

THE WHITE HOUSE

WASHINGTON

May 19, 1993

MR. PRESIDENT:

Leon has developed the attached set of materials summarizing the House Reconciliation package.

If you approve the text of the attached letter, we will have letters to all House members prepared and forwarded to the Hill with the summaries. Mack, Rubin, et. al. have signed off.

[       ] Concur

[       ] Concur  
          with changes

John Podesta

DRAFT

LETTER FROM THE PRESIDENT TO MEMBERS OF THE HOUSE OF REPRESENTATIVES 93 MAY 19 A 8: 33

Dear Member of Congress:

On February 17, I asked you to join me in charting a new direction for our country with an unprecedented economic program of long-term deficit reduction and targeted investments.

Within six weeks, Congress adopted the blueprint of that plan in H. Con. Res. 64, the Fiscal Year 1994 budget resolution. Now, just six weeks later, 13 House Committees have responded to the reconciliation instructions for reducing budget deficits that were contained in the budget resolution. Every one of them has adopted its share of the spending cuts and revenues needed to reduce the deficit. The measures largely reflect my initial proposals, and I am writing today to urge you to support the reconciliation package when it comes to the House floor.

This is a credible \$500 billion plan that is balanced between spending cuts and revenue increases, and that makes critical investments in working families and children. The reconciliation bill requires savings in every major entitlement program, from farm and veterans' programs to Social Security, Medicare and Medicaid, and federal pay and retirement benefits. It also raises significant revenues, 75 percent of which come from the six percent of taxpayers with more than \$100,000 of income. When savings in discretionary spending are included, the package requires one dollar in spending cuts for every dollar in revenues.

I expect the bill to include tough enforcement measures to ensure that the savings we achieve in deficit reduction are used only for that purpose. I have proposed a Deficit Reduction Trust Fund to provide a needed layer of protection against the spending of deficit-reduction proceeds.

The reconciliation bill also contains targeted investments that I have proposed in a number of critical areas, such as childhood immunizations, family preservation, the earned income tax credit, and empowerment zones. These investments are fully paid for.

Reducing budget deficits is essential to the short- and long-term health of the economy. Our commitment to deficit reduction has already brought long-term interest rates down by a full point. To maintain that momentum, it is critical that the House adopt the reconciliation bill and send it to the Senate. I appreciate the work the House has done already, and I urge your support for this legislation.

Sincerely,

Attachment

# **HOUSE RECONCILIATION BILL**

## **Contents**

**Highlights of the Reconciliation Bill**

**Status of President's Economic Program**

**History of Reconciliation Savings**

**Restoring Progressivity to the Tax System**

**Business Investment Incentives**

**Presidential Initiatives Approved by House Committees**

**Summary of Committee Savings Proposals**



## **HIGHLIGHTS OF THE RECONCILIATION BILL**

### **o Largest Deficit Reduction in U.S. History**

The entitlement reductions, revenue increases and discretionary spending reductions called for by the congressional budget resolution will result in the largest deficit reduction measure in U.S. history: \$496 billion over 5-years by CBO estimates and \$524 billion over 5-years by OMB estimates.

### **o Real, Substantial Spending Cuts**

The reconciliation bill contains significant spending cuts in the major entitlement programs such as Medicare, Medicaid, and Agriculture, plus reductions in costs for Federal personnel:

|                                                             |                 |
|-------------------------------------------------------------|-----------------|
| - Medicare savings                                          | -\$48.0 billion |
| - Medicaid savings                                          | -\$8.3 billion  |
| - Agriculture programs                                      | -\$3.0 billion  |
| - COLA delays for military retirees                         | -\$2.3 billion  |
| - COLA delays for civilian retirees                         | -\$0.8 billion  |
| - End Lump Sum retirement benefit for<br>Federal employees  | -\$8.8 billion  |
| - Pay restraint and other reductions<br>for Federal workers | -\$49.6 billion |
| - Veterans programs                                         | -\$2.6 billion  |

### **o Fair and Progressive Taxation**

The Congressional Budget Office has concluded that 75 percent of the tax increases in the economic plan will be paid by households with incomes of over \$100,000 -- the top six percent of all households. Lower-income households -- those with incomes under \$30,000 -- are shielded from increases in the energy tax through an expanded earned income tax credit for working families with children, and increased energy assistance. According to a study by the accounting firm Arthur Andersen, a family of three earning \$25,000 per year would see its taxes actually fall.

### **o The Energy Tax is Modest and Will Be Phased In Gradually**

The Administration's proposed energy tax will not go into effect until the summer of 1994, and then will be phased in by three equal yearly stages. In 1994, a family earning \$40,000 per year will pay about \$1 per month; in 1995, it will pay about \$7 per month; and finally, when the tax is fully phased in, it will pay only about \$17 per month (according to both the Treasury Department and the Congressional Budget Office).

### **o Lower Interest Rates Offset the Tax Increases**

Long-term interest rates are at their lowest level in 20 years. The average 30-year fixed-rate mortgage is now written at 7.42 percent, compared with 8.29 percent at the time of the election in November of 1992. A family with a \$100,000 mortgage at today's rate would save \$60.34 on its monthly payment -- or more than \$724 per year -- compared with what it would have had to pay at the rate of November of last year.

### **o Deficit Reduction Trust Fund**

This trust fund will hold all of the net deficit reduction achieved in the reconciliation bill. The trust fund plus pay-as-you-go restrictions and controls on discretionary spending will ensure that the spending cuts and revenue increases in reconciliation will be preserved for deficit reduction and will not be used to increase spending.

### **o Assistance to Working Families**

The reconciliation bill includes improvements in a number of programs targeted at working families. A new program will provide immunizations for all uninsured children; the Mickey Leland Hunger Relief Act will expand nutrition benefits for Americans, the Family Preservation program will provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement; and the expansion in the earned income tax credit, the first major step in welfare reform, will benefit thousands of working families with children, lifting them from poverty.

# STATUS OF PRESIDENT'S ECONOMIC PROGRAM

| RECONCILIATION                     | 5-YR. SAVINGS<br>(\$ In billions) | STATUS |
|------------------------------------|-----------------------------------|--------|
| Agriculture.....                   | 3 *                               | ✓      |
| Armed Services.....                | 2                                 | ✓      |
| Banking.....                       | 3                                 | ✓      |
| Education and Labor.....           | 6 *                               | ✓      |
| Energy and Commerce.....           | 65 *                              | ✓      |
| Foreign Affairs/Judiciary          |                                   |        |
| Merchant Marines/Public Works..... | 1 *                               | ✓      |
| Natural Resources.....             | 2 *                               | ✓      |
| Post Office and Civil Service..... | 11 *                              | ✓      |
| Veterans Affairs.....              | 3 *                               | ✓      |
| Ways and Means.....                | <u>300 *</u>                      | ✓      |
| <b>Total.....</b>                  | <b>343</b>                        |        |
| <b>DISCRETIONARY SAVINGS.....</b>  | <b>102</b>                        | ✓      |
| <b>DEBT SERVICE.....</b>           | <b><u>51</u></b>                  | ✓      |
| <b>TOTAL</b>                       |                                   |        |
| CBO Scoring.....                   | 496                               |        |
| OMB Scoring.....                   | 524                               |        |

\*Includes items reconciled to multiple committees.

# RECONCILIATION SAVINGS ACHIEVED

(In billions of dollars)

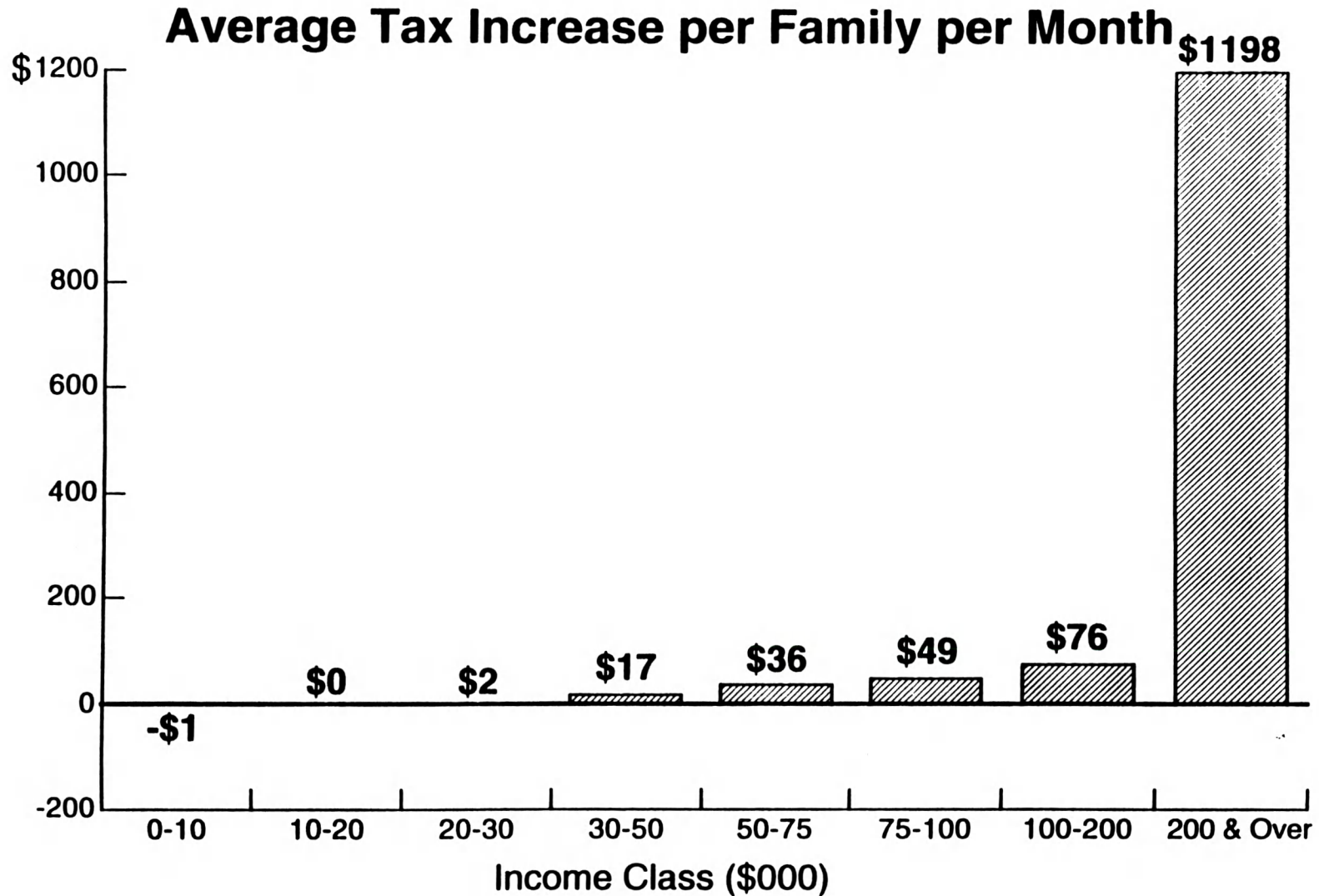
| <u>Reconciliation Legislation 1/</u> | <u>Deficit Reduction Achieved Over</u> |                   |
|--------------------------------------|----------------------------------------|-------------------|
|                                      | <u>3 Years</u>                         | <u>5 Years</u>    |
| 1981.....                            | -233                                   | NA                |
| 1982.....                            | 128                                    | NA                |
| 1983.....                            | 4                                      | NA                |
| 1984.....                            | 63                                     | NA                |
| 1985.....                            | 18                                     | NA                |
| 1986.....                            | 13                                     | NA                |
| 1987.....                            | 48 <sup>2/</sup>                       | NA                |
| 1989.....                            | 24                                     | 41                |
| 1990.....                            | 130                                    | 245               |
| 1993.....                            | 150 <sup>3/</sup>                      | 343 <sup>3/</sup> |

1/ Includes separate tax bills in 1981 and 1982.

2/ Estimates available for only 2 years.

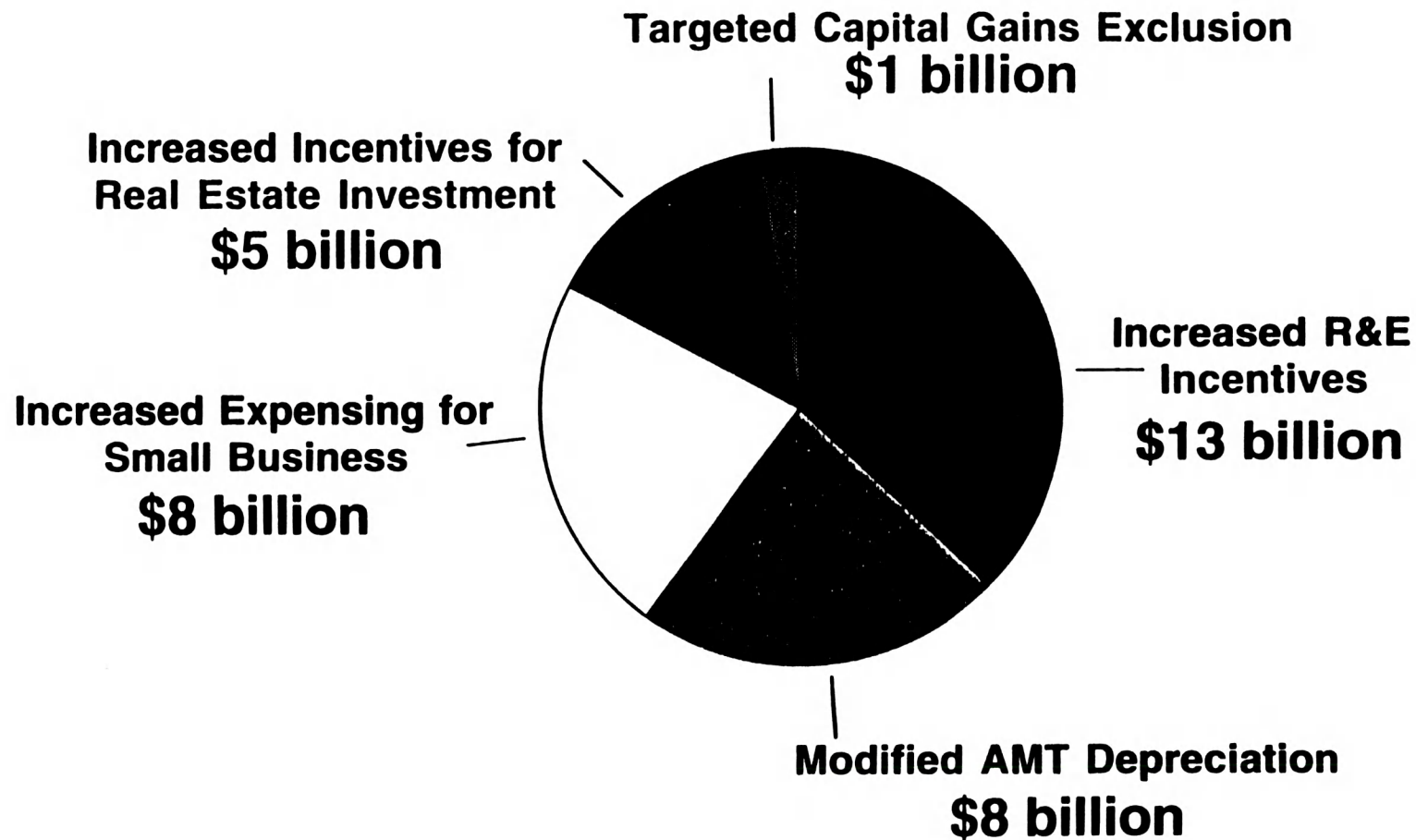
3/ Targets.

# RESTORING PROGRESSIVITY TO THE TAX SYSTEM





# BUSINESS INVESTMENT INCENTIVES



**Totals \$35 Billion**

Covers 1994-1998

## **PRESIDENTIAL INITIATIVES APPROVED BY HOUSE COMMITTEES**

- o CHILDHOOD IMMUNIZATIONS**
- o FAMILY PRESERVATION**
- o EARNED INCOME TAX CREDIT**
- o EMPOWERMENT ZONES**
- o DIRECT STUDENT LENDING**
- o MICKEY LELAND HUNGER RELIEF ACT**
- o UNEMPLOYMENT BENEFIT REFORMS**
- o TRADE ADJUSTMENT ASSISTANCE**



## AGRICULTURE COMMITTEE

5 Year Savings Target: \$2.95 billion

### Savings Achieved

- o Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments) for program crops from 15 to 20 percent, starting with 1994 crop.
- o Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- o Decreases current law assessment on dairy to 10 cents.
- o Reduces Market Promotion Program to \$148 million per year (equals FY 1993 level).
- o Lowers payment limit on honey, and wool and mohair programs to \$50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- o Increases Forest Service recreation fees.
- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.
- o Adjusts purchase prices to effectively buy more milk powder and buy less butter.
- o Creates free catastrophic crop insurance for losses above 65 percent.
- o Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.
- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

## HOUSE ARMED SERVICES COMMITTEE

5 Year Savings Target: \$2.4 billion direct spending  
\$20.3 billion authorization

### Savings Achieved

- o Delays the 1994 military retiree COLA by four months from January to May 1994.
- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998 and May 1999.
- o Exempts disabled retirees and survivors from the COLA delays.
- o Achieves required discretionary spending targets by:
  - Freezing military pay in 1994
  - Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

## HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: \$3.1 billion

### Savings Achieved

- o Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.
- o Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.
- o Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.
- o Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.
- o Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

## ENERGY AND COMMERCE COMMITTEE

5 Year Savings Target: \$7.2 billion for Auction of the Radio Spectrum

### Savings Achieved

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum.
- o Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.

5-Year Savings Target: \$1.16 billion for Nuclear Regulatory Commission (NRC) Fees

### Savings Achieved

- o Reconciliation bill amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.
- o The NRC fee extension increases receipts by \$1.16 billion in FY96 through FY98.

5 Year Savings Targets:\$48.35 billion for Medicare  
\$7.9 billion for Medicaid

### Savings Achieved -- Medicare

- o reduction in the Medicare Volume Performance Standard that would limit future physician payment fee increases;
- o limits payments for clinical laboratory tests;

- o an extension of current reductions on reimbursement for hospital outpatient department capital costs and sets reasonable costs;
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o a reduction in the scheduled 1994 increase in physician fees;
- o limits payments for durable medical equipment;
- o expands the ban on self-referrals by physicians, i.e., to facilities in which the physicians have a financial interest; and
- o extends Part B (SMI) premium levels beyond 1995.

Note:

The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of \$28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

Savings Achieved -- Medicaid

- o The Committee exceeded by \$356 million the five-year savings target of \$7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:
- o strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;
- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and



- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

### Investments

- o The Committee adopted legislation to help assure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.
- o The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.
- o The Committee extended some areas of Medicaid coverage, including:
  - raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and
  - funding medical assistance payments for States with a disproportionate share of border-crossing individuals.
  - extending eligibility for some Medicaid services to impoverished TB patients.



## HOUSE EDUCATION AND LABOR COMMITTEE

5 Year Savings Target: \$5.8 billion

### Savings Achieved

- o Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.
- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.'
- o Removes unintended barriers preventing States from recovering Medicaid payments properly paid by proper health insurance.

## HOUSE FOREIGN AFFAIRS COMMITTEE (HFAC)

5 Year Savings Target: \$5 million

### Savings Achieved:

- o HFAC deferred to the House Post Office and Civil Service Committee (PO & CS) to report out legislation necessary to amend COLA benefits to retirees, including those in the Foreign Service retirement program.
- o HFAC informed the House Budget Committee in writing today that HFAC supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96.

## HOUSE JUDICIARY COMMITTEE

5 Year Savings Target: \$0.3 billion

### Savings Achieved

- o This proposal extends patent fee surcharges created by Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase patent fees beyond levels anticipated under current law.
- o The savings begin in 1996, at slightly over \$100 million per year through 1998.

## HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

5 Year Savings Target: \$0.2 billion

### Savings Achieved

- o Meets the target by extending the Tonnage Duty Fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA.
- o The savings begin in 1996, at over \$65 million annually.
- o The Fees are collected by the Customs Service but are credited as offsets to the Department of Transportation for services provided by the Coast Guard to the merchant marine industry such as aids to navigation.
- o The fees are paid by all ships entering U.S. ports after calling on foreign ports.

## HOUSE NATURAL RESOURCES COMMITTEE

5 Year Savings Target:    \$2 billion

### Savings Achieved

- o    Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- o    Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- o    Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- o    Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- o    Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- o    Extends through FY 1998 the existing requirement that the Nuclear Regulatory Commission recover 100% of its costs through user fees.



## HOUSE POST OFFICE and CIVIL SERVICE COMMITTEE

5 Year Savings Target: \$10.6 billion direct spending  
\$28.7 billion authorization

### Savings Achieved

- o Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1% in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- o Delays to July 1 the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for fiscal years 1994 through 1998.
- o Reduces the Federal workforce by 150,000 over the next five fiscal years.
- o Eliminates cash awards between fiscal years 1994 through 1998.
- o Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- o Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- o Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- o Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- o Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- o Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

## HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

5 Year Savings Target: \$0.3 Billion

### Savings Achieved

- Charges more equitably for Federal Aviation Administration (FAA) services provided to users of the national airspace system. These charges are described as follows.
  - Increases annual general aviation aircraft registration fee and ties it to aircraft weight. Fee ranges from \$40 per year for small aircraft to \$2,000 for larger aircraft. This is estimated to raise \$137 million over 5 years.
  - Increases general aviation aircraft title recordation fee to \$200. This is a one-time fee paid whenever an aircraft is bought or sold. The Committee action will permit the fee to be weight based, i.e., the fee must average \$200 across all payees. This is estimated to raise \$48 million over 5 years.
  - Establishes an aviation medical examiner certification fee of \$500. Doctors take classes from the FAA for free, receive credit towards their state accreditation requirements, and then charge pilots for the annual medical exam required by the FAA. This will raise an estimated \$15 million over 5 years.
  - Increases the triennial pilot certificate fee of \$12. This will raise \$13.8 million over 5 years.
- Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

## HOUSE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: \$2.6 billion.

### Savings Achieved

- o Extends five provisions in current law that allow VA to:
  - Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
  - Collect a \$2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
  - Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
  - Limit pension payments to \$90 per month for veterans living in Medicaid nursing homes.
  - Allow VA to include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.
- o Increases fees charged for most VA home loans by .75 percent.
- o Authorizes VA to collect from veterans' health insurers the cost of care for treatment of military-related conditions.
- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.
- o Reduces the new annual increase in GI Bill benefits by one percent.
- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.

## HOUSE WAYS AND MEANS COMMITTEE

5 Year Savings Target: \$48.35 billion for Medicare

### Savings Achieved

- o The Ways and Means Medicare package would save \$50.5 billion over five years -- meeting the savings objectives of the President's budget.
- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save \$38 billion over five years.
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o The Committee extended the Part B (SMI) premium levels beyond 1995.
- o The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

5 Year Investment Target: \$20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

### Investments

- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.



- o Establishes tax and other incentives for Empowerment Zones to stimulate economic growth and job creation in distressed urban and rural areas.
- o Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.
- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.
- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- o Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.

## STATUS OF THE ADMINISTRATION'S REVENUE PROPOSALS

| PROPOSAL                                      | UNCHANGED | ADDED | MODIFIED | DROPPED |
|-----------------------------------------------|-----------|-------|----------|---------|
| <i>Investment Provisions:</i>                 |           |       |          |         |
| Extend education assistance exemption         | x         |       |          |         |
| Extend targeted jobs credit                   | x         |       |          |         |
| Investment tax credit                         |           |       |          | x       |
| Increased expensing                           |           | x     |          |         |
| Extend R&E credit                             | x         |       |          |         |
| Targeted capital gains exclusion              | x         |       |          |         |
| Modify AMT depreciation                       | x         |       |          |         |
| Incentives for high-speed rail                | x         |       |          |         |
| Extend small-issue and mortgage revenue bonds | x         |       |          |         |
| Empowerment zones                             |           |       | x        |         |
| Expand earned income tax credit               | x         |       |          |         |
| Extend low-income housing credit              | x         |       |          |         |
| Provide passive-loss relief                   |           |       | x        |         |
| Increase recovery period for buildings        | x         |       |          |         |
| Pension investment in real estate             |           |       | x        |         |
| Repeal AMT preference for gifts               | x         |       |          |         |
| Extend health insurance deduction             | x         |       |          |         |
| <i>Revenue Raising Provisions:</i>            |           |       |          |         |
| Increase top individual tax rates             | x         |       |          |         |
| Repeal health insurance wage cap              | x         |       |          |         |
| Reinstate top estate and gift tax rates       | x         |       |          |         |
| Reduce meals and entertainment deduction      | x         |       |          |         |
| Deny deduction for club dues                  | x         |       |          |         |
| Deny deduct. for exec. pay over \$1 mill.     | x         |       |          |         |
| Reduce contribution limit for pensions        | x         |       |          |         |
| Disallow certain moving deductions            | x         |       |          |         |
| Increase top corporate tax rates              |           |       | x        |         |
| Deny lobbying expense deduction               | x         |       |          |         |
| Require mark-to-market for dealers            | x         |       |          |         |
| Prohibit FSLIC double-dip                     | x         |       |          |         |
| Extend corporate estimated tax                |           |       | x        |         |
| Limit possession credit                       | x         |       |          |         |
| Eliminate working capital exception           | x         |       |          |         |
| Transfer price initiative                     | x         |       |          |         |
| Modify R&E and royalty income rules           |           |       | x        |         |
| Enhance earnings-stripping rules              | x         |       |          |         |
| Current taxation of certain CFC income        | x         |       |          |         |
| Modified BTU tax                              |           |       | x        |         |
| Extend motor fuels tax                        | x         |       |          |         |
| Service industry compliance initiative        | x         |       |          |         |
| Raise standards for certain penalties         | x         |       |          |         |
| Increase inland waterway fuel tax             |           |       | x        |         |
| Individual estimated tax                      |           | x     |          |         |



## STATUS OF THE ADMINISTRATION'S MAJOR REVENUE PROPOSALS

| PROPOSAL                                           | INCLUDED | ADDED | DROPPED |
|----------------------------------------------------|----------|-------|---------|
| <i>Investment Provisions:</i>                      |          |       |         |
| Investment Tax Credit                              |          |       | x       |
| Increase Expensing                                 |          | x     |         |
| Capital Gains Incentives for Small Business        | x        |       |         |
| Other Business Incentives                          | x        |       |         |
| Empowerment Zones                                  | x        |       |         |
| Expand Earned Income Tax Credit                    | x        |       |         |
| <i>Revenue Raising Provisions:</i>                 |          |       |         |
| Provisions that Improve Fairness of the Tax System | x        |       |         |
| Provisions Affecting Business                      | x        |       |         |
| Energy Provisions                                  | x        |       |         |

8/26/93

## Proposed deal

It entails over same cap then Pres. have to recommend how to make up deficit; which gets put to vote; & Steinbrun wants same kind of sequester if we go over cap. ["debt ceiling kind of trigger mechanism"]

L Bentsen

Thinks we'll get Kohl Kerry Exon

Rubin suggests either putting out <sup>treasury</sup> \$1.2 trn or how  
As states really do ~~do~~ better

Mack says 'follow y' but no one simply  
tasked.

But we Pres not closing deal in calls; listening w/ significance  
ear & making it sound like there's still room to modify

DRAFT

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I expect the bill to include tough enforcement measures to ensure that the savings we achieve in deficit reduction are used only for that purpose. I have proposed a Deficit Reduction Trust Fund to provide a needed layer of protection against the spending of deficit-reduction proceeds.

The reconciliation bill also contains targeted investments that I have proposed in a number of critical areas, such as childhood immunizations, family preservation, the earned income tax credit, and empowerment zones. These investments are fully paid for.

Reducing budget deficits is essential to the short- and long-term health of the economy. Our commitment to deficit reduction has already brought long-term interest rates down by a full point. To maintain that momentum, it is critical that the House adopt the reconciliation bill and send it to the Senate. I appreciate the work the House has done already, and I urge your support for this legislation.

Sincerely,

Attachment

## **HIGHLIGHTS OF THE RECONCILIATION BILL**

### **o Largest Deficit Reduction in U.S. History**

The entitlement reductions, revenue increases and discretionary spending reductions called for by the congressional budget resolution will result in the largest deficit reduction measure in U.S. history: \$496 billion over 5-years by CBO estimates and \$524 billion over 5-years by OMB estimates.

### **o Real, Substantial Spending Cuts**

The reconciliation bill contains significant spending cuts in the major entitlement programs such as Medicare, Medicaid, and Agriculture, plus reductions in costs for Federal personnel:

|                                                                       |                 |
|-----------------------------------------------------------------------|-----------------|
| - Medicare savings . . . . .                                          | -\$48.0 billion |
| - Medicaid savings . . . . .                                          | -\$8.3 billion  |
| - Agriculture programs . . . . .                                      | -\$3.0 billion  |
| - COLA delays for military retirees . . . . .                         | -\$2.3 billion  |
| - COLA delays for civilian retirees . . . . .                         | -\$0.8 billion  |
| - End Lump Sum retirement benefit for<br>Federal employees . . . . .  | -\$8.8 billion  |
| - Pay restraint and other reductions<br>for Federal workers . . . . . | -\$49.6 billion |
| - Veterans programs . . . . .                                         | -\$2.6 billion  |

### **o Fair and Progressive Taxation**

The Congressional Budget Office has concluded that 75 percent of the tax increases in the economic plan will be paid by households with incomes of over \$100,000 -- the top six percent of all households. Lower-income households -- those with incomes under \$30,000 -- are shielded from increases in the energy tax through an expanded earned income tax credit for working families with children, and increased energy assistance. According to a study by the accounting firm Arthur Andersen, a family of three earning \$25,000 per year would see its taxes actually fall.

### **o The Energy Tax is Modest and Will Be Phased In Gradually**

The Administration's proposed energy tax will not go into effect until the summer of 1994, and then will be phased in by three equal yearly stages. In 1994, a family earning \$40,000 per year will pay about \$1 per month; in 1995, it will pay about \$7 per month; and finally, when the tax is fully phased in, it will pay only about \$17 per month (according to both the Treasury Department and the Congressional Budget Office).



### **o Lower Interest Rates Offset the Tax Increases**

Long-term interest rates are at their lowest level in 20 years. The average 30-year fixed-rate mortgage is now written at 7.42 percent, compared with 8.29 percent at the time of the election in November of 1992. A family with a \$100,000 mortgage at today's rate would save \$60.34 on its monthly payment -- or more than \$724 per year -- compared with what it would have had to pay at the rate of November of last year.

### **o Deficit Reduction Trust Fund**

This trust fund will hold all of the net deficit reduction achieved in the reconciliation bill. The trust fund plus pay-as-you-go restrictions and controls on discretionary spending will ensure that the spending cuts and revenue increases in reconciliation will be preserved for deficit reduction and will not be used to increase spending.

### **o Assistance to Working Families**

The reconciliation bill includes improvements in a number of programs targeted at working families. A new program will provide immunizations for all uninsured children; the Mickey Leland Hunger Relief Act will expand nutrition benefits for Americans, the Family Preservation program will provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement; and the expansion in the earned income tax credit, the first major step in welfare reform, will benefit thousands of working families with children, lifting them from poverty.



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ATTACHED ARE THE FOLLOWING: P 9: 46

1. Summary memo from George S.
2. Message for House Caucus
3. Entitlement Cap Memo
4. Summary of Stenholm
5. More In-depth Talking Points
6. OMB Official Hand-Out

2

MEMORANDUM FOR THE PRESIDENT

From: George Stephanopoulos

PRESENTATION TO THE DEMOCRATIC CAUCUS

You need to address the House Democrats today with a **strong and simple** message. These guys are nervous, but they like you, respect you and remember the excitement they felt with your election in November and your State of the Union in February. Take the opportunity today to remind them of those feelings and tap into their desire to do big things after a decade of gridlock.

Keep the opening statement simple. You might start by talking about your recent travels. Being out in the country you've seen firsthand what these guys go through every week -- you know how tough their choices are, you know what they are going through, but you also know how high the stakes are. Because the people you saw over the last two weeks are telling you the same thing people were telling you the first time you visited this Caucus a year ago: **they want real action on jobs, they want real action on the deficit, and they're sick and tired of a government in Washington that just doesn't work for them.** This is our chance as Democrats to show them that we can make government work, but only if we stick together as Democrats.

Then you should walk them through the package in outline form. Gene has notes on the specific points to make on taxes, spending cuts and deficit reduction. This should be a positive, confident presentation on the benefits of the package.

Don't address any of their potential objections in the initial presentation. Save that for the questions. Stick with selling the program. No doubt some of the questions will be tough. But a majority of the Caucus wants to vote with you. To be confident about their vote they have to believe that you have confidence in what you are selling.

More than anything else this Caucus -- moderates, conservatives and liberals alike -- are worried that they are going to vote for something that's going to be gutted in the Senate. By selling the program confidently you can help them believe that they won't be sold out in the Senate Finance Committee.

In the end your presentation today has to appeal to the members' sense of **loyalty** and **patriotism**. I believe they are ready to respond to such a pitch. You first came to this Caucus a year ago during one of the dark periods of the campaign and shut down all talk of a brokered convention by showing these guys you were a leader. Now's your chance to do it again -- they're ready to follow.

May 18, 1993

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MEMORANDUM TO THE PRESIDENT

From Gene Sperling

Subject: Message for Democratic Caucus

Howard Paster and George asked me to write you a memo on what the key points are to make tomorrow at the House Caucus meeting. Also attached is a short memo Howard also asked me to write on the Nunn-Domenici and Stenholm entitlement caps.

**I. DEMOCRATS ARE ONE COMMUNITY WITH ONE KEY OPPORTUNITY TO CHANGE THE COUNTRY:**

You must come forth with a strategy that starts in the middle and has the capacity to make appeals to those both to the right and left of you. The one thing that can tie everyone together is that your budget -- these votes -- represent the key moment of truth for change. **Right now, the overwhelming thing that threatens confidence in the nation and the financial community is not the threat of higher taxes, but the threat that once again Washington will fail to bring forth meaningful change.**

You must show that you understand that each of them has serious, legitimate, yet often conflicting problems with the budget. Yet, if we do not go forward -- if each member and each constituency is allowed to get their way -- the whole thing will unravel, interest rates will soar, and the public will give up on all of us. **Democrats must see themselves as a community.** They must look at how their requests and changes affect others in this community or we will let ourselves get torn apart and we will all lose.

On the other hand, if we get something done -- \$500 billion in deficit reduction -- whatever the problems, whatever the concerns, we will have showed people that the Democratic party is capable of showing leadership on making the tough choices. Especially if interest rates stay low, we will be the one who have at last reversed the trend of rising deficit and less investment. You must make each of them at a personal level understand their responsibility to not be part of unraveling this. You must make each of them know how high the costs of not changing will be for both them politically and the country economically.



## II. THE COSTS OF NOT STICKING TOGETHER AND NOT GETTING A CREDIBLE PACKAGE:

The cost will be high and immediate. Not only will the public lose faith in Washington in political terms, but the financial affects will be felt immediately. If interest rates go up because Democrats could not stay together and pass deficit reduction, people will lose faith in us. Currently, we enjoy the following benefits because of Democratic leadership and unity.

- \* Longterm interest rates are at their lowest in 20 years. They are 7.43% today, while on November 6, 1992 they were at 8.29.
- \* A family who refinances their a 10% \$100,000 mortgage at 7.5% saves \$175 a month or \$2,100 a year.
- \* According to a bipartisan poll by Teter/Hart, 74% of people in their 30s now believe that homeownership is accessible. It was only 47% one year ago. Most agree the main difference is lower interest rates.

It is true that average people do not fully understand these benefits. Yet, the reverse will not be true. If we fail and the entire bill unravels because some get what they want, but do so at the cost of alienating others in the Democratic party, interest rates will shoot up, and the public will well understand that the economy is in disarray because the Democratic Party was in disarray and could not govern the economy.

**But if we get the package through, there will be surge in confidence in the economy -- even with whatever flaws the package may have. Interest rates will drop with the passage of this bill.** Whatever you feel the cost of this bill passing is, it does not compare to what the costs of letting it unravel will be because we could not stick together.

## III. SPENDING CUTS -- PARTICULARLY ENTITLEMENT CUTS:

Make crystal clear that you understand their concern about spending cuts, but make clear that this is a strong package and that we can be in a much stronger position simply by letting the American people know how much we have accomplished so far.

This program has strong cuts in it, and we should not allow our differences to get in the way of letting the American people know how much we, the Democrats have already done on cutting entitlements, interest on the debt and discretionary spending. The reconciliation included \$100 billion in net entitlement cuts. There were \$48 billion in Medicare cuts -- \$5 billion more than in the 1990 package. Overall, this package not only pays for every dollar of new investments with a spending cuts, but has two additional dollars in spending cuts for deficit reduction. When we just say we need more without telling people

what we have done, we only hurt ourselves and give credibility to the Republicans who want us to think that we are just about spending.

#### IV. TWO PLEDGES ON TAXES: A) FAIRNESS THAT TURNS AROUND THE 1980s, and B) DEDICATED TO DEFICIT REDUCTION:

There are two main points we must make every time we talk about taxes: One, our plan is fair and two, every dollar is dedicated to deficit reduction.

We do not want to raise taxes. We have to because we are trying to clean up 12 years of irresponsible Republican policies. Cleaning up the mess we inherited requires \$255 billion in spending cut. But it also requires doing some taxes. We make two pledges: One, any taxes will be fair -- reversing the trend of the 1980s, and two, we need to ensure that every dollar will dedicated to deficit reduction.

##### FAIRNESS:

- \* Stress that according to CBO, 75% of all revenues will fall on the top 6% -- those making over \$100,000. (This CBO income estimates does not count imputed rental income).
- \* We carefully constructed this package as best we could to hold families who make under \$30,000 harmless, with increase in food stamps, energy assistance and the EITC.
- \* The energy tax is the only tax that affects the middle class, and it is important people understand it. It does not go into effect until July 1994, and then is phased in over three years. The average family making \$40,000 will pay \$1 a month in 1994, \$7 a month in 1995 and \$17 when fully phased in -- 1997. (Hit this. No one knows it.)

This bill also includes tax cuts and tax credits.

The EITC, the \$25,000 small business expensing, AMT relief and the extension of the R&D tax credit.

##### DEFICIT REDUCTION:

Each net dollar of taxes goes to deficit reduction and there are three dollars of entitlement and spending cuts for each dollar of new investments. The Deficit Reduction Trust Fund locks this in.

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6  
**NOTE ON RETROACTIVITY:** Some have noted that the income tax and corporate tax are retroactive back to January 1, 1993. Below are two points to make if this comes up:

1) The income tax affects just the top 1.2% -- families with \$180,000 AGI, while the corporate tax affects only 0.1% of all corporations.

2) **On the other hand, the tax cuts that affect millions of businesses are also retroactive and will be providing serious relief. The \$25,000 expensing provision, the small business capital gains cut, the R&D tax credit, are all retroactive back till January 1, 1993.**

**The low income housing credit, the targeted jobs tax credit, and the R&D tax credit and are retroactive until June 30, 1992.**

#### **V. DEFICIT REDUCTION TRUST FUND:**

It is important that you both express your seriousness about this idea that you explain why it is real. Expressing your seriousness about it is important because some members of the House feel that they need the Deficit Reduction Trust Fund to be passed in order to vote for our package, and others feel that this might give them cover to vote for the bill without the entitlement caps. Finally, some liberals who might have been opposed to the idea originally may find it an attractive alternative compared to an entitlement cap.

You need to explain that it is real so that people who fear that it is a gimmick will see that this is real. You need to explain that currently the budget law does not have a way of locking in the net deficit reduction coming from net entitlement cuts and tax increases from the reconciliation process. Draw on Leon's credibility and offer to have him come and go over the details with anyone who is interested.

**VI. STAYING DEDICATED TO INVESTMENTS:** Having made your case on cuts and deficit reduction, you must then reach out to others in the party who are concerned about the investment initiatives. You must make clear that you are not wavering on your commitment, but also make clear that you believe that our credibility to invest, rests largely on our capacity to show the American public that we can cut the deficit and invest more at the same time. In this reconciliation bill, we passed immunization; empowerment zones, \$25,000 expensing, family preservation, direct student lending, the Mickey Leland Hunger Bill, and a historic expansion of the EITC that will do more than any policy every to reward work and say that those who work and have a child at home will not live in poverty. Stress how real these accomplishments are and how important it is that we could do something so historic as this expansion of the EITC at the same time that we have taken such a bold step to bring down the deficit. What a waste it would be to let a lack of unity prevent us from these accomplishments and real change.

(Attached is a memo on entitlement caps and more in-depth talking points)

May 18, 1993

MEMORANDUM TO THE PRESIDENT

From: Gene Sperling

Subject: Entitlement Caps

Entitlement caps are generally one more example of a tactic to show increased deficit reduction without making any tough choices. Since an entitlement, by definition is available to anyone eligible for the benefits at stake, there is no way to cap the costs other than through specific policy choices. In other words, if Medicare was capped at \$100 billion, the government cannot just turn people away after that. The only way to cap it is with specific policy choices, such as reducing benefits or cutting provider payments as we have done in our plan. The Stenholm plan is not as bad in this regard as most, but it still has serious problems.

**I. NUNN-DOMENICI:** The Nunn-Domenici proposal is virtually the same as the Bush entitlement cap policy in the Midsession Review that we criticized harshly during the campaign.

This proposal sounds harmless. It limits all entitlements to inflation plus population growth. Yet, as you know, since health care costs are at triple the costs of inflation, a cap at the level of inflation amounts to a severe cut. According to the Bush Midsession Review, a cap at inflation plus population on all entitlements would reduce the deficit \$293 billion over six years. Of that, \$146 billion of the entitlements spending above the cap would have been due to Medicare and would have to be cut. \$115 billion due to Medicaid cuts, \$1 billion due to child nutrition, \$13 billion for Earned Income Tax Credit. Thus, as you can see, the Bush/Nunn/Domenici cap on entitlements, simply calls for the \$261 billion in Medicare and Medicaid cuts you would get from reducing health care costs to limiting their growth to the rate of inflation. To achieve their savings -- in the absence of national health insurance -- one would have to find \$261 billion in specific cuts in Medicare and Medicaid. As you know, we already have \$56 billion in such cuts. Thus, the Bush/Nunn/Domenici cap is nothing more than another gimmick claims to reduce the deficit, but only seems to because it avoids every tough choice on how you would do that. As you recall, Bush mentioned some "selected options" in his Midsession review, that relied on over \$66 billion in beneficiary cuts, costing the average recipient \$2000 over five years.

If one tried to find cuts in other places than health care -- as did the selected options in the Bush plan -- you get such things as severe cuts in disabled veterans, farm programs, and even child support enforcement.



Thus, there is nothing positive about the Bush/Nunn/Domenici proposal, other than its desire to do something about rising entitlement costs. Indeed, there is some harm to it, because it gives a false impression that you can control entitlement costs without either major health care reform or painful cuts in Medicare and even safety net programs.

**II. STENHOLM ENTITLEMENT CAP:** The Stenholm entitlement caps has serious problems, though they are not of the magnitude of the Nunn/Domenici cap. The Stenholm cap essentially caps entitlement growth at the baseline growth rate assumed in the Budget Resolution -- somewhere around 9%. Thus, it is designed not to ensure more spending cuts, but to ensuring that entitlements do not rise more than they are currently projected to go up. This cap requires a precise amount to be set for each entitlement. If the amount predicted turns out to be too little, the relevant committee is required to make cuts to make up for the excess as part of the "spin-off bill" process. If they don't, there would be a sequester among all of the Committees. If the spin-off bill is enforcement option is not used, a sequester system would be used in which the difference is made up with a 4:1 ration of entitlements cut to taxes. Thus, if entitlements were \$100 million too high, there would have to be \$80 million in cuts and \$20 million in taxes. Stenholm does allow for the caps to be raised for taxes to pay for health care reform (Attached is a summary sheet from Joe Minarik).

While the cap does not include all of the problems that Nunn-Domenici does, the following are real concerns:

**1. Allows No Flexibility in Cyclical Programs:** The bill allows for a cap escape where there is over 10% unemployment or lower than 1% GDP growth. Yet, short of this, the program does not allow for the counter-cyclical way many entitlements operate. Food stamps costs go up when the economy is weak. As long as growth is higher than 1%, this increase would require cuts -- with the first option being the food stamp program itself -- at the very time people and the economy need a counter-cyclical cushion. Since many of the costs could be triggered by bad times and layoffs, this will not only be unfair to very poor people, but to working people as well, who are laid off in bad times. In times prior to elections, this law would make Congress and the Administration look at cuts in child enforcement, child nutrition, unemployment insurance, Social Security and the health programs simply because times are bad, or because events that cannot be controlled drive up costs.

**2. It Takes Eye Off the Ball on Health Care:** Trying to put a cap on entitlements -- when health care costs account for 90% of the costs over inflation -- is like trying to stop the tide. The key is health care reform and that is what we are trying to do. A cap may put irresistible pressure to lower the entitlement increases below the budget resolution rate of growth. If that happens, we may be taking away savings that we need so that we can fund health care with a minimal amount of taxes.

**3. Restricts Entitlement Initiatives:** Currently, the PAYGO side allows for taxes and entitlement cuts together to pay for new tax cuts or entitlement increases. Stenholm's bill does not allow any tax increases for entitlement initiatives. Thus, we would not be able to use FUTA tax to pay for Trade Adjustment Assistance or close a tax loophole or crack down on tax fraud to pay for welfare reform.

**4. Social Security is Included:** If Social Security costs go up because of disability claims or because people are living longer, that too seems to fall under the Stenholm cap.

**5. Tying Up the Legislative Process:** Many on the Hill feel that this will create more gridlock and that it will be administratively cumbersome and constantly put Congress in untenable positions that will only slow down the process.

**Note on 1990 Budget Enforcement:** Many want the Stenholm bill because they believe that they were burned in 1990 by rising entitlement costs. Yet, while the last five years have brought cumulative deficit of \$630 billion more than was projected in 1990, \$533 of \$660 came from less revenues due to a weaker economy. Medicare and Medicaid increases accounted for most of the rest -- which is again what we are trying to take on with national health care reform.

**Stenholm Entitlement Cap Proposal**  
(version dated May 13)

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**Elements of Proposal:**

- o Set single, dollar-amount entitlement "caps" (BA and outlays) at the '94 budget resolution level for 1994 through 1998.
- o There are two alternative enforcement procedures before the fiscal year begins.
  - o If the entitlement cap is exceeded and Congress enacts a "spin-off bill" (allocating cap among budget functions), the committee responsible for the excess would be reconciled to find the necessary savings to meet the cap. If the committee failed to eliminate the excess, there would be a sequester of all programs in that budget function.
  - o If the entitlement cap is exceeded and no spin-off bill is enacted, there would be a sequester of all entitlement programs (with no exceptions) and automatic tax increases in a ratio of entitlement reductions to tax increases of 4 to 1.
- o On April 1 during the budget year there would be a second, mini-spinoff bill and sequester process in case OMB projects any excess entitlement spending for that year.
- o Entitlement caps would be raised:
  - for health care reform, but only if paid for with tax increases that offset any added costs in each fiscal year;
  - annually for changes in technical or economic assumptions (as forecast by CBO) if Congress votes by majority to do so;
  - for new programs if Congress votes by majority and (1) GNP growth less than 1% or unemployment over 10% for one quarter, or (2) a major natural disaster occurs, or (3) U.S. is engaged in "military conflict";
  - at any time by 3/5ths vote.

**Analysis of Proposal:**

- o Entitlement increases cannot be paid for with tax increases, except in health care reform.



- o Thus, the entitlement cap would be more onerous (in some ways) than the discretionary cap, e.g., increases in receipts cannot offset an increase in entitlements but under current rules they can offset discretionary increases.
- o The spin-off procedure is cumbersome, as is the proposal for a second, mid-year spin-off-and-sequester cycle.
- o Automatic tax increases are imposed for breaches of the cap for misestimates of technicals and economics.
- o The entitlement cap appears to include social security. The sequester for breach of the cap also appears to include Social Security.

## THE NUNN-DOMENICI ENTITLEMENT CAP

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- The Nunn-Domenici entitlement cap is just a statement of good intentions.
- The entitlement cap is designed to bring growth down to the rate of beneficiary growth plus the general rate of inflation. That is not enough to accommodate, for example, increases in the quality of health care that increase costs.
- The entitlement cap does not apply to Social Security (unlike the Stenholm proposal). That takes more than one-third of entitlements -- admittedly not the fastest-growing part -- immediately off the table.
- The only detail of the sequester to enforce the cap is that it would affect only the offending programs. That means that rapid growth in Medicaid, where reimbursement is already well below going rates, would result in still further cuts in reimbursements -- almost certainly to the detriment of beneficiaries, including the elderly and disabled in long-term care.
- The Nunn-Domenici report provides not one suggestion of what could be cut to achieve the mandated level of increase -- although the commission is an ongoing project, and has as a stated goal a future report on health care.

THE WHITE HOUSE

WASHINGTON

May 18, 1993

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: GENE SPERLING

SUBJECT: ECONOMIC TALKING POINTS

Attached are talking points that can be used in support of the President's economic plan. Attached are the following:

1. One page Summary Sheet of Seven Key Points
2. Four Page Talking Points on the Budget
3. Summary and Q&A on Deficit Reduction Trust Fund

## SUMMARY SHEET ON SEVEN KEY POINTS

14

### LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE

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

### SPENDING CUTS ARE SIGNIFICANT AND REAL

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

### SPENDING CUTS TO FUND DEFICIT REDUCTION AND NEW INVESTMENTS

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

### FAIR AND PROGRESSIVE TAXATION

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

### THE ENERGY TAX IS MODEST AND PHASED-IN

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

### DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION

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



## **LOWER INTEREST RATES OFFSET TAX INCREASES**

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

**ECONOMIC PLAN TALKING POINTS**  
**May 17, 1993**

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**LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE**

- \* After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate in his first 30 days in office and put forth a specific and detailed plan to reduce the deficit and increase investment in our people.
- \* Change is tough -- particularly when that change means reducing the deficit -- but if we are serious about the economic health of this country we have look at the package as a whole, and ask if it is real and whether we will be stronger if we support this change. The answer on both accounts is yes.
- \* Everyone talks about doing tough things to get the deficit down, but they all never come forth with the tough, specific choices: they all rely on balanced budget or entitlement cap ideas. Bill Clinton put forth a detailed and specific plan.
- \* This week Congress took a major step in moving the President's Economic Plan through the Congress. Thirteen committees of the House of Representatives adopted the spending cuts and revenue increases needed to implement the President's \$496 billion deficit reduction plan -- the largest deficit reduction plan in history. Best of all, the President's core principles have remained intact. He insisted on specific spending cuts before asking the American people to contribute. And he insisted that any increase in taxes be fair to the middle class and the working poor and rely most on those who can afford to pay.

**EVEN DISTRIBUTION BETWEEN SPENDING CUTS AND TAXES**

- \* There are over 200 specific spending cuts. Spending cuts reduce the deficit by approximately \$250 billion over five years. The \$496 billion plan to reduce the deficit is evenly divided between spending cuts and revenue increases. Indeed, with each year, the ratio of spending cuts to taxes increases so that by the end of the five years there is significantly more spending cuts than tax increases each year.
- \* Every tax dollar in the bill goes to deficit reduction.
- \* There are three dollars in spending cuts for every new dollar in new investments. in other words for every dollar of new investments that goes to things like new cops, national service, immunizations and defense conversion, nearly two additional dollars in spending cuts goes to deficit reduction.
- \* Policies to cut spending are not delayed. They are being proposed and will be legislated at the same moment that any tax increase goes into law. Indeed, \$100 billion in entitlement cuts have already been approved and sent to the floor in the House.

## **SPENDING CUTS TO FUND DEFICIT REDUCTION AND NEW INVESTMENTS**

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- \* As with the entire package, the reconciliation package includes enough cuts to support not only serious deficit reduction but new investments as well. As mentioned above, in the entire economic plan as a whole, for every dollar of new investment, there is a dollar of spending cut to pay for it and two more for deficit reduction.
- \* In the reconciliation plan alone, there were enough , there were enough entitlement cuts to fund \$100 billion in deficit reduction and pay for important new investments in our people, including childhood immunization, family preservation, empowerment zones, direct student lending, the Mickey Leland Hunger Bill, and an expansion of the earned income tax credit that would ensure that every parent who worked 40 hours a week and had a child at home would not be in poverty.

### **SIGNIFICANT SPENDING CUTS:**

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

- The plan gives over 30 specific cuts in Medicare and Medicaid that reduce the deficit by \$56 billion.
- Agriculture entitlements are cut by \$3 billion
- Federal worker entitlements are cut by \$11 billion.
- Through FCC spectrum auctions we save \$7 billion.
- \* And that is not counting the spending cuts on the discretionary budget side, which include:
  - pay reduction for Federal employees by \$13.2 billion
  - Administrative cuts by \$11 billion
  - Cutting 100,000 federal workers saves \$10.2 billion
  - Nuclear reactors R&D saves \$1 billion
  - Agriculture administrative cuts saves \$1.1 billion
  - Consolidate overseas broadcasting saves \$894 million
  - Streamlining education programs saves \$2.2 billion
- \* In addition, many of our cuts call for eliminating several programs:
  - Tens of Highway Demonstration projects saving \$1 billion
  - Special Purpose HUD grants
  - Tens of NOAA Demonstration projects
  - The current and outdated student loan program
  - Earmarked SBA grants
  - Agriculture special grant programs
  - Unnecessary commissions

### **FAIR AND PROGRESSIVE TAXATION**

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



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- \* First, the overwhelming majority of these taxes fall on the most well-off Americans. Indeed, the **Congressional Budget Office** found that **75% of the taxes we raise fall on the 6.5% most-well off families -- those that make over \$100,000.**
  - \* Second, we use increases in such things as energy assistance and the Earned Income Tax Credit so that families with incomes under \$30,000 are on the whole held harmless. According to a study by Arthur Anderson, family of three making \$25,000 would actually see their taxes fall by several hundred dollars.
  - \* Third, the energy tax does not even go into effect until the summer of 1994, and when it does, it will be phased in three equal stages over three years. In 1994, a family making \$40,000 will pay only \$1 a month. In 1995, only \$7 and then only \$17 a month when it is fully phased in according to both Treasury and the Congressional Budget Office

#### **LOWER INTEREST RATES OFFSET TAX INCREASES**

- \* Long-term interest rates are at their lowest in 20 years. They are 7.43% today, while on November 6, 1992 they were at 8.29.
- \* While some families will pay a small contribution, millions of families will save hundreds a year through lower interest rates that lower their mortgages and other borrowing if our deficit reduction package is passed. A family who refinances their 10% \$100,000 mortgage at 7.5% saves \$175 a month or \$2,100 a year.
- \* According to a bipartisan poll by Teter/Hart, 74% of people in their 30s now believe that homeownership is accessible. It was only 47% one year ago. Most agree the main difference is lower interest rates.
- \* Certainly, some businesses would prefer to not have any tax increases. We would prefer not to raise any taxes too. Yet, you cannot look at any one item in isolation from the whole plan. This plan as a whole will bring down the deficit and lower interest rates and the costs of capital. Everyone agrees that this is the one thing all businesses need to invest more and compete.

#### **DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION:**

- \* That is what the Deficit Reduction Trust Fund Does. It locks in \$496 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction.
- \* It is a needed enforcement provision because currently, the budget law the President inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts.
- \* What we heard from people all over this country is that they are willing to accept entitlement cuts and even fair tax increases if they can be assured that all of it will go to deficit reduction, and that Congress cannot later change its mind.
- \* The Deficit Trust Fund has been unfairly compared to such gimmicks as the



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

## DEFICIT REDUCTION TRUST FUND

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

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

### Facts on Deficit Reduction Trust Fund

#### Description:

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

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

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

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

## Q&A ON DEFICIT REDUCTION TRUST FUND

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

**ANSWER:** It is a needed enforcement provision because currently, the budget law does not have a way of locking in the deficit savings that come from taxes and entitlement cuts. We have done this with this Deficit Reduction Trust Fund and it is hard to understand how anyone who is serious about reducing the deficit could oppose this.

We have a real and specific deficit reduction package that the CBO has stated would reduce the deficit by \$496 billion. That is undisputable. What we heard from people all over this country is that they are willing to accept entitlement cuts and even fair tax increases if they can be assured that all of it will go to deficit reduction, and that Congress cannot later change its mind. That is what this idea does. It locks in \$496 billion in deficit reduction and throws away the key.

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

**ANSWER:** No, the two policies are completely different. The check-off was one of a long and seemingly never-ending list of budget gimmicks in which someone wanted to say that they have found a way to reduce the deficit without having to make one single tough choice that they have to make. That proposal sought to masquerade as a measure to reduce the deficit by offering to set aside taxpayer designated check-off funds for deficit reduction without saying how spending would be cut to pay for even a penny of it. That is the same with entitlement cap proposals: supporters call for deficit reduction without specifying any of the tough choices that would need to make.

The Clinton plan lays out every specific cut and tough choice we need for \$496 billion in deficit reduction -- line-by-line, year-by-year. What the Deficit Reduction Trust Fund does is create an enforcement provision that locks in this deficit reduction and gives the American people a legal guarantee that it will all go to deficit reduction. It prevents gimmicks -- an idea that we wouldn't expect some of our critics to recognize.

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

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

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

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



## STATUS OF PRESIDENT'S ECONOMIC PROGRAM

| RECONCILIATION                     | 5-YR. SAVINGS<br>(\$ In billions) | STATUS |
|------------------------------------|-----------------------------------|--------|
| Agriculture.....                   | 3 *                               | ✓      |
| Armed Services.....                | 2                                 | ✓      |
| Banking.....                       | 3                                 | ✓      |
| Education and Labor.....           | 6 *                               | ✓      |
| Energy and Commerce.....           | 48 *                              | ✓      |
| Foreign Affairs/Judiciary          |                                   |        |
| Merchant Marines/Public Works..... | 1 *                               | ✓      |
| Natural Resources.....             | 2 *                               | ✓      |
| Post Office and Civil Service..... | 11 *                              | ✓      |
| Veterans Affairs.....              | 3 *                               | ✓      |
| Ways and Means.....                | <u>300 *</u>                      | ✓      |
| Total.....                         | 343                               |        |
| DISCRETIONARY SAVINGS.....         | 102                               | ✓      |
| DEBT SERVICE.....                  | <u>51</u>                         | ✓      |
| TOTAL                              |                                   |        |
| CBO Scoring.....                   | 496                               |        |
| OMB Scoring.....                   | 524                               |        |

\*Includes items reconciled to multiple committees.

## **BUDGET ENFORCEMENT MECHANISMS**

- o Discretionary Spending Controls**
- o Pay-As-You-Go**
- o Sequester**
- o Deficit Reduction Trust Fund**
- o Modified Line-Item Veto**

# HISTORY OF RECONCILIATION SAVINGS

(In billions of dollars)

| <u>Reconciliation Legislation 1/</u> | <u>Deficit Reduction Achieved Over</u> |                |
|--------------------------------------|----------------------------------------|----------------|
|                                      | <u>3 Years</u>                         | <u>5 Years</u> |
| 1981.....                            | -233                                   | NA             |
| 1982.....                            | 128                                    | NA             |
| 1983.....                            | 4                                      | NA             |
| 1984.....                            | 63                                     | NA             |
| 1985.....                            | 18                                     | NA             |
| 1986.....                            | 13                                     | NA             |
| 1987.....                            | 48 2/                                  | NA             |
| 1989.....                            | 24                                     | 41             |
| 1990.....                            | 130                                    | 245            |
| 1993.....                            | 150 3/                                 | 343 3/         |

1/ Includes separate tax bills in 1981 and 1982.

2/ Estimates available for only 2 years.

3/ Targets.

## **RECONCILIATION SCHEDULE**

**May 14 - Committees report reconciliation**

**May 17 - All legislation to House Budget Committee**

**May 20 - House Budget Committee reports reconciliation bill**

**May 25 - Reconciliation bill filed**

**May 26 - Rules Committee**

**May 27 - House floor**



## AGRICULTURE COMMITTEE

5 Year Savings Target: \$2.95 billion

### Savings Achieved

- o Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments) for program crops from 15 to 20 percent, starting with 1994 crop.
- o Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- o Decreases current law assessment on dairy to 10 cents.
- o Reduces Market Promotion Program to \$148 million per year (equals FY 1993 level).
- o Lowers payment limit on honey, and wool and mohair programs to \$50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- o Increases Forest Service recreation fees.
- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.
- o Adjusts purchase prices to effectively buy more milk powder and buy less butter.
- o Creates free catastrophic crop insurance for losses above 65 percent.
- o Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.
- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

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## HOUSE ARMED SERVICES COMMITTEE

5 Year Savings Target: \$2.4 billion direct spending  
\$20.3 billion authorization

### Savings Achieved

- o Delays the 1994 military retiree COLA by four months from January to May 1994.
- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998 and May 1999.
- o Exempts disabled retirees and survivors from the COLA delays.
- o Achieves required discretionary spending targets by:
  - Freezing military pay in 1994
  - Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

## HOUSE WAYS AND MEANS COMMITTEE

5 Year Savings Target: \$48.35 billion for Medicare

### Savings Achieved

- o The Ways and Means Medicare package would save \$50.5 billion over five years -- meeting the savings objectives of the President's budget.
- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save \$38 billion over five years.
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o The Committee extended the Part B (SMI) premium levels beyond 1995.
- o The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

5 Year Investment Target: \$20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

### Investments

- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
  - o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.
- 

- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- o Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.
- o Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.



## HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: \$3.1 billion

### Savings Achieved

- o Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.
- o Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.
- o Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.
- o Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.
- o Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

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## HOUSE EDUCATION AND LABOR COMMITTEE

5 Year Savings Target: \$5.8 billion

### Savings Achieved

- o Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.
- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.'
- o Removes unintended barriers preventing States from recovering Medicaid payments properly paid by proper health insurance.

## ENERGY AND COMMERCE COMMITTEE

5 Year Savings Target: \$7.2 billion for Auction of the Radio Spectrum

### Savings Achieved

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum.
- o Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.

5-Year Savings Target: \$1.16 billion for Nuclear Regulatory Commission (NRC) Fees

### Savings Achieved

- o Reconciliation bill amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.
- o The NRC fee extension increases receipts by \$1.16 billion in FY96 through FY98.

5 Year Savings Targets: \$48.35 billion for Medicare  
\$7.9 billion for Medicaid

### Savings Achieved -- Medicare

- o reduction in the Medicare Volume Performance Standard that would limit future physician payment fee increases;
- o limits payments for clinical laboratory tests;

- o an extension of current reductions on reimbursement for hospital outpatient department capital costs and sets reasonable costs;
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o a reduction in the scheduled 1994 increase in physician fees;
- o limits payments for durable medical equipment;
- o expands the ban on self-referrals by physicians, i.e., to facilities in which the physicians have a financial interest; and
- o extends Part B (SMI) premium levels beyond 1995.

Note:

The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of \$28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

Savings Achieved -- Medicaid

- o The Committee exceeded by \$356 million the five-year savings target of \$7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:
- o strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;
- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and

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- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

### Investments

- o The Committee adopted legislation to help assure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.
- o The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.
- o The Committee extended some areas of Medicaid coverage, including:
  - raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and
  - funding medical assistance payments for States with a disproportionate share of border-crossing individuals.
  - extending eligibility for some Medicaid services to impoverished TB patients.



## HOUSE FOREIGN AFFAIRS COMMITTEE (HFAC)

5 Year Savings Target: \$5 million

### Savings Achieved:

- o HFAC deferred to the House Post Office and Civil Service Committee (PO & CS) to report out legislation necessary to amend COLA benefits to retirees, including those in the Foreign Service retirement program.
- o HFAC informed the House Budget Committee in writing today that HFAC supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96.

## HOUSE JUDICIARY COMMITTEE

5 Year Savings Target: \$0.3 billion

### Savings Achieved

- o This proposal extends patent fee surcharges created by Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase patent fees beyond levels anticipated under current law.
- o The savings begin in 1996, at slightly over \$100 million per year through 1998.

## HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

5 Year Savings Target: \$0.2 billion

### Savings Achieved

- o Meets the target by extending the Tonnage Duty Fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA.
- o The savings begin in 1996, at over \$65 million annually.
- o The Fees are collected by the Customs Service but are credited as offsets to the Department of Transportation for services provided by the Coast Guard to the merchant marine industry such as aids to navigation.
- o The fees are paid by all ships entering U.S. ports after calling on foreign ports.

## HOUSE NATURAL RESOURCES COMMITTEE

5 Year Savings Target: \$2 billion

### Savings Achieved

- o Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- o Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- o Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- o Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- o Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- o Extends through FY 1998 the existing requirement that the Nuclear Regulatory Commission recover 100% of its costs through user fees.

## HOUSE POST OFFICE and CIVIL SERVICE COMMITTEE

5 Year Savings Target: \$10.6 billion direct spending  
\$28.7 billion authorization

### Savings Achieved

- o Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1% in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- o Delays to July 1 the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for fiscal years 1994 through 1998.
- o Reduces the Federal workforce by 150,000 over the next five fiscal years.
- o Eliminates cash awards between fiscal years 1994 through 1998.
- o Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- o Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- o Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- o Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- o Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- o Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

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## HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

5 Year Savings Target: \$0.3 Billion

### Savings Achieved

- Charges more equitably for Federal Aviation Administration (FAA) services provided to users of the national airspace system. These charges are described as follows.
  - Increases annual general aviation aircraft registration fee and ties it to aircraft weight. Fee ranges from \$40 per year for small aircraft to \$2,000 for larger aircraft. This is estimated to raise \$137 million over 5 years.
  - Increases general aviation aircraft title recordation fee to \$200. This is a one-time fee paid whenever an aircraft is bought or sold. The Committee action will permit the fee to be weight based, i.e., the fee must average \$200 across all payees. This is estimated to raise \$48 million over 5 years.
  - Establishes an aviation medical examiner certification fee of \$500. Doctors take classes from the FAA for free, receive credit towards their state accreditation requirements, and then charge pilots for the annual medical exam required by the FAA. This will raise an estimated \$15 million over 5 years.
  - Increases the triennial pilot certificate fee of \$12. This will raise \$13.8 million over 5 years.
- Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

## HOUSE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: \$2.6 billion.

### Savings Achieved

- o Extends five provisions in current law that allow VA to:
  - Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
  - Collect a \$2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
  - Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
  - Limit pension payments to \$90 per month for veterans living in Medicaid nursing homes.
  - Allow VA to include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.
- o Increases fees charged for most VA home loans by .75 percent.
- o Authorizes VA to collect from veterans' health insurers the cost of care for treatment of military-related conditions.
- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.
- o Reduces the new annual increase in GI Bill benefits by one percent.
- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.

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# STATUS OF PRESIDENT'S ECONOMIC PROGRAM

| RECONCILIATION                     | 5-YR. SAVINGS<br>(\$ In billions) | STATUS |
|------------------------------------|-----------------------------------|--------|
| Agriculture.....                   | 3 *                               | ✓      |
| Armed Services.....                | 2                                 | ✓      |
| Banking.....                       | 3                                 | ✓      |
| Education and Labor.....           | 6 *                               | ✓      |
| Energy and Commerce.....           | 48 *                              | ✓      |
| Foreign Affairs/Judiciary          |                                   |        |
| Merchant Marines/Public Works..... | 1 *                               | ✓      |
| Natural Resources.....             | 2 *                               | ✓      |
| Post Office and Civil Service..... | 11 *                              | ✓      |
| Veterans Affairs.....              | 3 *                               | ✓      |
| Ways and Means.....                | <u>300 *</u>                      | ✓      |
| <b>Total.....</b>                  | <b>343</b>                        |        |
| <b>DISCRETIONARY SAVINGS.....</b>  | <b>102</b>                        | ✓      |
| <b>DEBT SERVICE.....</b>           | <b><u>51</u></b>                  | ✓      |
| <b>TOTAL</b>                       |                                   |        |
| CBO Scoring.....                   | 496                               |        |
| OMB Scoring.....                   | 524                               |        |

\*Includes items reconciled to multiple committees.

# **BUDGET ENFORCEMENT MECHANISMS**

- o Discretionary Spending Controls**
- o Pay-As-You-Go**
- o Sequester**
- o Deficit Reduction Trust Fund**
- o Modified Line-Item Veto**

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(In billions of dollars)

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|--------------------------------------|----------------------------------------|-------------------|
|                                      | <u>3 Years</u>                         | <u>5 Years</u>    |
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| 1990.....                            | 130                                    | 245               |
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- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.
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- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

## HOUSE ARMED SERVICES COMMITTEE

5 Year Savings Target: \$2.4 billion direct spending  
\$20.3 billion authorization

### Savings Achieved

- o Delays the 1994 military retiree COLA by four months from January to May 1994.
- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998 and May 1999.
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  - Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

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5 Year Savings Target: \$3.1 billion

### Savings Achieved

- o Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.
- o Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.
- o Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.
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5 Year Savings Target: \$5.8 billion

### Savings Achieved

- o Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.
- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.'
- o Removes unintended barriers preventing States from recovering Medicaid payments properly paid by proper health insurance.



## ENERGY AND COMMERCE COMMITTEE

**5 Year Savings Target:** \$7.2 billion for Auction of the Radio Spectrum

### Savings Achieved

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum.
- o Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.

**5-Year Savings Target:** \$1.16 billion for Nuclear Regulatory Commission (NRC) Fees

### Savings Achieved

- o Reconciliation bill amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.
- o The NRC fee extension increases receipts by \$1.16 billion in FY96 through FY98.

**5 Year Savings Targets:** \$48.35 billion for Medicare  
\$7.9 billion for Medicaid

### Savings Achieved -- Medicare

- o reduction in the Medicare Volume Performance Standard that would limit future physician payment fee increases;
- o limits payments for clinical laboratory tests;

- o an extension of current reductions on reimbursement for hospital outpatient department capital costs and sets reasonable costs;
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o a reduction in the scheduled 1994 increase in physician fees;
- o limits payments for durable medical equipment;
- o expands the ban on self-referrals by physicians, i.e., to facilities in which the physicians have a financial interest; and
- o extends Part B (SMI) premium levels beyond 1995.

Note: The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of \$28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

#### Savings Achieved -- Medicaid

- o The Committee exceeded by \$356 million the five-year savings target of \$7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:
- o strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;
- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and

- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

### Investments

- o The Committee adopted legislation to help assure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.
- o The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.
- o The Committee extended some areas of Medicaid coverage, including:
  - raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and
  - funding medical assistance payments for States with a disproportionate share of border-crossing individuals.
  - extending eligibility for some Medicaid services to impoverished TB patients.

## HOUSE FOREIGN AFFAIRS COMMITTEE (HFAC)

5 Year Savings Target: \$5 million

### Savings Achieved:

- o HFAC deferred to the House Post Office and Civil Service Committee (PO & CS) to report out legislation necessary to amend COLA benefits to retirees, including those in the Foreign Service retirement program.
- o HFAC informed the House Budget Committee in writing today that HFAC supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96.

## HOUSE JUDICIARY COMMITTEE

5 Year Savings Target: \$0.3 billion

### Savings Achieved

- o This proposal extends patent fee surcharges created by Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase patent fees beyond levels anticipated under current law.
- o The savings begin in 1996, at slightly over \$100 million per year through 1998.



## HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

5 Year Savings Target: \$0.2 billion

### Savings Achieved

- o Meets the target by extending the Tonnage Duty Fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA.
- o The savings begin in 1996, at over \$65 million annually.
- o The Fees are collected by the Customs Service but are credited as offsets to the Department of Transportation for services provided by the Coast Guard to the merchant marine industry such as aids to navigation.
- o The fees are paid by all ships entering U.S. ports after calling on foreign ports.

## HOUSE NATURAL RESOURCES COMMITTEE

5 Year Savings Target:    \$2 billion

### Savings Achieved

- o    Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- o    Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- o    Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- o    Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- o    Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- o    Extends through FY 1998 the existing requirement that the Nuclear Regulatory Commission recover 100% of its costs through user fees.

## HOUSE POST OFFICE and CIVIL SERVICE COMMITTEE

5 Year Savings Target:   \$10.6 billion direct spending  
                              \$28.7 billion authorization

### Savings Achieved

- o Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1% in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- o Delays to July 1 the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for fiscal years 1994 through 1998.
- o Reduces the Federal workforce by 150,000 over the next five fiscal years.
- o Eliminates cash awards between fiscal years 1994 through 1998.
- o Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- o Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- o Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- o Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- o Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- o Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

## HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

5 Year Savings Target: \$0.3 Billion

### Savings Achieved

- Charges more equitably for Federal Aviation Administration (FAA) services provided to users of the national airspace system. These charges are described as follows.
  - Increases annual general aviation aircraft registration fee and ties it to aircraft weight. Fee ranges from \$40 per year for small aircraft to \$2,000 for larger aircraft. This is estimated to raise \$137 million over 5 years.
  - Increases general aviation aircraft title recordation fee to \$200. This is a one-time fee paid whenever an aircraft is bought or sold. The Committee action will permit the fee to be weight based, i.e., the fee must average \$200 across all payees. This is estimated to raise \$48 million over 5 years.
  - Establishes an aviation medical examiner certification fee of \$500. Doctors take classes from the FAA for free, receive credit towards their state accreditation requirements, and then charge pilots for the annual medical exam required by the FAA. This will raise an estimated \$15 million over 5 years.
  - Increases the triennial pilot certificate fee of \$12. This will raise \$13.8 million over 5 years.
- Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.



## HOUSE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: \$2.6 billion.

### Savings Achieved

- o Extends five provisions in current law that allow VA to:
  - Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
  - Collect a \$2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
  - Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
  - Limit pension payments to \$90 per month for veterans living in Medicaid nursing homes.
  - Allow VA to include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.
- o Increases fees charged for most VA home loans by .75 percent.
- o Authorizes VA to collect from veterans' health insurers the cost of care for treatment of military-related conditions.
- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.
- o Reduces the new annual increase in GI Bill benefits by one percent.
- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.



## HOUSE WAYS AND MEANS COMMITTEE

5 Year Savings Target: \$48.35 billion for Medicare

### Savings Achieved

- o The Ways and Means Medicare package would save \$50.5 billion over five years -- meeting the savings objectives of the President's budget.
- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save \$38 billion over five years.
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o The Committee extended the Part B (SMI) premium levels beyond 1995.
- o The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

5 Year Investment Target: \$20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

### Investments

- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.

- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- o Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.
- o Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.

# STATUS OF PRESIDENT'S ECONOMIC PROGRAM

| RECONCILIATION                     | 5-YR. SAVINGS<br>(\$ in billions) | STATUS |
|------------------------------------|-----------------------------------|--------|
| Agriculture.....                   | 3 *                               | ✓      |
| Armed Services.....                | 2                                 | ✓      |
| Banking.....                       | 3                                 | ✓      |
| Education and Labor.....           | 6 *                               | ✓      |
| Energy and Commerce.....           | 48 *                              | ✓      |
| Foreign Affairs/Judiciary          |                                   |        |
| Merchant Marines/Public Works..... | 1 *                               | ✓      |
| Natural Resources.....             | 2 *                               | ✓      |
| Post Office and Civil Service..... | 11 *                              | ✓      |
| Veterans Affairs.....              | 3 *                               | ✓      |
| Ways and Means.....                | <u>300 *</u>                      | ✓      |
| <b>Total.....</b>                  | <b>343</b>                        |        |
| <b>DISCRETIONARY SAVINGS.....</b>  | <b>102</b>                        | ✓      |
| <b>DEBT SERVICE.....</b>           | <b><u>51</u></b>                  | ✓      |
| <b>TOTAL</b>                       |                                   |        |
| CBO Scoring.....                   | 496                               |        |
| OMB Scoring.....                   | 524                               |        |

\*Includes items reconciled to multiple committees.

# **BUDGET ENFORCEMENT MECHANISMS**

- o Discretionary Spending Controls**
- o Pay-As-You-Go**
- o Sequester**
- o Deficit Reduction Trust Fund**
- o Modified Line-Item Veto**

# HISTORY OF RECONCILIATION SAVINGS

(In billions of dollars)

| <u>Reconciliation Legislation 1/</u> | <u>Deficit Reduction Achieved Over</u> |                   |
|--------------------------------------|----------------------------------------|-------------------|
|                                      | <u>3 Years</u>                         | <u>5 Years</u>    |
| 1981.....                            | -233                                   | NA                |
| 1982.....                            | 128                                    | NA                |
| 1983.....                            | 4                                      | NA                |
| 1984.....                            | 63                                     | NA                |
| 1985.....                            | 18                                     | NA                |
| 1986.....                            | 13                                     | NA                |
| 1987.....                            | 48 <sup>2/</sup>                       | NA                |
| 1989.....                            | 24                                     | 41                |
| 1990.....                            | 130                                    | 245               |
| 1993.....                            | 150 <sup>3/</sup>                      | 343 <sup>3/</sup> |

1/ Includes separate tax bills in 1981 and 1982.

2/ Estimates available for only 2 years.

3/ Targets.



## **RECONCILIATION SCHEDULE**

**May 14 - Committees report reconciliation**

**May 17 - All legislation to House Budget Committee**

**May 20 - House Budget Committee reports reconciliation bill**

**May 25 - Reconciliation bill filed**

**May 26 - Rules Committee**

**May 27 - House floor**

## AGRICULTURE COMMITTEE

5 Year Savings Target: \$2.95 billion

### Savings Achieved

- o Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments) for program crops from 15 to 20 percent, starting with 1994 crop.
- o Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- o Decreases current law assessment on dairy to 10 cents.
- o Reduces Market Promotion Program to \$148 million per year (equals FY 1993 level).
- o Lowers payment limit on honey, and wool and mohair programs to \$50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- o Increases Forest Service recreation fees.
- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.
- o Adjusts purchase prices to effectively buy more milk powder and buy less butter.
- o Creates free catastrophic crop insurance for losses above 65 percent.
- o Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.
- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

## HOUSE ARMED SERVICES COMMITTEE

5 Year Savings Target: \$2.4 billion direct spending  
\$20.3 billion authorization

### Savings Achieved

- o Delays the 1994 military retiree COLA by four months from January to May 1994.
- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998 and May 1999.
- o Exempts disabled retirees and survivors from the COLA delays.
- o Achieves required discretionary spending targets by:
  - Freezing military pay in 1994
  - Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

## HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: \$3.1 billion

### Savings Achieved

- o Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.
- o Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.
- o Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.
- o Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.
- o Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

## HOUSE EDUCATION AND LABOR COMMITTEE

5 Year Savings Target: \$5.8 billion

### Savings Achieved

- o Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.
- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.'
- o Removes unintended barriers preventing States from recovering Medicaid payments properly paid by proper health insurance.



## ENERGY AND COMMERCE COMMITTEE

5 Year Savings Target: \$7.2 billion for Auction of the Radio Spectrum

### Savings Achieved

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum.
- o Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.

5-Year Savings Target: \$1.16 billion for Nuclear Regulatory Commission (NRC) Fees

### Savings Achieved

- o Reconciliation bill amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.
- o The NRC fee extension increases receipts by \$1.16 billion in FY96 through FY98.

5 Year Savings Targets:\$48.35 billion for Medicare  
\$7.9 billion for Medicaid

### Savings Achieved -- Medicare

- o reduction in the Medicare Volume Performance Standard that would limit future physician payment fee increases;
- o limits payments for clinical laboratory tests;

- o an extension of current reductions on reimbursement for hospital outpatient department capital costs and sets reasonable costs;
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- o a reduction in the scheduled 1994 increase in physician fees;
- o limits payments for durable medical equipment;
- o expands the ban on self-referrals by physicians, i.e., to facilities in which the physicians have a financial interest; and
- o extends Part B (SMI) premium levels beyond 1995.

Note:

The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of \$28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

Savings Achieved -- Medicaid

- o The Committee exceeded by \$356 million the five-year savings target of \$7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:
- o strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;
- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and

- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

### Investments

- o The Committee adopted legislation to help assure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.
- o The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.
- o The Committee extended some areas of Medicaid coverage, including:
  - raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and
  - funding medical assistance payments for States with a disproportionate share of border-crossing individuals.
  - extending eligibility for some Medicaid services to impoverished TB patients.

## HOUSE FOREIGN AFFAIRS COMMITTEE (HFAC)

5 Year Savings Target: \$5 million

### Savings Achieved:

- o HFAC deferred to the House Post Office and Civil Service Committee (PO & CS) to report out legislation necessary to amend COLA benefits to retirees, including those in the Foreign Service retirement program.
- o HFAC informed the House Budget Committee in writing today that HFAC supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96.

## HOUSE JUDICIARY COMMITTEE

5 Year Savings Target: \$0.3 billion

### Savings Achieved

- o This proposal extends patent fee surcharges created by Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase patent fees beyond levels anticipated under current law.
- o The savings begin in 1996, at slightly over \$100 million per year through 1998.



## HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

5 Year Savings Target: \$0.2 billion

### Savings Achieved

- o Meets the target by extending the Tonnage Duty Fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA.
- o The savings begin in 1996, at over \$65 million annually.
- o The Fees are collected by the Customs Service but are credited as offsets to the Department of Transportation for services provided by the Coast Guard to the merchant marine industry such as aids to navigation.
- o The fees are paid by all ships entering U.S. ports after calling on foreign ports.

## HOUSE NATURAL RESOURCES COMMITTEE

5 Year Savings Target:    \$2 billion

### Savings Achieved

- o    Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- o    Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- o    Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- o    Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- o    Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- o    Extends through FY 1998 the existing requirement that the Nuclear Regulatory Commission recover 100% of its costs through user fees.

## HOUSE POST OFFICE and CIVIL SERVICE COMMITTEE

5 Year Savings Target: \$10.6 billion direct spending  
\$28.7 billion authorization

### Savings Achieved

- o Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1% in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- o Delays to July 1 the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for fiscal years 1994 through 1998.
- o Reduces the Federal workforce by 150,000 over the next five fiscal years.
- o Eliminates cash awards between fiscal years 1994 through 1998.
- o Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- o Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- o Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- o Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- o Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- o Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

## HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

5 Year Savings Target: \$0.3 Billion

### Savings Achieved

- Charges more equitably for Federal Aviation Administration (FAA) services provided to users of the national airspace system. These charges are described as follows.
  - Increases annual general aviation aircraft registration fee and ties it to aircraft weight. Fee ranges from \$40 per year for small aircraft to \$2,000 for larger aircraft. This is estimated to raise \$137 million over 5 years.
  - Increases general aviation aircraft title recordation fee to \$200. This is a one-time fee paid whenever an aircraft is bought or sold. The Committee action will permit the fee to be weight based, i.e., the fee must average \$200 across all payees. This is estimated to raise \$48 million over 5 years.
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- Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

## HOUSE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: \$2.6 billion.

### Savings Achieved

- o Extends five provisions in current law that allow VA to:
  - Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
  - Collect a \$2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
  - Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
  - Limit pension payments to \$90 per month for veterans living in Medicaid nursing homes.
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- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.
- o Reduces the new annual increase in GI Bill benefits by one percent.
- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.



## HOUSE WAYS AND MEANS COMMITTEE

5 Year Savings Target: \$48.35 billion for Medicare

### Savings Achieved

- o The Ways and Means Medicare package would save \$50.5 billion over five years -- meeting the savings objectives of the President's budget.
- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save \$38 billion over five years.
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5 Year Investment Target: \$20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

### Investments

- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.

- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- o Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.
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