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REVIEW & OUTLOOK

Lipping It-Up

I met this morning with the bipartisan leadership—the Speaker, the Senate majority leader, the Senate Republican leader, the House majority leader and the House Republican leader—to review the status of the deficit reduction negotiations. It is clear to me that both the size of the deficit problem and the need for a package that can be enacted require all of the following: entitlement and mandatory program reform, tax revenue increases, growth incentives, discretionary spending reductions, orderly reductions in defense expenditures, and budget process reform to assure that any bipartisan agreement is enforceable and that the deficit problem is brought under responsible control. The bipartisan leadership agree with me on these points. The budget negotiations will resume promptly with a view toward reaching substantive agreement as quickly as possible.

—George Bush, June 26

Gosh, even we didn't realize how badly the Democrats wanted to raise America's taxes. We'll get to Lips Bush in a moment, but the sonic boom of relation that Democrats and the press sent rolling across the land at the mere prospect of a "tax revenue increase" is a phenomenon you almost have to stand back a few steps from to take in completely. We'll get hold of ourselves eventually, but you almost want to reach into your wallet and Fed-Ex them 20 bucks just to keep the party going.

He's reversing 10 years of Republican catechism on taxes, cried CBS's Lesley Stahl. The charade is finally over, said New Jersey's jubilant Congressman Robert Torricelli, whose party seems to have spent the last decade chained to a wall in Ronald Reagan's dungeon. The New York Times and Washington Post rolled out headlines normally associated with the ends of wars or statements by Mikhail Gorbachev. "Lied! Lied!" shrieked a delirious New York tabloid over the President's picture. Others ran long pent-up wish lists of schemes to tax, hound and soak the rich wherever the rascals may be hiding. Flush them out!

In time, we suppose, the hot air is going to leak out the balloons and the Beltway will fall back to Earth. What has changed? The answer is not much at all has changed, if you share the premise, as we do, that political Washington has pretty much lost contact with the rest of the country. Here, for instance, is what conservative Newt Gingrich's Democratic opponent said back home in Georgia: "Washington has forgotten that the majority of Americans work for a living and can't afford a tax increase." A cynic's reaction to Mr. Bush's statement (and we think a corrosive cynicism toward politics is indeed spreading among the

electorate) would be that everyone knew that Washington would raise taxes eventually and little of it will go to reduce federal spending.

If indeed this is the scenario that plays out, if Mr. Bush gets TEFRA'd by Congress with phony spending cuts the way Ronald Reagan did in 1982, then the President will deserve all the Jimmy Bush ridicule that will be heaped upon him. However, it's far too early in the game to throw in the towel on this President.

You'll notice that there were a few other items in that Bush statement, specifically, reform of entitlements and so-called mandatory programs, budget process reform and growth incentives. We don't think this is boilerplate. Mr. Bush's closest aides have insisted to anyone who would listen as far back as the New Orleans convention that he was serious about putting in place institutional controls on the federal spending process, an achievement that eluded Ronald Reagan. Mr. Bush says the point of these reforms is to make any budget agreement "enforceable." Currently, the principle of enforceability doesn't exist in the budget process, which is among the reasons the public holds Congress in such low regard now.

Real, set-in-concrete budget-control reform, coupled with Mr. Bush's cut in the capital-gains tax, would be very much in the economy's long-term interest, and we have said previously that we'd accept a tax increase to achieve those goals. But the budget-reform proposals in Mr. Bush's Tuesday statement are high hurdles for Democrats to cross before they get to their promised land of new taxes. We doubt they can jump that high. We wonder if they'll even try.

As the budget summit proceeds, there are in fact a few signs by which anyone interested can tell if the negotiators are serious. If over the next several weeks you find that news stories are starting to report regularly on the details of plans to control entitlements and mandatory spending programs and to create new budget disciplines, such as rescission powers for the President, then you'll know something interesting is in the works. But if all you see is day after day of changes on the tax-increase story, more read-my-lips ridicule and tales of Republican anguish, then you'll know nothing serious is going on.

A budget summit that ignores the other items in Mr. Bush's statement is going to end in impasse. Should that day arrive, George Bush, with Tuesday's statement, will escape blame for the breakdown. The one lesson we will have learned is that the Democratic Party exists now for the purpose of raising taxes. That wild party they threw for themselves in the media in the wake of Mr. Bush's statement makes this point unarguable.

For Immediate Release

June 26, 1990

STATEMENT BY THE PRESIDENT

I met this morning with the Bipartisan leadership -- the Speaker, the Senate Majority Leader, the Senate Republican Leader, the House Majority Leader, and the House Republican Leader -- to review the status of the deficit-reduction negotiations.

It is clear to me that both the size of the deficit problem and the need for a package that can be enacted require all of the following: entitlement and mandatory program reform; tax revenue increases; growth incentives; discretionary spending reductions; orderly reductions in defense expenditures; and budget process reform -- to assure that any Bipartisan agreement is enforceable and that the deficit problem is brought under responsible control. The Bipartisan leadership agree with me on these points.

The budget negotiations will resume promptly with a view toward reaching substantive agreement as quickly as possible.

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Executive Memorandum

The Heritage Foundation

214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202)546-4400

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RUSH!

BUSH'S DEPLORABLE FLIP-FLOP ON TAXES

If George Bush had pardoned Willie Horton, or burned Old Glory on the lawn of the White House, it would hardly have rivalled the flip-flop he has committed on taxes. Few political figures have identified themselves in an election with a particular principle or position to the degree that George Bush pledged himself to protect the American voter from higher taxes.

Even the President's rationale for breaking his pledge does not stand up to scrutiny. Notwithstanding Bush's statement that, "...the size of the deficit problem and the need for a package that can be enacted require...tax revenue increases...", there is no need for higher taxes. While the deficit is a problem, it is not a crisis, and it should be addressed through budget cuts. Moreover, there is little doubt that the big spenders in Congress have been fanning deficit hysteria as a ruse to push through a tax increase with the aim of spending the money on new programs, not to reduce the red ink.

Both the Congressional Budget Office and the Office of Management and Budget estimate that the 1991 budget deficit will total about \$160 billion if current spending trends continue unabated. Such a deficit would equal approximately 2.7 percent of Gross National Product (GNP), the lowest level since 1981. If the deficit truly is about to cause the economy to collapse, as some in the Administration and Congress would like Americans to believe, it seems curious that the economy did not fall apart in 1985, when the deficit was 5.4 percent of GNP. If a deficit of 2.7 percent of GNP is a crisis, why did the economy grow in 1987, when the deficit equalled 3.4 percent of GNP?

Deficits are not the issue; the real problem is excessive government spending. By allowing its attention to focus on the deficit, the Administration is treating the symptom and not the disease. Unfortunately, it appears that an unwillingness to offend special interest groups, or risk reducing the President's high popularity ratings, has precluded any serious effort to control the growth rate of government spending.

Battle Lines. The battle over taxes, however, is not one that can be decided simply by "splitting the difference" between the two sides. It is a fundamental conflict between two visions for America's future. On one side is the bureaucracy, the Washington establishment, and the special interests who feed at the public trough. For these groups, taxes are the lifeblood upon which their health depends. Because the Gramm-Rudman Deficit Reduction Act has at least partially restricted how much money politicians can spend, the big spenders desperately need more tax revenue if they are to increase spending. On the other side are the workers, consumers, and businesses of America who produce the country's wealth. These are the people who elected George Bush to the Presidency, and expected George Bush to protect them from higher taxes.

Some Administration figures claim that circumstances have changed since the President promised "No new taxes." Yet they fail to identify any convincing reason why taxes should be increased. At least no Administration official has been foolish enough to argue publicly that taxes should be in-

creased to boost the economy, since both economic theory and real-world evidence suggest just the opposite. As the 1980s richly demonstrate, lower taxes increase incentives and promote economic growth by raising the rewards of savings, working, investing, and producing. The 1970s showed just the opposite: higher taxes result in economic stagnation. And the argument that Congress will use new tax revenue to cut deficits, not increase spending? That demonstrates a remarkable naivete about the facts of life in Washington.

Real Worry. Tax collections, in any case, are climbing back to the levels of the late 1970s. Federal tax collections this year are expected to consume 19.6 percent of GNP, the fourth-highest level in peacetime history and within range of the all-time peacetime record of 20.1 percent, reached in 1969 and 1981. But surging revenues are a cause for alarm — and hardly indicate a need to boost taxes. The record-high tax years of 1969 and 1981 were followed not by good economic times, but by deep recessions.

George Bush said, “There’s no quicker way to kill prosperity than to raise taxes.¹” He was right. He said, “I’ve been in government a long time, and I’ve seen what happens when the government raises a dollar in revenues — Congress spends a dollar fifty.²” He was right. He said, “The surest way to kill the recovery is to raise taxes. That will stifle everything from investment and personal savings to consumer spending. It will clamp down on growth. It will invite a recession.³” He was right.

Thus the battle over taxes is a battle not only for the economy; it is a battle for the integrity and character of the Bush Presidency.

Daniel J. Mitchell
John M. Olin Fellow

1 Boston, MA, April 15, 1987.

2 Pittsburgh, PA, April 29, 1988.

3 Chicago, IL, September 13, 1988.

RUSH!

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IN THE BATTLE OF THE BUDGET, BUSH SHOULD READ HIS OWN LIPS

George Bush is being pressured to renege on his promise to oppose higher taxes, notwithstanding his famous "Read my lips: No new taxes" pledge at the 1988 Republican convention. In meetings with congressional leaders last weekend, White House officials left open the door to inclusion of a tax increase in any new budget package.

If the President were to abandon his hitherto firm resolve to stand by his tax pledge, it would be a political and economic disaster. A concession by Bush would indicate to American voters that his most solemn election promise meant nothing, and it would indicate to Congress that the door to a massive tax increase finally is ajar. It would also be a body blow to the American economy. Before falling victim to the siren song of tax-and-spend, the President should heed the following sound advice:

There's no quicker way to kill prosperity than to raise taxes.

— George Bush, Boston, Massachusetts, April 15, 1987

There are those who say we must balance the budget on the backs of the workers — and raise taxes again. But they are wrong. I am not going to raise your taxes — period.

— George Bush, Houston, Texas, October 12, 1987

Some people on the other side say, "Raise Taxes." Well, I've been in government a long time, and I've seen what happens when the government raises a dollar in revenues — Congress spends a dollar fifty. You know, I've yet to have anyone walk up to me and say, "Mr. Vice President, we're not taxed enough. I hope you'll be the President to raise my taxes." I will not raise your taxes, period.

— George Bush, Pittsburgh, Pennsylvania, April 29, 1988

I'm the one who won't raise taxes. My opponent now says he'll raise them as a last resort, or a third resort. When a politician talks like that, you know that's one resort he'll be checking into. My opponent won't rule out raising taxes. But I will. The Congress will push me to raise taxes, and I'll say no, and they'll push, and I'll say no, and they'll push again, and I'll say to them, "Read my lips: no new taxes."

— George Bush, Republican National Convention, August 18, 1988

The Republican Party restates the unequivocal promise we made in 1984: *We oppose any attempts to increase taxes.* Tax increases harm the economic expansion and reverse the trend to restoring control of the economy to individual Americans.

— Republican Party Platform, 1988

The first principle is the most important: No Tax Increases.... The surest way to kill the recovery is to raise taxes. That will stifle everything from investment and personal savings to consumer spending. It will clamp down on growth. It will invite a recession.

— George Bush, Chicago, Illinois, September 13, 1988

As the world's largest economy, we have been the leaders in the movement toward economic freedom. So my first principle is, let's not reverse course with a tax increase and big dose of central government planning.

— George Bush, Bensalem, Pennsylvania, September 19, 1988

And I am not going to betray that trust. I am not going to raise taxes. Period.

— George Bush, Seattle, Washington, October 16, 1988

The foundation of that growing America is low taxes. That's why the first part of my plan is simple: No new taxes.

— George Bush, Waterbury, Connecticut, October 24, 1988

I am opposed to tax increases. In the past several years, tax increases have been used to feed congressional spending, not for true deficit reduction. This should be a warning to all future Presidents *against* tax hikes — unless you can control Congress's spending, increased revenues will go to increased spending. The most important action we need to take on the budget deficit is to hold the line on taxing and spending. Raising taxes would only hurt the tremendous economic recovery we have had in our Administration.

— George Bush, "Leadership on the Issues," pp. 82-83



Some self-appointed experts and congressional leaders say, of course, that the budget deficit can only be reduced with additional taxes. This is not so. The Congressional Budget Office projects that tax revenues will rise by an average of \$74 billion annually between now and 1995. Reducing the deficit simply means limiting annual spending growth to less than \$74 billion.

Taxes also still are too high. Federal taxes this year will consume 19.6 percent of the Gross National Product, the fourth highest level in peacetime history. Tax revenues, in both nominal and inflation-adjusted dollars, are at record highs. Tax Freedom Day this year, the day an average American stops working to pay taxes and begins to work to support himself and his family, was May 5. This is the latest it has ever occurred. By transferring money from the productive sector of the economy to government, a tax increase would impair economic growth and could lead to a recession. Restraining the growth rate of federal spending would be a more responsible approach.

Fortunately, if Congress is unwilling to enact a fiscally responsible budget, the President can bring deficit spending under control by using Gramm-Rudman's automatic spending control mechanism known as sequestration. Hence, there is absolutely no reason to accept a tax increase that would damage the economy, open the door to a torrent of new spending, and increase cynicism among American voters. George Bush should end any White House discussion by telling his budget negotiators: "Read my lips again: No new taxes."

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July 25, 1990

**WHILE TALKING ABOUT A DEFICIT CRISIS,
CONGRESS PROPOSES BILLIONS IN NEW SPENDING**

INTRODUCTION

The Bush Administration and congressional leaders involved in the current budget deficit reduction summit claim that the deficit is such a crisis that American taxpayers must give even more of their money to help pay Uncle Sam's bills. Some taxpayers may assume that before policy makers decided on a tax hike, they did everything possible to cut wasteful spending, to eliminate pork barrel projects and to shut down programs that serve no overriding national interest.

Such an assumption would be wrong.

Neither Congress nor the Bush White House has tried seriously to cut spending. Quite the contrary. At this very moment, while they wring their hands about a "budget deficit crisis," policy makers are proposing to spend more money on existing programs and to launch costly new programs. They are pushing federal spending to record high levels. As Washington veterans of the budget process could have predicted, the convening of the budget summit and Bush's broken no-new-taxes promise have opened the floodgates for this spending spree.

Congress's Bad Faith. George Bush betrayed his campaign pledge of no new taxes reportedly as a good-faith measure to convince congressional leaders of his sincere desire to reach an agreement in the budget summit. In the four weeks since then, the liberal-dominated House of Representatives has responded to Bush's gesture by passing six appropriations bills totalling \$182.3 billion. This is \$18.75 billion over 1990 appropriations levels, a 11.47 percent increase.

If the House continues this trend for the remaining seven appropriations bills required by the Budget Act of 1974, and if these spending levels are matched by the Senate and accepted by the President, total appropriated spending will increase by \$75 billion in fiscal 1991. At the same time, the House soundly defeated a series of amendments that would have reduced these proposed spending increases, in some cases reducing these huge increases by as little as 2 percent.

Costly New Programs. The House has not merely increased current spending in appropriations bills. With members smelling blood in the water, the House Ways and Means Committee okayed a new foster care entitlement program which will cost taxpayers more than \$4 billion over the next five years. The House Agriculture Committee has approved legislation to expand Food Stamp and nutrition entitlement programs by \$7.5 billion over five years.

At the same time that many House members have been congratulating Bush for his "statesman-like" betrayal of his no-tax pledge, they have been quietly adding spending to the budget that could cost every American household \$750. Yet, nowhere in any of these bills have members of Congress attempted to cut spending.

The message is clear.

Congress does not want new taxes for deficit reduction.

Congress wants new taxes for new spending.

CONGRESSIONAL BETRAYAL

In April, Bush invited congressional leaders to a "budget summit" to negotiate a good-faith deal to bring the projected fiscal year 1991 deficit of \$168 billion down to the \$74 billion level¹ required by the 1985 Gramm-Rudman-Hollings deficit reduction act, a level that does not include the cost of bailing out ailing savings and loans.

Rather than trying to cut wasteful spending, many congressional leaders pressured Bush to betray his no-tax pledge. On June 26, he obliged by stating that it was clear to him that "tax revenue increases" would be needed to bring the deficit in line. What followed has been a spurt of new federal spending in the first six appropriations bills.

Table 1 compares the first six FY 1991 appropriation levels with totals from previous years.

1 The Gramm-Rudman-Hollings deficit target for FY 1991 is \$64 billion plus a \$10 billion "margin for error."

**Table 1
Appropriations Bills
(\$billions)**

BILL	FY '89 Approps.	FY '90 Approps.	FY '91 Bush Proposal	FY '91 Approps.	\$ Change '90-'91	% Change '89-'91	% Change '90-'91
Commerce/ Justice	14.85	11.70	11.10	10.50	-1.20	-29.30	-10.20
Energy/Water	17.83	18.43	20.20	20.77	+2.40	+16.52	+12.70
Foreign Operations	14.29	15.52	15.52	15.78	+0.30	+10.46	+1.69
VA/HUD	59.39	71.28	78.78	83.57	+12.30	+40.72	+17.25
Transportation	25.67	28.17	26.73	30.94	+2.70	+20.54	+9.50
Treasury/P.O.	16.02	18.45	20.71	20.72	+2.27	+29.34	+12.30
TOTALS	148.05	163.55	173.34	182.31	+18.75	+23.14	+11.47

CONGRESS REFUSES TO TRIM INCREASES

When some lawmakers attempted to slow the proposed increase in spending, Congress ignored them. By substantial majorities, the House of Representatives soundly defeated a series of amendments that would have rolled back proposed spending increases at various levels. Defeated were amendments to the Energy and Water Appropriations bill as well the Housing and Urban Development-Veterans Administration (HUD-VA) Appropriations bill offered by Representative Bill Frenzel, the Minnesota Republican, that would have nullified the proposed increases and returned spending to inflation-adjusted 1990 levels. The HUD-VA bill, just passed by the House, contains \$12.6 billion in new spending.

- Congress also has been averse to amendments that would roll back the appropriated increases by much smaller amounts. Representative William Danemeyer, the California Republican, for instance, unsuccessfully offered amendments for 5 percent across-the-board reductions in appropriations for the Energy and Water bill, Commerce and Justice bill, and the HUD-Veterans Administration bill. And of the five attempts by Representative Timothy Penny, the Minnesota Democrat, simply to reduce appropriated levels 2 percent across-the-board all but one, which amended the Treasury/Post Office bill, were defeated. Even had these amendments passed, however, spending would have increased over fiscal 1990 levels (Table 2).

Table 2
(\$ billions)

BILL	FY '90 Appros.	Frenzel Amendment ¹	Dannemeyer Amendment ²	Penny Amendment ³	FY '91 Appros.
Energy	18.43	18.54	19.74	20.36	20.77
HUD/VA	71.28	71.46	79.39	81.90	83.57
Commerce/Justice	11.10	N/A	9.97	10.29	10.50
Transportation	28.17	N/A	N/A	30.33	30.94
Treasury	18.45	N/A	N/A	20.31	20.72
TOTALS	147.43	152.16	160.77	163.18	166.51

1. Representative Frenzel introduced two amendments. One would have cut Energy and Water appropriations by 10.53 percent across the board. The other would have cut HUD/VA appropriations by 14.5 percent across the board, except for VA medical benefits.

2. A 5 percent across-the-board cut.

3. A 2 percent across-the-board cut, except for VA medical benefits and HUD Section 8 housing.

BIG SPENDERS AT THE WHITE HOUSE

Bush cannot blame Congress solely for the alleged need for new taxes. His Administration also has been seeking higher federal spending. Table 3 shows a sample of higher spending requested for current programs.

The Bush Administration is seeking spending authorization for new programs as well. Table 4 offers a sample of these requests.

For years critics of high government spending have pointed to the need to cut or eliminate programs. Yet as Congress looks for ways to increase taxes, it refuses to address the \$424 billion in government waste reported by the "Grace Commission" six years ago or the more than \$150 billion in program waste, fraud, and financial mismanagement found earlier this year by Congress's own General Accounting Office (GAO). Moreover, nowhere is there evidence that members of Congress attempted to enact the roughly \$60 billion in program saving measures recommended this year by the Congressional Budget Office or the \$130 billion in program savings recommended by analysts at The Heritage Foundation.

Table 3
Bush Administration Proposals for Spending Increases

Program	1991 Request	Increase over 1990
National Endowment for the Arts	\$175 million	\$ 4 million
National Endowment for the Humanities	\$165 million	\$ 8 million
Smithsonian Institution	\$308 million	\$41 million
Institute for Museum Services	\$ 24 million	\$ 1 million
National Gallery of Art	\$ 49 million	\$ 7 million
Historical Preservation Fund	\$ 34 million	\$1.4 million

Table 4
Bush Administration New Authorization Requests

Program	Requested Amount
Magnetic Levitation Techology	\$10 million
Airport Grants	\$1.5 million
Global Change Research	\$1 billion
Environmental Protection Agency Operating Budget	\$230 million
Goverment Research and Development	\$4.5 billion
Manned Missions to the Moon and Mars	\$408 million

PROSPECTS OF ENTITLEMENT EXPANSIONS

The serious economic damage that could result from Congress's spending increases is exacerbated by the fact that these 13 appropriations bills represent only about 60 percent of federal budgetary spending. The remainder of the budget is driven by interest on the national debt and, more important, by "automatic" spending such as entitlement programs, which congressmen rarely consider as targets for spending cuts. These programs are expected to grow in 1991 by roughly 6 percent, or \$33 billion, to \$606 billion. There is the possibility, moreover, that overall entitlement programs will balloon to even higher levels. Since the President broke his no-new-taxes promise, Congress has voted out of committee new entitlements: A Foster Care bill, the Congressional Budget Office (CBO) estimates, will cost \$4.2 billion over five years, and expanding the Food Stamp and Nutrition programs will cost \$7.5 billion over five years, according to CBO.

The six appropriations bills that the House already has passed are not "bare bones" programs. They are larded with wasteful spending, pork barrel programs, and outdated agencies. If the pork and fat were eliminated and if a spending freeze were imposed on the remaining spending, the budget would be near the \$74 billion Gramm-Rudman-Hollings deficit target without harming entitlements.

Congress should analyze each program and spending item by asking:

1) Does the program serve the nation as a whole? If it does not, then Congress must ask if the program supersedes the responsibilities of state and local officials. Filling potholes on Main Street and fixing a railroad crossing in Springfield are not roles for Congress.

2) Does the program or service have an identifiable user? If so, then the user should be charged a sum equal to the cost of the service, or the service should be "shed" to the private sector as a competitive enterprise. In reality, this means that landlubbers should not have to subsidize Coast Guard services to wealthy yacht owners or that folks in rural America should not have to subsidize the mass transit costs of urban dwellers.

3) Has the program failed, fulfilled its mission, outlived its usefulness, or simply become irrelevant? If so, then these programs should be abolished. Too often Congress continues to fund a program even when Congress's own research groups determine that a program is a failure. If a program has outlived its usefulness or even fulfilled its mission Congress finds new activities for the program to do. Congress hates to abolish programs.

4) Is Congress engaging in central planning or attempting to set "national priorities" that should be left to communities or individuals? Example: the more than \$1 million appropriated in this year's Transportation bill to establish a national bicycle program and to encourage safe bicycle riding. Certainly the decision to commute by bicycle or car is an individual one. Moreover, most local park districts already conduct classes for children in bicycle safety.

Before Congress makes another move toward higher levels of spending it owes it to American taxpayers to take a critical look at its spending habits. If Congress simply answers the four questions outlined here it will go a long way toward streamlining federal spending and freeing up sufficient funds to solve today's problems.

CONCLUSION

Congress has sent a clear message to American taxpayers that it wants more money for new spending, not for serious deficit reduction. After passing just the first six of the required 13 appropriations bills, Congress is exceeding last year's spending levels by nearly 12 percent. If this pace continues for the remaining seven appropriations bills, the "controllable" portion of the federal budget will balloon by at least \$75 billion over fiscal 1990 levels.

Congress also is sending a clear message to Bush by enacting these increases in addition to the more than \$11 billion in entitlement program expansions it has approved. This message is: Spending cuts have been taken "off the table" at the budget summit. Congress will accept nothing less than higher taxes. If Bush needs additional evidence of Congress's intentions, he need but look the fact that Congress refused nine of the ten opportunities it had to simply roll back the proposed increases in the appropriations bills.

Congressional action leads to only one conclusion: The only way to reduce the deficit is for Congress to reject new spending and to trim some existing programs. New taxes will not reduce the deficit. As Congress demonstrates almost every week, new revenues will be used for new spending.

Scott A. Hodge
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Heritage Foundation research interns John Gurney, Angela J. Hulsey, Geoffrey Manne, and Matt Rawlinson assisted in the preparation of this study.

APPENDIX
THE FIRST SIX 1991 APPROPRIATIONS BILLS

**DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY,
AND RELATED AGENCIES**

As this appropriations bill is not yet complete, it is difficult to compare to previous spending levels. Nearly \$9 billion in authorized program spending remaining to be appropriated by the House Appropriations Committee. But if the spending levels for Commerce Department technology programs recently appropriated by the House are any guide, spending for the finished appropriations bill will outpace last year's levels. For fiscal 1991, the House approved \$290 million in spending for these programs and \$468 million in fiscal year 1992. The fiscal 1991 spending level marks an 82 percent increase over the \$159 million spent this year.

Congress and the budget summitters should give serious consideration to terminating or reforming the following spending programs within this bill; this list is far from complete.

Department of Commerce

Programs for which funds have not yet been authorized: The Economic Development Administration, the Export Administration, the International Trade Administration, the U.S. Travel and Tourism Administration, the Minority Business Development Agency, and the Technology Administration.

**National Oceanic and Atmospheric Administration
(NOAA)**

Fishing Vessel and Gear Damage Fund: \$1,202,000

Fisherman's Contingency Fund: \$1,000,000

Zebra Mussel Research: \$1,000,000

Stuttgart, Arkansas Fish Farm: \$2,850,000

**National Telecommunication and Info.
Administration**

Grants for public TV & radio: \$20,833,000

Department of State

Contributions to 52 International Organizations: \$787,605,000

Examples: International Jute Organization: \$69,000

International Lead and Zinc Study group: \$36,000

International Office of Epizootics: \$62,000

World Meteorological Organization: \$6.6 million

International Sugar Organization: \$261,000

Fisherman's Protective Fund: \$500,000

Related Agencies

Total Spending: \$1,901,419,000

Board for International Broadcasting: \$192,586,000

Christopher Columbus Quincentenary Jubilee
Commission: \$214,000

Commission on Agricultural Workers: \$1,457,000

Commission on the Bicentennial of the
Constitution: \$14,973,000

Federal Maritime Commission: \$15,894,000

Marine Mammal Commission: \$1,003,000

Small Business Administration: \$437,700,000

ENERGY AND WATER DEVELOPMENT APPROPRIATIONS

Appropriations levels for 1991 Energy and Water programs are \$2.4 billion more than fiscal 1990 levels, an increase of 12.7 percent. By comparison, fiscal 1990 levels were only \$600 million over fiscal 1989 levels, an increase of 3.4 percent.

The Energy and Water Appropriations bill is a case study in pork barrel spending, federal involvement in local affairs, and federal involvement in activities that should be entirely left to the private sector. Congress should consider terminating many programs in this bill, such as the following:

Army Corps of Engineers

*** General Investigations: \$167,847,000**

Examples of Feasibility Studies and Investigations:

Red River Basin Comprehensive Study: \$425,000

Red River Waterway, Index, Arkansas: \$500,000

Red River Waterway, LA: \$1,900,000

Rancho Palos Verdes Landslide, CA.: \$500,000

Beaver Creek, Floyd County, Kentucky: \$200,000

Clinton River Spillway, Michigan: \$225,000

Howard Hansen Dam, Water Storage, Washington:
\$200,000

Waikiki Beach, Hawaii: \$100,000

*** General Construction: \$1,362,025,000**

Examples:

McClellan-Kerr, AR, River Navigation System, Locks and Dams:

1991 Cost: \$9,900,000

Total Federal Cost: \$584,800,000

Santa Ana River Mainstem, CA:

1991 cost: \$65,000,000

Total Federal Cost: \$908,000,000

Melvin Price Lock and Dam, IL & MO:

1991 Cost: \$29,000,000

Total Federal Cost: \$742,400,000

Melvin Price Lock and Dam, Second Lock, IL & MO:

1991 Cost: \$75,000,000

Total Federal Cost: \$230,000,000

Red River Waterway, Mississippi River to Shreveport, LA:

1991 Cost: \$61,636,000

Total Federal Cost: \$1,724,000,000

* General Operation and Maintenance: \$1,457,488,000

Examples: Beaver Lake, AR: \$14,718,000

Tennessee-Tombigbee Waterway, AL & MS:
\$18,000,000

McClellan-Kerr Arkansas River Navigation System,
AR: \$22,403,000

Ohio River Locks and Dams, KY, IL, IN, OH, PA,
WV: \$41,060,000

Keweenaw Waterway, MI.: \$664,000

East River, NY: \$1,410,000

Bureau of Reclamation

General Investigations: \$12,926,000

Examples: American River Folsom South Optimization Study, CA: \$50,000

Upper Gunnison-Uncompahgre Basin Project, CO:
\$280,000

Josephine Co. Water Management Improvement
Study, OR: \$200,000

Technical Assistance to States: \$1,350,000

Construction Program: \$649,697,000

Examples: Colorado River Basin Project: \$201,966,000

Ogden River Project, Utah: \$1,954,000

Operation and Maintenance: \$231,516,000

Department of Energy Supply, Research and
Development Activities: \$2,703,272,000

Examples: Solar Energy Programs: \$130,430,000

Geothermal and Hydropower: \$23,600,000

Electric Energy Systems and Storage: \$41,253,000

Nuclear Energy Programs: \$313,490,000

Biological and Environmental research:
\$371,394,000

Magnetic Fusion: \$325,300,000

Super Conducting Super Collider: \$317,866,000 (Total Estimated Cost of the Program: \$5 billion to \$8 billion)

Uranium Enrichment Facilities: \$1,406,018,000 (Could be sold to the private sector for \$1.8 billion.)

The Five Power Marketing Administrations: \$326,387,000 (Each could be sold to the private sector for over \$1 billion.)

Appalachian Regional Commission: \$150,000,000

Delaware River Basin Commission: \$681,000

Interstate Commission on the Potomac River Basin: \$200,000

Susquehanna River Basin Commission: \$501,000

Tennessee Valley Authority: \$135,000,000 (Could be sold to the private sector for over \$5 billion.)

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS

Appropriations for the Treasury and the Postal Service are \$2.27 billion higher than 1990 levels, a 12.3 percent increase.

Postal Service: Although the U.S. Postal Service is technically "off budget," the taxpayer will nonetheless spend over \$522,734,000 to subsidize the Postal Service.

National Critical Materials Council: \$235,000

Advisory Committee on Federal Pay: \$207,000

Administrative Conference of the United States: \$2,079,000

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES

Appropriations for the Department of Transportation and Related Agencies will climb \$2.7 billion in fiscal 1991 to a total of \$30.9 billion, a 9.5 percent increase.

This bill provides an excellent example of how the federal government subsidizes "gold-plated" local projects, fails to require those who use services to pay for what they receive, and pays for projects which clearly are the responsibility of local governments. Among the many spending items that should be terminated, Congress should consider the following:

Department of Transportation

Office of Small and Disadvantaged Business Utilization: \$3,500,000

Transportation Policy and Planning: \$6,748,000

Including: \$50,000 for a national bicycle program manager

Research on sleep and fatigue in transportation

Coast Guard

Boat Safety: \$35,000,000

Federal Aviation Administration

Grants-in-Aid for Airports: \$1.4 billion

New Denver Airport: \$25,000,000

Dallas/Ft. Worth Airport: \$12,500,000

L.A. Basin Facility Consolidation: \$76,100,000

\$117,509,900 total for airport grants

Federal Highway Administration

Research Programs:

Intelligent vehicle/highway systems: \$12,000,000

National bicycling and walking study: \$1,000,000

University Transportation Centers: \$5,000,000

Railroad-Highway Crossings Demonstration Projects: \$14,845,000 Including projects in: Elko, NV, Wheeling, WV, Matamoros, Mexico.

Federal Funds to complete Substitute Highway Projects: \$1,646,832,472. Including: San Francisco, Washington, Atlanta, Chicago, New York City, New York City-Trenton, New York City (New Jersey).

Baltimore-Washington Parkway.: \$9,900,000

Intermodal Urban Demonstration Projects: \$10,000,000

Indiana Industrial Corridor Safety Demo. Project: \$3,000,000

Alabama Highway Bypass Demonstration Project: \$10,000,000

Kentucky Bridge Demonstration Project: \$4,000,000

Virginia HOV Safety Demonstration Project: \$8,500,000

Bicycle Transportation Demonstration Project, Macomb County, MI: \$1,000,000

Local Rail Service Assistance: \$7,000,000

Orange County, CA Monorail System: \$1,000,000
Long Island Railroad Intermodal Project: \$250,000
Amtrak: \$482,000,000
MAGLEV/High Speed Rail: \$12,000,000
Urban Mass Transit Administration:
Local Construction Projects: \$440,000,000
Including, Los Angeles, Jacksonville, Honolulu, and Atlanta.
Washington, D.C. Metro: \$108,000,000
Washington Metro Interest Payments: \$51,663,000
St. Lawrence Seaway Development Corp.: \$10,500,000
Interstate Commerce Commission: \$45,844,000

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES

The \$83.58 billion appropriated in this bill represents a massive 17.25 percent increase over 1990 levels and a 40.72 percent increase over 1989 levels. Programs within this bill too often duplicate private sector services, prevent the private sector from operating efficiently, or simply compensate for restrictive regulatory policies at the local level. Congress should consider terminating the following programs:

Department of Veterans Affairs

Construction, Major Projects: \$575,456,000, an increase of \$45,456,000 above budget estimate

Examples: \$7,000,000 new hospital at Detroit

\$8,900,000 for nursing home care unit at Lake City,
FL

\$3,400,000 for a laundry and warehouse at Mountain
Home, TN

\$8,000,000 for a clinical, outpatient, research,
parking and central air conditioning project at Ann
Arbor, MI

\$800,000 for the advanced planning of a
modernization project at Wilkes-Barre, PA

\$4,800,000 for the contract documents of a replacement for the ambulatory care facility in El Paso.

\$3,100,000 for the design of a psychiatric and outpatient facilities modernization project at Northport, NY

\$3,200,000 for the design and site preparation of a clinical addition project at Wilmington

\$1,450,000 for planning and site acquisition for a new national cemetery at Albany, NY

\$1,506,000 for planning and site acquisition for a new national cemetery in the Chicago area.

\$1,690,000 for planning and site acquisition for a new national cemetery in the Cleveland area.

\$2,385,000 for planning and site acquisition for a new national cemetery in the Seattle area.

Parking Garage Revolving Fund: Total '91 \$28,900,000

Department of Housing and Urban Development

Management and Administration Salaries and Expenses: \$816,466,000
Including:

\$10,000,000 more staff – FHA

\$2,000,000 more staff – In-house Program
Evaluation and monitoring

\$1,750,000 more staff – Public and Indian Housing
programs

Public Housing Reconstruction/New Development: \$550,320,000

Independent Agencies

American Battle Monuments Commission: \$15,900,000

Consumer Product Safety Commission: \$37,109,000

Including:

\$950,000 for transfer to the National Institute on Standards and Technology for the Technical Study Group on Cigarette and Little Cigar Safety to design and implement a study to collect data about the characteristics of those cigarettes, ignited products, and smokers that are involved in fires.

\$50,000 for travel expenses of individuals in the above mentioned study by the Technical Study Group on Cigarette and Little Cigar Safety.

Environmental Protection Agency: \$6,012,175,000

Research and Development: \$254,900,00

Including: \$1,500,000 to establish solar and renewable energy demonstration projects

\$250,000 for research on control of the "Zebra mussel"

Abatement, Control, and Compliance:
\$1,006,525,000

Including: \$1,000,000 for the Rouge River basin non-point source control demonstration

\$3,000,000 for lead-based paint studies and support

\$1,225,000 for continued work on the Spokane Aquifer

\$200,000 for a Southwest Arkansas/Southeast Oklahoma Millwood Basin Water Quality Study.

\$1,000,000 for the EPA National Training Center at West Virginia University

\$275,000 for the Lake Pontchartrain new wetlands creation demonstration project

Construction Grants/State Revolving Funds: \$2,000,000,000

National Aeronautics and Space Administration

Research and Development \$6,458,625,000

Including: Space Station: \$1,705,000,000

Search for Extraterrestrial Life: \$6,100,000

National Aerospace Plane: \$114,000,000

Consumer Information Center: \$1,540,000

National Science Foundation: \$2,337,000,000

National Institute of Building Sciences: \$250,000

FOREIGN OPERATIONS APPROPRIATIONS

Fiscal 1991 appropriations for Foreign Operations inched up by 1.69 percent over 1990 levels, but were 10.46 percent higher than 1989 appropriated levels.

Even though last year saw discussions in both the Administration and Congress about the failures of U.S. foreign aid, appropriations are up again for 1991. This is due in part to a desire to help the emerging Eastern European and Central American democracies. The U.S. agreed, for example, to contribute \$70 million to a new development bank for Eastern Europe despite the failures of similar institutions such as the World Bank and the Inter-American Development Bank.

Multilateral Aid: \$1.95 billion

Examples: Inter-American Development Bank: \$78,000,000

Inter-American Investment Corporation:
\$13,000,000

World Bank: \$50,000,000

International Development Association: \$1.06
billion

Asian Development Fund: \$243,900,000

African Development Fund: \$105,452,000

European Development Bank: \$70,021,000

Bilateral Aid: \$7.7 billion

Examples: Agricultural Aid: \$491,635,000

Private Sector, Energy, Selected Development Aid:
\$152,223,000

Sub-Saharan African Development Aid:
\$800,000,000

Agency for International Development (AID)
Operating Expenses: \$435,000,000

Economic Support Fund: \$3.46 billion

Anglo-Irish Accord: \$20,000,000

Multilateral Assistance Initiative:

Philippines: \$160,000,000

Eastern Europe: \$418,675,000

Other:Export-Import Bank: \$785,000,000

Trade and Development Program: \$35,000,000

Overseas Private Investment Corporation:

Direct Loan Limitation: \$40,000,000

Guaranteed Loan Limitation: \$250,000,000

STATEMENT BY CITIZENS FOR A SOUND ECONOMY PRESIDENT WAYNE GABLE
IN RESPONSE TO STATEMENT BY PRESIDENT BUSH

President Bush has for the first time publicly demonstrated frustration at Congress's refusal to seriously bargain at the budget summit. By expressing his willingness to accept a sequester, President Bush was laying the groundwork to blame Congress for a possible sequester. This is a movement in the right direction.

As President Bush suggested, it is pure hypocrisy for Congress to proclaim its desire to reduce the deficit while it passes appropriations bills which increase spending by 11 percent. CSE agrees with President Bush that the budget deficit can be traced to congressional overspending and a budget process which has broken down. We call on the President to follow through on this logic, and state his determination to reduce the deficit through spending restraint, not tax increases.

MK -
How about this statement
from the President of
"Citizens for a Sound Economy"?

The Heritage Foundation Backgrounder

UPDATE

214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202)546-4400

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Number

WHAT DEFICIT CRISIS? CONGRESS CONTINUES ITS PORK-LADEN SPENDING SPREE

(Updating *Backgrounder* No.780, "While Talking About A Deficit Crisis, Congress Proposes Billions in New Spending," July 25,1990.)

How is Congress responding to George Bush's broken no-new-tax pledge? With visions of new revenues dancing in its head, Congress has gone on a spending spree that will push the federal budget and the tax burden on the American people to record highs. While many in Congress thus publicly wring their hands and gnash their teeth about what they call the deficit crisis, what they really seem to care about is only more spending. Examples: On July 18, the House of Representatives passed a \$50.34 billion Rural Development/Agriculture appropriations bill, which is \$5.18 billion or 11.46 percent higher than the 1990 amount. On July 19 the House approved a \$170.44 billion Labor/Health and Human Services appropriations bill, which increases spending by \$17.31 billion or 11.3 percent over last year's level.

With only eight of the thirteen appropriations bills passed so far, the House already has spent \$403.09 billion, or \$41 billion over 1990 levels, an increase of 11.4 percent. This is \$68 billion over 1989 levels, an increase of 20 percent.

Table 1
Appropriations Bills
(\$billions for Fiscal Year)

BILL	1989 Approps.	1990 Approps.	1991 Bush Proposal	1991 Approps.	\$ Change 90 - 91	% Change 89 - 91	% Change 90 - 91
Commerce/ Justice	14.85	11.70	11.10	10.50	-1.20	-29.30	-10.20
Energy/Water	17.83	18.43	20.20	20.77	+2.40	+16.52	+12.70
Foreign Operations	14.29	15.52	15.52	15.78	+0.30	+10.46	+1.69
VA/HUD	59.39	71.28	78.78	83.57	+12.30	+40.72	+17.25
Transportation	25.67	28.17	26.73	30.94	+2.70	+20.54	+9.50
Treasury/P.O.	16.02	18.45	20.71	20.72	+2.27	+29.34	+12.30
Labor/HHS	140.37	153.13	166.23	170.44	+17.31	+21.42	+11.30
Agriculture	46.61	45.17	50.43	50.35	+5.18	+8.00	+11.46
TOTALS	335.03	361.85	390.00	403.09	+41.24	+20.00	+11.40

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

If the House continues at this record pace in the remaining five appropriations bills and if both the Senate and President approve, spending will rise by nearly \$75 billion over similar fiscal year 1990 levels. This dramatic increase is of particular concern because the 13 appropriations bills represent only about 60 percent of all federal spending. When combined with the automatic increases in unappropriated entitlement programs such as Social Security as well as interest on the national debt, which comprise the remaining 40 percent of the budget, fiscal 1991 spending could top last year's levels by nearly \$110.

George Bush is partly to blame for this spending spree. He ignited it by bowing to pressure from Budget Director Richard Darman and Treasury Secretary Nicholas Brady to agree to a budget summit with Congressional leaders in which all issues, including taxes, were on the table. And taking the cue from Darman and Brady again, Bush threw open the floodgates on June 26 when he announced that it was clear to him that "tax revenue increases" would be needed to bring the deficit in line. Smelling blood in the water, the liberal-dominated House of Representatives went on a feeding frenzy. It rejected proposals by some House members to reduce the rate of spending increases on the Agriculture appropriations bill and the Labor/HHS appropriations bill. It defeated eleven such amendments by wide margins. Six amendments that would have slowed spending across the board were offered by Republican representatives William Dannemeyer, from California, and Bill Frenzel, from Minnesota, in addition to Timothy Penny, the Minnesota Democrat. The House even rejected the symbolic amendment by Robert S. Walker, the Pennsylvania Republican; it would have trimmed the overall level of spending in the Agriculture bill by just \$19.90 – a piddling 0.0000000002 percent.

Table 2
(\$ billions for Fiscal Year)

Bill	1990 Approps.	Penny ¹ (9.5%)	Frenzel ²	Dannemeyer ³	Penny ⁴ (2%)	1991 Approps.
Agriculture	45.17	46.01	46.65	47.95	49.39	50.35
Labor/HHS	153.13	N/A	163.74	N/A	169.90	170.44

1. There were two amendments offered by Representative Penny to the Agriculture Bill. The first was an across-the-board 9.5 percent cut on the proposed 1991 appropriations, which was actually an amendment to Frenzel's 7.7 percent cut. This amendment contained an exemption to the cut, the Women and Infant Children program, which was not cut at all.

2. The Frenzel amendments were an across-the-board 7.7 percent cut on the Agriculture bill, and an across-the-board 15.2 percent cut on proposed HHS spending bill. This cut on the HHS bill amounts to only a little over 3 percent of the total bill when the unauthorized funds are added in.

3. The Dannemeyer amendment to the Agriculture bill was an across-the-board cut of 5 percent, but again, this percentage only would have an effect on discretionary spending. The percentage of the total bill was much less.

4. The second Penny amendment to the Agriculture bill was an across-the-board 2 percent cut. The Penny amendment to the HHS bill was also a 2 percent across-the-board cut, but it excluded certain programs such as Chapter 1 Compensatory Education, Education for the Handicapped, and Higher Education.

Other amendments were offered to prevent spending increasing above fiscal 1990 levels on specific programs. Walker proposed four amendments to test the House's resolve for holding the line on spending increases. The first amendment would have prevented a \$65,000 increase for the \$4,935,000 Law School Clinical Experience program; the second would have prevented \$10,000,000 from being spent on a new "Education Summit Follow-Up" study; the third would have prevented a \$65,000 increase in the \$3,806,000 Physician Payment Review Commission; and the fourth would

have prevented a \$450,000 increase for the \$7,550,000 United States Institute of Peace. As could have been expected by that time, all of these proposed cuts were defeated.

Lastly, an amendment offered by Representative George Miller, the California Democrat, would have reduced salaries and expenses in the Department of Labor by \$2 million, reduced funds for general departmental management in the Department of Health and Human Services by \$2.8 million, and cut by \$2 million funds for program administration in the Department of Education. This too was defeated. The result: the entire measly \$6.8 million in cuts was defeated.

Congress went "hog wild" when George Bush was convinced by Richard Darman and Nicholas Brady to betray the "no-new-tax" pledge and put the issue of "new tax revenues" on the budget summit table. The House is now on track to spend any new taxes before the money even reaches the Treasury. This follows the decades-old pattern of Congress spending \$1.50 for each new dollar of taxes collected. If Bush needs any more evidence of how Congress will never use a tax increase toward deficit reduction, he need look no further than how the House of Representatives reacted when he put taxes "on the table."

Scott A. Hodge
Grover M. Hermann Fellow in Budgetary Affairs

Heritage Foundation research interns Angela J. Hulsey, Geoffrey Manne, and Matt Rawlinson assisted in the preparation of this study.

APPENDIX

Rural Development, Agriculture, and Related Agencies

The appropriations levels in the 1991 Rural Development/Agriculture bill are 11.46 percent, or \$5.2 billion, higher than fiscal 1990 levels. The big gainers in the bill are Agriculture programs, increased by \$846.7 million; Rural Development Programs, increased by \$1.43 billion; and, Domestic Food Programs, increased by \$2.77 billion.

Of the thirteen appropriations bills, the agriculture appropriations bill is by far laden with the most pork barrel projects. There is not a county in the nation that does not in some fashion benefit from this bill, and nearly every university in the nation receives "research" funds from this bill. Congress should begin trimming the fat from this bill by looking at the following programs:

Department of Agriculture

Economic Research Service: \$54,400,000

National Agricultural Statistics Service: \$76,451,000

World Agricultural Outlook Board: \$2,196,000

Advisory Committees: \$1,407,000

Examples:

National Advisory Council on Commodity Distribution: \$81,428

National Arboretum Advisory Council: \$13,654

Committee of Nine: \$39,300

Federal Grain Inspection Service Advisory Committee: \$65,586

Nat.Ad.Comm. on Microbiological Qual.Standards for Food: \$50,252

Advisory Comm. on Foreign Animal and Poultry Diseases: \$26,503

National Advisory Committee on Animal Damage Control: \$38,950

Scrappie Negotiated Rulemaking Advisory Committee: \$45,220

Agricultural Research Service: \$633,708,000

Examples:

Plant germ plasma: \$30,304,000

Plant genome research: \$3,773,000

Narcotic plants: \$6,484,000

Animal germ plasma: \$6,501,000

Renovation of the Beltsville Agriculture Research center: \$7,250,000

Dwarf bunt research: \$130,000

Potato scab research: \$190,000

Hawaii fruit fly research: \$2,667,000

National Sedimentation Laboratory: \$44,891,000

Kenaf: \$1,106,000

Soybean-based ink: \$426,000

Aflatoxin research: \$5,849,000

Turkey osteomyelitis: \$200,000

Agricultural Research Service Buildings and Facilities: \$26,039,000

Examples:

National Seed Storage Lab, CO: \$2,000,000

Salinity Lab, Riverside, CA: \$5,050,000

Plant Stress Lab, Texas Tech, TX: \$600,000

National Animal Disease Center, Incinerator, Ames, IA (post mortem facility): \$300,000

Special Research Grants: \$56,909,000

Examples:

Cool season legume research (IA, WA): \$250,000

Animal waste disposal (MI): \$75,000

Blueberry shoestring virus (MI): \$92,000

Broom snakeweed (NM): \$150,000

Grasshopper biocontrol (ND): \$71,000

Nematode resistance through genetic engineering (NM): \$150,000

Cooperative state research service buildings and facilities at
over thirty U.S. universities: \$45,361,000

Packers and Stockyard Administration: \$10,687,000

Rural water and waste disposal grants: \$300,000,000

Delta Commission (proposal for prison expansion in the Mississippi delta): \$50,000

Rural Electrification Administration

Budget authority: \$266,603,000

Loan authorization: \$1,794,375,000

River basin surveys and investigations: \$12,783,000

Great Plains Conservation Program: \$24,637,000

Foreign Agricultural Service: \$105,048,000

Ameri Flora '92 Exposition: \$500,000

Departments of Labor, HHS, Education and Related Agencies

The House has appropriated \$17.31 billion more for 1991 in Labor/HHS bill than in 1990, an increase of 11.3 percent; and \$30 billion more than in 1989, an increase of 21.42 percent. The big winners in this bill are the Department of Health and Human Services with an increase of \$13.23 billion, and the Department of Education with an increase of \$3.0 billion. Specifically, the failed Job Corps will receive an additional \$101 million in fiscal 1991, and the National Institute of Health's budget will increase by \$1.04 billion.

While the appropriations committee reports that \$126 billion, or 74 percent, of this bill's total appropriations is dedicated toward entitlement programs, Congress should look seriously at reforming or terminating the following discretionary programs:

Department of Labor

Job Training Partnership Act: \$4,210,687,000

Community Service Employment for Older Americans: \$400,000,000

Employment Standards Administration:

Salaries and expenses: \$222,388,000

Longshore and Harbor Workers' Compensation Act: \$1,016,000

Occupational Safety and Health Administration: \$291,243,000

Mine Safety and Health Administration: \$177,767,000

Bureau of Labor Statistics: \$207,274,000

Assistant Secretary for Veterans Employment and Training: \$172,031,000

Department of Health and Human Services

Health Resources and Services: \$1,627,375,000

Examples:

General Dentistry Residencies: \$3,929,000

Physician Assistants Program: \$4,789,000

Health Professions Data Analysis: \$1,846,000

Geriatric Training and Research: \$14,047,000

Native Hawaiian Health Care: \$1,283,000

Nurse Practitioners: \$13,432,000

Nurse Anesthetists: \$1,130,000

Nurse Disadvantaged Assistance: \$4,000,000

Organ Transplantation: \$4,257,000

Rural Health Research: \$4,380,000

Adult Health Care Demonstrations: \$27,200,000

Centers of Disease Control: \$997,701,000

Examples:

Lead Poisoning Prevention: \$8,000,000

Sexually Transmitted Diseases: \$90,000,000

Injury Control Program: \$25,000,000

Occupational Safety and Health: \$87,020,000

Epidemic Services: \$70,000,000

National Institutes of Health: \$8,317,654,000

Examples:

Dental Research: \$134,000,000

Allergy and Infectious Diseases: \$869,000,000

Environmental Health Sciences: \$244,842,000

John E. Fogarty International Center: \$18,682,000

President's Council on Physical Fitness and Sports: \$1,499,000

Health Care Financing Administration

Research and Demonstration Projects: \$69,000,000

Rural Hospital Transition Grant Program: \$23,000,000

Social Security Administration

Special Benefits for Disabled Coal Miners: \$841,081,000

Department of Education

Compensatory Education for the Disadvantaged: \$6,225,250,000

Examples:

Administrative Assistance to State Agencies: \$60,000,000

Evaluation and Technical Assistance: \$15,000,000

Rural Technical Assistance Centers: \$4,500,000

Impact Aid: \$800,000,000

School Improvements Programs: \$1,474,745,000

Examples:

National Diffusion Network: \$14,000,000

Arts in Education: \$4,500,000

Law-Related Education: \$5,000,000

Blue Ribbon Schools Program: \$900,000

Leadership in Education Administration: \$3,845,000

Mid-career Teacher Training: \$1,000,000

Fund for Innovation in Education: \$25,000,000

Dropout Prevention Demonstration: \$30,000,000

Education for Native Hawaiians: \$6,400,000
Bilingual and Immigrant Education: \$205,000,000

Student Financial Assistance: \$6,777,000,000

Examples:

Work-Study: \$600,000,000

Income Contingent Loans: \$10,000,000

State Student Incentive Grant: \$60,000,000

(Loan Defaults: \$2 billion)

Grant to Gallaudet University: \$74,047,000

Higher Education: \$763,616,000

Examples:

Strengthening Developing Institutions: \$87,500,000

Strengthening Historically Black Colleges and Universities: \$87,500,000

Strengthening Historically Black Graduate Institutions: \$12,000,000

Innovative Projects for Community Services: \$1,481,000

International Education and Foreign Language Studies: \$46,000,000

Law School Clinical Experience: \$5,000,000

Interest Subsidy Grants: \$20,900,000

Grant to Howard University: \$200,036,000

Grant to Howard University Hospital: \$29,000,000

College Housing and Academic Facilities Loans: \$38,449,000

Independent Agencies

Corporation for Public Broadcasting: \$259,565,000

Federal Mediation and Conciliation Service: \$27,705,000

National Mediation Board: \$6,675,000

United States Institute of Peace: \$8,000,000

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Series: Grant, Mary Kate
Subseries: Subject File
WHORM Cat.:
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- (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- (b)(9) Release would disclose geological or geophysical information

D R A F T

August 2, 1990

MEMORANDUM FROM THE PRESIDENT

FOR: JOHN SUNUNU (cc: Dave Demarest)

We should start getting examples of:

- a. Spending additions, in sub-committees or full committees of the House and Senate.
- b. Statements by Democrats (Sasser, Panetta, and many others) . . . not "good faith."

I have tried, I have remained silent, attending meeting after meeting, setting aside conditions, emphasizing the need for progress, asking leaders for their views on keeping Congress in session -- only to be told that this would be counterproductive.

Criticism not just from Democrats. Let's be clear, some Democrats deal in good faith; but cheap shots from the political sidelines have undermined the good faith of some Democratic leaders -- DNC etc. So, now let's be clear what the problem is. Congress spends every dime, appropriates every dime. What is needed is fundamental reform so the spending machine screeches to a halt. Sacrifice will be involved. Still determined to get a deal. Veto, veto, veto. REFORM of system line item veto. Special committees fight aainst this, but Congress has failed. Now the President must have some tools to take the heat to rise above special interest. Here we are debating budget control and

submitted our plan prepared to trade Dems with no

Page 2

the Senate is asking that the public now pay up to \$150 million to finance their campaigns. I oppose asking the taxpayer to pay more for the re-election of Members of Congress and I will veto any such bill that comes my way.

I have been reluctant to go public in this manner. I have dealt in good faith with Leaders. But shot after shot has been aimed at the White House and I have declined to retaliate. Now, it is up to the Democrats in Congress.

It was my clear understanding that we were to exchange plans. We were ready. We notified the Democrats of this. Our plan was leaked. They piled on. The special interests, understandably, got fired up) and the Democrats pulled back from the agreement.

That is not good faith when you hear a Democrat summit participant, no less, saying they slit their wrist.

No reason for us to slit ours - No reason, he means for them to go through with their share of the bargain.

That is not good enough. There is too much at stake.

(List figures and what they mean...sometimes we are called upon to lay partisan rhetoric aside, to solve a problem, not to posture.)

TONE: Firm -- gloves off, but enough balance so that reasonable Democrats not get into the fray. More in sorrow than anger.

Less than full scale right wing rape pillage and plunder rhetoric.

next on to attach
revenue
raise

seeing the strategy

about Republicans

4

Business leaders, economists support President's call for budget action

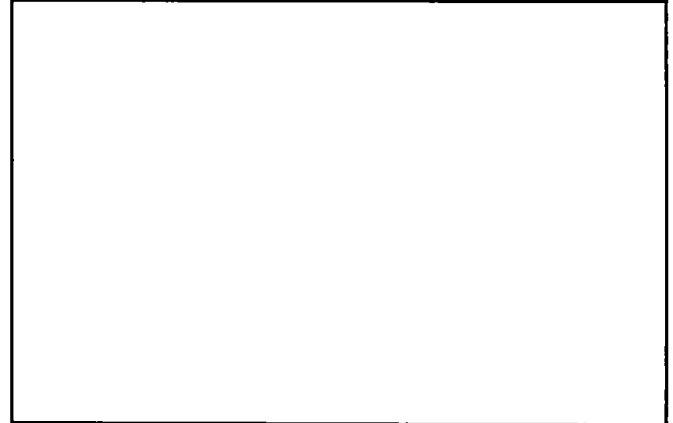
"The President is right. He has gone more than halfway in attempting to get a budget compromise, and the Democratic congressional leadership has failed to respond in a responsible manner. The President is to be commended for announcing that he will veto all spending bills over his budget, and that he will accept a sequester if the Congress does not immediately come forward with a pro-growth budget."

-- Richard W. Rahn, Chief Economist,
U.S. Chamber of Commerce.

"President Bush is right to reassert the necessity for a comprehensive deficit reduction agreement. With a \$100 billion sequestration order set for October 1, the U.S. is lashed to a fiscal time bomb. Defusing that bomb is as much the responsibility of Congress as it is of the President. In that context, the silence of Congressional budget negotiators is irresponsible."

-- Barry Rogstad, President,
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"As President Bush suggested, it is pure hypocrisy for Congress to proclaim its desire to reduce the deficit



while it passes appropriations bills which increase spending by 11 percent. Citizens for a Sound Economy agrees with President Bush that the budget deficit can be traced to congressional overspending and a budget process which has broken down."

-- Wayne Gable, President,
Citizens for a Sound Economy.

'I Stand Ready to Work ...' (Continued from page one)

-- Fourthly, the Congress must recognize the utter failure of their budget process to control spending. It's got to be reformed. The process has to be reformed.

-- Fifth, our budget must maintain a defense posture consistent with the demands on American leadership in the world and in the dangers we face.

And finally, the Democratic leadership of Congress

must understand that the American people expect them to get that job done, to come forward with concrete proposals to cut the deficit.

I and the members of my Administration stand ready to work with them in meeting these obligations. And I know that it's a complicated time for our country, but it is essential that the American people focus, as they are now on international matters, also focus on the domestic problems we face in terms of the budget. That's why I'm doing this today."

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MK:

8.23.90
1 p.m.

NOTES ON WHITE HOUSE WIRE ON THE BUDGET

① p.2 "focusing" is misspelled. It has only 1 's'.

② p.2 "Despite the President's statement that there would be no 'preconditions', Sen. Mike Mitchell said ..."

Where did you get this? I had no source.

③ p.2 "July 17 - The House kills a constitutional amendment ..."

Where did you get this?

④ p.3 "reductions-in-force" has hyphens.

⑤ p.4 Quote from Richard Rahn:

next to last line should finish w/
"come forward"

⑥ also: p.2 - next to last line on page:

shouldn't "Constitutional" be capitalized?

WHITE HOUSE

Wise

The President and the Budget: 'I stand ready to work'

The following are excerpts of the President's remarks on August 14, 1990:

"It is no secret to the American people that the congressional budget process has broken down. Over the last couple of decades we've seen the real problems of overspending. We've seen the stalemate in budgeting which is the result of internal congressional conflicts and a committee system that is so complex that not only have the hard decisions been postponed or avoided, but today nearly all budget decisions are finessed..."

"... I took the initiative in May in calling on the Democratic congressional leaders to join me in a bipartisan summit on the budget. The success of this summit is essential to ensure the economic health of the nation, to resolve once and for all the deficit dilemma, and in doing so, to avoid the painful sequester cuts which will occur without an agreement."

"... I stand ready to work on this process as long as it takes to get a five-year package which solves the problem. I've postponed what I think was a very important September trip to Latin America so as to focus on this

issue. There are, however, a number of specific realities to be noted:

-- First, it is the Congress that has the responsibility to pass a budget. While they have the power of the purse, like any President, I've got the power of the veto pen. And I will use that pen to veto any and every spending bill that busts the budget.

-- Second, if no agreement is reached, that means a sequester on October 1st of about \$100 billion. As painful as such deep cuts would be, I must uphold the law. I'm determined to manage them the best I can, knowing I've done all in my power to avoid them. So the Democrats in Congress should know that if it comes to sequester, they will bear a heavy responsibility for the consequences.

-- Third, if the Congress really wants economic growth and increased government revenues, the place to start is not with tax increases, but with incentives for growth, investment and jobs. And again, I cite the capital gains area as one that would stimulate and be investment-oriented. *(Continued on last page.)*

The Truth About the Budget Summit

May 6 -- Taking the initiative, the President calls the bipartisan leadership of Congress to the White House to outline the two fundamental reasons for a budget summit:

- The economic growth and stability of the nation, and
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May 15 -- Once again, the President meets with the Congressional budget negotiators at the White House to lay the groundwork for the summit meetings.

- Despite the Budget Summit negotiations and promises of good faith, it's business-as-usual on Capitol Hill. The House Appropriations committee begins action on appropriations bills with no apparent regard for current budget constraints, fiscal reality, or ongoing negotiations.

Early June -- The Administration's negotiators ask the Democrats for more of everything: more meetings, more progress and more work.

- Meanwhile, back in Congress, Democratic Committee Chairmen appeal to negotiators to protect their pet programs and pork barrel projects from any spending cuts.

June 20 -- The Administration cuts its budget to save over \$50 billion in 1991. Plans include new reductions in defense and entitlement programs.

June-July -- Predictably, more business-as-usual in Congress. Various House and Senate committees have passed new spending bills that bust the budget. These include:

- Child care bill: **\$20 billion over** the Administration request for 5 years.
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- Housing bill: **\$5 billion over** the Administration request for one year.
- AIDS prevention: **\$3-4 billion over** the Administration request for 5 years.
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Democrat negotiators refuse to discuss spending cuts in advance of a Presidential commitment to discuss revenue increases.

June 26-28 -- The President meets with the bipartisan leadership and issues a statement clearly stating that he will consider tax revenue increases, among five other proposals.

- Focussing on taxes to the exclusion of every other proposal, Democrat party officials and Congressmen stage "read his lips" media blitz to highlight Presidential statement on revenue increases.
- Despite the President's statement that there would be "no preconditions," Senator Mitchell said that when it came to accepting a capital gains cut without an income tax increase, "There are certain points beyond which you cannot go."
- The Senate Budget Committee votes on a make-believe resolution that contains billions in make-believe savings.

July 5 -- Despite the Congressional recess, Administration negotiators and staff meet with Congressional staff to convene a special Task Force on credit reform proposals.

- Budget reform, one of the explicit goals of the summit, is thrown out the window when the Senate Budget Committee votes on a budget process reform bill that **weakens** the budget process.

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July 17 -- The House kills a constitutional amendment to require a balanced budget. Nearly all Republicans (169 of 174) support it, but a majority of Democrats (145 of 255) vote against it.

July 26 -- Both sides agree to put budget plans on the table. The Administration and Republican negotiators develop a plan to produce \$50 billion savings in the first year and \$500 billion in savings over 5 years.

-- No plan from the Democrats.

-- Administration states and restates its willingness to exchange offers.

July 31 -- When in doubt, go back on recess. Unable and unwilling to come up with their own plan, Democrats propose to delay exchange until after the August recess. Eighty six days after the President called on Democrat leaders to work out a bipartisan budget solution, they had yet to offer one single proposal.

August 1 -- Enough is enough. The President announces he will veto each and every spending bill the Democrats write that busts the budget, and tells Republicans in Congress that when it comes to dealing with the Democrats, all bets are off.

Here's a Few Examples of What the \$100 billion Sequester Will Mean:

The following are just a few of the effects should a sequester order take place on October 15, 1990:

For defense, reductions of up to one million military personnel, about half the force, if military personnel are not exempted. And if military personnel are exempted, reductions in force or furloughs of up to 850,000 defense civilian employees along with a severe degradation of military force readiness.

For the Federal Aviation Administration, major cutbacks in air traffic controllers, extensive closure of facilities, the curtailment or removal from service of over 100 air traffic control towers, a substantial reduction in the number of flights, and an increase in traveler delays of 400 to 600 percent.

For Superfund, a halt in all new cleanups of toxic waste sites.

For INS, no new hiring of Border Patrol staff and building of new traffic checkpoints to intercept drug and alien smugglers.

For white collar crime, a drop of about 25 percent in completed investigations and about 1,000 fewer convictions. Prosecution of those who have perpetrated S & L institutions fraud would be slowed.

For student aid, the outright elimination of Pell grants to 1.2 million students and a 22 percent reduction of all other Pell grants to 2.2 million additional students.

For meat and poultry, the absence of inspection services for about 140 days, thus forcing the shut-down of many processing plants.

August 14, 1990

WHAT THE DEMOCRATS HAVE DONE TO DISMANTLE OUR NATIONAL SECURITY:

-Throughout the last decade, the Democratic Congress has repeatedly tried to kill the:

1. MX
2. Midgetman
3. B-2
4. SDI (25% cuts every year)

-Specifically re. FY '91, the House Armed Services Committee recently voted to:

1. Cut over \$24 billion from the Presidents Defense budget for FY '91.
2. Kill the MX and Midgetman
3. Kill the B-2 ("stealth") bomber
4. Reduce SDI budget from President's request of \$4.6 billion to \$2.9 billion (a cut of \$1.7 billion)

-Meanwhile, the Senate has already:

1. Voted to cut SDI to \$3.6 billion, and to effectively kill the "brilliant pebbles" program with an allotment of \$129 million.
2. Approved the Bingaman/Shelby Amendment which would place 11 line items in the SDI budget, and effectively eliminate the President's ability to ever deploy SDI.

-KEY POINTS HERE:

1. The President is committed to SDI, and his choice of Henry Cooper to head SDI has been widely praised in the defense community as a signal of his commitment.
2. The President is working towards an historic START treaty with the Soviets, a treaty which assumes the future development of MX, Midgetman, B-2, and SDI. These reckless Democratic cuts will render a START treaty useless, and even harmful to our security interests. For example,
 - the Soviets would have two mobile missile programs (as per the treaty) and we would have NONE.
 - the Start treaty favors strategic bombers, but B-2 is our strategic bomber.

-CONCLUSION: THE DEMOCRATS HAVEN'T CHANGED. THEY STILL WANT RECKLESS DEFENSE CUTS, THEY STILL WANT TO SACRIFICE THE NATIONAL SECURITY OF THE UNITED STATES. WE SAID NO BEFORE, AND WE'LL SAY NO AGAIN. PEACE THROUGH STRENGTH BROUGHT AN END TO THE COLD WAR, AND FREEDOM TO NICARAGUA AND PANAMA. NOW IS THE TIME TO CAPITALIZE ON HARD EARNED FREEDOM. THE ISSUE WAS NOT THE COLD WAR; THE ISSUE WAS, AND STILL IS, OUR NATIONAL SECURITY.

COMMENTS OF RED CAVALIER
PRESS CONFERENCE ON ENERGY T

GOOD MORNING. I AM RED CAVALIER
AMERICAN PAPER INSTITUTE. OUR MEMBERS
90 PERCENT OF THE PULP, PAPER AND BOARD
THE UNITED STATES. FOR THOSE OF YOU
MILL, YOU KNOW THAT THE PROCESS OF TRANSFORMING SOLID WOOD OR
RECYCLABLE WASTE PAPER INTO SHEETS OF NEW PAPER IS VERY ENERGY
INTENSIVE. OUR INDUSTRY USES OVER 2.3 QUADRILLION BTUS OF
ENERGY EACH YEAR.

A TAX ON ENERGY CONSUMPTION -- REGARDLESS OF WHETHER THE
METHOD INVOLVES BTUS CONSUMED, AN EXCISE TAX, OR SOME OTHER
APPROACH -- IS A BAD TAX. A FEW WEEKS AGO, WHEN THE PRESIDENT
TALKED ABOUT "TAX REVENUE INCREASES", HE ALSO TALKED ABOUT THE
NEED FOR MAINTAINING ECONOMIC GROWTH. FOR THE PAPER INDUSTRY,
AN ENERGY TAX WOULD HINDER ECONOMIC GROWTH.

THE U.S. PAPER INDUSTRY IS COMPETITIVE WORLDWIDE -- A
RESULT OF HAVING INVESTED \$100 BILLION IN PLANT AND EQUIPMENT

UK 8/20
API faxed me these
comments. This is the
only public statement they
have on the budget.
Temi

2

IN THE 1980'S. EXPORT GROWTH IS VITAL TO OUR FUTURE, AS WELL AS THAT OF OUR COUNTRY, IN GENERAL. OUR INDUSTRY'S 10%-PER-YEAR EXPORT GROWTH OF THE LAST FEW YEARS WILL BE JEOPARDIZED BY A BROAD-BASED TAX ON ENERGY CONSUMPTION. ADDITIONALLY, WITH NO U.S. TARIFFS ON IMPORTED PAPER, WE STAND TO LOSE DOMESTIC MARKET SHARE AS WELL, IF SUCH A TAX IS ENACTED NOW. IN A COMMODITY-BASED INDUSTRY SUCH AS OURS, COSTS ARE OF PARAMOUNT IMPORTANCE.

SPEAKING OF CAPITAL INVESTMENT: AS AN ENERGY-INTENSIVE INDUSTRY, A CONSIDERABLE AMOUNT OF OUR CAPITAL INVESTMENT DOLLARS ARE FOR ENERGY CONSERVATION -- SOMETHING THAT IS GOOD FOR THE COUNTRY AND GOOD FOR OUR INDUSTRY. AN ENERGY TAX WOULD BE COUNTERPRODUCTIVE IN THIS REGARD, DIVERTING DOLLARS FROM GREATER INCREASES IN ENERGY SAVINGS AND SLOWING GAINS WE HAVE MADE WHICH BENEFIT THE ENVIRONMENT.

LET ME ILLUSTRATE. THE PAPER INDUSTRY GENERATES 56 PERCENT OF ITS OWN ENERGY NEEDS, PRIMARILY THROUGH THE USE OF WOOD WASTE AND WOOD RESIDUES AS FUEL SOURCES. IF THESE

3

SOURCES WERE NOT USED, THEY WOULD EXACERBATE THE NATION'S SOLID WASTE DISPOSAL PROBLEM. WE ARE CONTINUALLY INCREASING OUR USE OF SELF-GENERATED FUELS, WHICH HAS ENABLED OUR INDUSTRY TO REDUCE OIL CONSUMPTION BY NEARLY 60 PERCENT SINCE 1972, NATURAL GAS CONSUMPTION BY 24 PERCENT, AND TOTAL FOSSIL FUEL AND PURCHASED ENERGY CONSUMPTION BY 19 PERCENT -- ALL THIS, WHILE PRODUCTION HAS INCREASED BY MORE THAN 36 PERCENT. ANY PROPOSAL THAT WOULD INCLUDE ENERGY TAXATION OF SELF-GENERATED FUELS WOULD CLEARLY RUN CONTRARY TO OUR ENERGY AND ENVIRONMENTAL OBJECTIVES AND WOULD SLOW THE VERY POSITIVE BENEFITS ACHIEVED IN THESE AREAS.

FINALLY, THE IMPENDING CLEAN AIR ACT, ON PASSAGE, WILL DRAMATICALLY INCREASE THE BUSINESS COSTS OF ENERGY-INTENSIVE INDUSTRIES SUCH AS OUR OWN. TO ADD YET ANOTHER TAX ON THE ENERGY-USER SECTOR IN A TIME OF ECONOMIC UNCERTAINTY MAY PROVE SHORTSIGHTED. REDUCING THE GROWTH OF A HEALTHY INDUSTRY SUCH AS PULP AND PAPER MAY WELL LOSE THE TREASURY MORE REVENUE THAN IT HOPES TO GAIN FROM A NEW ENERGY TAX.

FOR INFORMATION: TOM KRANER (212) 340-0626

WHITE HOUSE

White

PHOTO

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Business leaders, economists support President Bush's call for budget action

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~~"President Bush has for the first time publicly demonstrated frustration at Congress's refusal to seriously bargain at the Budget Summit. By expressing his willingness to accept a sequester, President Bush was laying the groundwork to blame Congress for a possible sequester. This is a movement in the right direction.~~

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PHOTO

add
another
quote -
not from
a business
group

'I Stand Ready to Work ...'

(Continued from page one)

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Drop?
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PHOTO

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bust the

BARRIE :

THE WHITE HOUSE

computer gum

PAUL STEEL ext. 7323

Room 4202 NEOB

FILE is "WIRE. PM3"

Paul Steel has a disc w/ file on it.

BACKGROUND ON THE BIPARTISAN BUDGET AGREEMENT

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- * ECONOMIC CONSEQUENCES IF CONGRESS FAILS TO ADOPT AGREEMENT
- * STRENGTHENING THE ECONOMY
- * ENCOURAGING SMALL BUSINESS AND CREATING NEW JOBS
- * REFORMING THE BUDGET PROCESS
- * ACHIEVING REAL SAVINGS
- * RAISING REVENUES, BUT HOLDING THE LINE ON INCOME TAX RATES
- * PROVIDING OPPORTUNITY AND EMPOWERING LOW INCOME AMERICANS
- * KEEPING OUR COMMITMENTS TO SENIOR CITIZENS
- * SAFEGUARDING NATIONAL SECURITY
- * PRESERVING GOVERNMENT SERVICES
- * MEDICARE PREMIUMS
- * LOW INCOME AND ENTITLEMENT PROGRAMS NOT AFFECTED BY THE BUDGET SUMMIT AGREEMENT
- * WHAT THE BIPARTISAN BUDGET AGREEMENT WON'T DO
- * ENERGY TAX INCENTIVES
- * LIMITS ON ITEMIZED DEDUCTIONS WOULD NOT AFFECT INCENTIVES FOR CHARITABLE GIVING
- * THE NEED FOR ACTION

OVERVIEW

"It's time we put the interest of the United States of America first."

-- President George Bush, September 30, 1990
Announcing the Bipartisan Budget Agreement

We must stop mortgaging the future of our children and their children. America needs a budget agreement. The public demands it. And, as President Bush said, this agreement meets the challenge of putting America first.

The five-year bipartisan budget plan will enhance America's long-term economic vitality. It will give small and medium-size business a shot in the arm, creating jobs. It will cut the projected federal deficit by half-a-trillion dollars -- the single biggest cut ever.

This will mean real and lasting spending cuts. And it will not raise individual income-tax rates. The plan will support future economic growth.

Our nation's economic problems are everyone's concern. So this agreement is, above all, fair. Everyone will have to make a sacrifice, but no one will have to bear the burden alone.

ECONOMIC CONSEQUENCES IF CONGRESS FAILS TO ADOPT
BIPARTISAN BUDGET AGREEMENT

- o Bigger budget deficits -- soaring to \$300 billion per year.

Interest Rates Go Up

- o Interest rates 1-1/2 percentage point (or more) higher than if the budget agreement is passed.
 - Worsening outlook for the already weak housing and automobile sectors of the economy.
 - Major increases in mortgage payments for American families: an increase of \$110 on a typical adjustable rate mortgage.
 - A \$350 increase in the interest cost over the life of a \$10,000 car loan.
 - About \$30 billion more over the next three years in interest costs to the Federal Government -- ultimately the tax payer -- funds unavailable either for deficit reduction or worthy spending programs.

Growth Slows: Recession Risk Rises

- o Slower economic growth, meaning hundreds of billions less in income to American families in the coming decade.
- o Reduced entrepreneurial incentives, meaning foregone opportunities for new industries and new jobs.

STRENGTHENING THE ECONOMY

Interest Rates

- o The most pronounced effect is the expected reduction in interest rates as a result of the \$500 billion deficit reduction plan. By drastically reducing the Federal Government's drain on the Nation's scarce supply of private saving, the budget agreement would substantially reduce interest rates, spur investment, and create jobs.
 - Long-term interest rates have fallen by 1/3 percentage point since the middle of last week, largely because of the agreement.
 - Using conventional assumptions, long-run interest rates will decline by approximately 1-1/2 percentage points from what they would have been in the absence of an agreement.
- o Lower interest rates mean:
 - More job-creating investment in both business and housing:
 - Between 100,000-150,000 more housing starts in the year following the lower interest rates.
 - About 500,000 more auto sales in the year following the lower interest rates.
 - Increases in business equipment and structures over what they would have been without an agreement.
 - A reduction of about \$110 per month in payments on a mortgage on a typical home.
 - A savings of about \$350 of interest over the life of a \$10,000 auto loan.

Increased Growth

- o By the end of this decade, real GNP will be 2 percent higher per year as a result of more saving and investment and lower interest costs.
- o By the end of the decade, GNP will cumulatively total more than \$1 trillion more than if interest rates did not fall.
- o A lower deficit will provide an added safeguard against inflation.

ENCOURAGING SMALL BUSINESS AND CREATING NEW JOBS

- o A package of incentives for small businesses will substantially reduce their cost of capital and stimulate investment in new and growing enterprises.
 - Currently, about 2.3 million corporations would qualify, almost two-thirds of all U.S. corporations.
 - According to the SBA, nearly 70 percent of new jobs come from small businesses (\$50 million or less).
 - As the American Business Conference (ABC) -- the CEOs of the country's fastest growing midsize companies -- put it, "the growth initiatives in the package will spur creation of a whole new generation of ABC-like companies. These are the entrepreneurs that will be generating much of the new employment in the next decade."
- Deduction for Investment. Individuals can invest up to \$200,000 per year in small companies and receive a tax deduction for 25 percent of their investment. In effect, the company can raise each \$1 in funds at a cost to the investor of only 93 cents. The deduction is provided "going in", at the time of the stock purchase.
- Indexing. New stock purchases in these firms qualify for indexing for the next 5 years. For example, if inflation averages 4 percent and the total return over 5 years is 50 percent, indexing is equivalent to a 34 percent exclusion on the nominal gain.
- Basis Adjustment. This allows investors, particularly entrepreneurs and others who invest for at least five years, to limit their effective capital gains tax. "Zero basis" stock receives an effective 50 percent capital gains exclusion (a 14 percent effective rate for those in the 28 percent bracket.) Individuals whose investments have tripled receive a 25 percent capital gains exclusion (for a 21 percent effective rate).

- Research and Experimentation Credit. This important provision is extended through 1991. If not extended, companies with rapidly growing research programs would pay much more tax, which would discourage the research necessary to maintain American competitiveness in world markets. The agreement would increase the credit from 20 percent to 30 percent for small firms.
- Expensing -- or first-year write-off of some investment--increases the value of the tax savings from depreciating new equipment. Additional expensing is provided for scientific equipment. This will stimulate equipment purchases by these companies.
- Corporate Rate Change. This will effectively lower the corporate tax rate from 39 percent to 36.5 percent for many small corporations. For example, a company with taxable profits of \$300,000 will save \$5,000 in taxes from this provision. Large corporations with profits over \$570,000 will be unaffected by this provision.
- o. Other growth incentives include enterprise zones, energy production incentives, and user fees for infrastructure and patent production.
 - Enterprise zones would be established to create jobs and develop business in specially designed urban and rural areas in need of economic assistance. Tax incentives would be provided to encourage starting businesses and hiring workers.
 - Energy incentives would encourage exploration for oil and gas, production from marginal properties, and enhanced oil recovery. In addition, Section 29 would be extended and expanded to tight sands gas, and incentives for ethanol would be modified and extended. These provisions would not only improve our energy security, but would provide jobs, increase business, and help to constrain energy prices.

REFORMING THE BUDGET PROCESS

1. Strengthens Budget Law

- o Retains and Extends the existing Gramm-Rudman-Hollings (G-R-H) sequester system. Extends GRH to 1995, with deficit reduction path intended to reach zero in 1996.
- o For the first time, establishes in law binding caps on total discretionary spending for five years.
- o Establishes binding caps on each of the categories of domestic spending, international, and defense spending, for 1991-1993.

2. Tough New Enforcement

- o Adds to G-R-H new procedure triggering automatic across-the-board spending cuts if appropriations bills exceed any of the caps.
- o Automatic cuts equal to the excess spending occur in 15 days if bill is enacted before July 1, and on October 1 if the bill is enacted after July 1.
- o The reduction is ordered against the spending category exceeded, to focus and target enforcement.
- o Caps could be exceeded only in the event of an emergency request by the President.

3. Pay-As-You-Go For All New Entitlements

- o For the first time, ensures by law that no new entitlement legislation can increase the deficit.
- o Requires all entitlement or revenue legislation to meet pay-as-you-go test: any new entitlement spending legislation must be offset by reductions in other entitlements or by revenue increases.
- o Tough enforcement if Pay-As-You-Go is violated:
 - Any entitlement legislation not meeting the pay-as-you-go test would trigger an automatic across-the-board sequester in the entitlement category.

-- Doubles the amount of entitlement spending subject to sequester

4. Reforms Congressional Budgeting Procedure

- o Requires congressional budget to cover five years.
- o Requires 60 votes in the Senate to pass spending bills that would violate caps.
- o If a revenue losing bill is reported, then automatic instructions are issued to the offending committee to provide offset. In the Senate, a 60 vote point of order is established against revenue-losing bills.

5. Forces Action on Hidden Government Liabilities

- o Completely Reforms budgeting for federal credit programs.
- o For the first time, requires the subsidy value of new credit programs to be explicitly determined up front, before laws are passed to extend government credit. No more S&L surprises.
- o For the first time, new government credit would have to be explicitly paid for up front, before laws are passed -- not left to accumulate for payment later.
- o Government sponsored enterprises (GSEs): congressional action on reforms to ensure financial soundness is required in 1991.

6. Protects Social Security

- o Removes Social Security operating surpluses from G-R-H.
- o Requires 60 votes in the Senate for passage of legislation that would violate the actuarial soundness of Social Security.

ACHIEVING REAL SAVINGS

- o The agreement represents the biggest deficit-reduction package in American history.
- o The budget plan will cut \$120 billion in government spending on entitlement and mandatory programs -- **the largest such savings ever produced.** These programs have been the biggest single source of growth in government spending. This is the first time such cuts will be guaranteed in law. No more smoke and mirrors. Savings will include:
 - \$60 billion from Medicare
 - \$13 billion from Agricultural payments
 - \$4.2 billion in Postal Service reform
- o The agreement will also produce \$182 billion in discretionary program savings, including cuts in defense outlays of \$67 billion over three years.

RAISING REVENUES, BUT HOLDING THE LINE ON INCOME TAX RATES

- o Again, these cuts were made without caving in on raising individual income-tax rates. The agreement calls for raising \$134 billion in five years. And we can raise this tax-revenue with these measures:
 - A phased-in increase in the gasoline tax -- five cents a gallon the first year and another five cents the next year. This measure will produce the greatest revenues.
 - Increased taxes on alcohol and cigarettes, as well as selected luxury items.

PROVIDING OPPORTUNITY AND EMPOWERING LOW-INCOME AMERICANS

- o Lower interest rates will help working Americans by cutting mortgage payments.
- o The plan makes an historic breakthrough by providing federal tax incentives for the development of enterprise zones -- to create jobs and opportunity for those who need it the most. Enterprise zones will foster new businesses in depressed urban and rural areas and give poor people a better chance to work toward the American dream.
- o The agreement lends a hand to the working poor through an increase in the earned-income tax credit.
- o No one below the poverty line will have to pay for a Medicare premium increase. Medicaid will pay.
- o The budget preserves programs for low-income Americans, such as:
 - Aid to Families with Dependent Children.
 - Food Stamps.
 - Medicaid.
- o Above all, the plan provides for strong economic growth. The best way to expand opportunity for lower-income Americans is to increase the number of jobs in the private sector.

KEEPING OUR COMMITMENTS TO SENIOR CITIZENS

- o The plan does not touch Social Security cost-of-living increases.
- o The plan does not touch military or federal retirement.
- o The plan does not increase taxes on Social Security beneficiaries.
- o By helping prevent a return of high inflation, the plan will provide a special benefit to senior citizens on fixed incomes, who suffered most during the disastrous price increases of the late 1970s.

SAFEGUARDING NATIONAL SECURITY

- o Although the defense budget is cut by \$67 billion over three years (and more over five years), our men and women serving in the Persian Gulf region will still get **the backing they deserve** to defend themselves and accomplish their mission.
 - The budget plan provides important supplemental funds for Operation Desert Shield.
- o The agreement prevents deeper defense cuts that might have reduced America's military readiness and placed further strains on our brave men and women in uniform.

PRESERVING GOVERNMENT SERVICES

- o Enactment of the bipartisan budget plan will **prevent a sequestration** that could cut into important government services such as:
 - Drug enforcement
 - Crime control and prison management
 - Air traffic control
 - Meat and poultry inspections
 - Inspection of blood banks

MEDICARE PREMIUMS

	(Dollars in Billions)					
	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>Total</u>
Pre-Summit Medicare	\$116	\$130	\$145	\$161	\$179	\$730
Pre-Summit Growth Rate	11%	12%	12%	11%	11%	
Summit Savings	-\$5	-\$9	-\$12	-\$15	-\$19	-\$60
Post-Summit Medicare	\$111	\$121	\$133	\$146	\$160	\$670
Post-Summit Growth Rate		6%	9%	10%	10%	10%

Overview

- o The \$60 billion in Summit Agreement savings is derived equally from slower growth in provider payments, and increased beneficiary payments (substituting for general taxpayer financing).
- o After the Summit Agreement, Medicare provider payments will grow at 10% per year for FY91-95 -- only slightly less than the 11.5% average annual growth rate projected without the Summit.
- o After the Summit Agreement, general taxpayer support of Medicare (70% portion of cost) increases faster than beneficiary premiums and other payments.
- o Over the FY91-95 period, the Summit Agreement's proposals result in a net out-of-pocket increase in monthly payments by the average Medicare beneficiary (premiums, co-payments, and deductibles) of \$2.55, \$5.34, \$6.69, \$7.44, and \$7.92/month respectively.

Provider Savings (Doctors and Hospitals)

- o The Summit Agreement first-year provider savings of \$3.1 billion are comparable to those achieved in the past.
 - The 1989 reconciliation bill reduced FY90 provider payments by \$2.9 billion; total provider payments still grew by 11% over FY89-FY90.
 - The 1987 reconciliation bill reduced FY88 provider payments by \$2.1 billion; total provider payments still grew by 7% over FY87-FY88.

- o The Summit Agreement contains real savings for each of the five years -- unlike prior years, where Congress opted for one-year proposals which expired the next year.

Beneficiaries: Low-Income Protections

- o After the Summit Agreement, low-income Medicare beneficiaries will continue to pay nothing for Medicare coverage.
 - Medicaid will pay these individuals' premiums, co-payments, and deductibles.
 - The Summit Agreement specifically set aside additional funds (\$2 billion Federal matched by \$1.6 State) to expand the number of beneficiaries whose Medicare costs are paid entirely by Medicaid.
- o After the Summit Agreement, the remaining beneficiaries will incur slightly higher out-of-pocket costs for Medicare coverage.
 - However, compared to the original structure of the Medicare program, these beneficiaries incur much lower out-of-pocket costs

Premiums:

- As enacted in 1965, Medicare beneficiaries paid a premium for Part B insurance (primarily physician services) set to cover 50% of the cost of the program.
- Beginning in 1973, Congress capped premium increases so that by 1990, Part B premiums covered only 25% of the program -- with the remainder financed by general taxpayer revenues.
- The Summit Agreement's 30% premium still requires a 70% subsidy from wage-earner's taxes.

Deductible:

- In 1965, Medicare required beneficiaries to pay a \$50 deductible. This was increased to \$60 in 1972 and \$75 in 1982. If it had increased to keep pace with program costs, the deductible today would exceed \$800.
- The Summit Agreement's gradual buildup to a \$150 deductible still represents a significant benefit relative to the program's original structure.

LOW INCOME AND ENTITLEMENT PROGRAMS NOT
IMPACTED BY BUDGET SUMMIT AGREEMENT

I. No Social Security Cola Delay or Adjustment .

Numerous Approaches Advocated a COLA Freeze, a Delay of a COLA Increase Below CPI

II. No Increase in Taxes on Social Security Benefits

Numerous Approaches Advocated Raising the Taxable Rate on Social Security from 50% to 85%

- Under This Package Social Security Grows From \$268B to \$335B '91-'95

III. No Medicare Impact on Low Income

- No Impact on Those Below Poverty Line: They Are Held Harmless for all Increases in Medicare Premiums, Copays and Deductibles 100%. Medicaid Will Pick-Up the New Costs

- What About Those Just Above the Poverty Line?

\$2B Provided in Package to Protect Additional Low Income Above the Poverty Line (Along With the State Share of Medicaid, \$3.6B Will Protect These Low Income Beneficiaries)

IV. No Impact on Other Low Income Programs

- Aid to Families
with Dependent
Children

- Food Stamps

- Medicaid

WHAT THE BIPARTISAN BUDGET AGREEMENT WON'T DO

- It will not raise individual income tax rates.
- It does not touch Social Security Cost of Living Increases, nor does it increase taxes on Social Security beneficiaries.
- It does not touch federal or military retirement.
- It does not affect Operation Desert Shield -- our men and women will still get the backing they deserve.
- It has no impact on families participating in low income programs such as Aid to Families with Dependent Children, Medicaid, WIC, and food stamps.

ENERGY TAX INCENTIVES

Proposed Tax Incentives

Tax incentives to enhance energy security include:

- incentives for new oil and gas exploration
- incentives to continue production from marginal properties
- incentives for enhanced oil recovery from existing fields
- an extension of current incentives for production of non-conventional fuels (Section 29), with inclusion of tight sands gas
- extension and modification of ethanol tax credits.

Total revenue loss from the incentives will be \$0.4 billion in FY 1991 and \$4.0 billion over the 5 year period FY 91-95.

Rationale

- o The proposed tax incentives are designed to encourage increased domestic oil, gas and ethanol production, and help reverse the decline in recent years. For example:
 - Over the last ten years exploration activity (as measured by the U.S. annual average rotary rig count) has fallen by 77 percent from a high of about 4000 in 1981 to under 1000 in 1989.
 - U.S. domestic oil production in 1989 averaged only 9.2 million barrels per day, the lowest in 25 years.
 - Because the U.S. is unable to meet its needs from domestic production oil import levels have risen. In 1989 imported oil accounted for 41 percent of our oil use. This increased to over 50 percent earlier this year.
- o Even though current prices are high, they are not stable, and could decline substantially in the coming months. Because of this uncertainty the necessary long-term investments in new domestic oil and gas production may not occur. Although there is a strong relationship between oil prices and domestic exploration activity, other factors such as government tax policy will have a significant impact on domestic oil exploration and future production levels.
- o Historically, oil prices fluctuate widely creating substantial risks for investors in exploration and drilling activities. Oil prices can fall 25 percent to 50 percent between the time an exploration project is financed and drilling actually is completed. This price volatility can make an otherwise risky and costly investment in oil

drilling completely uneconomic overnight. Tax credits can reduce these risks, providing investors an incentive to explore.

- o Enhanced Oil Recovery Techniques can recover some of the nearly two-thirds of the original oil left in place after conventional production ceases. Because the reserves are established and wells are already in place additional production can be initiated relatively quickly.
- o Credits for Marginal Production will ensure that producing wells are not prematurely abandoned. Stripper wells (marginal wells producing less than 10 barrels per day) account for about 15 percent of U.S. production. Over the past 5 years, an average of almost 18,000 wells have been abandoned each year. In addition, another 50,000 wells have been temporarily shut-in. (The average stripper well produces about 3 barrels per day, compared with an average of 2,500 b/d for a well in the Middle East.)
- o Credits for new oil and gas exploration would help to reverse the decline in U.S. proven reserves, establishing a reserve base to sustain long-term production.
- o The Section 29 non-conventional fuels tax credit will help stimulate additional production from a vast resource base of non-conventional fuels, including tight sands gas. Production of tight sands gas accounts for about 10 percent of U.S. natural gas production.
- o Extension and modification of the ethanol credits will provide both energy security as well as environmental benefits. Current U.S. ethanol production represents the equivalent of about 1 percent of U.S. gasoline demand. In addition, ethanol is an important component of the clean fuels programs contained in the pending clean air act.

**LIMITS ON ITEMIZED DEDUCTIONS
WOULD NOT AFFECT INCENTIVES FOR CHARITABLE GIVING**

Under the budget agreement, taxpayers with Adjusted Gross Income (AGI) over \$100,000 would have their itemized deductions reduced by three percent of the amount their AGI exceeded \$100,000. This would increase their taxable income and the taxes paid.

-- **Example** A taxpayer has \$250,000 of AGI and \$50,000 of itemized deductions. The taxpayer's itemized deductions would be reduced by \$4,500: three percent of the \$150,000 by which AGI exceeded \$100,000. The taxpayer would thus be able to claim itemized deductions of \$45,500.

The incentive to contribute more to charity would be unaffected. Additional contributions to charity would still be fully deductible.

-- **Example** Assume our hypothetical taxpayer gave \$10,000 more to charity, raising his itemized deductions to \$60,000. The amount of disallowed deductions would remain unchanged at \$4,500. The taxpayer's allowed itemized deductions would rise by the full amount of his charitable contribution.

Very few taxpayers would lose the tax deduction for their existing charitable contributions.

THE NEED FOR ACTION

- o Congress must act, and act soon. We need measures to boost economic growth, and solve long-term problems.
- o We can meet the challenge through bipartisan leadership and quick and decisive action.
- o No one will agree with all measures, but everyone will benefit in the long run.
- o If we do not reform entitlements to control their growth -- as this agreement provides -- America may never be able to solve its deficit problem.
- o Most of all, this is our last best chance to get the federal budget deficit under control. We owe this much to our country, and to generations of Americans to come.

WHITE HOUSE

Wire

The President and the Budget: 'I stand ready to work'

The following are excerpts of the President's remarks on August 14, 1990:

"It is no secret to the American people that the congressional budget process has broken down. Over the last couple of decades we've seen the real problems of overspending. We've seen the stalemate in budgeting which is the result of internal congressional conflicts and a committee system that is so complex that not only have the hard decisions been postponed or avoided, but today nearly all budget decisions are finessed..."

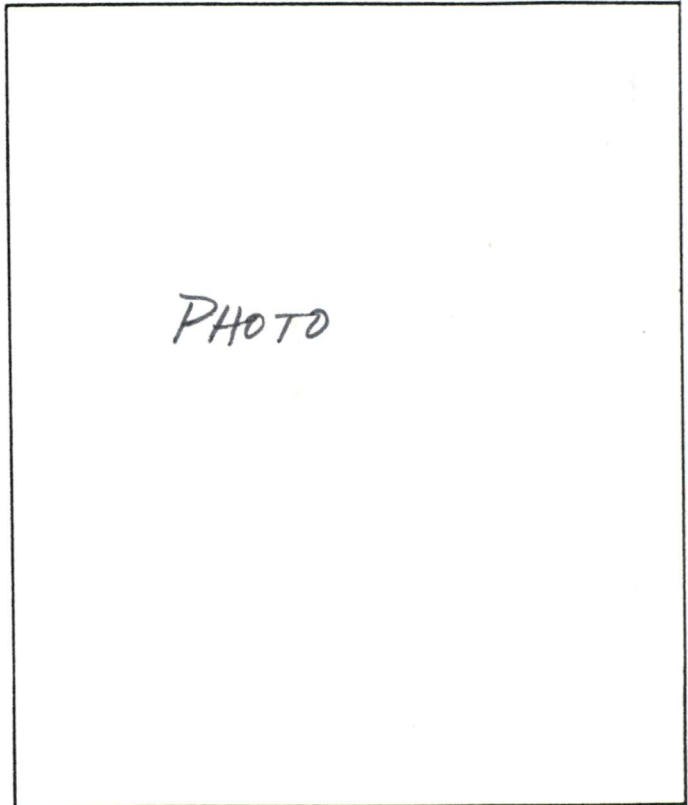
comes to sequester, they will bear a heavy responsibility for the consequences.

"... I took the initiative in May in calling on the Democratic congressional leaders to join me in a bipartisan summit on the budget. The success of this summit is essential to ensure the economic health of the nation, to resolve once and for all the deficit dilemma, and in doing so, to avoid the painful sequester cuts which will occur without an agreement."

"... I stand ready to work on this process as long as it takes to get a five-year package which solves the problem. I've postponed what I think was a very important September trip to Latin America so as to focus on this issue. There are, however, a number of specific realities to be noted:

-- First, it is the Congress that has the responsibility to pass a budget. While they have the power of the purse, like any President, I've got the power of the veto pen. And I will use that pen to veto any and every spending bill that busts the budget.

-- Second, if no agreement is reached, that means a sequester on October 1st of about \$100 billion. As painful as such deep cuts would be, I must uphold the law. I'm determined to manage them the best I can, knowing I've done all in my power to avoid them. So the Democrats in Congress should know that if it



-- Third, if the Congress really wants economic growth and increased government revenues, the place to start is not with tax increases, but with incentives for growth, investment and jobs. And again, I cite the capital gains area as one that would stimulate and be investment-oriented. (Continued on last page.)

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The Truth About the Budget Summit

May 6 -- Taking the initiative, the President calls the bipartisan leadership of Congress to the White House to outline the two fundamental reasons for a budget summit:

- The economic growth and stability of the nation, and
- Avoiding sequestration, the across-the-board cuts in federal spending which will automatically take place on October 15, 1990, unless the government acts to cut the deficit.

May 15 -- Once again, the President meets with the Congressional budget negotiators at the White House to lay the groundwork for the summit meetings.

- Despite the Budget Summit negotiations and promises of good faith, it's business-as-usual on Capitol Hill. The House Appropriations committee begins action on appropriations bills with no apparent regard for current budget constraints, fiscal reality, or ongoing negotiations.

Early June -- The Administration's negotiators ask the Democrats for more of everything: more meetings, more progress and more work.

- Meanwhile, back in Congress, Democratic Committee Chairmen appeal to negotiators to protect their pet programs and pork barrel projects from any spending cuts.

June 20 -- The Administration cuts its budget to save over \$50 billion in 1991. Plans include new reductions in defense and entitlement programs.

June-July -- Predictably, more business-as-usual in Congress. Various House and Senate committees have passed new spending bills that bust the budget. These include:

- Child care bill: \$20 billion over the Administration request for 5 years.
- Farm bill: \$7-9 billion over the current law baseline for 5 years.
- Housing bill: \$5 billion over the Administration request for one year.
- AIDS prevention: \$3-4 billion over the Administration request for 5 years.
- Education bill: \$916.8 million over the Administration request for one year.

Democrat negotiators refuse to discuss spending cuts in advance of a Presidential commitment to discuss revenue increases.

June 26-28 -- The President meets with the bipartisan leadership and issues a statement clearly stating that he will consider tax revenue increases, among five other proposals.

- Focusing on taxes to the exclusion of every other proposal, Democrat party officials and Congressmen stage "read his lips" media blitz to highlight Presidential statement on revenue increases.
- Despite the President's statement that there would be "no preconditions," Senator Mitchell said that when it came to accepting a capital gains cut without an income tax increase, "There are certain points beyond which you cannot go."
- The Senate Budget Committee votes on a make-believe resolution that contains billions in make-believe savings.

July 5 -- Despite the Congressional recess, Administration negotiators and staff meet with Congressional staff to convene a special Task Force on credit reform proposals.

- Budget reform, one of the explicit goals of the summit, is thrown out the window when the Senate Budget Committee votes on a budget process reform bill that weakens the budget process.

July 16 -- Midyear budget revisions -- The Administration issues a complete update of the estimates of the budget deficit, revising the estimate to nearly \$169 billion.

- At a ridiculous pace, overspending in the House appropriations bills climbs during July. Discretionary appropriation bills are off the charts -- \$25 billion over 1990 enacted levels, and \$14 billion over the Administration request.

July 17 -- The House kills a constitutional amendment to require a balanced budget. Nearly all Republicans (169 of 174) support it, but a majority of Democrats (145 of 255) vote against it.

This has been fixed, too

July 26 – Both sides agree to put budget plans on the table. The Administration and Republican negotiators develop a plan to produce \$50 billion savings in the first year and \$500 billion in savings over 5 years.

– No plan from the Democrats.

– Administration states and restates its willingness to exchange offers.

July 31 – When in doubt, go back on recess. Unable and unwilling to come up with their own plan, Democrats propose to delay exchange until after the August recess. Eighty six days after the President called on Democrat leaders to work out a bipartisan budget solution, they had yet to offer one single proposal.

August 1 – Enough is enough. The President announces he will veto each and every spending bill the Democrats write that busts the budget, and tells Republicans in Congress that when it comes to dealing with the Democrats, all bets are off.

Here's a Few Examples of What the \$100 billion Sequester Will Mean:

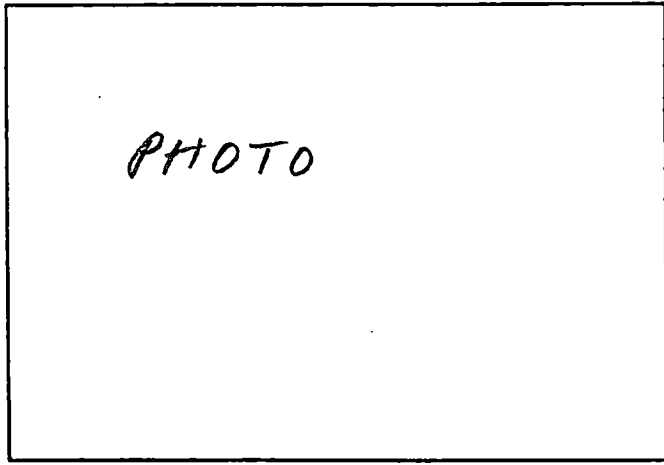
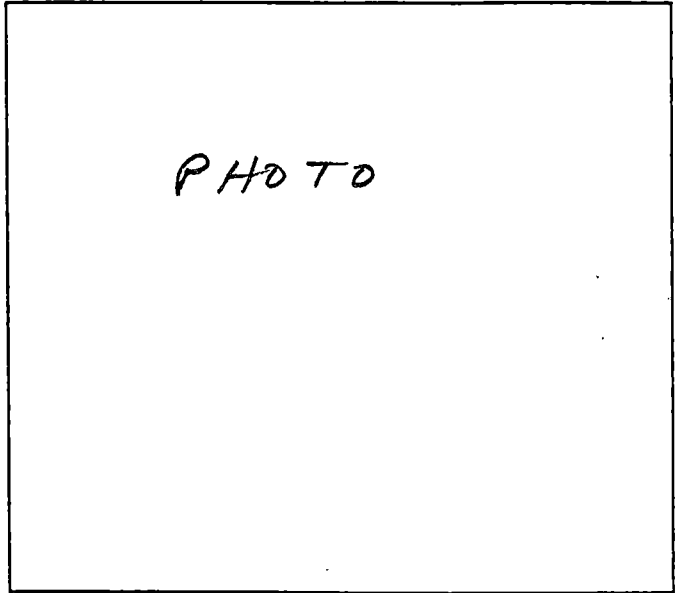
The following are just a few of the effects should a sequester order take place on October 15, 1990:

For defense, reductions of up to one million military personnel, about half the force, if military personnel are not exempted. And if military personnel are exempted, reductions-in-force or furloughs of up to 850,000 defense civilian employees along with a severe degradation of military force readiness.

For the Federal Aviation Administration, major cutbacks in air traffic controllers, extensive closure of facilities, the curtailment or removal from service of over 100 air traffic control towers, a substantial reduction in the number of flights, and an increase in traveler delays of 400 to 600 percent.

For Superfund, a halt in all new cleanups of toxic waste sites.

For INS, no new hiring of Border Patrol staff and building of new traffic checkpoints to intercept drug and alien smugglers.



For white collar crime, a drop of about 25 percent in completed investigations and about 1,000 fewer convictions. Prosecution of those who have perpetrated S & L institutions fraud would be slowed.

For student aid, the outright elimination of Pell grants to 1.2 million students and a 22 percent reduction of all other Pell grants to 2.2 million additional students.

For meat and poultry, the absence of inspection services for about 140 days, thus forcing the shutdown of many processing plants.

Business leaders, economists support President's call for budget action

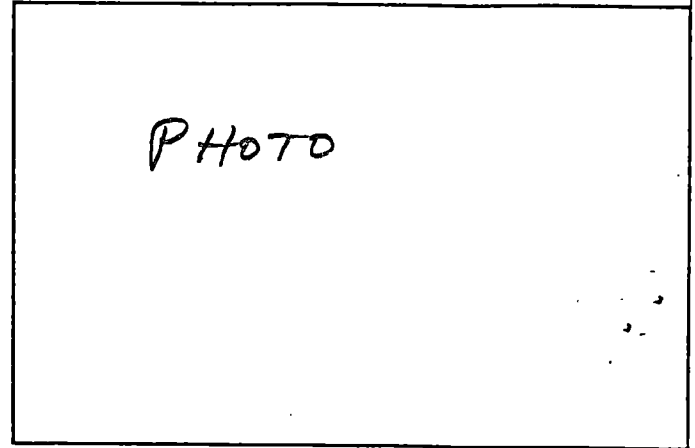
"The President is right. He has gone more than halfway in attempting to get a budget compromise, and the Democratic congressional leadership has failed to respond in a responsible manner. The President is to be commended for announcing that he will veto all spending bills over his budget, and that he will accept a sequester if the Congress does not immediately come forward with a pro-growth budget."

— Richard W. Rahn, Chief Economist,
U.S. Chamber of Commerce.

"President Bush is right to reassert the necessity for a comprehensive deficit reduction agreement. With a \$100 billion sequestration order set for October 1, the U.S. is lashed to a fiscal time bomb. Defusing that bomb is as much the responsibility of Congress as it is of the President. In that context, the silence of Congressional budget negotiators is irresponsible."

— Barry Rogstad, President,
American Business Conference.

"As President Bush suggested, it is pure hypocrisy for Congress to proclaim its desire to reduce the deficit



while it passes appropriations bills which increase spending by 11 percent. Citizens for a Sound Economy agrees with President Bush that the budget deficit can be traced to congressional overspending and a budget process which has broken down."

-- Wayne Gable, President,
Citizens for a Sound Economy.

'I Stand Ready to Work ...' (Continued from page one)

-- Fourthly, the Congress must recognize the utter failure of their budget process to control spending. It's got to be reformed. The process has to be reformed.

-- Fifth, our budget must maintain a defense posture consistent with the demands on American leadership in the world and in the dangers we face.

And finally, the Democratic leadership of Congress

must understand that the American people expect them to get that job done, to come forward with concrete proposals to cut the deficit.

I and the members of my Administration stand ready to work with them in meeting these obligations. And I know that it's a complicated time for our country, but it is essential that the American people focus, as they are now on international matters, also focus on the domestic problems we face in terms of the budget. That's why I'm doing this today."

ADDRESS LABEL

Joe February
April
called for Summit

don't have an agreement is simple: Congress hasn't acted on our proposals. Let me give you a little history. On June 26, with the budget summit going nowhere, I was asked to make a sacrifice -- to allow taxes to be put on the table. Not my first choice, Not my second. But to get Congress ^{off the} to ~~act~~, it was a ^{concession} ~~choice~~ that had to be made. A month later, our Administration prepared a ~~rather~~ revised comprehensive budget plan. The Democrats offered none. Now, sixty-four days after that, Congress has still failed to offer serious spending cuts and they have failed to offer serious budget reform. I've proposed a 5-year, \$500 billion deficit ^{no serious} reduction package -- and still, no serious ^{resolution} action by the Congress. Well, they may not be serious, but the American people are.\\

You've seen the headlines about these negotiations, and the arguments over which party is "on the side of the working people." I'm talking about incentives for growth like the capital gains ^{issue} ~~tax cut~~ -- because I want to continue economic growth and avoid a recession. A majority of the both houses of Congress voted in favor of it last year -- because both Republicans and Democrats understood that cutting the capital gains tax means creating more American jobs and promoting economic growth. Yet the Democrat leadership has prevented it from becoming law. Let others create class warfare, ^{we want to} keep creating jobs -- for all the American people.\\

but we must have spending

Because of Congressional ^{tough choices} foot-dragging, the nation is now ^{and counting} four days away from mandated sequestration -- multi-billion

that is what the hay - it has been enforced

*We know this will be tough
there will be pain but debt
law had a purpose
to force discipline
in a system
that had no discipline
moment of truth*

dollar across-the-board budget cuts that will have a damaging effect on Americans -- young and old, rural and urban. Let me give you a few examples of what life will be like when that sequester hits. Approximately a million children would not be vaccinated for polio, measles, and rubella. Pell grants for over a million college students would be eliminated outright. Here at O'Hare Airport, flights will be cancelled -- in fact, each day, up to 58 arrivals and departures would be cancelled per hour -- because there wouldn't be enough air traffic controllers to ensure safe operations.

Virtually every segment of American society would be seriously affected by the sequester -- except one. [That's right, one special group has left itself exempt from the toughest enforcement rules of sequester: the United States Congress.]

It's time we sent a message to Congress: No more government by continuing resolution. Time has run out. Congress must act because America deserves better. \\\

At no time in post-war history has a strong and economically healthy America been more important. And we all know who is helping keep America strong half-way around the world: those brave soldiers who left their spouses and children to serve on the front lines in the Persian Gulf. \\\ They are some of America's finest men and women. And we're proud of all of them. \\\

*Empty control towers
empty Head Start
post offices
social sec offices - paychecks
Cong. business as usual*

*4
12
11*

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In Feb
sent
complete
budget
to Cong.
to Cong.
to act
I. -
No act
-
summit
with
the
negot.
But
they
came
up.
empty.

You've seen the headlines about these negotiations, and the arguments over which party is "on the side of the working people." I'm talking about incentives for ^{job} growth like the capital gains ~~tax cut~~ ^{issue + need} -- because I want to continue economic growth, ~~and~~ ^{and create some new employment opportunities} avoid a recession. A ~~majority~~ of the both houses of Congress ~~voted in favor of it last year -- because both~~

cuts -
enforceable
reform

~~Republicans and Democrats understood that cutting the capital gains tax means creating more American jobs and promoting economic growth.) Yet the Democrat leadership has prevented it from becoming law. Let others create class warfare, ~~we~~ ^{we} want to keep creating jobs -- for all the American people. \\\~~

~~Because of~~ ^{our} Congressional ~~foot-dragging~~ ^{system makes it hard to make tough choices}, the nation is now four days away from mandated sequestration -- multi-billion

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stat

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October 2, 1990

REMARKS BY THE PRESIDENT
DURING TELEVISION ADDRESS TO THE NATION

The Oval Office

9:00 P.M. EDT

THE PRESIDENT: Tonight I want to talk to you about a problem that has lingered and dogged and vexed this country for far too long -- the federal deficit. Thomas Paine said many years ago, "These are the times that try men's souls." As we speak, our nation is standing together against Saddam Hussein's aggression. But here at home there's another threat -- a cancer gnawing away at our nation's health. That cancer is the budget deficit.

Year after year, it mortgages the future of our children. No family, no nation, can continue to do business the way the federal government has been operating -- and survive. When you get a bill, that bill must be paid. And when you write a check, you're supposed to have money in the bank. But if you don't obey these simple rules of common sense, there's a price to pay.

But for too long, the nation's business in Washington has been conducted as if these basic rules did not apply. Well, these rules do apply. And if we fail to act, next year alone we will face a federal budget deficit of more than \$300 billion -- a deficit that could weaken our economy further and cost us thousands of precious jobs. If what goes up must come down -- then the way down could be very hard.

But it doesn't have to be that way. We can do something. In fact, we have started to do something. But we must act this week, when Congress will hold the first of two crucial up or down votes. These votes will be on a deficit reduction agreement worked out between the administration and the bipartisan leaders of Congress. This budget agreement is the result of eight months of blood, sweat and fears -- fears of the economic chaos that would follow if we fail to reduce the deficit.

Of course, I cannot claim it's the best deficit reduction plan possible. It's not. Any one of us alone might have written a better plan. But it is the best agreement that can be legislated now. It is the biggest deficit reduction agreement ever -- half a trillion dollars. It's the toughest deficit reduction package ever -- with new enforcement rules to make sure that what we fix now stays fixed. And it has the largest spending savings ever -- more than \$300 billion. For the first time, a Republican President and leaders of a Democratic Congress have agreed to real cuts that will be enforced by law, not promises. No smoke; no mirrors; no magic act; but real and lasting spending cuts.

This agreement will also raise revenue. I'm not -- and I know you're not -- a fan of tax increases. But if there have to be tax measures, they should allow the economy to grow; they should not turn us back to higher income tax rates, and they should be fair. Everyone who can, should contribute something. And no one should have to contribute beyond their fair share. Our bipartisan agreement meets these tests. And through specific new incentives, it will help create more jobs.

It's a little known fact, but America's best job creators and greatest innovators tend to be our smaller companies. So our

MORE

budget plan will give small and medium-size companies a needed shot in the arm. Just as important, I am convinced that this agreement will help lower interest rates. And lower interest rates mean savings for consumers, lower mortgage payments for new homeowners, and more investment to produce more jobs. And that's what this agreement will do.

Now, let me tell you what this agreement will not do. I will not raise income tax rates -- personal or corporate. It will not mess with Social Security in any way. It will not put America's national security at risk. And, most of all, it will not let our economy slip out of control.

Clearly, each and every one of us can find fault with something in this agreement. In fact, that is a burden that any truly fair solution must carry. Any workable solution must be judged as a whole, not piece by piece. Those who dislike one part or another may pick our agreement apart. But if they do, believe me, the political reality is no one can put a better one back together again. Everyone will bear a small burden. But if we succeed, every American will have a large burden lifted. If we fail to enact this agreement, our economy will falter, markets may tumble, and recession will follow.

In just a moment, the Democratic Majority Leader, Senator Mitchell, will offer what is known as the Democratic response -- often a rebuttal. But not tonight. Tonight, the Democratic and Republican leadership and I all speak with one voice in support of this agreement. Tonight, we ask you to help us move this agreement forward. The congressional leadership and I both have a job to do in getting it enacted. And tonight, I ask for your help.

First, I ask you to understand how important -- and for some, how difficult -- this vote is for your congressmen and senators. Many worry about your reaction to one part or another. But I know you know the importance of the whole. So, second, I ask you to take this initiative: Tell you congressmen and senators you support this deficit reduction agreement.

If they are Republicans, urge them to stand with the President. Urge them to do what the bipartisan leadership has done -- come together in the spirit of compromise to solve this national problem. If they're Democrats, urge them to stand with their congressional leaders. Ask them to fight for the future of your kids by supporting this budget agreement.

Now is the time for you -- the American people -- to have a real impact. Your senators and congressmen need to know that you want this deficit brought down -- that the time for politics and posturing is over, and the time to come together is now.

This deficit reduction agreement is tough. And so are the times. The agreement is fair. And so is the American spirit. The agreement is bipartisan. And so is the vote. The agreement is real. And so is this crisis.

This is the first time in my presidency that I've made an appeal like this to you, the American people. With your help, we can at last put this budget crisis behind us and face the other challenges that lie ahead.

If we do, the long-term result will be a healthier nation and something more. We will have once again put ourselves on the path of economic growth. And we will have demonstrated that no challenge is greater than the determination of the American people.

Thank you. God bless you and good night.

END

9: 10 P.M. EDT

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Notes	Handwritten notes, Re: Budget meeting. (2 pp.)	n.d.	P-5 <i>/</i>	

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
Series: Grant, Mary Kate
Subseries: Subject File
WHORM Cat.:
File Location: White House Wire - Budget 6/90 - 8/90

**Open on Expiration of PRA
(Document Follows)**
By SN (NLGB) on 4/8/2005

Date Closed: 12/17/2004	OA/ID Number: 04422
FOIA/SYS Case #: S	Appeal Case #:
Re-review Case #: 2005-0482-S	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National Security Classified Information [(a)(1) of the PRA]
- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-3 Release would violate a Federal statute [(a)(3) of the PRA]
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

- (b)(1) National security classified information [(b)(1) of the FOIA]
- (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- (b)(9) Release would disclose geological or geophysical information

GOP Leaders: heated from time to time

Darman - what it does + do
Bob Michel - exploded re: fringe groups.

National address? GOP wants it soon for votes

2 votes - ① Friday - CR out
② Days later on reconciliation
↳ Darman - more sup b/c law.

Argument

If This goes down - it'll be b/c liberal
Dem's not GOP b/c of numbers.
We then cave on lib concessions to get their
votes 2nd time.

Darman:

- ① biggest def package ever
- ② toughest enforcement ever
- ③ largest entitlement savings ever
- ④ tough + fair - balanced
- ⑤ we cannot do better - 8 mos of negotiations
- ⑥ if this goes down, econ down

POTUS.

- Saved nat'l defense from big cuts
locks in defense budget for 3 years
Cheney looks it - predictability.
w/ enforcement iron-clad.
w/ mini-sequesters
- Cuts are real
- Didn't touch retirement COLAs
and Soc Sec.
- Didn't raise rates ind + corp

Brady -

1. We're being watched by world
2. POTUS must govern on unimply Cong.

Tax component of TEFRA 2X this,
~~is~~ this includes entitlement cuts
and enforcement provisions (TEFRANO)

We must sell this MACRO

Don't let the perfect be the enemy
of the good.

A dream package will never come.

Too many factors:

Dem congress will never produce GOP dream
Given the environment, it is the absolute
best we can do.

POTUS will go to the wire on this
win or lose he's not backing off

at least to 1962
part of the
writing

**TRANSFER SHEET
BUSH PRESIDENTIAL MATERIALS PROJECT**

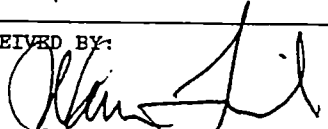
COLLECTION

ACC.NO:

The following material was withdrawn from this segment of the collection and transferred to the _____ AUDIOVISUAL COLLECTION
_____ BOOK COLLECTION _____ MUSEUM COLLECTION
OTHER (SPECIFY: COMPUTER DISK)

DESCRIPTION:

COMPUTER DISK (WIRE.PM3)

SERIES BUSH PRES. RECORDS OFFICE OF SPEECHWRITING - GRANT SUBJECT FILE	BOX NO.
FILE FOLDER TITLE: W.H. WIRE - BUDGET [6/90 - 8/90] [OA - 4422]	
TRANSFERRED BY: Sam McClure	DATE OF TRANSFER: 6/12/96
RECEIVED BY: 	DATE RECEIVED 6/12/96