ANALYSIS OF THE

DOMENICI BUDGET RESOLUTION

May 11, 1995

Overview

The budget resolution that Senate Budget Chairman Domenici released this week is designed to balance the budget by 2002 with $961 billion in savings over 7 years. That includes $806 billion in programmatic changes and $155 in interest savings.

Domenici would cut Medicare and Medicaid, cut such other entitlements as farm and veterans' programs, cut about 30 percent from domestic discretionary spending, and raise taxes on working Americans by rolling back some enacted expansions of the EITC. For defense, he also relies on the President's 1995 enacted defense plan through 2000, with approximately a freeze in 2001 and 2002 at the 2000 level.

Domenici does not explicitly include a tax cut in his budget resolution. But he includes a procedural tool that would allow Congress to pay for a tax cut by allocating the assumed "fiscal dividend" of lower interest rates that would result from a balanced budget.

Domenici's cuts in Medicare and Medicaid account for 45 percent of his savings. But he does not provide details on how he plans to make those cuts. Nor does he provide much programmatic detail about cuts in other entitlements or in domestic discretionary programs.

Previously, Domenici was expected to need $1.4 trillion in savings to reach balance by 2002. The reason the cuts now add to $961 billion is not because they are smaller, but because he has lowered the baseline by assuming a non-defense discretionary freeze.

For the most part, Domenici uses CBO estimates of baseline spending on entitlements, deposit insurance, other mandatory programs, and economic assumptions. His baseline for non-defense discretionary spending removes all inflation. This presentation disguises the level of cuts to non-defense discretionary programs; he freezes all programs at 1995 levels and then applies cuts below the freeze.

Domenici proposes to save a total of $961 billion in the following ways:

- $256 billion from Medicare;

- $175 billion from Medicaid;

- $209 billion from other entitlements;

- $190 billion from non-defense discretionary spending (as measured from a 1995 freeze extended through 2002; defense is increased by $25 billion); and

- $155 billion from reduced debt service.

The following is a more detailed analysis of what the cuts mean in the major programmatic categories:

I. Medicare -- $256 billion

Depending on the mix of policies, the $256 billion in savings could amount to a 19 percent cut by 2002 from Domenici's baseline. He assumes an annual growth of 7.2 percent over the next 7 years, compared to his baseline of 9.8 percent. But he would not impose the cut uniformly each year; he would reduce the rate of growth to 5.2 percent in 1996 and 5.5 percent in 1997 -- much more than the average 7.2 percent.

Domenici does not provide specific policies to generate $256 billion in savings. He calls for a "special bipartisan commission" to address the long-term solvency of Medicare by reviewing the program's financing, benefit provisions, and delivery mechanisms. Without specific policies, one way to view these savings is to treat them as asking each of the 39.8 million Medicare beneficiaries to bear part of the burden. Using this analysis, the cuts are equivalent to $6,415 per Medicare beneficiary over fiscal 1996-2002.

Press reports indicate that Domenici assumes $163 billion of Part A savings. This figure appears close to CBO's estimates of savings needed to comply with the Trustees' solvency standards. To achieve these savings would require deep reductions in the hospital annual update, hospital capital payments, disproportionate share and graduate medical education payments. Lower Medicare payments to hospitals, physicians, and other providers could disproportionately harm rural hospitals.

Press reports also indicate that Domenici's plan assumes beneficiaries in Part

B will continue to pay 31.5 percent of program costs from fiscal 1996-2002, rather than 25 percent under current law, saving a reported $60 billion. Assuming Domenici saves $163 billion from Part A and $60 billion from the Part B premium, he needs to save only $33 billion more from Part B. He could find these savings through physician payment or outpatient department reductions, among other sources.

II. Medicaid -- $175 billion

The Medicaid cuts are even more devastating than Medicare's, and would hit the most vulnerable of Americans. The $175 billion figure implies a cut of 30 percent off of his baseline in 2002. These savings result from an average annual growth rate of 4.5 percent over the next 7 years, compared to his baseline of 10.2 percent.

Savings from higher enrollment in managed care and "traditional" savings proposals (e.g., CBO options for deficit reduction) do not reach $175 billion. For example, since the CBO baseline projections already assume a growing number of mothers and children on Medicaid will be in managed care plans, there are little additional savings available.

To find savings of this size would require more dramatic steps. Domenici's plan suggests two approaches. The first is to cut each State's Medicaid matching rate by 18.7 percent across-the-board. The only other way is to turn the program into a block grant, with a cap on growth phased down from 8 percent in 1996 to 4 percent in 2000 and thereafter. To offset the cut in Federal funding, States that wanted to maintain their current services would have to absorb most of these cuts or reduce coverage and benefits.

Even accounting for some managed care savings, the reductions could mean deep cuts in eligibility, benefits, and payments to doctors, hospitals, nursing homes, and other health care providers. Using the projections in the President's budget, if Federal Medicaid spending were cut $160-$190 billion over 7 years, and those cuts were split evenly between eliminating eligibility for elderly and disabled beneficiaries, eliminating eligibility for children, cutting services, and cutting provider payments, in the year 2002 alone:

- 5 to 7 million children would lose coverage;
- 800,000 to 1 million elderly and disabled would lose coverage;
- All 45 million beneficiaries would lose benefits: all preventive and diagnostic screening services for children, home health care, and hospice services would be eliminated (and dental care if one assumes $190 billion in savings); and

- Already low payments to health care providers would be cut between $10.7 and $12.8 billion.

III. Other Entitlements -- $209 billion

Domenici's plan calls for $209 billion in savings from entitlements other than Medicare and Medicaid, in the following categories:

Welfare:

Domenici's budget includes $47 billion in welfare-related cuts over 5 years -- about $15 billion less than the House-passed welfare reform bill -- and $80 billion over 7 years.

- AFDC and JOBS. The size of the savings assumed from block granting AFDC is unclear. Were it capped at levels in the House-passed bill, poor families might face benefit cuts of up to 14 percent because capped spending levels would not cover current benefits. Poor families would fall further below the poverty level. Due to the cap, people in States with economic downturns or recessions could lose even more help as more people lose jobs, join the welfare rolls and compete for the same fixed dollars.

- Food Stamps and Child Nutrition: While the amount of cuts is unclear, they could reach $20 billion over 5 years. Domenici has said he will hold School Lunch and School Breakfast harmless, while instituting a geographic income test for Family Day Care Homes in the Child and Adult Care Feeding Program. He proposes to maintain "the safety net of Food Stamps" while better targeting it to lower income beneficiaries (perhaps meaning he would not turn it into a block grant).

EITC:

Domenici would raise $13 billion over 5 years by rolling back part of the President's 1993 expansion, which sought to ensure that working Americans need not raise their children in poverty. These changes would raise taxes on over 12 million families.

The cut would eliminate the EITC for 4.4 million low-income working families without children, raising their taxes by up to $324 each in 1996. In total, their taxes would go up by $3.3 billion over five years, and $5 billion over seven years.

A repeal of the 1996 changes would raise taxes on 7.8 million low-income working families with two or more children; their taxes would rise by up to $354 per family. This would raise taxes on families with two or more children by $8.9 billion over 5 years, $13.8 billion over 7.

Farm Programs:

Domenici would reduce mandatory outlays (including the CCC programs, crop insurance, and the farm loan program's liquidating account) by $14 billion over 7 years, or 16 percent. The plan includes no specific recommendations to achieve the mandatory reductions. Rather, it states that "the spending reductions could be accommodated under the 1995 farm bill when reauthorized."

Student Loans:

Domenici calls on the Labor and Human Resources Committee to find $9.2 billion in savings over 5 years, some of which would come from increasing student loan debt burden. He would:

- eliminate Federal in-school interest subsidies for graduate and professional students, saving $2.25 billion and affecting 2.4 million borrowers; and

- eliminate the reduction in borrower interest rates scheduled to take place for loans made in 1998 and thereafter, producing no net savings.

Civil Service Retirement:

Federal Employee Health Benefits: Domenici's proposal for FEHB sets an annual dollar amount that the Federal government would contribute for Federal employee/annuitant health benefits and adjusts the amount annually by inflation. Because premiums are expected to rise faster than inflation, CBO estimates mandatory savings of $2.2 billion over 5 years; 7 years should yield about $4.6 billion. (In addition, discretionary savings of $2.3 billion over 5 years reflect lower agency contributions for active employees than under current law.)

Civil Service Retirement: Domenici would change the base used to compute retirement annuities from the highest 3-year average to the highest 5-year average salary, producing savings of $570 million over 5 years and $1.2 billion over 7 years. The proposal also conforms Congressional pensions to those of regular civilian employees, reducing their benefits and contributions for future service.

Veterans Affairs Entitlements:

Domenici proposes to cut VA's mandatory spending by $6.3 billion by:

- adopting the OBRA savings provisions in the President's budget;

- proposing legislation to overturn the Supreme Court case which mandates compensation for adverse medical situations not resulting from VA malpractice;

- increasing the veterans' contribution rate for GI Bill education benefits;

- increasing the co-payment for prescription drugs for higher-income veterans; and

- limiting future disability compensation awards to only those applicants whose disabilities were incurred in the performance of duty, not merely in the military.

The last provision in particular will be very controversial.

IV. Non-defense discretionary spending -- $190 billion

Domenici would cut non-defense discretionary programs $190 billion below a 1995 freeze, the equivalent to a $301 billion cut below the non-defense discretionary levels in the President's budget.

Domenici proposes to kill the Commerce Department, Office of Personnel Management, and Interstate Commerce Commission; end the Americorps and Learn and Serve America programs; cut deeply into School-to-Work and other education and training programs; privatize FAA air traffic control services; cut the Community Development Block Grant in half; cut the National Endowments for the Arts and Humanities by half; phase out EPA's wastewater and drinking water grant programs over three years; freeze Head Start; fully fund law enforcement programs of the Violent Crime Reduction Trust Fund; and add major funds for WIC.

The specific proposals include:

Education

Domenici would require significant cuts in most of the Education Department's discretionary programs. He "protects" several important programs, including Pell Grants and Title I, by freezing them at the 1995 level.

Cuts would fall hard on such remaining programs as Goals 2000 and education for disabled students, requiring the equivalent of a 20 percent cut across the board.

National Service and VISTA

Domenici would eliminate AmeriCorps and the Learn and Serve America programs, saving more than $4 billion over 5 years. For 1996, 40,000 young Americans would not be able to devote a full year to making their communities a better place to live, and 550,000 students in American schools would not get service learning opportunities in and out of the classroom.

Domenici would maintain current-law funding for VISTA, a reduction of almost $50 million below the President's request, or $240 million over 5 years.

Labor

Domenici would consolidate and cut by 25 percent Labor Department job training programs, wiping out 170,000 jobs in 1996 for the Summer Jobs Program and 8,300 training slots under the Job Corps for 12,200 severely disadvantaged youth.

Domenici would cut School-to-Work by 53 percent, from $400 million to $188 million (including both Education and Labor Department funding), stopping progress toward reaching all States with implementation "seed capital" grants in 1997.

Domenici would cut funding for OSHA and MSHA each by half. This would slash OSHA's compliance assistance to help businesses have safe workplaces, matching funds to the 25 state-run OSHA programs, and enforcement activities; and it would impede MSHA's congressionally mandated inspections -- quarterly for underground mines, and semi-annually for surface mines.

WIC

Domenici adds $1.9 billion to WIC, though it is unclear whether that's over 5 or 7 years.

Head Start

Domenici freezes Head Start at the 1995 level.

Justice

Domenici fully funds the law enforcement programs within the Violent Crime Reduction Trust Fund. He also:

- provides $7.8 billion for Federal law enforcement activities in 1996, compared to $8 billion in the President's budget;

- cuts funds for the Legal Services Corporation by 65 percent; and

- provides $2 billion less for the Administration of Justice than in the President's budget for 1996, and $10.5 billion less over the next 5 years.

Transportation

Domenici would terminate the Interstate Commerce Commission, consolidate transportation programs, and eliminate highway demonstration programs; these proposals are either the same as or similar to the Administration's proposals.

But he would phase out operating assistance for Amtrak and mass transit, likely bankrupting Amtrak and reducing bus and transit services in smaller cities. And he would privatize the FAA's air traffic control services, saving $14.7 billion over 5 years.

Housing

Domenici assumes a 50 percent cut in the $4.6 billion Community Development block grant. Though he claims that he can find the savings by ending aid to non-distressed places, cuts of this size also would affect many cities under fiscal stress.

Domenici also assumes $6.7 billion in efficiency savings through new block grants for public housing and other assisted housing. Such cuts likely will mean reductions in level of assistance, numbers of households served, or both.

International Affairs

Domenici would cut State Department operational accounts and drastically reduce funding for U.S. international broadcasting, which would terminate language broadcasts. He also would cut arms control funding and assume that the Arms Control and Disarmament Agency would be merged into the State Department.

In addition, Domenici would cut funds to pay assessed contributions to United Nations peacekeeping operations back to 1991 levels, and cut funds for Aid for International Development (AID) programs by $3.9 billion over 7 years. Cuts in AID's operating expense budget would reduce the direct-hire workforce by close to 1,000 (more than 25 percent) in the next year.

Veterans Affairs

Domenici proposes to cut discretionary spending by $3.2 billion. He would freeze VA Medical Care at the 1995 level and cut other programs by more than $1.1 billion over 5 years. In particular, he would virtually eliminate construction by 1999.

Natural Resources and the Environment

Domenici would cut natural resources and environmental programs by 30 percent by 2002.

He would:

- phase out EPA's wastewater and drinking water grant programs over three years;

- cut funds for NOAA Fisheries and Species Protection programs by 5 percent;

- accept most of the President's proposed cuts for the Corps of Engineers;

- reduce and freeze operations at National Parks by 10 percent through 2002;

- dissolve the National Biological Service; and

- eliminate lower priority and duplicative programs.

Commerce

Domenici proposes to eliminate the Commerce Department, saving over $1 billion a year but shifting about two-thirds of the department (e.g., Patent and Trademark Office, Census Bureau, National Oceanic and Atmospheric Administration, and parts of Bureau of Export Administration) to other agencies.

He would eliminate the National Institute of Standards and Technology, including the Advanced Technology Program and the Manufacturing Extension Partnership, and Commerce's export promotion efforts that have helped U.S. companies capture $25 billion in foreign contracts over 1993 and 1994.

Office of Personnel Management

Domenici would "devolve" OPM down to a Civil Service Commission, keeping employee benefit and retirement functions centralized while delegating most other functions to the agencies.

Treasury

Domenici would repeal the $405 million annual IRS allowance provided in the 1995 budget resolution, reducing resources available to IRS by that amount.

USDA

Domenici would cut Agriculture programs by 11 percent by 2002. Specifically, he would:

- Cut Agricultural Research Service and Cooperative State Research, Education, and Extension Service by 10 percent;

- Eliminate the Foreign Agriculture Service cooperator program and Cochran fellowship program.

- Centralize servicing of rural housing loan program, either by centralizing within USDA or contracting out; and

- Create rural development program block grant.

Public Health and Health Research

Domenici would cut Public Health Service and other health spending by $2.8 billion in 1996 and $15.1 billion over 5 years. The plan assumes "full-funding" of the Food and Drug Administration; Centers for Disease Control; Indian Health Service; Substance Abuse and Mental Health Services Administration; and all HIV/AIDS-related programs.

He does <u>not</u> list NIH and several other programs as "fully-funded." Achieving the $2.8 billion cut in 1996 could require a cut of roughly 17 percent in non-HIV portions of NIH and health service programs for the disadvantaged, including Community and Migrant Health Centers and the National Health Service Corps.

Science

Domenici would cut science and space technology programs by about 10 percent between fiscal 1995 and 2002. These cuts roughly parallel the President's budget by the year 2000, but are deeper in the earlier years. Although his budget document is vague, the cuts seem to come mostly in NASA and the Energy Department, with few reductions in the National Science Foundation.

FY 1996
Balanced Budget Resolution

CHAIRMAN'S MARK

Prepared by the
Republican Staff of the
U.S. Senate Budget Committee

May 1995

Summary of Chairman's Mark

Concurrent Resolution on the Budget for Fiscal Year 1996

Balancing the Budget - Preserving the Future

May 9, 1995

The Chairman's Mark provides a fiscal blueprint that would for the first time in three decades result in a balanced federal budget. The Chairman's Mark is based on the unequivocal goal expressed by the American public and by a majority of the members of the 104th Congress -- balance the federal budget early in the next century, specifically by the year 2002. The Chairman's Mark is based on the simple proposition, by meeting our requirement to fiscal responsibility we will insure a better future for our children and a better future for our country.

Under the assumptions of the Chairman's Mark total federal spending will increase from $1.5 trillion this year to nearly $1.9 trillion in 2002. For the first time in nearly three decades, wages and salaries will be growing faster than the rate of growth in federal spending -- 5 percent versus 3 percent annually. The federal deficit, left unchanged would grow from $175 billion this year to nearly $230 billion in 2002, and the debt burden on the public would increase from $3.8 trillion to over $5.4 trillion in 2002. Under the Chairman's Mark a real, no-smoke and mirrors budget, fully implemented and enforceable, results in the deficit declining to zero in the year 2002. Debt held by the public would reach $4.4 trillion in 2002 before declining thereafter.

Under the assumptions of the Chairman's Mark annual expenditures for appropriated accounts will decline from $278 billion this year to $250 billion in 2002. Annual expenditures for appropriated defense programs, as requested by President Clinton, would decline slightly from the current spending level ($270 billion) throughout the remainder of the century, before returning to an annual level of $270 billion in 2002.

Under the assumptions of the Chairman's Mark, social security expenditures will continue to grow from $334 billion this year to over $480 billion in 2002. The Chairman's Mark does not change any social security benefit or any social security COLA.

Under the assumptions of the Chairman's Mark, the Medicare program will remain the fastest growing program in the federal budget, *increasing at an annual rate of about 7.1 percent. Federal mandatory medicare spending would growi* from $178 billion this year to $283 billion in 2002. The Chairman's mark, as amended, will recommend the establishment of a special Medicare Commission, similar to that recommended by the Social Security and Medicare Trustees in April, *to* make recommendations addressing the insolvency of the program. In two steps, the Commission would make recommendations to the committees of jurisdiction. The first step would occur prior to those committees meeting the Mark's reconciliation instructions. In this first step, the Commission would address the current short-term insolvency of the Medicare program early this summer. In the second step, the Commission would address the long-term insolvency of the account early next year. However, with or without the Commission's recommendations, the committees of jurisdiction must meet the reconciliation instructions specified in the Chairman's Mark.

Under the Chairman's Mark, the federal Medicaid program would be converted into a block grant program to the states, and its annual growth rate would be reduced from nearly 10 percent annually to an average of 5 percent over the next seven years. In total, federal and state Medicaid spending would increase from about $160 billion this year to over $220 billion in 2002. Federal spending for Medicaid would increase from nearly $89 billion this year to over $125 billion in 2002.

The Chairman's Mark is designed to achieve the goal of fiscal solvency while building on the following themes:

— <u>Protect and preserve programs that provide income security for our senior citizens</u>. Again, no changes are recommended to the social security program. No changes to any COLA are assumed for any federal pension program.

— <u>Begin deficit reduction in our own backyard</u>. The Chairman's Mark assumes a seven year freeze on all members pay, federal judges, and SES employees. The Mark assumes a 15 percent reduction in Senate Committee staff, a 12.5 percent reduction in Senate support staff, a 25 percent reduction in GAO, and the termination of OTA. The mark assumes rank and file federal workers would receive current law pay adjustments.

— <u>Devolve federal programs to states</u>. Move power and money out of Washington and back to citizens in their states and communities. The Chairman's Mark assumes consolidation of federal health, transportation, education and other social service programs. The Chairman's Mark assumes federal assistance would be returned to states in the form of various block grants.

— Reduce the size of the federal government. Terminate, eliminate, reduce duplication and modernize programs that were created for the 1960's -- not the 21st century. The Chairman's Mark assumes the termination of more than 1(assumes the orderly termination of the Department of Commerce and the Office of Personnel Management.

— Public programs that could better be run as commercial endeavors should be privatized. The Chairman's Mark assumes the creation of a private air traffic control system, privatization of Sallie Mae, privatize the naval petroleum reserve and the uranium enrichment corporation, close GSA supply depots, repeal of the Davis-Bacon Act and other proposals discussed later.

— Protect national security and people's security. The Chairman's Mark assumes President Clinton's defense request in his 1996 budget submission. The Chairman's Mark assumes that the Crime Trust Fund would be funded and that the FBI, DEA, and INS funding would increase.

— Reform federal assistance programs. The Chairman's Mark assumes welfare reform savings over the next five years that will total $47 billion. The food stamp program would be reformed and benefits would be tied to the rate of growth in food inflation. The school lunch and school breakfast program would not be changed but the Chairman's Mark assumes targeting the Child Adult Care Feeding Program on low-income families. The Chairman's Mark assumes funding for the WIC program will increase. The Chairman's Mark assumes an expansion of the Child Support Enforcement Program.

— Control the growth of public health care expenditures. The Chairman's Mark assumes that unsustainable growth in federal health care costs must be curbed to insure the solvency of the Medicare trust fund and to guarantee it's survival for future recipients.

— Reduce spending on corporate subsidies. The Chairman's Mark reduces federal corporate subsidies for agriculture, trade, energy, and transportation industries.

The Chairman's Mark does not assume any net changes in revenues from that which would result from a continuation of current tax policies. However, a special reserve fund would provide, after spending restraint is estimated to achieve balance in 2002 and the estimate is certified by the Congressional Budget Office, any resulting "fiscal dividend" would be made available to the tax writing committees of Congress for tax reductions not to exceed the fiscal dividend estimate. Balance must first be achieved by reducing the rate of growth in federal spending before tax reductions could be considered.

Finally, the Chairman's Mark would enforce the assumptions of the budget resolution through tough and disciplined provisions governing the consideration of enacting legislation. First, discretionary spending caps would be consistent with the assumptions of the Chairman's mark and extended through 2002. Defense and nondefense discretionary firewalls would be reestablished to protect President Clinton's requested defense mark. The Chairman's Mark would enforce the mandatory spending assumptions through the process of reconciling spending savings. Reconciled committees would be required to meet the Chairman's assumptions of direct spending savings in the first year, the cumulative five year sum, and the cumulative seven year sum. The Chairman's Mark would require emergency spending outside the spending caps to secure 60 votes -- true emergency spending would have no difficulty meeting this test. And finally, the Chairman's Mark would extend the Budget Act's 60 vote enforcement and pay-as-you-go provisions through the year 2002. A 10 year point-of-order, adopted in the last two budget resolutions would be continued in the Chairman's Mark.

The Chairman's Mark is real, enforceable, and achieves the fiscal policy goal of a unified balanced budget in 2002. It is a budget blueprint that will guide the country into a successful and prosperous 21st Century.

CHAIRMAN'S MARK

(Dollars in billions)

	1996	1997	1998	1999	2000	5-yr total	2001	2002	Grand total
Current Law Deficit........	197	214	209	223	236		224	227	
Discretionary:									
Defense..........................	4	0	-2	2	6	10	6	8	25
Nondefense......................	-13	-27	-29	-30	-29	-128	-31	-31	-190
Mandatory:									
Social Security................	—	—	—	—	—	—	—	—	—
Medicare..........................	-12	-22	-27	-36	-44	-141	-53	-62	-256
Medicaid..........................	-4	-8	-15	-23	-32	-81	-42	-53	-175
Other mandatory..............	-14	-25	-29	-31	-34	-133	-37	-39	-209
Revenues.........................	1	1	1	-1	-1	-0	—	—	-0
Total policy changes.........	-38	-81	-101	-118	-134	-472	-156	-177	-806
Debt service.....................	-1	-5	-11	-19	-28	-65	-39	-52	-155
Total deficit reduction......	-40	-86	-112	-137	-162	-537	-195	-229	-961
Resulting deficit/surplus..	157	128	97	86	74		29	-2	

NOTE: Details may not add to totals due to rounding. All totals shown on a unified budget basis.

CHAIRMAN'S MARK

(Comparison to 1995 levels, dollars in billions)

	1996	1997	1998	1999	2000	2001	2002	Total
Discretionary:								
Defense	-8	-13	-15	-9	-2	-2	-0	-48
Nondefense	-10	-24	-28	-30	-28	-30	-30	-180
Subtotal discretionary	-19	-36	-43	-39	-30	-31	-30	-228
Mandatory:								
Social Security	18	37	57	78	99	122	146	557
Medicare	9	20	35	50	66	84	105	368
Medicaid	6	13	18	23	27	32	36	155
Other mandatory	6	10	13	27	36	39	51	183
Net interest	23	29	31	37	42	43	44	249
Total outlays	44	72	112	175	240	288	352	1283
Revenues	63	121	192	262	342	434	529	1944

NOTE: Details may not add to totals due to rounding. All totals shown on a unified budget basis.

CHAIRMAN'S MARK

(Dollars in billions)

	1995	1996	1997	1998	1999	2000	2001	2002
Discretionary:								
Defense	270	262	257	255	261	268	268	270
Nondefense	278	268	254	250	248	250	248	248
Subtotal discretionary	548	529	512	505	509	518	517	518
Mandatory:								
Social Security	334	352	371	391	411	433	456	480
Medicare	178	187	198	213	228	244	262	283
Medicaid	89	96	102	107	112	116	121	125
Other mandatory	146	152	156	159	172	181	185	197
Net interest	235	258	264	267	273	277	278	279
Total outlays	1530	1574	1602	1642	1705	1770	1818	1882
Revenues	1355	1418	1476	1547	1617	1697	1789	1884
Resulting deficit/surplus	-175	-157	-128	-97	-86	-74	-29	2

NOTE: Details may not add to totals due to rounding. All totals shown on a unified budget basis.

CHAIRMAN'S MARK

(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
050: National Defense	BA	261.4	257.7	253.4	259.6	266.2	276.0	275.9	275.9
	OT	269.6	261.1	257.0	254.5	259.6	267.8	267.7	269.2
150: International Affairs	BA	18.9	15.4	14.3	13.5	12.6	14.1	14.3	14.2
	OT	18.9	16.9	15.1	14.3	13.5	13.1	13.4	13.3
250: Science, Space and Technology	BA	17.2	16.7	16.3	16.1	16.0	15.8	15.8	15.8
	OT	17.5	16.7	16.6	16.3	16.0	15.9	15.9	15.9
270: Energy	BA	6.3	2.9	1.7	3.3	4.2	4.1	4.0	4.0
	OT	4.9	2.7	1.0	2.6	3.1	2.8	2.9	2.9
300: Natural Resources and Environment	BA	22.3	19.5	18.3	15.6	16.8	16.4	15.1	15.8
	OT	21.7	20.4	20.1	17.9	18.4	17.4	15.9	16.6
350: Agriculture	BA	14.0	13.1	12.2	11.8	11.7	11.7	10.5	10.1
	OT	12.7	11.9	10.9	10.6	10.4	10.6	9.4	9.1
370: Commerce and Housing Credit	BA	8.9	6.6	8.3	1.8	3.0	1.5	0.5	0.2
	OT	-13.5	-7.0	-6.2	-8.4	-5.2	-3.9	-3.2	-3.4
400: Transportation	BA	42.5	36.5	38.8	39.4	40.2	41.2	41.0	40.8
	OT	39.3	38.3	32.8	31.8	31.3	31.1	31.1	31.1
450: Community and Regional Development	BA	9.2	5.8	5.4	5.1	5.1	5.0	4.5	4.4
	OT	11.6	9.8	7.3	5.6	5.1	5.1	5.0	5.0
500: Education, Training, Employment and Social Services	BA	58.3	48.1	47.3	47.2	47.4	47.8	47.3	47.4
	OT	54.7	51.7	47.9	47.0	46.8	47.3	46.8	46.9
550: Health	BA	116.6	120.1	126.6	132.1	137.0	141.1	145.2	149.6
	OT	115.8	120.6	126.5	132.2	136.9	140.9	145.0	149.4

CHAIRMAN'S MARK

(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
570: Medicare	BA	162.6	171.9	180.5	193.1	207.4	221.4	238.9	258.9
	OT	161.1	169.5	178.9	191.4	204.8	219.5	236.9	256.7
600: Income Security	BA	219.9	226.3	233.7	253.0	256.0	272.6	277.7	292.4
	OT	222.2	225.9	235.6	246.1	257.9	272.6	277.6	292.2
650: Social Security	BA	336.9	354.3	374.0	394.3	415.0	436.7	459.6	483.7
	OT	336.2	354.2	373.1	393.1	413.7	435.6	458.3	482.2
700: Veterans Benefits	BA	37.7	37.4	37.4	37.5	37.7	37.6	38.3	38.7
	OT	37.4	36.9	37.6	37.6	37.9	39.1	40.1	40.4
750: Administration of Justice	BA	18.5	19.9	20.6	21.2	22.2	22.2	21.7	21.7
	OT	17.1	19.5	21.1	22.3	23.0	23.6	23.2	23.1
800: General Government	BA	13.3	12.5	12.4	12.2	12.1	12.0	11.6	11.6
	OT	13.4	13.0	12.4	12.3	12.0	11.9	11.7	11.6
900: Net Interest	BA	235.4	258.5	264.3	266.9	272.6	277.6	278.1	279.1
	OT	235.3	258.5	264.3	266.9	272.6	277.6	278.1	279.1
920: Allowances	BA	--	-8.6	-8.4	-7.4	-6.9	-5.8	-5.7	-5.7
	OT	--	-6.5	-8.5	-7.6	-7.2	-6.2	-6.1	-6.1
950: Undistributed Offsetting Receipts	BA	-46.2	-39.9	-40.9	-43.9	-45.8	-48.5	-50.8	-52.8
	OT	-46.2	-39.4	-40.2	-43.1	-46.7	-49.7	-50.8	-52.8
Total Spending	BA	1553.6	1574.6	1616.3	1672.5	1730.6	1800.6	1843.7	1905.8
	OT	1529.9	1574.6	1603.1	1643.3	1704.2	1772.0	1818.8	1882.3
Revenues		1355.2	1417.1	1474.8	1545.6	1619.3	1699.4	1789.4	1883.6
Deficit		-174.7	-157.5	-128.3	-97.7	-84.9	-72.6	-29.5	1.3

CURRENT LAW BASELINE

(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
050: National Defense	BA	261.4	255.0	251.7	258.3	264.9	271.6	271.5	271.5
	OT	269.6	257.4	256.8	256.1	257.9	261.5	261.4	261.4
150: International Affairs	BA	18.9	17.9	17.3	17.0	16.5	18.4	18.5	18.5
	OT	18.9	17.5	16.7	16.7	16.5	16.6	16.8	16.8
250: Science, Space and Technology	BA	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
	OT	17.5	16.9	17.2	17.2	17.1	17.2	17.2	17.2
270: Energy	BA	6.3	5.6	5.3	5.3	5.6	5.5	5.5	5.5
	OT	4.9	4.7	4.0	4.1	4.3	4.2	4.2	4.2
300: Natural Resources and Environment	BA	22.3	22.0	22.0	21.6	21.4	21.2	20.9	20.8
	OT	21.7	21.4	21.9	21.9	21.8	21.6	21.1	21.0
350: Agriculture	BA	14.0	14.5	14.2	14.0	13.9	13.7	12.6	12.6
	OT	12.7	13.1	12.8	12.8	12.6	12.5	11.5	11.5
370: Commerce and Housing Credit	BA	8.9	8.0	10.2	4.0	5.5	2.2	2.5	2.6
	OT	-13.5	-6.1	-4.6	-6.3	-2.7	-3.1	-1.2	-1.0
400: Transportation	BA	42.5	38.2	44.6	45.6	46.6	47.6	47.4	47.1
	OT	39.3	39.6	39.7	39.7	39.8	40.0	40.0	40.0
450: Community and Regional Development	BA	9.2	9.1	9.1	9.1	9.1	9.0	8.6	8.5
	OT	11.6	10.3	8.9	8.5	8.6	8.9	8.8	8.8
500: Education, Training, Employment and Social Services	BA	58.3	56.4	56.0	56.5	57.2	58.0	57.5	57.8
	OT	54.7	55.7	55.7	55.8	56.4	57.1	56.7	56.9
550: Health	BA	116.6	126.6	137.8	150.2	163.4	177.1	192.1	207.7
	OT	112.8	120.7	137.7	150.3	163.4	177.0	191.9	207.6

CURRENT LAW BASELINE

(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
570: Medicare	BA	162.6	184.1	202.0	220.6	242.9	265.7	291.7	320.6
	OT	161.1	181.7	200.4	218.9	240.4	263.8	289.7	318.4
600: Income Security	BA	219.9	228.2	242.9	254.2	266.6	281.8	289.0	306.0
	OT	222.2	231.4	247.5	257.1	268.9	284.9	292.1	308.9
650: Social Security	BA	336.9	354.3	374.0	394.3	415.0	436.7	459.6	483.7
	OT	336.2	354.2	373.1	393.1	413.7	435.6	458.3	482.2
700: Veterans Benefits	BA	37.7	38.2	38.6	39.1	40.4	40.8	41.5	42.1
	OT	37.4	37.2	38.5	39.1	40.4	42.3	43.0	43.7
750: Administration of Justice	BA	18.5	18.5	18.5	18.6	18.6	18.6	18.2	18.1
	OT	17.1	18.2	18.3	18.6	18.6	18.5	18.2	18.1
800: General Government	BA	13.3	13.2	13.2	13.3	13.3	13.3	12.9	12.9
	OT	13.4	13.5	13.1	13.2	13.1	13.3	12.9	12.8
900: Net Interest	BA	235.4	259.9	269.8	278.3	291.5	305.5	316.9	330.7
	OT	235.3	259.9	269.8	278.3	291.5	305.5	316.9	330.7
920: Allowances	BA	–	–	–	–	–	–	–	–
	OT	–	–	–	–	–	–	–	–
950: Undistributed Offsetting Receipts	BA	-46.2	-38.1	-38.3	-39.5	-40.9	-43.5	-45.6	-47.7
	OT	-46.2	-38.1	-38.3	-39.5	-40.9	-43.5	-45.6	-47.7
Total Spending	BA	1553.6	1628.7	1706.2	1777.5	1868.8	1960.5	2038.5	2136.1
	OT	1529.9	1614.5	1689.2	1755.7	1841.3	1933.7	2013.8	2111.2
Revenues		1355.2	1417.7	1475.5	1546.4	1618.4	1698.2	1789.4	1883.6
~~Deficit~~		~~-174.7~~	~~-196.8~~	~~-213.7~~	~~-209.3~~	~~-222.9~~	~~-235.5~~	~~-224.4~~	~~-227.6~~

CHAIRMAN'S MARK COMPARED TO CURRENT LAW BASELINE

(Dollars in billions)

		1996	1997	1998	1999	2000	2001	2002	Total
050: National Defense	BA	2.7	1.6	1.3	1.4	4.4	4.4	4.4	20.2
	OT	3.7	0.2	-1.6	1.7	6.3	6.3	7.9	24.5
150: International Affairs	BA	-2.5	-3.0	-3.5	-4.0	-4.3	-4.3	-4.3	-25.8
	OT	-0.6	-1.7	-2.4	-3.0	-3.5	-3.5	-3.5	-18.1
250: Science, Space and Technology	BA	-0.5	-0.9	-1.0	-1.2	-1.4	-1.4	-1.4	-7.6
	OT	-0.2	-0.6	-0.9	-1.1	-1.3	-1.3	-1.3	-6.6
270: Energy	BA	-2.7	-3.6	-2.0	-1.4	-1.5	-1.5	-1.5	-14.1
	OT	-2.0	-3.0	-1.4	-1.1	-1.4	-1.3	-1.2	-11.5
300: Natural Resources and Environment	BA	-2.5	-3.7	-6.0	-4.6	-4.8	-5.8	-5.0	-32.4
	OT	-1.0	-1.8	-4.0	-3.3	-4.2	-5.2	-4.3	-23.7
350: Agriculture	BA	-1.3	-2.0	-2.3	-2.2	-1.9	-2.1	-2.4	-14.3
	OT	-1.2	-2.0	-2.2	-2.2	-1.9	-2.1	-2.4	-14.0
370: Commerce and Housing Credit	BA	-1.4	-1.8	-2.2	-2.5	-0.7	-2.0	-2.3	-13.0
	OT	-0.9	-1.6	-2.1	-2.5	-0.8	-2.0	-2.3	-12.4
400: Transportation	BA	-1.7	-5.9	-6.1	-6.3	-6.4	-6.4	-6.4	-39.2
	OT	-1.3	-6.9	-7.9	-8.6	-8.9	-8.9	-8.9	-51.5
450: Community and Regional Development	BA	-3.3	-3.6	-4.0	-4.0	-4.0	-4.0	-4.1	-27.0
	OT	-0.5	-1.7	-2.9	-3.5	-3.8	-3.8	-3.8	-20.1
500: Education, Training, Employment and Social Services	BA	-8.3	-8.8	-9.3	-9.8	-10.2	-10.2	-10.4	-66.9
	OT	-4.0	-7.8	-8.9	-9.6	-9.9	-9.9	-10.0	-60.0
550: Health	BA	-6.5	-11.2	-18.1	-26.4	-36.0	-46.8	-58.1	-203.1
	OT	-5.5	-11.2	-18.1	-26.4	-36.1	-46.9	-58.2	-202.5

CHAIRMAN'S MARK COMPARED TO CURRENT LAW BASELINE

(Dollars in billions)

		1996	1997	1998	1999	2000	2001	2002	Total
570: Medicare	BA	-12.2	-21.5	-27.5	-35.6	-44.3	-52.8	-61.7	-255.6
	OT	-12.2	-21.5	-27.5	-35.6	-44.3	-52.8	-61.7	-255.6
600: Income Security	BA	-1.9	-9.2	-1.2	-10.7	-9.2	-11.3	-13.6	-57.1
	OT	-5.4	-11.9	-11.1	-11.0	-12.3	-14.4	-16.7	-82.9
650: Social Security	BA	—	—	—	—	—	—	—	—
	OT	—	—	—	—	—	—	—	—
700: Veterans Benefits	BA	-0.8	-1.2	-1.6	-2.7	-3.2	-3.2	-3.5	-16.2
	OT	-0.4	-0.9	-1.5	-2.6	-3.2	-2.9	-3.3	-14.8
750: Administration of Justice	BA	1.4	2.1	2.6	3.6	3.6	3.6	3.6	20.4
	OT	1.3	2.8	3.8	4.5	5.0	5.0	5.0	27.3
800: General Government	BA	-0.7	-0.8	-1.0	-1.2	-1.3	-1.3	-1.3	-7.5
	OT	-0.5	-0.7	-0.8	-1.0	-1.4	-1.2	-1.2	-6.8
900: Net Interest	BA	-1.4	-5.4	-11.4	-18.9	-27.9	-38.7	-51.6	-155.4
	OT	-1.4	-5.4	-11.4	-18.9	-27.9	-38.7	-51.6	-155.4
920: Allowances	BA	-8.6	-8.4	-7.4	-6.9	-5.8	-5.7	-5.7	-48.6
	OT	-6.5	-8.5	-7.6	-7.2	-6.2	-6.1	-6.1	-48.1
950: Undistributed Offsetting Receipts	BA	-1.8	-2.6	-4.3	-4.8	-5.0	-5.2	-5.2	-28.9
	OT	-1.3	-1.9	-3.5	-5.7	-6.2	-5.2	-5.2	-28.9
Total Spending	BA	-54.1	-89.9	-104.9	-138.2	-159.8	-194.8	-230.3	-972.0
	OT	-39.8	-86.0	-112.3	-137.1	-161.8	-194.9	-228.9	-961.0
Revenues		-0.6	-0.7	-0.8	0.9	1.2	0.0	-0.0	0.0
Deficit		-39.3	-85.3	-111.6	-138.1	-163.0	-194.9	-228.9	-961.0

CHAIRMAN'S MARK COMPARED TO 1995

(Dollars in billions)

		1996	1997	1998	1999	2000	2001	2002	Total
050: National Defense..........................	BA	-3.7	-8.1	-1.8	4.8	14.6	14.5	14.5	34.7
	OT	-8.5	-12.7	-15.1	-10.0	-1.8	-1.9	-0.4	-50.4
150: International Affairs......................	BA	-3.4	-4.5	-5.3	-6.3	-4.7	-4.6	-4.6	-33.6
	OT	-2.0	-3.8	-4.6	-5.4	-5.8	-5.5	-5.5	-32.6
250: Science, Space and Technology.....	BA	-0.5	-0.8	-1.0	-1.2	-1.3	-1.4	-1.4	-7.5
	OT	-0.8	-0.9	-1.3	-1.5	-1.6	-1.6	-1.6	-9.4
270: Energy...	BA	-3.4	-4.6	-3.1	-2.1	-2.3	-2.3	-2.4	-20.1
	OT	-2.2	-3.9	-2.3	-1.8	-2.1	-2.1	-2.0	-16.5
300: Natural Resources and Environment	BA	-2.8	-3.9	-6.7	-5.5	-5.9	-7.2	-6.5	-38.6
	OT	-1.3	-1.6	-3.8	-3.3	-4.4	-5.8	-5.1	-25.4
350: Agriculture.......................................	BA	-0.8	-1.7	-2.2	-2.3	-2.2	-3.5	-3.8	-16.6
	OT	-0.8	-1.8	-2.1	-2.3	-2.2	-3.3	-3.6	-16.1
370: Commerce and Housing Credit......	BA	-2.3	-0.6	-7.1	-6.0	-7.4	-8.4	-8.7	-40.5
	OT	6.5	7.3	5.1	8.3	9.6	10.3	10.1	57.4
400: Transportation................................	BA	-6.0	-3.8	-3.1	-2.3	-1.3	-1.5	-1.8	-19.7
	OT	-1.0	-6.5	-7.6	-8.1	-8.3	-8.3	-8.3	-48.1
450: Community and Regional Development	BA	-3.4	-3.7	-4.1	-4.1	-4.1	-4.6	-4.8	-28.8
	OT	-1.8	-4.3	-6.0	-6.5	-6.5	-6.6	-6.6	-38.3
500: Education, Training, Employment and Social Services	BA	-10.2	-11.0	-11.1	-10.9	-10.5	-11.0	-10.9	-75.6
	OT	-3.0	-6.8	-7.8	-7.9	-7.5	-7.9	-7.9	-48.7
550: Health..	BA	3.5	10.0	15.5	20.4	24.5	28.6	33.0	135.6
	OT	4.8	10.7	16.4	21.2	25.1	29.2	33.8	141.1

CHAIRMAN'S MARK COMPARED TO 1995

(Dollars in billions)

		1996	1997	1998	1999	2000	2001	2002	Total
570: Medicare	BA	9.2	17.8	30.4	44.7	58.7	76.3	96.3	333.5
	OT	8.5	17.9	30.4	43.7	58.5	75.8	95.6	330.3
600: Income Security	BA	6.3	13.8	33.1	36.0	52.7	57.8	72.5	272.1
	OT	3.7	13.4	23.8	35.7	50.4	55.4	69.9	252.3
650: Social Security	BA	17.4	37.2	57.4	78.2	99.8	122.7	146.8	559.6
	OT	17.9	36.8	56.9	77.5	99.4	122.1	146.0	556.6
700: Veterans Benefits	BA	-0.3	-0.2	-0.2	0.1	-0.0	0.6	1.0	1.0
	OT	-0.5	0.2	0.2	0.5	1.8	2.7	3.0	7.7
750: Administration of Justice	BA	1.4	2.1	2.7	3.7	3.6	3.2	3.1	19.8
	OT	2.3	3.9	5.2	5.9	6.4	6.1	6.0	35.8
800: General Government	BA	-0.7	-0.9	-1.0	-1.1	-1.3	-1.6	-1.7	-8.3
	OT	-0.4	-1.0	-1.1	-1.3	-1.5	-1.7	-1.8	-8.9
900: Net Interest	BA	23.1	29.0	31.5	37.3	42.2	42.8	43.8	249.6
	OT	23.1	29.0	31.5	37.3	42.2	42.8	43.8	249.7
920: Allowances	BA	-8.6	-8.4	-7.4	-6.9	-5.8	-5.7	-5.7	-48.6
	OT	-6.5	-8.5	-7.6	-7.2	-6.2	-6.1	-6.1	-48.1
950: Undistributed Offsetting Receipts	BA	6.3	5.3	2.3	0.4	-2.2	-4.5	-6.6	0.9
	OT	6.9	6.0	3.1	-0.5	-3.4	-4.5	-6.6	0.9
Total Spending	BA	21.0	62.7	119.0	177.0	247.0	290.1	352.2	1269.0
	OT	44.8	73.3	113.5	174.3	242.1	289.0	352.5	1289.4
Revenues		61.9	119.6	190.4	264.1	344.2	434.2	528.4	1942.7

CHAIRMAN'S MARK

Discretionary Totals

(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
050: National Defense	BA	262.3	258.4	254.0	260.3	266.9	276.6	276.6	276.6
	OT	270.3	262.0	257.7	255.2	260.3	268.5	268.5	270.0
150: International Affairs	BA	20.4	17.9	17.4	16.9	16.5	16.2	16.2	16.2
	OT	21.1	20.5	19.2	18.1	17.4	16.9	16.9	16.9
250: Science, Space and Technology	BA	17.1	16.6	16.3	16.1	15.9	15.8	15.8	15.8
	OT	17.5	16.7	16.6	16.2	16.0	15.9	15.9	15.9
270: Energy	BA	6.3	5.8	5.3	4.9	5.2	5.2	5.2	5.2
	OT	6.6	6.5	5.8	5.4	5.4	5.3	5.3	5.3
300: Natural Resources and Environment	BA	22.0	19.1	18.0	17.1	17.0	16.9	16.9	16.9
	OT	21.5	20.3	19.8	19.4	18.7	18.0	18.0	18.0
350: Agriculture	BA	4.0	3.6	3.6	3.6	3.6	3.6	3.6	3.6
	OT	4.2	3.8	3.7	3.7	3.7	3.7	3.7	3.7
370: Commerce and Housing Credit	BA	3.3	2.1	1.7	1.3	1.1	2.9	1.6	1.3
	OT	3.1	2.4	1.8	1.3	1.1	2.8	1.6	1.3
400: Transportation	BA	15.5	14.3	10.2	10.0	9.7	9.7	9.7	9.7
	OT	38.9	38.3	32.8	31.8	31.3	31.1	31.1	31.1
450: Community and Regional Development	BA	8.9	5.9	5.5	5.2	5.2	5.2	5.2	5.2
	OT	11.6	10.2	7.5	6.3	5.8	5.5	5.5	5.5
500: Education, Training, Employment and Social Services	BA	42.0	36.6	36.4	36.1	35.9	35.6	35.6	35.6
	OT	39.3	39.4	36.9	36.2	35.7	35.6	35.6	35.6

CHAIRMAN'S MARK

Discretionary Totals
(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
550: Health	BA	22.8	20.0	20.1	19.9	19.6	19.3	19.0	18.7
	OT	22.4	20.5	19.9	19.8	19.5	19.3	19.0	18.7
570: Medicare	BA	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	OT	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
600: Income Security	BA	34.0	37.7	38.0	47.3	39.7	43.1	43.1	43.1
	OT	38.7	39.7	42.5	42.9	44.2	45.2	45.2	45.2
650: Social Security	BA	--	--	--	--	--	--	--	--
	OT	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5
700: Veterans Benefits	BA	18.3	17.9	17.8	17.7	17.4	17.2	17.2	17.2
	OT	18.0	18.9	18.1	17.8	17.5	17.3	17.3	17.3
750: Administration of Justice	BA	18.1	19.7	20.4	20.9	21.8	21.8	21.8	21.8
	OT	16.8	19.3	20.9	22.0	22.7	23.3	23.3	23.3
800: General Government	BA	12.3	11.7	11.6	11.4	11.3	11.2	11.2	11.2
	OT	12.4	12.1	11.6	11.5	11.2	11.0	11.0	11.0
920: Allowances	BA	--	-8.6	-8.4	-7.3	-6.8	-5.7	-5.7	-5.7
	OT	--	-6.5	-8.5	-7.6	-7.1	-6.1	-6.1	-6.1
Total Discretionary	BA	510.4	481.8	470.7	484.4	483.1	497.5	496.0	495.4
	OT	547.9	529.9	512.0	505.7	508.9	518.6	517.2	518.1
Defense	BA	262.3	258.4	254.0	260.3	266.9	276.6	276.6	276.6
	OT	270.3	262.0	257.7	255.2	260.3	268.5	268.5	270.0
Nondefense	BA	248.1	223.4	216.7	224.0	216.2	220.9	219.4	218.8
	OT	277.6	267.8	254.3	250.5	248.6	250.1	248.7	248.1

CHAIRMAN'S MARK

Mandatory Totals
(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
050: National Defense	BA	-0.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8
	OT	-0.7	-0.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8
150: International Affairs	BA	-1.5	-2.5	-3.1	-3.4	-3.9	-2.0	-1.9	-1.9
	OT	-2.3	-3.7	-4.1	-3.8	-3.9	-3.7	-3.5	-3.5
250: Science, Space and Technology	BA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	OT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
270: Energy	BA	0.0	-2.9	-3.6	-1.6	-1.0	-1.1	-1.1	-1.2
	OT	-1.6	-3.8	-4.8	-2.8	-2.3	-2.5	-2.4	-2.4
300: Natural Resources and Environment	BA	0.3	0.4	0.4	-1.5	-0.2	-0.5	-1.9	-1.1
	OT	0.2	0.1	0.3	-1.5	-0.3	-0.6	-2.1	-1.4
350: Agriculture	BA	10.0	9.5	8.6	8.1	8.0	8.1	6.8	6.5
	OT	8.5	8.0	7.1	6.9	6.7	6.9	5.7	5.4
370: Commerce and Housing Credit	BA	5.6	4.5	6.7	0.5	1.9	-1.4	-1.1	-1.0
	OT	-16.6	-9.4	-8.0	-9.8	-6.3	-6.7	-4.8	-4.6
400: Transportation	BA	27.1	22.2	28.6	29.5	30.5	31.5	31.3	31.0
	OT	0.5	-0.0	-0.0	-0.1	-0.0	0.0	0.0	0.0
450: Community and Regional Development	BA	0.3	-0.1	-0.1	-0.1	-0.1	-0.2	-0.7	-0.8
	OT	-0.1	-0.4	-0.3	-0.7	-0.7	-0.4	-0.5	-0.5
500: Education, Training, Employment and Social Services	BA	16.3	11.5	10.9	11.1	11.5	12.2	11.7	11.8
	OT	15.4	12.3	11.0	10.8	11.1	11.6	11.1	11.2

CHAIRMAN'S MARK

Mandatory Totals
(Dollars in billions)

		1995	1996	1997	1998	1999	2000	2001	2002
550: Health	BA	93.8	100.1	106.5	112.3	117.5	121.8	126.2	130.9
	OT	93.4	100.0	106.6	112.4	117.4	121.6	126.0	130.7
570: Medicare	BA	159.6	168.9	177.5	190.1	204.4	218.4	235.9	255.9
	OT	158.1	166.5	175.9	188.4	201.8	216.5	233.9	253.7
600: Income Security	BA	185.9	188.6	195.8	205.7	216.3	229.5	234.7	249.4
	OT	183.5	186.2	193.1	203.1	213.7	227.3	232.4	246.9
650: Social Security	BA	336.9	354.3	374.0	394.3	415.0	436.7	459.6	483.7
	OT	333.7	351.6	370.6	390.7	411.3	433.1	455.8	479.7
700: Veterans Benefits	BA	19.3	19.5	19.6	19.8	20.3	20.4	21.1	21.5
	OT	19.4	18.0	19.5	19.8	20.3	21.8	22.7	23.1
750: Administration of Justice	BA	0.4	0.2	0.2	0.4	0.4	0.3	-0.1	-0.2
	OT	0.3	0.2	0.2	0.3	0.3	0.3	-0.1	-0.2
800: General Government	BA	1.0	0.8	0.8	0.8	0.8	0.8	0.5	0.4
	OT	1.0	0.9	0.7	0.8	0.8	0.8	0.6	0.6
900: Net Interest	BA	235.4	259.9	269.8	278.3	291.5	305.5	278.1	279.1
	OT	235.3	259.9	269.8	278.3	291.5	305.5	278.1	279.1
950: Undistributed Offsetting Receipts	BA	-46.2	-39.9	-40.9	-43.9	-45.8	-48.5	-50.8	-52.8
	OT	-46.2	-39.9	-40.9	-43.9	-45.8	-48.5	-50.8	-52.8
Total Spending	BA	1043.2	1094.3	1151.0	1199.6	1266.4	1331.0	1347.7	1410.4
	OT	981.9	1045.6	1095.9	1148.2	1215.1	1282.5	1301.7	1364.2

SENATE COMMITTEE RECONCILIATION INSTRUCTIONS

(Dollars in millions)

Committee		1996	Five-year Total	Seven-year Total
Agriculture, Nutrition and Forestry	BA	-2,505	-28,058	-45,880
	OT	-2,490	-27,973	-45,804
Armed Services	BA	-21	-338	-649
	OT	-21	-338	-649
Banking, Housing and Urban Affairs	DR	-373	-5,742	-6,690
Commerce, Science and Transportation	BA	-2,464	-21,937	-33,685
	OT	-2,464	-21,937	-33,685
Energy and Natural Resources	BA	-1,903	-4,635	-4,785
	OT	-1,771	-4,775	-5,001
Environment and Public Works	BA	-106	-1,290	-2,236
	OT	-106	-1,290	-2,236
Finance	BA	-23,412	-344,511	-675,194
	OT	-23,089	-343,895	-674,462
Governmental Affairs	BA	-118	-3,023	-6,871
	OT	-118	-3,023	-6,871
Judiciary	BA	-119	-923	-1,483
	OT	-119	-923	-1,483
Labor and Human Resources	BA	-1,622	-9,883	-14,573
	OT	-1,141	-9,165	-13,795

SENATE COMMITTEE RECONCILIATION INSTRUCTIONS

(Dollars in millions)

Committee		1996	Five-year Total	Seven-year Total
Rules and Administration	BA	-2	-247	-422
	OT	-2	-280	-319
Veterans' Affairs	BA	-311	-5,726	-10,124
	OT	-301	-5,760	-10,002
Total reconciliation instructions	BA	-32,583	-420,571	-795,902
	OT	-31,995	-425,101	-800,997

FUNCTION 550: HEALTH

($ Billions)

		1995	1996	1997	1998	1999	2000	5-year Total	2001	2002	7-year Total
Chairman's Mark	BA	116.6	120.1	126.6	132.1	137.0	141.1	657.0	145.2	149.6	951.9
	OT	115.8	120.6	126.5	132.2	137.0	140.9	657.0	144.9	149.5	951.4
Current Law	BA	116.6	126.6	137.8	150.2	163.4	177.1	755.2	192.1	207.7	1155.0
	OT	115.8	126.1	137.7	150.3	163.4	177.0	754.4	191.7	207.6	1153.7
President's Budget	BA	116.6	127.5	137.9	149.9	163.0	176.5	754.8	NA	NA	NA
	OT	115.7	126.3	138.1	150.4	163.3	176.6	754.7	NA	NA	NA
Chairman's Mark compared to:											
Current Law	BA	--	-6.5	-11.2	-18.1	-26.4	-36.0	-98.2	-46.8	-58.1	-203.1
	OT	--	-5.5	-11.2	-18.1	-26.4	-36.1	-97.4	-46.8	-58.1	-202.3
President's Budget	BA	0.0	-7.3	-11.3	-17.7	-26.0	-35.4	-97.8	NA	NA	NA
	OT	0.0	-5.7	-11.6	-18.2	-26.3	-35.8	-97.6	NA	NA	NA

FUNCTION 550: HEALTH

Major Programs in Function

Function 550 includes mandatory spending for Medicaid and the retiree portion of the Federal Employees Health Benefits (FEHB) program. On the discretionary side, this function includes health services, health education and training, the National Institutes of Health, the Center for Disease Control and Prevention, the Indian Health Service, and consumer and occupational health and safety programs administered by several agencies. Function 550 comprises all Federal health spending, with two major exceptions: Medicare and health benefits for Federal civilian and military employees.

Summary of Chairman's Mark

The Chairman's Mark assumes $120.1 billion in budget authority and $120.6 billion in outlays in 1996 for programs and activities in Function 550. Spending would increase by 29% over the 1996-2002 period, rising to $149.6 billion in budget authority and $149.5 billion in outlays by 2002. Over the seven-year period 1996-2002, $951.9 billion in budget authority and $951.4 billion in outlays would be spent in function 550, compared to $1.155 trillion in budget authority and $1.154 trillion in outlays in the current law baseline. Over the five year period 1996-2000, $657.0 billion in budget authority and outlays would be spent compared to the $754.8 billion in BA and $754.7 billion that the President recommends.

Major Discretionary Assumptions in the Chairman's Mark

The Chairman's Mark assumes discretionary spending levels of $20.0 billion in budget authority and $20.5 billion in outlays in 1996, a decrease of $2.8 billion in budget authority and $1.8 billion in outlays from the 1995 level. This spending would decline to $18.8 billion in budget authority and outlays in 2002.

The Chairman's Mark assumes full funding for the Center for Disease Control and Prevention and the Food and Drug Administration (except for new construction). The Chairman's Mark assumes full funding for the Indian Health Service, for the Substance Abuse and Mental Health Services Administration, and for all AIDS and HIV-related programs.

FUNCTION 550: HEALTH

The Chairman's Mark assumes the following major policy options to achieve the recommended funding levels:

- Consolidate 19 Public Health Service programs into a State Health Block grant.
- Terminate the Office of the Assistant Secretary for Health in the Department of Health and Human Services. The Mark assumes that the $1.7 million for HIV program coordination would not be terminated, and that this function would be transferred elsewhere within the Department.
- Reduce funding for the Agency for Health Care Policy and Research by 75%. This agency was to be the primary administrator of comprehensive health reform. Many of its functions are duplicated within the Federal government. Other functions are more appropriately performed by the private sector.
- Reduce funding for the Occupational Safety & Health Administration (OSHA) and the Mine Safety & Health Administration (MSHA) by 50%, and terminate the outdated OSHA/MSHA Review Commissions.
- Terminate construction of the new Food and Drug Administration campus.
- Federal agencies would follow the lead of the private sector by contributing a fixed dollar amount to Federal employees' health plans, thus encouraging Federal employees to make more cost-effective decisions in the allocation of their compensation. This fixed dollar amount would be indexed to inflation. Federal agencies would no longer provide extra subsidies to those Federal employees who choose more expensive health plans.

Major Mandatory Assumptions in the Chairman's Mark

The Chairman's Mark assumes mandatory spending levels of $100.1 billion in budget authority and $100.0 billion in outlays in 1996, an increase of $5.6 billion in budget authority and $6.0 billion in outlays from the 1995 level. This spending would increase by

FUNCTION 550: HEALTH

39% to $130.9 billion in budget authority and $130.7 billion in outlays in 2002. The Chairman's Mark assumes the following major policy options to achieve the recommended funding levels:

- As for current Federal employees (see above), the Federal government would follow the lead of the private sector by contributing a fixed dollar amount to Federal retirees' health plans, thus encouraging Federal retirees to make more cost-effective decisions in the allocation of their compensation. This fixed dollar amount would be indexed to inflation. The Federal government would no longer provide extra subsidies to those Federal retirees who choose more expensive health plans.

Medicaid Assumption in the Chairman's Mark

- Over the seven-year period 1996-2002, the Chairman's Mark assumes total Federal Medicaid spending of $780.0 billion, compared to $954.8 billion in outlays in the current law baseline. Over the seven years, total Federal Medicaid outlays would grow at an average of 5.0 percent per year. The Chairman's Mark assumes that Federal Medicaid spending would grow faster than 5 percent in the first few years, and would grow 4 percent per year in the last few years. The Chairman's Mark assumes that the Federal Medicaid baseline after 2002 would grow 4 percent per year.

These Medicaid outlay levels could be achieved in several ways, including:

- A restructuring of Medicaid, in which Federal payments to states grew at the following rates from the 1995 Federal base level:

	1996	1997	1998	1999	2000	2001	2002	after 2002
benefits & admin	8%	7%	6%	5%	4%	4%	4%	4%
DSH	0%	0%	0%	0%	0%	0%	0%	0%

FUNCTION 550: HEALTH

- An across-the-board 18.7 percent reduction of each state's matching rate would achieve the necessary savings over seven years. Further programmatic reforms would be needed to slow the growth rate in the later years.

The Chairman's Mark makes no assumption about individual entitlement, eligibility groups, benefits, payment rates, financing structures, or the distribution of Federal funds among the states within the total Federal funding levels specified.

The Chairman's Mark assumes that the current aggregate ratio of Federal to state funding (57% Federal, 43% State) would continue.

The Chairman's Mark is designed to be compatible with a wide range of Medicaid restructuring proposals.

FUNCTION 570: MEDICARE

($ Billions)

		1995	1996	1997	1998	1999	2000	5-year Total	2001	2002	7-year Total
Chairman's Mark	BA	162.6	171.9	180.5	193.1	207.4	221.4	974.1	238.9	258.9	1471.9
	OT	161.1	169.5	178.9	191.4	204.8	219.5	964.2	236.9	256.7	1457.7
Current Law	BA	162.6	184.1	202.0	220.6	242.9	265.7	1115.2	291.7	320.6	1727.6
	OT	161.1	181.7	200.4	218.9	240.4	263.8	1105.3	289.7	318.4	1713.3
President's Budget	BA	162.6	184.2	201.6	219.9	239.6	259.4	1104.7	NA	NA	NA
	OT	161.0	181.8	200.1	218.3	237.0	257.6	1094.7	NA	NA	NA
Chairman's Mark compared to:											
Current Law	BA	--	-12.2	-21.5	-27.5	-35.6	-44.3	-141.1	-52.8	-61.7	-255.6
	OT	--	-12.2	-21.5	-27.5	-35.6	-44.3	-141.1	-52.8	-61.7	-255.6
President's Budget	BA	0.0	-12.3	-21.1	-26.9	-32.2	-38.0	-130.5	NA	NA	NA
	OT	0.0	-12.3	-21.1	-26.9	-32.2	-38.1	-130.5	NA	NA	NA

FUNCTION 570: MEDICARE

Major Programs in Function

Function 570 includes only the Medicare program. This entitlement program pays to health care providers for health services provided to senior citizens and disabled beneficiaries. Medicare is divided into two parts: Hospital Insurance (Part A) and Supplementary Medical Insurance (Part B). Medicare Part A is financed by a 2.9 percent payroll tax on current workers, by the 1993 increases in income tax on Social Security benefits, and by general revenue payments denoted as interest on trust fund assets. Medicare Part B is financed 31 percent by premium payments from current beneficiaries, and 69 percent by payments from general revenues.

Projected Medicare Insolvency

In their 1995 Annual Report to the Congress, the Medicare Trustees recently announced that the Medicare Hospital Insurance Trust Fund will be insolvent seven years from now, in the year 2002. The Trustees conclude that "the HI program is severely out of financial balance and the the Trustees believe that the Congress must take timely action to establish long-term financial stability for the program."

The Chairman's Mark has been strongly influenced by current and past Trustees' reports, by recent testimony of the Public Trustees, and by the statement of the two Public Trustees.

The Public Trustees have issued their own bipartisan statement each year. This statement is attached to the full Board of Trustees' annual report. The Public Trustees have a different recommendation than the full Board of Trustees. The full text of the Medicare portion of their statement is included here.

> *Both the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund show alarming financial results. The HI Trust Fund continues to be severely out of financial balance and is projected to be exhausted in about 7 years. The SMI Trust Fund, while in balance on an annual basis, shows a rate of growth of costs which is*

clearly unsustainable. Moreover, this fund is projected to be 75 percent or more financed by general revenues, so that given the general budget deficit problem, it is a major contributor to the larger fiscal problems of the nation.

The Medicare program is clearly unsustainable in its present form. We had hoped for several years that comprehensive health care reform would include meaningful Medicare reforms. However, with the results of the last Congress, it is now clear that Medicare reform needs to be addressed urgently as a distinct legislative initiative. We also strongly believe that Medicare reform should be included as an integral part of any broader health care reform initiative which may be considered in the future."

There are basic questions with the scale, structure, and administration of the Medicare program that need to be addressed. For example, is it appropriate to have a Part A and Part B today, or should this legacy of the political process that enacted Medicare in the mid-1960s be revised to create a unified program? Is it appropriate to combine participants' social insurance tax contributions for Part A and premium payments for approximately one-quarter of Part B with general revenues? If so, what should be the proper combination of beneficiary premiums, taxpayer social insurance contributions, and general revenues? How are each of these kinds of revenue sources to be justified and what rights to benefits and responsibilities to pay benefits are thereby established? How can the program become more cost-effective? How can fraud, abuse and waste be better controlled?

We feel strongly that comprehensive Medicare reforms should be undertaken to make this program financially sound now and over the long term. The idea that reductions in Medicare expenditures should be available for other purposes, including even other health care purposes, is mistaken. The focus should be on making Medicare itself sustainable, making it compatible with OASDI, and making both Social Security and Medicare financially sound in the long term.

<u>We strongly recommend that the crisis presented by the financial condition of the Medicare Trust Funds be urgently addressed on a comprehensive basis, including a review of the program's financing methods, benefit provisions, and delivery mechanisms.</u> Various groups should be consulted and reform plans developed that will not be disruptive to

beneficiaries, will be fair to current taxpayers who will in the future become beneficiaries, and will be compatible with government finances overall. (emphasis in the original)

The Chairman's Mark is based on the recommendations of the Public Trustees. Specifically, the Chairman's mark addresses both the short and long-term insolvency of the entire Medicare program. Based on the recommendations of the Public Trustees and experts, the Chairman urges the Congress to think about Medicare in its entirety, and not to be bound by historical distinctions between parts A and B.

The Chairman's Mark assumes that:

- Medicare reform will be addressed urgently as a distinct legislative initiative;
- comprehensive Medicare reforms will be undertaken this year to make the program financially sound now;
- reductions in the rate of growth of Medicare expenditures will be focused on making Medicare itself sustainable;
- a special bipartisan commission will be created to address the long-term solvency of Medicare;
- this commission will address the questions raised by the Public Trustees; and
- this commission will review the program's financing methods, benefit provisions, and delivery mechanisms.

Summary of Chairman's Mark

The Chairman's Mark assumes $171.9 billion in budget authority and $169.5 billion in outlays in 1996 for Medicare. Spending would increase by 59% over the 1996-2002 period, rising to $258.9 billion in budget authority and $256.7 billion in outlays by 2002. Over the seven year period 1996-2002, Medicare would grow at an average annual rate of 6.9%. Over the seven-year period, $1.472 trillion in budget authority and $1.458 trillion in outlays would be spent on Medicare, compared to $1.728 trillion in budget authority and $1.713 trillion in outlays in the current law baseline. Over the five year period 1996-2000, $974.1 billion in budget authority and $964.2 billion in outlays would be spent, compared to the $1.105 trillion in BA and $1.095 trillion in outlays that the President recommends.

Major Discretionary Assumptions in the Chairman's Mark

The Chairman's Mark assumes discretionary spending levels of $3.0 billion in budget authority and outlays in 1996, the same as the 1995 level. This spending would remain constant for the next seven years.

Discretionary spending in function 570 is entirely for the administration of Medicare. The Chairman's Mark assumes no changes to discretionary spending in Medicare.

Major Mandatory Assumptions in the Chairman's Mark

The Chairman's Mark assumes mandatory spending levels of $168.9 billion in budget authority and $166.5 billion in outlays in 1996, an increase of $10.7 billion in budget authority and $10.2 billion in outlays from the 1995 level. Spending would increase by 62% over the 1996-2002 period, rising to $255.9 billion in budget authority and $253.7 billion in outlays by 2002.