

THE PRESIDENT HAS SEEN
11-29-95

Broux

Compare to our sense in 30s - "only Cong to work w/ Mrs and
our allies to ~~secure~~ secure peace agreement becomes permanent status
in central Europe - sense of who cannot do nothing. Too many did
too little post war - got madman w/ ethnic chauvinist conquestist history
lead to war, threatened all sense - now this agreement reached,
going Br, Fr, Russ - even future war to have to be fought -

Defensive goodies - min. 1 hour or Sweet Pill - (Plow story Sat)

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Then - Cong will want it both ways; BC meet every day - meet w/ Doc, 6
2 or 3 times; if we want to go, then stop WATO -

Carson right - give people a chance; in qual - if try + fail,
then containment follows.
Why 12 mo? Agree 12 out of 16.

⑤ ✖✖ - would like to look at results ✖✖

Specter

He is it; Romanian Solds; conflict so long; he wants to get custody of M., & K. & L.
Doesn't think they will comply.

THE PRESIDENT HAS SEEN
11-27-95

to my / Sunday
Summer in the
Monday
P.O.

11.22.95

To:

Vice President

Study of Cloud Patterns Points to Many Areas Exposed to Big Rises in Ultraviolet Radiation

But other regions may not be affected for 20 to 50 years.

By WILLIAM K. STEVENS

DEPLETION of the earth's protective ozone layer is exposing some areas of the world, including parts of the United States, to biologically harmful doses of ultraviolet radiation, but some other areas will not become vulnerable for another 20 to 50 years, according to a new study.

The reason for the variance, the authors of the study say, is that patterns of cloud cover vary from one area to another. Clouds as well as ozone block ultraviolet radiation, and the actual pattern and amount of radiation reaching the ground cannot be calculated globally unless this is taken into account.

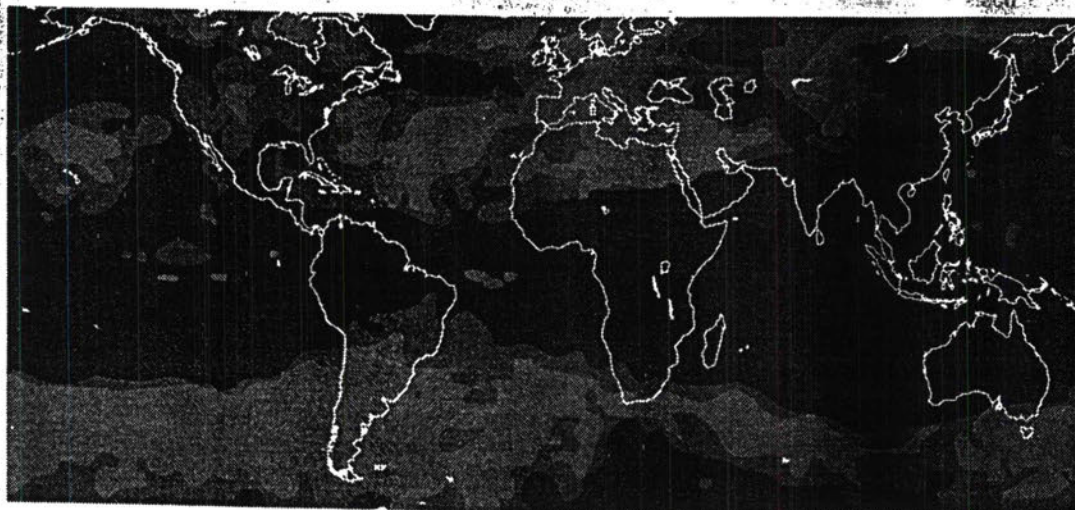
By making the calculation in that manner, experts in California have concluded on the basis of satellite data that large parts of North America, most of central Europe, the Mediterranean, New Zealand, South Africa and the southern half of Australia, Argentina and Chile are now being subjected to significant increases in harmful radiation. In the United States, the affected areas are the Midwest, the Southwest including southern California, and part of the Northeast. Hawaii is also being affected, according to the study.

The research was done by Dr. Dan Lubin, a research physicist at the California Space Institute at the Scripps Institution of Oceanography in San Diego, and Elsa H. Jensen, an aerospace engineer with the Seaspace Corporation, a satellite instrument and software company in San Diego. Their report appeared in the Oct. 26 issue of the British journal *Nature*.

Ultraviolet-B from the sun, a form of radiation that can cause skin cancer and cataracts, damage the immune system and disrupt natural ecosystems, is normally blocked by a layer of ozone in the stratosphere. Industrial chemicals, principally chlorofluorocarbons used as refrigerants, destroy stratospheric ozone.

Impending Impact of Erosion of Ozone Layer: New Estimates

Satellite measurements, taking cloud cover into account, predict ozone erosion will make increased UV radiation a peril in the lighter bands within the next 30 years. Lightest areas have already been affected.



Sources: California Space Institute at Scripps Institution of Oceanography; Seaspace Corporation

Under an international agreement, the production of chlorofluorocarbons is to cease at the end of this year. But because the chemicals persist so long in the atmosphere, ozone depletion is expected to continue for decades.

"Whether or not you can assert that ozone depletion is an environmental problem" at any given time "depends very much on where you are," Dr. Lubin said.

He and Ms. Jensen calculated that at the estimated average global rate of ozone depletion, about 2.5 percent per decade, large parts of continental Europe, North and South America, Australia and Southern Africa would be bathed in increased UV-B radiation in five years.

But the British Isles and Ireland, for instance, are not expected to experience a significant increase for another 30 years, and it is not expected for 20 to 50 years in parts of central Russia, most of China, Japan, North and South Korea and the Indian subcontinent. Mexico, northern Australia, New Guinea and areas of South America north of São Paulo, Brazil, are also not expected to experience increases for decades.

Ultraviolet radiation can be dangerous, but instruments to detect it around the world are sparse.

In the United States, the South and Pacific Northwest should not experience increases for another 20 years, according to the calculations.

A major factor in determining whether biologically significant amounts reach the earth, Dr. Lubin said, is the natural variability of cloudiness in a given area. When cloud cover varies widely from one year to the next, the ultraviolet radiation that people and other organisms are exposed to also varies. Increases in the radiation because of the depleted ozone layer probably do not have a biological effect until they exceed this natural variability, Dr. Lubin said.

To calculate natural variability, Dr. Lubin and Ms. Jensen compared satellite data on global ozone from 1978 to 1993 with satellite data on solar radiation reflected by clouds from 1985 to 1990. They deduced a base line of natural variability, against which the researchers compared trends in UV exposure from ozone depletion. The comparison enabled them to determine how long it takes for the expected trend to become significant.

In determining the present state of UV-B striking the earth, a direct analysis of this sort would be necessary if there were abundant detection instruments around the world. But the instrument is sparse, and most have not been in position long enough, over a large enough area, to detect any trend, especially in the temperate zone where most people live.

Instruments have shown that UV-B has risen significantly in Antarctica, where ozone depletion has been the most severe. Measurements in temperate zones also indicate an increase.

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THE PRISON HAS 5
11-27-95

A Ban on Gifts in the House

When the hour finally arrived to vote, the House of Representatives gave overwhelming approval last week to a strict ban on free meals, vacations and other gifts from lobbyists. The lopsided margin of victory — the vote was 422 to 6 — showed how powerful Congressional reform has become as an issue. Indeed, it was powerful enough to force House Speaker Newt Gingrich and others who had been dragging their feet to pay attention to a handful of insistent reformers.

With any luck, the momentum generated by the gift-ban bill will carry forward to an even more important ethical challenge, overhauling the entire system of campaign financing.

The House had been pushed to act when the Senate adopted a set of restrictions on gifts last summer, but there were many obstacles along the way. Among these was Mr. Gingrich, who has never seemed any more eager to change the perk-ridden culture of Washington than was his predecessor, Thomas Foley. Eventually, and to his credit, Mr. Gingrich reversed himself and sponsored a ban that went even further than the Senate's.

Before the vote, he let the House consider a proposal by Representative Dan Burton, an Indiana Republican, to keep the current rules allowing gifts but to strengthen requirements for disclosure. It was only then that Mr. Gingrich's tougher proposal was adopted. It needs no further approval by anyone else, since it applies only to the House. It will take effect on Jan. 1.

The ban will still allow members of the House and their spouses to accept some food and travel, as long as it is associated with their official duties. Golf and tennis tournaments, even to help raise money for charity, will be out. But trips to give speeches to conventions and trips for fact-finding purposes will be allowed. Just how the members of the House interpret these rules will have to be carefully monitored to make sure they do not become escape hatches for the kind of corrupt practices that have brought discredit to Congress in the past.

The House leadership was pushed into adopting reform because of the hard work of two Republicans, Christopher Shays of Connecticut and Linda Smith of Washington. They and a bipartisan group of legislators are now pushing for prompt action on improving the current system of campaign financing, which heavily favors incumbents.

The reformers have taken as their model a Senate measure that does not include the obvious remedy of public financing but would ban so-called "soft money," which both parties now raise in \$100,000 chunks from favor-seekers, including corporations and unions prohibited from giving directly to individual campaigns.

Mr. Gingrich wants to delay reform until a special commission reports its conclusions next summer. The impressive victory on banning gifts should persuade reformers to redouble their efforts to press the Speaker and others for a speedier timetable.

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To the Editor:

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To the Editor:

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The New York Times

Founded in 1851

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ARTHUR HAYS SULZBERGER, Publisher 1935-1961
ORVIL E. DRYFOOS, Publisher 1961-1963
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Peace in Bosnia

If the commitments made yesterday in Ohio are honored in Balkan cities and villages in the months ahead, Europe's worst conflict since World War II will come to an end. It will not be a moment too soon. As President Clinton said in announcing a peace agreement, "the people of Bosnia finally have a chance to turn from the horror of war to the promise of peace."

A brutal war it has been. During 43 months of combat and ethnic violence over a quarter of a million people died, and two million were forced to flee their homes. Thousands of civilians were killed or tortured in a succession of sickening atrocities.

The peace initialed yesterday by the leaders of Bosnia, Serbia and Croatia was not easy to reach, and will be difficult to enforce. It represents the imperfect political resolution of a conflict that, while launched by cynical politicians, quickly brought into play ancient ethnic animosities. As such it is a fragile peace, one that will require the support not only of the peoples of Bosnia but of America and the rest of the world.

Though Bosnia nominally remains a unified country within its previous borders, it has in effect been sliced into two or more pieces. Half its territory will remain for now under the control of the Bosnian Serb forces that seized it early in the war. The other half is allocated to an unstable federation of Muslim-led Government forces and Croatian militias that have been at odds in the past and could become so again.

The best hope is that given time, and the removal from the political scene of the indicted war criminals who have now been barred from office, the country could eventually be united again. The Bosnian presidency, parliament and other institutions of national government that now exist mainly on paper might then exercise real power. It is just as likely that the fragmentation of Bosnia will worsen. But that would not necessarily mean a resumption of warfare.

Americans can take justified pride in Washington's leading role in bringing about a settlement. By deciding earlier this year to commit its prestige and

power to achieving the peace that had for so long eluded European mediators, the Clinton Administration has reclaimed leadership in Atlantic affairs. Special credit in the diplomatic endgame goes to Assistant Secretary of State Richard Holbrooke, who seized on a turn in military fortunes to get the parties into serious negotiations, and Secretary of State Warren Christopher, who shepherded this month's peace conference in Dayton, Ohio, to a successful conclusion.

There is little time for congratulations. Difficult and dangerous tasks lie ahead, beginning with the issue of sending American ground troops to help enforce the peace. Logistically, this deployment could begin as soon as 96 hours after the peace agreement is signed, most likely in Paris next month. But before any troops are sent, Mr. Clinton must make the case to Congress and the American people that this mission is necessary and prudent.

It is both. Having brought the combatants this far, Washington cannot now walk away from the peace it brokered. NATO should help secure the peace. The mission the President has in mind would operate under unified NATO command, with an American general at the head. The force would consist of at least 60,000 well-armed NATO troops, about 20,000 of them American. The rules of engagement would permit firm and immediate responses to any threat. Nation-building tasks are wisely not included. There would be a December 1996 target date for withdrawal.

Before proceeding, the President has promised to consult with Congress and seek its support. That is not quite enough. Formal Congressional approval must be a condition for American participation. It would undermine the peace, and be unfair to the American troops, to send them to Bosnia without Congressional authorization.

The initial response of Congressional leaders has been cautious. But even skeptics suggest they are ready to listen seriously to the President's arguments. It is up to Mr. Clinton to be as persuasive to the American people as his diplomats proved to be with the Balkan leaders.

Don't Bu

To the Editor:

The accord betw City and upstate co avoids the need for water from the C watershed is a sign

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To the Editor

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
11-27-95

November 20, 1995

attachment
3

INFORMATION

MEMORANDUM FOR LEON PANETTA

FROM:

KATHLEEN MCGINTY *Km*

SUBJECT:

Senator Boxer and the "Tuna/dolphin" Issue

As I mentioned to you this morning, our efforts to resolve the long-standing "tuna/dolphin" issue continue to create concern among some Democrats on the Hill, primarily Senator Boxer. The purpose of this memo is to provide you with background on the issue, and to identify the points on which the Administration position differs from that of Senator Boxer. Talking points are also provided. John Emerson and I may recommend that you speak with Senator Boxer on this issue and with regard to Ward Valley shortly. There are two -- contradictory -- imperatives here: (1) Senator Boxer has vowed to fight us vigorously on this and to try to generate significant bad press for us on it in California; and (2) our position in favor of changing current "tuna/dolphin" laws is vitally important to Mexico.

Background

At an October meeting of the Inter-American Tropical Tuna Commission (IATTC) in Panama, the United States joined Mexico and ten other tuna-fishing countries in signing the Panama Declaration, which commits countries to negotiate a binding international agreement that will ensure that dolphin mortalities in the tuna fishery never exceed 5,000 per year. Conclusion of such an agreement will enable us to lift U.S. trade embargoes on tuna imported from Mexico, Venezuela, Panama, Colombia, and Vanuatu, so long as they comply with the new international agreement, including strict annual limits set on the number of dolphins that can be accidentally killed during tuna fishing operations.

The Panama Declaration was developed through consultations among five major U.S. environmental groups (the Center for Marine Conservation, the Environmental Defense Fund, Greenpeace, the National Wildlife Federation, and the World Wildlife Fund) and countries with major tuna fisheries in the region, not including the United States. Mexico took the lead in developing the Declaration and in persuading all potential IATTC members to sign

on, for which the President applauded President Zedillo during his recent visit.

The other countries made implementation of such an agreement contingent on amendments to the Marine Mammal Protection Act (MMPA), which we agreed to support. We agreed to support such legislative changes because the factual situation on which the MMPA dolphin protection provisions were based has changed drastically in recent years, largely as a result of a very successful voluntary program under the IATTC to reduce dolphin mortality. A few years ago more than 100,000 dolphins were killed annually by tuna fishermen in the Eastern Tropical Pacific, but during the past two years it has been reduced to about 4,000 annually.

Legislative initiatives. The key elements of legislation that would give effect to the Panama Declaration in U.S. law are: (1) lifting the existing tuna embargoes and allowing tuna to be sold in the United States if caught in compliance with the strengthened IATTC program; and (2) defining "dolphin safe" tuna as tuna caught in sets in which no dolphin mortality occurred. A bipartisan bill containing these elements was introduced in the Senate on Friday, November 17, by Senators Breaux and Stevens, co-sponsored by Senators Chafee, Johnston and Murkowski.

Prior to the introduction of the Breaux/Stevens bill, Senator Boxer, joined by Senators Biden, Mikulski, Graham, Levin, D'Amato, Lautenberg, Reid, Sarbanes, and Moynihan, urged the President not to support such legislation. (The draft response to their letter, which is being processed through the NSC correspondence system, is attached at Tab A.) While they do not appear to oppose lifting the trade embargoes, they strongly resist changing the provisions that define "dolphin safe" tuna as a condition of sale in the United States.

- Current law prevents tuna from being sold in the U.S. market unless it is "dolphin safe," and tuna cannot be labelled "dolphin safe" if it was caught during a trip in which a purse seine fishing vessel encircled dolphins -- even if no dolphins were actually killed.
- The Breaux/Stevens bill, implementing the Panama Declaration, would permit sales of all tuna caught in compliance with the IATTC agreement (including some caught during trips in which some dolphins were killed), and would permit tuna to be labelled as "dolphin safe" if no dolphins were killed during the tuna catch, even if dolphins were encircled.

The issue of encirclement of dolphins thus appears to be the most significant difference that exists between the two approaches.

The environmental community is divided on this issue. The NGOs, listed above, that support the Panama Declaration and the Breaux/Stevens bill, believe that purse seine fishing for tuna that does not encircle dolphins may be more environmentally harmful than fishing that does encircle dolphins, because non-encirclement methods result in bycatch of other marine life (mostly discarded dead) and increased harvests of undersized and immature tuna. The animal welfare groups and other NGOs, such as Earth Island and Sierra Club, oppose any encirclement of dolphins, whether or not dolphin mortality results, because it constitutes harassment.

Senator Boxer has indicated that she and Senator Biden, the original authors of the dolphin-safe labelling law, intend to introduce an alternative tuna/dolphin bill that presumably would retain the current definition of "dolphin safe" tuna as tuna caught without encirclement. She circulated a letter to her Senate colleagues today asking that they not sign on to the Breaux/Stevens bill. (See Tab B.)

The NSC-led interagency group handling this issue examined a number of different options for resolving the "dolphin safe" market problem, recognizing that there are pros and cons to every approach. They concluded that among all the options, the approach reflected in the Breaux/Stevens bill makes the most sense from an environmental perspective, and is necessary if we are to have the cooperation of the other tuna-fishing countries, which is vital to continued reductions in dolphin mortality.

Talking Points

While it seems unlikely that Senator Boxer will change her mind on the encirclement question, the following points might help her view the issue from our perspective:

- The only way we can continue to see reductions in dolphins accidentally killed in the tuna fishery is through international cooperation; we cannot do it alone. That's why the Panama Declaration represents such an important step forward.
- We also need to be realistic. Unless we change the current situation, Mexico and other Latin countries are ready to abandon the La Jolla Agreement and the IATTC.

- The issue of "dolphin safe" labelling is a difficult one, but we believe that current law must be changed, and the approach taken in the Breaux/Stevens bill offers the best option.
- Our goal is progressively to reduce dolphin mortality in this fishery to levels approaching zero. Passing legislation to implement the Panama Declaration offers us a real opportunity to realize that goal.

Cleared by: Eileen Claussen, NSC

Attachments

Tab A	Letter from Senator Boxer and draft response
Tab B	Senator Boxer's "Dear Colleague" letter

DRAFT REPLY TO SENATOR BOXER

Thank you for your letter of November 3, 1995, signed also by nine other Senators, on the subject of the Panama Declaration and its provisions to protect dolphins in the Eastern Pacific Ocean. I am aware of your strong, continuing commitment to dolphin protection, which I also support. I believe we share the same goals, even if we might differ on how to achieve those goals.

As you note, the United States and eleven other nations signed the Panama Declaration on October 4. The Administration firmly supports that Declaration and remains committed to realizing its objectives and those of the earlier La Jolla Agreement: to reduce dolphin mortality progressively in this fishery to levels approaching zero by setting annual limits; and, with the goal of eliminating dolphin mortality in this fishery, to seek ecologically sound means of capturing large yellowfin tunas not in association with dolphins.

I realize that this is a very complex issue, but I believe that the strengthened international program envisioned by the Panama Declaration offers an important opportunity for meeting these objectives. That is why the decision was taken by the Administration to sign the Declaration. When Administration officials had the opportunity to brief your staff prior to signing the Declaration, they outlined our reasons for supporting this approach. We have welcomed the opportunity to have further consultations after the Declaration was signed, and we will continue to remain in close touch with you as this process moves forward.

Legislation recently introduced by Senators Breaux and Stevens (S. 1420), co-sponsored by Senator Chafee, provides an environmentally sound basis on which the United States can move to implement the Panama Declaration, and I hope we will have broad bipartisan support for such an approach. I hope you will work with us toward passage of a bill that will enable us to achieve our shared objectives.

United States Senate

WASHINGTON, DC 20510

November 3, 1995

BY FAX

The President
The White House
Washington, DC 20500

Dear Mr. President:

On October 4, 1995, the Department of State announced it had signed the "Panama Declaration" on behalf of the United States.

The agreement, signed by members of the Inter-American Tropical Tuna Commission, would require the U.S. Congress to pass amendments to the Marine Mammal Protection Act, and the International Dolphin Conservation Act that would eliminate certain protections for dolphins now afforded by U.S. law. The agreement would also require the Congress to amend the Dolphin Protection Consumer Information Act, which defines "dolphin safe" tuna for the American consumer.

As members of Congress long interested and involved in the protection of dolphins, we were surprised that we were neither consulted during the negotiations on the content of the "Panama Declaration" nor notified about the Administration's intent to sign an agreement that will require changes in U.S. law.

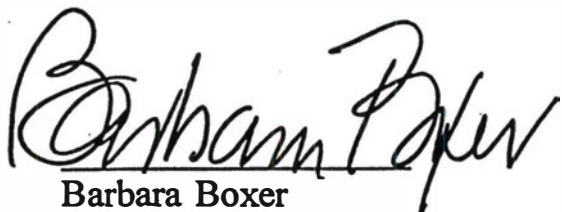
We are concerned that changing the definition of "dolphin safe" tuna would unfairly penalize the U.S. companies that have taken strong action to protect dolphins and would also cause considerable consumer confusion.

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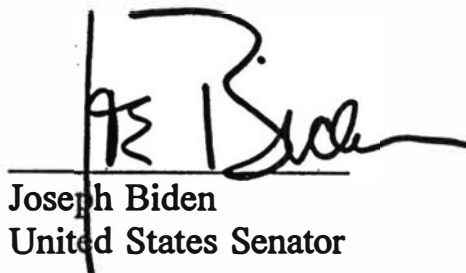
The President
November 3, 1995
Page 2

We urge you to refrain from introducing or supporting legislation to weaken the definition of "dolphin-safe" tuna. We further urge you to refrain from proposing amendments to the current dolphin protection laws until we have had the opportunity to meet with you to discuss our concerns with the "Panama Declaration".

Sincerely,



Barbara Boxer
United States Senator



Joseph Biden
United States Senator



Barbara Mikulski
United States Senator



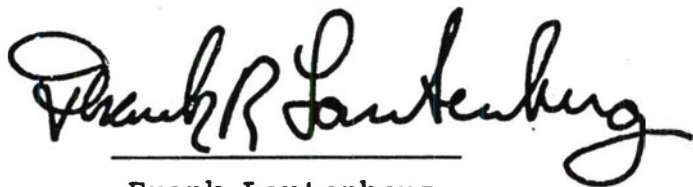
Bob Graham
United States Senator



Carl Levin
United States Senator



Alfonse D'Amato
United States Senator



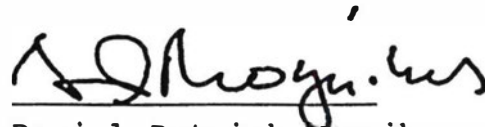
Frank Lautenberg
United States Senator



Harry Reid
United States Senator



Paul Sarbanes
United States Senator



Daniel Patrick Moynihan
United States Senator

The President
November 3, 1995
Page 3

A handwritten signature in black ink, reading "Bob Smith". The signature is written in a cursive style with a horizontal line underneath the name.

Bob Smith
United States Senator

CC: Council on Environmental Quality
National Oceanic and Atmospheric Administration
Department of State

BARBARA BOXER
CALIFORNIA
COMMITTEE ON ENVIRONMENT
AND PUBLIC WORKS
COMMITTEE ON BANKING,
HOUSING, AND URBAN AFFAIRS
COMMITTEE ON THE BUDGET

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November 20, 1995

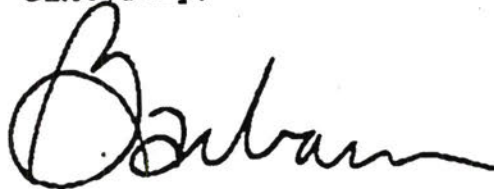
Dear Colleague:

Last month, the Administration signed an international agreement that calls on the United States to amend its laws relating to the impact of tuna fishing on dolphins. You may have been asked by Timothy Wirth, Undersecretary of State for Global Affairs, to cosponsor the Breaux/Stevens "tuna-dolphin" bill, which would implement the provisions of this international agreement. This bill would reduce protections for dolphins.

Joe Biden and I, the original authors of the dolphin-safe labelling law, are working with a number of environmental groups (Humane Society, Sierra Club, Defenders of Wildlife, Earth Island Institute and others) to develop an alternative tuna-dolphin bill that will implement most of the provisions of the international agreement, but will keep our laws "dolphin friendly".

We will be contacting you soon with details on our bill. In the meantime, we ask that you not sign on to any bill that would reduce protections for dolphins.

Sincerely,



Barbara Boxer
United States Senate



DEPARTMENT OF THE TREASURY
WASHINGTON

THE PRESIDENT HAS SEEN
11-27-95

ASSISTANT SECRETARY

November 20, 1995

MEMORANDUM FOR PRESIDENT CLINTON

FROM: Leslie B. Samuels *LS*

THROUGH: Secretary Robert E. Rubin *R.E.R.*

SUBJECT: Tax Provisions in Budget Reconciliation Conference Agreement

As you will see in the chart below, the conference agreement for the budget reconciliation bill contains tax cuts that are backloaded, so that the cost increases significantly after seven years.

See table below

Summary Revenue Table (Joint Committee estimates in billions)		
	7 years	10 years
Republican Contract Tax Provisions (including child credit and capital gains)	\$ -244.6	\$ - 416.7
Medical Savings Accounts	-2.1	-3.5
Self-Employed Health Insurance (phase-in to 50%)	-1.0	-3.0
Student Loan Interest Deduction	-1.0	-1.6
Major Extenders (including R&E credit)	-5.3	-5.3
Major Raisers (including pension reversions, repeal of Low-Income Housing Credit) and Other Provisions	+27.5	+48.3
EITC Cuts	+32.4	+54.0
NET TOTALS	-193.9	-327.8

According to Treasury Department analysis, about 45 percent of the benefits will go to the top 12 percent of taxpayers -- those making over \$100,000.

The conference agreement raises taxes on working families by reducing the earned income tax credit (EITC) by \$32.4 billion over seven years and \$54 billion over 10 years. Treasury estimates that these cuts reduce the EITC for 12.6 million working families, containing 14.5 million children, by an average of \$332 in 1996. Even accounting for the \$500 child credit

14.5 - 1 million

and a proposed increase in the standard deduction, 7.7 million EITC recipients would pay, on average, \$318 in higher taxes.

In addition, the conference agreement repeals the low-income housing credit after 1997. This tax credit helps finance rental housing units for low-income tenants. In 1993, the Administration was successful in extending this program permanently.

By contrast, the conference agreement rewards wealthy individuals by providing, among other things:

- a retroactive 50 percent deduction for capital gains (\$28.8 over seven years, \$70 billion over 10 years); and
- estate and gift tax relief (about \$12 billion over seven years, \$25 billion over 10 years) that will benefit the approximately 30,000 Americans who die each year and owe any estate tax (over 10 years, this averages out to about \$83,000 in estate-tax benefits for each of these individuals).

The bill also contains a number of provisions to benefit corporate America, including:

- lower capital gains rate for corporations (\$6.8 billion over seven years, \$10.6 billion over 10 years); and
- virtual repeal of the alternative minimum tax for many corporations (\$16.2 billion over seven years, \$19.2 billion over 10 years).

X The bill also contains a modified version of the pension asset reversion proposal that previously was rejected in the Senate by a 94-5 vote. The modifications lessen, but by no means eliminate, the additional risk to the pension insurance system. The provision would still permit corporations to remove billions of dollars from pension funds and, in effect, use pension funds that were accorded preferential tax treatment for any corporate purpose.

In addition, the bill includes various revenue-raising measures (including a phased-in repeal of section 936), and short-term extensions of various expiring tax provisions (including the research tax credit).

Finally, the bill provides numerous special-interest provisions (which in the aggregate cost more than \$3 billion over 7 years) that benefit specific industries (such as the airlines) and particular taxpayers.

These and other changes are described in the attachment.

Attachment

cc: Laura Tyson

ATTACHMENT

MAJOR TAX PROVISIONS IN BUDGET RECONCILIATION BILL

REDUCTIONS IN THE EARNED INCOME TAX CREDIT

The bill reduces the earned income tax credit (EITC) by about \$32.4 billion between FY 1996 and 2002 (and \$54 billion over 10 years). Relative to current law, the bill reduces the annual costs of the EITC by about 16 percent.

The bill reduces the EITC, on average, by \$332 for 12.6 million working families, containing 14.5 million children.

-- Families with two or more children will be particularly hard hit by these proposals. About 4.2 million families with two or more children will lose, on average, \$534 as a consequence of the EITC proposals.

Unlike better-off families with children, many EITC recipients must sacrifice some EITC tax benefits in exchange for the child tax credit. Other working families will lose part or all of the EITC but will not receive any child tax credit.

While the bill contains some offsetting tax benefits for working families, many EITC recipients would still pay higher net taxes as a consequence of the plan. Even accounting for the \$500 child credit and a proposed increase in the standard deduction, 7.7 million EITC recipients would pay, on average, \$318 in higher taxes under the plan.

-- About 3.3 million taxpayers, with 6.8 million children, would face an average increase of \$508 as a consequence of the plan.

FAMILY TAX RELIEF

- **\$500 Child Tax Credit.** The bill provides a \$500 per child nonrefundable tax credit for each dependent child under age 18. It is phased out for individuals with adjusted gross income (AGI) over \$75,000 and married couples with AGI over \$110,000. (The revenue loss is estimated at \$147.6 billion over seven years and \$218.7 billion over 10 years.) This provision has moved closer to the Administration's child-credit phase-out, which begins at AGI of \$60,000 for married couples.

The credit would be effective October 1, 1995; the partial-year credit for 1995 would be \$125 per child. Taxpayers would request this \$125 credit for 1995 on a special IRS form, and IRS would be required to mail the checks between October 1, 1996,

and October 15, 1996 -- just in time for the 1996 elections. The bill dictates the form of the notice that IRS would be required to send to taxpayers; it would state, among other things, that the child credit is provided pursuant to the Balanced Budget Act of 1995, "which was recently passed by Congress."

- **Marriage Penalty Relief.** The standard deduction for joint returns would be gradually increased through 2005, in an effort to reduce the marriage penalty for couples who do not itemize their deductions. Couples who itemize deductions would receive no relief. (The revenue loss is estimated at \$8 billion over seven years, rising to nearly \$24 billion over 10 years.) Treasury is considering alternatives for marriage-penalty relief.
- **Deduction for Student Loan Interest.** The bill provides an above-the-line deduction for up to \$2,500 in interest paid on student loans to cover qualified higher education expenses of the taxpayer or the taxpayer's spouse. (By contrast, the Administration has proposed a \$10,000 above-the-line deduction for qualified educational expenses paid with respect to the taxpayer, the taxpayer's spouse or the taxpayer's dependent.) The interest deduction is phased out for married couples with AGI of \$65,000 to \$85,000 (\$45,000 to \$65,000 for singles). (The revenue loss is estimated at \$1 billion over seven years and \$1.6 billion over 10 years.)
- **Adoption Credit.** The bill provides a nonrefundable tax credit of up to \$5,000 for adoption expenses, phased out for AGI between \$75,000 and \$115,000. In addition, the bill provides a maximum \$5,000 exclusion for amounts paid by the employer in connection with an adoption. (The revenue loss is estimated at \$1.9 billion over seven years.) The Administration has not opposed such adoption incentives, but has testified that it would be more cost-effective to target federal support for adoption to special-needs children.
- **Tax Deduction for Elderly Care.** The bill provides an above-the-line deduction of up to \$1000 for expenses of custodial care of a parent or grandparent who lives with the taxpayer and is incapable of caring for himself or herself.

SAVINGS AND INVESTMENT INCENTIVES

- **Capital Gains**
 - **Individuals.** The bill provides a 50 percent deduction for capital gains on property owned at least one year (providing a maximum rate of 19.8 percent). These provisions would be effective for sales on or after January 1, 1995. In addition, the bill provides that individuals may index the basis of capital assets held more than three years, beginning in 2004. Individuals would also be allowed a capital-loss deduction on the sale of a principal residence. (The

revenue loss is estimated at \$28.8 billion over seven years, rising to \$66 billion over 10 years. The retroactive part of this tax cut is estimated to cost \$13 billion.)

- **Corporations.** The bill decreases the maximum capital gains rate for corporations from 35 percent to 28 percent, effective January 1, 1995. (The revenue loss is estimated at \$6.8 billion over seven years, rising to \$10.6 over 10 years.)

✓ **Small Business Stock.** The bill amends the small-business capital gains provision enacted in OBRA 1993 to relax some of the current restrictions.

✓ **Individual Retirement Accounts (IRAs).** The bill generally is similar to the Administration proposal. It expands the income limits for deductible IRA contributions somewhat further (but phased in more gradually) than the Administration proposal. Unlike the Administration proposal, the bill gives nonworking spouses a separate \$2,000 deductible IRA. Like the Administration proposal, the bill allows "backloaded IRAs" (funded with nondeductible contributions on which earnings accumulate and are distributed tax-free), but the bill does not subject them to any income limits. (The revenue loss is estimated at \$11.8 billion over seven years, and \$32.5 billion over 10 years, compared to \$10.7 billion and \$23.3 billion, respectively, for the Administration's IRA proposal.)

- **Alternative Minimum Tax (AMT).** The bill removes accelerated depreciation from the calculation of AMT. Since accelerated depreciation is the largest component of the AMT, for many corporate taxpayers this provision virtually repeals the AMT. This relief is more generous than what the Administration proposed in 1993 (which was enacted in part). The bill also provides corporations with enhanced use of AMT credits relating to investments previously made. The enhanced use of AMT credits is unlikely to contribute to increased investments. (The revenue loss is estimated at \$16.3 billion over seven years.)

✓ **Increased Expensing for Small Businesses.** The bill increases the amount of tangible depreciable property that small businesses are permitted to expense annually from \$15,000 to \$25,000 (in 2002, when fully phased in). The Administration has consistently supported such an increase. (The revenue loss is estimated at \$3.1 billion over seven years and \$4 billion over 10 years.)

✓ ● **Pension Simplification.** The bill incorporates numerous items from the Administration's pension simplification proposal that built on simplification legislation passed by the House in 1994 and that President Clinton announced on June 12, 1995. The bill also includes other items, several of which raise policy concerns because they disproportionately favor certain highly compensated employees. In addition, the bill proposes a simple, new retirement savings plan for small business (the "SIMPLE"),

which is similar in many ways to the Administration's "NEST" proposal. While the SIMPLE constitutes a constructive step in the right direction, it does not do enough to encourage retirement savings by middle- and lower-wage workers.

HEALTH-CARE RELATED PROPOSALS

- ✓ ● **Increased Health Insurance Deduction for Self-Employed.** The bill increases the tax deduction self-employed individuals can claim for health insurance from the current 30% of the amount paid for insurance to 35% in 1998 and 1999, 40% in 2000 and 2001, and 50% beginning in 2002. (The revenue loss is estimated at \$1 billion over seven years and \$3 billion over 10 years.)
- **Permit Medical Savings Accounts (MSAs).** The bill creates a new IRA-type account called a Medical Savings Account (MSA) that could be used to pay for health care if an individual is covered solely by a high-deductible health plan. Employees could exclude employer contributions from income -- and eligible individuals (including the self-employed) could deduct contributions -- to an MSA of up to \$2,000 (\$4,000 for a family). Earnings within the MSA would accumulate tax-free. MSA distributions would be nontaxable only if used to pay for medical care. (The revenue loss is estimated at \$2.1 billion over seven years, and \$3.5 billion over 10 years.) The proposal raises a number of concerns: it would divide the population based on medical risk, create a complex new tax shelter for healthy individuals, and may not significantly contain health-care costs.
- **Long-Term Care Insurance.** The bill taxes long-term care insurance and expenses generally in the same manner as medical insurance and expenses. Employer-provided insurance would be deductible by the employer and excluded from the employee's income. Payments to a policyholder would be taxable only to the extent they exceed \$175 per day. Life insurance could be exchanged tax-free for long-term care insurance, and the 10% penalty for an early withdrawal from an IRA, 401(k), or 403(b) plan would be eliminated if the withdrawal were used to pay long-term care insurance premiums. (The revenue loss is estimated at \$5.7 billion over seven years and \$9.5 billion over 10 years.) This proposal is more generous than the Administration's proposal in the Health Security Act.

ESTATE TAX REFORM

- **Increase Unified Credit.** The bill increases the amount which the unified credit exempts from the estate and gift tax from the current \$600,000 to \$750,000, phased in over 6 years. (The revenue loss is estimated at \$7.3 billion over seven years, rising to \$15.8 billion over 10 years.)

- **Family-Owned Businesses.** The bill exempts from estate tax the first \$1 million and 50% of the next \$1.5 million of "qualified family owned business interests." This proposal would give an estate-tax reduction in excess of \$850,000 to any decedent who owned a family business worth more than \$3,250,000. The proposal may also create opportunities for abuse. (The revenue loss is estimated at \$4.6 billion over seven years, rising to \$9 billion over 10 years.)
- **Conservation Easements.** The bill exempts from estate tax 40 percent of the value of certain real property (up to \$5 million) subject to a conservation easement. This proposal would give an estate-tax reduction of \$1.1 million or more to decedents with estates worth more than \$5 million, in addition to the income-tax deduction that the decedent would have already obtained for the same easement. (The revenue loss is estimated at \$340 million over seven years, rising to \$610 million over 10 years.)

EXPIRING PROVISIONS

- **Provisions Extended Through December 31, 1996.** These temporary extensions include the following items (with aggregate revenue loss estimated at \$4.2 billion over seven years):
 - **The Targeted Jobs Tax Credit.** The credit would be renamed the Work Opportunity Tax Credit, and modified, including a reduction in the credit rate from 40 percent to 35 percent of qualified wages. The Administration could support this provision, with possible modifications.
 - **Employer-Provided Educational Assistance.** The provision extends the \$5,250 exclusion for employer-provided educational assistance, which expired after December 31, 1994, except that it would not apply to post-graduate education after 1995.
 - **Research and Development (R&D) Tax Credit.** The bill makes several modifications to expand availability of the credit to start-up firms, companies with flat or declining research expenses, and companies that make payments to research consortia.
 - ✓ **Commercial Aviation Fuel.** The effective date of the 4.3-cents-per-gallon tax on commercial aviation fuel would be delayed from October 1, 1995, through September 30, 1997. (The revenue loss is estimated at \$0.9 billion.)
- **Superfund and Oil Spill Liability Taxes:**
 - **Superfund excise taxes** are extended for nine months, from December 31, 1995, through September 30, 1996. Revenues would continue to be deposited

Stump
for 2009

in the Hazardous Substances Superfund Trust Fund until, July 31, 1996, and thereafter would be retained in the General Fund.

- The corporate environmental income tax is extended for one year, through 1996.
- The Oil Spill Liability Trust Fund excise tax, which expired January 1, 1995, would be reinstated through September 30, 2002.

REVENUE RAISERS AND OTHER CORPORATE REFORMS

- X
- **Pension Asset Reversions.** The bill permits employers to transfer -- without any excise tax -- pension assets in excess of 125 percent of a pension plan's "termination liability" to pay the annual cost of the employer's retirement, health and other employee benefits. In effect, this would allow companies, during a six-year window, to use pension assets to free up other corporate funds for any purpose. Currently, an employer generally cannot use pension assets for nonpension purposes without terminating the plan and paying a substantial excise tax (of up to 50 percent) that recaptures the benefit of the tax-free accumulation of pension earnings. (The provision is estimated to raise \$4.7 billion over 7 years and \$4.6 billion over ten years.)

The Administration strongly opposes this proposal. (It is worth noting that, while Republicans may point out that the Treasury has borrowed substantial Federal employee pension funds to help deal with the debt limit problem, these amounts will be repaid in the short term, with interest, and this borrowing does not involve funds that enjoyed the special tax-favored treatment accorded to private pension plans.)

- X
- **Repeal Low-Income Housing Credit.** The low-income housing credit would be repealed after December 31, 1997. In addition, the bill repeals the authority of the Treasury Department to reallocate unused credits among States that have used their allocations after December 31, 1995.

- X
- **Expatriation Proposal.** The bill adopts the House provision on the taxation of expatriates, which is ineffective and also violates international law. The conference agreement rejects the Senate provision to tax expatriates on their accumulated gains when the expatriate ceases to be a U.S. taxpayer. The Senate provision generally followed Senator Moynihan's proposal, which was based on a proposal contained in the Administration's budget.

- **Repeal Current U.S. Taxation of Excess Passive Assets Held by Controlled Foreign Corporations.** The bill repeals the provisions of current law that impose current U.S. income taxation on certain earnings of controlled foreign corporations

that are invested in excessive amounts of passive assets. These provisions were proposed by the Administration and enacted into law in 1993. Repeal of this provision will encourage U.S. taxpayers to establish operations outside the United States. (This special-interest provision is estimated to lose \$244 million over seven years and \$433 million over 10 years.)

- **Reform Foreign Trust Rules.** The proposal contains a package of information reporting and anti-abuse rules directed at sophisticated tax-planning techniques involving foreign trusts. The bill generally follows Senator Moynihan's proposal, which was based on a provision contained in the Administration's budget.

- X ● **Phase Out Puerto Rico and Possession Tax Credit (Section 936).** Section 936 would be repealed with respect to new investment as of the end of 1995, and phased out with respect to existing beneficiaries of the credit. The bill eliminates the incentive for any new investment in Puerto Rico and the possessions. The Administration indicated that a credit based on economic activity in the possessions is appropriate, and that if section 936 is repealed, another incentive is needed to encourage economic activity in Puerto Rico.

- X ● **Repeal Tax Credit for Contributions to Community Development Corporations.** The bill repeals this credit, which was enacted as part of OBRA 1993 with the objective of providing economic opportunities for low-income individuals.

- **Corporate-Owned Life Insurance.** Deductions for interest attributable to the purchase of so-called corporate owned life insurance (COLI) policies would be denied. The Administration does not oppose this proposal.

- X ● **Include in Income all Punitive Damages and Damage Recoveries for Non-Physical Injuries.** No exclusion would apply to damages on account of solely nonphysical injury (such as those related to discrimination or emotional distress) or to any punitive damages received. The Administration has opposed this proposal.

- X ● **Repeal of the Interest Exclusion for ESOPs.** The bill repeals the special exclusion for interest on employee stock ownership plan (ESOP) loans. In general, current law permits commercial lenders to exclude 50 percent of the interest income on loans used to purchase employer stock for an ESOP that owns a majority of the employer after the acquisition. The Administration does not support this proposal.

- **Repeal Business Exclusion for Energy Subsidies Provided by Public Utilities.** The exclusion from income for subsidies provided by a utility for the purchase or installation of an energy conservation measure is repealed, except with respect to subsidies targeted to dwelling units.

- Repeal Special Bad-Debt Deduction for Thrift Institutions. To further the goal of converting thrift charters to bank charters, as provided in banking legislation contained elsewhere in the bill, the bill repeals provisions of current law that permit thrift institutions to take deductions for bad debts under rules more favorable than those that apply to other financial institutions. It also provides relief for certain existing bad-debt reserves of thrift institutions. The Administration has supported this provision.

SPECIAL-INTEREST PROVISIONS

The bill contains a number of special-interest provisions (which in the aggregate cost in excess of \$3 billion over seven years), designed to benefit, among others:

- Multinational corporations that stockpile assets overseas in controlled foreign corporations;
- The airlines;
- The real-estate industry;
- The mutual-fund industry;
- Certain coal companies;
- Convenience stores;
- Newspaper companies that wish to treat certain news carriers as independent contractors;
- Life insurance companies; and
- Pharmaceutical companies with operations in Puerto Rico.

*Huron
meg Cos*

THE PRESIDENT HAS SEEN
11-27-95

Sosnik
Mariusz Susnik
has seen the special
on the Garin Poll

THE WHITE HOUSE
WASHINGTON

November 24, 1995

MR. PRESIDENT:

Attached is Sosnik's Daily
Political Report (including
the most recent Garin Poll).

Phil Caplan

NOVEMBER 24, 1995

140269

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

95 NOV 24 P1:33

FROM: DOUG SOSNIK and KAREN HANCOX

SUBJECT: DAILY REPORT / 1:00 p.m.

Polling

Attached, per your request, please find a summary and a narrative of Geoff Garin's most recent poll. Due to the holiday weekend, this was all we could obtain today. We will have a complete copy of the poll for you on Monday.

Arkansas

A recent poll for the Democrat Gazette on the 1996 Senate seat to replace David Pryor shows:

Huckabee (R)	45%
Bryant (D)	41%

✓ Winston called Craig recently. Winston is concerned that Huckabee held a recent fundraiser and it appears that he will report over \$300,000 at the end of this year. To date, Winston has raised about \$100,000, the vast majority of it being labor money. He is concerned about how it will look on his report.

✓ He has asked for your assistance in fundraising to mitigate the percentage of labor money that he will end up reporting. We told him it was unlikely we would be able to assist him since:

- 1) any money we could help him with would mostly come from out-of-state and that was not likely to be anymore positively received by the people of Arkansas than his labor money and;
- 2) he has a primary challenge for the nomination.

There are at least three others contesting the Democratic nomination, including Sen. Lu Hardin.

Pop
Georgia

Per a Geoff Garin poll, you slightly trail Bob Dole in Georgia, 42%-47%. Your approve/disapprove numbers are 47%/50%. While they would not share exact numbers on the Georgia Senate race, we were told Max Cleland is running very strong -- only Senator Nunn has higher numbers in Georgia than Cleland, and his numbers are only 3 points higher.

SUMMARY OF KEY FINDINGS

The data in this summary are based on the results of a survey conducted for the AFL-CIO by Peter D. Hart Research Associates, Inc. The interviews for this survey were conducted between November 15 and 19, 1995, among a representative cross section of 801 Americans age 18 or older. The statistical margin of error associated with a sample of this size is $\pm 3.5\%$

As Congress and the White House move to negotiate on the specific contents and provisions of the federal budget, Americans are more likely to side with President Clinton and the Democrats than with the congressional Republicans in the budget debate. The public is far more inclined to believe that the Republicans are going too far with their budget proposals than to believe that the Republicans are doing what is necessary to put the nation's fiscal house in order. As a result, the public clearly wants major changes in the budget plan passed by the Republican Congress. Indeed, overwhelming majorities of Americans say that President Clinton should reject *any* budget that maintains the Republicans' proposals for corporate tax breaks, major cuts in Medicare and Medicaid, major reductions in federal support for education and student loans, or changes that would allow employers to take money out of pension funds for other purposes.

Rejection of the Republicans on the Budget

When asked with whom they agree more on the issue of the federal budget, 48% of all Americans side with Bill Clinton and the Democrats, while only 34% support the Republicans in Congress; 5% volunteer that they agree equally with both sides, and 13% say they are not sure. Americans in every age group, in every educational category, and in every region of the country are now more likely to trust President Clinton and the Democrats over the Republicans

Summary of Key Findings
page 2

on the budget. Women favor President Clinton and the Democrats by 53% to 28%, while men are evenly divided. Among the key group of swing voters who say they have split their tickets evenly between Democrats and Republicans in recent years, President Clinton and the Democrats hold an advantage of 43% to 28% on the budget issue.

Underlying this preference for President Clinton and the Democrats is a fundamental rejection of the Republican contention that they are doing what is necessary to get government under control. When read alternative descriptions of what the Republicans are doing on the budget, Americans are far more likely to believe that the Republicans are promoting the wrong kind of change by cutting valuable programs.

STATEMENT SELECTED AS BETTER DESCRIBING THE REPUBLICANS' BUDGET POLICIES	
Republicans are just going too far with this budget. The cuts in Medicare and Medicaid will be hard on seniors, and the cuts in student loans will limit opportunity for young people. Republicans are cutting valuable programs, and that's the wrong kind of change	58%
Republicans are making the tough decisions needed to get government under control and put our fiscal house in order. Some of these changes may not be popular today, but they are necessary after 40 years of Democratic mismanagement, and will be good for the country in the long run	36%

The Republicans lose the argument on the budget even among constituencies that traditionally have been the most supportive of them, including Southerners (by 55% to 42%), men (by 53% to 41%), and upper-income voters (by 54% to 43%). Independents break against

the Republicans on this question by a margin of 58% to 28%, and ticket-splitters do so by a margin of 63% to 26%.¹

Unwillingness to Accept Key GOP Proposals

While many public opinion polls have shown that Americans want a reasonable settlement of the budget debate, this survey shows that Americans do not want a compromise at any price and that President Clinton will have broad public support in standing firm against many of the specific provisions that the Republicans have included in their budget.

For a series of Republican budget proposals, Americans were asked if they think President Clinton should accept the provision in order to get the budget passed, or should instead reject any budget that includes such a provision. For nine items, clear majorities say President Clinton should reject any budget that includes these Republican initiatives.

☛ Eighty-six percent say President Clinton should reject a budget if it includes the Republican proposal that allows corporations to take money out of their employees' pension funds to use for other purposes.

☛ Eighty-one percent say President Clinton should reject a budget if it includes the Republican proposal that gives large new tax breaks to big corporations and wealthy

¹ This question was asked on a split-formed basis, with half the sample asked the version described above, and the other half given an alternative statement criticizing the Republicans by stressing that the Republicans are putting the wealthy special interests ahead of the middle class; the results for the pro-Republican statement remain constant in both versions. In this alternative version, the Republicans again lose the argument by a substantial margin—with 55% of Americans selecting the statement critical of the Republican budget policies, and just 36% selecting the statement supporting the Republicans.

Summary of Key Findings
page 4

individuals. Even Republicans say by 63% to 27% that President Clinton should reject any budget that includes these kinds of tax breaks.

Seventy-three percent say the President should reject any budget that includes major cuts in Medicaid that would make it hard for families to afford nursing home care. Similarly, 71% say the President should reject a budget if it contains major Medicare cuts that would raise health care premiums for senior citizens. Adults under age 35 are as likely to feel this way about Medicare cuts as is the public as a whole.

Education issues also produce a strong public response. Seventy-two percent say President Clinton should not accept any budget that cuts the student loan program and makes it even harder for middle class families to afford college, and 71% say he should reject a budget if it makes major cuts in federal support for public education.

Sixty-five percent want the President to reject any budget that reduces enforcement of occupational safety and health protections.

On labor issues. Americans say by 59% to 29% that the President should reject a budget if it weakens his order to prevent government contractors from permanently replacing striking workers, and say by 54% to 33% that he should reject a budget if includes the Republicans' proposals to weaken laws against unfair labor practices by employers.

PETER D. HART RESEARCH ASSOCIATES
 1724 Connecticut Avenue, NW
 Washington, DC 20009
 (202) 234-5570

Interviews: 801 respondents
 Dates: November 15-19, 1995

FINAL

Study #4492
 AFL-CIO Issues Survey -- GENERAL PUBLIC
 November 1995

48 Male
 52 Female
 [5]

AREA		TYPE	SAMPLE POINT			FORM	DATE	
[6]	[7]	2	[9]	[10]	[11]	[12]	November	[13] [14] 1995

I'm calling from Peter D. Hart Research, a national public opinion polling firm. We are conducting a survey with people around the country, and I'd really appreciate the chance to get your opinions on a few questions. This survey is being done for research purposes only, and we promise that your name and individual opinions will be kept completely confidential. (CHECK BELOW FOR THE CATEGORY OF RESPONDENT YOU ARE SUPPOSED TO ASK FOR, THEN SAY:) Your number was selected at random, and in this household, I am supposed to speak with the (youngest/oldest) (man/woman) age 18 or over who is at home now.

PERSON TO ASK FOR

- ___ ASK FOR YOUNGEST
 ___ ASK FOR OLDEST

(REPEAT INTRODUCTION IF RESPONDENT IS NOT THE PERSON WHO FIRST ANSWERED THE PHONE.)

1. Are you a United States citizen?

Yes, United States citizen	100	CONTINUE
No, not a United States citizen	-	TERMINATE
Not sure	-	

2. Generally speaking, are you mainly satisfied or mainly dissatisfied with the way things are going in the country these days?

	<u>11/95</u>	<u>4/95</u>
Mainly satisfied	28	33
Mainly dissatisfied	58	51
Some of both (VOL)	11	12
Not sure	3	4

- 3a. Are you currently registered to vote in the precinct or election district where you now live, or haven't you had a chance to register yet?

Yes, registered	81
No, not registered	18
Not sure	1

- 3b. Thinking back on different elections in which you have been eligible to vote in the past few years, would you say you have voted in all these elections, most of them, about half, or less than half these elections?

Voted in all of them	37
Voted in most of them	30
Voted in about half of them	14
Voted in less than half of them	17
Not sure	2

- 3c. In major state and federal elections over the past few years, would you say that you have voted mostly for the Democratic candidates, have voted mostly for the Republican candidates, or have split your votes pretty evenly between the Democrats and Republicans?

Mostly Democratic candidates	31
Mostly Republican candidates	27
Split evenly between Democratic and Republican candidates	34
Not sure	8

- 3d. How much interest do you have in what's going on in government and politics at the national level these days -- a lot of interest, a fair amount, just some, or very little interest?

A lot of interest	40
A fair amount of interest	36
Just some interest	14
Very little interest	10
Not sure	-

4. I am going to read you the names of a few public figures and institutions, and I would like you to rate your feelings toward each one as either very positive, somewhat positive, neutral, somewhat negative, or very negative. If you are not familiar with a particular name, please just say so. (READ EACH NAME AND REPEAT CHOICES. ROTATE ORDER OF ITEMS ON EVERY OTHER INTERVIEW.)

	<u>Very Positive</u>	<u>Somewhat Positive</u>	<u>Neutral</u>	<u>Somewhat Negative</u>	<u>Very Negative</u>	<u>Don't Know Name/Not Sure</u>
Bill Clinton						
November 1995	17	28	21	14	19	1
April 1995	15	26	25	17	16	1
Newt Gingrich						
November 1995	7	13	21	18	32	9
April 1995	8	17	22	17	20	16
The Democratic Party						
November 1995	10	27	30	18	12	3
April 1995	10	26	29	19	13	3
The member of Congress from your district						
November 1995	16	31	22	9	5	17
Ross Perot						
November 1995	7	15	30	18	24	6
The Republican Party						
November 1995	11	25	27	18	16	3
April 1995	14	30	23	19	12	2
Bob Dole						
November 1995	8	23	26	19	16	8
April 1995	11	25	30	13	9	12

- 5a. When you think about the job Bill Clinton is doing as president, do you strongly approve, somewhat approve, somewhat disapprove, or strongly disapprove of the job he is doing?

Strongly approve	13
Somewhat approve	47
Somewhat disapprove	22
Strongly disapprove	16
Not sure	2

- 5b. Do you feel that the policies of Bill Clinton's Administration are good for people like you, are bad for people like you, or do not have much effect either way on people like you?

Good for people like me	31
Bad for people like me	29
Do not have much effect either way	33
Not sure	7

- 6a. When you think about the job the Republicans in Congress are doing, do you strongly approve, somewhat approve, somewhat disapprove, or strongly disapprove of the job they are doing?

	<u>11/95</u>	<u>4/95</u>
Strongly approve	11	11
Somewhat approve	35	44
Somewhat disapprove	26	24
Strongly disapprove	22	15
Not sure	6	6

- 6b. Do you feel that the policies of the Republicans in Congress are good for people like you, are bad for people like you, or do not have much effect either way on people like you?

Good for people like me	29
Bad for people like me	36
Do not have much effect either way	26
Not sure	9

(FORM A ONLY:)

- 7a. When you hear about disagreements between President Clinton and the Republicans in Congress, who are you more likely to side with--President Clinton, the Republicans in Congress, or neither one?

President Clinton	41
Republicans in Congress	27
Neither one	27
Not sure	5

(FORM B ONLY:)

- 7b. When you hear about disagreements in Congress between the Republicans and the Democrats, who are you more likely to side with--the Republicans, the Democrats, or neither one?

More likely to side with Republicans	26
More likely to side with Democrats	30
Neither one	35
Not sure	9

- 7c. When it comes to dealing with the Republican Congress, do you (a) worry that Bill Clinton will be too inflexible and unwilling to compromise with the Republicans, (b) worry that Bill Clinton will be too quick to give in to the Republicans, or (c) feel that Bill Clinton will strike the right balance in dealing with the Republican Congress?

Will be too inflexible	33
Will be too quick to give in	13
Will strike the right balance	45
Not sure	9

- 8a. From what you know, do you agree more with (ROTATE ORDER) Bill Clinton and the Democrats OR more with the Republicans in Congress on the issue of the federal budget?

Clinton and Democrats	48
Republicans in Congress	34
Both equal (VOL)	5
Not sure	13

(FORM A ONLY:)

- 8b. Let me read you two statements about the budget debate in Congress, and tell me which one you agree with more. (ROTATE ORDER ON EVERY OTHER INTERVIEW)

Statement A: Republicans are making the tough decisions needed to get government under control and put our fiscal house in order. Some of these changes may not be popular today, but they are necessary after forty years of Democratic mismanagement, and will be good for the country in the long run.

Statement B: Republicans are just going too far with this budget. The cuts in Medicare and Medicaid will be hard on seniors, and the cuts in student loans will limit opportunity for young people. Republicans are cutting valuable programs, and that's the wrong kind of change.

Statement A/Republicans making tough decisions that will be good for the country	36
Statement B/Republicans going too far	58
Both equal (VOL)	3
Not sure	3

(FORM B ONLY:)

- 8c. Let me read you two statements about the budget debate in Congress, and tell me which one you agree with more. (ROTATE ORDER ON EVERY OTHER INTERVIEW)

Statement A: Republicans are making the tough decisions needed to get government under control and put our fiscal house in order. Some of these changes may not be popular today, but they are necessary after forty years of Democratic mismanagement, and will be good for the country in the long run.

Statement B: Republicans are putting the wealthy special interests ahead of the middle class. By giving new tax breaks to business and to the rich, weakening health and safety laws, and cutting social programs, Republicans are rewarding their friends, but shortchanging average working people.

Statement A/Republicans making tough decisions that will be good for the country	36
Statement B/Republicans putting wealthy special interests ahead of middle class	55
Both equal (VOL)	3
Not sure	6

9. President Clinton has said he will veto the Republican budget legislation if it includes certain provisions. For each item I mention, please tell me if you think President Clinton should accept this provision in order to get the budget passed, or whether you think he should reject any budget that includes this provision. (ROTATE ORDER OF ITEMS ON EVERY OTHER INTERVIEW.)

(FOR EACH ITEM BELOW, ASK:) When it comes to the Republican proposal that (READ ITEM), should President Clinton accept this provision in order to pass a budget, or do you think he should reject any budget that includes this provision?

THIS TABLE HAS BEEN RANKED BY THE PERCENTAGE OF RESPONDENTS WHO SAY REJECT IF INCLUDED

	Accept In Order To Pass A <u>Budget</u>	Reject If Includes This <u>Provision</u>	Not <u>Sure</u>
Allows corporations to take money out of their employees' pension funds to use for other purposes .	8	86	6
Gives large new tax breaks to big corporations and wealthy individuals	12	81	7
Makes major cuts in Medicaid that would make it harder for families to afford nursing home care	19	73	8
Cuts the student loan program and makes it even harder for middle class families to afford college	21	72	7
Makes major cuts in Medicare that would raise health care premiums for senior citizens	22	71	7
Makes major cuts in federal support for public education	23	71	6
Reduces enforcement of occupational safety and health protections	27	65	8
Changes the law to allow companies with government contracts to permanently replace striking workers	29	59	12
Weakens the laws that stop unfair labor practices by employers and protect workers' rights to form unions .	33	54	13

Getting to the end of the survey . . .

- 10a. Here are some criticisms that have been made of the Republicans in Congress. Please tell me which one, if any, concerns you most about the Republicans in Congress? (READ ITEMS, ROTATING ON EVERY OTHER INTERVIEW.)

	Q.6a	Q.6b
	First Mention	Combined First and Second Mentions
They are cutting student loans and funding for education	16	30 >
Their tax cuts go too much to business and the wealthy	17	29
They are making excessive cuts in Medicare and Medicaid	23	39
They are cutting too much from programs for poor women and children	8	21
They are weakening workplace health and safety protections	5	11
None (VOL)	10 SKIP TO	14
All equal (VOL)	17 FACTUALS	17
Not sure	4	3
None/All/Not Sure (Q.6a)		31

(ASK ONLY OF RESPONDENTS WHO CHOOSE A REASON AS THE BEST JUSTIFICATION IN Q.6a.)

- 10b. I'll read that list again, and please tell me which one, if any, is your second biggest concern about the Republicans in Congress? (READ LIST AGAIN, EXCEPT FOR FIRST CHOICE ITEM, AND RECORD UNDER Q.6b. ABOVE.)

(ASK EVERYONE:)

FACTUALS: Now I am going to ask you a few questions for statistical purposes only.

- F1. How would you describe your overall point of view in terms of the political parties? Would you say you are mostly Democratic, leaning Democratic, completely Independent, leaning Republican, or mostly Republican?

Mostly Democratic	28	> 40
Leaning Democratic	12	
Completely Independent	23	
Leaning Republican	13	> 32
Mostly Republican	19	
Not sure	5	

- F2. Thinking about your general approach to issues, do you consider yourself to be liberal, moderate, or conservative?

Liberal	21
Moderate	39
Conservative	35
Not sure	5

F3. What is the last grade you completed in school? (DO NOT READ CHOICES.)

Eighth grade or less	2
Some high school	6
High school graduate	36
Some college, no degree	14
2-year college graduate	10
4-year college graduate	19
Postgraduate work, master's degree	10
Doctoral/law degree	2
Not sure/refused	1

F4. How old are you? (IF REFUSED, ASK:) Well, can you tell me which age group you belong to? Are you in the age group 18 to 24, 25 to 29, 30 to 34, 35 to 39, 40 to 44, 45 to 49, 50 to 54, 55 to 59, 60 to 64, or 65 and over?

18-24	12
25-29	9
30-34	12
35-39	11
40-44	11
45-49	8
50-54	7
55-59	6
60-64	5
65 and over	17
Refused	2

F5. What is your marital status--are you single and never married, married, separated, divorced, or widowed?

Single	20
Married	63
Separated	1
Divorced	7
Widowed	8
Not sure/refused	1

F6a. What type of work do you do? (PROBE:) What is the job called? (WRITE FULL JOB DESCRIPTION IN SPACE BELOW.) (IF "UNEMPLOYED":) What kind of work do you usually do?

Professional/manager	19	RECORD JOB DESCRIPTION BELOW AND CONTINUE
White collar worker	15	
Self-employed/business owner	4	
Pink collar worker	4	
Blue collar worker	23	
Farmer	1	
<u>Not Currently Employed</u>		
Student	3	
Homemaker	7	
Retired	21	SKIP TO Q.F6c
Other/not sure	3	

(ASK ONLY OF RESPONDENTS WHO SAY THEY ARE EMPLOYED IN Q.F6a.)

F6b. Can you tell me whether you are a public employee—that is, are you employed by federal, state, or local government, a public school system, or some other governmental agency?

Yes, public employee	27
No, not public employee	66
Not sure	7

(ASK EVERYONE:)

F6c. Are you, or is any member of your household, a member of a labor union?

Labor union member	12
Labor union household	10
Nonunion household	75
Not sure	3

F7. Is there a personal computer in your household? (IF "YES," ASK:) And do you have a modem for your computer? (IF "YES, HAVE MODEM," ASK:) Are you connected to a network such as Prodigy, CompuServe, or America Online?

Have personal computer—with modem/network	12
Have personal computer—with modem/no network	12
Have personal computer—no modem	16
Have personal computer—not sure about modem	2
Non-computer household	55
Not sure/refused	3

F8. For statistical purposes only, if you added together the yearly income of all the members of your family who were living at home last year, would the total be less than \$10,000, between \$10,000 and \$20,000, between \$20,000 and \$35,000, between \$35,000 and \$50,000, between \$50,000 and \$75,000, or would the total be more than that?

Less than \$10,000	8
Between \$10,000 and \$20,000	12
Between \$20,000 and \$35,000	23
Between \$35,000 and \$50,000	19
Between \$50,000 and \$75,000	17
More than \$75,000	12
Not sure/refused	9

F9. Are you white, black, Hispanic, Asian, or something else?

White	79
Black	11
Hispanic	5
Asian	2
Other	1
Not sure/refused	2



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
11-27-95

THE DIRECTOR

95 NOV 22 P 6 : 01

November 21, 1995

Information Memorandum for the President

From: Alice M. Rivlin

[Signature] FOR

Per your request, attached is a preliminary staff draft comparing provisions in the Conference Report on reconciliation with provisions in the Coalition budget and your June balanced budget plan. This draft has only been circulated to the Administration economic team working on the budget negotiations and has not been edited for external use.

The Medicare and Medicaid sections do not include descriptions of Administration policy or the Coalition alternative. A revised draft containing that information will be available Monday.

*Need Lab (HHS)
12/1/95*

Administration, Conference, and Coalition 7-year Reconciliation Outlay Savings

Note on pricing: OMB estimates of Administration policy; CBO estimates of Conference; Congressional staff estimates of Coalition

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AFDC/SSBG/CHILD PROTECTION

November 21, 1995

Administration

Tightens rules for AFDC, encourages recipients to move from welfare to work, curtails abuses, and reinvests some savings in child care and work programs. AFDC, Child Care and JOBS remain entitlements. Improves child support enforcement.

(-\$2 billion)

Conference

Block grant for AFDC, Emergency Assistance, and JOBS, and another for mandatory child care funding. States spend 75 percent of 1994 levels in AFDC-related programs to receive full Federal funding, with reduction to 67 percent for some States. (With 30 percent allowable transfer to other State programs, the effective maintenance of effort can be as low as 30 percent.) Child care spending must be above 1995 levels to get full Federal funding. High work program participation levels amount to underfunded mandate. Contingency fund inadequate for a recession or an increase in child poverty. States can provide vouchers to children cut off of assistance due to a time limit, but are not required to. Over 7 years, the compromise cuts \$4 billion from AFDC, child care, and JOBS. (Net savings are less due to effects on Food Stamps.) Foster care cut by \$1 billion under CBO but almost \$5 billion compared to OMB baseline. SSBG cut by 20 percent, beginning in 1997 (\$4 billion). \$50 pass-through of child support to welfare families eliminated.

(-\$5.4 billion)

Coalition

Temporary Employment Assistance program replaces AFDC, with state flexibility under broad guidelines. Lifetime eligibility limit of 5-years with exceptions for ill and disabled, parents caring for child under 1 year of age or incapacitated family member, teen parents in school. Child care block grant at \$1.4 billion/year. Work First training and job search program with participation rates rising to 52 percent. After two years, workfare or job subsidy voucher to increase chances with private employers. Child support and paternity similar to Administration. Minor parents must live at home, with State option to deny eligibility. Family cap option. No rental assistance for minor parents.

Count welfare benefits (TEA, food stamps, SSI) in AGI.

(-\$9 billion)

FOOD STAMPS/CHILD NUTRITION

November 21, 1995

Administration

Maintains the current national nutrition safety net programs while reducing food stamp spending by 12 percent in 2002. Also targets subsidies to family day care homes serving low-income kids, and reduces child nutrition spending by 5 percent in 2002.

(Food Stamps, -\$18 billion; Child Nutrition, -\$2 billion.)

Conference

Over 20 food stamp cuts would decrease benefit spending by 20 percent in 2002. Many provisions are similar to the Administration and the Coalition although some are much more severe. Optional food stamp block grant, and a 4-month-out-of-12 time limit for childless adults - even if they are willing to work. Repeals OBRA '93 expansions which would help families with high rent costs to not have to choose between paying their rent or buying food. Enhances program integrity activities and increases fraud penalties.

No child nutrition block grants. Reduces meal subsidies to family day care homes and higher-income students for a total spending reduction of 10 percent in 2002.

\$300 million per year in mandatory funding for commodity distribution programs starting in 1997.

(Food Stamps:- \$30.2 billion Child Nutrition: -\$5.2 billion; TEFAP +\$1.8 billion - pricing does not include immigrant provisions.)

Coalition

Maintains current national program. Requires range of program integrity activities. Freezes standard deduction for 2 years and reduces maximum benefit from 103 percent of Thrifty Food Plan to 100 percent. Expands work program requirements, participation rates, and funding. Adds state flexibility to adopt Electronic Benefits Transfer.

Better income-targeting of Child and Adult Care program.

Freezes Nutrition Assistance for Puerto Rico for one year.

Combines several smaller commodity programs.

(-\$18 billion)

Administration

Retains cash benefits and tightens eligibility for childhood disability, but only prospectively. Current recipients would remain on the rolls. Over 200,000 future applicants (or 21 percent) between FY 1996 and FY 2000 who would have been eligible under current law would not get benefits.

Ends eligibility for individuals who would qualify because of drug addiction or alcoholism.

Ends eligibility for individuals who would qualify because of drug addiction or alcoholism.

(Childhood disability, -\$5 billion; Drug addiction and alcoholism, -\$3 billion (including -\$0.7 billion for Medicaid))

Conference

Retains cash benefits and tightens eligibility for childhood disability for current recipients and new applicants. An estimated 160,000 children currently on the rolls and 260,000 children in FY 2002 who would have been eligible under current law will not get benefits. For children coming on the rolls, the amount of the cash benefit will be based on whether the child is determined to need personal assistance to remain at home. Disabled children who are determined not to need such assistance will receive 75 percent of the benefit amount provided by current law.

Same as Administration.

(Childhood disability, -\$12.1 billion; Drug addiction and alcoholism, -\$2.3 billion)

Coalition

Retains cash benefits and tightens eligibility for childhood disability for current recipients and new applicants. 170,000 children (or 18 percent currently on the rolls and 225,000 future applicants (or 21 percent) between FY 1996 and FY 1990 who would have been eligible under current law and would not get benefits. Ends eligibility for individuals who would qualify because of drug addiction or alcoholism.

Same as Administration.

(Childhood disability, -\$8 billion; Drug addiction and alcoholism, -\$3 billion).

IMMIGRATION

November 21, 1995

Administration

Requires sponsors of legal immigrants to bear greater responsibility for those whom they encourage to come to the U.S. until immigrants become citizens. All changes are prospective and low-income sponsors are exempted.

(-\$5 billion)

Conference

Most immigrants denied SSI and Food Stamps, including those now on the rolls. New immigrants are denied eligibility for all other federally funded, needs-based programs for first five years in the country. Exemptions: naturalized citizens, asylees, refugees, aliens with a stay of deportation, veterans and their families, and immigrants who become eligible for Social Security. No exemption for immigrants who become disabled or the elderly. Effective January 1, 1997. States required to deem sponsors' income until citizenship for State run Medicaid, welfare block grant, SSBG, and other federal means-tested programs. Option of banning eligibility for these programs. Affidavits of support for new immigrants would be enforceable against sponsor by Government until immigrant had earnings subject to income tax for forty quarters. Includes program exemptions.

(-\$21.0 billion. Without Medicaid block grant, -\$25.2 billion)

Coalition

Counts some of legal aliens' sponsors' income in eligibility calculations for AFDC-replacement TEA, food stamps, and SSI.

Extends relative-sponsors' responsibility for support.

Makes affidavits of support legally binding.

(-\$5 billion)

EITC

November 21, 1995

Administration

Simplifies compliance procedures for certain types of questionable claims and denies the EITC to families where the child or a custodial parent is an undocumented or temporary resident alien.

Families with two children would get an EITC up to \$1,032 higher than they received this past April.

(-\$2.2 billion outlays and
-\$0.6 billion revenues)

Conference

The bill repeals the credit for childless workers enacted in 1993. The EITC would remain at current law levels for one-child families below \$14,750; single-parent-two-child families below \$14,000; and two-parent-two-child families below \$17,000. The EITC for families with more income would be cut. (The different treatment for one- and two-parent families is new.)

The conference bill would change the treatment of untaxed social security and other retirement income, business and capital losses, passive income, and child support to reduce the EITC.

4.3 million childless families and 8.3 million families with children would receive a smaller EITC. Even with the \$500 child credit and standard deduction changes elsewhere in the bill, 3.3 million families with children would face a net tax increase (based on 2005 parameters).

(-\$32.4 billion JCT, including -\$8.9 billion revenues and -\$23.5 billion in outlay cuts)

Coalition

The coalition bill includes the Administration's EITC alien and compliance provisions.

In related issues, the package would tax AFDC, SSI, and Food Stamp benefits. It would also make the Dependent Care Tax Credit refundable for low income workers and reduce it for upper income workers.

(\$0.5 billion)

STUDENT LOANS

November 21, 1995

Administration

Does not reduce benefits to students. Accelerates the phase-in of the Federal direct student loans program, eliminates guaranteed lending by academic year 1997-98, and recovers \$1.1 billion in Federal reserves held by guaranty agencies, which are not needed under a direct loan program. Current law specifies the goal of 40% of total Federal student loan volume in direct lending in academic year 1995-96, 50% in 1996-97 and 1997-98, and 60% in FY 98, plus free choice for schools starting in mid 96. The Administration's proposals are opposed by Republicans and Democrats; the higher education community and Senators Kennedy and Pell would not support numeric goals higher than those in current law, but do support "free choice." Under current scoring, the proposal saves \$6 billion. To advantage banks and other intermediaries, the Budget Resolution directs CBO to change scoring for this loan program only, raising the baseline by \$6 billion and reducing savings from the Administration's proposal to \$1 billion.

(-\$6 billion -OMB and -\$1 billion-CBO)

Conference

Caps the direct student loan program at 10 percent of total student loan volume, thereby eliminating 1,300 schools that started participating during the second year of the program. (Under Congressional Budget Resolution scoring rules, capping direct lending saves \$.6 billion. Makes it harder for students to convert guaranteed student loans into direct loans, thereby limiting their access to income-contingent repayment. Reduces some subsidies to lenders, but also reduces Secretary's authority and resources to manage the guaranteed program.

(-\$4.9 billion)

Coalition

No provision.

FEDERAL CIVILIAN RETIREMENT AND HEALTH

November 21, 1995

Administration

No savings proposal.

Conference

Extends 3-month COLA delay for civil service (CSRS and FERS) retirees through 2002; increases employee contributions by 0.5 percentage points; increases non-Postal agency contributions for CSRS employees by 1.51 percentage points (effective January 1996); conforms Congressional pensions to those of regular employees, for service beginning January 1996; requires Postal Service to assume liability for workers' compensation payments from employee injuries that occurred before creation of USPS.

(-\$11 billion)

Coalition

Requires the Postal Service to pay in advance its share of future retiree FEHB premiums. No long-run savings. Savings of \$11 billion over 7 years result from shifting cash flow from out-years to near-years.

(-\$11 billion)

MILITARY RETIREMENT

November 21, 1995

Administration

OBRA 93 delayed COLAs for military retirees from January 1 to October 1 during 1996-1998. The President's 1996 budget proposed spending \$385 million during 1996 to move the military COLA date to April 1, the same date as civilian retirees. No funds were requested for 1997 or 1998. (The cost for accelerating the military retiree COLA is \$620 million in 1997 and \$644 million in 1998.)

(-\$0.4 billion)

Conference

This provision was dropped in Conference as a Byrd Rule violation. The conferees agreed to address the issue in the defense authorization bill.

Coalition

Increases spending by \$1.8 billion to accelerate the military retiree COLA to April in FY 1996, and January in FYs 1997 and 1998. This would equalize the civilian and military retiree COLA dates in those years absent any other change in law. However, both the House and Senate reconciliation bills would delay the civilian retiree COLA dates to April 1 through 2002, thus creating a potential disparity between civilian and military retiree COLA dates after 1996.

(-\$2 billion)

VETERANS

November 21, 1995

Administration

Includes OBRA extenders (\$4.1 billion); repeal of the Gardner ruling that allows veterans to collect lifetime monthly payments for adverse effects from VA medical treatment, even if VA is not at fault (\$2.5 billion); changes to the home loan program (\$0.1 billion); and NPR savings (\$0.3 billion).

(-\$7.0 billion)

Conference

Includes all of the Administration's proposals (except a few extenders and NPR savings), plus: (1) increases the prescription drug co-payment to \$4 per 30-day supply and restricts the ability of the Secretary to waive prescription drug payments to veterans who claim an inability to pay; and (2) makes the COLA received by certain DIC beneficiaries a flat rate amount rather than a percentage of their benefit (this is an alternative to one of the Administration's OBRA extenders).

(-\$6.6 billion)

Coalition

Includes \$2.7 billion in savings from extending OBRA 93 provisions, plus the repeal of the Gardner decision. Excludes \$1.4 billion in extenders included in the President's plan. Although none of these proposals is very controversial, the Coalition was interested in being able to say they cut less than the Republican plan. The 3 provisions they dropped were in part thought to help compensate for the Coalition's CPI/COLA changes. The Coalition plan also added Medicare subvention, which veterans groups want (+\$5 billion in spending).

(-\$4 billion)

SPECTRUM AUCTIONS

November 21, 1995

Administration

MSR policy - Incorporates the more expansive Stevens amendment to the Senate telecommunications reform bill (S.652) with the February Budget, which expanded FCC auctions. CBO/OMB scored this proposal at \$8.3 billion for 1996 - 2002. The Administration also proposed to auction "analog" spectrum currently used by TV broadcasters after the broadcasters move from their current analog channel to a new digital channel. The auction of the excess "analog" spectrum could raise an estimated \$27 billion during 2002-2005 (and \$6 billion in 2002.) The combination of non-broadcast and broadcast spectrum auction yields \$14.3 billion in 1996-2002 (OMB estimate).

(-\$14.3 billion)

Revised policy - Identical to Conference language.

(-\$15.3 billion)

Conference

Extends the Federal Communications Commission's spectrum auctions, and directs the FCC and the Commerce Department to identify 120 MHz of privately and public licensed spectrum for reallocation using auctions. Provides relocation costs to Federal agencies forced to give up their current spectrum assignments for auction. Specifically forbids the FCC from auctioning the radio licenses of public safety organizations.

(-\$15.3 billion)

Coalition

Similar to Conference. Extends the Federal Communications Commission's spectrum auctions, and directs the FCC and the Commerce Department to identify 120 MHz of privately and public licensed spectrum for reallocation using auctions. (CBO scores at -\$15.3, same as Conference.)

FCC directed to begin auctioning the broadcast "analog" spectrum in 2002, with the actual spectrum not changing ownership until 2005. (CBO scores -\$5.4 billion, down from -\$11.5 billion.)

(-\$20.7 billion)

FARM PROGRAMS

November 21, 1995

Administration

Increases the income targeting of farm programs, while retaining their primary purposes of (1) income support in times of low farm prices, and (2) environmental protection. Increases farm acres ineligible for income-support payments ("triple base") from 15 percent to 18 percent of farm acreage. Payments are targeted to producers making less than \$100,000 in off-farm income. Reforms peanut and tobacco programs to run at no cost. Provides increased planting flexibility.

Conference

"Decouples" most farm program payments from production and market prices, representing a major change from current law. Farmers would enter into seven-year contracts, with guaranteed annual payments based on percentage share of payments through 2002 in CBO baseline. Permits significant planting flexibility, similar to Administration's plan. Rice and cotton loans can continue to be repaid at less than face value, based on world prices. Reduces income support payment limit from \$50,000 to \$40,000. Modest reforms in peanut program to make it no-net-cost to taxpayers. Sugar program domestic marketing allotments eliminated and deficit-reduction assessments increased. Eliminates Honey program. Fails to include any dairy program reforms. Reduces Export Enhancement Program (EEP) funds by over 30 percent.

Coalition

Increase triple-base non payment acres from 15 percent to 23 percent. Planting flexibility is increased from the present program structure, but somewhat less than the other proposals. Reforms peanut and tobacco programs to make them operate at no net-cost to the Federal government, similar to the Administration's proposal. Payment limitations on income-support amended to reduce benefits to \$47,000 per person (vs. the current \$50,000) but the current "3-entity" rule allowing this limit to be exceeded is not changed.

FARM PROGRAMS

November 21, 1995

Administration

Terminates the honey program as well as payments in the Emergency Livestock Feeding program in locations where crop insurance assistance is available. The Administration's post-GATT commitments are maintained; no cuts are proposed to export assistance or promotion programs, or the Conservation Reserve Program (CRP).

(-\$4 billion)

Conference

Drops the recent requirement for participants to purchase crop insurance. Reduces spending on the Conservation Reserve Program (CRP) by fixing maximum program acreage at the current 36.4 million acres. Wetlands Reserve Program (WRP) would no longer offer permanent easements; 15-year contracts only permitted. New mandatory conservation cost-share program for livestock producers created and funded at \$100 million per year.

(-\$12.3 billion)

Coalition

(-\$5 billion)

ENERGY

November 21, 1995

Administration	Conference	Coalition
Extend NRC fees as discretionary receipts. Not in reconciliation bill.	Extend NRC fees through 2002 (-\$1.3 billion).	Same as conference (-\$1.3 billion)
Privatize United States Enrichment Corporation (USEC) (-\$1.5 billion).	Privatize USEC (-\$1.7 billion).	Similar to conference (-\$1.8 billion)
Refinance Bonneville debt (-\$0.1 billion).	Same as Administration (-\$0.1 billion)	No comparable provision.
Sale of Alaska PMA not included in reconciliation but sale is included in S. 395.	Allow State of Alaska to sell tax-exempt debt to purchase APA. (-\$0.1 billion)	Apparently no comparable provision.
Sale of SPR oil not in reconciliation bill but FY 1996 Budget included a related proposal.	Sell oil from Weeks Island storage facility in place of moving the oil (-\$0.6 billion).	Not included.
Lease of excess SPR storage capacity not in reconciliation bill.	Lease unused SPR storage capacity (-\$.25 billion).	Not included.
Sale of other Energy assets not included.	Sell various assets (-\$.1 billion).	Apparently not included.
Sell Elk Hills and the other Naval Petroleum Reserves (-\$1.5). billion).	Sale of Elk Hills dropped due to Byrd Rule.	Apparently not included.
(-\$3.1 billion)	(-\$4.1 billion)	(-\$3.1 billion)

ARCTIC NATIONAL WILDLIFE REFUGE (ANWR)

November 21, 1995

Administration

Opposes sale of ANWR. Supports permanently protecting the refuge from oil and gas development.

(no savings)

Conference

Conduct various lease sales over the coming years.

(-\$1.3 billion)

Coalition

TRANSPORTATION

Administration

No provision.

Conference

Minimum allocation for highway programs lowers contract authority by \$0.6 billion. This is really a decrease in the base estimate, not true savings.

(-\$0.6 billion)

Coalition

No provision.

DRAFT

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
I. Budget Targets/Mechanisms			
Savings Target	\$270 billion over 7 years (\$254.4 billion when offset by the GME Trust Fund provision included).	\$270 billion over 7 years (\$280.0 billion when the HI tax provision is included).	\$270 billion over 7 years.
Annual Outlay Reductions (\$ billions)	FY 96: -7.9; FY 97: -15.1; FY 98: -26.9; FY 99: -39.9; FY 00: -49.2; FY 01: -59.9; FY 02: -71.3	FY 96: -8.4; FY 97: -17.1; FY 98: -25.3; FY 99: -36.1; FY 00: -47.8; FY 01: -60.3; FY 02: -75.2	FY 96: -6.8; FY 97: -14.3; FY 98: -27.2; FY 99: -42.0; FY 00: -49.0; FY 01: -59.8; FY 02: -70.9.
Overall Medicare Program Budget Limit	Failsafe budget mechanism will be established for FY98-FY02 to automatically reduce Medicare spending if it exceeds planned spending. -9 sectors of FFS providers established; each sector has own allocation; reductions are made to each sector independently. -2-year lookback mechanism starts in FY 99 to adjust the level of further reductions necessary to meet spending targets. Create "lockbox" - Medicare Growth Reduction Trust Fund - into which monies equal to the estimated reduction in Part B Medicare outlays are placed.	Failsafe budget limit mechanism (BELT) stricken from bill by Byrd Rule. Savings from increases in the Part B premium, Part B deductible and income-related Part B premium would be transferred to the Part A trust fund.	Failsafe - Largely the same as House provision: Sets overall annual spending limits (specified in law) for FY 98-02. Annual growth after 2002 limited to 5% per capita. Allocates the spending limit across 9 FFS provider sectors and provides a lookback to adjust payment rates if actual spending exceeds the limit. A significant change is that the "lookback" adjusts FFS payments proportionately across sectors to keep annual spending within the aggregate spending limit. For CY 96-02, savings from increasing the Part B premium (from 25% to 31.5% of program costs) and from the income-related Part B premium would be transferred to the Part A trust fund.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
II. Medicare Structural Reform			
Choices	Medicare Plus Plans (available to ESRD beneficiaries): - Medisave (high-deductible plan combined with MSA) - Union, association plans - Provider Service Networks (PSN) - Other types of coordinated care, e.g. PPOs - Traditional FFS Medicare program - No mandatory POS	Medicare Choice Plans (not available to ESRD beneficiaries): - MSAs no longer available; stricken by Byrd Rule - Union, association plans - Coordinated care plans including: HMO, POS, and PPO plans. - Other FFS plans - Traditional FFS Medicare program - Any plan that offers a closed panel HMO must also offer POS (Helms amendment). This may increase plan costs.	Medicare Plus Plans (available to ESRD beneficiaries who develop ESRD while enrolled): - Medisave (high-deductible plan combined with MSA) - Union, association plans - Provider Service Networks (PSN) - Other types of coordinated care, e.g. PPOs - Traditional FFS Medicare program - No mandatory POS
Enrollment	- Enrollment through the plans. - Two year transition period with monthly enrollment/disenrollment allowed for all plans except Medisave plans (annual election). - Starting in January 1998, annual open enrollment for all plans; 1 year lock-in with exceptions; one time 90 day grace period to disenroll from newly elected plan back into traditional Medicare.	- Enrollment through the Secretary. - Begins in November 1996; no transition period. - Annual open enrollment/disenrollment period, where a beneficiary may change into any plan; 1 year lock-in. - Exceptions to annual enrollment period for certain "qualifying" events (ie, change in residence). - 90-day grace period after initial enrollment in a plan.	- Enrollment through the plans. - Two year transition period with monthly enrollment/disenrollment allowed for all plans except Medisave plans (annual election). - Starting in January 1998, annual open enrollment for all plans; 1 year lock-in with exceptions; one time 90 day grace period to disenroll from newly elected plan back into traditional Medicare. (House)

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
MSAs	- Gov't makes monthly, risk-adjusted premium payments to insurance carrier for high-deductible plan. [Assumption is that govt payment > premium.] - Insurers may not sell "gap" coverage for high-deductible plans. - Difference between premium for high-deductible plan and average gov't contribution is deposited in MSA; no limits on accumulation over time - Spending from MSA on any qualified medical expense (IRS definition), including long term care insurance, is not taxable as income, may withdraw funds to zero balance. - Interest is taxable. - Spending on non-medical expenses is taxable. - Minimum balance is 60% of deductible amount.	Stricken by Byrd Rule - Government will make annual risk-adjusted payments toward premium, with the difference being deposited in MSA - Money used for medical purposes are not taxed as income. - Qualified expenses defined by tax code, may also include LTC expenses - MSA earnings not includible in gross income. - Accumulation of funds is allowed. - Money used for non-medical purposes is taxable. 10% penalty on funds used for nonmedical purposes. - At end of year, 75% of the difference between plan premium and average gov't payment may be rebated to the beneficiary in cash.	- Gov't makes monthly, risk-adjusted premium payments to insurance carrier for high-deductible plan. [Assumption is that govt payment > premium.] - Insurers may not sell "gap" coverage for high-deductible plans. - Difference between premium for high-deductible plan and average gov't contribution is deposited in MSA; no limits on accumulation over time. - Spending from MSA on any qualified medical expense (IRS definition), including long term care insurance, is not taxable as income, may withdraw funds to zero balance. - Interest is taxable. - Spending on non-medical expenses is taxable. - Minimum balance is 60% of deductible amount.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
MSA Deductible Plan	The high deductible plan tied to an MSA is governed by the following rules: - Deductible may not exceed \$10,000. - The types and amount of expenses that count toward the deductible must include at minimum those expenses that would have been payable under Medicare Parts A and B. This means that expenses that count toward the deductible are more limited than the medical expenses that may be charged to the MSA (e.g. drug expenses can be paid out of the MSA but may not count toward meeting the deductible). - High-deductible plans are required to provide standard Medicare benefits once deductible is met. This means that the beneficiary may still have cost-sharing requirements after meeting the deductible.	Stricken by Byrd Rule. - Minimum deductible is \$3,000, limit on all out-of-pocket costs is \$6,000.	The high deductible plan tied to an MSA is governed by the following rules: - Deductible may not exceed \$6,000 in 1997. This limit is indexed by the national average growth rate established for Medicare Plus plans to allow it to grow over time. - The types and amount of expenses that count toward the deductible must include at minimum those expenses that would have been payable under Medicare Parts A and B. This means that expenses that count toward the deductible may be more limited than the medical expenses that may be charged to the MSA (e.g. drug expenses can be paid out of the MSA but may not count toward meeting the deductible). - High-deductible plans are required to provide standard Medicare benefits once deductible is met. This means that the beneficiary may still have cost-sharing requirements after meeting the deductible.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Minimum Benefits/ Premiums	- Every MedicarePlus plan must offer beneficiaries at least as many benefits as is provided for under the standard Medicare program. - HMOs are required to provide the actuarial value of their benefit package to HCFA. If their costs are lower than the gov't average contribution, the plan must be enriched. - Plans may give cash rebates to enrollees equivalent to the Medicare Part B premium if plan costs are lower than the government contribution. - Plan premiums plus the actuarial value of cost-sharing (excluding extra billing) cannot exceed the actuarial value of traditional Medicare's deductibles and coinsurance. <u>Therefore the premium amount the plan may charge beneficiaries is capped.</u> - Eliminate the 50/50 rule.	- All Medicare Choice plans must cover the same services as the traditional Medicare program. - Plans may include additional benefits in basic premium, and/or offer supplemental benefits for a separate premium. - No premium cap - Average total cost-sharing per enrollee for a Choice plan cannot exceed the actuarial value of cost-sharing under traditional FFS. - If Medicare payment greater than plan premium, beneficiary may apply excess to supplemental benefits or receive cash rebate of 75% of difference at end of year. - Eliminate 50/50 rule.	- Every MedicarePlus plan must cover the same services as is provided for under the traditional Medicare program. - Plans may include additional benefits in basic premium, and/or offer supplemental benefits for a separate premium. - HMOs are required to provide the actuarial value of their benefit package to HCFA. If their costs are lower than the gov't average contribution, the plan must be enriched. - If Medicare payment greater than plan premium, beneficiary may apply excess to supplemental benefits or receive cash rebate of 75% of difference at end of year. - Plan premiums plus the actuarial value of cost-sharing (excluding extra billing) cannot exceed the actuarial value of traditional Medicare's deductibles and coinsurance. <u>Therefore the premium amount the plan may charge beneficiaries is capped.</u> - Eliminate 50/50 rule.
Balance Billing	- The rules against balance billing by providers are retained for in-plan and emergency services; however protection against balance billing is eliminated for out-of-plan services by all providers (including hospitals and SNFs). - In traditional FFS, balance billing restrictions are retained.	- Eliminates rules against balance billing by physicians who are part of MediChoice plans regardless of whether in or out-of-plan. Protection against physician balance billing for HMO enrollees would depend on each plan's provisions. - Rules against balance billing for hospitals and SNFs are retained for out-of-plan and emergency services, but in-plan protection is unclear. - In traditional FFS, balance billing restrictions are retained.	- The rules against balance billing by providers are retained for in-plan and emergency services; however protection against balance billing is eliminated for out-of-plan services by all providers (including hospitals and SNFs). - In traditional FFS, balance billing restrictions are retained.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Health Plan Standards	-Standards, other than those governing PSNs, will be developed by NAIC regarding financial solvency, market conduct, consumer protection, quality of care, etc. Secretary will develop regulations based on NAIC standards.	-Similar provision although NAIC is not specifically directed to develop standards.	-Standards, other than those governing PSNs, will be developed by NAIC regarding financial solvency, market conduct, consumer protection, quality of care, etc. Secretary will develop regulations based on NAIC standards. Quality -- must have a QA program and be reviewed by PROs; otherwise, may satisfy quality standards if accredited by private org. approved by the Secretary. Data -- Establishes standards for information transactions and data elements.
Rules Determining Medicare Premium Payments	- Medicare Plus premiums are "decoupled" from FFS spending patterns. - In FY 96, counties are divided into 5 groups based on comparison input price index for the area compared to national average. To compress local variation, annual updates are adjusted to increase payment to currently "underpaid" counties and reduce payments to currently "overpaid" counties. - Market areas will be defined by counties. - Rural areas have minimum premium of \$300 per enrollee per month in FY 96, \$320 in FY 97. -National average growth rates are set at: FY 96: 5.3%, FY 97: 3.8%, FY 98: 4.6%, FY 99: 4.3%, FY 00: 3.8%, FY 01: 5.5, FY 02: 5.6%, thereafter: 5%. Growth rates are adjusted by county depending on relative input costs. - Does not eliminate payments for DSH, IME and GME.	- Payment is delinked from FFS spending patterns and local variation compressed by partially adjusting payment to reflect input prices. - 1996 rate will use 95 AAPCC updated by projected increase in Medicare spending from CY 95-CY 96, with a blend of 75% from adjusting the 1995 AAPCC rates by national rates of increase and 25% from adjusting these rates to reflect local input prices relative to national average input prices. - 1997 rate will use metropolitan statistical area (MSA) rather than county, blend 50/50 local/national rates - Average per capita Medicare spending reduced by GME, IME and DSH payments over 2 year transition period - Payment rates will be "delinked" from the traditional Medicare program, and indexed to GDP per capita which are projected as follows: FY 96-97, 4.6; FY 98-05, 4.7.	Rates will be county based but states could apply to use Metropolitan Statistical Areas or a statewide system for payment purposes. Establishes a minimum of \$300 for 1996 and \$350 for 1997. No plan would ever experience an increase smaller than 2% of the previous year's rate. Overall payments would increase as follows: 96,8.0%; 97,3.8; 98,4.6%;99,4.3%; 00,3.8%;01, 5.5%;02,5.6% and thereafter 5.0%. Payment is a blend of local and input-price adjust national rate: 90/10 in 1996 and 1997; 85/15 in 1998; 80/20 in 1999; 75/25 in 2000; 70/30 in 2001 and thereafter. DSH, IME and GME remain in the payment rate to HMOs.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
PSNs	-PSN is a delivery system that provides a substantial proportion of health care items and services directly through a group of providers. - Exempt from state licensure. - Preempts state requirements regarding capitalization and financial solvency for PSNs.	Allows temporary (up to 36 months) federal certification and regulation of PSNs after giving the state 90 days to act on the application. If a state denies certification, the Secy. can override only if the standards or process created an unreasonable barrier to market entry. The PSN would then be subject to federal quality, access, and solvency requirements. Program sunsets in 2001.	-PSN is a delivery system that provides a substantial proportion of health care items and services directly through a group of providers. - Requires that states adhere to Federal solvency guidelines when certifying PSNs. The federal standards would take into account different financial reserves of new entities. The Secretary would consult NAIC and the American Academy of Actuaries and create a negotiated rulemaking committee to develop standards. - Feds could certify PSNs if a state fails to act in a timely manner or if states applied other standards to PSNs that were not generally applicable to other similar plans. PSNs allowed to have minimum enrollment of 1,500, compared to 5,000 in other plans.
Anti-Trust Relief	- Bars antitrust actions against "medical self-regulatory" entities (e.g., medical societies) and individual members which engage in standard setting and enforcement in areas of medical education, professional ethics, and specialty certification. - Bars application of the "illegal per se" standard to conduct a PSN and establishes a "rule of reason." - DoJ and FTC are directed to promulgate guidelines for the establishment of PSNs, relaxing antitrust rules for these organizations, and encouraging their development.	No provisions included.	Conference Agreement included House provisions, but all were stricken on the Senate floor on the Byrd Rule.
III. Changes in Part A			
PPS Payment Update	Update factor equals MB less 2.5 points for FY96, MB less 2.0 points for FY97-FY02.	For PPS hospitals, calculate the update factor at MBI less 2.5 for FY96 - 02, but establishes minimum update of 1.3% in FY 96, 1.2% in FY 97 and 1.1% in FY 98-02.	Update factor equals MB less 2.5 points for FY96, MB less 2.0 points for FY97-FY02 (House). Creates new update for Urban Medicare dependent hospitals of -2.0 in 96; -1.7 in 97 and 2.0 in 98-02; eligible hospitals include urban hospitals with no DSH and teaching and rural hospitals >100 beds with no DSH and teaching.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Non-PPS Hospitals	- Continue current payment update (MB less 1 point through 1997). - Charge the Secretary to advise on feasibility of a PPS by 6/1/96.	- Set limits on update factors the same as for PPS hospitals. - Ceilings on payments for certain hospitals. - Charge the Secretary, in consultation with ProPAC, with establishing a prospective payment system for these hospitals (rehab, psychiatric, etc) by 6/1/96. - Minimum update of 1.3% in 96; 1.2% in 97 and 1.1% thereafter. - Hospitals with higher costs get full update.	- Set limits on update factors the same as for PPS hospitals. - Ceilings on payments for certain hospitals. No update floors; rebases certain LTC hospitals; there is no requirement for Secretary to advise on the feasibility of PPS for currently exempt hospitals.
PPS Capital	-Extend budget neutrality provision at 85% of Medicare's reasonable cost payments for FY 95-02 - Reduce federal rate by 7.47%. - Reduce hospital specific rate by 8.27%.	Same provision.	-Extend budget neutrality provision at 85% of Medicare's reasonable cost payments for FY 95-02 - Reduce federal rate by 7.47%. - Reduce hospital specific rate by 8.27%. - capital exceptions would have a minimum payment amount of 85%.
Non-PPS Capital	Reduce payments by 15%.	Same provision.	Reduce payments by 10%.
Capital Tax Adjustment	Budget neutral adjustment for property taxes under capital PPS.	Same provision.	Budget neutral adjustment for property taxes under capital PPS.
Revised Capital Exceptions	- Waives the deadline for the completion of major modernizations for certain projects in order to be eligible for a minimum payment level after the transition period. - Establishes a higher minimum payment level of 85% (instead of 70%) after the transition period.	- Similar provision. - Similar, but 80% instead of 70%.	- Waives the deadline for the completion of major modernizations for certain projects in order to be eligible for a minimum payment level after the transition period. - Establishes a higher minimum payment level of 85% (instead of 70%) after the transition period.
DSH	Reduce DSH payments by 20% in FY 96; 25% in FY 97 and 30% from FY 98 and thereon.	Phase down DSH payments by 5% per year for FY 96-FY 00, then continue 25% reduction in FY 01, FY 02.	DSH would be reduced by 5.0% in FY 1996; an additional 5% in 1997; an additional 7.5% in FY 1999 and 1998; and an additional 5% in 2000 and remain at 30% for 01 and 02.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
IME	- Reduce IME payments to 6.0% in FY96-99, to 5.6% in FY2000 and thereafter. - Set up new trust for both IME and GME funded from three sources: Medicare GME and IME payments and general revenue (\$15.8 over 97-02). This Trust Fund would have 3 separate accounts.	Reduce IME payments from 7.7% to 6.7% in FY96, to 6.0% in FY97, to 5.4% in FY98, to 5.0% in FY99 and thereafter per each 10 percent increase in the ratio of interns/residents to-beds	- Reduce IME payments to 6.7% in FY96, to 6.0% in FY97-98, to 5.6% in FY99, to 5.3% in FY00, and to 5.0% in FY01 and thereafter. - Set up a "Teaching Hospital and Graduate Medical Education Trust Fund" funded from three sources: Medicare IME; Medicare GME; and general revenue (\$13.5 billion over FY97-02). The Trust Fund would have 5 separate accounts. By FY00, 50% of the appropriated funds would be channeled into the Trust Fund's "MedicarePlus Incentive account."
GME	Set limits on GME payments by limiting number of FTE residents to that on 8/1/95; allow consortia to receive payments; reduce payments for noncitizens and eliminate payments for residents past their initial residency periods.	No provision.	- Set limits on GME payments by limiting number of FTE residents to that on 8/1/95 - Allow consortia to receive payments - Reduce payments for residents past their initial residency periods to 0.25 FTE
Bad Debt	Phase down reimbursements to 75% in FY96, 60% in FY97, and to 50% in FY98.	No provision.	Phase down reimbursements to 75% in FY96, 60% in FY97, and to 50% in FY98.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Rural Hospitals	SCHs subject to MB -1% for FY 96-2000. No provision.- Create REACH program to encourage rural hospitals to provide emergency services, and to become limited service providers - Continue EACH/RPCH program - Floor on rural wage index - Extends current rural referral center classification indefinitely; prohibits denial of a rural referral center's request for geographic reclassification based on wage comparison.	No provision. - Reinstates Medicare Dependent Hospital program which expired 10/1/94. These hospitals are paid like SCH.- Same as House. -Replaces RPCH program with Critical Access Hospitals; expands program to all states. Hospitals paid on a reasonable cost basis. Continues payments to EACH, RPCH, and MAF. - Increases Bonus payments in HPSAs. - Permits direct payment of physician's assistants and nurse practitioners. - Authorizes a telemedicine demo.	No provision - Reinstates Medicare Dependent Hospital program which expired 10/1/94. These hospitals are paid like SCH. - Create REACH program to encourage rural hospitals to provide emergency services, and to become limited service providers. -Replaces RPCH program with Critical Access Hospitals; expands program to all states. Hospitals paid on a reasonable cost basis. Continues payments to EACH, RPCH, and MAF. - Extends current rural referral center classification indefinitely; prohibits denial of a rural referral center's request for geographic reclassification based on wage comparison. - Increases Bonus payments in HPSAs. - Permits direct payment of physician's assistants and nurse practitioners. - Authorizes a telemedicine demo.
Skilled Nursing Facilities	- Extend OBRA93 freeze savings - Include "routine ancillaries" under the cost limits, beginning FY97 - Non-routine services would be reimbursed on a reasonable cost basis, subject to a blended per stay limit, beginning in FY97 (rate would be updated by the SNF MB-2.0% starting in FY98) - Reduce capital payments by 15%, FY96-02 - SNFs would be required to bill for all Part B services that its Medicare patients receive, except for physician services and portable x-ray or portable electrocardiogram services treated as a physician service. - SNFs whose costs are lower than the non-routine limit would be able to retain 50% of the difference, though not more than 5% of the total	- Extend OBRA93 freeze savings - Beginning FY96, include "routine ancillaries" under the cost limits - Beginning FY 96, non-routine services would be reimbursed on a reasonable cost basis, subject to a facility-specific per stay limit. Beginning FY97, limit will be updated by the greater of the SNF MB minus 2.5 or 1.2% in FY96 (1.1% after FY97). - Capital payments reduced by 15%, FY96-02 - SNFs would be required to bill for all Part B services that its Medicare patients receive, except for physicians providing evaluation and management services to patients under their care. - PPS would be implemented, beginning FY98 with a 10% reduction in payments - No savings sharing provision	- Extend OBRA93 freeze savings - Beginning FY96, include "routine ancillaries" under the cost limits - Beginning FY96, non-routine services would be reimbursed on a reasonable cost basis, subject to a facility-specific per stay limit. Beginning FY97, limit would be updated by the SNF MB minus 2.0%. - Capital payments reduced by 10%, FY96-02 - SNFs would be required to bill for all Part B services that its Medicare patients receive, except for portable x-ray or portable electrocardiogram services treated as a physician service and physician services that are not covered routine/non-routine services. -PPS would be implemented beginning FY98 with a 10% reduction in payments - No savings sharing provision

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Nursing Home Standards	Repeals OBRA 87 reforms and creates new requirements. SNFs participating in the Medicare would either have to meet the new standards (e.g., treatment of resident medical records, operation, quality assurance, etc.) or be certified or licensed by the state as a SNF.	No provision	No provision. Retains current law on nursing home requirements.
Home Health Care	- Establish prospective per visit payments with a per episode cap, subject to a dollar cap based on a 120-day episode of care; no payment for care between 120 days and 165 days. - Beginning FY 98, rates would be updated by MB minus 2.0%. -If total annual payments are below the cap, the agency would retain up to 50% of the difference, though not more than 5% of the total annual aggregate Medicare payments. -Extend OBRA 93 freeze	- Establish prospective payments system for home health services with per episode limits similar to House. - Beginning FY98, rates would be updated by the greater of MB minus 2.5 or 1.1% (1.2% in FY97). - Savings sharing would be the same as the House provision. - Extend OBRA93 freeze	- Establish prospective per visit payments with a per episode cap, subject to a dollar cap based on a 120-day episode of care; no payment for care between 120 days and 165 days. - Beginning FY98, rates would be updated by the MB minus 2.0%. -If total annual payments are below the cap, the agency would retain up to 50% of the difference, though not more than 5% of the total annual aggregate Medicare payments. - Extend OBRA93 freeze
Home Health Financing Shift	Shifts financing of home health services from Part A to Part B after 165 days of care; no Part B premium increase would result from the shift.	No provision to shift financing to Part B.	No provision to shift financing to Part B.
Hospice	No provision.	Set update for hospice services at the greater of the MB minus 2.5 or 1.1% (1.3% in FY96, 1.2% in FY97) for FY96-FY02.	Set update for hospice services at MB minus 2.0%, FY96-02.
Hospital Insurance Tax	No provision.	Require the Medicare HI payroll tax be paid by all state and local employees and employers. [In the past CBO has scored this at \$9.9 bill over 7 years.]	No provision.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
IV. Changes to Part B			
Physician Payments	- Replace the RBRVS 3 conversion factors with 1 conversion factor equal to \$35.42 - Repeal the MVPS and update the conversion factor by a sustainable growth factor based on GDP + 2% starting FY 96 - Applies spending targets in FY 97 and after to previous fiscal year, creating cumulative spending target - Sets ceiling of +3 pctg. points on upward performance adjustments to MEI, sets floor of -7 pctg. points in 1997, -7.75 in 1998, and -8 in 1999 and after.	Same as House provisions, except floor on performance adjustment to MEI is set at -7 pctg. points for 1997 and after.	Same as Senate provision.
Nurse Practitioners/Physician Assistants	No provision.	Allow NPs and PAs to be paid directly in all areas at 85% of physician fee schedule in outpatient settings.	Same as Senate provision.
Part B Deductible	No provision.	-Raise annual Part B deductible to \$150 effective Jan 1, 1996 -Add \$10 to deductible amount each year after 1996.	No provision.
Part B Premium	- Set base monthly Part B premium to cover 31.5% of program costs - Income-related premium: Premium subsidies would be phased out beginning at incomes of \$75,000 for singles (\$125,000 for couples). Subsidies would be completely eliminated at incomes of \$100,000 for individuals (\$150,000 for couples). - Income is based on AGI.	- Set specific dollar amounts in law for base monthly Part B premium so that it covers approximately 31.5% of program costs. - Income-related premium: Phase down subsidy starting at income of \$50,000 for singles (\$75,000 for couples). Eliminate premium subsidy for singles with incomes of \$100,000 or more (couples with income of \$150,000 or more). - Income include AGI plus tax-exempt interest.	- Set base monthly Part B premium to cover 31.5% of program costs. - Income-related premium: Premium subsidies would be phased out beginning at incomes of \$60,000 for individuals and \$90,000 for couples. Subsidies would be completely eliminated at incomes of \$110,000 for individuals and \$140,000 for couples. - Income is based on AGI plus tax-exempt interest.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Hospital Outpatient Departments (OPDs)	Eliminate formula-driven overpayment (FDO) to hospital outpatient departments, effective FY 96.	Same provision.	Same provision.
OPD Capital Payments	Extend 10% payment cut through FY 99-02.	Adds an additional 5% payment cut in FY 1996-98 (15% total); 15% cut extended through FY 1999-02.	Same as House provision.
OPD Cost-Based Payments	Extends 5.8% reduction through 2002 for hospital OPD services paid on cost basis.	Same provision.	Same provision.
Clinical Lab Services	Eliminates inflation updates through 2002; reduces payment cap to 65% of national median fee, effective 1/1/97.	Same provision.	Same provision.
Durable Medical Equipment	Fee schedules for DME maintained at 1995 levels through 2002 rather than increased annually by CPI-U. Reduces national payment limit for oxygen by 20% for 1996-2002. Increases fee schedules for prosthetics and orthotics by 1% annually (rather than CPI). Freezes payments for nutrients and related supplies at 1993 payment levels for 1996-2002.	Same provision. Reduces national payment limit for oxygen by 40% for 1996-2002. Maintains fee schedules for prosthetics and orthotics at 1995 levels through 2002. Freezes payments for nutrients and related supplies in 1996-2002 at 1993 payment levels.	Same provision. Reduces national payment limit for oxygen by 20% in 1996, gradually increases cut to 30% by 2002. Prosthetics/orthotics: Same as House. Nutrients and supplies: Same provision.
Ambulance Services	No provision.	Freezes payments in 1996-2002 at no more than 1995 amounts.	Same as Senate.
ASCs	Eliminates annual inflation updates for ASC payments for 1996-2002.	Same provision.	Same provision.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Regulate Private Billing for Labs	Permits direct billing of labs to patients.	No provision.	No provision.
<u>V. Fraud and Abuse</u>			
Fraud and Abuse	- Authorizes \$5.5 billion in new mandatory spending for anti-fraud activities at HHS IG and Medicare contractors (HCFA). --Set up nation-wide task force on fraud & abuse - Allow Medicare contractors to require prior approval for DME, supplies, and orthotics items or individual suppliers - Increases civil monetary payments for fraud & abuse - Extend current federal health care fraud penalties to all private health plans - Incentive program for enrollees to identify fraud & abuse - Adds a health care fraud section to criminal code. --Makes it harder to apply CMPs by making the standard of proof higher. -- \$2.8 billion in total savings over seven years.	--Establishes an expenditure account in the HI Trust Fund made up of gifts and bequests, criminal fines and forfeitures involving a federal health care offenses, CMPs and assessments imposed in health care cases, general fund transfers and false claims act recoveries. --Authorizes \$1.3 billion in mandatory spending from the account over seven years for FBI and HHS IG. --Requires HHS IG and AG to coordinate health care fraud enforcement. --Authorizes the HHS IG retain the cost of investigating fraud cases. --Requires HHS and DoJ to offer guidance and interpretive rulings on behavior that might violate the anti-kick back laws. --Extend current federal health care fraud penalties to all private health plans - Increases civil monetary penalties and exclusion authority. - Adds a health care fraud section to criminal code. --Incentive program for beneficiaries to report fraud. - \$4.2 billion in total savings over seven years.	--Establishes an expenditure account in the HI Trust Fund made up of gifts and bequests, criminal fines and forfeitures involving federal health care offenses, CMPs and assessments imposed in health care cases, general fund transfers and false claims act recoveries. --Authorizes \$5.9 billion in mandatory spending from the account over seven years for HCFA, FBI and HHS IG. --Requires HHS IG and AG to coordinate health care fraud enforcement. --Authorizes the HHS IG retain the cost of investigating fraud cases. --Incentive program for beneficiaries to report fraud. - Increases civil monetary penalties and exclusion authority. --Requires HHS and DoJ to offer guidance and interpretive rulings on behavior that might violate the anti-kick back laws. --Makes it a crime under the Social Security Act to convert assets to become eligible for a State health care program. --Makes it harder to apply CMPs by making the standard of proof higher. --Adds a health care section to the criminal code. --Expands investigation authority of state fraud control units. -\$3.5 billion in total savings over seven years.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Medical Malpractice Reform	- Limits non-economic (i.e., punitive) damage awards to \$250,000. Eliminates joint and several liability for punitive damages. Prohibits award of punitive damages if case involves drug or medical device subject to FDA premarket approval, except in case of misrepresentation or fraud.	- No provision.	No provision.
Secondary Payer	--Permanently authorizes the IRS/SSA/HCFA data match. --Disabled: Makes permanent that Medicare is secondary payer for disabled with employer-based health insurance. --ESRD: For 24 months after entitlement, Medicare would be secondary payer for beneficiaries with ESRD with group health insurance --Allows Medicare to recover primary payments from a 3rd party payer w/in 3 years from the time service was rendered. --Allows HCFA to recover payments from Third Party Administrators --Repeals Data Bank	--Permanently authorizes IRS/SSA/HCFA data match.. --Disabled: Makes permanent that Medicare is secondary payer for disabled with employer-based health insurance. --ESRD: For 30 months after entitlement, Medicare would be secondary payer for beneficiaries with ESRD with group health insurance.	--Permanently authorizes the IRS/SSA/HCFA data match. --Disabled: Makes permanent that Medicare is secondary payer for disabled with employer-based health insurance. --ESRD: For 24 months. After entitlement Medicare would be secondary payer for beneficiaries with ESRD with group health insurance. --Allows Medicare to recover primary payments from a 3rd party payer w/in 3 years from the time service was rendered. --Allows HCFA to recover payments from Third Party Administrators <u>Data bank is not repealed.</u>
Anti-Kick-back Law	--Creates an all-payer anti-kick back statute. Repeals current Medicare anti-kick back statute.	--Applies Medicare anti-kick back statute to all federal health programs.	--Applies Medicare anti-kick back statute to all federal health programs. --Creates a new exception to the anti-kickback law for remuneration arrangements in Medicare HMOs.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
<u>VI. Regulatory Reforms</u>			
Physician Self-Referral	--Repeals physician ownership referral prohibitions based on compensation arrangements. --Decreases the list of designated health services subject to ownership referral prohibitions. --Delays implementation until regulations are promulgated. --Adds a series of new exceptions (shared office, rural, no alternate providers, ASCs, renal dialysis, hospices).	No provision.	--Repeals physician ownership referral prohibitions based on compensation arrangements. --Decreases the list of designated health services subject to ownership referral prohibitions. --Delays implementation until regulations are promulgated. --Adds a series of new exceptions (shared office, rural, no alternate providers, ASCs, renal dialysis, hospices).
CLIA Regulations	Repeals all CLIA requirements as applied to physician office labs, except for pap tests.	No provision.	No provision (conference agreement included provision, but it was deleted under Byrd rule point of order)
<u>VII. Other Medicare Reforms</u>			
New Benefits	No provision.	No provision.	Medicare coverage is authorized for a self-administered oral drug prescribed for use as an anticancer nonsteroidal antiestrogen for treatment of breast cancer.
Medicare Eligibility Age	No provision.	Eligibility age change stricken by Byrd Rule.	No provision.
Commissions	- Combine PPRC and ProPAC - Establish a Commission on the Effect of the Baby Boom Generation on the Medicare Program	No provision	- Combine PPRC and ProPAC
VA/DOD Subvention	No provision.	No provision.	No provision.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
<u>VIII. Other Health Reforms</u>			
Self-Employed	No provision.	Increase the self-employed health deduction to 55%.	Phase-in of increased deductions: 1996-1997 increase to 30% 1998-1999 increase to 35% 2000-2001 increase to 40% 2002- increase to 50%
Repeal SS Tax 85-50%	Repeals increase in taxation of social security benefits from 85% to 50% in 2000. No provision.	No provision. Raises by \$1,000 the limit on how much social security recipients can earn without losing benefits.	No provision.
Tax of LTC Insurance	Amounts received under a LTC Insurance contract would be excludable as income.	No provision.	Amounts received under a long-term care contract are excludable up to \$175/day. Limited deductions of premiums as a medical expense. Includes consumer protections.
MSAs for <65	Permits tax deductible or excludable contributions to a MSA (up to \$2500 for individual, \$5000 for family) for those with a catastrophic health plan	Permit tax deductible/excludable contributions to MSAs for those with catastrophic health plans.	Permits tax deductible or excludable contributions to a MSA (up to \$2000 for individual, \$4000 for family) for those with a high-deductible health plan
Elder Care Tax Credit	Provides a \$500 credit for taxpayers who care for elderly and disabled family members in their home.	No provision.	Provides an above-the-line deduction of up to \$1000 for certain expenses incurred in the care of a qualified family member. Expenses may be deducted regardless of whether or not the care-giver itemizes other deductions.
Accelerated Death Benefits	Exempt from tax accelerated death benefits paid by insurance companies to terminally-ill people as well as settlements received by terminally ill people who sell their life insurance.	Same provision.	Exempt from tax accelerated death benefits paid by insurance companies to terminally-ill people as well as settlements received by terminally ill people who sell their life insurance.

Side by Side Comparison of Medicare Proposals

	House	Senate	Conference Agreement
Medigap Reforms	-The current prohibition on the sale of health insurance policies that duplicate other health insurance policies is eliminated. Definition of duplication is narrowed.	No provision.	-The current prohibition on the sale of health insurance policies that duplicate other health insurance policies is eliminated. Definition of duplication is narrowed. -Medigap products sold to Medicare Plus enrollees would not have to meet any Medigap standards (including loss ratio and standardization requirements).

Comparison of Medicaid Proposals: House, Senate, and Conference Agreement

	HOUSE	SENATE	CONFERENCE AGREEMENT
Authorizing Legislation	Amends the Social Security Act adding "Title XXI" which creates a Medicaid block grant program.	Same as House.	Amends the Social Security Act adding "Title XXI" which creates a Medicaid block grant program.
Entitlement	Repeals Title XIX. Abolishes the individual entitlement. Creates an entitlement to the states.	Guarantees health care coverage (undefined) to the disabled and pregnant women and children under 12 in families at or below 100% Federal Poverty Level (FPL). Federal government defines disabled individuals based on SSI eligibility.	States are required to cover pregnant women, children <13, and the disabled (as defined by the state) with income below the poverty line. <i>However, in an apparent contradiction, the bill eliminates the individual entitlement to health care coverage.</i>
Financing Provisions			
Program Financing	Retains the federal/state match. House formula has been adjusted to help low growth, high per capita states.	Retains the federal/state match. Overall, Senate formula helps high-DSH states (TX, MO) and hurts low-DSH, high-growth states (FL).	Retains the federal/state match. Helps certain states such as LA, NH, NV and NE.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Aggregate Growth Provisions			
Aggregate Growth Rates	Federal Medicaid funding is limited to the following growth rates: 7.5% in FY 96, 7.18% in FY 97, 4.40% in FY 98, 4.25% in FY 99, and 4.15% in FY 00 and after. Limits growth in Federal spending by \$170 billion over 7 years.	Federal Medicaid funding is limited to the following growth rates: 9% in FY 96, 6% in FY 97, 4% in FY 98 and after. Limits growth in Federal spending by \$172 billion over 7 years.	Federal Medicaid funding is limited to the following growth rates: 8.07% in FY 96, 7.05% in FY 97, 4.55% in FY 98, 4.36% in FY 99, 4.26% in FY 00, 4.17% in FY 01, 4.17% in FY 02, and the lower of 4.2% or GDP thereafter. Limits growth by \$163.4 over 7 yrs.
Federal Match			
FMAP	The FMAP is based on 1) current formula or 2) total taxable resources compared to number of people in poverty. Federal matching rates range from 50% to 83%. A state could match Federal funds up to a maximum amount ("cap").	FMAP is based on current formula (per-capita income). Minimum FMAP raised from 50% to 60% (helps such states as NY, CA, and MA). A state could match Federal funds up to a maximum amount ("cap").	FMAP is based on (1) current formula (per-capita income), (2) the lesser of (a) the new FMAP (total taxable resources and aggregate expenditure need) or (b) the current FMAP plus 10 percentage points, or (3) 60%
Indian Health Service	100% FMAP coverage for IHS facilities.	Same as House. Extends 100% FMAP to cover Tribal and urban health programs funded by IHS.	100% FMAP coverage for IHS facilities.
State Allotments			
Base Year	FY 94, including all DSH expenditures.	Higher of FY 94 with DSH expenditures plus 3.4%, or FY 95 without DSH expenditures, or 95% of FY 93 without DSH expenditures (this helps IN).	Abandons concept of a base year. Outlay allotments for 1996 would be established in statute. Press reports indicate that allotments are equivalent to higher of House or Senate formulas.

	HOUSE	SENATE	CONFERENCE AGREEMENT
State Specific Growth Rates	FY 96 = FY 94 multiplied by 14.8%. For FY 97 and after, each state's cap is determined by a "needs-based" amount, subject to floors and ceilings.	FY 96 = base year amount increased by 9%. For FY 97 and after, each state's cap is determined by a "needs-based" amount, subject to floors and ceilings.	FY 96 is established in statute (see above). For FY 97 and after, each state's cap is determined by a "needs-based" amount, subject to floors and ceilings (see below).
Needs Based Formula	The needs-based amount equals the product of four factors: 1) residents in poverty in the state, 2) a case-mix index, 3) an input cost index, and 4) national average spending per resident in poverty.	Same as House.	The needs-based amount equals the product of four factors: 1) residents in poverty in the state, 2) a case-mix index, 3) an input cost index, and 4) national average spending per resident in poverty.
Needs Based Floor	Each state's cap would increase by at least 3.5% in FY 97, 3% in FY 98, 2.5% in FY 99, and 2.0% for each year thereafter, even if the needs-based amount is lower than these growth rates.	Each state's cap would increase by at least 2%, even if the needs-based amount is lower than 2%.	Each state's cap would increase by at least 3.5% in FY 97, 3% in FY 98, 2% in FY 99 and thereafter.
a) Exceptions	For states whose FY 97 growth is between 75% and 120% of the national Medicaid growth percentage, the state receives 3% growth. For states whose FY 97 growth is above 120% of the national Medicaid growth percentage, the state receives 4% growth.	For those states whose FY 98 allotment grew more than 3.8%, the state receives minimum growth rates of 4.2% in FY 99, 4.0% in FY 00 and FY 01, and 3.4% in FY 02.	Beginning in FY 98, if a state's annual allotment growth exceeds the national growth percentage in FY 97, then the annual allotment floor would be limited to 4% indefinitely. Provision helps 34 states and hurts 16 states.
b) Exceptions	No such provision.	A state's computed allotment can not be less than .26% of the available pool amount for such fiscal year.	A state's computed allotment can not be less than .24% of the Federal pool beginning in 1998.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Needs Based Ceiling	A state's need based amount could not exceed the state's allotment for the previous year increased by 9% in FY 1997, 5.33% in following years.	A state's need based amount could not exceed the state's allotment for the previous year by more than a percentage of the national Medicaid growth percentage: 125.5% in FY 97, 132% in FY 98, 151% in FY 99, 156% in FY 00, 144% in FY 01, and 146% in FY 02.	A state's need based amount could not exceed 9% for FY 1997 and 5.3% thereafter.
Carry-Over Credit	States could carry forward unspent portions of their allotment from previous years.	States could carry forward unspent portions of their allotments of up to two years.	Unspent portions of a state's allotment in a fiscal year would be carried over to the succeeding fiscal year.
Special Exemptions to State Allotments			
Higher Growth Ceiling for some States	For the ten states with the lowest Medicaid spending per resident in poverty, the "needs based" growth ceiling would be 9.00% in FY 97, 6.00% in FY 98 and FY 99, 6.06% in FY 00, 6.15% in FY 01, and 6.23% in FY 02.	No such provision.	For the ten states with the lowest Medicaid spending per resident in poverty, the "needs based" growth ceiling would be 7%.
Special Funding Adjustment for some States	State outlay allotment for FY 1996 is increased by \$155,682,700 for Oregon, and \$195,468,000 for Tennessee.	The following states would receive additional amounts which could be used without fiscal year limitations: \$63 million for AZ, \$250 million for FL, \$34 million for GA, \$77 million for KY, \$181 million for SC, \$250 million for WA.	NH and LA would have fixed outlay allotments of \$369 mil. and \$2.6 bil. for each year through FY 00. LA and NE would have pre-determined allotment increases of \$37 mil. and \$90 mil. for FY 97. NV's allotment would increase by \$90 mil. for FY 96 - FY 98.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Exemptions from Full State Contribution for some States	No such provision.	NH and LA would only be required to contribute 20% of their state share amount to draw down full federal allotments of \$ 203 million and \$355 million respectively. Their state share amount would increase by 20% increments annually.	NH and LA would only be required to contribute 20% of their state share amount to draw down full federal allotments of \$ 203 million and \$355 million respectively in FY 96. Their state share amount would increase by 20% increments annually to FY 00.
Supplemental Pool for Emergency Health Care to Undocumented Immigrants.	Creates a pool of \$3 billion total over 7 years to be distributed amongst 10 states with largest undocumented immigrant population. CA would receive about half of funding.	No such provision.	Creates a pool of \$3.5 billion total over 5 years to be distributed amongst 15 states with largest undocumented immigrant population. Helps CA, NY, TX, FL, IL, NJ, AZ, MA, VA, WA, GA, MD, CO, OR, NM, in that order.
Other Funding Provisions			
1115 Waivers	No special provisions for waiver states (i.e. waiver states would be subject to state-specific growth rates and aggregate caps on Federal funds).	States are able to continue their 1115 waivers, but are subject to the aggregate caps on federal funds (i.e. most waiver states could not grow at state-specific rates negotiated in their waiver).	No special provisions for waiver states (i.e. waiver states would be subject to state-specific growth rates and aggregate caps on Federal funds).
Disproportionate Share Hospital Payments (DSH)	No explicit provision to provide DSH funding.	Same as House.	No explicit provision to provide DSH funding. However, the state would describe how expenditures for items and services furnished by acute care hospitals and children's hospitals with a low-income utilization rate would be provided.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Donations & Taxes	Repeals current law limitations.	Retains current law that limits the use of provider taxes and donations.	Repeals current law limitations.
Disallowances			
Administration	Administration expenditures included under the Federal cap. After the first 2 years, Federal spending for state & local administration cannot exceed the sum of \$20 million plus 10% of total program spending.	Administration expenditures included under the Federal cap. No specific limits or requirements on administration expenditures.	Administration expenditures included under the Federal cap. After the first 2 years, Federal spending for state & local administration cannot exceed the sum of \$20 million plus 10% of total program spending.
Abortion	Hyde language that denies federal funding for costs of abortions except in the case of rape, incest, or life endangerment, would be included in the Medicaid authorizing statute.	Senate floor removed Hyde language; however, instructed Senate conferees to reinsert language during conference.	States would not be allowed to provide abortion services except in the case of rape, incest, or life endangerment.
Assisted Suicide	Federal funding would not be available.	Restriction taken out due to Bryd rule.	States would not be able to provide prescription drugs and biologicals, if they were furnished for the purpose of causing, or assisting in causing, the death, suicide, euthanasia, or mercy killing of a person.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Eligibility Provisions			
Eligibility	States determine eligibility of low-income individuals with family income below 300% of the poverty line.	States determine eligibility of low-income individuals with family income below 250% of the poverty line. Some minimal coverage (see entitlement) would be guaranteed.	States determine eligibility of low-income individuals with family income <275% of the poverty line. Although states must cover certain low-income women, children <13 and the disabled, the bill explicitly repeals the individual entitlement to health care.
Transitional Coverage	Repeals current law.	Repeals current law.	Repeals current law
Benefit Provisions			
Benefit Coverage	States determine covered benefits and benefit levels from a list of covered benefits. States can spend only 5% of program spending on "medically-related" services (any service not listed under covered benefits).	States would determine covered benefits and benefit levels.	States determine covered benefits and benefit levels. States must provide immunizations to children and pre-pregnancy planning services and supplies. States can spend only 5% of program spending on "medically-related" services.
Required Benefits	States are not required to provide a minimum benefit package (except immunizations and pre-pregnancy planning services) to eligible beneficiaries.	Same as House.	States are not required to provide a minimum benefit package (except immunizations and pre-pregnancy planning services) to eligible beneficiaries.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Premiums and Cost Sharing	States may impose cost-sharing on certain recipients. Premiums could not be imposed on families <100% poverty line that include a pregnant woman or child. Cost-sharing for primary and preventative care for children and pregnant women must be nominal.	Same as House.	States may impose cost-sharing on certain recipients. Premiums could not be imposed on families <100% poverty line that include a pregnant woman or child. Cost-sharing for primary and preventative care for children and pregnant women must be nominal.
Child Immunizations	Repeals the current VFC program but requires states to cover immunizations for all eligible children.	Repeals the current VFC program but requires states to cover immunizations for all eligible children. Allows a state to use Medicaid funds to purchase vaccines at the CDC-negotiated price, if the State has depleted its 317 funds.	Repeals the current VFC program but requires states to cover immunizations for all eligible children.
EPSDT	Repeals current law.	Repeals current law.	Repeals current law.
Drug Rebate Program	Drug rebate program is preserved as an option for the states. The Federal government and the states would continue to share rebates. States can enter into rebate agreements with manufactures.	Same as the House, except states would not be allowed to enter into rebate agreements with manufactures.	Drug rebate program is preserved as an option for the states. The Federal government and the states would continue to share rebates. States would not be allowed to enter into rebate agreements with manufactures.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Set-Asides			
For Low Income Families, the Elderly, and Disabled	Requires states to spend 85% of the average percentage of state expenditures during FY 1992-1994 on mandatory services for mandatory eligibles within these groups.	Requires states to spend 85% of actual base year 1995 spending on mandatory services on mandatory services for each mandatory population.	Requires states to spend 85% of the average percentage of state expenditures during FY 1992-1994 on mandatory services for mandatory eligibles within these groups.
For FQHCs and RHCs	None	None	Requires states to spend 85% of the average percentage of state expenditures during FY 1992-1994 on services in RHCs and FQHCs
For QMBs	Requires states to spend a minimum percentage for Medicare premiums - which is 90% of proportion of state spending on mandatory eligibles for the years FY 93 to FY 95.	Requires states to spend 90% of the average percentage of the state expenditures from FY 93 to FY 95 attributable to expenditures for Medicare premiums.	Requires states to spend a minimum percentage for Medicare premiums - which is 90% of proportion of state spending on mandatory eligibles for the years FY 93 to FY 95.
Spousal Impoverishment Interactions			
Spousal Impoverishment Provisions	Retains provisions that protect the income and assets (up to \$75,000) of nursing home resident's spouses who live in the community.	Same as House.	Retains provisions that protect the income and assets (up to \$75,000) of nursing home resident's spouses who live in the community.

	HOUSE	SENATE	CONFERENCE AGREEMENT
Determination of Eligibility	States determine eligibility of low-income individuals with family income below 300% of the poverty line.	States determine eligibility of low-income individuals with family income below 250% of the poverty line. Some minimal coverage (see entitlement) would be guaranteed.	States determine eligibility of low-income individuals with family income <275% of the poverty line. Although states must cover certain low-income women, children <13 and the disabled, the bill explicitly repeals the individual entitlement to health care.
Protection of a Beneficiary's Home	Current Federal eligibility requirements, that do not count an individual's home toward their asset limit, would be repealed.	Same as House.	Current Federal eligibility requirements, that do not count an individual's home toward their asset limit, would be repealed.
Protection of Adult Children	Includes a provision that protects adult children of "moderate" means from having to contribute to the nursing home costs of their parents.	Does not include protections for family members other than the spouse.	An adult child with a family income above the State median income could be required to contribute to the cost of a parent's nursing home care.
Service Provisions			
Delivery of Service	States are required to describe their actuarial methods for setting capitation rates for HMOs or other managed care organizations in their state plan. Does not require state to establish quality standards.	Same as House.	States are required to describe their actuarial methods for setting capitation rates for HMOs or other managed care organizations in their state plan. Does not require state to establish quality standards.
1915(b) Requirements	Repealed.	Repealed.	Repealed

	HOUSE	SENATE	CONFERENCE AGREEMENT
1915(c) Requirements	Repealed.	Repealed.	Repealed.
Provider Payment Standards			
Provider Payments (General)	Repeals Federal provider payment requirements. States establish provider payment rates and reimbursement requirements. Requires states to describe their method for determining payment rates in their state plan.	Same as House.	Repeals Federal provider payment requirements. States establish provider payment rates and reimbursement requirements. Requires states to describe their method for determining payment rates in their state plan.
Boren Amendment	Repealed.	Same as House.	Repealed.
Cost Reimbursement for RHCs and FQHCs	Repeals Federal law. Requires states to describe provisions for payment to these facilities (329, 330, 340, or 340A of the PHSA) in their state plan.	Repeals Federal law. Requires states to set aside 1% of annual federal Medicaid dollars for grants to states for primary and preventative care provided in RHCs and FQHCs.	Repeals federal law. Requires instead that States spend 85% of the average percentage of state expenditures during FY 92 - FY 94 on services in RHCs and FQHCs
Standards			
Provider Standards	Repeals current law. Requires states to establish standards and procedures for determining eligibility.	Same as House.	Repeals current law. Requires states to establish standards and procedures for determining eligibility.
Nursing Home Standards	Repeals current Federal nursing home standards and requires states to develop state-specific standards.	Retains Federal nursing home standards. Would allow a waiver of federal law for states with stricter requirements.	Retains Federal nursing home standards but gives the state responsibility for enforcement with little federal authority for oversight.

THE WHITE HOUSE
WASHINGTON

November 21, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Rahm Emanuel

SUBJECT: Welfare Reform Update

The budget negotiations give us an opportunity to try for a better deal on welfare reform than the version the Republicans included in reconciliation. But we still face the looming threat of getting jammed with a stand-alone bill if the budget talks sour or the Republicans want to put us on the spot.

For now, the Republicans remain divided on whether to negotiate toward an acceptable bill or try to force a veto. Dole has reportedly hinted that he would prefer a signing, and so would Shaw, but Gingrich is more inclined to force our hand. We have dodged the bullet so far because of the budget agreement and because Jeffords, Chafee, and Lugar went home for Thanksgiving without signing the conference report. But that won't last -- they will go along in exchange for minor concessions if Dole insists. That means the Republicans could pull the trigger on a stand-alone bill anytime over the next month -- and if the Dec. 15th deadline goes by without a budget deal, we should not be surprised to get a lousy welfare bill for Christmas.

To reduce that risk, Leon is going to call Dole and Shaw and let them know that we want to find common ground on welfare reform as part of the budget negotiations, but we're not afraid to attack them as cruel to children if they try to send us their current bill. (We should also ask Breaux to find out if Dole has any interest in dealing on welfare sooner rather than later.)

I. Summary of Tentative Conference Report

The welfare savings in reconciliation total \$114 billion over 7 years -- \$32 billion from EITC (halfway between the House and Senate budget plans) and \$82 billion from welfare programs (House welfare bill was \$100 billion; Senate bill was \$68 billion).

The welfare bill itself was written carefully to leave us no easy targets. The two issues most likely to resonate as we hold out for further improvements are the cuts that affect child care and disabled children. In vetoing the reconciliation bill, we should say that we are ready to sit down and work toward a bipartisan welfare reform bill, but hurting disabled children and gutting child care isn't our idea of welfare reform. If we can get into bipartisan negotiations on welfare reform, we should be able to restore the Senate child care provisions, get the overall level of cuts somewhat closer to the Senate bill, and make changes on the contingency fund, performance bonus, and a few other areas that won't cost much money but can improve the final bill.

A. Welfare-to-Work Provisions

Most provisions of the Senate bill that are actually about welfare reform (as opposed to just budget cutting) survived the conference in some form. The conferees agreed to a permanent maintenance-of-effort provision at 75% instead of 80%, and a contingency grant fund at \$800 million instead of \$1 billion. The family cap and teen cutoff are essentially state options (family cap is opt-out; teen cutoff is opt-in). The conferees messed up the work performance bonus and dropped the personal responsibility agreements, but preserved other provisions we were worried about, like the displacement language and the child care guarantee.

But the conferees did weaken the work provisions in one important area -- child care. The changes are not enormous: The conference report stretches the additional \$3 billion in child care money over 7 years instead of 5. But this amounts to an effective \$1.2 billion cut over the 5-year period, which means thousands more mothers will stay on welfare instead of going to work. Since child care is the number-one work issue for the Senate moderates (and the press), we should be able to win back most of the child care provisions of the Senate bill.

In a negotiation with the conferees, we would want to strengthen other welfare-to-work provisions as well -- especially the contingency fund, the work bonus, and maintenance of effort. But in general, most of the true welfare reform elements of the conference report are at least in the ballpark, and the conferees deliberately avoided including any poison pills.

B. Budget Cuts

The major difference between the reconciliation conference report and the Senate welfare bill is deeper cuts in food stamps, child nutrition, child welfare, and SSI. The conferees followed the Senate's lead by maintaining the entitlements for food stamps, child nutrition, SSI, and child welfare, but made obscure, carefully targeted cuts in those programs.

The major cuts include:

1. **Food Stamps:** OMB's preliminary estimate is that the conference report cuts \$35 billion over 7 years (Senate was \$28.5 billion; House was \$38 billion). We should try to

reduce the overall level of cuts and get rid of the fixed cap on expenditures. The state option to block grant food stamps is one area where the conference report is better than the Senate bill (although it could still be improved). The Senate bill was a pure state option that allowed states to divert 20% of the money away from food. The conference report requires states to put EBT or stricter quality control measures in place before they can qualify for the state option, and makes them spend 100% of the money for food -- ~~so the incentive for a state to take the block grant is reduced.~~

2. SSI Kids: The conference report cuts \$3 billion more than the Senate bill. The conferees rejected the House block grant, and instead imposed a two-tier system under which the most severely disabled children would continue to receive full benefits, while less disabled children would have their benefits cut 25%.

3. Child Welfare: The conference report maintains the entitlement for foster care and adoption assistance, but cuts so-called administrative payments that many states use for child abuse prevention and child protection.

4. Child Nutrition: The House and Senate are still arguing over whether to give some states the option to block grant school lunch. If the House prevails, they will hand us a great issue, but we probably won't be that lucky.

5. Immigrants: Conferees eliminated the most objectionable Senate provision -- deeming beyond citizenship. But the cuts are still deep, and conferees eliminated an important exception from the House bill for the elderly (over 75) and disabled.

II. What Next

As part of the budget negotiations, we can seek overall savings targets in the neighborhood of the Senate bill. But if those talks break down, or the Republicans see an opening, we should be prepared for a few basic realities:

- Sooner or later welfare reform is likely to come to us as a stand-alone bill. Many of the welfare reform provisions (time limits, work requirements, etc.) cannot get around the Byrd rule, so unless there is a megadeal on the budget, a stand-alone bill will still be necessary. Such a bill could take many forms: 1) an omnibus bill that includes the budget cuts as well as the reform provisions; 2) a so-called Byrd-droppings bill that includes only the provisions stripped out by the Byrd rule; or 3) a smaller omnibus bill that includes the reforms we support but punts some or all of the budget cuts to the larger negotiation over budget reconciliation.

The first scenario is the most likely, and would require further negotiations before we could sign it. If there is a way to interest the Republicans in the third scenario -- a stand-alone bill that is limited to real welfare reforms (time limits, work requirements,

the AFDC block grant, child care money, teen pregnancy, child support enforcement, etc.) -- that would be ideal for us. But it is hard to see why they would consider such a deal now, unless they're worried about the Byrd rule or eager to put welfare reform in the bank. 

- Vetoing welfare reform won't make it go away: We can have welfare reform without a budget deal, but we can't have a budget deal without welfare reform Any budget deal is certain to include an AFDC block grant and budget cuts in the general neighborhood of the Senate welfare bill. Republicans will insist on it, and 35 Senate Democrats have joined us in signalling general acceptance. The only way to placate Moynihan, Marian Wright Edelman, and others on the left who have criticized us on welfare reform is to give up on both welfare reform and a deal to balance the budget.
- Welfare reform will do worst in budget negotiations if it's the last item on the table. If we want to soften the overall level of budget cuts in welfare reform, we should make it one of the first items of negotiation, rather than the last. There are two reasons to deal early on welfare reform. First, the gap between our position and the Republicans' is smaller on welfare reform than any other big-ticket item. We're at \$68 billion, they're at \$82 billion -- and all of the non-budgetary differences should be relatively easy to hammer out. Second, the programs we're trying to protect (food stamps, immigrants, etc.) have less political support than anything else in reconciliation -- even Medicaid. So if we solve Medicare, EITC, and other popular programs before we get around to welfare reform, we will end up right where the conferees did, with welfare cuts that hurt kids but don't generate political heat.
- In the end, we may have to choose between the majority of congressional Democrats who want welfare reform and outside groups on the left who don't. Our early soundings suggest that if the Republicans could force a stand-alone vote on the current conference report, we could lose at least 10-20 Democrats in the Senate and 20 in the House -- even with a Presidential veto threat. That would give the Republicans a veto-proof margin in the Senate, and with a few improvements in the direction of the Senate bill, they could potentially override a veto in the House. The only way we could keep many Democrats from voting for a stand-alone bill this time around is to assure them that they will get another bite at the apple soon so they don't have to run for re-election having killed welfare reform.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
11-27-95

THE DIRECTOR

November 21, 1995

95 NOV 21 PG: 30

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin *AMR*

SUBJECT: Budget Implications of Welfare Reform Conference

While some questions still remain unanswered, the basic outline of the welfare reform conference agreement is becoming clear. The conference report is vastly better than the House bill but still appreciably worse than the Senate version. Of particular concern is the overall level of budget cuts and the potential for these cuts to do real harm to low income families, especially children.

Congress' response to your challenge to reshape welfare programs is emerging from conference in the form of capped block grants offering States broad flexibility to design and run cash assistance programs but requiring in return that States meet stringent work requirements. You have indicated your general support for most of this structure, but you have also voiced deep concern about treating welfare reform as a budget cutting exercise rather than as a structural reform. Unfortunately, the conference agreement includes reforms with strict mandates *and* severe cuts. The cuts in low income programs -- AFDC, food stamps, immigrants, SSI, etc. -- will place great pressure on States. I believe that the magnitude of these cuts, coupled with inadequate funding for work and child care, threaten your goal of real welfare reform. States will need adequate resources to run the intensive work and benefit programs the bill requires, as well as related child care. The absence of these funds, coupled with the deep cuts in the other cash assistance programs, will place states in an untenable position. Without some changes, the result could be very large underfunded mandates on States and deteriorating support for children.

But the budget cuts are not the only problem. The structural changes in food stamps and child protection programs -- particularly when coupled with the AFDC reforms -- place low income families at even more serious risk.

In short, the welfare bill in its current form is unacceptable. The purpose of this memo is to summarize the important issues and to propose how we could address them. The attachment includes a list of issues that should be aggressively pursued in negotiations with the Congress over welfare reform.

MAGNITUDE OF THE BUDGET CUTS

As the table on the next page highlights, the budget cuts in the welfare reform conference report, while considerably better than the original House bill, are significantly deeper than the level you proposed in the June Balanced Budget Plan and deeper than the Senate passed welfare bill. If a welfare bill is enacted as a freestanding bill, then the Congress will be close to meeting its budget targets for low income non-health entitlements (except for EITC).

House, Senate, and Conference Welfare Bills Compared To President's Plan

7-year CBO savings in billions of dollars, net of discretionary cap adjustments

	President's Plan	Senate ^{1/}	House ^{2/}	Conference (Preliminary)
AFDC, JOBS, Child Care, CSE, Child Protection, & SSBG ^{3/4/}	---	-6	-17	-5
Immigrants, SSI for Kids and for Drug Addiction & Alcoholism	-11	-26	-32	-35
Nutrition (Excluding Immigrants)	<u>-21</u>	<u>-31</u>	<u>-40</u>	<u>-35</u>
Subtotal	-32	-62	-90	-74
Medicaid effects related to policies above ^{5/}	<u>-3</u>	<u>-5</u>	<u>-10</u>	<u>-5</u>
TOTAL	-35	-68	-100	-80

Totals may not add due to rounding.

1/ The Senate Reconciliation bill cut \$9 billion deeper than the Senate welfare bill.

2/ The House Reconciliation bill cut \$1 billion deeper than the House welfare bill.

3/ Cuts are deeper under Administration estimates. The Administration's estimate of current law AFDC spending is \$8 billion higher over 7 years though net savings differ by less because of effects on Food Stamps. The Administration estimates \$3 billion deeper cuts in child protective services because of different legal interpretations as well as a different baseline.

4/ The Senate welfare bill also included a \$2 billion adoption tax credit that is in the tax portion of the conference plan.

5/ In the context of a Medicaid block grant, these savings would be attributed to the block grant itself rather than to these specific changes.

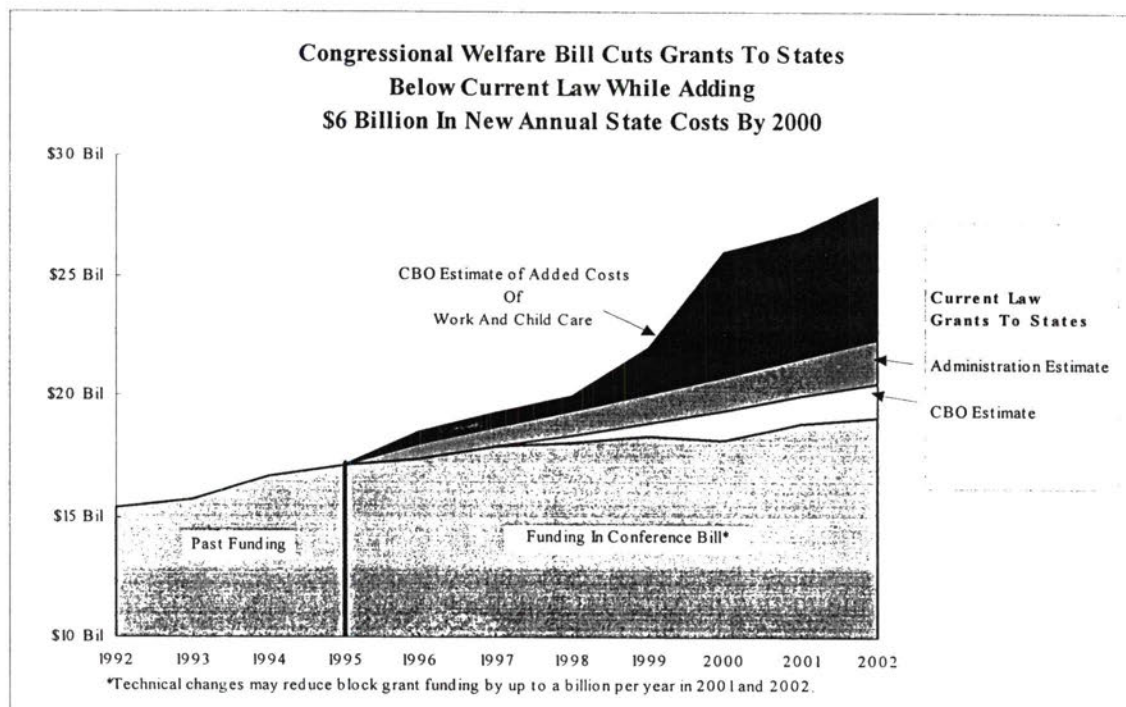
THE AFDC BLOCK GRANT

The conference report includes weak versions of most of the structural improvements that were adopted by the Senate (e.g., maintenance of effort, contingency funding in a recession, higher child care funding, no punitive mandates). In general, the conference agreement devolves more responsibilities to States, toughens work program requirements, establishes time limits, provides nearly flat funding at the FY 1995 level for AFDC cash benefits and work programs, and provides very modest increases for child care.

A central question in this debate has been whether real welfare reform can be accomplished by devolving more responsibilities to States while simultaneously cutting Federal funding. Given the overall level of Federal funding for the proposed block grant, States will be forced to make tough choices -- either significantly increase their own resources, deeply cut the level of cash benefits, mandate some of the punitive restrictions included as options in the bill, forego child care for some children, and/or forego meeting the work requirements. The fiscal bind on States will worsen over time, particularly during recessions. Moreover, severe cuts in the rest of the safety net -- especially in food stamps and benefits for legal immigrants -- would leave states with big new problems and inadequate resources to deal with them.

The Congressional Budget Office estimates that the welfare bill would cut funding for AFDC, JOBS, and child care programs by roughly \$4 billion over seven years. Under Administration estimates of current law, the cuts are much deeper than CBO estimates because of higher caseload projections in the outyears and higher estimates of child care spending under current law. The most serious problems with the reductions, which jeopardize true reform, include the following:

- The work requirements would create significant new costs for Governors while total funding would be cut. CBO estimates that the costs to States to implement the Senate work requirements -- which are less stringent than the conference bill -- would be \$21 billion more over seven years than the resources needed to maintain current work program levels. The conference bill, however, does not provide any more funding to States to meet these intensive requirements. While reforms such as time limits may improve welfare recipients' behavior regarding work and out-of-wedlock childbearing, and thereby reduce the long-term costs of welfare, these changes cannot be expected to materialize fully in the very near future. Meanwhile, Governors will not have enough funds to support minimum benefit levels and maintain pressure on moving people to work -- a scenario which would undermine the positive transformation of the system (see chart.)



- The contingency funds in the conference bill would be insufficient in the event of an economic downturn. As is standard practice, current economic projections call for steady economic growth and stable unemployment levels. If these conditions turn for the worse and

result in increases in need for public assistance, States will not receive significant Federal help to provide an adequate level of support to unemployed families forced to seek welfare. In the recessionary period from 1990 to 1992, Federal AFDC benefit expenditures totaled about \$6 billion more than the 1989 annual level, much more than the \$800 million provided by the conferees for the next five years. When the next regional recession occurs, it will be virtually impossible for States to provide an adequate level of cash benefits and meet the work requirements at the same time. States could in fact be penalized for not meeting the work requirements, making it even more difficult for them to provide benefits to families

- Block grant transfers would allow States to cut their own spending. The conference bill would allow States to move up to 30 percent of the cash assistance block grant to the Social Services Block Grant and other grants. If cash block grant funds are moved into these activities, States could cut their own funding for social services and thereby significantly reduce their overall maintenance of effort. This would be detrimental to the cash assistance program and would also allow States to further erode the social safety net

Other important problems with the conference bill include the lowering from 80% to 75% of the State maintenance of effort requirements and the lack of extra funding to provide performance bonuses to states.

Options to Address the Budget Problems Within the Congressional Structure

In a number of transmittals to the Congress, the Administration has called for improvements in the Senate-passed bill to make it more acceptable for your signature. The changes the Administration has pressed for in the AFDC section of the bill include additional funds for transitioning welfare recipients to work, tightly drawn maintenance of effort provisions, more adequate countercyclical funding mechanisms, and improved performance bonuses. The bill emerging from conference, however, indicates that conferees have not moved toward the Administration's position on any of these issues, but have instead regressed toward the more extreme provisions of the bill passed in the House. (The conference language does appear to include the House language allowing non-cash vouchers to children cut off assistance.)

We should continue to press for the improvements we have emphasized throughout the welfare debate. But the most important issue at this point is obtaining more funding for work and child care to reduce the seriously unfunded mandate. In the event that additional funding is not made available, certain no- or low-cost alternatives at a minimum should be pursued. Chief among them are:

- Expanding flexibility to States to manage the program mandates within the available resource levels. In view of the high costs of work and training activities and child care, which will very likely prevent States from fully meeting the work requirements, States must be given flexibility in certain areas if they are to fulfill the underfunded Federal mandates. The Senate included provisions in the right direction which would have allowed people who leave

welfare for work and people in sanctioned status to count toward the participation rate. It also allowed exemptions for mothers with young children. Unfortunately, the compromise bill dropped these very important flexibility items. We should press for their restoration, as well as for other options to give States even more flexibility to meet work requirements.

- Non-scoreable mechanisms to increase funding during economic downturns. The conference bill provides an \$800 million contingency fund to States when unemployment rises. This Administration has proposed and should continue to pursue a mechanism that would raise this level considerably in the event of a downturn; under the proposal, funds would not be scored but could be made available to ensure a viable safety net in a recession.

CUTS IN OTHER SAFETY NET PROGRAMS

The cuts in AFDC and related programs would impede States' ability to transform the welfare system toward work and responsibility. Cuts in several other income security programs are even deeper, however, and would place even greater pressures on State budgets and low income families. In addition, the structural changes in food stamps and child protection programs that have been adopted as part of the conference report increase the potential for real harm (some of the more onerous structural changes -- such as the cap on food stamp spending and the optional child nutrition block grant -- have been dropped from the reconciliation bill for procedural or other reasons, but they may reappear as part of a free-standing welfare bill).

1) Child Protection Programs

The conference bill cuts child protection services and administration by close to \$1 billion under CBO's current estimates. HHS's legal interpretation and baselines are different -- resulting in a much larger \$4 billion cut (about 20%). On a positive note, the conference agreement did not block grant the foster care cash payments, as proposed by the House and rejected by the Senate. However, unlike the Senate bill, which maintained the current child protection system, the conference compromise bill turns four child protection entitlements (for foster care and adoption assistance) into capped block grants. These programs fund basic services such as investigations of hotline reports of child abuse and neglect, licensing to make sure foster homes are safe, and efforts to find adoptive parents for children. In addition, the Administration's new abuse prevention program (Family Preservation and Support), proposed by the Administration and enacted in 1993, and the Independent Living program for foster teens are eliminated. We should work to reverse these congressional proposals.

These budget cuts would occur at a time when GAO and other sources report that resources are failing to keep pace with the needs of a national child protection system in crisis. Reported child maltreatment and the need for out-of-home placements have both increased sharply. Between 1983 and 1993, foster care caseloads mushroomed by two-thirds and over 1,300 children die each year due to child abuse and neglect. It is important to preserve adequate resources and flexibility so these programs can expand during a time of dramatic change to social programs.

The cuts could lead to more uninvestigated maltreatment reports, more children left in unsafe homes, and more children languishing in the system while they wait for adoption homes.

2) Food Stamps and Child Nutrition

The food stamp and child nutrition changes in the conference agreement constitute one of the most significant changes to the safety net for low-income individuals and families. Many States may take advantage of the option included in the bill to block grant food stamps. And the level of cuts in the conference agreement -- \$40 billion, including immigrants -- are twice those in the Administration Balanced Budget Plan and exceed the cuts in the Senate welfare bill. Preliminary CBO estimates indicate that by the seventh year, food stamp benefits spending would be cut by as much as 20 percent. This would be the equivalent of reducing the average food stamp benefit from the current level of 78 cents per person per meal to about 62 cents per person per meal. Every one of the 14 million children now receiving food stamps would receive considerably less under the Congressional proposals. We need to soften these cuts. The key concerns are as follows:

- *Optional Food Stamp Block Grant.* The conference agreement gives states the option to replace the food stamp program with a block grant at somewhat reduced funding levels. All states would be eligible to participate in the optional block grant and many have expressed strong interest. If a similar block grant had been adopted by every State in 1990, Federal support for the program would have fallen more than \$ 12 billion short of actual need by 1994 and the program would have served 8.3 million fewer children. If AFDC is to be devolved to States, is imperative that we continue the national food stamps program in order to ensure a minimum Federal benefit. If many States move to block grant food stamps -- a likely outcome -- support for this national safety net will quickly erode.
- *Forcing Families to Choose Between Paying for Food or Shelter.* The conference agreement repeals a provision proposed by this Administration and enacted in 1993 under which families with children that pay over half their income for housing will receive more food stamps in order to keep these families from having to choose between paying the rent and feeding their children adequately. This provision of food stamp law would take on added importance in the years ahead since many states may institute substantial cuts in cash assistance under the welfare block grant or impose rigid time limits shorter than five years in AFDC.
- *Four Month Time Limit for Unemployed Workers Looking for Jobs.* The conference agreement would limit food stamp benefits to 4 months out of 12 for unemployed people between the ages of 18 to 50 even if they are willing to work but unable to find jobs or a work program slot, unless they were disabled or taking care of a child. But, the legislation only provides work program funding sufficient to provide work slots for only a very small fraction of this population. Those unable to find 20 hours a week of employment or a work slot would remain ineligible for eight months. Those affected often do not qualify for

Federal, State, or local cash assistance because they are not elderly, not sufficiently disabled to receive SSI, and not raising minor children.

3) SSI Childhood Disability Benefits

The cuts to the Supplemental Security Income (SSI) program for disabled children contained in the conference agreement are increased by \$4 billion over the Senate bill. The conference agreement tightens the definition of disability for new children applying for SSI, which we support. However, the conference agreement would also apply this definition to children currently receiving benefits so that about 160,000 children currently in the program would lose eligibility within one year after enactment.

What are these kids who are currently receiving the conference agreement

The agreement also substantially reduces benefit levels for about three quarters of the children coming on the rolls by creating two categories of disability. Those with relatively more severe conditions would be eligible for the full federal benefit rate. However, severely disabled children with less profoundly disabling conditions would be eligible for only 75% of the federal benefit rate. Creating two categories of disability amongst individuals who are all judged to be severely disabled makes no sense. The low income parents of all of these children experience special costs and reduced employment opportunities because of their responsibility for these children.

What are these kids who are currently receiving the conference agreement

The changes proposed by Congress go far beyond the need to reduce the abuses in this program. Sizable cuts will place real strains on needy families.

4) Reduced Benefits for Legal Immigrants

The conference bill cuts benefits to immigrants by \$21 billion (not counting Medicaid cuts, which are assumed within the Medicaid block grant). While we were successful in our efforts to continue benefits to immigrants after they become citizens, in some respects the conference agreement would reduce benefits for legal immigrants in a more severe manner than either the House or the Senate bills. For example, the House exempted the severely disabled from their ban on benefits while both the House and the Senate exempted those over age 75 from their benefit restrictions. The conference bill would not exempt either group from an SSI and Food Stamps ban or severe benefit restrictions for any Federal or State program based on income, including: Medicaid, AFDC, student loans, or prenatal care.

- Over 1 million legal immigrants would be denied safety net assistance (SSI, Food Stamps, AFDC, and Medicaid) under the conference agreement, more than under the Senate bill. If States exercise an option to deny AFDC and Medicaid to all noncitizens, then considerably more than 1 million immigrants would be affected.
- The bill requires local governments and private/non-profit service providers to verify and report the citizenship and immigrant status of all individuals and families before they could participate in Federally funded programs -- including school lunch and prenatal care. This is

an unprecedented administrative burden and it could result in cases of discrimination toward citizens.

- Many of the legal immigrants cut off by the conference agreement will still require some form of assistance, leading to a significant cost shift to those States and localities that do not choose to institute a ban as well.

K/V The cuts in immigrants' benefits are the deepest in the entire welfare bill. If these proposals become law, billions of dollars in costs may be shifted to states with high immigrant populations unless the states also choose to restrict benefits. These cuts will place added strains on state welfare programs and the welfare population.

Conclusion

At the level of funding now emerging from conference, it is likely that real reform of welfare will be subordinated to Congress's need for budget savings to meet its seven year zero-deficit goals. Without significant changes, the result could be very large underfunded mandates on States, and a disappointing impact on the existing culture of welfare. The cuts included in low income programs other than AFDC -- food stamps, children's disability, immigrants, etc.-- will only exacerbate this problem.

Welfare reform is now included in the Reconciliation bill and therefore will be part of the budget discussions. We therefore have an opportunity to reorder priorities and soften the cuts. But it is also possible that Congress could send you a freestanding welfare bill. Unless major changes to the freestanding bill are made, I would recommend that you veto it to enable us to make changes as part of the overall budget discussions.

We *can* adopt savings and still reform welfare. We need to send a strong message to the Hill that we insist on real welfare reform coupled with more realistic budget savings. And we need to send the message that structural changes in AFDC are acceptable-- but only if food stamps, child nutrition and child protection programs are not dramatically restructured.

Attached is a list of the key issues I believe we need to resolve to make the bill more acceptable.

Key Issues to Be Resolved in Welfare Reform

AFDC, Work, Child Care, & Child Protection

- Add funding for work and child care activities (at a level not yet specified).
- Restore the hardship exemptions and/or allow States additional flexibility in calculating work rates (such as by expanding exemption categories and counting in the rates people who leave welfare for work).
- Improve the contingency fund by adding a stronger countercyclical funding mechanism (where the fund is designed so as not to be scored and a trigger based on the number of children on Food Stamps is included).
- No block granting of child protection programs.
- Other changes:
 - Restore job placement performance bonuses
 - Restore and tighten maintenance-of-effort to 80%
 - Provide added resources for State placement services when recipients hit the time limit
 - Restore personal responsibility contracts

Nutrition Programs

- Eliminate or greatly restrict the optional food stamp block grant.
- Reduce the level of savings in nutrition programs, with particular attention to the food stamps four month time limit for childless adults unable to find work, the cap on the excess shelter deduction which hurts low income families with high housing costs. Reduce child nutrition/school lunch savings.
- Eliminate or significantly improve the cap on Food Stamps spending and the optional Child Nutrition block grant if included in the “stand-alone” welfare bill.

SSI Benefits

- All new children’s disability recipients should be eligible for the full benefit rate; there should not be two categories of recipients with the less severely disabled children eligible for only 75% of the full benefit rate. New tightened definition of disability should only apply to new applicants; current recipients should be “grandfathered.”

Benefits for Legal Immigrants

- Provide an exemption for those who become severely disabled after entering the U.S. and/or are over age 75. Continue Medicaid for as many immigrants as practicable.
- Ensure that verification and reporting requirements are reasonable for local and non-profit service providers, especially for child nutrition and public health.

THE PRESIDENT HAS SEEN
11-27-95

THE WHITE HOUSE
WASHINGTON

NOVEMBER 22, 1995

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MEMORANDUM FOR THE PRESIDENT

FROM: KITT Y HIGGINS *AM for*
SUBJECT: SUMMARY OF CABINET WEEKLY REPORTS
NOVEMBER 19-25

Note: This week's report is abbreviated because of the Thanksgiving Day holiday.

DEPARTMENT OF COMMERCE

- **Secretary's Activities Next Week:** Secretary Brown will accompany you on the trip to Northern Ireland, November 29 - December 2. He will also travel to South Africa December 2-6 to co-chair the U.S.-South Africa Business Development Commission and to participate with the Vice President in meetings of the Gore-Mbeki Commission. On November 27, the Secretary will travel to Boston to open a regional Export Assistance Center.
- **Acoustic Thermometry of Ocean Climate Project Postponed:** The Department's National Marine Fisheries Service has postponed the controversial Acoustic Thermometry of Ocean Climate (ATOC) project in the Pacific after three dead humpback whales were found 88 kilometers off the California coast, southwest of San Francisco. Project scientists at Scripps Institution of Oceanography have agreed to delay the start of the project until an investigation into the deaths has been completed. The ATOC project transmits low frequency sounds deep in the ocean to measure global climatic change.
- **Commerce will Release the Following Economic Data:**

Housing Starts and Building Permits for October 1995	November 28
Advance Report on Durable Goods, Manufacturers' Shipments and Orders for October 1995	November 30

DEPARTMENT OF TRANSPORTATION

- **LAX Rates Decision:** The City of Los Angeles (the City) increased the landing fees for Los Angeles International Airport (LAX) for the fiscal year beginning July 1, 1995. The new fee for passenger aircraft -- \$2.06 per thousand pounds landed weight -- replaces the \$1.56 fee in

effect from July 1993 through June 1995. Sixty airlines filed a complaint asking the Department to investigate the reasonableness of the fee increase under the expedited procedures created by Congress in 1994. The Department determined that the complaint should be assigned to an administrative law judge (ALJ) for hearing. Today, the ALJ issued a recommended decision which found that significant parts of the fee increase were unreasonable. Under his decision the airlines would receive a refund of about \$0.14 per thousand pounds landed weight. The ALJ's decision is unlikely to please any of the parties. In particular, the City is likely to be angry that the ALJ would not accept its charge for police and fire protection costs. Under the statute the Department must issue its decision by December 22. If it does not do so by that date, the ALJ's decision will become the Department's final decision.

• **National Transportation Safety Board Hearings on USAir Flight 427:** From November 15 to 17, the National Transportation Safety Board held a second round of hearings on the September 8, 1994, crash of USAir Flight 427 near Pittsburgh, Pennsylvania. Federal Aviation Administrator Hinson issued a statement agreeing with the Board that aircraft should be equipped with upgraded FDRs [flight data recorders] and the FAA is now engaged in determining how this can be done without substantial airplane grounding and extraordinarily high costs.

• **Essential Air Service Subsidy Reduction Announced:** The Department of Transportation announced on November 17, that the FY 1996 Transportation appropriation cut the Essential Air Service (EAS) subsidy to \$22.6 million, down from \$30.0 million in FY 1995. In order to maintain the highest level of flight service possible to all eligible communities, EAS will be limited to two round trips on weekdays from a participating city; flights to second hub airports and weekend flights no longer will be eligible for subsidies. The changes become effective November 27. Over 70 small communities in 27 states will experience reductions in service.

• **Potential Work Stoppage On Metro North Commuter Railroad:** On or soon after November 28, labor contract disputes at New York's Metro North may result in a work stoppage. The procedures of the Railway Labor Act have been exhausted and a legal strike can occur at the discretion of the labor organizations. The second Presidential Emergency Board issued a report of non-binding recommendations on September 29. A number of the labor organizations appear close to reaching an agreement, but there is no certainty that any one of the eleven unions would elect not to strike when the required status quo period expires. The Metropolitan Transit Authority is making alternative service plans to serve its customers in the event of a strike and will make these plans known to passengers on November 27. Metro North serves 105,000 commuters a day, or 18 percent of the nation's rail commuters. Seventy percent of the riders originate in New York and the remaining 30 percent are from Connecticut. Over 90 percent of Metro North passengers' destination is to New York's Grand Central Station. The Federal Railroad Administration is monitoring the situation.

• **International Aviation: U.S. - Japan:** The second round of cargo talks with Japan has been scheduled to take place in Washington, November 28-30, 1995. The United States is proposing that a liberal regime for all-cargo services be phased in over a 3 to 5 year period.

U.S. - Czech: Formal consultations will be held with the Czech Republic in Prague, December 5-8, to continue working on a new liberal aviation agreement including third-country code-share provisions to cover proposed services by Northwest/KLM and United/Lufthansa.

- **NAFTA:** Secretary Pena is planning visits to six southern border points of entry on December 3-5 to assess preparations for the opening of the border to commercial trucking operations on December 17. He will conduct these visits with other senior-level officials from federal agencies with operations at the border, state officials, and, for at least one port-of-entry, with his Mexican counterpart, Secretary Carlos Ruiz Sacristan.
- **National Highway System:** The conference report (S.440) designating the National Highway System (NHS) was approved by the Senate by a vote of 80-16 on November 17, and by the House under unanimous consent on November 18. The legislation designates more than 160,000 miles of highway as components of the NHS, giving priority for federal funding. Passage of the legislation would also free \$6.5 billion in highway funding for the states that has been held up since October 1. While the legislation contains many important provisions, it also includes several provisions that would weaken highway safety efforts. The bill repeals the National Maximum Speed Limit, repeals laws encouraging states to enact motorcycle helmet laws, and eases safety restrictions on certain types of trucks. These provisions were strongly opposed by the Administration and by highway safety organizations. However, the bill does include the President's "zero tolerance" initiative for drivers under age 21. The Department will recommend a number of actions to promote highway safety that you and the Secretary can announce if you decide to sign this bill.
- **Maine Voters Approve Referendum on Safety Belt Use Law:** On November 7, Maine voters approved a referendum that ratified the state's safety belt use law. The referendum passed with 50.3 percent of the vote.
- **FAA Orders Expanded Inspection of GE Engines:** The Federal Aviation Administration (FAA) issued a rule ordering additional inspections of General Electric Co jet engines used on many of the world's jumbo jets, including Air Force One, following the discovery that microscopic cracks had caused engine explosions on several aircraft. The National Transportation Safety Board recommended this action following its investigation of the Egypt Airbus A300 engine explosion on April 10. The new inspection schedule will ensure that all engines are inspected before any cracks could become serious enough to cause a problem. The FAA estimates that the inspections will cost about \$7 million, much less than the cost of a widespread aircraft grounding.
- **FAA Recertifies Two Japanese Facilities to Repair U.S. Planes:** The Federal Aviation Administration (FAA) has recertified Japan Air Line's repair stations to perform maintenance on U.S.-registered aircraft, restoring rights taken away in August. For the past three months JAL's repair stations have been allowed to work on U.S. aircraft only if the work was certified by an outside inspector licensed by the FAA. The FAA has exacting specifications for repair work and any new procedure must be specifically approved by the agency for any repair station working on U.S. aircraft anywhere in the world. Earlier, JAL had adopted a number of procedures that were never cleared through the FAA.

- **Expert Panel Say Tunneling is Safe in Los Angeles:** A report issued by a panel of engineering experts concluded that Los Angeles' geology is "safe and economical" for tunneling, and in fact offers fewer problems than in many other cities, reported the Los Angeles Times on Friday, November 17. The study concluded that the Los Angeles County Metropolitan Transportation Authority (MTA) "can be satisfied with much of its tunnel construction" for the new LA subway system because the rate of construction problems is as good or better than with other tunneling projects studied around the world. The report was requested by Los Angeles Mayor Riordan after a sinkhole engulfed part of Hollywood Boulevard last June. The study was compiled by a team of three international experts over a three-month period.

SMALL BUSINESS ADMINISTRATION

- **Opening of Boston Export Center:** On November 27, Commerce Secretary Brown, ExIm Acting Chairman Kamarck, and Administrator Lader will announce the opening of the Boston US Export Assistance Center. Senators Kennedy and Kerry, Representative Joe Kennedy, and Mayor Thomas Menino will be present. USEACs provide easy access to export promotion and trade finance services particularly for small and medium-sized businesses. The Boston USEAC is the 13th USEAC to open.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Nation of Islam Security Agency:** On November 9, HUD called for the immediate termination of the Nation of Islam Security Agency's (NOISA's) contract with the Housing Authority of Baltimore (HABC) due to the housing agency's violation of federal procurement regulations during the contract's bidding process. HABC contracted NOISA to provide security personnel and services in most of Baltimore's public housing developments. Last week, NOISA filed a complaint with a federal court in Maryland in an attempt to reverse HUD's decision. NOISA requested the Court to grant a temporary restraining order on HUD and the HABC to block the federal and local agency from terminating their security contract. HUD is currently awaiting a hearing date and the Federal court's decision on the complaint.

- **Conference Call with Mayors on the President's Balanced Budget:** Secretary Cisneros intends to host a conference call on November 29, with approximately seven mayors from the northwest region to discuss the importance of balancing the budget while protecting working families, Medicare, education, environment, and other national priorities. The mayors that are scheduled to participate in the conference call include: Mayor Harriet Miller, Santa Barbara, CA; Mayor Miguel Pulido, Santa Ana, CA; Mayor Alan Styles, Salinas, CA; Mayor Jack Geraghty, Spokane, WA; Mayor Ruth Bascom, Eugene, OR; Mayor Vera Katz, Portland, OR; Mayor Jeremy Harris, Honolulu, HA

- Medicaid Program Helps Women Protect Infants from HIV:** On December 1, World AIDS Day, the Department will announce that it has begun working with four states to inform pregnant women of the benefits of HIV counseling, voluntary testing and, if necessary, treatment with AZT to prevent transmission of the AIDS virus to their babies. The initiative is based on the results of landmark research, supported by the National Institutes of Health, that indicates treatment of HIV-positive women with AZT during pregnancy and childbirth and administration of the drug to newborns for six weeks can reduce the risk of HIV transmission from mother to child by 67 percent. The four states -- Delaware, Florida, New Jersey and Rhode Island -- were selected because of their high percentage of Medicaid beneficiaries and high rates of HIV-infection among women of childbearing age.
- Update on Oregon's Medicaid Waiver Proposal:** Thursday, Secretary Shalala spoke with Governor Kitzhaber in an effort to move forward in our resolution of issues relating to his request to modify his Medicaid waiver -- the Oregon Health Plan (OHP). The Governor has proposed changes to the waiver -- charging premiums to the newly eligible population under 100 percent of the federal poverty level and reducing the number of health services covered under the OHP. The Secretary sent the Governor a letter today confirming the key points in their conversation and proposing a meeting between staff from the State and HHS to fully discuss outstanding issues the week of November 27.
- Department to Meet with Alabama on Medicaid Grant Reduction:** On November 28, Bruce Vladeck, Administrator of the Health Care Financing Administration (HCFA) will meet with Alabama State Medicaid Director Gwen Williams and members of Alabama's Congressional delegation on HCFA's reduction of the State's October 1 first quarter Medicaid grant award by approximately \$26 million (the initial figure was \$40 million but has since been adjusted to \$26 million).
- Department to Approve San Diego Welfare Waiver:** In the coming weeks, the Department will approve the "School Attendance Demonstration Project," a welfare reform demonstration to be implemented in the San Diego Unified School District.
- First Meeting of Interagency Council on Women:** On November 28, Secretary Shalala will host the first meeting of the Interagency Council on Women. The Interagency Council on Women is responsible for coordinating the implementation of the platform adopted at Beijing, and for developing related initiatives to further women's progress.
- FDA Advisory Panel to Discuss Cancer Indicators:** On November 30 and December 1, an FDA advisory panel will discuss applications for a test to measure a prognostic marker in breast tumor tissues as well as a test to measure a urinary marker to aid in the detection of recurrence in bladder cancer patients.
- California Faces Potential Disallowance of Federal Funds for Unsound Medicaid Managed Care Rates:** On November 17, the State of California was advised that it must indicate by December 1 what steps it has taken to restore inappropriately reduced Medicaid managed care capitation rates or face possible disallowance of Federal Financial Participation

(FFP). The State reduced total capitated managed care funding by \$36 million for the State's current fiscal year, but did not use the actuarially sound methodology required by statute. HHS has been in discussion with the State for several months, and asked them last April to submit plans to reach an actuarially sound payment rate, but we have yet to receive any written response.

Proposal to Streamline Export of Medical Devices: As a follow-up to commitments made to medical device reform in the President's April 1995 report on reinventing drug and medical device regulations, an FDA proposal to streamline the requirements for export of unapproved medical devices will be published in the Federal Register next week.

Streamlining of FDA Regulatory Policies: Next week, FDA expects to announce a number of technical reforms designed to the reduce regulatory burden, principally for prescription drug manufacturers.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Crown Heights Hearing:** Director Brown is scheduled to give a public deposition in the Crown Heights case in New York City on November 26 and 27. Some press attention in New York surrounding his deposition is expected. The Crown Heights case involves a series of charges (and a legal suit against Lee Brown and former Mayor David Dinkins) by the Hasidic community that the New York City Police Department failed to adequately respond to potential and actual violence against that community during disturbances in Brooklyn in 1992 while Lee Brown was Police Commissioner. Mayor Dinkins gave his public deposition some time ago.

SOCIAL SECURITY ADMINISTRATION

- **Impact of Furlough on SSA's Disability Determination Services (DDS):** State DDSs, which make disability determinations for the SSA and which are 100 percent funded by SSA, were adversely affected by last week's furlough. While DDS employees are State employees, their salaries are fully funded through SSA's appropriated funds. Of the 54 DDSs, 13 shut down for some time during the week Federal employees were furloughed. Ten DDSs (Washington, D.C., Florida, Mississippi, New Mexico, Texas, Iowa, Nebraska, South Dakota, Utah and Wyoming) closed on November 14, with an additional two DDSs (Maine and Illinois) closing on November 16, and Arkansas on November 17. The remaining DDSs continued operating for the entire week. It appears State employees (regardless of whether they were or were not furloughed) are not covered for back pay in the continuing resolution. It can be expected that Governors and other State officials will contact their congressional delegations urging remedial action.

VETERANS ADMINISTRATION

- **Vietnam Trip Postponed:** Deputy Secretary Guber was scheduled to lead a Presidential delegation to Vietnam, Laos, and Cambodia. The trip, originally planned for November 27-December 5, has been postponed.
- **CBS Documentary on Persian Gulf War:** Dr. Robert Roswell, Executive Director of the Persian Gulf Veterans Coordinating Board, is tentatively scheduled to be interviewed November 30 by CBS. The interview will be part of a two-hour documentary the network intends to air in January in connection with the fifth anniversary of the Persian Gulf War. Defense Department officials also have been contacted.

DEPARTMENT OF THE INTERIOR

- **Arctic National Wildlife Refuge:** Arctic National Wildlife Refuge revenue issues are still unsettled. Last Sunday, the Anchorage Daily News reported that key local jurisdictions were resisting any move to have the state agree to split leasing revenues with the federal government on the 50/50 basis stipulated in Congressional leasing legislation: "Fairbanks Borough supports 90/10 split of ANWR royalties." The first two sentences of the article state "One of the linchpins in the state's efforts to convince the federal government to open the Arctic National Wildlife Refuge to oil drilling -- an agreement to split royalties evenly -- has gotten a thumbs down from Fairbanks officials. The Fairbanks-North Star Borough Assembly on Thursday unanimously approved a resolution pushed by Mayor Jim Sampson asking state officials to stay true to the 90-10 split outlined in the Alaska Statehood Act." Alaska Senator Murkowski has hinted that it may be necessary for Governor Knowles to call a special session of the legislature to resolve the issue.
- **Secretary's Activities Next Week:** On Sunday, Secretary Babbitt will travel to West Palm Beach, Florida. On Monday, he will be briefed by Water District and Army Corps on restoration efforts in Lake Okeechobee and Kissimmee River followed by a helicopter tour of the area. On Wednesday, I will be in Denver, Colorado to sign an Endangered Species Act Cooperative Agreement with Governor Romer.

DEPARTMENT OF AGRICULTURE

- **USDA To Hold Media Availability On Reorganization:** Secretary Glickman will hold a November 30 media availability to discuss the status of USDA's reorganization. The General Accounting Office is also scheduled to brief the Senate Agriculture Committee on the Department's reorganization and streamlining activities.
- **Farm Bill Update:** The farm provisions in the budget reconciliation conference report include a number of troubling provisions, which were mentioned in last week's report. However, with the new budget agreement, the House and Senate Agriculture Committees are waiting for further instruction from Congressional leadership.

On November 20, Senator Tom Daschle and a number of Democratic Senators from farm states held a press conference indicating that Freedom to Farm or any variation was a nonstarter for the 1995 Farm Bill. Senator Heflin referred to Freedom to Farm as the Farmers Death Act of 1995.

- **U.S. Wheat Exports Allowed Into Mexico:** On November 20, USDA was notified by the U.S. Embassy in Mexico City that railcars at the border (carrying wheat) have been cleared and can proceed into Mexico. Mexican quarantine officials detained 55 railcars of wheat at the border in Eagle Pass, Texas because of the alleged presence of ergot and weed seeds. Last week, Mexican officials eventually agreed to allow the USDA Grain Inspection, Packers, and Stockyards Administration to sample the railcars at the border and conduct a new inspection for ergot according to U.S. standards. Our new inspection would be the basis for accepting or rejecting the cars.
- **Mexican Fruit Flies in California:** Mexican fruit flies continue to be found in the Los Angeles County area. A federal quarantine is being placed on a 57-square mile area. The California Department of Food and Agriculture plans to apply two ground treatments of malathion bait followed by the release of sterile Mexican fruit flies over a 16-square mile area beginning November 22.
- **Log Import Lawsuit:** On November 14, the Oregon Natural Resources Council, the Northcoast Environmental Center, and the Pacific Environment Resources Center filed a lawsuit in U.S. District Court in San Francisco, California against the USDA Animal and Plant Health Inspection Service (APHIS) to stop log imports. They claim that new APHIS regulations are not strong enough to stop foreign pest invasions and allege that the Department failed to evaluate the impacts of imported pests on forest ecosystems, human health, or regional economies.

DEPARTMENT OF EDUCATION

- **Secretary's Activities Next Week:** On November 27, Secretary Riley will meet with education association presidents to discuss the budget. On November 28, he may participate in a conference call with mayors from around the country to discuss proposed budget cuts. An association of 90 education groups is encouraging individuals from throughout the country to call Members of Congress on November 29 to voice concerns about the budget. The association is also organizing meetings with Members on November 30.

ENVIRONMENTAL PROTECTION AGENCY

- **Continuing Resolution:** The Continuing Resolution signed will fund EPA at the level of the House-passed appropriations bill until December 15. Although no employees will be furloughed, EPA will be severely impacted by the 34% cut in spending.

OFFICE OF PERSONNEL MANAGEMENT

- **Furlough/Leave:** OPM, in consultation with OMB, has prepared guidance that employee absences resulting from the furlough must be recorded as excused absences and not charged to annual leave, sick leave, compensatory time off, credit hours or any other paid leave. Employees on approved leave without pay would continue to be charged leave without pay.

DEPARTMENT OF DEFENSE

- **Admiral Macke Incident:** The Department is in the initial stages of completing the administrative steps to resolve this issue. They are working as expeditiously as possible regarding both Admiral Macke's retirement and the recommendation to you of his successor as CINCPAC. Despite recent erroneous reporting in the media to the contrary, he remains in command.
- **Release of POW Data:** Defense Department officials are working closely with Congressman Dornan regarding the release of information contained in DoD's comprehensive review of outstanding cases of Americans unaccounted for from the Vietnam war. Because not all of the families have been notified of the contents of this review, the data will be provided initially to Representative Dornan in a closed meeting and DoD will request that he keep the data confidential. DoD are offering analysts to help his staff review the material.
- **Repatriation of Moroccan POWs:** On November 19, EUCOM provided a C-130 to help transport 50 Moroccan POWs from Algeria. This mission, originally requested by the UN, involved participation by Ambassador Inderfurth, and required one trip from Morocco to Algeria and back to Morocco via Mauritania. An Argentine B-707 also participated and provided transport to 160+ POWs. The mission is a success.

 **Retired Officer Meeting:** In an effort to develop a wider understanding of our Bosnia policy, Secretary Perry and Deputy Secretary White hosted a total of approximately 20 retired general officers with a broad base of influence in the military community and beyond. Both the breakfast Secretary Perry hosted and the dinner Deputy Secretary White hosted were very valuable exchanges in ideas and insights. As they move closer to execution of the Implementation plan, they expect that these and similar meetings will help build support for their efforts. Based on meetings, Deputy Secretary White believes that they will get support from some of the service associations, including the Air Force Association and the Association of the U.S. Army. In addition, they will meet with Colin Powell, Brent Scowcroft and Al Haig. They should get quiet support from all three, but no public testimonials.

- **SECDEF Baltics Trip:** Though overshadowed by events in Dayton, the Secretary's trip to the Baltics is proceeding well. The confidence building effects in these visits continue to pay great dividends. The Secretary is scheduled to have Thanksgiving dinner with our troops in Macedonia. He will also be accompanied by the Nordic MODs during the Macedonia portion of the trip. He will then meet with General Joulwan on Friday and Saturday morning, to be back in Washington Saturday afternoon.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Medicaid Program Helps Women Protect Infants from HIV:** On December 1, World IDS Day, the Department will announce that it has begun working with four states to inform pregnant women of the benefits of HIV counseling, voluntary testing and, if necessary, treatment with AZT to prevent transmission of the AIDS virus to their babies. The initiative is based on the results of landmark research, supported by the National Institutes of Health, that indicates treatment of HIV-positive women with AZT during pregnancy and childbirth and administration of the drug to newborns for six weeks can reduce the risk of HIV transmission from mother to child by 67 percent. The four states -- Delaware, Florida, New Jersey and Rhode Island -- were selected because of their high percentage of Medicaid beneficiaries and high rates of HIV-infection among women of childbearing age.
- **Update on Oregon's Medicaid Waiver Proposal:** Thursday, Secretary Shalala spoke with Governor Kitzhaber in an effort to move forward in our resolution of issues relating to his request to modify his Medicaid waiver -- the Oregon Health Plan (OHP). The Governor has proposed changes to the waiver -- charging premiums to the newly eligible population under 100 percent of the federal poverty level and reducing the number of health services covered under the OHP. The Secretary sent the Governor a letter today confirming the key points in their conversation and proposing a meeting between staff from the State and HHS to fully discuss outstanding issues the week of November 27.
- **Department to Meet with Alabama on Medicaid Grant Reduction:** On November 28, Bruce Vladeck, Administrator of the Health Care Financing Administration (HCFA) will meet with Alabama State Medicaid Director Gwen Williams and members of Alabama's Congressional delegation on HCFA's reduction of the State's October 1 first quarter Medicaid grant award by approximately \$26 million (the initial figure was \$40 million but has since been adjusted to \$26 million).
- **Department to Approve San Diego Welfare Waiver:** In the coming weeks, the Department will approve the "School Attendance Demonstration Project," a welfare reform demonstration to be implemented in the San Diego Unified School District.
- **First Meeting of Interagency Council on Women:** On November 28, Secretary Shalala will host the first meeting of the Interagency Council on Women. The Interagency Council on Women is responsible for coordinating the implementation of the platform adopted at Beijing, and for developing related initiatives to further women's progress.
- **FDA Advisory Panel to Discuss Cancer Indicators:** On November 30 and December 1, an FDA advisory panel will discuss applications for a test to measure a prognostic marker in breast tumor tissues as well as a test to measure a urinary marker to aid in the detection of recurrence in bladder cancer patients.
- **California Faces Potential Disallowance of Federal Funds for Unsound Medicaid Managed Care Rates:** On November 17, the State of California was advised that it must indicate by December 1 what steps it has taken to restore inappropriately reduced Medicaid managed care capitation rates or face possible disallowance of Federal Financial Participation

(FFP). The State reduced total capitated managed care funding by \$36 million for the State's current fiscal year, but did not use the actuarially sound methodology required by statute. HHS has been in discussion with the State for several months, and asked them last April to submit plans to reach an actuarially sound payment rate, but we have yet to receive any written response.

Proposal to Streamline Export of Medical Devices: As a follow-up to commitments made to medical device reform in the President's April 1995 report on reinventing drug and medical device regulations, an FDA proposal to streamline the requirements for export of unapproved medical devices will be published in the Federal Register next week.

Streamlining of FDA Regulatory Policies: Next week, FDA expects to announce a number of technical reforms designed to the reduce regulatory burden, principally for prescription drug manufacturers.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Crown Heights Hearing:** Director Brown is scheduled to give a public deposition in the Crown Heights case in New York City on November 26 and 27. Some press attention in New York surrounding his deposition is expected. The Crown Heights case involves a series of charges (and a legal suit against Lee Brown and former Mayor David Dinkins) by the Hasidic community that the New York City Police Department failed to adequately respond to potential and actual violence against that community during disturbances in Brooklyn in 1992 while Lee Brown was Police Commissioner. Mayor Dinkins gave his public deposition some time ago.

SOCIAL SECURITY ADMINISTRATION

- **Impact of Furlough on SSA's Disability Determination Services (DDS):** State DDSs, which make disability determinations for the SSA and which are 100 percent funded by SSA, were adversely affected by last week's furlough. While DDS employees are State employees, their salaries are fully funded through SSA's appropriated funds. Of the 54 DDSs, 13 shut down for some time during the week Federal employees were furloughed. Ten DDSs (Washington, D.C., Florida, Mississippi, New Mexico, Texas, Iowa, Nebraska, South Dakota, Utah and Wyoming) closed on November 14, with an additional two DDSs (Maine and Illinois) closing on November 16, and Arkansas on November 17. The remaining DDSs continued operating for the entire week. It appears State employees (regardless of whether they were or were not furloughed) are not covered for back pay in the continuing resolution. It can be expected that Governors and other State officials will contact their congressional delegations urging remedial action.

THE PRESIDENT HAS SEEN
11-27-95

THE WHITE HOUSE
WASHINGTON

NOVEMBER 22, 1995

95 NOV 22 P5:52

MEMORANDUM FOR ~~THE PRESIDENT~~

FROM: KITTY HIGGINS *AM for*
SUBJECT: SUMMARY OF CABINET WEEKLY REPORTS
NOVEMBER 19-25

Note: This week's report is abbreviated because of the Thanksgiving Day holiday.

DEPARTMENT OF COMMERCE

- **Secretary's Activities Next Week:** Secretary Brown will accompany you on the trip to Northern Ireland, November 29 - December 2. He will also travel to South Africa December 2-6 to co-chair the U.S.-South Africa Business Development Commission and to participate with the Vice President in meetings of the Gore-Mbeki Commission. On November 27, the Secretary will travel to Boston to open a regional Export Assistance Center.
- **Acoustic Thermometry of Ocean Climate Project Postponed:** The Department's National Marine Fisheries Service has postponed the controversial Acoustic Thermometry of Ocean Climate (ATOC) project in the Pacific after three dead humpback whales were found 88 kilometers off the California coast, southwest of San Francisco. Project scientists at Scripps Institution of Oceanography have agreed to delay the start of the project until an investigation into the deaths has been completed. The ATOC project transmits low frequency sounds deep in the ocean to measure global climatic change.
- **Commerce will Release the Following Economic Data:**

Housing Starts and Building Permits for October 1995	November 28
Advance Report on Durable Goods, Manufacturers' Shipments and Orders for October 1995	November 30

DEPARTMENT OF TRANSPORTATION

- **LAX Rates Decision:** The City of Los Angeles (the City) increased the landing fees for Los Angeles International Airport (LAX) for the fiscal year beginning July 1, 1995. The new fee for passenger aircraft -- \$2.06 per thousand pounds landed weight -- replaces the \$1.56 fee in

effect from July 1993 through June 1995. Sixty airlines filed a complaint asking the Department to investigate the reasonableness of the fee increase under the expedited procedures created by Congress in 1994. The Department determined that the complaint should be assigned to an administrative law judge (ALJ) for hearing. Today, the ALJ issued a recommended decision which found that significant parts of the fee increase were unreasonable. Under his decision the airlines would receive a refund of about \$0.14 per thousand pounds landed weight. The ALJ's decision is unlikely to please any of the parties. In particular, the City is likely to be angry that the ALJ would not accept its charge for police and fire protection costs. Under the statute the Department must issue its decision by December 22. If it does not do so by that date, the ALJ's decision will become the Department's final decision.

• **National Transportation Safety Board Hearings on USAir Flight 427:** From November 15 to 17, the National Transportation Safety Board held a second round of hearings on the September 8, 1994, crash of USAir Flight 427 near Pittsburgh, Pennsylvania. Federal Aviation Administrator Hinson issued a statement agreeing with the Board that aircraft should be equipped with upgraded FDRs [flight data recorders] and the FAA is now engaged in determining how this can be done without substantial airplane grounding and extraordinarily high costs.

• **Essential Air Service Subsidy Reduction Announced:** The Department of Transportation announced on November 17, that the FY 1996 Transportation appropriation cut the Essential Air Service (EAS) subsidy to \$22.6 million, down from \$30.0 million in FY 1995. In order to maintain the highest level of flight service possible to all eligible communities, EAS will be limited to two round trips on weekdays from a participating city; flights to second hub airports and weekend flights no longer will be eligible for subsidies. The changes become effective November 27. Over 70 small communities in 27 states will experience reductions in service.

• **Potential Work Stoppage On Metro North Commuter Railroad:** On or soon after November 28, labor contract disputes at New York's Metro North may result in a work stoppage. The procedures of the Railway Labor Act have been exhausted and a legal strike can occur at the discretion of the labor organizations. The second Presidential Emergency Board issued a report of non-binding recommendations on September 29. A number of the labor organizations appear close to reaching an agreement, but there is no certainty that any one of the eleven unions would elect not to strike when the required status quo period expires. The Metropolitan Transit Authority is making alternative service plans to serve its customers in the event of a strike and will make these plans known to passengers on November 27. Metro North serves 105,000 commuters a day, or 18 percent of the nation's rail commuters. Seventy percent of the riders originate in New York and the remaining 30 percent are from Connecticut. Over 90 percent of Metro North passengers' destination is to New York's Grand Central Station. The Federal Railroad Administration is monitoring the situation.

• **International Aviation: U.S. - Japan:** The second round of cargo talks with Japan has been scheduled to take place in Washington, November 28-30, 1995. The United States is proposing that a liberal regime for all-cargo services be phased in over a 3 to 5 year period.



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
11-27-95

Kathleen A. McGinty
Chair

November 22, 1995

95 NOV 22 P6:03

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY *Robert Malhe for*
CC: LEON PANETTA
RE: CEQ WEEKLY REPORT

PACIFIC NORTHWEST

Last week the House tried but failed to pass the Interior appropriations bill which included a provision to increase logging in the Tongass National Forest. The bill was defeated in the House with 48 Republicans joining Democrats to reject the second conference report. This is particular sweet for us; bitter for Newt. The article enclosed underscores the great lengths the Speaker went to to win on the Interior appropriations bill and he was rebuffed. The environment continues dramatically to destabilize the Republican party internally. Please see attached article dated November 16, 1995 from the Anchorage Daily News.

A second article shows the political salience of environmental issues in Oregon political races. The primary will be held December 5th followed by the general election on January 30th. Attached is the article, dated November 12, 1995 from The Oregonian.

ENVIRONMENTAL BUDGET FACTS

Last week, I sent to you preliminary numbers from EPA on the funding cuts in the conference report for the VA-HUD appropriations bill. The Office of Management and Budget finalized the numbers this week. The VA-HUD bill would cut the EPA's overall budget 22 percent (not 23 as originally indicated) from your request, enforcement 25 percent (not 27 as originally indicated), drinking water funds 45 percent, funds to keep raw sewage off beaches 30 percent, Superfund 25 percent. It also maintains a 54% cut to CEQ. Attached is an updated environmental fact sheet.

VA-HUD APPROPRIATIONS

This bill, which funds EPA, CEQ and other priorities, may come to a vote in both the House and Senate as soon as Monday or Tuesday. The budget group has agreed that you should issue a written statement. The Vice President's press office and I believe the Vice President should do something live, such as reading your statement in the briefing room and go into

more detail about the bill's negative impacts on health and the environment. We are discussing this possibility with your budget advisors.

RCRA "RIFLESHOT" REFORMS

We are nearing completion of House and Senate negotiations on two targeted reforms to the Resource Conservation and Recovery Act (RCRA). CEQ initiated these negotiations with EPA pursuant to your March 16 commitment, as part of our initiative for Reinventing Environmental Regulation, to consider and develop targeted legislative amendments to RCRA provisions that result in high cost, low-benefit regulations that defy common sense. On the two issues of greatest concern to the regulated community, CEQ has assembled a broad coalition of companies and trade associations, supported by a large and bipartisan group of Senators and Representatives, in support of a reasonable reforms that preserve EPA's and the states' authority to protect human health and the environment from actual risk. A letter endorsing H.R. 2036 (the first of three bills we expect to endorse) has cleared OMB and similar letters endorsing Senate bills are expected when we complete negotiations next week.

SAFE DRINKING WATER ACT REAUTHORIZATION

The Senate has delayed floor consideration of the bipartisan Safe Drinking Water bill, which had been expected on Tuesday, November 14. The Administration, with a limited set of reservations, supports the bill. The bill and the underlying process of compromise to develop the bill exemplify the Administration's ability to work on a bipartisan basis to develop responsible reforms to statutes protecting public health and the environment. Introduced by Committee Chairman John Chafee (R-RI) and subcommittee Chairman Dirk Kempthorne (R-ID), along with Senator Max Baucus (D-MT), Senator Harry Reid (D-NV), and 23 other Republican and Democratic co-sponsors, the bill is expected to pass with overwhelming support and few amendments.

Two possible amendments may scuttle or complicate our ability to support the bill. First, Senate Republicans may try to attach a "regulatory reform" amendment to the bill, as they recently did with respect to the continuing resolution. Second, there may be an attempt to use this as a vehicle for a floor vote on Davis-Bacon repeal. Such an amendment, even if limited to drinking water projects, would encourage the broader Republican effort to gut Davis-Bacon. EPA's view is that Davis-Bacon would not apply to projects funded through the drinking water fund (because the United States is not a party to the relevant contract). We are conferring with the AFL-CIO and other labor groups to determine how best to avoid a floor vote that foments the effort to repeal Davis-Bacon.

Anchorage Daily News

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Spending bill's failure saves Tongass trees from loggers



Daily News file photo

Sen. Ted Stevens

*'If people
don't want to
understand,
they won't
understand.'*

By DAVID WHITNEY
Daily News reporter

WASHINGTON — In a dramatic setback for the Alaska congressional delegation's push to increase logging in the Tongass National Forest, the House rejected a spending bill Wednesday that could have boosted timber production 33 percent this year.

The vote sends a \$12 billion spending bill for the Interior Department and the U.S. Forest Service back to a House-Senate conference committee for a second rewrite.

Besides the Tongass provision, lawmakers blasted the bill's failure to modify a mining-law feature the House scorned when it first rejected the compromise bill in September.

The vote couldn't have come at a worse time for the Republican-controlled Congress.

With most branches of the federal government closed because Congress hasn't passed spending bills to fund them, the vote demonstrated that the House is willing to press

environmental concerns even if it means delaying legislation the Republican leadership critically needs to send to the White House.

House Speaker Newt Gingrich fought vigorously to get the spending bill passed Wednesday. He sent letters to House members backing the mining-law and Tongass provisions and, in an unusual step for a House speaker, voted for the measure's passage. Speakers generally don't vote except to break a tie.

But the bill was defeated on a 230-199 vote, with 48 Republicans shrugging off Gingrich's pitch for party solidarity. One of the Republican defectors was House Budget Committee chairman John Kasich of Ohio.

Once it was clear that enough Republicans had joined Democrats to reject the compromise bill, nearly a dozen House Republicans switched their votes to support environmentalists.

The Tongass provision

Please see Back Page,
TONGASS

THE BACK PAGE

TONGASS: Spending bill saves trees from logging

Continued from Page A-1

was written by Alaska Sen. Ted Stevens, a senior Republican on the Senate Interior Appropriations Subcommittee, who has harshly criticized Tongass managers for holding back timber to protect wildlife.

He has blamed reduced logging for a 42 percent drop in timber employment in Southeast Alaska, although most of the layoffs were caused by Alaska Pulp Corp.'s 1993 closure of its Sitka mill that was largely the result of declining pulp prices.

Stevens' provision would have raised the al-

lowable sales quantity of Tongass trees from about 310 million board feet to 418 million board feet this year. The increase is based on a 1991 draft Forest Service recommendation the agency later scrubbed because of concerns about endangerment of fish and wildlife.

Stevens' provision also would have required the Forest Service to base its ongoing revision of a 10-year management plan for the forest on that discarded proposal and it would have barred more land set-asides for wildlife protection.

The Stevens provision was hotly attacked by

Democrats, who themselves lacked the votes to do much about it. But Republican moderates, buoyed by earlier successes in pressing environmental causes, joined in, led by Rep. Sherwood Boehlert, R-NY.

Boehlert said the Stevens provision amounted to increased logging at taxpayer expense in the money-losing forest. He cited Alaska Gov. Tony Knowles' persistent objections to the Stevens rider.

"The only reason this is in here is because some members in the other body want to force this issue," Boehlert said in a direct

reference to Stevens and the Senate. "There is no reason to give in."

Alaska Rep. Don Young, chairman of the House Resources Committee, tried to defend the Stevens provision, saying the rider merely implements what the Forest Service had itself proposed.

"This amendment creates jobs and still retains the rain forest," Young said.

Boehlert disagreed.

"The question is whether we will increase logging with an unprecedented mandate from Washington," he said.

Environmentalists were

ecstatic over the Tongass vote.

"We see this as a strong rejection of the Alaska congressional delegation's extreme attacks on the Tongass," said Bart Koehler of the Southeast Alaska Conservation Council. "This takes Tongass planning out of Stevens' hands and puts it back in the hands of the public."

Troy Reinhart, spokesman for Ketchikan Pulp Co., the forest's largest consumer, dismissed the House vote, saying the fight was more about mining reform than the Tongass.

"Mining gave them the handle to come back and beat on the Tongass again," Reinhart said.

Stevens agreed.

But as the House attacked his Tongass provision, Stevens said, "they don't know what they're doing."

"If people don't want to understand, they won't understand," he said, adding that he expects to prevail on the upcoming Tongass battle as House and Senate conferees reconvene to revive the spending measure.

"It will stay in the bill," Stevens sternly pronounced.

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NOVEMBER 12, 1995

Choices for Senate

*Oregon's newest senator
should be a knowledgeable champion for the state*

Filling Oregon's vacant seat in the U.S. Senate is a critical decision for Oregon voters. Its consequences will rebound years into the future, maybe a generation. After all, Bob Packwood held that position for nearly 27 years until his ethics problems forced him to resign.

So who should the next senator be?

For a low-population state such as Oregon, our senators must be effective champions for the state as well as play their proper role in national decisions. They must know Oregon, and they must know Oregonians. And they must be able to form those personal connections with their colleagues that allow them to press Oregon's case.

By all indications, the prevailing mood in Oregon is characterized by independence, political moderation, concern for the future and a desire to judge issues on their individual merits. Those are traits to look for in the next senator, too.

In a state with a history of attention to the environment, hard decisions re-

main on the proper balance between the use and protection of natural resources and, particularly, on what measures should be taken to reverse

the decline in the salmon runs, a treasured part of our natural heritage.

With Congress rearranging the federal-state relationship, Oregon's senators need to be alert to the effects of that rearrange-

ment for their state. They need to understand how theory relates to back-home reality.

The challenges facing Oregon's newest senator underscore the challenge to voters to choose wisely. Primary ballots for the mail election will arrive next week. In order to count, they must be returned by 8 p.m. Tuesday, Dec. 5. The general election is Jan. 30.

Study the candidates. Then vote your choice.



Paulus for GOP

Her long experience would give her a quick start in Senate

On the Republican side of the Senate race, the three candidates deserving serious attention come to the ballot by very different routes.

Norma Paulus, 62, has a lengthy background in state office. Currently superintendent of public instruction, she served two superior terms as secretary of state, three terms in the Oregon House and a stint as Oregon's representative on the Northwest Power Planning Council.

Gordon Smith, 43, is a successful Pendleton businessman and president of the Oregon Senate. He gained the Senate presidency in the second half of his first four-year Senate term.

Jack Roberts, 43, was elected state labor commissioner last year after five years as a Lane County commissioner.

All three backgrounds — business and state and local government — offer useful experience for a U.S. senator. At this time, in this race, The Oregonian believes that Norma Paulus could best step into the U.S. Senate and immediately become an effective advocate for the state and supporter of balanced national policies.

Paulus' moderate Republicanism reflects Oregon well. So does her long support for necessary environmental protection, including an effective Endangered Species Act. On the power planning council, she was a dogged supporter of preserving Columbia River salmon runs. Her understanding of that complex problem would serve Oregon well in the Senate.

Paulus has shown herself as a determined advocate on other important issues, as well. As secretary of state, she faced down Rajneesh efforts to register nonresident voters, and in

her current post she has championed Oregon's school reform law.

By contrast, Smith's position on environmental issues generally and the salmon problem in particular is disappointing. He dismisses the complex and broad-based effort to reverse the decline in salmon runs as a bureaucratic empire-building plot or else a pretense by environmental extremists to depopulate the state. As Senate president, too, he did nothing to rein in legislative efforts to weaken Oregon's popular land-use laws and other environmental protections.

As Senate president, Smith did show a commendable interest in working critical issues out with Democratic Gov. John Kitzhaber and was a key supporter of state funding for the Portland area's south-north light-rail line. But as a U.S. senator, he appears more likely to go along with a conservative majority than to stand against that majority when Oregon's interests are jeopardized.

Smith has bright political prospects, but to make the most of them, he needs to broaden and deepen his understanding of key Oregon issues, especially on natural resources.

Roberts, too, is a bright prospect. He gains highly favorable notice with moderate Republican positions articulately expressed and rooted in a good grasp of the state and national situations. His county-level experience gives him valuable insights on how federal cuts affect local governments.

Roberts, like Smith, is still learning the basics of Oregon government. Paulus already has. Of the three, she's the one most able to bring Oregon's perspective to the national debate immediately and effectively.

Wyden for Democrats

A less-controversial style gives him the edge over DeFazio

Two veteran but very different U.S. House members seek the Democratic nomination for promotion to the U.S. Senate.

Rep. Ron Wyden, 46, is in his ninth term representing the eastside Portland area's 3rd District. He has worked particularly on consumer and health issues and established a reputation as a member interested more in compromise than controversy, seeking the center on divisive issues. Before Republicans gained control of the House this year, he chaired a small-business subcommittee.

Rep. Peter DeFazio, 48, is a feisty populist Democrat in his fifth term representing Southwest Oregon, including Lane County. He has focused largely on natural-resource issues. While DeFazio has worked for a balance on the timber issue between environmental and economic concerns, his hot-tempered, uncompromising personal style has blunted his effectiveness.

His quick-tongued style keeps debate lively, and it's more fun to argue with DeFazio than to agree with the more circumspect Wyden. Nonetheless, The Oregonian believes Wyden's

moderate Democratic approach and conciliatory personal style make him more likely to build the personal connections needed to represent Oregon effectively in the Senate.

Wyden recently showed an ability to work in a bipartisan way on important state issues with his help in persuading the House leadership to adjust the Medicaid portion of the budget-balancing law to ensure needed support for the Oregon Health Plan. He also reflected Oregon's interest in open trade with his support of the North American Free Trade Agreement.

DeFazio opposed, and continues to oppose, that agreement and has opted for a more protectionist stance generally on trade issues.

Both these representatives offer attributes that Oregon needs in a senator. Both, too, reflect an understanding of the state and willingness to push an agenda on its behalf.

But Wyden's personality makes him the more effective pusher. That's an important edge in his claim for the nomination.

ENVIRONMENTAL BUDGET FACT SHEET

(November 22, 1995)

Protecting our environment is a fundamental community value for all Americans, and it should not be sacrificed to balance the budget. However, under the cover of balancing the budget, the Republican Congress is undermining essential environmental protections that guarantee the health and safety of all Americans and giving away the public's resources -- benefitting special interests at the expense of ordinary people.

The budget bills at issue are:

- (1) the VA/HUD appropriations bill (which includes EPA and CEQ);
- (2) the Interior appropriations bill (which includes DOI, the U.S. Forest Service, and DOE energy conservation); and
- (3) the Budget Reconciliation bill.

(1) VA/HUD APPROPRIATIONS (EPA AND CEQ)

The Republican budget drastically reduces funding for EPA -- 22 percent from the President's request. In addition, the bill contains several objectionable policy riders. The President would veto the bill because it:

Cuts Enforcement of Public Health and Environmental Safeguards. The GOP budget contains a 25 percent cut in EPA's enforcement budget, a cut designed to hobble EPA's efforts to enforce laws against polluters.

Increases Drinking Water Risks. The GOP budget cuts by 45 percent (\$225 million) the money that goes directly to states to protect communities' drinking water. These funds are needed to help municipalities provide safe drinking water and prevent incidents such as the 1993 cryptosporidium outbreak in Milwaukee that killed 100 people and sickened 400,000 others.

Blocks Efforts to Keep Raw Sewage and Other Pollution Off Beaches and Out of Waterways. The GOP budget cuts by 30 percent (\$462 million) the money that goes to states for wastewater treatment facilities to keep raw sewage from flowing into our rivers, lakes and streams. At the same time, the GOP leadership added another \$60 million in earmarked water projects while refusing to pass the line item veto. The bill also adds a particularly objectionable rider that will prevent EPA from stopping the dumping of potentially toxic fill into rivers and wetlands.

Stops Cleanup of Toxic Wastes. The GOP budget cuts the President's request for the Superfund toxic dump cleanup program by nearly 25 percent (\$382 million), needlessly

exposing citizens living near these sites to dangerous chemicals. One of four Americans lives within four miles of a Superfund site.

Undercuts Climate Change Programs. The GOP budget cuts by more than 40 percent the programs designed to slow global warming through innovative, voluntary energy efficiency programs and prevent depletion of the ozone layer -- even as the scientific community has determined that human activity is in fact changing the global climate. These programs reduce pollution, save money and create jobs.

Cuts The President's Own Environmental Advisors. The GOP budget slashes funding for the Council on Environmental Quality by more than 50 percent.

(2) INTERIOR APPROPRIATIONS (DOI, USFS, DOE)

The Interior Appropriations bill contains several policy riders that block federal resource managers from properly protecting the public's resources (a few are noted below). In addition, the bill contains serious shortfalls in funding for the Bureau of Indian Affairs (\$184 million below FY 1995) and DOE energy conservation programs (about \$187 million below FY 1995). The President would veto the bill because it:

Lifts the Mining Moratorium. The conference report lifts the moratorium on new mining patents. This allows the continued giveaway of public treasures under a law signed by Ulysses S. Grant. As the President recently noted, the Republican budget proposes to raise taxes on working families with incomes of less than \$27,000, increase the cost of college loans and cut the number of college scholarships, but they're determined to keep giving away \$1 billion worth of minerals on government land for \$275, as happened recently.

Opens the Tongass to Clearcutting. The GOP budget proposes to expand dramatically cutting in the Tongass National Forest -- the world's largest temperate rainforest -- and waive environmental laws to do it. The provision dictates timber levels based on a scientifically outdated forest plan.

Uses Unsound Science in Protecting Healthy Ancient NW Forests. The GOP budget includes a policy rider that would prohibit the Administration from using the most current science to protect forests in the Pacific Northwest, a practice that could lead to expanded logging of healthy ancient forests.

Blocks Efforts to Protect Pacific Northwest Salmon. The GOP budget includes a policy rider that would block efforts to protect salmon in the Columbia River Basin, by terminating comprehensive planning for the management of public lands in that area.

Undercuts the New Mojave National Preserve. The GOP budget undermines the intent of last year's California Desert Protection Act by providing \$1 for the National Park Service to operate the new preserve. (The second conference made only cosmetic changes to this provision.)

Cuts Energy Conservation Funding. The GOP budget cuts DOE energy conservation by almost 40 percent (\$187 million) from the President's request. These programs save consumers money, create jobs, and reduce emissions that contribute to air pollution and climate change. In addition, the oil that could be saved by these programs is greater than the oil that can be recovered in the Arctic National Wildlife Refuge.

(3) BUDGET RECONCILIATION

Budget Reconciliation contains numerous provisions adversely affecting the management of the nation's natural resources. In addition to opening the Arctic National Wildlife Refuge, there is a long list of special interest provisions that give away the public's resources at a fraction of their true value by passing sham reforms or offering below-market, insider's deals. The bill:

Opens the Arctic National Wildlife Refuge (ANWR). The GOP Reconciliation bill would open the Arctic Refuge to drilling by the oil industry. The President instead supports protecting it permanently and has said he would veto any Reconciliation bill that contains this measure to jeopardize a unique, biologically-rich wilderness.

Robs Taxpayers with Sham Hardrock Mining Reform. The GOP proposal does little to fix the basic problems of the 1872 mining law that allows industry to acquire public minerals at a fraction of their true value. Recently for example, DOI was forced to sign over more than \$1 billion worth of minerals for just \$275. The measure provides for the sale of mineral rights at their "market value" -- defined as the value of the land, not the minerals. This is like selling Fort Knox for the price of the parking lot.

Rips Off National Park Visitors and Provides Special Interest Giveaways. The GOP budget bill includes an uncompetitive approach for handing out national park concessions that would protect venter monopolies and weaken safeguards against price gauging. There are numerous other provisions in the bill that pander to special interests at taxpayer expense, including special loophole water deals for corporate farms and certain water districts; changes to oil and gas royalty collection that invite evasion by making it more difficult and costly; and the transfer of land for a low level radioactive dump at Ward Valley (CA) without the necessary safeguards for public health.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 11-27

TO:  Mike Reed

FROM: Staff Secretary

I need more
context. Why are we
doing this? Who is the
moving force? What's
really going on here?





THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 2, 1995

95 NOV 22 A10:30

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin *AMP*
Director

SUBJECT: Proposed Executive Order Entitled "Amendment to
Executive Order No. 12871"

SUMMARY: This memorandum forwards for your consideration a proposed Executive order that was prepared by the National Performance Review. The proposed order would make changes to the National Partnership Council to improve its functioning.

BACKGROUND: On October 1, 1993, you issued Executive Order No. 12871. That order, which is entitled "Labor-Management Partnerships," established the National Partnership Council ("Council") to advise the President on labor-management relations in the Executive branch.

The proposed order would make changes to the Council to improve its functioning. It would add representatives of the Senior Executives Association and the Federal Managers Association to the Council. It would add Federal government manager and professional associations to the list of agencies from which the Council could seek input. It would direct the Council to report to the President by October 1996 on the results achieved through labor-management partnership throughout the executive branch.

None of the affected agencies objects to the proposed Executive order.

RECOMMENDATION: I recommend that you sign the proposed Executive order.

Attachments

EXECUTIVE ORDER

- - - - -

AMENDMENT TO EXECUTIVE ORDER NO. 12871

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in order to improve the functioning of the National Partnership Council, it is hereby ordered that Executive Order No. 12871, entitled "Labor-Management Partnerships," ("the order") is amended as follows:

Section 1. Section 1(a) of the order is amended to delete "and" at the end of item (9), delete the period at the end of item (10), add "; and" at the end of item (10), and add item "(11) one elected office holder each from both the Senior Executives Association and the Federal Managers Association."

Sec. 2. Section 1(b) of the order is amended to delete "and" at the end of item (4), delete the period at the end of item (5), add "; and" at the end of item (5), and add "(6) reporting to the President by October 1996 on the progress of and results achieved through labor-management partnership throughout the executive branch."

Sec. 3. Section 1(c)(2) of the order is revised to read: "(2) The Council shall seek input from nonmember Federal agencies, particularly smaller agencies. It also may, from time to time, invite experts from the private and public sectors to submit information. The Council shall also seek input from Federal manager and professional associations, companies, nonprofit organizations, State and local governments, Federal employees, and customers of Federal services, as needed."

Sec. 4. Section 1(c)(4) of the order is revised to read:
"(4) Members of the Council shall serve without compensation for their work on the Council, but may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law, for persons serving intermittently in Government service."

THE WHITE HOUSE,

THE PRESIDENT HAS SEEN
11-27-95

THE WHITE HOUSE
WASHINGTON

95 NOV 22 P5:52

November 22, 1995

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: RAHM EMANUEL R.E.

SUBJECT: WEEKLY MEMO

See [unclear] [unclear]
see [unclear] [unclear]
M. Schmidt
[unclear] [unclear]
PK

IMMIGRATION:

After the decision by the courts on Proposition 187, we put Doris out to respond to questions. NBC did a story which included Doris in the package. I do think this opinion by the court will make our lives more difficult on the issue of immigration.

The Executive Order on Federal contracting with companies that have an immigration violation is near completion. We need to find a time soon to sign such an order. This would underscore the Administration's efforts to focus on the workplace.

I continue to face resistance at INS to follow through on our agenda. They really do see themselves as an independent operation that does not have to follow our initiatives. I think it is time for a meeting to explain our views to Doris and others in the top brass.

CRIME:

We were successful in getting ourselves in the middle of the annual FBI Crime Report stories. This report will continue to focus on the downward trend in crime generally, but will raise the issue of juvenile violence.

Hopefully, the story we have been working on with the New York Times reporter, Fox Butterfield, should help the Administration's credentials. He called the other day to tell us that the story is scheduled to run shortly. It will focus on the 10 city juvenile violence projects the President launched in September.

In addition to the Times story, Mike Frisby from the Wall Street Journal filed a story on Crime and Welfare and the President's politics with base groups. I kept reinforcing the point that the President's position on these issues has been consistent dating back to the campaign. The article will probably cause us difficulty with the base groups since its premise is that we can move right on these issues with little political consequence.

We have two upcoming reports from the Drug Office which will enable the administration to reinforce our message on fighting drugs and youth violence. Unlike the FBI report, I hope we find time on the presidents schedule to get him in the story.

I have been working with HUD on a two strikes your out proposal for residents. This would allow us to repeat the public housing sweep policy in another form. HUD is resistant to the idea although it is now being practiced in Dallas.

WELFARE:

Bruce Reed and I recently completed a memo on the status of the Welfare legislation. The memo outlines where we are at present and what steps to take to enhance our position.

This week Allison Mitchell ran a story on the President and Welfare. We survived the story without any real damage to our reputation and, in fact, we advanced the ball in certain areas. That is the most we can expect from the Times. They have decided to elevate this issue into a test of the President's moral compass.

VALUES:

In Long Beach California a local school district is being sued by the ACLU for imposing uniforms on the children. Parents and children can opt out of the uniform. Among the students, crime and drugs and violence is dramatically down. I think we should consider filing an amicus brief on behalf of the school district defending their use of uniforms. This is a symbolic issue, but goes a long way in sharpening the President's credentials in the fight over values. The Washington Post, New York Times, and LA Times have given the story big coverage.

BOSNIA:

I spoke to Tom Friedman from the New York Times about a future column on Sen. Lugar and Sen. Dole's response on Bosnia and who is acting responsibility vs. who is not.

I also spoke with Safire about supporting us in his column on Bosnia for Thursday. Although he started from a position of total disagreement, I think he is now in a position of creating less harm rather than more.



OFFICE OF THE GOVERNOR
STATE OF MISSOURI
JEFFERSON CITY
65101

95 NOV 27 4:37

MEL CARNAHAN
GOVERNOR

STATE CAPITOL
ROOM 216
(314) 751-3222

November 22, 1995

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

During your upcoming meeting with British Prime Minister John Major, I urge you to discuss options for securing an additional airline route between New York-JFK and London-Heathrow airports. As we have discussed, successful resolution of this issue could determine the future of Trans World Airlines (TWA). I believe it is imperative that we do everything possible to assist TWA and the airline's 13,000 Missouri employees.

As always, I appreciate your support. I look forward to celebrating a victory for TWA and both of our administrations.

Very truly yours,

Mel Carnahan

MC/dk

11-27-95

Send to WSC for
appropriate handling?

cc: yes ✓
- Mac ho
- Harold Hale
- Higgins Ickes Carol

TOTAL P.02

copy
G.S.
Jack
P. 11/22/95

THE PRESIDENT HAS SEEN
11-27-95

THE WHITE HOUSE
WASHINGTON

95 NOV 22 P5:52

November 22, 1995

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: RAHM EMANUEL R.E.

SUBJECT: WEEKLY MEMO

copy SUB/RT
see copy with pg
M. School
unfamiliar
PK

copies to
Emanuel, Panetta,
Bowles + Ickes

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THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 11/27

TO: Leon
Laura

FROM: Staff Secretary

Fyi. I plan to
forward this to POTUS..
probably this evening.

Trill

NOV 24 1995

95 NOV 25 AM : 03

MEMORANDUM FOR THE PRESIDENT

From:

RBR

boy

Re:

Budget Negotiations

I hope you find the attached useful.

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: NM DATE: 9/19/94

224-0774-5

~~CONFIDENTIAL~~

MEMORANDUM ON THE UPCOMING BUDGET NEGOTIATIONS

Date: November 24, 1995

The purpose of this memorandum is to suggest ways of emphasizing the distributive aspects of what is at stake.

1. Tactical bargaining versus strategic bargaining

At the outset, there will be a temptation (which the Republicans will encourage) to set a target for how much money must be added back from the budget resolution to fund domestic discretionary spending (say, \$80 to \$120 billion over 7 years). There will be a simultaneous temptation to seek a moratorium on all tax cuts until the spending cuts are agreed upon and a 7-year balance is achieved.

These may be wise tactical moves, but they may not be wise strategically. They tell the wrong story about what this Administration is trying to achieve for the country: They frame the issue as between the President's efforts to increase spending and taxes versus their efforts to cut spending and taxes. Bargaining (and eventually compromising) on this basis reinforces the Republican version of what's at stake (big government versus small government). At best, it will result in a compromise which provides some funds for several of our domestic discretionary priorities. But it establishes exactly the wrong predicate for the election, and for any mandate for the next four years.

Strategic bargaining would begin by establishing principles of equal sacrifice. The underlying question should be framed as how to fairly allocate the burden of balancing the budget, so that all Americans are called to pitch in. No segment of society should be especially burdened; none should be excused. The underlying story is the President's continued efforts to achieve a fair allocation, and the Republicans' efforts to advance their powerful and privileged friends by placing most of the burden on average working people and the poor. It is also a story of the President's continuing effort to ensure a strongly competitive nation in the future, which invests in the capacities of all our people.

The predicate for the election (and for the four years following the re-election) is this: The President believes that we should be growing together again. Instead, the Republicans have been exacerbating the forces that are pulling us apart -- in terms of income, class, race, and anger directed against one another. What's at stake is no less than the capacity of this society to pull together and grow together so that we may prosper together.

2. Starting with principles of equal sacrifice

They will begin the bargaining process by enunciating certain "non-negotiable" items (such as a capital gains tax cut), and they will demand that the President come forward with a list of spending cuts. They will seek to characterize the Administration's position as "tax-and-spend" and their own as "ending the welfare state."

We should begin the bargaining process by putting a radically different frame on it. The President would announce several principles of equal sacrifice that must guide the nation in seeking to balance the federal budget. Here are several possibilities:

(1). Tax cuts should be reserved for families earning under \$100,000. There is no reason at this point in our nation's history for giving tax cuts to families that don't need them. According to the Treasury Department, 45 percent of the benefits of the Republican tax proposal will go to the top 12 percent of taxpayers -- those making over \$100,000. The conference agreement rewards wealthy individuals by providing a retroactive 50 percent deduction for capital gains -- \$28.8 billion over 7 years -- plus estate and gift tax relief amounting to about \$12 billion over 7 years.

(2). No tax increases on working families. The Republican conference agreement raises taxes on working families by reducing the EITC by \$32.4 billion over 7 years. Treasury estimates that these cuts reduce the EITC for 12.6 million working families, by an average of \$332 in 1996. Even accounting for the \$500 child credit, and a proposed increase in the standard deduction, 7.7 million EITC recipients would pay, on average, \$318 in higher taxes.

(3). No tax cuts for corporations. There is no reason to make additional cuts in corporate taxes. First, corporate taxes have shrunk dramatically over the past 15 years, as a percentage of total federal tax receipts. Second, corporate profits are now high; the Dow just crashed through the 5000 mark. Third, corporate "downsizing" continues unabated. Many Wall Street analysts (among them, Steve Rattner, David Shulman, Stephen Roach) attribute rising profits and stock prices directly to corporate America's ability to prevent wages and benefits from rising. Fourth, Wall Street's bullishness does not translate into higher incomes for most Americans. According to recent studies, there has been a steadily increasing concentration of unearned income (stocks and bonds) in the hands of wealthy individuals -- even accounting for pension funds.

The Republican bill contains a number of corporate tax cuts. It lowers capital gains for corporations by \$6.8 billion over 7 years, and virtually repeals the alternative minimum tax for many corporations by \$16.2 billion over 7 years.

(4). No pension grabs by corporations. For similar reasons, there is no reason to allow this. The Republican bill raises approximately \$4.7 billion over 7 years from companies that it assumes will pocket about \$18 billion in "excesses" from their pension plans. But this provision raises the risk that pension beneficiaries won't get the pensions they were promised, or that the PBGC (and taxpayers) will be left holding the bag.

(5). No corporate welfare. There is substantial overlap among lists of "corporate welfare" subsidies and tax loopholes provided by think tanks of all ideological persuasions. Now is a propitious time to set a target of, say, \$100 billion in revenues over 7 years (to be plugged into the final budget compromise), and to seek Republican agreement to establishing a commission (modeled after the base-closing commission) to identify tax loopholes and spending cuts that total at least this much.

(6). No real cuts in investments in the standard of living of future Americans. Education and job-training, environment, and technology should, at the very least, remain at their 1995 post-rescission levels, adjusted for inflation. This is necessary in order to assure that all Americans prosper in the future, not just a few.

(7). Spending cuts must fall equally on rich and poor. According to our estimates, about one-third of Republican spending cuts (approximately \$300 billion over 7 years) come out of the 12 percent of the current federal budget directed to the poor or near poor. That's simply unfair. Here again, the President should call for a budget that allocates the burdens more equally.

(8). The elderly should not pay disproportionately. The Republican Medicare and Medicaid cuts are unacceptable because they put a disproportionate burden on senior citizens. Note that 75 percent of Medicare recipients have yearly incomes of under \$25,000.

(9). If welfare is to be cut, then work must pay. The President's proposed minimum wage hike continues to garner strong public support (a steady 75% to 80% in the polls). By 1996 the real minimum wage will be at a 40-year low. As a condition of signing any welfare bill that cuts funding for the poorest people in our society, the President should demand an increase in the minimum wage so that they may get jobs that pay a living wage.

3. Illustrating the theme through "pairing"

The Republican budget offers many opportunities to illustrate their failure to fairly allocate the burden of balancing the budget. One way to dramatize this failure is to pair up burdens they are placing on lower-income people with certain benefits they are bestowing on the wealthy.

To take just a few examples, they seek to --

<u>cut:</u>	<u>which would finance their:</u>
\$7 billion from summer jobs for poor kids	\$7 billion cut in corporate capital gains taxes;
\$3.5 billion in low-income housing tax credits	\$3 billion in new special tax breaks for corporations;
\$32.5 billion from the EITC for lower-income families	\$28.9 billion cut in individual capital gains for higher-income families;
\$15 billion from retraining laid-off workers and \$1 billion student loan interest deduction	\$16.3 billion cut in the corporate alternative minimum tax;
\$12 billion from Head Start and related programs for poor children	\$12 billion in cuts in estate and gift taxes for wealthy children;
\$1 billion from repealing the interest deduction for employment stock ownership plans	\$1 billion extension of tax break for commercial aviation fuel;

4. Issues for later in the bargaining process.

The themes of "equal sacrifice" and "America growing together rather than growing apart" can take on added strength later in the bargaining process. As the going got tougher, the President could initiate or cooperate on the following additional issues:

(1) Means-testing of Medicare. The President already has noted that he would be open to this if it were absolutely necessary.

(2) Means-testing of farm price supports and subsidies. The small family-owned farmer should not bear an undue burden, but there is no reason to excuse large agri-businesses.

(3) Making any corporate tax cuts conditional on specific criteria for "good corporate citizenship." If Republicans insist on corporate tax cuts (alternative minimum tax, corporate capital gains), the President, as a fall-back, could propose that no corporation receive tax cuts unless it agrees to fulfill certain obligations to its workers and communities. Specific criteria might include (a) investing 2 percent of payrolls in training (this was in "Putting People First"); (b) sharing productivity gains with its entire workforce through a certified gain-sharing plan and/or stock options; and (c) refraining from laying off workers during years in which the corporation earns net profits.

(4) In exchange for indexing for inflation certain tax benefits going primarily to the wealthy (for example, the Republicans seek indexation of capital gains after 2002), the President would require that the minimum wage be indexed for inflation.

5. A cautious note on the CPI. Before we acquiesce to any change in the CPI for the purpose of raising revenue, it's important to consider the large number of lower-income Americans whose incomes are currently pegged to cost-of-living adjustments using the CPI. These Americans own little or no financial assets (whose values have been rising substantially), and depend to a large extent on COLA adjustments. The following is a rough calculation but suggests the right order of magnitude.

(1) Social Security recipients -- 42.9 million.

(2) Workers covered by collective bargaining agreements -- approximately 18 million (or about 17 percent of the labor force). Even multi-year contracts which do not have an explicit COLA are influenced by the CPI when contracts are renegotiated.

(3) Food stamp recipients -- 27.5 million.

(4) Retirees on private pensions -- approximately 300,00 current retirees in the private sector depend on annual COLA adjustments in their defined benefit plans. Several million have received at least one post-retirement COLA.

(5) Retired government employees (state, local, and federal) -- 2.5 million.

95 NOV 21 A9:07

MEMORANDUM

DATE: November 20, 1995
TO: John Sutton
FROM: Faith Brown
RE: DNC Copy approval

ok per POTUS

Attached is copy for a letter from President Clinton to be included in Precinct Leader kits in approximately 66,000 targeted precincts nationwide.

Please have the attached reviewed by the appropriate individuals and submit their comments to me as soon as possible. Please call me directly at (202) 863-7121 with any questions.

☐ ok as is]
☐ ok with changes]

Ron Klaine: _____ Date: _____

☐ ok as is]
☐ ok with changes]

Bruce Lindsey: _____ Date: _____

☐ ok as is]
☐ ok with changes]

Cheryl Mills: _____ Date: _____

☐ ok as is]
☐ ok with changes]

Todd Stern: _____ Date: _____

☐ ok as is]
☐ ok with changes]

Doug Sosnik: _____ Date: _____

☐ ok as is]
☐ ok with changes]

George Stephanopoulos: _____
Date: _____

☐ ok as is]
☐ ok with changes]

Harold Ickes: _____ Date: _____

Name of person returning this document and attached documents to the Democratic National Committee: _____

Date returned: _____

Bill Clinton

Dear Friend:

I wish to extend my personal thanks to you for agreeing to serve as a Democratic Party Precinct leader. With committed Americans like you standing behind our Party and our candidates, I am confident that we will triumph in 1996.

The 1996 elections will shape the future of our nation more than any election of our generation. The Republican vision would abandon America's responsibilities to deliver quality education, affordable health care, adequate environmental protection and a reasonable safety net for children in poverty.

Our vision builds a different future where expanded opportunity, first-rate schools, a clean environment and a secure retirement for all, help our nation compete and succeed in a rapidly changing world.

Your time, energy and commitment will do more than decide the outcome of an election. Your help will decide what kind of nation America will be.

Thank you for standing up for the principles that have always defined our country. I know your involvement will make a lasting difference.

Sincerely,

Bill Clinton