sign a budget that will rob the American Dream for millions of Americans, divide our people instead of uniting them, and undermine our ability to remain the strongest nation in the world and the greatest force for those things we believe in."

"...As long as they insist on plunging ahead with a budget that violates our values in a process that is characterized more by pressure than constitutional practice, I will fight it. I am fighting it today. I will fight it tomorrow. I will fight it next week and next month. I will fight it until we get a budget that is fair to all Americans."

-- President Clinton, November 12, 1995.

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Making Non-Payment of Medicare A Virtual Certainty Under the Republican Plan for Default. In addition to heightening the likelihood of default, they are also making it a near certainty that Medicare payments would not be made if this default occurs. Indeed, their plan explicitly excludes Medicare from the benefits that would be protected in a default, and by giving priority to other benefits, practically ensures that payments would stop for both Medicare Part A and Medicare Part B. In addition, they would have to stop payments for SSI, food stamps, tax refunds, and national defense payments to personnel and contractors.

REPUBLICANS CLEARLY CAN'T WAIT TO RAISE MEDICARE
PREMIUMS: THEY WANT TO CHANGE THE LAW TO RAISE
MEDICARE PREMIUMS ON ALL MEDICARE RECIPIENTS EVEN
BEFORE THEY HAVE FINISHED THEIR BUDGET.

The Republicans have proposed increasing the premiums that Medicare recipients pay by increasing the percentage of costs they are charged from 25% to 31.5%.

Now, even before they have finished their work, they want a CR that would change current law to increase Medicare premiums by \$11 a month, effective January of 1996. Republicans clearly can't wait to raise Medicare premiums.

PRESIDENT CLINTON WILL NOT ALLOW
REPUBLICANS TO BLACKMAIL THE AMERICAN PEOPLE
INTO ACCEPTING THEIR MISGUIDED BUDGET AND MEDICARE CUTS
November 13, 1995

The President believes that we must work together to balance the budget consistent with our values and free from threats of shutting down the government or sending the nation into default for the first time in our history.

That is why he has called on Congress to pass a fair and clean continuing resolution and debt extension free of extreme conditions.

The President is not willing to impose an \$11 a month premium increase on every single Medicare beneficiary as a condition for keeping the government running.

The President is also not willing to accept an irresponsible Debt Limit bill that is really just a back-door effort by the Congressional Republicans to impose their misguided budget priorities on our nation, while significantly increasing the likelihood of default by taking away the tools now available to the Secretary of the Treasury to avoid default under extraordinary circumstances.

The President would like to meet with the Bipartisan Congressional leadership today in the Oval Office to work out how best to keep the government running and out of default, if the Republicans agree to drop their \$11 a month Medicare premium increase.

"For months, the Congressional Republicans have made a consistent threat, if I don't sign legislation cutting Medicare, education and the environment, they'll plunge the government into default and force it to close its doors. ...I will not allow them to impose new, immediate cuts in Medicare, education and the environment as a condition of keeping the government open. I believe we can resolve these differences without hurting the American people or our future."

-President Clinton

November 12, 1995

The Republicans' Continuing Resolution and Debt Limit proposals offer the American people a false choice: drastic Medicare, education, and environment cuts, or shut down the government and default for the first time in history.

The Republicans want to rush and increase premiums on Medicare beneficiaries, even before they have met their responsibility to complete their work on the budget.

Even before they finish work on their budget reconciliation bill and the 13 appropriation bills, Republicans want to use the Continuing Resolution to raise premiums on all Medicare recipients.

The Republican Continuing Resolution would change current law to increase Medicare premiums by 25 percent -- \$11 a month -- effective January of 1996.

**PRESIDENT CLINTON WILL NOT ALLOW
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November 12, 1995**

ON NOVEMBER 10, 1995, SPEAKER GINGRICH TURNED TRUTH ON ITS HEAD WHEN HE SAID THAT THE PRESIDENT HAD NOT REACHED OUT TO REPUBLICANS ON BALANCING THE BUDGET.

The President has repeatedly reached out his hand to Republicans to work together on a common ground balanced budget.

- In June, the President proposed a framework to balance the budget without making deep cuts in Medicare, Medicaid, education and the environment.
- In July, President Clinton called on Republicans to join him in passing a common ground balanced budget: "we can balance the budget without retreating from our common ground on education, on health care, on the environment. So I invite senators and Members of Congress from both parties to join me in balancing the budget while protecting our common ground. I will work hard to get their support." [President Clinton, July 24, 1995]
- In September, the President brought Congressional leaders together to agree on a continuing resolution that funded programs at a level close to their fiscal year 1996 budget while Congress finished its work. At the time, Leon Panetta said, "this continuing resolution will establish a level playing field, extending the deadline for Congress to do its job and allowing us to resolve the significant differences that remain over budget issues."
- In mid-October, the President said that he would consider a seven-year time frame for balancing the budget if Republicans moved to common ground on the fundamental issues of health care, education and children, the environment, and tax fairness.
- In November, the President called Speaker Gingrich and Majority Leader Dole to the Oval Office to discuss the budget stalemate and to urge Republicans not to link the debt limit to their extreme budget.

It has been Republicans who have, for months, shown virtually no willingness to move towards common ground.

- Republicans have completely shut Democrats out of the budget process. For example, after proposing the most massive cut in Medicare in history, Republicans held only one day of hearings on their proposal. By comparison, the House held 42 days of hearings on Whitewater, WACO and Ruby Ridge. The Senate held 48 days.
- Senator Dole has warned that, "This will not be an autumn of compromise, make no mistake about it." [*The New York Times*, October 22, 1995]
- Speaker Gingrich has boasted: "I don't care what the price is. I don't care if we have no executive offices and no bonds for 60 days -- not this time." [*Washington Post*, 9/22/95]

TEN YEARS LATER BOB DOLE CHANGES HIS TUNE ON THE DEBT LIMIT. . .

Exactly 10 years ago, Senator Bob Dole took to the Senate floor to warn about the great threat to the nation if the debt ceiling was not raised. He warned:

"[D]efault would mean the full faith and credit of the U.S. Government is not adequate security for holders of our obligations. If this occurs, obviously it will have a destabilizing effect on financial markets and certainly result in long-term higher interest costs for the Federal Government as investors seek a hedge against the risk of similar occurrences in the future. I hope we can all agree that this result must be avoided."

-- Senator Bob Dole [Cong. Record, 11/12/85]

But on Friday, November 10, 1995, Senator Dole and Speaker Gingrich said that they would not send the President a clean debt limit bill -- increasing the likelihood of national default -- unless the President agreed to their political demands.

Asked about the bond market's recent drop as fears of default grew, Bob Dole looked on and nodded as Speaker Gingrich responded, "I wouldn't worry about it."

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

November 12, 1995

STATEMENT BY THE PRESS SECRETARY

The President believes that we must work together to balance the budget consistent with our values and free from threats of shutting down the government or sending the nation into default for the first time in our history.

That is why he has called on Congress to pass a fair and clean continuing resolution and debt extension free of extreme conditions.

The President is not willing to impose an \$11 a month premium increase on every single Medicare beneficiary as a condition for keeping the government running.

The President would like to meet with the Bipartisan Congressional leadership tomorrow in the Oval Office to work out how best to keep the government running and out of default, if the Republicans agree to drop their \$11 a month Medicare premium increase.

**THE PRESIDENT WILL VETO THE REPUBLICAN MISGUIDED BUDGET
THEN REPUBLICANS MUST CHANGE THEIR BUDGET
TO REFLECT AMERICA'S VALUES**

October 27, 1995

The President Will Veto The Extreme Republican Budget And Then It Will Be Up To Republicans To Change Their Plan To Reflect America's Values.

- For months, President Clinton has called on the Republican leadership to change their budget to reflect America's values -- family, community, opportunity, and responsibility.
- Now, he will veto their budget and send them back to them to fix.
- After the President rejects the Republican misguided budget, it is up to the Republicans to take action and change their plan to reflect America's values.
- Before -- or after - a veto, there will be nothing to talk about until the Republicans turn away from their misguided budget plan that disregards America's values and mortgages our future.

President Clinton Insists On A Real Balanced Budget That Is Based On American Values:

- Investing in Education and Training, so America's families can thrive in the new economy.
- Honoring our Commitment to America's Elderly, helping them live with the health and economic security they deserve.
- Protecting the Environment and Public Health, so our children grow up in a clean and safe world.
- Rewarding Work over welfare and providing tax relief for middle class families.
- Balancing the Budget to lift the burden of debt off our children.

The Republican Budget Disregards Our Values And Mortgages Our Future:

- Decimates Medicare and Medicaid
- Slashes Education, the Environment, and Technology
- Levies \$148 billion in new taxes and fees on working families and older Americans.
- Gives huge tax cuts for the wealthiest Americans
- Could blackmail the nation into defaulting on its loans for the first time in history

The President Will Not Allow The American People To Be Blackmailed Into Accepting The Extreme Republican Budget.

- The President will not allow anybody to hold Medicare or education or the environment or the future of this country hostage.
- If the Republicans in Congress dare to send the President a budget that says simply, you take our cuts or we'll let the country go into default, he will veto it.
- *And the onus will be on Congress to change their plan to reflect America's values.*
- Before -- or after - a veto, there will be nothing to talk about until the Republicans turn away from their misguided budget plan that disregards America's values and mortgages our future.

THE EXPERTS SIDE WITH THE PRESIDENT -- THE DEBT LIMIT MUST NOT BE LINKED TO THE BUDGET DEBATE

Federal Reserve Chairman Alan Greenspan: "[T]here are many avenues to an agreement, and the full faith and credit of the United States need not be part of the process. ...A failure to make timely payment of interest and principal on our obligations for the first time would put a cloud over our securities that would not dissipate for many years. ...Breaking our word would have serious long-term consequences. There are much better ways to bring our budget credibility into balance." [Letter to the Senator D'Amato, November 8, 1995.]

Former Federal Reserve Chairman Paul Volker: "I cannot in good conscience observe the current debate about competing budgetary programs without expressing my deep concern about holding an increase in the debt ceiling hostage to the outcome. I fail to see is that 'playing chicken,' with the credit of the United States at stake, is a proper and effective way to resolve the issue. ...The appropriate approach, short of early agreement on a comprehensive budget program, seems to me...raising the debt ceiling so that authorized expenditures -- including payment of interest on Treasury debt -- can be made in timely fashion." [Letter to the President and Congressional Leaders, October 26, 1995.]

Six Former Secretaries of the Treasury, Including George Shultz and William Simon: "As former Secretaries of the Treasury...we share the strong view that the debt limit should not be embroiled in that debate. ...We urge that prompt action be taken either to raise the debt limit permanently to a level that would accommodate either of the budgets being proposed, or that a sufficient short-term increase be enacted to allow the debate over priorities to proceed in an orderly manner without impairing market confidence in our Nation's commitment to discharge its obligations." [Lloyd M. Bentsen, W. Michael Blumenthal, George P. Shultz, G. William Miller, William E. Simon, and Henry H. Fowler, letter to Speaker Gingrich, November 9, 1995.]

The President will not be blackmailed into increasing Medicare premiums and cutting education and the environment in order to pay for tax breaks for the well-off.

- Speaker Gingrich has demanded that the President accept drastic cuts in Medicare, Medicaid, and education or Congress will force the nation into default for the first time in history. The President will not be blackmailed when the nation's core interests are at stake.

The President will veto Republican attempts to blackmail America into accepting an extreme budget and Medicare cuts that is not consistent with our values.

- Their Debt Limit proposal is not a fair or clean extension to hold us while we resolve our differences.
- The Republican proposals are blackmail -- pure and simple -- and if they are sent to the President, he will veto them in a heartbeat.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ALAN GREENSPAN
CHAIRMAN

November 8, 1995

The Honorable Alfonse D'Amato
Chairman
Committee on Banking, Housing
and Urban Affairs
Washington, D.C. 20510

Dear Mr. Chairman:

You have asked me about the effects of a default on U.S. Treasury obligations should the Treasury run out of cash as a consequence of the debt ceiling not being raised in a timely manner.

As I stated before your Committee in September, I do not think the issue of default should be on the table. Without question, the federal government must take steps to assure that its budget will be in balance by early the next century. The vitality of our economy depends on accomplishing this goal. If, for some unforeseen reason, the political process fails and agreement is not reached, it would signal that the United States is not capable of putting its house in order and would have serious adverse consequences for financial markets and economic growth.

Nonetheless, there are many avenues to an agreement, and the full faith and credit of the United States need not be part of the process. The United States has always honored its obligations. Our word is among our most valuable assets. It is an essential element in making our securities the keystone of world financial markets. A failure to make timely payment of interest and principal on our obligations for the first time would put a cloud over our securities that would not dissipate for many years. Investors would be wondering when we would next allow our creditworthiness to become embroiled in controversy. Breaking our word would have serious long-term consequences. There are much better ways to bring our budget credibly into balance.

Sincerely,

November 9, 1995

The Honorable Newt Gingrich
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

The debate over budget priorities that is proceeding in our public forums is of enormous importance to the future of our Nation. There are deeply held views on both sides of this debate, and the American people are fortunate to have leaders in Washington with the intelligence, force of personality and depth of conviction to present the issues in bold relief.

As former Secretaries of the Treasury we have all participated in similar debates in the past, and we share a practical understanding of the dynamics of the budget process. We also share a keen awareness of the importance of this process to financial markets, both here and abroad. It is essential that the markets understand not only that our leaders on both sides are dedicated to the objective of eliminating the budget deficit, but that they are committed to do so in a manner that will not cause disruption and anxiety in these markets.

We are profoundly concerned that uncertainty about the timing of an increase in the statutory debt limit may cause market disruptions that will threaten to increase the costs of Treasury borrowing. While leaders on both sides have made clear that a default on the country's debt obligations is out of the question, it is of utmost importance in maintaining the confidence of the markets that regularity be maintained in the process of issuing and redeeming debt. We know from our own experience that confidence is undermined and costs are increased when the Secretary of the Treasury is forced to take out-of-the-ordinary measures to assure that cash will be available to pay our obligations and to avoid exceeding the statutory debt limit.

While we may have differing views on the merits of the various issues being raised in the budget debate, we share the strong view that the debt limit should not be embroiled in that debate.

We urge that prompt action be taken either to raise the debt limit permanently to a level that would accommodate either of the budgets being proposed, or that a sufficient short-term increase be enacted to allow the debate over priorities to proceed in an orderly manner without impairing market confidence in our Nation's commitment to discharge its obligations.

Lloyd M. Bentsen

G. William Miller

W. Michael Blumenthal

William E. Simon

George P. Shultz

Henry H. Fowler

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JAMES WOLFENSOHN

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JAMES D. WOLFENSOHN

880 LEXINGTON AVENUE
NEW YORK, NEW YORK 10028PHONE (212) 633-8100
FAX (212) 633-8100PAULA A. VOLCKER
CHAIRMAN

October 26, 1995

The Honorable
Thomas A. Daschle
Minority Leader
U.S. Senate
Washington, DC 20510

Dear Senator Daschle:

I cannot in good conscience observe the current debate about competing budgetary programs without expressing my deep concern about holding an increase in the debt ceiling hostage to the outcome.

My views about the long years of budget deficits are well known. To my mind, given our abysmally low national savings rate, the proper goal should be to achieve a budget surplus as soon as possible, desirably not after but before the end of the century. What I fail to see is that "playing chicken", with the credit of the United States at stake, is a proper and effective way to resolve the issue.

Time and again during my years at the Treasury and the Federal Reserve I have observed similar threats to withhold votes for necessary increases in the debt ceiling as a means of forcing Congressional and Presidential acceptance of a particular program. My sense is that those efforts have diverted attention from underlying issues, leaving them unresolved, or worse precipitating decisions that both Congresses and Presidents have come to regret. (A case in point a couple of decades ago was when poorly considered escalation of social security benefits was added to a bill to extend an expired debt ceiling).

The basic point is that Treasury borrowing is a result of spending and taxing programs already enacted. Nobody really likes to vote an increased debt limit, making the vote vulnerable to a determined group with a particular agenda. Even "success" in the current effort to force spending lower by withholding the debt ceiling would create a precedent bound to be used by others for purposes quite removed from those of the present advocates. Much as I appreciate and sympathize with those concerned about the deficit, the only really effective way to achieve a budget

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balance or surplus is to change things at the front and -- the spending and taxing decisions. Leaving the Government without means to finance only compounds the problem.

Presumably, in the absence of a timely debt ceiling extension, the Secretary of the Treasury will scramble to find means to delay default, with all the damage that would imply for the money and foreign exchange markets. But there is no way that can be done for any length of time without departing from long established and sound budget procedures and financing practices, in the process raising doubts about the management of social security and other trust funds. All of that would raise serious questions in markets and around the world about the capacity of the United States to manage its financial and budgetary affairs in a responsible way. That is precisely the reverse of what is desired and needed, destructive of confidence in our currency, and hardly consistent with the requirements of a great power with international responsibilities.

The Treasury cannot spend what the Congress has not authorized. The appropriate approach, short of early agreement on a comprehensive budget program, seems to me to provide (through a continuing resolution or otherwise) enough authority to maintain essential governmental functions, at the same time raising the debt ceiling so that authorized expenditures -- including payment of interest on Treasury debt -- can be made in timely fashion.

I sent a similar letter to President Clinton, Senators Dole and Roth, as well as to the Speaker of the House and Congressmen Gephardt and Archer.

With respect and best wishes,

