THE WHITE HOUSE

Office of the Press Secretary

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REMARKS BY THE PRESIDENT
IN VETOING THE REPUBLICAN BUDGET

The Oval Office

3:36 P.M. EDT

THE PRESIDENT: Throughout our history, American Presidents have used the power of the veto to protect our values as a country. In that spirit today, I am acting to protect the values that bind us together in our national community.

My goals as President have been to preserve the American Dream for all of our people, to bring the American people together, and to keep America the world's strongest force for peace and freedom and prosperity.

In pursuit of that strategy, I have sought to grow the economy, to shrink the government but leave it strong enough to do the job, and most important, to elevate mainstream values that all Americans share -- opportunity and responsibility, work and family, and bringing our community together so that we can be stronger.

I have consistently said that if Congress sends me a budget that violates our values, I'll veto it. Three decades ago, this pen you see here was used to honor our values when President Johnson used it to sign Medicare into law.

Today, I am vetoing the biggest Medicare and Medicaid cuts in history, deep cuts in education, a rollback in environmental protection, and a tax increase on working families.

I am using this pen to preserve our commitment to our parents, to protect opportunity for our children, to defend the public health, and our natural resources and natural beauty, and to stop a tax increase that actually undercuts the value of work.

We must balance the budget, but we must do it in a way that honors the commitments that we all have and that keeps our people together.

Therefore, today, I am vetoing this Republican budget because it would break those commitments and would lead us toward weakness and division when we must move toward strength and unity.

Can you bring me some ink, boys? Here, Todd, I knew you had some. It's a small well. Leave it here and see if I need it.

(The President signs the veto.) (Applause.)

Q Mr. President, what happens next?

THE PRESIDENT: I'm about to say. As I have said repeatedly, America must balance its budget. It's wrong to pass a

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legacy of debt onto our children. Our long-term growth depends on it. But we must do it in a way that is good for economic growth and for our values.

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The budget I have vetoed in a very real sense, in very concrete ways, undermines our values and would restrict the future of families like the ones that are here with me today. American families want to make the most of their own lives and to pass opportunity onto their children. They deserve our respect and our support. Above all, we shouldn't make it harder for them to fulfill their dreams.

When it comes to health care we owe a duty to our parents. We have to secure Medicare, and I've spelled out how to do that. But the budget I just vetoed would turn Medicare into a second class system. The Medicare system has served all senior citizens well for 30 years -- it would be over.

This budget would end Medicaid's guarantee that no senior citizen and no American in need would be denied medical care, including poor children and children with disabilities. It would deny care for hundreds of thousands of pregnant women and disabled children. It would repeal standards that ensure quality for nursing homes.

Education means opportunity, and opportunity is the key to the American Dream. But this budget cuts education by $30 billion -- even in this high technology age, when education is more important than ever before. It would essentially end the direct student loan program. It would deny college scholarships to 360,000 deserving students. It would deny preschool opportunities to 180,000 children in the Head Start Program.

We must protect the earth that God gave us and guarantee our children safe food and clean water. This budget would give oil companies the right to drill in the last unspoiled arctic wilderness in Alaska. And it is loaded with special interest provisions that squander our natural resources. Already, short-term budget cuts have forced us to pull back enforcement of clean air, clean water, even inspections of toxic waste sites in our neighborhoods.

People who work hard and save for retirement ought to be able to retire with dignity. We worked hard last year to secure the pension benefits of 40 million Americans with landmark reform legislation. This bill would give companies the green light to raid pension funds and put those retirements at risk again.

Americans know we have to reform the broken welfare system. But cutting child care that helps mothers move from welfare to work, cutting help for abused and disabled children, cutting school lunch, that's not welfare reform. Real welfare reform should be tough on work and tough on responsibility, but not tough on children or tough on parents who are responsible and who want to work. We shouldn't lose this historic chance to end welfare as we know it by using the words welfare reform as just another cover to violate our values.

No one who works hard should be taxed into poverty. In

1993, we nearly doubled the earned income tax credits so that we could say, if you work 40 hours a week, you've got children in the home, you won't be taxed into poverty. The tax system will help lift you out of poverty. But this budget raises taxes on our hardest pressed working people, even as it gives unnecessarily large income tax relief and other tax relief to those who need it least. Nearly 8 million working families would pay more in new taxes than they would receive from any tax cut in this bill.

Beyond our principles, let me just say this budget is bad for the economy. No business on the edge of the 21st century would cut its investment in education and training, in research. No business would do that. No business would cut back on technology on

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the edge of the 21st century. The Japanese are in a recession, and

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they recently doubled their research budget. We are voting in this budget, if I were to allow it to become law, to cut our research budget by a year when we're in a period of economic growth, while another country, looking to the future in a recession, is doubling theirs. So this not only violates our values, it is bad, bad economics.

Now, with this veto, the extreme Republican effort to balance the budget through wrongheaded cuts and misplaced priorities is over. Now, it's up to all of us to go back to work together to show we can balance the budget and be true to our values and our economic interests.

Tomorrow, I will present to the congressional leadership a plan that does balance the budget in seven years, but it also protects health care, education and the environment, and it does not raise taxes on working families. It is up to the Republicans now to show that they, too, want to protect these principles, as they pledged to do.

Let me say again, our country is on the move; our economy is growing; many of our most difficult social problems are beginning to yield to the effort and common-sense values of the American people. We have proved again that we are a model for the entire world of peace and reconciliation. With all of our difficult problems, we are moving in the right direction. Now is not the time to derail this movement.

I have vetoed the budget; now, the question is: Will we get together and balance the budget in a way that is consistent with our values. It's time to finish the job of balancing the budget and do it in the right way.

Thank you. (Applause.)

Q Mr. President, -- (inaudible) -- Medicare and Medicaid, how are you going to -- where are you going find --

THE PRESIDENT: Tune in tomorrow.

THE PRESS: Thank you.

END 4:45 P.M. EST

TO THE HOUSE OF REPRESENTATIVES:

I am returning today without my approval H.R. 2491, which seeks to make extreme cuts and other unacceptable changes in Medicare and Medicaid, and to raise taxes on millions of working Americans.

As I have repeatedly stressed, I want to find common ground with Congress on a budget plan that will best serve the American people. But, I have profound differences with the extreme approach that Congress has adopted. It would hurt average Americans and help special interests.

My balanced budget plan reflects the values that Americans share -- work and family, opportunity and responsibility. It would protect Medicare and retain Medicaid's guarantee of coverage; invest in education and training and other priorities; and provide for a targeted tax cut to help middle-income Americans raise their children, save for the future, and pay for postsecondary education. To reach balance, my plan would eliminate wasteful spending, streamline programs, and end unneeded subsidies; take the first, serious steps toward health care reform; reform welfare to reward work; and cut non-defense discretionary spending, other than my investments, 22 percent in real terms by 2002.

By contrast, H.R. 2491 would cut deeply into Medicare, Medicaid, student loans, and food stamps; hurt the environment; raise taxes on millions of working families by slashing the Earned Income Tax Credit (EITC); and provide a huge tax cut whose benefits would flow disproportionately to those who are already the most well-off.

Moreover, this bill creates new fiscal pressures. Revenue losses from the tax cuts grow rapidly after 2002, with costs exploding for provisions that primarily benefit upper-income taxpayers. For the individual retirement account (IRA), capital gains, and estate tax provisions, the revenue losses for the three years after 2002 exceed the losses for the preceding six years.

Title VIII would cut Medicare by $270 billion over seven years -- by far the largest cut in Medicare's 30-year history. While we need to slow the rate of growth in Medicare spending, I believe Medicare must keep pace with anticipated increases in the costs of medical services and the growing number of elderly Americans. This bill would fall woefully short. In addition, the bill introduces untested, and highly questionable, Medicare "choices" that could increase risks and costs for the most vulnerable beneficiaries, especially women.

Title VII would cut Federal Medicaid payments to states by $163 billion over seven years and convert the program into a block grant, eliminating guaranteed coverage to millions of

Americans and putting states at risk during economic downturns. States would face untenable choices: cutting benefits, dropping coverage for millions of beneficiaries, or reducing provider payments to a level that would undermine quality service to children, people with disabilities, the elderly, pregnant women, and others who depend on Medicaid. I am also concerned that the bill has inadequate quality and income protections for nursing home residents, the developmentally disabled, and their families; and that it would eliminate a program that guarantees immunizations to many children.

Title IV would virtually eliminate the Direct Student Loan Program, reversing its significant progress and ending the participation of over 1,300 schools and hundreds of thousands of students. These actions would hurt middle- and low-income families, make student loan programs less efficient, perpetuate unnecessary red tape, and deny students and schools the free-market choice of guaranteed or direct loans.

Title V would open the Arctic National Wildlife Refuge (ANWR) to oil and gas drilling, threatening a unique, pristine ecosystem, in hopes of generating $1.3 billion in federal revenues -- a revenue estimate based on wishful thinking and outdated analysis. I want to protect this biologically-rich wilderness permanently. I am also concerned about other environmental provisions, including one that would retain the notorious patenting provision whereby the government transfers billions of dollars of publicly-owned minerals at little or no charge to private interests.

While making such devastating cuts in Medicare, Medicaid, and other vital programs, this bill would provide huge tax cuts for those who are already the most well-off. Over 47 percent of the tax benefits would go to families with income over $100,000 -- the top 12 percent. The bill would provide unwarranted benefits to corporations and new tax breaks for special interests. At the same time, it would raise taxes, on average, for the poorest fifth of all families.

The bill would make capital gains cuts retroactive to January 1, 1995, providing a windfall of $13 billion in the first 9 months of 1995 alone to taxpayers who already have sold their assets. While the Administration supports limited reform of the alternative minimum tax (AMT), this bill's cuts in the corporate AMT would not adequately ensure that profitable corporations pay at least some federal tax. The bill also would allow businesses to avoid taxes by accumulating foreign earnings without limit. And the bill does not include my proposal to close a loophole that allows wealthy Americans to avoid taxes on the gains they accrue by giving up their U.S. citizenship. Instead, it substitutes a provision that would prove ineffective.

While cutting taxes for the well-off, this bill would cut the EITC for almost 13 million working families. It would repeal part of the scheduled 1996 increase for taxpayers with two or more children, and end the credit for workers who do not live with qualifying children. Even after accounting for other tax cuts in this bill, eight million families would face a net tax increase.

The bill would make unwise changes to pension fund asset reversions -- making it easy for companies to withdraw "excess" pension assets -- threatening the retirement benefits of workers and increasing the exposure of the Pension Benefit Guaranty Corporation. It also would raise Federal employee retirement contributions, unduly burdening Federal workers. Moreover, the bill would eliminate the low-income housing tax credit and the community development corporation tax credit, which address critical housing needs and help rebuild communities.

Title XII includes many welfare provisions. When added to the EITC cuts in this bill, these provisions would cut low-income programs too deeply. For welfare reform to succeed, savings should result from moving people from welfare to work, not from cutting people off and shifting costs to the states. The cost of excessive program cuts in human terms -- to working families, single mothers with small children, abused and neglected children, low-income immigrants, and disabled children -- would be grave. In addition, this bill threatens the nutritional safety net by making unwarranted changes in child nutrition programs and the national food stamp program.

The agriculture provisions would eliminate the safety net that farm programs provide for U.S. agriculture. Title I would provide windfall payments to producers when prices are high, but not protect family farm income when prices are low. In addition, it would slash spending for agricultural export assistance and reduce the environmental benefits of the Conservation Reserve Program.

For all of these reasons and others, this bill is unacceptable.

Nevertheless, while I have major differences with Congress, I want to work with Members to find a common path to balance the budget in a way that will improve the standard of living of all Americans.

WILLIAM J. CLINTON

THE WHITE HOUSE,
November __, 1995.