RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Charles S. Konigsberg (KONIGSBERG_C) (OMB)

CREATION DATE/TIME:20-SEP-1995 14:42:30.74

SUBJECT: EOP USE ONLY: LAST NIGHT'S RECONCILIATION REPORT

TO: Alice M. Rivlin (RIVLIN_A) (OMB)
READ:20-SEP-1995 16:44:49.77

CC: Charles S. Konigsberg (KONIGSBERG_C) (OMB)
READ:20-SEP-1995 22:30:17.66

CC: Alice M. Rivlin (RIVLIN_A) (OMB)
READ:20-SEP-1995 16:44:49.77

CC: Jacob J. Lew (LEW_J) (OMB)
READ:21-SEP-1995 18:25:36.61

CC: Patrick J. Griffin (GRIFFIN_P) (WHO)
READ:20-SEP-1995 17:36:25.69

CC: Martha Foley (FOLEY_M) (WHO)
READ:21-SEP-1995 08:22:09.35

CC: Ann M. Cattalini (CATTALINI_A) (WHO)
READ:20-SEP-1995 14:43:09.12

CC: Erin A. O'Connor (OCONNOR_E) (WHO)
READ:20-SEP-1995 14:43:00.21

CC: James C. Murr (MURR_J) (OMB)
READ:20-SEP-1995 15:32:13.76

CC: James J. Jukes (JUKES_J) (OMB)
READ:20-SEP-1995 15:00:06.21

CC: Janet R. Forsgren (FORSGREN_J) (OMB)
READ:20-SEP-1995 17:43:44.68

CC: Ronald K. Peterson (PETERSON_RK) (OMB)
READ:20-SEP-1995 15:31:47.70

CC: LAWRENCE J. HAAS (HAAS_L) (OMB)
READ:20-SEP-1995 17:15:25.52

CC: Robert G. Damus (DAMUS_R) (OMB)
READ:21-SEP-1995 08:42:21.11

CC: Barry B. Anderson (ANDERSON_B) (OMB)
READ:20-SEP-1995 14:43:21.19

CC: Gordon Adams (ADAMS_G) (OMB)
READ:20-SEP-1995 18:44:33.92

CC: T J Glauthier (GLAUTHIER_T) (OMB)
READ:20-SEP-1995 18:10:01.87

CC: Kenneth S. Apfel (APFEL_K) (OMB)
READ:20-SEP-1995 14:48:49.69

CC: Nancy-Ann E. Min (MIN_N) (OMB)
READ:NOT READ

CC: Robert E. Litan (LITAN_R) (OMB)
READ:20-SEP-1995 16:30:55.22

CC: Joseph Minarik (MINARIK_J) (OMB)
READ:20-SEP-1995 15:04:04.43

CC: Sally Katzen (KATZEN_S) (OMB)
READ:20-SEP-1995 15:03:41.56

CC: Lydia Muniz (MUNIZ_L) (OMB)
READ:20-SEP-1995 14:44:26.69

CC: Charles E. Kieffer (KIEFFER_C) (OMB)
READ:20-SEP-1995 14:46:09.72

CC: Kristen E. Panerali (PANERALI_K) (OMB)
READ:20-SEP-1995 15:18:27.27

CC: John A. Koskinen (KOSKINEN_J) (OMB)
READ:20-SEP-1995 16:02:31.11

CC: Steven Kelman (KELMAN_S) (OMB)
READ:20-SEP-1995 14:46:03.85

CC: G. Edward DeSeve (DESEVE_G) (OMB)
READ:21-SEP-1995 18:52:39.20

CC: John B. Arthur (ARTHUR_J) (OMB)
READ:20-SEP-1995 14:49:56.17

CC: William A. Halter (HALTER_W) (OMB)
READ:20-SEP-1995 15:15:07.09

CC: Jill M. Blickstein (BLICKSTEIN_J) (OMB)
READ:21-SEP-1995 08:44:56.58

CC: Chantale Wong (WONG_C) (OMB)
READ:20-SEP-1995 14:47:09.56

CC: Laura D. Tyson (TYSON_L) Autoforward to: Thomas O'Donnell (ODONNELL_T)
(WHO)
READ:NOT READ

CC: Thomas O'Donnell (ODONNELL_T) (WHO)
READ:NOT READ

CC: David J. Lane (LANE_D) (OPD)
READ:20-SEP-1995 14:55:17.45

CC: John Gibbons (GIBBONS_J) Autoforward to: Remote Addressee (gjack@ccmail.ostp.eop.gov@inet) (STP)
READ:NOT READ

CC: M. Jill Gibbons (GIBBONS_M) (OMB)
READ:20-SEP-1995 16:02:53.16

CC: Ronald E. Jones (JONES_RE) (OMB)
READ:20-SEP-1995 15:09:53.30

CC: Ingrid M. Schroeder (SCHROEDER_I) (OMB)
READ:20-SEP-1995 16:02:17.93

CC: Jeffrey A. Weinberg (WEINBERG_J) (OMB)
READ:20-SEP-1995 15:02:39.34

CC: James A. Brown (BROWN_JA) (OMB)
READ:20-SEP-1995 14:43:53.25

CC: Constance J. Bowers (BOWERS_C) (OMB)
READ:20-SEP-1995 14:58:48.56

CC: Melissa Y. Cook (COOK_MY) (OMB)
READ:20-SEP-1995 16:12:06.01

CC: Anna M. Briatico (BRIATICO_A) (OMB)
READ:20-SEP-1995 14:42:37.71

CC: Christopher J. Mustain (MUSTAIN_C) (OMB)
READ:NOT READ

CC: Robert J. Pellicci (PELLICCI_R) (OMB)
READ:20-SEP-1995 15:04:16.82

CC: James C. Crutchfield (CRUTCHFIEL_J) (OMB)
READ:20-SEP-1995 15:42:01.74

CC: Elyse H. Fitter (FITTER_E) (OMB)
READ:20-SEP-1995 15:27:56.94

CC: Michael L. Goad (GOAD_M) (OMB)
READ:NOT READ

CC: Annette E. Rooney (ROONEY_A) (OMB)
READ:20-SEP-1995 15:28:02.37

CC: Dena B. Weinstein (WEINSTEIN_D) (WHO)

READ:20-SEP-1995 15:18:08.13

CC: Stacey L. Rubin (RUBIN_S) (WHO)
READ:20-SEP-1995 14:49:05.53

CC: Jennifer N. Palmieri (PALMIERI_J) (WHO)
READ:20-SEP-1995 16:15:42.93

CC: Karin L. Kizer (KIZER_K) (OMB)
READ:20-SEP-1995 14:55:54.75

CC: Margaret R. Shaw (SHAW_M) (OMB)
READ:20-SEP-1995 16:44:54.84

CC: Deborah F. Kramer (KRAMER_D) (OMB)
READ:20-SEP-1995 14:43:44.04

CC: Diane G. Limo (LIMO_D) (OMB)
READ:20-SEP-1995 17:24:54.99

CC: Alice E. Shuffield (SHUFFIELD_A) (OMB)
READ:25-SEP-1995 10:30:26.47

CC: Janet L. Graves (GRAVES_J) (OMB)
READ:21-SEP-1995 13:49:38.77

CC: James I. Blount (BLOUNT_J) (OMB)
READ:20-SEP-1995 14:43:59.70

CC: Lara L. Roholt (ROHOLT_L) (OMB)
READ:20-SEP-1995 16:51:28.49

CC: Philip R. Dame (DAME_P) (OMB)
READ:20-SEP-1995 14:48:24.53

CC: Alan B. Rhinesmith (RHINESMITH_A) (OMB)
READ:20-SEP-1995 15:30:53.77

CC: Kenneth L. Schwartz (SCHWARTZ_K) (OMB)
READ:20-SEP-1995 14:49:01.12

CC: Barry T. Clendenin (CLENDENIN_B) (OMB)
READ:20-SEP-1995 23:02:57.23

CC: Robert B. Rideout (RIDEOUT_R) (OMB)
READ:20-SEP-1995 17:48:03.79

CC: Philip A. DuSault (DUSAULT_P) (OMB)
READ:20-SEP-1995 14:42:44.78

CC: Phebe N. Vickers (VICKERS_P) (OMB)
READ:NOT READ

CC: Kathleen Peroff (PEROFF_K) (OMB)

READ:20-SEP-1995 14:47:24.36

CC: Ron Cogswell (COGSWELL_R) (OMB)
READ:20-SEP-1995 14:48:26.32

CC: Barry White (WHITE_B) (OMB)
READ:20-SEP-1995 15:13:35.55

CC: Richard P. Emery Jr. (EMERY_R) (OMB)
READ:20-SEP-1995 18:01:31.66

CC: Barbara C. Chow (CHOW_B) (WHO)
READ:20-SEP-1995 19:32:30.80

CC: Robert E. Barker (BARKER_R) (OMB)
READ:20-SEP-1995 15:06:59.61

CC: Mark Gearan (GEARAN_M) Autoforward to: Angus S. King (KING_A)
READ:NOT READ

CC: Donald A. Baer (BAER_D) (WHO)
READ:NOT READ

CC: Ann F. Walker (WALKER_A) (WHO)
READ:20-SEP-1995 18:13:18.18

CC: Todd Stern (STERN_T) (WHO)
READ:NOT READ

CC: Bruce D. Long (LONG_B) (OMB)
READ:20-SEP-1995 15:28:52.18

CC: Nancy L. Brandel (BRANDEL_N) (OMB)
READ:20-SEP-1995 16:42:46.99

CC: Christopher F. Walker (WALKER_C) (WHO)
READ:NOT READ

CC: Deborah L. Shaw (SHAW_D) (OMB)
READ:20-SEP-1995 15:56:53.44

CC: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D)
(OPD)
READ:20-SEP-1995 17:14:16.35

CC: Timothy J. Keating (KEATING_T) (WHO)
READ:20-SEP-1995 15:05:22.44

CC: Kathryn Higgins (HIGGINS_K) (WHO)
READ:NOT READ

CC: Stephen B. Silverman (SILVERMAN_S) (WHO)
READ:NOT READ

CC: Bruce N. Reed (REED_B) (WHO)
READ:20-SEP-1995 18:00:22.67

CC: Jeremy D. Benami (BENAMI_J) (WHO)
READ:20-SEP-1995 16:51:13.17

CC: Douglas B. Sosnik (SOSNIK_D) (WHO)
READ:20-SEP-1995 15:20:21.03

CC: Karen L. Hancox (HANCOX_K) (WHO)
READ:20-SEP-1995 14:50:25.93

CC: Shelley N. Fidler (FIDLER_S) (CEQ)
READ:20-SEP-1995 15:50:28.88

CC: Janet L. Himler (HIMLER_J) (OMB)
READ:21-SEP-1995 20:05:18.16

CC: Daniel Tate (TATE_D) (WHO)
READ:NOT READ

CC: John C. Angell (ANGELL_J) (WHO)
READ:20-SEP-1995 14:44:13.72

CC: Lisa Kountoupes (KOUNTOUPES_L) (OMB)
READ:20-SEP-1995 19:55:54.58

CC: Susanne D. Lind (LIND_S) (OMB)
READ:25-SEP-1995 11:50:03.62

CC: Ellen J. Balis (BALIS_E) (OMB)
READ:21-SEP-1995 09:47:34.45

CC: Anita Chellaraj (CHELLARAJ_A) (OMB)
READ:20-SEP-1995 14:57:45.99

CC: Alicia K. Kolaian (KOLAIAN_A) (OMB)
READ:NOT READ

CC: Nick B. Kirkhorn (KIRKHORN_N) (WHO)
READ:NOT READ

CC: Jennifer L. Nelson (NELSON_JL) (WHO)
READ:NOT READ

CC: Donald L. Fowler (FOWLER_D) (WHO)
READ:NOT READ

CC: James T. Heimbach (HEIMBACH_J) (WHO)
READ:20-SEP-1995 15:28:42.23

CC: Janet Murguia (MURGUIA_J) (WHO)
READ:22-SEP-1995 20:47:10.52

CC: Lucia A. Wyman (WYMAN_L) (WHO)
READ:NOT READ

CC: Francis S. Redburn (REDBURN_F) (OMB)
READ:20-SEP-1995 14:44:20.04

CC: Harry G. Meyers (MEYERS_H) (OMB)
READ:20-SEP-1995 16:12:37.77

CC: David J. Haun (HAUN_D) (OMB)
READ:20-SEP-1995 14:49:59.87

CC: Richard J. Turman (TURMAN_R) (OMB)
READ:20-SEP-1995 14:44:34.23

CC: Mark E. Miller (MILLER_ME) (OMB)
READ:20-SEP-1995 15:47:07.07

CC: Toni S. Hustead (HUSTEAD_T) (OMB)
READ:20-SEP-1995 16:03:38.45

CC: Keith J. Fontenot (FONTENOT_K) (OMB)
READ:20-SEP-1995 15:26:19.20

CC: Larry R. Matlack (MATLACK_L) (OMB)
READ:20-SEP-1995 14:48:17.07

CC: Rodney G. Bent (BENT_R) (OMB)
READ:20-SEP-1995 15:07:38.66

CC: Bruce K. Sasser (SASSER_B) (OMB)
READ:20-SEP-1995 14:45:12.77

CC: Bryan R. Smith (SMITH_BR) (OMB)
READ:20-SEP-1995 15:16:44.33

CC: Robert S. Dotson (DOTSON_R) (OMB)
READ:28-SEP-1995 11:54:31.20

CC: John T. Schuhart (SCHUHART_J) (OMB)
READ:20-SEP-1995 15:55:29.75

CC: Gary L. Bennethum (BENNETHUM_G) (OMB)
READ:20-SEP-1995 14:54:24.23

CC: Jack D. Fellows (FELLOWS_J) (OMB)
READ:25-SEP-1995 09:43:34.47

CC: Robert S. Fairweather (FAIRWEATHE_R) (OMB)
READ:20-SEP-1995 16:07:27.71

CC: Bruce D. Beard (BEARD_B) (OMB)
READ:20-SEP-1995 15:39:52.00

CC: James B. Kazel (KAZEL_J) (OMB)
READ:21-SEP-1995 16:46:48.77

CC: Mark A. Weatherly (WEATHERLY_M) (OMB)
READ:20-SEP-1995 14:43:11.76

TEXT:
\d

PRINTER FONT 12_POINT_ROMAN
TO: ALICE RIVLIN
cc-

-Lew, Griffin, Tyson, Angell, Foley, OMB/2d Floor,
DADs, Branch Chiefs, LRD, Gibbons, Cabinet Affairs, CEQ
FROM: CHUCK KONIGSBERG
SUBJECT: BUDGET RECONCILIATION - DAILY HIGHLIGHTS

PRINTER FONT 12_POINT_COURIER
****
REMINDER -- PADs AND DADs: Program examiners should be
attending all reconciliation mark

-ups where action is expected
on items in their areas. Following the mark

-ups, at the end of
the day, e

-mails recapping the mark

-up -- INCLUDING A DETAILED
LIST OF ADOPTED PROVISIONS -- should be sent to BRD, Chuck
Konigsberg, and Lisa Kountoupes; and the "attachment B"
and "attachment C" write

-ups should be updated and forwarded to
BRD. (See BDR 95

-87) Thanks.
****

PRINTER FONT 14_POINT_HELVETICA
Senate postpones Reconciliation Deadline:
PRINTER FONT 12_POINT_COURIER
Yesterday, Bill Hoagland informed Senate committees that Dole has decided committees will have until Sept. 29 to report their spending reductions to the Budget Committee for packaging into a reconciliation bill. Dole announced this at yesterday's Noon chairmen's meeting. The actual deadline set in the budget resolution has not been changed -- that would take unanimous consent. But since the Parliamentarian's office will not rule that missing the deadline imperils the legislation's reconciliation status, there are no practical consequences to

missing the date set in the resolution. Finance Committee's delay in completing its spending package necessitated the postponement.
PRINTER FONT 14_POINT_HELVETICA
Markups scheduled for Wednesday:
PRINTER FONT 12_POINT_COURIER
HOUSE:

-Agriculture 9:30am 1300 Longworth
[food stamps, farm reforms]

-Commerce 10am 2123 Rayburn
[Medicaid, maybe PMAs]

-Nat'l Security 11am 2118 RHOB
(defense stockpile asset sales to replace military retirement)

-Veterans [POSTPONED -- committee reportedly working out new eligibility provisions with veterans service organizations]

SENATE:

-Energy & Natural Resources, 9:30am SD

-366
[USEC, ANWR, park fees, helium, PMAs, WIPP?, mining?]

-Labor, 9:30am SD

-430
[student loans, FDA fees]

-Veterans, 10am SR

-418

-Banking, 10am SD

-534
[BAIF/SAIF merger, FHA, flood insurance]
FINANCE COMMITTEE POSTPONED TO NEXT TUESDAY.
GOVT. AFFAIRS POSTPONED TO THIS FRIDAY.

PRINTER FONT 14_POINT_HELVETICA
RECONCILIATION ACTION ON TUESDAY:
PRINTER FONT 12_POINT_COURIER
House Ways & Means:
(excerpted from BNA accounts) The House Ways and Means Committee Sept. 19 adopted along straight party lines an Archer substitute package of tax code changes that would cut the EITC,

extend certain tax breaks, trim others, and institute a series of tax simplification proposals.

Allowing corporations to withdraw excess pension assets -- During consideration of the bill, the panel endorsed along party lines a proposal to expand the ability of corporations to withdraw excess pension assets and use those funds for other investments [a provision objected to in last week's Rivlin letter]. The proposal in the chairman's mark to allow corporations to withdraw excess pension assets was sharply criticized by panel Democrats, who warned that it could significantly undermine the security of the private pension system. An amendment that would have stricken the controversial expansion of corporate pension reversions from the chairman's mark was rejected, falling by a 20

-16 vote. Only Rep. John Ensign
(R

-Nev) voted with all 15 committee Democrats to strike.

Under the proposed pension asset change, corporations would have the ability to withdraw excess pension assets for any purpose and pay an income tax on those assets. The provision would require that the value of the remaining assets be at least the greater of the plan's accrued liability or 125 percent of current liability.

"If a mistake is made, it will be the U.S. taxpayer that holds the bag" because the Pension Benefit Guaranty Corporation stands behind all these pension funds, Samuels warned. "This is how we got into the S & L crisis," he said. Kenneth J. Kies,

chief of staff of the Joint Committee on Taxation, defended the threshold in the proposal as sufficient and adequate to protect the integrity of private pensions.

Rep. Robert Matsui (D

-Calif) agreed with Samuels' concerns
that making such changes could create a huge run on pension programs, unlike the limited use provisions that were adopted in GATT. "This potentially is the most onerous provision of this entire bill," Matsui remarked.

Rep. Sander Levin (D

-Mich) grounded his concerns in
potential underfunding of plans because of the valuation date established in the proposal -- a concern Archer responded to with his modification. According to Levin, using a valuation date of Jan. 1, 1995, should the reversion take place in 1998, for example, could mask the fact that the value of the assets at the time of reversion are substantially less than they were at the time of the 1995 valuation.

According to Samuels, PBGC numbers estimate that an interest rate drop of 200 basis points could cause a plan to fall below the 125 percent funding cushion and become an underfunded plan.

EITC (the second largest area of concern to committee Dems) A proposal by Rep. Barbara Kennelly (D

-Conn) to restore the EITC for individuals without children, repeal the modifications to the credit phaseout and to adjusted gross income was defeated by a vote of 22 to 14.

The chairman's proposed changes to the earned income tax credit would generate $5.4 billion in additional revenues and $17.8 billion in reduced outlay (for total program cuts of about $23 billion). Because the EITC is a refundable tax credit, the portion that offsets tax liability is scored as a revenue item and the refundable portion of the credit is scored as an outlay item.

The bulk of the savings would be achieved by modifying the definition of adjusted gross income used for phasing out the credit to include Social Security benefits and non

-taxable distributions from pension annuities, and by increasing the phase

-out rates.

The remaining funds would be generated by denying EITC benefits to childless workers -- a provision that was instituted as part of the expansions to the program enacted in the Omnibus Budget Reconciliation Act of 1993 -- and by denying EITC benefits to applicants without valid Social Security numbers, a proposal that was contained in the Clinton administration's fiscal 1996 budget proposal.

Another amendment offered by Rep. Benjamin Cardin (D

-Md) to change the EITC's phaseout rates was also defeated on a party line vote of 22 to 14. The committee also defeated an amendment offered by Rep. Sander Levin (D

-Mich) that would have struck a provision from Archer's mark that proposes to include social security benefits and other retirement income as income for purposes of calculating the phaseout of the EITC. The amendment was defeated by a vote of 22 to 15.

Sec. 936 -- The administration has concluded, Samuels said, that the way the chairman proposes phase

-out would not encourage
corporations to continue economic activity in Puerto Rico. Further, Samuels said, if the committee decides to repeal Section 936, then it should address the consequences of unemployment that would result in Puerto Rico.

Moreover, he added, the changes proposed to controlled foreign corporations elsewhere in the mark, specifically with regard to the repeal of Section 956A, would make it more attractive for firms to move out of Puerto Rico, taking the economic activity with them.

MSA Proposals. The committee endorsed the chairman's proposed medical savings account, rejecting an amendment offered by Rep. Pete Stark (D

-Calif) that would strike the MSA proposals
and replace them with an increase in the deduction for health insurance costs of self

-employed individuals.

Stark estimated the $1.8 billion cost of establishing MSAs would fund an increase in the current 30 percent deduction to 50 percent. The Stark amendment was opposed not only by Republicans, who consistently have supported the MSA approach, but by Cardin and Rep. Andy Jacobs (D

-Ind), another longtime
advocate of MSAs.

Cardin called the MSA a "useful tool" in getting the consumer more involved in the decisions of health care expenses. It also would help the problem of the uninsured, Cardin said, by offering another vehicle to assist in insurance purchase.

Rep. Jim McDermott (D

-Wash), in contrast, cautioned that a
shift to MSAs would work only if there was universal coverage throughout the system. Without universal coverage, he said, only the healthy would take advantage of these accounts. The result, McDermott said, would be to put increased cost pressure on covering other populations in the system.

Generally, contributions made by an individual would be deductible and if made by an employer would be excludable from an employee's gross income. Maximum limits would be imposed on the annual deductible contribution per individual of the lesser of the deductible for a catastrophic health plan or $2500 if the plan only covers the individual ($5000 if it also covers the spouse and/or dependents).

Income earned by the account would be includable in income, but withdrawals would be taxed only if the funds were used for non

-medical expenses. Withdrawals used for medical expenses would be excludable from income.

According to Samuels, the administration has problems with the potential audits needed and the administrative complexity of the MSA proposal. "We think this will introduce substantial complexity," he said, especially as it relates to keeping track of the MSAs. Treasury is trying to "mock up some forms" to illustrate the reporting requirements taxpayers will have to comply with, Samuels said.

It will be difficult for the Internal Revenue Service to audit compliance with the conditions of MSAs, he said, because the Service has no way of knowing whether the person setting up such an account has catastrophic coverage, or that the expenses are being withdrawn for qualified medical expenses.

UMWA Benefit Funds. A surprise amendment offered late yesterday was accepted as part of W&M reconciliation. Rep. Mel Hancock's (R

-MO) amendment would repeal the "reach

-back"
provision of the 1992 Coal Act. (W&M was forced to accept the 1992 language; the unhappiness was bipartisan.) The amendment would benefit certain companies -- some no longer mining coal -- that pay for health benefits for retired union coal miners and their dependents. Last June, testifying before W & M, Treasury opposed a rather different free

-standing bill as possibly
threatening retiree health benefits.

Other committee actions --

o Adopted an amendment allowing IRS to pay for the awards it makes for information leading to prosecution of tax law violations to be paid out of the proceeds of any recovered proceeds rather than out of the IRS operating budget. Rep. Barbara Kennelly (D

-Conn) proposed an amendment that would allow
IRS to pay the award under Section 7623 out of the amounts recovered, which was accepted by the chairman.

o Reps. Charles Rangel (D

-NY) and Kennelly proposed to

strike the sunset of the low income housing tax credit, which was rejected 22

-15 on a straight party line vote.

o Cardin offered an amendment, agreed to by voice vote, to clarify that the exclusion from gross income of damages on account of personal injury and sickness would extend to damages received based on a claim of emotional distress that is attributable to physical injury or sickness.

o Rep. Harold Ford (D

-Tenn) proposed to restore the tax credit for contributions to community development corporations, which the mark proposed to repeal. Archer said he was concerned the credit "tilted the playing field" for CDCs relative to other charitable organizations. The committee did not agree with Ford, and the amendment fell on a 21

-15 vote.

o Kleczka offered an amendment to strike the provisions that would tax as unrelated business income the income earned by Indian tribes from gaming activities. The committee rejected the amendment, 26

-10, preserving the imposition of the tax on this gaming income.

Senate EPW:
The Senate Environment and Public Works committee passed its piece of Reconciliation Tuesday morning, slightly exceeding its target of $2.2 billion in savings. Since committee Dems lacked the votes to defeat the package, they let it pass by voice vote. The package contains 4 items: (1) a relatively non

-controversial
extension of NRC user fee to 2005 ($1308 million); (2) a non

-controversial extension to 2005 of the FEMA radiological emergency preparedness fee which is charged to commercial power plants ($84 million); (3) a budgetary gimmick which uses a baseline error to show $512 million in savings from a "cap" on the highway program's minimum allocation requirement; and (4) a cut in total highway demos by 15 percent producing about $400 million in savings (this will be controversial; House is unlikely to go along with it). In adopting this package, the committee rejected the Budget Committee's assumed savings from employee parking (which Warner objects to); and Corps of Engineers wetland fees (the committee did not want to charge businesses for the costs of being regulated).

House Resources:

The final bill passed by a vote of 25

-12, on mainly party lines
with one Republican (Thornberry) voting against the bill, and two Democrats (Faleomavaega and Ortiz) voting for it.
The main issue the Committee considered was leasing ANWR. It approved the lease Tuesday afternoon. (Vento amendment to keep the Arctic National Wildlife Refuge (ANWR) closed: Failed 11

-26.
Miller amendment to prevent AK from suing the Federal government over its share of ANWR receipts: Failed 13

-27. Miller
requiring a 90/10 ANWR receipt split with Alaska failed 6

-34.
Abercrombie to allow Secretary to use community assistance fund for tribes that may be negatively affected by ANWR development passed by voice vote. Young (R

-AK) to create a National
Endowment for Fish and Wildlife from ANWR receipts that, among other things, is used to acquire habitat lands from private landowners, and for ESA and North American Wetlands Conservation Fund activities. Passed by voice vote.)
At the end of the markup, Representative George Miller (D

-CA)
stated that it was a sad day for natural resources, with a rollback of most environmental policies including the opening of ANWR, the elimination for most purposes of hardrock mining royalties, and the easing of grazing regulations.

PMAs-

-The Committee defeated an amendment to eliminate the competitive sale of SEPA assets in a 19

-17 vote about 4 this
afternoon. That is a green light to privatize the two smallest PMAs -- Alaska and Southeastern, which sell power from 24 Corps of Engineer dams in VA, GA, AL, MI and other Southeastern sates. The vote did not follow party lines. Ranking member Mr. George Miller, for example, said it was time to get the Federal government out of the PMA business. Congressman Wakter Jones (R

-NC), the single committee member from the SEPA service area, voted against the privatization proposal.

ANS Oil Export-

-Amendment to prohibit oil from export:
Failed 11

-25.
Helium-

-Thornberry amendment to substitute a proposal
similar to the Administration's helium proposal, except direct
all savings to deficit reduction: Failed 8

-26.

Mining-

-Rahall (D

-WV) substitute of hardrock mining with his
bill (eliminate patents, royalties on gross receipts rather than
net, etc). Lost 13

-18. Calvert (R

-CA) to allow pending hardrock
patents in California Desert area to proceed, and to return 1/3
of hardrock royalties (rather than 1/4) to States. Passed 22

-12.

House Banking.
House Banking finished marking up their reconciliation proposals
Tuesday night on banking and housing issues.
Banking --
o BIF/SAIF: The main elements of the Administration's proposal
were adopted (we will have to wait to see the language to know
what modifications were made). The bill provides for a special
assessment on SAIF

-insured institutions to capitalize the SAIF,
sharing of FICO payments between BIF and SAIF members, and a
merger of BIF and SAIF on January 1, 1998. The bill also
includes a large number of provisions related to merging the bank
and thrift charters and eliminating the Office of Thrift
Supervision. The Administration has expressed a preference to
deal with the charter and regulatory issues in a separate bill.
In addition, the Committee recognized that many of these
provisions have no direct budget impact and thus they may run
into a problem with the Byrd rule in the Senate. BIF/SAIF issues
were not discussed in detail at the markup -- they will be taken
up at a subcommittee markup next week, where the changes made may
be substituted for the provisions in the bill passed by the full
committee last night. Preliminary CBO estimate for 7

-year
savings is $900 million.
o Repeals FDIC/RTC Affordable Housing Programs (7

-year savings

$31 million). Transfer monitoring responsibilities to HUD. The FDIC piece of this proposal has no direct spending effect, since it is funded by appropriations.
o Amends the Community Reinvestment Act (CRA) to exempt depository institutions with less than $100 million in assets and allow institutions with between $100 million and $250 million in assets to self

-certify that they are complying with the Act
(7

-year savings of $31 million). A substantially similar provision was included in the banking regulatory relief bill passed by the Committee earlier this year, which the President has threatened to veto in large part because of its CRA provisions.
o REFCorp: An amendment which would change the formula for the Federal Home Loan Bank System's contribution to REFCorp interest payments was passed. The provision would change the contribution from a fixed $300 million per year to 22.63% of FHLBS income. The 22.63% figure was chosen to be budget neutral over 7 years.
The following three Housing Branch provisions were accepted by the Banking Committee on Tuesday.
Housing --

o) Reduce the Annual Adjustment Factor (AAF) in HUD's rental payment for "Stayers" -- i.e., units without any turnover in tenants. This provision reduces the annual inflation in the rent that HUD pays to private owners, who rent to HUD subsidized tenants in the Section 8 program and where no turnover occurs in the unit. The inflation adjustment would be reduced for these owners by 1.0 percentage point. For example, if the annual inflation adjustment in rents was 3.0 percent, the owners with no turnover in a unit would receive 2.0 percent in that year.
This provision was proposed by the Clinton Administration. It was first enacted in the FY 1995 Appropriation Act for one year only. The Banking Committee action extends the provision permanently. Rationale for the proposal: Owners experience substantially less costs if a tenant stays in a unit (no loss of rents due to a vacancy, less painting and other expenses to fix up a unit for re

-leasing). The private market often rewards
long

-term "stayers" with lower rents. This revision of a "diet COLA" for the inflation in rents for "stayers" reflects the private market and coincides with the costs experienced by owners of rental housing.
o Eliminate/Reform FHA Single

-Family Assignment Program.
Committee print language would limit FHA single

-family
forbearance to 90 days. CBO scores $400 million in 7

-year
savings. Under FHA's current assignment program, once a borrower has been delinquent for 90 days, FHA can pay the full claim and take over servicing for the mortgage. The borrower is then allowed up to 3 years to bring the loan current. Very few assigned mortgage notes actually become current, and properties lose tremendous value during the extended forbearance period. Today the House Banking Committee agreed informally to consider reforms to the program rather than total elimination. No amendment was offered because CBO has not yet been able to score reforms proposed by HUD last week. Chairman Leach and Subcommittee Chairman Lazio today said if savings from the reforms were comparable to those for elimination, (as HUD estimates they will be), those reforms could be substituted before the bill is reported to the Budget Committee.
o End Property Disposition Restrictions for HUD Multifamily Housing Projects. HUD sells multi

-family projects that it
forecloses upon under the FHA insurance program. Current law states that when HUD sells multi

-family projects, it is required
to include long

-term rental subsidies for low

-income tenants.
These restrictions complicate the disposition process, requiring HUD to hold properties longer and making it more difficult to sell. This provision would eliminate all property disposition requirements, making it easier to dispose of properties. Under credit reform procedures, savings are scored on a present value basis in the year of implementation. CBO

therefore estimates the 1996, 5

-year, 7

-year and 10

-year
savings as all being $210 million. The Administration had proposed a similar relaxation of property disposition requirements in the "Mark

-to

-Market" proposal. Under that,
low

-income tenants in effected properties would receive portable rental vouchers.

Commerce Dept. dismantling.
On Tuesday, two House Committees continued work on the Department of Commerce Dismantling Act (HR 1756). The House full Commerce Committee reported out its version of HR 1756. The House Government Management, Information and Technology Subcommittee reported HR 1756 to the House Government Reform and Oversight Committee. Two main points from Tuesday's activities:
1. New OMB Office -- The House Gov. Reform Committee creates a new office in OMB to dismantle the Department of Commerce.

2. PAYGO issue -- The Commerce Committee mark

-up incorporates
the Moorhead bill making the Patent and Trademark Office an independent government agency. This provides PTO immediate access to its fees, with PAYGO costs of $325 million in BA and $330 million in outlays for FY96

-FY98. In contrast, the
Judiciary committee, which has jurisdiction over PTO-

-Commerce
Committee does not-

-marked up PTO fees differently. The
Judiciary Committee extended PTO fees through FY2002, with PAYGO savings of $476M.

PRINTER FONT 14_POINT_HELVETICA
Senate Armed Services Action on Monday:
PRINTER FONT 12_POINT_COURIER
Monday, at a closed meeting, the committee voted to sell the naval petroleum reserve at Elk Hills and the oil shale reserves in Colorado and Wyoming (as budget committee had assumed); and in lieu of military retirement reforms voted to sell additional assets from the national defense stockpile (to make up the $649 million). The Democratic side voted against the NPR provision.

PRINTER FONT 14_POINT_HELVETICA
Senate Finance to mark

-up spending provisions on
Tuesday, Sept. 26:
PRINTER FONT 12_POINT_COURIER
"Paper" may be available this Friday.

PRINTER FONT 14_POINT_HELVETICA
Senate Govt. Affairs Postponed to Friday:
PRINTER FONT 12_POINT_COURIER
The Senate Gov't Affairs Committee is scheduled to meet this Friday to find $10 billion in savings in civil service

retirement; the plan is likely to include a 3

-month delay in
COLAs for fiscal years 1998

-2002; increasing agency contributions
by 1.5% and increasing employee contributions by 0.5%. The possible Dorgan amendment we had heard about, to add inflation to

deferred annuities -- and which would be a big coster in the outyears -- will not be offered (according to Dorgan's staff).

PRINTER FONT 14_POINT_HELVETICA
Senate mark

-up schedule: (subject to change -
recommend double

-checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on Senate committee action on Reconciliation, contact Chuck Konigsberg at OMB/LA.

Sept. 18: Armed Services (closed)

Sept. 19: Environment & Public Works, 9:30 SD

-406
Sept. 20: Energy & Natural Resources, 9:30 SD

-366
(opening statements/walk through)
Labor, 10:45 SD

-430
Veterans, 10am SR

-418
Banking, 10am SD

-534
Sept. 21: Commerce, 9:30am SR

-253
Judiciary, 10am SD

-226
Agriculture (possible)
Banking (possible)

Sept. 22: Govt. Affairs, 10am SD

-342

Sept. 25: Rosh Hashanah
Sept. 26: Finance Committee markup (spending)
Sept. 27: Finance Committee markup (spending)
Sept. 28: Finance Committee markup (spending)
Sept. 29: Finance Committee markup??
Oct. 2

-3: [Hiatus while CBO scores the Senate's Reconciliation
spending savings; if balance is achieved by 2002,
the Finance Committee will go ahead with a tax markup
to cut taxes up to $245 billion]
Oct. 4: Finance Committee taxes?
Oct. 5: Finance Committee taxes?
Oct. 6: Finance Committee taxes?

PRINTER FONT 14_POINT_HELVETICA
House mark

-up schedule: (subject to change -
recommend double-
checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on House committee action on Reconciliation,
contact Lisa Kountoupes at OMB/LA, 5

-4790.

Tues. Sept. 12: Judiciary marked up

Wed. Sept. 13: - Commerce marked up
(NRC,NPR,WIPP,Spectrum,FCC,USEC))
- Resources marked up (NOAA - Commerce
Department Dismantlement)
- Ways & Means marked up (Commerce
Dismantlement and trade provisions, not TAA)

Thurs. Sept. 14: - Commerce opening statements (Commerce
Dismantlement) 2:30 pm 2123 Rayburn

-Science marked up (Commerce Dismantlement)
1:00 pm 2320 Rayburn
- Transportation marked up (Commerce
Dismantlement) 3:15 pm 2165 Rayburn
- Judiciary held hearing on PTO/ Commerce
Dismantlement) 10:00 am 2138 Rayburn
Fri. Sept. 15:
Mon. Sept. 18:

-Ways and Means tax (walk through) 5:00 pm
1100 Longworth
Tues. Sept. 19: - Banking 2128 Rayburn marked up

- Commerce (Marked up Commerce Dismantlement)
10:00 am 2123 Rayburn
- International Relations 10:00 am 2172
Rayburn (marked up Commerce dismantlement and
instructions)
- Resources 11:00 am 1324 Longworth completed
markup.
- Ways and Means (tax markup completed) 10:00
am 1100 Longworth
Wed. Sept. 20: - Agriculture 9:30 am 1300 Longworth
- Commerce (Maybe PMAs and Medicaid opening
statements) 10:00 am 2123 Rayburn
- National Security (revisiting the military
retirement proposal) 11:00 am 2118 Rayburn
Thurs. Sept. 21: - Agriculture (if needed) 1300 Longworth

- Commerce (tentative Medicaid markup) 2123
Rayburn
- Government Reform (compile other committees
recommendations on Commerce Department
Dismantlement) 2157 Rayburn
- Transportation Rayburn
- Veterans (if necessary) 334 Cannon
- Ways and Means (all day health hearing)
10:00 am 1100 Longworth
Fri. Sept. 22: - Commerce (tentative Medicaid) 2123 Rayburn
- Ways and Means (possible TAA)
- NO VOTES IN THE HOUSE

Mon. Sept. 25: Holiday
Tues. Sept. 26: Holiday
Wed. Sept. 27: - Commerce (tentative Medicare) 2123 Rayburn
- Ways and Means (tentative (Medicare) 1100
Longworth
- Judiciary hearing on Commerce Dismantlement
(timing seems poor) 10:00 am 2237 Rayburn
Thurs. Sept. 28: - Commerce (tentative Medicare) 2123 Rayburn
- Ways and Means (tentative Medicare) 1100
Longworth
Fri. Sept. 29: - Commerce (tentative Medicare) 2123 Rayburn
- Ways and Means (tentative Medicare) 1100
Longworth

\d

PRINTER FONT 14_POINT_HELVETICA
OVERVIEW OF COMMITTEE RECONCILIATION ACTION

Senate: For questions on Senate committee action on
Reconciliation, contact Chuck Konigsberg at OMB/LA.

PRINTER FONT 12_POINT_COURIER
*(Sept. 22 reporting deadline for spending cuts, but Dole has not

told committees they have until the 29th. The tax instruction to Finance Committee is contingent on CBO certifying that the spending cuts achieve balance in 2002 (and in 2002

-05). Upon
certification, Finance must report tax cuts within 5 days.
Note-

-the Reconciliation instructions for Senate committees require specified cuts for each of three budget periods: FY96, FY96

-2000, and FY 96

-2002. However, for brevity, the following summaries reflect only the 7

-year totals. Note that Budget Committee assumptions are NON

-binding.

[*NOTE-

-CHANGES FROM PREVIOUS DAY INDICATED BY ASTERISK.]

1. Agriculture-

-Lugar on 9/13 announced a committee markup for the week of the 18th, but said there are such severe divisions with the committee that members may not be able to come to closure, and may have to punt their section of reconciliation to the floor. He also said he's considering larger farm cuts than envisioned by the budget resolution in order to reduce the amount of cuts the committee will take from food stamps and other nutrition programs.
The Rep./Dem. split is 10

-8, so Lugar cannot afford to lose any Republican votes. Dem. contacts: Pat Westhoff, 224

-8240; Jim
Cubie, 224

-6901; fax-

-224

-8240.
Instructions require savings of $48.402 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following -- $35 b from welfare reform (food stamps) and $13 b from agriculture commodity programs. Lugar reportedly may seek as much as $18 billion in farm cuts. The

Budget Resolution includes a NON

-binding sense of Senate that "no
more than 20 percent of the savings be achieved in commodity
programs."

*2. Armed Services-

-Monday, 9/18, at a closed meeting, the
committee voted to sell the naval petroleum reserve at Elk Hills
and the oil shale reserves in Colorado and Wyoming (as budget

committee had assumed); and in lieu of military retirement
reforms, voted to sell additional assets from the national
defense stockpile (to make up the $649 million). The Democratic
side voted against the NPR provision. Min. contact: Mike McCord
- 224

-9353.

3. Banking-

-Instructions require savings of $2.391 billion in
direct spending over 7 years. Budget committee assumed this
would be achieved from the following--$2.181 b from flood
insurance premiums and $210 million from FHA multifamily property
disposition. Min. contact: Steve Harris, Dem. staff Director,
224

-1573.
According to Budget Committee it is likely that the Banking
Committee will deviate from the assumptions and achieve savings
by consolidating the Bank Insurance and Savings Association
Insurance Funds, restraining rent increases on Section 8 housing,
adding working family preferences to public housing, and
eliminating some flood insurance subsidies. Another possible
source of savings are SECURITIES REGISTRATION FEES.

Also, the joint statement of managers on the budget
resolution states "the conferees...direct the Congressional
Budget Office to not score any savings for any new legislation
that might affect the Federal Reserve's transfer of the surplus
capital account to the Treasury."

4. Commerce-

-Markup scheduled for Sept. 21. Instructions require
savings of $15.036 billion in direct spending over 7 years.
Budget committee assumed this would be achieved from the
following--$14 b from FCC spectrum auction; $357 m from extending
rail safety fees; $196 million from extending vessel tonnage
fees; and 483 million from FCC fees. The conferees on the budget
resolution assume the elimination of the Dept. of Commerce; the
House is expected to include this in their recon. bill. However,
this would violate the Senate's Byrd rule because it doesn't

score as direct spending savings, and can be expected to drop out during conference. (Reason: A single Byrd Rule violation in a conference report, would render the entire conference agreement open to further amendment.) Min. contact: Kevin Curtin, 224

-0427.
Pressler has reportedly endorsed a new plan by broadcasters to fund their programs with money raised from spectrum auction -- specifically by plowing $4 billion of the auction proceeds into a new public broadcasting trust fund.

5. Energy & Natural Resources-

-Instructions require savings of
$4.001 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$1.3 billion from leasing portions of ANWR for oil/gas exploration; $1.659 b from selling US Enrichment Corp; $60 m from reforming concession fees; $50 m from privatizing helium reserves; $195 m from national park service fees; and $737 m from energy asset sales (PMAs).
Assessment from minority staff: USEC will be included and Repubs will use a Democratic compromise draft; ANWR will be included-

-similar to the 1991 draft; park fees will be included (50% over the 94 level would go to the parks); helium-

-unclear
what language will be used, but they may accommodate NASA's request for 18 months; PMAs-

-unclear if the Repubs can get this
out of committee (6 of 11 committee Repubs voted against PMA sales as a sense of the Senate); other possible items-

-royalty
management (small savings - $10m); mining; open WIPP roads earlier; rent SPR space; sale of DOE precious metals; ANS oil export.
The joint statement of managers on the budget resolution states that "the conference agreement does not assume the sale of the Presidio...nevertheless, reforms should take place that would minimize Federal costs....The Presidio is the most expensive national park to operate...." Min. contacts: Ben Cooper, 224

-5360; Tom Williams (ANWR); David Brooks (Nat'l Parks); Sam Fowler (USEC); Shirley Neff (Oil & Gas); David Applegate (Helium); Cliff Sicora (PMAs).

6. Environment & PW-

-The Senate Environment and Public Works committee passed its piece of Reconciliation on 9/19, slightly exceeding its target of $2.250 billion in savings. Since committee Dems lacked the votes to defeat the package, they let it pass by voice vote. The package contains 4 items: (1) a relatively non

-controversial extension of NRC user fee to 2005 ($1308 million); (2) a non

-controversial extension to 2005 of the FEMA radiological emergency preparedness fee which is charged to commercial power plants ($84 million); (3) a budgetary gimmick which uses a baseline error to show $512 million in savings from a "cap" on the highway program's minimum allocation requirement; and (4) a cut in total highway demos by 15 percent producing $407 million in savings (this will be controversial; House is unlikely to go along with it). In adopting this package, the committee rejected the Budget Committee's assumed savings from employee parking (which Warner objects to); and Corps of Engineers wetland fees (the committee did not want to charge businesses for the costs of being regulated).
Contact: Tom Sliter, 224

-8832.

7. Finance-

-Minority contacts: Joe Gale, David Podoff, 224

-5315.
*Paper on the spending cuts to be released by Roth this Friday; markup to begin Sept. 26.
*A Daschle appointed group of Dems including Rockefeller and Breaux is putting togther a Democratic Medicare alternative.
*Conrad has indicated a significant interest in CPI savings.

Finance has the heaviest load in the Congress, with all of Medicare, Medicaid, welfare, social services, trade adjustment assistance, and all the tax cuts to report. Instructions require savings of $530 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$270 b from Medicare; $181 b from Medicaid; $65 b from welfare reform; $6.6 b from AFDC JOBs; $3 b from foster care and adoption assistance; $1.6 b from social services block grants; $1.3 b from TAA cash benefits; $655 m from TAA NAFTA & training; and $657 m from unemployment insurance.

If CBO certifies that budgetary balance has been achieved in 2002, and Budget Comm. determines that balance would be achieved over the period 2002

-2005, then Finance Committee is to report tax cuts of up to $245 billion over 7 years. (However, House Republicans and some Senate Republicans claim the understanding was that Finance MUST report a tax cut of $245 billion -- no less; Packwood believed he had the discretion to report a cut smaller than $245 billion, though Roth will likely want the whole $245b). The tax legislation is to "provide family tax relief and incentives to stimulate savings, investment, job creation, and economic growth." As an indication of what the Finance Committee might include in their reconciliation tax title, Senators Dole, Nickles, and Gramm on 8/9 introduced a child tax credit bill which has no cap on eligibility (although higher income families would receive a smaller credit).

Finance is also to report an increase in the debt ceiling to $5.5 trillion. However, the statement of managers states that "the conferees intend that the debt limit be enacted as separate legislation and not as part of reconciliation....However, if debt limit legislation has not been enacted this instruction would authorize the committees of jurisdiction to include the debt limit in the reconciliation bill."

The joint statement of managers on the budget resolution, with reference to Medicaid states: "This level is compatible with Medicaid growth of 7.2 percent in 1996, 6.8 percent in 1997,

and 4 percent each year thereafter, or with higher growth rates of benefits and administration if disproportionate share hospital payments are frozen at 1995 levels. The conference agreement assumes that the present aggregate ratio of Federal to state funding (57 percent Federal, 43 percent State) would continue."

With an 11

-9 split, the Republicans need every vote to report out a Reconciliation package. Chafee has indicated concerns about Medicaid block grants, but he is NOT expected to break ranks when the time comes to report the reconciliation package.

8. Govt Affairs--Instructions require savings of $9.844 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$4.9 b from fixed dollar FEHB contributions from retirees; $2.663 b from increased agency pension contributions; $1.145 b from civilian retirement reform; $1.127 b from increased employee contributions (.25% in 1996 and 97, and .50% thereafter); and $9 m from congressional retirement reform. Minority contacts: Len Weiss, Jane McFarland, 224

-2627.

*The Senate Gov't Affairs Committee is scheduled to meet this Friday to find $10 billion in savings in civil service retirement; the plan is likely to include a 3

-month delay in COLAs for fiscal years 1998

-2002; increasing agency contributions by 1.5% and increasing employee contributions by 0.5%. The possible Dorgan amendment we had heard about, to add inflation to deferred annuities -- and which would be a big coster in the outyears -- will not be offered (according to Dorgan's staff).

PRINTER FONT 14_POINT_HELVETICA
9. Judiciary-

-Markup scheduled for Sept. 14 and may continue Sept. 21. Instructions require savings of $476 million in direct spending over 7 years. Budget committee assumed this would be achieved from patent and trademark offices fees. Minority contact: Karen Robb, 224

-7703.

PRINTER FONT 12_POINT_COURIER
10. Labor-

-Mark

-up scheduled for Sept. 20. Instructions require savings of $10.779 billion in direct spending over 7 years. Budget committee assumed this would be achieved from--$10.077 b from student loans (which the budget conferees say "can be achieved without the elimination of the interest subsidy for undergraduate students"); and $702 million from FDA user fees. Minority contact: Nick Littlefield, 224

-5465.
According to Senate Budget Comm. Dem. staff, Chairman Kassebaum is still struggling to meet these instructions and keep all her Republican votes, given the Committee s 9

-7 margin. On the floor,

expect Republicans to offer amendments that further cut the direct student loan program, while Democrats may move to strike sections that cut student aid subsidies.

11. Veterans-

-Mark

-up on Sept. 20. Instructions require savings of $6.392 billion in direct spending over 7 years. Appropriators may be using some of the savings assumed by the Budget Committee, therefore we should expect some alternative provisions. Budget committee had assumed the instructions would be achieved from the following -- $2.601 b from extending current law provisions; $2.284 from veterans comp; $1.067 from prescription drug copayments (assumes that prescription copayments are increased to $5 in 1996 and 1997 and $8 in 1999 and beyond, for a 7

-year

savings of $1.1 billion); and $440 million from half COLA for GI bill. Minority contact: Jim Gottlieb, 224

-2074.
According to Budget Comm. Dem. staff, the Appropriations Committee included the provision to withhold compensation to certain incompetent veterans as part of the VA

-HUD appropriations
bill it reported out September 13 (which could create scoring problems for the Vets Committee).
PRINTER FONT 14_POINT_HELVETICA
OVERVIEW OF HOUSE COMMITTEES WILL BE INCLUDED IN TONIGHT'S REPORT.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Charles S. Konigsberg (KONIGSBERG_C) (OMB)

CREATION DATE/TIME:20-SEP-1995 23:50:07.80

SUBJECT: EOP USE ONLY: RECONCILIATION REPORT

TO: Alice M. Rivlin (RIVLIN_A) (OMB)
READ:21-SEP-1995 07:31:13.85

CC: Charles S. Konigsberg (KONIGSBERG_C) (OMB)
READ:21-SEP-1995 10:45:23.28

CC: Alice M. Rivlin (RIVLIN_A) (OMB)
READ:21-SEP-1995 07:31:13.85

CC: Jacob J. Lew (LEW_J) (OMB)
READ:NOT READ

CC: Patrick J. Griffin (GRIFFIN_P) (WHO)
READ:21-SEP-1995 07:24:34.51

CC: Martha Foley (FOLEY_M) (WHO)
READ:21-SEP-1995 08:36:58.12

CC: Ann M. Cattalini (CATTALINI_A) (WHO)
READ:21-SEP-1995 09:40:34.42

CC: Erin A. O'Connor (OCONNOR_E) (WHO)
READ:21-SEP-1995 09:41:36.45

CC: James C. Murr (MURR_J) (OMB)
READ:21-SEP-1995 13:21:16.33

CC: James J. Jukes (JUKES_J) (OMB)
READ:21-SEP-1995 09:07:32.56

CC: Janet R. Forsgren (FORSGREN_J) (OMB)
READ:21-SEP-1995 13:10:54.44

CC: Ronald K. Peterson (PETERSON_RK) (OMB)
READ:21-SEP-1995 08:22:28.44

CC: LAWRENCE J. HAAS (HAAS_L) (OMB)
READ:22-SEP-1995 19:29:41.27

CC: Robert G. Damus (DAMUS_R) (OMB)
READ:21-SEP-1995 08:48:10.29

CC: Barry B. Anderson (ANDERSON_B) (OMB)
READ:21-SEP-1995 08:28:59.05

CC: Gordon Adams (ADAMS_G) (OMB)
READ:21-SEP-1995 17:02:02.01

CC: T J Glauthier (GLAUTHIER_T) (OMB)
READ:22-SEP-1995 18:16:05.18

CC: Kenneth S. Apfel (APFEL_K) (OMB)
READ:NOT READ

CC: Nancy-Ann E. Min (MIN_N) (OMB)
READ:NOT READ

CC: Robert E. Litan (LITAN_R) (OMB)
READ:NOT READ

CC: Joseph Minarik (MINARIK_J) (OMB)
READ:21-SEP-1995 15:58:05.00

CC: Sally Katzen (KATZEN_S) (OMB)
READ:21-SEP-1995 16:46:18.15

CC: Lydia Muniz (MUNIZ_L) (OMB)
READ:21-SEP-1995 10:08:56.19

CC: Charles E. Kieffer (KIEFFER_C) (OMB)
READ:21-SEP-1995 09:11:44.51

CC: Kristen E. Panerali (PANERALI_K) (OMB)
READ:21-SEP-1995 09:10:55.35

CC: John A. Koskinen (KOSKINEN_J) (OMB)
READ:21-SEP-1995 09:25:26.07

CC: Steven Kelman (KELMAN_S) (OMB)
READ:21-SEP-1995 08:05:33.85

CC: G. Edward DeSeve (DESEVE_G) (OMB)
READ:21-SEP-1995 08:41:58.31

CC: John B. Arthur (ARTHUR_J) (OMB)
READ:21-SEP-1995 06:12:16.02

CC: William A. Halter (HALTER_W) (OMB)
READ:21-SEP-1995 09:56:22.30

CC: Jill M. Blickstein (BLICKSTEIN_J) (OMB)
READ:21-SEP-1995 08:45:47.48

CC: Chantale Wong (WONG_C) (OMB)
READ:21-SEP-1995 08:44:17.70

CC: Laura D. Tyson (TYSON_L) Autoforward to: Thomas O'Donnell (ODONNELL_T)
(WHO)
READ:NOT READ

CC: Thomas O'Donnell (ODONNELL_T) (WHO)
READ:NOT READ

CC: David J. Lane (LANE_D) (OPD)
READ:21-SEP-1995 08:46:27.94

CC: John Gibbons (GIBBONS_J) Autoforward to: Remote Addressee (gjack@ccmail.ostp.eop.gov@inet) (STP)
READ:NOT READ

CC: M. Jill Gibbons (GIBBONS_M) (OMB)
READ:21-SEP-1995 08:37:37.28

CC: Ronald E. Jones (JONES_RE) (OMB)
READ:21-SEP-1995 09:33:41.22

CC: Ingrid M. Schroeder (SCHROEDER_I) (OMB)
READ:21-SEP-1995 09:05:08.91

CC: Jeffrey A. Weinberg (WEINBERG_J) (OMB)
READ:21-SEP-1995 08:06:07.19

CC: James A. Brown (BROWN_JA) (OMB)
READ:21-SEP-1995 10:26:37.33

CC: Constance J. Bowers (BOWERS_C) (OMB)
READ:21-SEP-1995 09:19:49.98

CC: Melissa Y. Cook (COOK_MY) (OMB)
READ:21-SEP-1995 08:28:35.44

CC: Anna M. Briatico (BRIATICO_A) (OMB)
READ:21-SEP-1995 08:30:15.05

CC: Christopher J. Mustain (MUSTAIN_C) (OMB)
READ:NOT READ

CC: Robert J. Pellicci (PELLICCI_R) (OMB)
READ:21-SEP-1995 08:28:10.78

CC: James C. Crutchfield (CRUTCHFIEL_J) (OMB)
READ:21-SEP-1995 09:23:36.94

CC: Elyse H. Fitter (FITTER_E) (OMB)
READ:21-SEP-1995 09:11:03.52

CC: Michael L. Goad (GOAD_M) (OMB)
READ:NOT READ

CC: Annette E. Rooney (ROONEY_A) (OMB)
READ:21-SEP-1995 09:58:08.50

CC: Dena B. Weinstein (WEINSTEIN_D) (WHO)

READ:21-SEP-1995 10:06:32.91

CC: Stacey L. Rubin (RUBIN_S) (WHO)
READ:21-SEP-1995 08:44:03.45

CC: Jennifer N. Palmieri (PALMIERI_J) (WHO)
READ:21-SEP-1995 09:08:16.91

CC: Karin L. Kizer (KIZER_K) (OMB)
READ:21-SEP-1995 11:25:17.43

CC: Margaret R. Shaw (SHAW_M) (OMB)
READ:21-SEP-1995 09:06:47.05

CC: Deborah F. Kramer (KRAMER_D) (OMB)
READ:NOT READ

CC: Diane G. Limo (LIMO_D) (OMB)
READ:21-SEP-1995 11:25:02.97

CC: Alice E. Shuffield (SHUFFIELD_A) (OMB)
READ:25-SEP-1995 09:56:08.19

CC: Janet L. Graves (GRAVES_J) (OMB)
READ:21-SEP-1995 13:50:28.24

CC: James I. Blount (BLOUNT_J) (OMB)
READ:21-SEP-1995 11:19:32.54

CC: Lara L. Roholt (ROHOLT_L) (OMB)
READ:21-SEP-1995 11:03:51.36

CC: Philip R. Dame (DAME_P) (OMB)
READ:21-SEP-1995 08:18:13.10

CC: Alan B. Rhinesmith (RHINESMITH_A) (OMB)
READ:21-SEP-1995 09:33:06.04

CC: Kenneth L. Schwartz (SCHWARTZ_K) (OMB)
READ:21-SEP-1995 08:53:38.97

CC: Barry T. Clendenin (CLENDENIN_B) (OMB)
READ:21-SEP-1995 07:51:32.18

CC: Robert B. Rideout (RIDEOUT_R) (OMB)
READ:21-SEP-1995 09:01:32.39

CC: Philip A. DuSault (DUSAULT_P) (OMB)
READ:21-SEP-1995 09:19:51.66

CC: Phebe N. Vickers (VICKERS_P) (OMB)
READ:NOT READ

CC: Kathleen Peroff (PEROFF_K) (OMB)

READ:21-SEP-1995 12:55:34.47

CC: Ron Cogswell (COGSWELL_R) (OMB)
READ:21-SEP-1995 08:41:33.75

CC: Barry White (WHITE_B) (OMB)
READ:21-SEP-1995 08:23:24.08

CC: Richard P. Emery Jr. (EMERY_R) (OMB)
READ:21-SEP-1995 08:38:52.20

CC: Barbara C. Chow (CHOW_B) (WHO)
READ:21-SEP-1995 09:09:25.41

CC: Robert E. Barker (BARKER_R) (OMB)
READ:21-SEP-1995 08:16:07.66

CC: Mark Gearan (GEARAN_M) Autoforward to: Angus S. King (KING_A)
READ:NOT READ

CC: Donald A. Baer (BAER_D) (WHO)
READ:NOT READ

CC: Ann F. Walker (WALKER_A) (WHO)
READ:NOT READ

CC: Todd Stern (STERN_T) (WHO)
READ:NOT READ

CC: Bruce D. Long (LONG_B) (OMB)
READ:21-SEP-1995 06:30:35.40

CC: Nancy L. Brandel (BRANDEL_N) (OMB)
READ:21-SEP-1995 20:40:56.12

CC: Christopher F. Walker (WALKER_C) (WHO)
READ:NOT READ

CC: Deborah L. Shaw (SHAW_D) (OMB)
READ:21-SEP-1995 08:15:26.76

CC: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D) (OPD)
READ:21-SEP-1995 08:00:57.68

CC: Timothy J. Keating (KEATING_T) (WHO)
READ:21-SEP-1995 08:09:11.17

CC: Kathryn Higgins (HIGGINS_K) (WHO)
READ:NOT READ

CC: Stephen B. Silverman (SILVERMAN_S) (WHO)
READ:22-SEP-1995 18:11:53.08

CC: Bruce N. Reed (REED_B) (WHO)
READ:21-SEP-1995 09:09:36.54

CC: Jeremy D. Benami (BENAMI_J) (WHO)
READ:21-SEP-1995 14:51:32.72

CC: Douglas B. Sosnik (SOSNIK_D) (WHO)
READ:21-SEP-1995 11:35:41.65

CC: Karen L. Hancox (HANCOX_K) (WHO)
READ:21-SEP-1995 07:32:31.38

CC: Shelley N. Fidler (FIDLER_S) (CEQ)
READ:21-SEP-1995 10:09:28.95

CC: Janet L. Himler (HIMLER_J) (OMB)
READ:21-SEP-1995 20:05:27.56

CC: Daniel Tate (TATE_D) (WHO)
READ:NOT READ

CC: John C. Angell (ANGELL_J) (WHO)
READ:21-SEP-1995 15:03:14.01

CC: Lisa Kountoupes (KOUNTOUPES_L) (OMB)
READ:NOT READ

CC: Susanne D. Lind (LIND_S) (OMB)
READ:25-SEP-1995 16:37:40.40

CC: Ellen J. Balis (BALIS_E) (OMB)
READ:21-SEP-1995 10:16:19.24

CC: Anita Chellaraj (CHELLARAJ_A) (OMB)
READ:21-SEP-1995 09:51:06.99

CC: Alicia K. Kolaian (KOLAIAN_A) (OMB)
READ:21-SEP-1995 09:00:04.50

CC: Nick B. Kirkhorn (KIRKHORN_N) (WHO)
READ:NOT READ

CC: Jennifer L. Nelson (NELSON_JL) (WHO)
READ:NOT READ

CC: Donald L. Fowler (FOWLER_D) (WHO)
READ:NOT READ

CC: James T. Heimbach (HEIMBACH_J) (WHO)
READ:21-SEP-1995 08:05:09.77

CC: Janet Murguia (MURGUIA_J) (WHO)
READ:22-SEP-1995 20:37:07.13

CC: Lucia A. Wyman (WYMAN_L) (WHO)
READ:NOT READ

CC: Francis S. Redburn (REDBURN_F) (OMB)
READ:21-SEP-1995 18:38:31.71

CC: Harry G. Meyers (MEYERS_H) (OMB)
READ:21-SEP-1995 09:20:59.19

CC: David J. Haun (HAUN_D) (OMB)
READ:21-SEP-1995 09:15:15.39

CC: Richard J. Turman (TURMAN_R) (OMB)
READ:21-SEP-1995 10:53:53.78

CC: Mark E. Miller (MILLER_ME) (OMB)
READ:21-SEP-1995 09:03:12.57

CC: Toni S. Hustead (HUSTEAD_T) (OMB)
READ:21-SEP-1995 12:58:26.30

CC: Keith J. Fontenot (FONTENOT_K) (OMB)
READ:21-SEP-1995 09:49:09.02

CC: Larry R. Matlack (MATLACK_L) (OMB)
READ:21-SEP-1995 08:28:59.33

CC: Rodney G. Bent (BENT_R) (OMB)
READ:21-SEP-1995 09:38:56.17

CC: Bruce K. Sasser (SASSER_B) (OMB)
READ:21-SEP-1995 09:27:25.08

CC: Bryan R. Smith (SMITH_BR) (OMB)
READ:21-SEP-1995 18:12:57.01

CC: Robert S. Dotson (DOTSON_R) (OMB)
READ:28-SEP-1995 13:05:14.44

CC: John T. Schuhart (SCHUHART_J) (OMB)
READ:21-SEP-1995 08:26:40.35

CC: Gary L. Bennethum (BENNETHUM_G) (OMB)
READ:21-SEP-1995 10:02:41.49

CC: Jack D. Fellows (FELLOWS_J) (OMB)
READ:25-SEP-1995 09:42:40.41

CC: Robert S. Fairweather (FAIRWEATHE_R) (OMB)
READ:21-SEP-1995 12:12:14.46

CC: Bruce D. Beard (BEARD_B) (OMB)
READ:21-SEP-1995 07:10:15.61

CC: James B. Kazel (KAZEL_J) (OMB)
READ:21-SEP-1995 18:14:12.56

CC: Mark A. Weatherly (WEATHERLY_M) (OMB)
READ:21-SEP-1995 00:05:33.88

TEXT:
\d

PRINTER FONT 12_POINT_ROMAN
TO: ALICE RIVLIN
cc-

-Lew, Griffin, Tyson, Angell, Foley, OMB/2d Floor,
DADs, Branch Chiefs, LRD, Gibbons, Cabinet Affairs, CEQ
FROM: CHUCK KONIGSBERG
SUBJECT: BUDGET RECONCILIATION - DAILY HIGHLIGHTS

PRINTER FONT 12_POINT_COURIER
****
REMINDER -- PADs AND DADs: Program examiners should be attending all reconciliation mark

-ups where action is expected
on items in their areas. Following the mark

-ups, at the end of
the day, e

-mails recapping the mark

-up -- INCLUDING A DETAILED
LIST OF ADOPTED PROVISIONS -- should be sent to BRD, Chuck Konigsberg, and Lisa Kountoupes; and the "attachment B"
and "attachment C" write

-ups should be updated and forwarded to
BRD. (See BDR 95

-87) Thanks.
****

PRINTER FONT 14_POINT_HELVETICA
Markups scheduled for Thursday:
PRINTER FONT 12_POINT_COURIER
?Senate Commerce, 9:30am SR

-253 [FCC spectrum auction]
?Senate Judiciary, 10am SD

-226 [patent/trademark fees]
?Senate Energy & Natural Resources, 9:30 SD

-366 [complete action]

?House Agriculture (if not finished) 1300 Longworth
?House Commerce (Medicaid markup) 10:00 am 2123 Rayburn
?House Government Reform (compile other committees recommendations on Commerce Department Dismantlement) 2157 Rayburn
?House Transportation 2165 Rayburn
?House Ways and Means (TAA) 2:00 pm 1100 Longworth
(fast

-track will also be marked up but as a
stand

-alone measure)
PRINTER FONT 14_POINT_HELVETICA
Why Senate committees must meet their reconciliation instructions:
PRINTER FONT 12_POINT_COURIER
Two reasons-- (1) Unless CBO certifies that the accumulated Senate spending cuts would achieve balance in 2002, the budget resolution revenue floor will not be adjusted downward to accommodate a tax cut. This is what Domenici and Packwood wanted -- assurance that spending cuts would be achieved before tax cuts are considered. (2) If a committee does not fully achieve its reconciliation instructions for FY 96 and FY 96

-2000 and FY
96

-2002, then it would be germane for any Senator to offer on the Floor an amendment to bring the committee into full compliance (whereas floor amendments to a reconciliation are most often NOT

germane).

PRINTER FONT 14_POINT_HELVETICA
Reconciliation Action Tuesday/Wednesday:
PRINTER FONT 12_POINT_COURIER

In Budget Reconciliation action, the overall schedule has slipped a week, with the House Leadership aiming to complete action on spending and tax cuts by September 29; and the Senate aiming to complete its spending cuts by the same time. (The Senate will act to cut taxes only after CBO certifies that the spending cuts have produced a balanced budget by 2002 -- the tax cuts would then be funded by the so

-called "fiscal divided" from
reaching balance.)

In committee action, last night House Ways and Means completed a significant misc. tax package which includes a $23 billion reduction in EITC (which would be achieved by modifying the definition of adjusted gross income to include social security benefits; increasing the phase

-out rates; and denying
EITC to childless workers).

Ways & Means also approved a provision which would raise $10 billion by allowing corporations to withdraw excess pension assets and use those funds for other purposes. Committee Dems and Treasury argued this might imperil the solvency of pension plans and cause a big hit on the Treasury down the road, since the Pension Benefit Guaranty Corp. stands behind pension funds.

The Ways & Means committee package would also spend about $2 billion over 7 years to permit tax deductible contributions to medical savings accounts (Treasury concerned about enforcement); phase

-out the sec. 936 tax credit (used primarily by pharmaceutical companies operating in Puerto Rico); and repeal certain requirements that coal companies pay for health benefits for retired coal miners.

House Resources Committee yesterday approved -- the leasing of ANWR for oil exploration (defeating a Democratic amendment to protect ANWR 14

-27); selling the Southeast Power Administration; provisions to "reform" mining law that actually perpetuate the egregious shortcomings of current law (ignoring the real value of subsurface resources); and grazing reform provisions that abrogate Interior's new grazing management regulations.

Senate Energy Committee also approved ANWR leasing today (a Bumpers/Wellstone attempt to delete ANWR from the bill failed 7 - 13), as well as approving disposal of the helium reserve. Committee is NOT expected to include PMA sales in its mark. The markup will continue on Thursday.

The House and Senate Banking Committees have adopted the main elements of the Administration's proposals on merging the Bank Insurance Fund and the Savings Association Insurance Fund.

Yesterday the House Banking Committee also voted to effectively exempt 90% of all depository institutions from the Community Reinvestment Act which requires banks to invest and lend in their communities; we have strongly opposed this exemption.

On housing matters, the House Banking Committee voted to repeal the RTC and FDIC affordable housing programs (programs we have fully supported in the past); reduced COLAs for payments to landlords who rent to HUD subsidized tenants and eliminated an FHA program to assist delinquent borrowers.

The Senate Banking Committee marked up housing issues today: the Senate action reduces the Annual Adjustment Factor (AAF) in HUD's rental payments in a slightly different fashion than the House -- it's much more favorable to owners of project

-based
housing. Also, the Senate adopted new preference standards for allocation of scarce Section 8 rental subsidies; after meeting

the low

-income standard, the Senate requires 50 percent of new occupancies to be working families (includes single adults) and abolishes the old preference targeted to the most needy (i.e. paying more than 50 percent of family income in rent, or occupying substandard housing including homeless, or involuntarily displaced).

House committees are close to completion of legislation to dismantle the Commerce Dept, with the House Commerce Comm. completing action yesterday and the House Govt Reform Committee scheduled to complete the bill tomorrow. Two important points about this-

-in "dismantling" Commerce the Repubs are seeking to transfer many responsibilities to new agencies (which generates significant costs); and although the House intends to include this in Reconciliation, it will almost certainly drop out during conference due to the Senate's "Byrd" Rule (because the bill doesn't cut any mandatory spending).

House and Senate committees have backed away from the earlier proposal to change the military retirement formula; they have voted to replace the savings with sales of certain defense stockpile assets.

House Commerce Committee today began its consideration of $182 billion in Medicaid cuts (Senate Finance will take up Medicaid -- as well as Medicare -- next week). The Republican plan would create a block grant - Medigrant - to the states to provide medical assistance to low

-income individuals and families. The block grant aims to save $182 billion. Under Medigrant, there would be no federal requirements for eligibility, services, payment rates, delivery, or quality. It

would be left to each state to make these decisions. The bill creates set

-asides for low

-income families, low

-income disabled, and low

-income elderly. The bill sets up a complex formula for distributing grants to the states. In order to fit spending under the budget caps, some states would be limited to a 2% growth rate per year after FY 1997.

During the meeting, many members (Dems and Reps) expressed concern over the funding formula, DSH payments, and nursing home standards. Democrats were concerned with the lack of time to look over the bill and the lack of hearings. Questions tended to focus on what would happen to nursing home standards, the power of the IG for investigating fraud and abuse, DSH payments, and what would happen to coverage after states spent their set aside amounts.

House Agriculture committee today defeated (22

-25) a
Democratic farm substitute similar in size to the administration's $4 billion in cuts, as well as a Republican substitute (defeated 22

-26) that would maintain most traditional programs but save money by increasing non

-payment acres.
Chairman Roberts' Freedom to Farm Act is now being discussed; Senator Lugar will attempt to move his bill next week.

Senate Veterans Affairs Committee today marked up their portion of reconciliation and agreed with the Administration on all items except one -- which would increase the contribution required from the active duty pay of military enlistees enrolled in the Montgomery GI Education program. DoD considers this an important recruiting and retention tool and does not want the contribution to increase (estimated to increase from $100 a month to $135 a month).

PRINTER FONT 14_POINT_HELVETICA
Senate mark

-up schedule: (subject to change -
recommend double

-checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on Senate committee action on Reconciliation, contact Chuck Konigsberg at OMB/LA.

Sept. 18: Armed Services completed action

Sept. 19: Environment & Public Works completed action
Sept. 20: Energy & Natural Resources (began marking up)
Veterans completed action
Banking completed action

Sept. 21: Commerce, 9:30am SR

-253

Judiciary, 10am SD

-226

Energy & Natural Resources, 9:30 SD

-366

Sept. 22: Labor, 9:30 SD

-430
Govt. Affairs, 10am SD

-342

Sept. 25: Rosh Hashanah
Sept. 26: Finance Committee markup (spending)
Sept. 27: Finance Committee markup (spending)
Sept. 28: Finance Committee markup (spending)
Sept. 29: Finance Committee markup??
Oct. 2

-3: [Hiatus while CBO scores the Senate's Reconciliation
spending savings; if balance is achieved by 2002,
the Finance Committee will go ahead with a tax markup
to cut taxes up to $245 billion]
Oct. 4: Finance Committee taxes?
Oct. 5: Finance Committee taxes?
Oct. 6: Finance Committee taxes?

PRINTER FONT 14_POINT_HELVETICA
House mark

-up schedule: (subject to change -
recommend double-
checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on House committee action on Reconciliation,
contact Lisa Kountoupes at OMB/LA, 5

-4790.

Tues. Sept. 12: Judiciary marked up

Wed. Sept. 13: Commerce marked up
(NRC,NPR,WIPP,Spectrum,FCC,USEC)
Resources marked up (NOAA - Commerce
Department Dismantlement)
Ways & Means marked up (Commerce
Dismantlement and trade provisions,
not TAA)

Thurs. Sept. 14: Commerce opening statements (Commerce
Dismantlement)
Science marked up (Commerce Dismantlement)
Transportation marked up (Commerce
Dismantlement)
Judiciary held hearing on PTO/ Commerce
Dismantlement)
Fri. Sept. 15:
Mon. Sept. 18: Ways and Means tax (walk through)

Tues. Sept. 19: Banking 2128 Rayburn marked up
Commerce (Marked up Commerce Dismantlement)
International Relations (marked up Commerce

dismantlement
and instructions)
Resources
completed markup
Ways and Means
(tax markup completed)
Wed. Sept. 20: Agriculture 9:30 am 1300 Longworth (scheduled
to finish)
Commerce
(Medicaid opening statements, began

consideration of amendments, no votes)

National
Security (revisited the military
retirement proposal)

Thurs. Sept. 21: Agriculture (unlikely) 1300
Longworth
Commerce
(Medicaid markup) 10:00 am 2123
Rayburn
Government
Reform (compile other committees
recommendations on Commerce Department Dismantlement)
2157 Rayburn
Transportation
2165 Rayburn
Ways and Means
(TAA) 2:00 pm 1300 Longworth

(fast

-track will be marked up but as
a
stand

-alone measure)
Fri. Sept. 22: Commerce (tentative Medicaid)
2123 Rayburn
Ways and Means
(all day health hearing)
NO VOTES IN THE
HOUSE

Mon. Sept. 25: Holiday

Tues. Sept. 26: Holiday
Wed. Sept. 27: Commerce (tentative Medicare)
2123 Rayburn
Ways and Means
(tentative (Medicare) 1100
Longworth
Judiciary
hearing on Commerce Dismantlement
(timing seems poor) 10:00 am 2237
Rayburn
Thurs. Sept. 28: Commerce (tentative Medicare)
2123 Rayburn
Ways and Means
(tentative Medicare) 1100
Longworth
Fri. Sept. 29: Commerce (tentative Medicare)
2123 Rayburn
Ways and Means
(tentative Medicare) 1100
Longworth

\d

PRINTER FONT 14_POINT_HELVETICA
OVERVIEW OF COMMITTEE RECONCILIATION ACTION

Senate: For questions on Senate committee action on Reconciliation, contact Chuck Konigsberg at OMB/LA.

PRINTER FONT 12_POINT_COURIER
*(Sept. 22 reporting deadline for spending cuts, but Dole has not told committees they have until the 29th. The tax instruction to Finance Committee is contingent on CBO certifying that the spending cuts achieve balance in 2002 (and in 2002

-05). Upon
certification, Finance must report tax cuts within 5 days.
Note-

-the Reconciliation instructions for Senate committees require specified cuts for each of three budget periods: FY96, FY96

-2000, and FY 96

-2002. However, for brevity, the following summaries reflect only the 7

-year totals. Note that Budget Committee assumptions are NON

-binding.

[*NOTE-

-CHANGES FROM PREVIOUS DAY INDICATED BY ASTERISK.]

1. Agriculture-

-Lugar on 9/13 announced a committee markup for the week of the 18th, but said there are such severe divisions with the committee that members may not be able to come to closure, and may have to punt their section of reconciliation to the floor. He also said he's considering larger farm cuts than envisioned by the budget resolution in order to reduce the amount of cuts the committee will take from food stamps and other nutrition programs.
The Rep./Dem. split is 10

-8, so Lugar cannot afford to lose any Republican votes.. Dem. contacts: Pat Westhoff, 224

-8240; Jim Cubie, 224

-6901; fax-

-224

-8240.
Instructions require savings of $48.402 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following -- $35 b from welfare reform (food stamps) and $13 b from agriculture commodity programs. Lugar reportedly may seek as much as $18 billion in farm cuts. The Budget Resolution includes a NON

-binding sense of Senate that "no more than 20 percent of the savings be achieved in commodity programs."

*2. Armed Services-

-Monday, 9/18, at a closed meeting, the committee voted to sell the naval petroleum reserve at Elk Hills and the oil shale reserves in Colorado and Wyoming (as budget

committee had assumed); and in lieu of military retirement reforms, voted to sell additional assets from the national defense stockpile (to make up the $649 million). The Democratic side voted against the NPR provision. Min. contact: Mike McCord - 224

-9353.

*3. Banking-

-Instructions require savings of $2.391 billion in
direct spending over 7 years. Budget committee assumed this would be achieved from the following--$2.181 b from flood insurance premiums and $210 million from FHA multifamily property disposition. Also, the joint statement of
managers on the budget resolution states "the conferees...direct the Congressional Budget Office to not score any savings for any new legislation that might affect the Federal Reserve's transfer of the surplus capital account to the Treasury." Min. contact: Steve Harris, Dem. staff Director, 224

-1573.
Senate Banking Committee marked up 9/20 --
1) Reduces the Annual Adjustment
Factor (AAF) in HUD's rental payments in a slightly different fashion than the House.
Senate provision much more favorable to owners of project

-based
housing than comparable House version.
o Housing Certificates. Senate
reduces the rent inflation for housing certificates by 1.0 percentage point if the tenant stayed in the unit for a year -- no turnover. (The House adopted this provision for all Section 8 rents; Senate covers about one

-third of the Section 8 rents.)
o Other Section 8 units. Senate
provides for the full inflation except for high

-cost units. In
cases where the rents already exceed HUD's rental standards, a "diet COLA" rent inflation would be imposed that was based on the increase in operating costs in the market area. However, the high

-cost units would receive the full inflation if the owner demonstrates similar high

-cost rents in the market area.
2) adopts new preference standards for allocation of scarce Section 8 rental subsidies.
After meeting the low

-income standard, the Senate requires 50
percent of new occupancies to be working families (includes single adults). Abolishes the old preference targeted to the most needy, i.e., paying more than 50 percent of family income in rent, or occupying substandard housing including homeless, or involuntarily displaced.

The following banking

-related

provisions were adopted:
- BIF/SAIF: The main elements
of the Administration's proposal were adopted. The bill provides for a special assessment on SAIF

-insured institutions to
capitalize the SAIF, sharing of FICO payments between BIF and SAIF members, and a merger of BIF and SAIF on January 1, 1998. The bill also mandates that if, before the merger of the funds, the reserve ratio of SAIF exceeds the designated reserve ratio, the excess amount will be placed in a special reserve to be used only in emergencies. The special reserve would be excluded from the reserve ratio calculation. In addition, the bill includes a special provision for Oakar banks (BIF members that have
SAIF

-insured deposits), which would receive a 5

-percent discount
on their special assessment if their attributable Oakar deposits are less than 50

-percent of their total deposits. (The Committee
estimates net savings of $900 million over 7 years, however CBO may score lower savings due to the new Oakar provision).
- Charter conversion: All State
and Federal savings associations must convert to a State or Federal bank as a condition for the merger of the deposit insurance funds. (by Jan. 1, 1998).
- Treasury Study: The
Department of Treasury must conduct a study on privatizing Federal deposit insurance.

4. Commerce-

-Markup scheduled for Sept. 21. Instructions require
savings of $15.036 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$14 b from FCC spectrum auction; $357 m from extending rail safety fees; $196 million from extending vessel tonnage fees; and 483 million from FCC fees. The conferees on the budget resolution assume the elimination of the Dept. of Commerce; the House is expected to include this in their recon. bill. However, this would violate the Senate's Byrd rule because it doesn't score as direct spending savings, and can be expected to drop out during conference. (Reason: A single Byrd Rule violation in a conference report, would render the entire conference agreement an "amendment between the houses" requiring a further vote in the House and the possibility of further amendments). Min. contact: Kevin Curtin, 224

-0427.
Pressler has reportedly endorsed a new plan by broadcasters to fund their programs with money raised from spectrum auction --

specifically by plowing $4 billion of the auction proceeds into a

new public broadcasting trust fund.

*5. Energy & Natural Resources-

-Instructions require savings of
$4.001 billion in direct spending over 7 years. The joint statement of managers on the budget resolution states that "the conference agreement does not assume the sale of the Presidio...nevertheless, reforms should take place that would minimize Federal costs....The Presidio is the most expensive national park to operate...." Min. contacts: Ben Cooper,
224

-5360; Tom Williams (ANWR); David Brooks (Nat'l Parks); Sam Fowler (USEC); Shirley Neff (Oil & Gas); David Applegate (Helium); Cliff Sicora (PMAs).
*On 9/20, the Senate Energy Committee met to mark

-up the
reconciliation bill. Most of the controversial issues were postponed until the committee reconvenes tomorrow. Because of this delay, no final vote was taken on the bill, but several provisions were discussed and tentatively "approved." These include:
- Ward Valley language to force the sale of DOI land to the State of California for low

-level radioactive waste site.
- Disposal of the helium reserve.
- Opening of ANWR to development.
Two amendments were offered on ANWR:
1) Wellstone (D

-MN) to require a new EIS prior to development. Failed 5 - 15.
2) Bumpers/Wellstone (D

-AR) to delete ANWR provision from the bill. Failed 7 - 13.
o Johnston (D

-LA) discussed dropping the park fee section from the bill. It was decided that the committee would wait and see how it was doing on scoring, prior to deciding to drop the provision.
o Johnston proposal to amend the MMS Royalty section of the bill, so that a conference could occur on the section, as the Senate bill currently contains the same language as the House bill. Johnston was unable to explain his amendments, so a decision was postponed until tomorrow.
o Hardrock mining amendments were delayed until tomorrow, as

Senator Domenici was on the Floor of the Senate and unable to discuss the provision.
o USGS provision to privatize some mapping activities, and the

sale of aircraft was postponed until tomorrow as Johnston has an amendment he wants to develop and offer.
o The decision to sell ski areas was postponed until tomorrow, as Senator Campbell (R

-CO) strongly objects, and was not present during discussion.
o Discussion to eliminate grazing provisions in the bill, and instead offer free

-standing bill. Was postponed until tomorrow again, because Domenici wasn't present.
o Murkowski stated that he had an amendment for tomorrow that would extend timber leases in Tongass.
o Committee is expected NOT to include PMA sales.

6. Environment & PW-

-The Senate Environment and Public Works committee passed its piece of Reconciliation on 9/19, slightly exceeding its target of $2.250 billion in savings. Since committee Dems lacked the votes to defeat the package, they let it pass by voice vote. The package contains 4 items: (1) a relatively non

-controversial extension of NRC user fee to 2005 ($1308 million); (2) a non

-controversial extension to 2005 of the FEMA radiological emergency preparedness fee which is charged to commercial power plants ($84 million); (3) a budgetary gimmick which uses a baseline error to show $512 million in savings from a "cap" on the highway program's minimum allocation requirement; and (4) a cut in total highway demos by 15 percent producing $407 million in savings (this will be controversial; House is unlikely to go along with it). In adopting this package, the committee rejected the Budget Committee's assumed savings from employee parking (which Warner objects to); and Corps of Engineers wetland fees (the committee did not want to charge businesses for the costs of being regulated).
Contact: Tom Sliter, 224

-8832.

7. Finance-

-Minority contacts: Joe Gale, David Podoff, 224

-5315.
*Paper on the spending cuts to be released by Roth this Friday;

markup to begin Sept. 26.
*A Daschle appointed group of Dems including Rockefeller and Breaux is putting together a Democratic Medicare alternative.
*Conrad has indicated a significant interest in CPI savings.

Finance has the heaviest load in the Congress, with all of Medicare, Medicaid, welfare, social services, trade adjustment assistance, and all the tax cuts to

report. Instructions require savings of $530 billion in direct spending over 7 years.
Budget committee assumed this would be achieved from the following--$270 b from Medicare; $181 b from Medicaid; $65 b from welfare reform; $6.6 b from AFDC JOBs; $3 b from foster care and adoption assistance; $1.6 b from social services block grants; $1.3 b from TAA cash benefits; $655 m from TAA NAFTA & training; and $657 m from unemployment insurance.

If CBO certifies that budgetary balance has been achieved in 2002, and Budget Comm. determines that balance would be achieved over the period 2002

-2005, then Finance Committee is to report tax cuts of up to $245 billion over 7 years. (However, House Republicans and some Senate Republicans claim the understanding was that Finance MUST report a tax cut of $245 billion -- no less; Packwood believed he had the discretion to report a cut smaller than $245 billion, though Roth will likely want the whole $245b). The tax legislation is to "provide family tax relief and incentives to stimulate savings, investment, job creation, and economic growth." As an indication of what the Finance Committee might include in their reconciliation tax title, Senators Dole, Nickles, and Gramm on 8/9 introduced a child tax credit bill which has no cap on eligibility (although higher income families would receive a smaller credit).

Finance is also to report an increase in the debt ceiling to $5.5 trillion. However, the statement of managers states that "the conferees intend that the debt limit be enacted as separate legislation and not as part of reconciliation....However, if debt limit legislation has not been enacted this instruction would authorize the committees of jurisdiction to include the debt limit in the reconciliation bill."

The joint statement of managers on the budget resolution, with reference to Medicaid states: "This level is compatible with Medicaid growth of 7.2 percent in 1996, 6.8 percent in 1997, and 4 percent each year thereafter, or with higher growth rates of benefits and administration if disproportionate share hospital payments are frozen at 1995 levels. The conference agreement assumes that the present aggregate ratio of Federal to state funding (57 percent Federal, 43 percent State) would continue."

With an 11

-9 split, the

Republicans need every vote to report out a Reconciliation package. Chafee has indicated concerns about Medicaid block grants, but he is NOT expected to break ranks when the time comes

to report the reconciliation package.

8. Govt Affairs--Instructions require savings of $9.844 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$4.9 b from fixed dollar FEHB contributions from retirees; $2.663 b from increased agency pension contributions; $1.145 b from civilian retirement reform; $1.127 b from increased employee contributions (.25% in 1996 and 97, and .50% thereafter); and $9 m from congressional retirement reform. Minority contacts: Len Weiss, Jane McFarland, 224

-2627.
*The Senate Gov't Affairs Committee is scheduled to meet this Friday to find $10 billion in savings in civil service retirement; the plan is likely to include a 3

-month delay in
COLAs for fiscal years 1998

-2002; increasing agency contributions
by 1.5% and increasing employee contributions by 0.5%. The possible Dorgan amendment we had heard about, to add inflation to deferred annuities -- and which would be a big coster in the outyears -- will not be offered (according to Dorgan's staff).

PRINTER FONT 14_POINT_HELVETICA
9. Judiciary-

-Markup scheduled for Sept. 14 and may
continue Sept. 21. Instructions require savings of
$476 million in direct spending over 7 years. Budget
committee assumed this would be achieved from patent
and trademark offices fees. Minority contact:
Karen Robb, 224

-7703.

PRINTER FONT 12_POINT_COURIER
10. Labor-

-Mark

-up scheduled for Sept. 20. Instructions require
savings of $10.779 billion in direct spending over 7 years.
Budget committee assumed this would be achieved from--$10.077 b
from student loans (which the budget conferees say "can be
achieved without the elimination of the interest subsidy for
undergraduate students"); and $702 million from FDA user fees.
Minority contact: Nick Littlefield, 224

-5465.
According to Senate Budget Comm. Dem. staff, Chairman Kassebaum is still struggling to meet these instructions and keep all her Republican votes, given the Committee s 9

-7 margin. On the floor,
expect Republicans to offer amendments that further cut the direct student loan program, while Democrats may move to strike sections that cut student aid subsidies.

*11. Veterans-

-Committee marked up on 9/20. Instructions require savings of $6.392 billion in direct spending over 7 years. In general, the committee agreed with the Administration on all items except one -- which would increase the contribution

required from the active duty pay of military enlistees enrolled in the Montgomery GI Education program. DoD considers this an important recruiting and retention tool and does not want the contribution to increase (estimated to increase from $100 a month to $135 a month).
More specifically, the committee--
* Passed extensions through FY 2002 of the OBRA provisions that are scheduled to expire before that time, including:
* The requirement that certain veterans pay a $2 "co

-payment"
for medications provided by VA for the treatment of non

-service
connected disabilities or conditions (38 U.S.C 1772A);
* The authority provided to VA to recover from third party insurers costs associated with the provision of medical treatment for non

-service connected disabilities or conditions (38 U.S.C. 1729);
* Housing loan fee schedules specified in section 12007 of P.L. 103

-66 (OBRA '93);
* The authority provided to VA to verify claimants' incomes for purposes of determining eligibility for medical care and pension benefits (38 U.S.C. 5317); and
* The $90 limitation on pension benefits paid to medicaid beneficiaries receiving hospital, domiciliary or nursing home care (38 U.S.C. 5503).
* For FY 1996

-2002, monthly compensation and dependency and indemnity compensation payments adjusted to account for increases in the cost of living would be "rounded down" to the nearest

dollar amount;
* Increases in monthly benefit payments made under the Montgomery GI Bill (38 U.S.C. Chapter 30) would be limited to 1/2 the COLA adjustment granted to recipients of comp. and dependency and indemnity comp. (DIC) benefits.
III. Other Modifications:
* Monthly reductions in basic pay of members of the military who participate in the Montgomery GI Bill would be increased by an amount necessary to restore the ratio of benefits to contributions in force when the MGI Bill was enacted (i.e., restoration of the so

-called 9:1 ratio);
* Section 1151 of Title 38 would be amended to clarify that, effective on the date of enactment, VA will award comp. for

disabilities or deaths sustained as a result of VA medical treatment ONLY if the disability or death is caused by VA negligence or fault (i.e., repeal of the Gardner decision).
NOTABLE OMISSIONS FROM THE SENATE RECONCILIATION MARK

-UP
* Did not include provision to reduce compensation for certain incompetent vets (included in Budget Resolution as well as House and Senate Appropriations Bills, not included in President's Budget).
* Did not increase perscription co

-payment charges from $2 to $5
in first two years and $8 thereafter (included in Budget Resolution).

\d

PRINTER FONT 14_POINT_HELVETICA
House: (Sept. 22 reporting deadline); Note-

-the
Reconciliation instructions for House committees set a total direct spending cap for each committee's programs for FY96, FY96

-2000, and FY 96

-2002. Each
committee must produce spending cuts which meet the instructions for each of the three budget periods. However, for brevity, the following summaries reflect only the 7

-year totals. Note that Budget Committee assumptions are NON

-binding.

PRINTER FONT 12_POINT_COURIER
For questions on House committee action on Reconciliation,
contact Lisa Kountoupes at OMB/LA, 5

-4790.

[*NOTE-

-CHANGES FROM PREVIOUS DAY INDICATED BY ASTERISK.]

1. Agriculture -- Instructions require savings of $30.374 billion from food stamps and $13.386 billion from NON

-food stamps
programs (assumed by Budget Committee to be price supports). Chairman Roberts is having difficulty getting the needed support to pass his Freedom to Farm bill that serves as his basis for meeting the Committee's reconciliation instructions.Chairman Roberts likely to include his Freedom to Farm Act (introduced 8/3) in the committee's Reconciliation package. According to press reports, the Chairman?s bill may face opposition from Republicans concerned about the mandated spending cuts. It also decouples farm support payments from the basis of production. It instead would guarantee eligible producers declining transition payments over seven years based on their average payments from the past five years. It also requires them to comply with conservation plans and wetland protection. The bill will need 25 of the 49 votes. There are only 27 Republicans on the committee and getting the 25 needed to pass the measure could be difficult. The bill is not going to get any Democratic support. Democrats are working to craft a comprehensive substitute. The Democrats think the $13.4 billion is too big of a cut and will offer a version that will be close to the Administration's $4.2 billion package.
According to press reports, Sept. 14, Reps. Emerson (R

-MO) and
Combest (R

-TX) introduced a more traditional farm bill, similar to a Senate proposal being floated by Senator Cochran (R

-MS).
The bill continues to link farm payments to the market. Emerson maintained the bill could meet the necessary budget targets. It increases the acres on which farmers would not get benefits, increases flexibility in planting decisions, eliminates the emergency livestock feeding program and the mandatory purchase of

crop insurance, caps the Conservation Reserve Program and cuts the export enhancement program. Reportedly it would also save $500 million from changes in the peanut and sugar programs. Chairman Roberts has maintained it is not true reform and may not get the needed savings. The House Republican leadership, clearly increasingly concerned over their ability to move a measure, sent a letter to the Chairman last week saying they would bring an alternative farm bill to the House floor -- separate from the reconciliation bill -- under an open rule in the next two weeks if he did not succeed in getting a major reform bill out of the Agriculture Committee. It also threatened to change the committee's bill to include it in reconciliation. This could be done through the Budget Committee before the entire reconciliation bill comes up for a vote. Subcommittee Chairman Gunderson, (R

-WI) said they will likely add dairy to the commodities in the Roberts bill that phases payments out over a 7 year period.

*Markup scheduled to complete Wednesday, September 20. At 9:00 pm, after defeat of the Democratic and Republican alternatives to the Roberts bill, it was still not clear if Roberts had enough votes to pass the Chairman's bill (see highlights).

2. Banking -- Instructions require savings of $2.391 billion in direct spending over 7 years. Budget committee assumed this would be achieved as follows -- $2.181 billion from reform of flood insurance premiums and $210 million from FHA multifamily property disposition. Possibility Chairman Leach may try to attach the budgetary aspects of Savings Assoc. Insurance Fund (SAIF) to Reconciliation. (Other non

-budgetary banking issues would then be dealt with in a separate bill.)

Also, the joint statement of managers on the budget resolution states "the conferees...direct the Congressional Budget Office to not score any savings for any new legislation that might affect the Federal Reserve's transfer of the surplus capital account to the Treasury."

Subcommittee Chair Roukema (R

-NJ) has indicated she will introduce her BIF/SAIF bill Sept. 19. Democrats, LaFalce (D

-NY),

Flake (D

-NY), Vento (D

-MN), and Roybal

-Allard (D

-CA) are reportedly interested in cosponsoring. There are no cost estimates yet. Her staff is awaiting word from the Ways and Means Committee as to how it will deal with the provision in the bill that would end the thrift's bad debt tax reserves.

Markup was completed on Sept. 19.

BANKING

o BIF/SAIF: The main elements of the Administration's proposal were adopted (we will have to wait to see the language to know what modifications were made). The bill provides for a special assessment on SAIF

-insured institutions to capitalize the SAIF, sharing of FICO payments between BIF and SAIF members, and a merger of BIF and SAIF on January 1, 1998. The bill also includes a large number of provisions related to merging the bank and thrift charters and eliminating the Office of Thrift Supervision. The Administration has expressed a preference to deal with the charter and regulatory issues in a separate bill. In addition, the Committee recognized that many of these provisions have no direct budget impact and thus they may run into a problem with the Byrd rule in the Senate. BIF/SAIF issues were not discussed in detail at the markup -- they will be taken up at a subcommittee markup next week, where the changes made may be substituted for the provisions in the bill passed by the full committee last night. Preliminary CBO estimate for 7

-year
savings is $900 million.
o Repeals FDIC/RTC Affordable Housing Programs (7

-year savings
$31 million). Transfer monitoring responsibilities to HUD. The FDIC piece of this proposal has no direct spending effect, since it is funded by appropriations.
o Amends the Community Reinvestment Act (CRA) to exempt depository institutions with less than $100 million in assets and allow institutions with between $100 million and $250 million in assets to self

-certify that they are complying with the Act
(7

-year savings of $31 million). A substantially similar provision was included in the banking regulatory relief bill passed by the Committee earlier this year, which the President has threatened to veto in large part because of its CRA provisions.
o REFCorp: An amendment which would change the formula for the Federal Home Loan Bank System's contribution to REFCorp interest payments was passed. The provision would change the contribution from a fixed $300 million per year to 22.63% of FHLBS income. The 22.63% figure was chosen to be budget neutral over 7 years.
The following three Housing Branch provisions were accepted by the Banking Committee on Tuesday.
Housing --
o) Reduce the Annual Adjustment Factor (AAF) in HUD's rental

payment for "Stayers" -- i.e., units without any turnover in tenants. This provision reduces the annual inflation in the rent that HUD pays to private owners, who rent to HUD subsidized tenants in the Section 8 program and where no turnover occurs in

the unit. The inflation adjustment would be reduced for these owners by 1.0 percentage point. For example, if the annual inflation adjustment in rents was 3.0 percent, the owners with no turnover in a unit would receive 2.0 percent in that year.
This provision was proposed by the Clinton Administration. It was first enacted in the FY 1995 Appropriation Act for one year only. The Banking Committee action extends the provision permanently. Rationale for the proposal: Owners experience substantially less costs if a tenant stays in a unit (no loss of rents due to a vacancy, less painting and other expenses to fix up a unit for re

-leasing). The private market often rewards
long

-term "stayers" with lower rents. This revision of a "diet COLA" for the inflation in rents for "stayers" reflects the private market and coincides with the costs experienced by owners of rental housing.
o Eliminate/Reform FHA Single

-Family Assignment Program.
Committee print language would limit FHA single

-family
forbearance to 90 days. CBO scores $400 million in 7

-year
savings. Under FHA's current assignment program, once a borrower has been delinquent for 90 days, FHA can pay the full claim and take over servicing for the mortgage. The borrower is then allowed up to 3 years to bring the loan current. Very few assigned mortgage notes actually become current, and properties lose tremendous value during the extended forbearance period.
Today the House Banking Committee agreed informally to consider reforms to the program rather than total elimination. No amendment was offered because CBO has not yet been able to score reforms proposed by HUD last week. Chairman Leach and Subcommittee Chairman Lazio today said if savings from the reforms were comparable to those for elimination, (as HUD estimates they will be), those reforms could be substituted before the bill is reported to the Budget Committee.
o End Property Disposition Restrictions for HUD Multifamily Housing Projects. HUD sells multi

-family projects that it
forecloses upon under the FHA insurance program. Current law states that when HUD sells multi

-family projects, it is required
to include long

-term rental subsidies for low

-income tenants.
These restrictions complicate the disposition process, requiring HUD to hold properties longer and making it more difficult to sell. This provision would eliminate all property disposition requirements, making it easier to dispose of properties. Under credit reform procedures, savings are scored on a present value basis in the year of implementation. CBO therefore estimates the 1996, 5

-year, 7

-year and 10

-year
savings as all being $210 million. The Administration had proposed a similar relaxation of property disposition requirements in the "Mark

-to

-Market" proposal. Under that,
low

-income tenants in effected properties would receive portable

rental vouchers.

3. Commerce -- Instructions require savings of $469.490 billion in direct spending over 7 years. Budget committee assumed this would be achieved as follows -- $182 billion from Medicaid; $270 from Medicare (shared with Ways & Means); $14 b from FCC spectrum auction; $483 million from FCC user fees; $1.308 b from extending NRC user fees; $702 million from FDA user fees; $1.659 b from selling US Enrichment Corp; $1.046 from selling the Naval Petroleum Reserve (shared with Nat'l Sec Comm); and $737 million from Energy asset sales (PMAs).
The joint statement of managers on the budget resolution, with reference to Medicaid states: "This level is compatible with Medicaid growth of 7.2 percent in 1996, 6.8 percent in 1997, and 4 percent each year thereafter, or with higher growth rates of benefits and administration if disproportionate share hospital payments are frozen at 1995 levels. The conference agreement assumes that the present aggregate ratio of Federal to state funding (57 percent Federal, 43 percent State) would continue."
The joint statement also states: "The conference agreement...assumes the extension of NRC fees and that these fees will continue to offset NRC appropriations for the period from 1999 to 2002." The conferees also assume the elimination of the

Dept. of Commerce, but this may violate the Senate's Byrd Rule because it doesn't score as direct spending.
Committee action from Sept. 13 (NRC,NPR,WIPP,Spectrum,FCC,USEC):

- Nuclear Regulatory Commission (NRC) extended fees from 1998 to 2002. It passed on a roll call vote 29

-11 with the Dems
objecting to the lack of hearings and information about how the NRC spends its money. According to staff, hits target of $1.3 billion included in the reconciliation instructions.
- Naval Petroleum Reserve privatization passed on voice vote. The base text was very similar to the National Security Committee version passed in August. There were two amendments adopted. The first offered by Subcommittee Chairman Schaefer extended from the end of FY96 to the end of calendar year 1996, the deadline by which the Secretary of Energy must execute the sale. The second, offered by Mr. Klug (R

-WI) designated a portion of the 7% revenue
sharing with California teachers to an escrow account, while pending legal concerns are addressed. It passed on a 21

-18 roll
call vote on party lines, except all of the California members on each side of the isle opposed it. An amendment by Ranking Member Dingell regarding the government's liability was withdrawn. An amendment by Mr. Markey (D

-MA) that would have required the

Department to negotiate rights, duties and obligations with Chevron before the sale that would transfer to whatever party wins the bid was defeated on a party line roll call vote. An amendment by Mr. Brown (D

-OH) to provide the OMB Director and the
Secretary of Energy the ability to delay the sale through FY97 was defeated on a 15

-21 roll call vote on party lines. According
to staff, this provision will meet reconciliation instructions (loss in mandatory of $1 billion, but approximately $1.4 billion in discretionary savings), however, the committee did add language to the spectrum sale provisions to compensate for shortfalls that may have emerged in this area (and the PMAs).
- A provision to speed opening of the Waste Isolation Pilot Project
passed on a record vote, 24

-12. It is designed to move up the
date the facility can begin receiving transuranic wastes from other sites. It reportedly results in $130 million in discretionary savings (from reduced storage costs at the sites

waiting to ship wastes to the facility) and as a result may not be included in final House bill. This was not in the reconciliation instructions.
- Spectrum Auctions The bipartisan agreement to auction 100 Mht below 3 Ghz was the base text, but pushed to find additional savings to compensate for shortfalls in other areas, the Republicans (Subcommittee Chairman Fields [R

-TX]), passed an
amendment to require NTIA to identify and reallocate an additional 20 Mht to transfer to the FCC for a later sale. The Dems argued this could threaten military and other important government uses. The Republicans expressed some regret, but were resolute and it passed on voice vote. The provision does not specify use of the broadcast spectrum which would have been controversial. Two other non

-controversial amendments, one which
shortens the transfer tome of personal communications systems from 3 to 2 years and another package of technical amendments were agreed to by voice vote. According to staff, CBO has scored this bill at $14.4 billion.
FCC Authorization for FY96 This provision passed on bipartisan voice vote. It is the first reauthorization bill since 1980.
Mr. Stupak's (D

-MI) noncontroversial amendment of personal radio
services passed by voice vote. The provision contains the FCC fee authority, with no changes in the structure of the fee, which, according to staff will meet their reconciliation instructions of $483 million. The authorization was not part of the instructions.
USEC Privatization Passed by voice vote. The committee print included language that had been worked out in the Senate on the Russian HEU deal. An amendment offered by Mr. Markey to strike

the mandatory transfer of sensitive technology to the USEC was adopted by voice vote. According to Committee Majority staff, the provision will bring in the requisite $1.7 billion and the HEU language may bring in an additional $200 million.
Committee action on Sept 14:
Opening statements on HR 1756, Commerce Department Dismantlement.
Pulled the consideration of PMA provision.
On Tuesday September 19, the Commerce Committee marked up the Commerce Department Dismantlement bill.
According to staff, this committee's Commerce dismantlement bill creates a Trade Administration, combining USTR and Commerce's trade functions. It creates a statistics Agency which includes the Census bureau and OMB's government statistics consolidation function. It also makes the PTO a government corporation. The measure keeps NOAA intact, but sends it to the Ag. Dept. The only significant amendment adopted in committee would exempt the PTO and the Census Bureau from a mandated 25% cut in funding.
PAYGO issue -- The Commerce Committee mark

-up incorporates the
Moorhead bill making the Patent and Trademark Office an independent government agency. This provides PTO immediate access to its fees, with PAYGO costs of $325 million in BA and $330 million in outlays for FY96

-FY98. In contrast, the
Judiciary committee, which has jurisdiction over PTO-

-Commerce
Committee does not-

-marked up PTO fees differently. The
Judiciary Committee extended PTO fees through FY2002, with PAYGO savings of $476M.
Still unable to get enough votes to pass the PMA provision, the committee again pushed off that markup (the committee print calls for a competitive bid instead of sale to preference customers -- which is the Administration proposal). Members served by SWAPA are pushing back on the Committee plan to sell that PMA. The draft language could result quite significant rate hikes. The Budget Committee evidently is offering no assurances that a committee which shares jurisdiction on an issue will be credited savings for the other committees action (i.e. Commerce, which has no jurisdiction over the sale of the PMA's -- only the transmission and hydro licensing -- is legislating a sale to ensure they are not responsible for coming up with another $700 million in savings should Resources fail to act.) The Resources Committee time to marked up their own provision today. My guess is that Commerce takes a pass. It is not advantageous for the Commerce Committee Republicans to lose a vote or make their members take a really tough vote if Resources can take the lead.

*The committee began opening statements on Medicaid Sept. 20 and Mr. Bliley offered a substitute. Debate and consideration of his substitute will begin Sept. 21 markup could continue to Sept. 22 (this seems unlikely however since the House has scheduled no votes for the 22nd). The Democrats are planning to offer 10 or more amendments to embarrass the Republicans. Medicare is still slated for Sept. 27

-29 (please see highlights).
4. Econ & Educational Opp--Instructions require savings of $21.976 billion in direct spending over 7 years. Budget committee assumed this would be achieved as follows -- $10.077 billion from student loans (which the budget conferees say "can be achieved without the elimination of the interest subsidy for undergraduate students"); and $11.899 billion from reform of child nutrition programs. ALSO, the instructions require program changes in authorizing laws that would result in a reduction in outlays of $8.770 billion over 7 years, assumed by Budget Committee to be repeal of Davis

-Bacon and repeal of the Service Contract Act (but those provisions would likely violate the Senate's Byrd Rule because they wouldn't score as direct spending savings).
This Committee has not scheduled mark up and reportedly is feeling "burned" by the food stamps cuts. I have heard that they will not mark up until they see what Ways and Means will do. No markup is scheduled.

5. Govt Reform--Instructions require deficit reduction of $1.127 billion over 7 years, assumed by Budget Committee to be derived from increased employee pension contributions (.25% in 1996 and 97, and .50% thereafter); and spending reductions of $9.497 billion in direct spending over 7 years, assumed by Budget committee to be achieved as follows -- $1.155 b from High

-5; $4.9
b from fixed dollar FEHB contributions from retirees; $2.662 b from increased agency pension contributions; and $780 m from charging federal employees for parking.
Although it is not contained in the reconciliation instructions, (it is in the resolution) the House Republican Leadership has said that this is the vehicle of choice to eliminate the Department of Commerce. The Senate Government Affairs Committee voted 5

-3 to dismantle the Department on Sept. 7. At this time, the relevant committees are moving on their pieces of this legislation. Resources Committee is marked up Sept. 13 at 10:00am. The House Commerce Committee marked up Sept. 19. The Science Committee marked up on the 14th, and House Transportation marked up on Sept. 14. International Relations will also mark up a version that creates a Department of Trade. The House Government Management, Information and Technology Subcommittee reported HR 1756 to the House Government Reform and Oversight Committee which created a new OMB Office.

The full Government Reform Committee is tentatively scheduled to take that piece and the portions from the other committees and forward a cleaned up, comprehensive version of dismantlement to the Budget Committee. There has reportedly been a bit of a struggle between Commerce Chairman Bliley and Government Reform Chairman Clinger on who will package the bill.
The committee will likely mark up Sept 21 the compilation of the various plans that have been reported out of other committees to dismantle the Commerce Department.

6. Internat'l Rel--Instructions require deficit reduction of $22 million over 7 years, assumed by Budget Committee to be increased foreign service retirement contributions; and spending reductions of $26 million in direct spending over 7 years, assumed by Budget Committee to be from savings in foreign service retirement.
It has been rumored that Republicans are considering attaching the entire State Department bill to the reconciliation bill.

*Markup scheduled for Tuesday, Sept. 19.

7. Judiciary--Instructions require savings of $476 million in direct spending over 7 years.
(Note from Ken Schwartz): On Sept. 12, the House Judiciary Committee marked up extension of Patent and Trademark Office fees beyond 1998 for purposes of deficit reduction to meet its reconciliation targets (NOT automatically available to PTO, as the Administration proposes). The Committee has a separate PTO authorization bill, but it has not yet been marked up in full committee (it has been reported out of subcommittee). In brief, reconciliation seems to be outpacing the PTO authorization bill, and, by the time the PTO bill is marked up in the House, it may be too late for PTO to lay claim to the receipts for itself.
At the markup, the Dems (Conyers, Schroeder, Frank) spoke against the provision as an unfair tax. The measure was voted out of committee on a party line roll call vote 18

-12. The language is
a straightforward extension of $119 million/ year in fees from 1998 to 2002 for a total of $476 million. The 18

-12 vote to add
four more years to PTO's deficit

-reduction commitment under the
1990 Omnibus Budget Reconciliation Act reflected a partisan split in the Committee that is rare with intellectual property legislation.
Judiciary Committee chair Rep. Henry Hyde (R

-Ill) urged support
for the fee proposal, calling it "consistent with our

reconciliation instructions." However, the scheme drew sharp criticism from Democrats. This plan is essentially a tax on innovation, which is the engine of economic growth in this country, Rep. John Conyers (D

-Mich) complained. Such a strict
partisan division on intellectual property legislation is unusual.

8. Nat'l Sec--Approved Reconciliation package Aug. 1, producing a net spending increase of $2.2 billion over 7 years (achieving its Recon. instructions). The package, approved 31

-21, includes: (1)
sale of 6 naval petroleum reserves (which produces a $1.6 billion in savings in FY96 from the sale, but results in lost receipts each year thereafter) for a net loss of $1 billion (shared w/ Commerce Comm); (2) a requirement to calculate military retirement pay on a "high

-month" basis, which saves $649
million over 7 years; and (3) a shift in military COLA dates to April from October which is a $1.8 billion coster.
The "high

-12" has been a very politically charged issue and the committee Republicans have gotten a lot of negative feedback and press changes. I have not yet heard whether the leadership will direct changes in this area, but they are seriously considering it.
*Marked up Sept. 20 at 11:00 am in 2118 Rayburn. The committee revisited the high 12 and instead will use revenues from the sale of materials from the defense stockpile to generate the necessary savings. It passed the full committee unanimously (please see highlights).

9. Resources--Instructions require savings of $2.3 billion in direct spending over 7 years. Budget committee assumed this would be achieved as follows -- $1.3 billion from leasing portions of ANWR for oil/gas exploration; $225 m from park entrance and concession fees; $50 m from privatizing helium reserves; $737 m from energy asset sales; and new spending of $42 million for territorial assistance.
The joint statement of managers on the budget resolution states that "the conference agreement does not assume the sale of the Presidio...nevertheless, reforms should take place that would minimize Federal costs....The Presidio is the most expensive national park to operate.
The leasing of ANWR is a high priority for the Committee Chairman, Don Young, from Alaska, and for Senate Committee Chairman, Frank Murkowski (R

-AK). It will not be supported by

the ranking Democrat or the Administration. There had been some speculation that CBO might change (lower) its scoring of the ANWR leasing provisions based on new information coming from the DOI. At this time however, CBO has indicated it will not change its assumptions. Although when given Secretary Babbitt's August 3 testimony which raised a number of concerns with the savings associated with the provision, staff agreed to look at the arguments made in the testimony. Principle among these is the royalty split and whether the Congress can in good faith assume a revenue split of 90/10.
There is no clear direction on how to achieve the savings associated with the PMA sale (an instruction shared with House Commerce). Evidently, the conference number was the difference between the House and Senate numbers going into conference. Although it was not stated, the Senate reported number did not include the WAPA sale. There will likely be a struggle in the committee between those who want to ensure a sale to preference

customers and those who would like to sell these asset ?to the highest bidder. There is a concern that the Republicans on this committee may try to put other asset sales, such as BLM land, on the bill.
Mr. Doolittle has scheduled a markup on his Central Valley bill, HR 1906 for Sept. 28.
The full committee completed markup Sept. 21:
The final bill passed by a vote of 25

-12, on mainly party lines
with one Republican (Thornberry) voting against the bill, and two Democrats (Faleomavaega and Ortiz) voting for it.
The main issue the Committee considered was leasing ANWR. It approved the lease Tuesday afternoon. (Vento amendment to keep the Arctic National Wildlife Refuge (ANWR) closed: Failed 11

-26.
Miller amendment to prevent AK from suing the Federal government over its share of ANWR receipts: Failed 13

-27. Miller
requiring a 90/10 ANWR receipt split with Alaska failed 6

-34.
Abercrombie to allow Secretary to use community assistance fund for tribes that may be negatively affected by ANWR development passed by voice vote. Young (R

-AK) to create a National
Endowment for Fish and Wildlife from ANWR receipts that, among other things, is used to acquire habitat lands from private landowners, and for ESA and North American Wetlands Conservation Fund activities. Passed by voice vote.)
At the end of the markup, Representative George Miller (D

-CA)
stated that it was a sad day for natural resources, with a rollback of most environmental policies including the opening of ANWR, the elimination for most purposes of hardrock mining royalties, and the easing of grazing regulations.

PMAs-

-The Committee defeated an amendment to eliminate the competitive sale of SEPA assets in a 19

-17 vote about 4 this
afternoon. Southeastern, which sell power from 24 Corps of Engineer dams in VA, GA, AL, MI and other Southeastern states. The vote did not follow party lines. Ranking member Mr. George Miller, for example, said it was time to get the Federal government out of the PMA business. Congressman Walter Jones (R

-NC), the single committee member from the SEPA service area, voted against the privatization proposal. The Administration proposed a preference sale to current customers and included rate protection which this language does not.
ANS Oil Export-

-Amendment to prohibit oil from export: Failed
11

-25.
Helium-

-Thornberry amendment to substitute a proposal similar to the Administration's helium proposal, except direct all savings to deficit reduction: Failed 8

-26.

Mining-

-Rahall (D

-WV) substitute of hardrock mining with his bill (eliminate patents, royalties on gross receipts rather than net, etc). Lost 13

-18. Calvert (R

-CA) to allow pending hardrock patents in California Desert area to proceed, and to return 1/3 of hardrock royalties (rather than 1/4) to States. Passed 22

-12.

10. Transportation--Instructions require savings of $715 million in direct spending over 7 years. Budget committee assumed this would be achieved from the following fees -- $357 m (rail safety); $196 m (vessel tonnage); $84 m (FEMA radiation); $78 m (corp of engineer permit fees.
Committee Chairman Schuster has cut a deal to address the trust fund off

-budget issue in separate legislation after reconciliation is completed. Ranking Member Mineta has announced his retirement, effective October 10.
According to House Budget Committee staff, there is a possibility that this committee may include revenues from the sale of Amtrack in its reconciliation bill instead of rail safety fees.
The committee marked up the Commerce Department Dismantlement bill on Sept. 14. and plans to go to mark up on the other reconciliation matters Sept. 20, but that is also the day that the NHS bill is scheduled to be on the floor, so staff said it will probably push reconciliation to Sept. 21 or the following

week.

11. Veterans--Instructions require savings of $6.392 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following -- $2.602 b from extending current law provisions; $2.283 from veterans comp; $1.067 from prescription drug co

-payments (assumes that prescription co

-payments are increased to $5 in 1996 and 1997 and $8 in 1999 and beyond, for a 7

-year savings of $1.1 billion); and $440 million from half COLA for GI bill.
According to House staff, action in this committee is expected to be bipartisan and not extremely controversial.
*Mark up scheduled for Sept. 28 or 29.

12. Ways & Means-

-Instructions require savings of $341.564 billion in direct spending over 7 years. Budget committee assumed this would be achieved as follows -- $270 b from Medicare (shared with Commerce Comm); $58 b from welfare reform; $6.6 billion from AFDC JOBs; $3 billion from foster care; $525 million from drug treatment; $1.9 billion from TAA; $1.6 billion from requiring a state match for Title XX social services block grants; $657 million from unemployment insurance; and $88 million from veterans medical care.
The Committee is also instructed to make changes in tax laws which reflect tax cuts of no more than $50 b in FY 2002 and $245 b over 1996

-2002. Committee is unlikely to open up the House

-passed tax bill (which cost $354 billion). Rules committee is likely to adopt a rule incorporating the tax bill, with some provisions to shave it down. According to Committee staff, both taxes and welfare are not going to be revisited.
Some Democrats on the committee, including Mr. Stark (D

-CA) and Mr Cardin (D

-MD) are considering an alternative Medicare piece.
According to press reports, Mr Cardin has said the plan will not be released until after the Republicans release their proposal and will be based on the Coalition budget resolution. However, there is still no consensus among the Democrats that offering an alternative in committee is the best strategic approach. Staff

is concerned that offering anything will confuse the message they want to send on how bad the Republican proposal is. This type of thinking could lead one to conclude that a floor amendment or piecing together a substitute would be a better approach.
It was reported Friday in Congress Daily that Committee Republicans are to begin floating a draft plan that would cut $2 billion from the Trade Adjustment Assistance program to pay for extension of the Generalized System of Preferences and increasing the Caribbean Basin Initiative. Committee Dems, lead by

Kennelley (D

-MA) are considering offering an amendment. Markup is scheduled for Sept. 18. A letter was sent to full committee Chairman Archer from 53 members from both sides of the isle opposing expansion of the Caribbean Basin Initiative in the reconciliation bill. The members are concerned about the loss of U.S. jobs.
The decision was made to not mark up a "members' tax provisions" or miscellaneous revenue items in the reconciliation bill. If such a bill is put together, Chairman Archer would move it on a separate track. Tax provisions that will be included in the reconciliation bill will be considered next week (expiring provisions, select tax simplification items, a medical savings account proposal and "appropriate corporate and other revenue offsets." A walk through on these measures is scheduled for Sept. 18, a markup will follow and continue, probably through Sept. 20. Chairman Archer has said he hopes to report the provisions other than health to the Budget Committee by Sept. 22.
EITC is slated to begin being marked next week. Democrats are opposed and are reportedly developing a number of amendments. $20 billion will be cut. One would strike the language which eliminates the EITC for couples without children and in its place phase out the per

-child tax credit for high income families.
$1.6 billion will be from compliance proposals. The Republicans are floating a draft plan that would save $23 billion. It restricts eligibility by cutting low

-income workers without
children and raising the income eligibility for those with children (accounts for about $4 billion of the $20 billion saved). This will put 3 million families and about 3.6 million without children out of the EITC program. It would also count social security and pension benefits toward eligibility. The House had earlier been planning to cut about $11 billion and the Senate had wanted a $20 billion cut.
Chairman Archer reportedly announced he will extend five tax credits: research and experimentation, a more targeted jobs, employer

-provided educational assistance, orphan drug,
contribution of appreciated stock to private foundations. He

also plans to extend indefinitely the federal unemployment tax exemption for alien agricultural workers and delay the aviation fuel tax increase until the end of Sept. 1997. These extension reportedly will cost about $7 billion. He also has plans to close the following "loopholes:" gambling income by Indian tribes, punitive damage award, tax credits for wind energy and certain biomass facilities. He also plans to privatize Nellie Mae. These measures are claimed to bring in about $30 billion. $14 billion of this may be dedicated to medical education.
*Reliable sources say Archer is opposed to putting the extension

of the Superfund tax on the reconciliation bill.
The Committee is also instructed to report provisions to increase the debt ceiling to $5.5 trillion. However, the statement of managers states that "the conferees intend that the debt limit be enacted as separate legislation and not as part of reconciliation....However, if debt limit legislation has not been enacted this instruction would authorize the committees of jurisdiction to include the debt limit in the reconciliation bill."
According to sources, a lot of Democrats do not want to vote to raise the debt limit because by doing so they create a vehicle for the Republicans to vote against it (and potentially causing us angst). They would prefer for it to be the Republicans' problem. Treasury Secretary Rubin met with members of the Ways and Means committee last Friday.
Ways and Means full committee marked up HR 1756 to dismantle the Department of Commerce and to make technical corrections to miscellaneous trade proposals and the GSP program on Wednesday September 13 at 11:00 am.
-Commerce Department Dismantlement Passed version of HR 1756 on party line vote of 22

-15. (According to staff CBO does not have cost estimates pulled together on any of the Commerce dismantlement proposals.) An amendment offered by Rep. Johnson (R

-CT) passed which requires a study on all trade promotion programs within 180 days of the bill's passage. Rep. Johnson also offered an amendment to make the USTR a cabinet level agency, but it was withdrawn after being ruled out of order.

-Miscellaneous trade proposals and the GSP
On September 13, OMB Director Rivlin wrote to Chairman Archer expressing the Administration's opposition to broadening Section 420 of the tax code to allow companies to take funds from pension plans to pay for health benefits of workers.
Tax markup Sept. 19:
(excerpted from BNA accounts) The House Ways and Means Committee Sept. 19 adopted along straight party lines an Archer substitute package of tax code changes that would cut the EITC, extend certain tax breaks, trim others, and institute a series of tax simplification proposals.

Allowing corporations to withdraw excess pension assets -- During consideration of the bill, the panel endorsed along party lines a proposal to expand the ability of corporations to withdraw excess pension assets and use those funds for other

investments [a provision objected to in last week's Rivlin letter]. The proposal in the chairman's mark to allow corporations to withdraw excess pension assets was sharply criticized by panel Democrats, who warned that it could significantly undermine the security of the private pension system. An amendment that would have stricken the controversial expansion of corporate pension reversions from the chairman's mark was rejected, falling by a 20

-16 vote. Only Rep. John Ensign
(R

-Nev) voted with all 15 committee Democrats to strike.

Under the proposed pension asset change, corporations would have the ability to withdraw excess pension assets for any purpose and pay an income tax on those assets. The provision would require that the value of the remaining assets be at least the greater of the plan's accrued liability or 125 percent of current liability.

"If a mistake is made, it will be the U.S. taxpayer that holds the bag" because the Pension Benefit Guaranty Corporation stands behind all these pension funds, Samuels warned. "This is how we got into the S & L crisis," he said. Kenneth J. Kies, chief of staff of the Joint Committee on Taxation, defended the threshold in the proposal as sufficient and adequate to protect the integrity of private pensions.

Rep. Robert Matsui (D

-Calif) agreed with Samuels' concerns that making such changes could create a huge run on pension programs, unlike the limited use provisions that were adopted in GATT. "This potentially is the most onerous provision of this entire bill," Matsui remarked.

Rep. Sander Levin (D

-Mich) grounded his concerns in potential underfunding of plans because of the valuation date established in the proposal -- a concern Archer responded to with his modification. According to Levin, using a valuation date of Jan. 1, 1995, should the reversion take place in 1998, for example, could mask the fact that the value of the assets at the time of reversion are substantially less than they were at the time of the 1995 valuation.

According to Samuels, PBGC numbers estimate that an interest rate drop of 200 basis points could cause a plan to fall below the 125

percent funding cushion and become an underfunded plan.
EITC (the second largest area of concern to committee Dems) A proposal by Rep. Barbara Kennelly (D

-Conn) to restore the EITC
for individuals without children, repeal the modifications to the credit phaseout and to adjusted gross income was defeated by a vote of 22 to 14.
The chairman's proposed changes to the earned income tax credit

would generate $5.4 billion in additional revenues and $17.8 billion in reduced outlay (for total program cuts of about $23 billion). Because the EITC is a refundable tax credit, the portion that offsets tax liability is scored as a revenue item and the refundable portion of the credit is scored as an outlay item.

The bulk of the savings would be achieved by modifying the definition of adjusted gross income used for phasing out the credit to include Social Security benefits and non

-taxable
distributions from pension annuities, and by increasing the phase

-out rates.

The remaining funds would be generated by denying EITC benefits to childless workers -- a provision that was instituted as part of the expansions to the program enacted in the Omnibus Budget Reconciliation Act of 1993 -- and by denying EITC benefits to applicants without valid Social Security numbers, a proposal that was contained in the Clinton administration's fiscal 1996 budget proposal.
Another amendment offered by Rep. Benjamin Cardin (D

-Md) to
change the EITC's phaseout rates was also defeated on a party line vote of 22 to 14. The committee also defeated an amendment offered by Rep. Sander Levin (D

-Mich) that would have struck a
provision from Archer's mark that proposes to include social security benefits and other retirement income as income for purposes of calculating the phaseout of the EITC. The amendment was defeated by a vote of 22 to 15.

Sec. 936 -- The administration has concluded, Samuels said, that the way the chairman proposes phase

-out would not encourage
corporations to continue economic activity in Puerto Rico. Further, Samuels said, if the committee decides to repeal Section 936, then it should address the consequences of unemployment that

would result in Puerto Rico.

Moreover, he added, the changes proposed to controlled foreign corporations elsewhere in the mark, specifically with regard to the repeal of Section 956A, would make it more attractive for firms to move out of Puerto Rico, taking the economic activity with them.
MSA Proposals. The committee endorsed the chairman's proposed medical savings account, rejecting an amendment offered by Rep. Pete Stark (D

-Calif) that would strike the MSA proposals and replace them with an increase in the deduction for health insurance costs of self

-employed individuals.

Stark estimated the $1.8 billion cost of establishing MSAs would

fund an increase in the current 30 percent deduction to 50 percent. The Stark amendment was opposed not only by Republicans, who consistently have supported the MSA approach, but by Cardin and Rep. Andy Jacobs (D

-Ind), another longtime advocate of MSAs.

Cardin called the MSA a "useful tool" in getting the consumer more involved in the decisions of health care expenses. It also would help the problem of the uninsured, Cardin said, by offering another vehicle to assist in insurance purchase.

Rep. Jim McDermott (D

-Wash), in contrast, cautioned that a shift to MSAs would work only if there was universal coverage throughout the system. Without universal coverage, he said, only the healthy would take advantage of these accounts. The result, McDermott said, would be to put increased cost pressure on covering other populations in the system.

Generally, contributions made by an individual would be deductible and if made by an employer would be excludable from an employee's gross income. Maximum limits would be imposed on the annual deductible contribution per individual of the lesser of the deductible for a catastrophic health plan or $2500 if the plan only covers the individual ($5000 if it also covers the spouse and/or dependents).

Income earned by the account would be includable in income, but withdrawals would be taxed only if the funds were used for non

-medical expenses. Withdrawals used for medical expenses would be excludable from income.

According to Samuels, the administration has problems with the potential audits needed and the administrative complexity of the MSA proposal. "We think this will introduce substantial complexity," he said, especially as it relates to keeping track of the MSAs. Treasury is trying to "mock up some forms" to illustrate the reporting requirements taxpayers will have to comply with, Samuels said.

It will be difficult for the Internal Revenue Service to audit compliance with the conditions of MSAs, he said, because the Service has no way of knowing whether the person setting up such an account has catastrophic coverage, or that the expenses are being withdrawn for qualified medical expenses.
UMWA Benefit Funds. A surprise amendment offered late yesterday was accepted as part of W&M reconciliation. Rep. Mel Hancock's (R

-MO) amendment would repeal the "reach

-back" provision of the
1992 Coal Act. (W&M was forced to accept the 1992 language; the unhappiness was bipartisan.) The amendment would benefit certain

companies -- some no longer mining coal -- that pay for health benefits for retired union coal miners and their dependents.
Last June, testifying before W & M, Treasury opposed a rather different free

-standing bill as possibly threatening retiree health benefits.

Other committee actions --
o Adopted an amendment allowing IRS to pay for the awards it makes for information leading to prosecution of tax law violations to be paid out of the proceeds of any recovered proceeds rather than out of the IRS operating budget. Rep. Barbara Kennelly (D

-Conn) proposed an amendment that would allow
IRS to pay the award under Section 7623 out of the amounts recovered, which was accepted by the chairman.

o Reps. Charles Rangel (D

-NY) and Kennelly proposed to strike
the sunset of the low income housing tax credit, which was rejected 22

-15 on a straight party line vote.

o Cardin offered an amendment, agreed to by voice vote, to clarify that the exclusion from gross income of damages on account of personal injury and sickness would extend to damages received based on a claim of emotional distress that is attributable to physical injury or sickness.

o Rep. Harold Ford (D

-Tenn) proposed to restore the tax credit for contributions to community development corporations, which the mark proposed to repeal. Archer said he was concerned the credit "tilted the playing field" for CDCs relative to other charitable organizations. The committee did not agree with Ford, and the amendment fell on a 21

-15 vote.

o Kleczka offered an amendment to strike the provisions that would tax as unrelated business income the income earned by Indian tribes from gaming activities. The committee rejected the amendment, 26

-10, preserving the imposition of the tax on this gaming income.
*Committee is scheduled to markup TAA and fast track (which will move as separate legislation Thurs. Sept. 21 at 2:00 pm.
Technical details of the Medicare plan were possibly going to be available this evening, but minority staff was dubious that they would actually see them. This has caused the Medicare all day hearing to be rescheduled until Friday. Ranking member Gibbons will not be in attendance due to a schedule conflict.

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CC: Donald L. Fowler (FOWLER_D) (WHO)
READ:NOT READ

CC: James T. Heimbach (HEIMBACH_J) (WHO)
READ:28-SEP-1995 08:46:30.07

CC: Janet Murguia (MURGUIA_J) (WHO)
READ:NOT READ

CC: Lucia A. Wyman (WYMAN_L) (WHO)
READ: 4-OCT-1995 13:59:35.15

CC: Francis S. Redburn (REDBURN_F) (OMB)
READ:28-SEP-1995 08:57:03.13

CC: Harry G. Meyers (MEYERS_H) (OMB)
READ:28-SEP-1995 09:06:05.29

CC: David J. Haun (HAUN_D) (OMB)
READ:28-SEP-1995 09:51:33.19

CC: Richard J. Turman (TURMAN_R) (OMB)
READ:28-SEP-1995 12:54:15.04

CC: Mark E. Miller (MILLER_ME) (OMB)
READ:28-SEP-1995 08:31:51.67

CC: Toni S. Hustead (HUSTEAD_T) (OMB)
READ:28-SEP-1995 09:22:38.62

CC: Keith J. Fontenot (FONTENOT_K) (OMB)
READ:28-SEP-1995 08:59:31.70

CC: Larry R. Matlack (MATLACK_L) (OMB)
READ:28-SEP-1995 08:21:48.12

CC: Rodney G. Bent (BENT_R) (OMB)
READ:28-SEP-1995 14:48:09.79

CC: Bruce K. Sasser (SASSER_B) (OMB)
READ:28-SEP-1995 11:12:45.51

CC: Bryan R. Smith (SMITH_BR) (OMB)
READ:28-SEP-1995 19:04:10.12

CC: Robert S. Dotson (DOTSON_R) (OMB)
READ:28-SEP-1995 14:39:44.84

CC: John T. Schuhart (SCHUHART_J) (OMB)
READ:28-SEP-1995 11:11:05.01

CC: Gary L. Bennethum (BENNETHUM_G) (OMB)
READ:28-SEP-1995 10:04:20.79

CC: Jack D. Fellows (FELLOWS_J) (OMB)
READ:28-SEP-1995 09:13:22.58

CC: Robert S. Fairweather (FAIRWEATHE_R) (OMB)
READ:28-SEP-1995 10:04:27.44

CC: Bruce D. Beard (BEARD_B) (OMB)
READ:28-SEP-1995 07:33:35.88

CC: James B. Kazel (KAZEL_J) (OMB)
READ:28-SEP-1995 08:50:37.52

CC: Mark A. Weatherly (WEATHERLY_M) (OMB)
READ:27-SEP-1995 23:27:55.34

CC: Robert J. Nassif (NASSIF_R) (OMB)
READ:28-SEP-1995 08:54:39.65

CC: Melinda D. Haskins (HASKINS_M) (OMB)
READ:28-SEP-1995 09:11:52.34

CC: Lauren Haber (HABER_L) (OMB)
READ:28-SEP-1995 16:17:46.23

TEXT:
\d

PRINTER FONT 12_POINT_ROMAN
TO: ALICE RIVLIN
cc-

-Lew, Griffin, Tyson, Angell, Foley, OMB/2d Floor,
DADs, Branch Chiefs, LRD, Gibbons, Cabinet Affairs, CEQ
FROM: CHUCK KONIGSBERG
SUBJECT: BUDGET RECONCILIATION - DAILY HIGHLIGHTS
PRINTER FONT 12_POINT_COURIER
****
RMOs -- Thanks very much for your daily summaries of
reconciliation mark

-ups; they have been invaluable in compiling
the daily report.
****

PRINTER FONT 14_POINT_HELVETICA
Markups scheduled for Thursday:
PRINTER FONT 12_POINT_COURIER
Senate Finance Committee (spending), SH

-216 (possibly 2pm)
Senate Commerce Committee, 9:30am, SR

-253
House Economic and Educational Opportunities, 10am 2175 Rayburn
House Transportation, 2pm 2167 Rayburn
House Veterans Affairs, 9:30am 334 Cannon

PRINTER FONT 14_POINT_HELVETICA
Markups scheduled for Friday:
PRINTER FONT 12_POINT_COURIER
Senate Finance Committee (spending) ??
House Commerce Committee (tentative 10am) 2123 Rayburn
House Ways & Means (tentative 10am) 10am 1100 Longworth

PRINTER FONT 14_POINT_HELVETICA
Reconciliation Action on Wednesday (based on reports from RMOs):
PRINTER FONT 12_POINT_COURIER

Senate Finance Committee markup on Medicare, Medicaid, and EITC was delayed from Wed. morning until Wednesday evening when Sen. Wellstone invoked a rarely

-enforced Senate rule which technically does not permit Senate committees to meet while the Senate is in session.

During tonight's committee meeting, the Finance Committee defeated 9

-11 (on party lines) the Moynihan/Rockefeller amendment to limit the Medicare cuts to $89 billion in savings from Part A (instead of the $270 billion in cuts to Medicare A and Medicare B in the Republican plan). Committee Democrats highlighted that the Part B savings go towards general deficit reduction and therefore to offset the tax cut. Dole, Chafee and other Republicans emphasized the inequity of low

-wage taxpayers subsidizing the Part B benefits of wealthy retirees.

Chairman Roth said tonight that about 125 amendments have

been filed in committee. However, he will dispense with a large number of the amendments by ruling them either non

-germane or not paid for.

Agriculture (report from Ag. Branch) -- House Agriculture Chairman Roberts announced the Committee was unable to vote out a bill. (In this situation, the House Rules Committee -- in consultation with the Gingrich, Roberts and Kasich -- will likely include agriculture provisions in the rule on the Reconciliation bill. Passage by the House of such a rule would incorporate the agriculture provisions in the Reconciliation bill. Agriculture branch reports that the Rules Committee is likely to include Roberts' "Freedom to Farm" bill.

At the Senate Agriculture Committee today, Chairman Lugar's mark was defeated on a 10

-10 vote. The committee reconvenes at 9am Thursday. Sen. Santorum (PA) was the lone Republican voting against the bill; his concern is that the sugar and peanut programs did not contribute enough toward deficit reduction.

Also, at the Senate Agriculture Committee today, the Democratic alternative (Daschle/Kerrey) was voted down 8

-10 along party lines
(it would have saved $4.2 billion over 7 years -- same as proposed by the Administration -- and provided greater proportional benefit to family

-sized farms through a "two

-tier" loan assistance
method).

Other Legislative Items:
Item veto conferees met today. Clinger, who was voted chairman of the conference, asked staff to submit proposals to the conferees by the end of October. He's evidently in no hurry to conclude action on item veto.

PRINTER FONT 14_POINT_HELVETICA
Senate mark

-up schedule: (subject to change -
recommend double-
checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on Senate committee action on Reconciliation, contact Chuck Konigsberg at OMB/LA.

Sept. 18: Armed Services completed action

Sept. 19: Environment & Public Works completed action
Sept. 20: Energy & Natural Resources (began marking up)
Veterans completed action
Banking completed action
Sept. 21: Judiciary completed action
Energy & Natural Resources completed action

Sept. 22: Labor completed action
Govt. Affairs completed action

Sept. 25: Rosh Hashanah
Sept. 26: Finance Committee markup (spending) 9am, SH

-216
Labor Committee completed action
Sept. 27: Finance Committee markup (spending) 9am, SH

-216
Agriculture Committee, 9am, SR

-332

Sept. 28: Finance Committee markup (spending) 2pm, SH

-216
Commerce Committee, 9:30am, SR

-253
Sept. 29: Finance Committee??
Week of
Oct. 2: [CBO scores the Senate's Reconciliation spending savings; if balance is achieved by 2002, the Finance Committee will go ahead with a tax markup to cut taxes up to $245 billion]
Oct. 10: Finance Committee tax markup (tentative)
Oct. 11: Finance Committee tax markup (tentative)
Oct. 13: Budget Committee packages reconciliation bill
[Budget Comm. NOT permitted to make any changes; if any committee has failed to meet its instructions, this can only be remedied on the Senate Floor]

PRINTER FONT 14_POINT_HELVETICA
House mark

-up schedule: (subject to change -
recommend double-
checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on House committee action on Reconciliation, contact Lisa Kountoupes at OMB/LA, 5

-4790.

Tues. Sept. 12: Judiciary marked up

Wed. Sept. 13: Commerce marked up (NRC,NPR,WIPP,Spectrum,FCC,USEC)
Resources marked up (Commerce Department Dismantlement)
Ways & Means marked up (Commerce Dismantlement and trade provisions)

Thurs. Sept. 14: Commerce opening statements (Commerce Dismantlement)
Science marked up (Commerce Dismantlement)
Transportation marked up (Commerce Dismantlement)

Fri. Sept. 15:
Mon. Sept. 18: Ways and Means (tax walk through)
Tues. Sept. 19: Banking 2128 Rayburn marked up
Commerce (Marked up Commerce Dismantlement)
Resources completed markup
Ways and Means (tax markup completed)
Wed. Sept. 20: Agriculture 9:30 am 1300 Longworth (finished

without reporting a
bill)
Commerce (began Medicaid)
National Security
(revisited the military
retirement proposal)

Thurs. Sept. 21: Commerce (Medicaid markup)
Government Reform (reported own
recommendations on
Commerce Department
Dismantlement; did not report federal
employee provisions)

International Relations
Ways and Means (TAA and fast track)
Fri. Sept. 22: Commerce (Medicaid)
Ways and Means (all day
health hearing)

Mon. Sept. 25: Rosh Hashanah
Tues. Sept. 26: Rosh Hashanah

Wed. Sept. 27: International Relations marked up

Thurs. Sept. 28: Economic & Educational Opportunities,
10am 2175 Rayburn
Transportation, 2pm 2167
Rayburn Veterans
Affairs, 9:30am 334 Cannon
Fri. Sept. 29: Commerce (tentative Medicare) 10am,
2123 Rayburn
Ways and Means (tentative
Medicare) 10am, 1100
Longworth
October 10: Budget Committee to package
reconciliation language,
but only if mark

-up of Medicare is complete
October 17: Rules Committee - Tentative markup
of a rule for
Floor action which will also include
provisions to incorporate into
reconciliation: the tax bill passed earlier
this year; agriculture cuts; House

-passed
welfare provisions; federal employee
provisions; and commerce department
dismantling provisions

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PRINTER FONT 14_POINT_HELVETICA
OVERVIEW OF COMMITTEE RECONCILIATION ACTION
[Based on reports provided by RMOs]

Senate: For questions on Senate committee action on Reconciliation, contact Chuck Konigsberg at OMB/LA.

PRINTER FONT 12_POINT_COURIER
*(Sept. 22 reporting deadline for spending cuts, but Dole has not told committees they have until the 29th. The tax instruction to Finance Committee is contingent on CBO certifying that the spending cuts achieve balance in 2002 (and in 2002

-05). Upon
certification, Finance must report tax cuts within 5 days.
Note-

-the Reconciliation instructions for Senate committees require specified cuts for each of three budget periods: FY96, FY96

-2000, and FY 96

-2002. However, for brevity, the following summaries reflect only the 7

-year totals. Note that Budget Committee assumptions are NON

-binding.

[*NOTE-

-CHANGES FROM PREVIOUS DAY INDICATED BY ASTERISK.]

PRINTER FONT 14_POINT_HELVETICA
1. Agriculture-

-Lugar has postponed his markup until Sept. 27 due to trouble pulling the necessary votes together. Lugar is considering larger farm cuts than envisioned by the budget resolution in order to reduce the amount of cuts the committee will take from food stamps and other nutrition programs.
PRINTER FONT 12_POINT_COURIER
The Rep./Dem. split is 10

-8, so Lugar cannot afford to lose any
Republican votes. Dem. contacts: Pat Westhoff, 224

-8240; Jim
Cubie, 224

-6901; fax-

-224

-8240.
Instructions require
savings of $48.402 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following -- $35 b from welfare reform (food stamps) and $13 b from agriculture commodity programs. Lugar reportedly may seek as much as $18 billion in farm cuts. The Budget Resolution includes a
NON

-binding sense of Senate that "no more than 20 percent of the savings be achieved in commodity programs."

PRINTER FONT 14_POINT_HELVETICA
2. Armed Services-

-Monday, 9/18, at a closed meeting, the committee voted to sell the naval petroleum reserve at Elk Hills and the oil shale reserves in Colorado and Wyoming (as budget committee had assumed); and in lieu of military retirement reforms, voted to sell additional assets from the national

defense stockpile (to make up the $649 million). The Democratic side voted against the NPR provision.
Min. contact: Mike McCord - 224

-9353.

3. Banking-

-Committee marked up 9/20, adopting housing provisions which --
PRINTER FONT 12_POINT_COURIER
1) reduce the Annual Adjustment Factor (AAF) in HUD's rental payments in a slightly different fashion than the House. Senate provision much more favorable to owners of project

-based
housing than comparable House version.
o Housing
Certificates. Senate reduces the rent inflation for housing certificates by 1.0 percentage point if the tenant stayed in the unit for a year -- no turnover. (The House adopted this provision for all Section 8 rents; Senate covers about one

-third of the

Section 8 rents.)
o Other Section 8
units. Senate provides for the full inflation except for
high

-cost units. In cases where the rents already exceed HUD's
rental standards, a "diet COLA" rent inflation would be imposed
that was based on the increase in operating costs in the market
area. However, the high

-cost units would receive the full
inflation if the owner demonstrates similar high

-cost rents in the
market area.
2) adopt new preference standards for allocation of scarce Section
8 rental subsidies.
After meeting the low

-income standard, the Senate requires 50
percent of new occupancies to be working families (includes single
adults). Abolishes the old preference targeted to the most needy,
i.e., paying more than 50 percent of family income in rent, or
occupying substandard housing including homeless, or involuntarily
displaced.
The committee also adopted the following banking

-related
provisions were adopted:

- BIF/SAIF: The main
elements of the Administration's proposal were adopted. The bill
provides for a special assessment on SAIF

-insured institutions to
capitalize the SAIF, sharing of FICO payments between BIF and SAIF
members, and a merger of BIF and SAIF on January 1, 1998. The
bill also mandates that if, before the merger of the funds, the
reserve ratio of SAIF exceeds the designated reserve ratio, the
excess amount will be placed in a special reserve to be used only
in emergencies. The special reserve would be excluded from the
reserve ratio calculation. In addition, the bill includes a
special provision for Oakar banks (BIF members that have
SAIF

-insured deposits), which would receive a 5

-percent discount
on their special assessment if their attributable Oakar deposits

are less than 50

-percent of their total deposits. (The Committee
estimates net savings of $900 million over 7 years, however CBO

may score lower savings due to the new Oakar provision).
- Charter conversion:
All State and Federal savings associations must convert to a State or Federal bank as a condition for the merger of the deposit insurance funds. (by Jan. 1, 1998).
- Treasury Study: The
Department of Treasury must conduct a study on privatizing Federal deposit insurance.
Instructions require savings of $2.391 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$2.181 b from flood insurance premiums and $210 million from FHA multifamily property disposition. Also, the joint statement of managers on the budget resolution states "the conferees...direct the Congressional Budget Office to not score any savings for any new legislation that might affect the Federal Reserve's transfer of the surplus capital account to the Treasury." Min. contact: Steve Harris, Dem. staff Director, 224

-1573.

PRINTER FONT 14_POINT_HELVETICA
4. Commerce-

-Instructions require savings of $15.036 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following--$14 b from FCC spectrum auction; $357 m from extending rail safety fees; $196 million from extending vessel tonnage fees; and 483 million from FCC fees. The conferees on the budget resolution assume the elimination of the Dept. of Commerce; the House is expected to include this in their recon. bill. However, much of this language would violate the Senate's Byrd rule because it doesn't score as direct spending savings, and can be expected to drop out during conference. (Reason: A single Byrd Rule violation in a conference report, would render the entire conference agreement an "amendment between the houses" requiring a further vote in the House and the possibility of further amendments). Min. contact: Kevin Curtin, 224

-0427.
PRINTER FONT 12_POINT_COURIER
Pressler has reportedly endorsed a new plan by broadcasters to fund their programs with money raised from spectrum auction -- specifically by plowing $4 billion of the auction proceeds into a new public broadcasting trust fund.

PRINTER FONT 14_POINT_HELVETICA
5. Energy & Natural Resources-

-Energy Committee

marked up its Reconciliation package on 9/20 and
9/21. Instructions require savings of $4.001 billion
in direct spending over 7

years.
PRINTER FONT 12_POINT_COURIER
The final vote on the bill was 13 - 7, with Senators Ford (D

-KY)
and Heflin (D

-AL) voting with the majority.
OVERVIEW -- Senate
Energy Committee completed its markup on a $4 billion package. Largest items are -- opening ANWR (letter sent to Hill today saying President "will veto" if ANWR is opened to oil and gas drilling); privatizing the uranium enrichment corporation (which we support); and selling a portion of strategic petroleum reserve oil. Other items include -- increase in park fees with 80% of the new fees returning to the parks from which they were generated; imposing a minimal royalty on hardrock mining (which we view as insufficient); sale of DOI land (Ward Valley) to the State of California for a low

-level radioactive waste site (CEQ opposes
this); terminating the Federal helium program; and incentives for oil and gas production on the outer continental shelf.
Senator Johnston (D

-LA) offered an amendment to drop grazing,
mining patents and royalties, communication site fees, and the DOI aircraft provisions from the bill. He stated that the President would definitely veto the bill with both ANWR and hardrock mining provisions in the bill, and it would embarrass the mining interests. The amendment failed 8 - 9. Senator Johnston also offered an amendment to strike the hardrock mining provisions from the bill. The amendment failed 8 - 10.
DEFEATED PROVISIONS -
Dropped the USGS mapping provision that would have transferred mapping activities to the private sector; dropped the ski area provision that would have sold Forest Service ski areas to the private sector; dropped increased grazing fees from the bill; defeated 7

-13 a Bumpers amendment to charge fair market value for communication sites on Forest Service and BLM land; defeated 6

-14
a Bradley amendment to strike the communication sites fees provision from the bill.
OTHER VOTES
The DOI aircraft provision requiring DOI to contract out all aircraft services was amended to exclude firefighting planes. Despite an earlier statement to the contrary, Senator Murkowski

did NOT offer any Tongass amendments.
Energy Comm. Minority staff contacts: Ben Cooper, 224

-5360; Tom
Williams (ANWR); David Brooks (Nat'l Parks); Sam Fowler (USEC); Shirley Neff (Oil & Gas); David Applegate (Helium); Cliff Sicora (PMAs).

PRINTER FONT 14_POINT_HELVETICA
6. Environment & PW-

-The Senate Environment and Public Works committee passed its piece of Reconciliation on 9/19, slightly exceeding its target of $2.250 billion in savings. Since committee Dems lacked the votes to defeat the package, they let it pass by voice vote. The package contains 4 items: (1) a relatively non

-controversial
extension of NRC user fee to 2005 ($1308 million);
(2) a non

-controversial extension to 2005 of the FEMA radiological emergency preparedness fee which is charged to commercial power plants ($84 million); (3) a budgetary gimmick which uses a baseline error to show $512 million in savings from a "cap" on the highway program's minimum allocation requirement; and (4) a cut in total highway demos by 15 percent producing $407 million in savings (this will be controversial; House is unlikely to go along with it). In adopting this package, the committee rejected the Budget Committee's assumed savings from employee parking (which Warner objects to); and Corps of Engineers wetland fees (the committee did not want to charge businesses for the costs of being regulated).
PRINTER FONT 12_POINT_COURIER
Contact: Tom Sliter, 224

-8832.

PRINTER FONT 14_POINT_HELVETICA
7. Finance-

-Minority contacts: Joe Gale, David Podoff, 224

-5315.
PRINTER FONT 12_POINT_COURIER
Senate Finance

Committee -- which handles most of the spending cuts in the Senate -- last Friday released its chairman's proposal. In addition to cutting Medicare and Medicaid, the plan would also slash EITC by about $40 billion (twice as deep as the House and wiping out much of our 1993 expansion). Procedurally, Finance Committee must reach its bottom line spending cut target, before it can take up the $245 billion tax cut. Because the Finance Committee is short on savings, they are making up the difference with EITC cuts much deeper than the House. Therefore, in effect, Finance is going after more EITC cuts, in order to be able to cut taxes for more affluent Americans.

Mark

-up began on
9/26: Statements largely staked out the partisan differences in how and how much you change the three main programs addressed in the mark: Medicare, Medicaid and the EITC. Baucus and Rockefeller emphasized that only $90 billion is needed to fix the Part A trust fund problem. Pryor was concerned about reducing nursing home regulations; Chafee commended the Medicare package, but indicated that he would offer amendments to the Medicaid proposal to address his concerns about the lack of access to care for pregnant women and children. Grassley focused mostly on protecting rural hospitals. He is concerned that the look

-back
mechanism hits rural hospitals particularly hard. He reserved comments on the Medicaid proposal because he hadn't time to review the formula. Senator Moynihan focused on revising the CPI.

Medicare
Walk

-Through. The Senate Finance Committee staff described the mark. No significant changes were presented and CBO scoring was shared. Over 7 years, the mark outlines slightly more than $86.8 billion in Part A cuts; slightly more than $55.7 in Part B provider cuts; $71.2 in beneficiary cuts; $47.5 billion in managed care savings. Staff announced that CBO has determined that this package would extend the insovlency date to 2009 off the Trustees' baseline.

In questioning,
Senate staff acknowledged that the MSA option was scored as a cost by CBO. Democratic Senators were concerned that only healthy beneficiaries would choose the MSA option, leaving Medicare fee

-for

-service to care for the sickest. Democratic Senators also focused on the fact that beneficiaries would have to pay more for a managed care plan in the future if Medicare's payment to HMOs was capped too low. Senator Grassley was concerned that rural hospitals be adequately reimbursed and beneficiaries be adequately informed about economic credentialling and other practices of HMOs.

Medicaid. The Senate Finance Committee completed a walk

-through of their Medicaid reform package on Tuesday. The Senate mark, very similar to the House Commerce bill, would repeal the individual entitlement to Medicaid, and remove Federal minimum standards for eligibility, benefits, quality, provider payments, and delivery systems.

The budget resolution caps national federal spending for Medicaid at 7.2% in FY 1996, 6.75% in FY 1997, and 4% in FY 1998

-2002. However, the Senate has not yet agreed on a distribution formula to the states. The Senate bill would allow states' funding caps to increase after FY 1997 by at least a minimum percentage and no more than 133% of the national growth rate. The minimum percentage has not yet been defined.

The Senate mark uses FY 1995 as a base year. The mark would exclude DSH from the baseline, but retain DSH as a federal program and limit federal DSH funding to $5 billion a year. In addition, States with Section 1115 waivers approved as of 9/1/95 would be allowed to grow at growth rates set in the waivers and not the growth rates set by the Chairman's mark.

The joint statement of managers on the budget resolution, with reference to Medicaid states: "This level is compatible with Medicaid growth of 7.2 percent in 1996, 6.8 percent in 1997, and 4 percent each year thereafter, or with higher growth rates of benefits and administration if disproportionate share hospital payments are frozen at 1995 levels. The conference agreement assumes that the present aggregate ratio of Federal to state funding (57 percent Federal, 43 percent State) would continue."

Taxes. If CBO certifies that budgetary balance has been achieved in 2002, and Budget Comm. determines that balance would be achieved over the period 2002

-2005, then Finance Committee is to report tax cuts of up to $245 billion over 7 years. (However, House Republicans and some Senate Republicans claim the understanding was that Finance MUST report a tax cut of $245 billion -- no less; Packwood believed he had the discretion to report a cut smaller than $245 billion, though Roth will likely want the whole $245b). The tax legislation is to "provide family tax relief and incentives to stimulate savings, investment, job creation, and economic growth." As an indication of what the Finance Committee

might include in their reconciliation tax title, Senators Dole, Nickles, and Gramm on 8/9 introduced a child tax credit bill which has no cap on eligibility (although higher income families would receive a smaller credit).

Debt Ceiling.

Finance is also to report an increase in the debt ceiling to $5.5 trillion. However, the statement of managers states that "the conferees intend that the debt limit be enacted as separate legislation and not as part of reconciliation....However, if debt limit legislation has not been enacted this instruction would authorize the committees of jurisdiction to include the debt limit in the reconciliation bill."

Politics. With an

11

-9 split, the Republicans need every vote to report out a Reconciliation package. Chafee has indicated concerns about Medicaid block grants, but he is NOT expected to break ranks when the time comes to report the reconciliation package.

PRINTER FONT 14_POINT_HELVETICA

8. Govt Affairs--Committee marked up on 9/22. Instructions require deficit reduction of $9.844 billion over 7 years. Len Weiss, Jane McFarland,

224

-2627.

PRINTER FONT 12_POINT_COURIER

Senate Governmental

Affairs Committee (Chairman Stevens) adopted a $10 billion reconciliation package including --

delaying federal retiree COLAs from January to April (costing the average retiree about $150 per year); increasing Federal employee contributions to the retirement trust funds (by a half percent of base pay, costing the average Federal employee about $200/year by 1998); increasing non

-postal agency contributions to civil

service retirement (saves money because agency funds which would have been spent outside the government is kept within the government); and a small amount of savings by conforming congressional retirement w/ the rest of the government. (Note: On April 5 you sent a letter to Gingrich objecting to increasing employee retirement contributions in order to fund a tax cut for the wealthy).

OMB staff have heard that the House will adopt the Senate provisions (described above) plus high

-5 and an additional 0.75%

employee contribution. (Not sure about FEHB.) These additional provisions will yield more savings than necessary for reconciliation, and will allegedly be used for a tax cut.

PRINTER FONT 14_POINT_HELVETICA

9. Judiciary-

-Senate Judiciary Committee met 9/21 and
voted to extended the patent/trademark surcharge
beyond its current expiration date of 1998, through
FY 2002 (raising $476 million). Only part of the
surcharge would be available to the Patent/Trademark
Office's (PTO) operations. By contrast, the
Administration has proposed to use the fees to fully
self

-fund PTO.
PRINTER FONT 12_POINT_COURIER
Instructions require
savings of $476 million in direct spending over 7 years. Minority
contact: Karen Robb, 224

-7703.

PRINTER FONT 14_POINT_HELVETICA
*10. Labor-

-Senate Labor Committee on 9/26 passed
Kassebaum's plan (8

-7, party line) to cut $11 billion
from student loan programs. Committee Dems hit the
plan hard because it would cap the direct lending
program at 20 percent; assess a tax of 0.85% of total
Federal loan volume on colleges and universities; and
eliminate the Federal subsidy that pays borrower
interest on Stafford loans in the 6 months after
students leave school (the "interest

-free grace
period"). Under the Kassebaum plan, about 70% of
savings would come from reductions in student
benefits; some schools would be thrown out of the
direct lending program

and future growth would be precluded; and colleges
and universities would have to pay hundreds of
thousands of dollars under the new tax. Senator
Jeffords, although concerned about the cuts, has
agreed to vote "present" on Tuesday in order to help
Sen. Kassebaum report the plan.
PRINTER FONT 12_POINT_COURIER
Instructions require
savings of $10.779 billion in direct spending over 7 years.
Minority contact: Nick Littlefield, 224

-5465.

PRINTER FONT 14_POINT_HELVETICA
11. Veterans-

-Committee marked up on 9/20.
Instructions require savings of $6.392 billion in direct spending over 7 years.
PRINTER FONT 12_POINT_COURIER

In general, the committee agreed with the Administration on all items except one -- which would increase the contribution required from the active duty pay of military enlistees enrolled in the Montgomery GI Education program. DoD considers this an important recruiting and retention tool and does not want the contribution to increase (estimated to increase from $100 a month to $135 a month).

More specifically, the committee--

- Passed extensions through FY 2002 of the OBRA provisions that are scheduled to expire before that time, including:
- The requirement that certain veterans pay a $2 "co

-payment" for medications provided by VA for the treatment of non

-service connected disabilities or conditions (38 U.S.C 1772A);
- The authority provided to VA to recover from third party insurers costs associated with the provision of medical treatment for non

-service connected disabilities or conditions (38 U.S.C. 1729);
- Housing loan fee schedules specified in section 12007 of P.L. 103

-66 (OBRA '93);
- The authority provided to VA to verify claimants' incomes for purposes of determining eligibility for medical care and pension benefits (38 U.S.C. 5317); and
- The $90 limitation on pension benefits paid to medicaid beneficiaries receiving hospital, domiciliary or nursing home care (38 U.S.C. 5503).
- For FY 1996

-2002, monthly compensation and dependency and indemnity compensation payments adjusted to account for increases

in the cost of living would be "rounded down" to the nearest dollar amount;
- Increases in monthly benefit payments made under the Montgomery GI Bill (38 U.S.C. Chapter 30) would be limited to 1/2 the COLA adjustment granted to recipients of comp. and dependency and indemnity comp. (DIC) benefits.

Other Modifications:

- Monthly reductions in basic pay of members of the military who participate in the Montgomery GI Bill would be increased by an amount necessary to restore the ratio of benefits to contributions in force when the MGI Bill was enacted (i.e., restoration of the so

-called 9:1 ratio);
- Section 1151 of Title 38 would be amended to clarify that, effective on the date of enactment, VA will award comp. for disabilities or deaths sustained as a result of VA medical treatment ONLY if the disability or death is caused by VA negligence or fault (i.e., repeal of the Gardner decision).
Notable omissions--
- Did not include provision to reduce compensation for certain incompetent vets (included in Budget Resolution as well as House and Senate Appropriations Bills, not included in President's Budget).
- Did not increase prescription co

-payment charges from $2 to $5
in first two years and $8 thereafter (included in Budget Resolution).
*- The committee did not pick up a part of one provision that was assumed in the budget resolution and included in the President's Budget: a two part provision that in every year would
1.) round down compensation COLA increases and, 2.) reduce COLA increases to certain recipients of survivor compensation (DIC) benefits. The Senate markup only included the round down part of this provision.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Charles S. Konigsberg (KONIGSBERG_C) (OMB)

CREATION DATE/TIME:27-SEP-1995 23:27:39.34

SUBJECT: EOP USE ONLY: RECONCILIATION REPORT [WP FILE]

TO: Alice M. Rivlin (RIVLIN_A) (OMB)
READ:28-SEP-1995 07:26:42.45

CC: Charles S. Konigsberg (KONIGSBERG_C) (OMB)
READ:28-SEP-1995 13:26:29.33

CC: Alice M. Rivlin (RIVLIN_A) (OMB)
READ:28-SEP-1995 07:26:42.45

CC: Jacob J. Lew (LEW_J) (OMB)
READ:NOT READ

CC: Patrick J. Griffin (GRIFFIN_P) (WHO)
READ:28-SEP-1995 07:28:33.50

CC: Martha Foley (FOLEY_M) (WHO)
READ:28-SEP-1995 11:35:55.39

CC: Ann M. Cattalini (CATTALINI_A) (WHO)
READ:28-SEP-1995 08:22:26.70

CC: Erin A. O'Connor (OCONNOR_E) (WHO)
READ:28-SEP-1995 13:05:31.06

CC: James C. Murr (MURR_J) (OMB)
READ:28-SEP-1995 09:16:07.47

CC: James J. Jukes (JUKES_J) (OMB)
READ:28-SEP-1995 09:20:51.96

CC: Janet R. Forsgren (FORSGREN_J) (OMB)
READ:28-SEP-1995 09:46:34.42

CC: Ronald K. Peterson (PETERSON_RK) (OMB)
READ:28-SEP-1995 08:08:49.14

CC: LAWRENCE J. HAAS (HAAS_L) (OMB)
READ:28-SEP-1995 09:11:54.91

CC: Robert G. Damus (DAMUS_R) (OMB)
READ:28-SEP-1995 08:26:02.45

CC: Barry B. Anderson (ANDERSON_B) (OMB)
READ:28-SEP-1995 09:33:41.01

CC: Gordon Adams (ADAMS_G) (OMB)
READ:NOT READ

CC: T J Glauthier (GLAUTHIER_T) (OMB)
READ:28-SEP-1995 08:33:55.95

CC: Kenneth S. Apfel (APFEL_K) (OMB)
READ:NOT READ

CC: Nancy-Ann E. Min (MIN_N) (OMB)
READ:NOT READ

CC: Robert E. Litan (LITAN_R) (OMB)
READ:NOT READ

CC: Joseph Minarik (MINARIK_J) (OMB)
READ:28-SEP-1995 08:34:54.68

CC: Sally Katzen (KATZEN_S) (OMB)
READ:28-SEP-1995 10:00:13.04

CC: Lydia Muniz (MUNIZ_L) (OMB)
READ:28-SEP-1995 11:44:16.65

CC: Charles E. Kieffer (KIEFFER_C) (OMB)
READ:28-SEP-1995 09:56:35.67

CC: Kristen E. Panerali (PANERALI_K) (OMB)
READ:28-SEP-1995 10:21:38.64

CC: John A. Koskinen (KOSKINEN_J) (OMB)
READ:28-SEP-1995 18:03:26.50

CC: Steven Kelman (KELMAN_S) (OMB)
READ:28-SEP-1995 08:37:07.31

CC: G. Edward DeSeve (DESEVE_G) (OMB)
READ:NOT READ

CC: John B. Arthur (ARTHUR_J) (OMB)
READ:28-SEP-1995 06:12:59.52

CC: William A. Halter (HALTER_W) (OMB)
READ:28-SEP-1995 11:29:59.01

CC: Jill M. Blickstein (BLICKSTEIN_J) (OMB)
READ:NOT READ

CC: Chantale Wong (WONG_C) (OMB)
READ:NOT READ

CC: Laura D. Tyson (TYSON_L) Autoforward to: Thomas O'Donnell (ODONNELL_T)
(WHO)
READ:NOT READ

CC: Thomas O'Donnell (ODONNELL_T) (WHO)
READ:NOT READ

CC: David J. Lane (LANE_D) (OPD)
READ:28-SEP-1995 08:57:39.53

CC: John Gibbons (GIBBONS_J) Autoforward to: Remote Addressee (gjack@ccmail.ostp.eop.gov@inet) (STP)
READ:NOT READ

CC: M. Jill Gibbons (GIBBONS_M) (OMB)
READ:28-SEP-1995 09:46:49.01

CC: Ronald E. Jones (JONES_RE) (OMB)
READ:28-SEP-1995 09:21:42.36

CC: Ingrid M. Schroeder (SCHROEDER_I) (OMB)
READ: 3-OCT-1995 09:34:23.55

CC: Jeffrey A. Weinberg (WEINBERG_J) (OMB)
READ:28-SEP-1995 09:15:38.25

CC: James A. Brown (BROWN_JA) (OMB)
READ:28-SEP-1995 12:17:49.30

CC: Constance J. Bowers (BOWERS_C) (OMB)
READ:NOT READ

CC: Melissa Y. Cook (COOK_MY) (OMB)
READ:28-SEP-1995 09:06:42.06

CC: Anna M. Briatico (BRIATICO_A) (OMB)
READ:28-SEP-1995 10:26:41.01

CC: Christopher J. Mustain (MUSTAIN_C) (OMB)
READ:NOT READ

CC: Robert J. Pellicci (PELLICCI_R) (OMB)
READ:28-SEP-1995 08:49:52.65

CC: James C. Crutchfield (CRUTCHFIEL_J) (OMB)
READ:28-SEP-1995 09:16:19.76

CC: Elyse H. Fitter (FITTER_E) (OMB)
READ:28-SEP-1995 11:25:28.06

CC: Michael L. Goad (GOAD_M) (OMB)
READ:NOT READ

CC: Annette E. Rooney (ROONEY_A) (OMB)
READ:28-SEP-1995 09:31:09.16

CC: Dena B. Weinstein (WEINSTEIN_D) (WHO)

READ:28-SEP-1995 08:00:20.28

CC: Stacey L. Rubin (RUBIN_S) (WHO)
READ:28-SEP-1995 08:26:55.53

CC: Jennifer N. Palmieri (PALMIERI_J) (WHO)
READ:28-SEP-1995 09:19:44.13

CC: Karin L. Kizer (KIZER_K) (OMB)
READ:28-SEP-1995 09:39:52.50

CC: Margaret R. Shaw (SHAW_M) (OMB)
READ:NOT READ

CC: Deborah F. Kramer (KRAMER_D) (OMB)
READ:NOT READ

CC: Diane G. Limo (LIMO_D) (OMB)
READ:28-SEP-1995 09:25:00.33

CC: Alice E. Shuffield (SHUFFIELD_A) (OMB)
READ:29-SEP-1995 10:38:15.09

CC: Janet L. Graves (GRAVES_J) (OMB)
READ:28-SEP-1995 10:09:36.47

CC: James I. Blount (BLOUNT_J) (OMB)
READ:28-SEP-1995 08:56:17.23

CC: Lara L. Roholt (ROHOLT_L) (OMB)
READ:28-SEP-1995 11:36:09.67

CC: Philip R. Dame (DAME_P) (OMB)
READ:28-SEP-1995 08:12:44.72

CC: Alan B. Rhinesmith (RHINESMITH_A) (OMB)
READ:28-SEP-1995 09:03:20.08

CC: Kenneth L. Schwartz (SCHWARTZ_K) (OMB)
READ:28-SEP-1995 08:47:46.76

CC: Barry T. Clendenin (CLENDENIN_B) (OMB)
READ:28-SEP-1995 08:41:34.10

CC: Robert B. Rideout (RIDEOUT_R) (OMB)
READ:28-SEP-1995 12:04:38.25

CC: Philip A. DuSault (DUSAULT_P) (OMB)
READ:28-SEP-1995 11:55:48.03

CC: Phebe N. Vickers (VICKERS_P) (OMB)
READ:NOT READ

CC: Kathleen Peroff (PEROFF_K) (OMB)

READ:28-SEP-1995 11:51:39.54

CC: Ron Cogswell (COGSWELL_R) (OMB)
READ:28-SEP-1995 08:34:16.12

CC: Barry White (WHITE_B) (OMB)
READ:28-SEP-1995 07:53:31.67

CC: Richard P. Emery Jr. (EMERY_R) (OMB)
READ:NOT READ

CC: Barbara C. Chow (CHOW_B) (WHO)
READ:28-SEP-1995 14:58:18.97

CC: Robert E. Barker (BARKER_R) (OMB)
READ:28-SEP-1995 08:40:57.41

CC: Mark Gearan (GEARAN_M) Autoforward to: Angus S. King (KING_A)
READ:NOT READ

CC: Donald A. Baer (BAER_D) (WHO)
READ:NOT READ

CC: Ann F. Walker (WALKER_A) (WHO)
READ:NOT READ

CC: Todd Stern (STERN_T) (WHO)
READ:NOT READ

CC: Bruce D. Long (LONG_B) (OMB)
READ:28-SEP-1995 08:32:45.90

CC: Nancy L. Brandel (BRANDEL_N) (OMB)
READ:28-SEP-1995 11:17:51.00

CC: Christopher F. Walker (WALKER_C) (WHO)
READ:NOT READ

CC: Deborah L. Shaw (SHAW_D) (OMB)
READ:28-SEP-1995 10:45:10.65

CC: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D)
(OPD)
READ:NOT READ

CC: Timothy J. Keating (KEATING_T) (WHO)
READ:28-SEP-1995 08:35:16.54

CC: Kathryn Higgins (HIGGINS_K) (WHO)
READ:28-SEP-1995 16:54:18.07

CC: Stephen B. Silverman (SILVERMAN_S) (WHO)
READ:NOT READ

CC: Bruce N. Reed (REED_B) (WHO)
READ:28-SEP-1995 09:44:35.27

CC: Jeremy D. Benami (BENAMI_J) (WHO)
READ:28-SEP-1995 13:47:51.19

CC: Douglas B. Sosnik (SOSNIK_D) (WHO)
READ:28-SEP-1995 10:21:48.35

CC: Karen L. Hancox (HANCOX_K) (WHO)
READ:28-SEP-1995 07:56:08.02

CC: Shelley N. Fidler (FIDLER_S) (CEQ)
READ:28-SEP-1995 09:26:45.21

CC: Janet L. Himler (HIMLER_J) (OMB)
READ:28-SEP-1995 09:14:44.05

CC: Daniel Tate (TATE_D) (WHO)
READ:NOT READ

CC: John C. Angell (ANGELL_J) (WHO)
READ:28-SEP-1995 10:07:19.16

CC: Lisa Kountoupes (KOUNTOUPES_L) (OMB)
READ:NOT READ

CC: Susanne D. Lind (LIND_S) (OMB)
READ:28-SEP-1995 09:53:40.91

CC: Ellen J. Balis (BALIS_E) (OMB)
READ:28-SEP-1995 09:11:21.05

CC: Anita Chellaraj (CHELLARAJ_A) (OMB)
READ:28-SEP-1995 09:24:47.85

CC: Alicia K. Kolaian (KOLAIAN_A) (OMB)
READ:28-SEP-1995 09:48:34.46

CC: Nick B. Kirkhorn (KIRKHORN_N) (WHO)
READ:NOT READ

CC: Jennifer L. Nelson (NELSON_JL) (WHO)
READ:NOT READ

CC: Donald L. Fowler (FOWLER_D) (WHO)
READ:NOT READ

CC: James T. Heimbach (HEIMBACH_J) (WHO)
READ:28-SEP-1995 08:46:25.76

CC: Janet Murguia (MURGUIA_J) (WHO)
READ:NOT READ

CC: Lucia A. Wyman (WYMAN_L) (WHO)
READ:28-SEP-1995 16:16:55.17

CC: Francis S. Redburn (REDBURN_F) (OMB)
READ:28-SEP-1995 09:00:28.00

CC: Harry G. Meyers (MEYERS_H) (OMB)
READ:28-SEP-1995 09:36:58.38

CC: David J. Haun (HAUN_D) (OMB)
READ:28-SEP-1995 09:51:49.56

CC: Richard J. Turman (TURMAN_R) (OMB)
READ:28-SEP-1995 12:56:55.04

CC: Mark E. Miller (MILLER_ME) (OMB)
READ:NOT READ

CC: Toni S. Hustead (HUSTEAD_T) (OMB)
READ:28-SEP-1995 09:24:33.57

CC: Keith J. Fontenot (FONTENOT_K) (OMB)
READ:28-SEP-1995 09:34:44.96

CC: Larry R. Matlack (MATLACK_L) (OMB)
READ:28-SEP-1995 08:27:34.57

CC: Rodney G. Bent (BENT_R) (OMB)
READ:28-SEP-1995 14:48:16.57

CC: Bruce K. Sasser (SASSER_B) (OMB)
READ:28-SEP-1995 11:12:50.91

CC: Bryan R. Smith (SMITH_BR) (OMB)
READ:28-SEP-1995 19:04:15.74

CC: Robert S. Dotson (DOTSON_R) (OMB)
READ:28-SEP-1995 14:39:36.34

CC: John T. Schuhart (SCHUHART_J) (OMB)
READ:28-SEP-1995 11:11:08.77

CC: Gary L. Bennethum (BENNETHUM_G) (OMB)
READ:28-SEP-1995 10:04:30.47

CC: Jack D. Fellows (FELLOWS_J) (OMB)
READ:28-SEP-1995 09:13:28.45

CC: Robert S. Fairweather (FAIRWEATHE_R) (OMB)
READ:28-SEP-1995 10:06:49.56

CC: Bruce D. Beard (BEARD_B) (OMB)
READ:28-SEP-1995 07:34:31.64

CC: James B. Kazel (KAZEL_J) (OMB)
READ:28-SEP-1995 08:51:28.33

CC: Mark A. Weatherly (WEATHERLY_M) (OMB)
READ:28-SEP-1995 09:15:13.30

CC: Robert J. Nassif (NASSIF_R) (OMB)
READ:28-SEP-1995 08:52:23.24

CC: Melinda D. Haskins (HASKINS_M) (OMB)
READ:28-SEP-1995 09:19:00.37

CC: Lauren Haber (HABER_L) (OMB)
READ:28-SEP-1995 16:17:36.86

TEXT:

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE:27-SEP-1995 23:26:00.00

ATT BODYPART TYPE:p

ATT CREATOR: Charles S. Konigsberg

TEXT:
\d

PRINTER FONT 12_POINT_ROMAN
TO: ALICE RIVLIN
cc-

-Lew, Griffin, Tyson, Angell, Foley, OMB/2d Floor,
DADs, Branch Chiefs, LRD, Gibbons, Cabinet Affairs, CEQ
FROM: CHUCK KONIGSBERG
SUBJECT: BUDGET RECONCILIATION - DAILY HIGHLIGHTS
PRINTER FONT 12_POINT_COURIER
****
RMOs -- Thanks very much for your daily summaries of
reconciliation mark

-ups; they have been invaluable in compiling
the daily report.
****

PRINTER FONT 14_POINT_HELVETICA
Markups scheduled for Thursday:
PRINTER FONT 12_POINT_COURIER
Senate Finance Committee (spending), SH

-216 (possibly 2pm)
Senate Commerce Committee, 9:30am, SR

-253
House Economic and Educational Opportunities, 10am 2175 Rayburn

House Transportation, 2pm 2167 Rayburn
House Veterans Affairs, 9:30am 334 Cannon

PRINTER FONT 14_POINT_HELVETICA
Markups scheduled for Friday:
PRINTER FONT 12_POINT_COURIER
Senate Finance Committee (spending) ??
House Commerce Committee (tentative 10am) 2123 Rayburn
House Ways & Means (tentative 10am) 10am 1100 Longworth

PRINTER FONT 14_POINT_HELVETICA
Reconciliation Action on Wednesday (based on reports from RMOs):
PRINTER FONT 12_POINT_COURIER

Senate Finance Committee markup on Medicare, Medicaid, and EITC was delayed from Wed. morning until Wednesday evening when Sen. Wellstone invoked a rarely

-enforced Senate rule which technically does not permit Senate committees to meet while the Senate is in session.

During tonight's committee meeting, the Finance Committee defeated 9

-11 (on party lines) the Moynihan/Rockefeller amendment to limit the Medicare cuts to $89 billion in savings from Part A (instead of the $270 billion in cuts to Medicare A and Medicare B in the Republican plan). Committee Democrats highlighted that the Part B savings go towards general deficit reduction and therefore to offset the tax cut. Dole, Chafee and other Republicans emphasized the inequity of low

-wage taxpayers subsidizing the Part B benefits of wealthy retirees.

Chairman Roth said tonight that about 125 amendments have

been filed in committee. However, he will dispense with a large number of the amendments by ruling them either non

-germane or not paid for.

Agriculture (report from Ag. Branch) -- House Agriculture Chairman Roberts announced the Committee was unable to vote out a bill. (In this situation, the House Rules Committee -- in consultation with the Gingrich, Roberts and Kasich -- will likely include agriculture provisions in the rule on the Reconciliation bill. Passage by the House of such a rule would incorporate the agriculture provisions in the Reconciliation bill. Agriculture branch reports that the Rules Committee is likely to include Roberts' "Freedom to Farm" bill.

At the Senate Agriculture Committee today, Chairman Lugar's mark was defeated on a 10

-10 vote. The committee reconvenes at 9am
Thursday. Sen. Santorum (PA) was the lone Republican voting
against the bill; his concern is that the sugar and peanut
programs did not contribute enough toward deficit reduction.
Also, at the Senate Agriculture Committee today, the Democratic
alternative (Daschle/Kerrey) was voted down 8

-10 along party lines
(it would have saved $4.2 billion over 7 years -- same as proposed
by the Administration -- and provided greater proportional benefit
to family

-sized farms through a "two

-tier" loan assistance
method).

Other Legislative Items:
Item veto conferees met today. Clinger, who was voted chairman of
the conference, asked staff to submit proposals to the conferees
by the end of October. He's evidently in no hurry to conclude
action on item veto.

PRINTER FONT 14_POINT_HELVETICA
Senate mark

-up schedule: (subject to change -
recommend double-
checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on Senate committee action on Reconciliation,
contact Chuck Konigsberg at OMB/LA.

Sept. 18: Armed Services completed action

Sept. 19: Environment & Public Works completed action
Sept. 20: Energy & Natural Resources (began marking up)
Veterans completed action
Banking completed action
Sept. 21: Judiciary completed action
Energy & Natural Resources completed action

Sept. 22: Labor completed action
Govt. Affairs completed action

Sept. 25: Rosh Hashanah
Sept. 26: Finance Committee markup (spending) 9am, SH

-216
Labor Committee completed action

Sept. 27: Finance Committee markup (spending) 9am, SH

-216

Agriculture Committee, 9am, SR

-332

Sept. 28: Finance Committee markup (spending) 2pm, SH

-216
Commerce Committee, 9:30am, SR

-253
Sept. 29: Finance Committee??
Week of
Oct. 2: [CBO scores the Senate's Reconciliation spending savings; if balance is achieved by 2002, the Finance Committee will go ahead with a tax markup to cut taxes up to $245 billion]
Oct. 10: Finance Committee tax markup (tentative)
Oct. 11: Finance Committee tax markup (tentative)
Oct. 13: Budget Committee packages reconciliation bill
[Budget Comm. NOT permitted to make any changes; if any committee has failed to meet its instructions, this can only be remedied on the Senate Floor]

PRINTER FONT 14_POINT_HELVETICA
House mark

-up schedule: (subject to change -
recommend double-
checking times and dates)

PRINTER FONT 12_POINT_COURIER
For questions on House committee action on Reconciliation, contact Lisa Kountoupes at OMB/LA, 5

-4790.

Tues. Sept. 12: Judiciary marked up

Wed. Sept. 13: Commerce marked up (NRC,NPR,WIPP,Spectrum,FCC,USEC)
Resources marked up (Commerce Department Dismantlement)
Ways & Means marked up (Commerce Dismantlement and trade provisions)

Thurs. Sept. 14: Commerce opening statements (Commerce Dismantlement)
Science marked up (Commerce Dismantlement)
Transportation marked up (Commerce Dismantlement)

Fri. Sept. 15:
Mon. Sept. 18: Ways and Means (tax walk through)
Tues. Sept. 19: Banking 2128 Rayburn marked up
Commerce (Marked up Commerce Dismantlement)
Resources completed markup
Ways and Means (tax markup completed)
Wed. Sept. 20: Agriculture 9:30 am 1300 Longworth (finished

without reporting a
bill)
Commerce (began Medicaid)
National Security
(revisited the military
retirement proposal)

Thurs. Sept. 21: Commerce (Medicaid markup)
Government Reform (reported own
recommendations on
Commerce Department
Dismantlement; did not report federal
employee provisions)

International Relations
Ways and Means (TAA and fast track)
Fri. Sept. 22: Commerce (Medicaid)
Ways and Means (all day
health hearing)

Mon. Sept. 25: Rosh Hashanah
Tues. Sept. 26: Rosh Hashanah

Wed. Sept. 27: International Relations marked up

Thurs. Sept. 28: Economic & Educational Opportunities,
10am 2175 Rayburn
Transportation, 2pm 2167
Rayburn Veterans
Affairs, 9:30am 334 Cannon
Fri. Sept. 29: Commerce (tentative Medicare) 10am,
2123 Rayburn
Ways and Means (tentative
Medicare) 10am, 1100
Longworth
October 10: Budget Committee to package
reconciliation language,
but only if mark

-up of Medicare is complete
October 17: Rules Committee - Tentative markup
of a rule for

Floor action which will also include
provisions to incorporate into
reconciliation: the tax bill passed earlier
this year; agriculture cuts; House

-passed
welfare provisions; federal employee
provisions; and commerce department
dismantling provisions

\d

PRINTER FONT 14_POINT_HELVETICA
OVERVIEW OF COMMITTEE RECONCILIATION ACTION
[Based on reports provided by RMOs]

Senate: For questions on Senate committee action on
Reconciliation, contact Chuck Konigsberg at OMB/LA.

PRINTER FONT 12_POINT_COURIER
*(Sept. 22 reporting deadline for spending cuts, but Dole has not
told committees they have until the 29th. The tax instruction to
Finance Committee is contingent on CBO certifying that the
spending cuts achieve balance in 2002 (and in 2002

-05). Upon
certification, Finance must report tax cuts within 5 days.
Note-

-the Reconciliation instructions for Senate committees
require specified cuts for each of three budget periods: FY96,
FY96

-2000, and FY 96

-2002. However, for brevity, the following
summaries reflect only the 7

-year totals. Note that Budget
Committee assumptions are NON

-binding.

[*NOTE-

-CHANGES FROM PREVIOUS DAY INDICATED BY ASTERISK.]

PRINTER FONT 14_POINT_HELVETICA
1. Agriculture-

-Lugar has postponed his markup until
Sept. 27 due to trouble pulling the necessary votes
together. Lugar is considering larger farm cuts than

envisioned by the budget resolution in order to
reduce the amount of cuts the committee will take
from food stamps and other nutrition programs.
PRINTER FONT 12_POINT_COURIER
The Rep./Dem. split is 10

-8, so Lugar cannot afford to lose any
Republican votes. Dem. contacts: Pat Westhoff, 224

-8240; Jim
Cubie, 224

-6901; fax-

-224

-8240.
Instructions require
savings of $48.402 billion in direct spending over 7 years. Budget committee assumed this would be achieved from the following -- $35 b from welfare reform (food stamps) and $13 b from agriculture commodity programs. Lugar reportedly may seek as much as $18 billion in farm cuts. The Budget Resolution includes a
NON

-binding sense of Senate that "no more than 20 percent of the savings be achieved in commodity programs."

PRINTER FONT 14_POINT_HELVETICA
2. Armed Services-

-Monday, 9/18, at a closed meeting,
the committee voted to sell the naval petroleum reserve at Elk Hills and the oil shale reserves in Colorado and Wyoming (as budget committee had assumed); and in lieu of military retirement reforms, voted to sell additional assets from the national

defense stockpile (to make up the $649 million). The Democratic side voted against the NPR provision.
Min. contact: Mike McCord - 224

-9353.

3. Banking-

-Committee marked up 9/20, adopting
housing provisions which --
PRINTER FONT 12_POINT_COURIER
1) reduce the Annual Adjustment Factor (AAF) in HUD's rental payments in a slightly different fashion than the House. Senate provision much more favorable to owners of project

-based
housing than comparable House version.
o Housing
Certificates. Senate reduces the rent inflation for housing certificates by 1.0 percentage point if the tenant stayed in the unit for a year -- no turnover. (The House adopted this provision for all Section 8 rents; Senate covers about one

-third of the
Section 8 rents.)
o Other Section 8
units. Senate provides for the full inflation except for high

-cost units. In cases where the rents already exceed HUD's rental standards, a "diet COLA" rent inflation would be imposed that was based on the increase in operating costs in the market area. However, the high

-cost units would receive the full
inflation if the owner demonstrates similar high

-cost rents in the
market area.
2) adopt new preference standards for allocation of scarce Section 8 rental subsidies.
After meeting the low

-income standard, the Senate requires 50
percent of new occupancies to be working families (includes single adults). Abolishes the old preference targeted to the most needy, i.e., paying more than 50 percent of family income in rent, or occupying substandard housing including homeless, or involuntarily displaced.
The committee also adopted the following banking

-related
provisions were adopted:

- BIF/SAIF: The main
elements of the Administration's proposal were adopted. The bill provides for a special assessment on SAIF

-insured institutions to
capitalize the SAIF, sharing of FICO payments between BIF and SAIF members, and a merger of BIF and SAIF on January 1, 1998. The bill also mandates that if, before the merger of the funds, the reserve ratio of SAIF exceeds the designated reserve ratio, the excess amount will be placed in a special reserve to be used only in emergencies. The special reserve would be excluded from the reserve ratio calculation. In addition, the bill includes a special provision for Oakar banks (BIF members that have
SAIF

-insured deposits), which would receive a 5

-përcent discount
on their special assessment if their attributable Oakar deposits

are less than 50

-percent of their total deposits. (The Committee
estimates net savings of $900 million over 7 years, however CBO
may score lower savings due to the new Oakar provision).
- Charter conversion:
All State and Federal savings associations must convert to a State
or Federal bank as a condition for the merger of the deposit
insurance funds. (by Jan. 1, 1998).
- Treasury Study: The
Department of Treasury must conduct a study on privatizing Federal
deposit insurance.
Instructions require savings of $2.391 billion in direct spending
over 7 years. Budget committee assumed this would be achieved
from the following--$2.181 b from flood insurance premiums and
$210 million from FHA multifamily property disposition. Also,
the joint statement of managers on the budget resolution states
"the conferees...direct the Congressional Budget Office to not
score any savings for any new legislation that might affect the
Federal Reserve's transfer of the surplus capital account to the
Treasury." Min. contact: Steve Harris, Dem. staff Director,
224

-1573.

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4. Commerce-

-Instructions require savings of $15.036
billion in direct spending over 7 years. Budget
committee assumed this would be achieved from the
following--$14 b from FCC spectrum auction; $357 m
from extending rail safety fees; $196 million from
extending vessel tonnage fees; and 483 million from
FCC fees. The conferees on the budget resolution
assume the elimination of the Dept. of Commerce; the
House is expected to include this in their recon.
bill. However, much of this language would violate
the Senate's Byrd rule because it doesn't score as
direct spending savings, and can be expected to drop
out during conference. (Reason: A single Byrd Rule
violation in a conference report, would render the
entire conference agreement an "amendment between the
houses" requiring a further vote in the House and the
possibility of further amendments). Min. contact:
Kevin Curtin, 224

-0427.
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Pressler has reportedly endorsed a new plan by broadcasters to fund their programs with money raised from spectrum auction -- specifically by plowing $4 billion of the auction proceeds into a new public broadcasting trust fund.

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5. Energy & Natural Resources-

-Energy Committee
marked up its Reconciliation package on 9/20 and 9/21. Instructions require savings of $4.001 billion in direct spending over 7

years.
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The final vote on the bill was 13 - 7, with Senators Ford (D

-KY)
and Heflin (D

-AL) voting with the majority.

OVERVIEW -- Senate
Energy Committee completed its markup on a $4 billion package. Largest items are -- opening ANWR (letter sent to Hill today saying President "will veto" if ANWR is opened to oil and gas drilling); privatizing the uranium enrichment corporation (which we support); and selling a portion of strategic petroleum reserve oil. Other items include -- increase in park fees with 80% of the new fees returning to the parks from which they were generated; imposing a minimal royalty on hardrock mining (which we view as insufficient); sale of DOI land (Ward Valley) to the State of California for a low

-level radioactive waste site (CEQ opposes this); terminating the Federal helium program; and incentives for oil and gas production on the outer continental shelf.
Senator Johnston (D

-LA) offered an amendment to drop grazing, mining patents and royalties, communication site fees, and the DOI aircraft provisions from the bill. He stated that the President would definitely veto the bill with both ANWR and hardrock mining provisions in the bill, and it would embarrass the mining interests. The amendment failed 8 - 9. Senator Johnston also offered an amendment to strike the hardrock mining provisions from the bill. The amendment failed 8 - 10.
DEFEATED PROVISIONS -
Dropped the USGS mapping provision that would have transferred mapping activities to the private sector; dropped the ski area provision that would have sold Forest Service ski areas to the private sector; dropped increased grazing fees from the bill; defeated 7

-13 a Bumpers amendment to charge fair market value for communication sites on Forest Service and BLM land; defeated 6

-14
a Bradley amendment to strike the communication sites fees provision from the bill.
OTHER VOTES
The DOI aircraft provision requiring DOI to contract out all aircraft services was amended to exclude firefighting planes.
Despite an earlier statement to the contrary, Senator Murkowski did NOT offer any Tongass amendments.
Energy Comm. Minority staff contacts: Ben Cooper, 224

-5360; Tom
Williams (ANWR); David Brooks (Nat'l Parks); Sam Fowler (USEC); Shirley Neff (Oil & Gas); David Applegate (Helium); Cliff Sicora (PMAs).

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6. Environment & PW-

-The Senate Environment and Public Works committee passed its piece of Reconciliation on 9/19, slightly exceeding its target of $2.250 billion in savings. Since committee Dems lacked the votes to defeat the package, they let it pass by voice vote. The package contains 4 items: (1) a relatively non

-controversial
extension of NRC user fee to 2005 ($1308 million);
(2) a non

-controversial extension to 2005 of the FEMA radiological emergency preparedness fee which is charged to commercial power plants ($84 million); (3) a budgetary gimmick which uses a baseline error to show $512 million in savings from a "cap" on the highway program's minimum allocation requirement; and (4) a cut in total highway demos by 15 percent producing $407 million in savings (this will be controversial; House is unlikely to go along with it). In adopting this package, the committee rejected the Budget Committee's assumed savings from employee parking (which Warner objects to); and Corps of Engineers wetland fees (the committee did not want to charge businesses for the costs of being regulated).
PRINTER FONT 12_POINT_COURIER
Contact: Tom Sliter, 224

-8832.

PRINTER FONT 14_POINT_HELVETICA
7. Finance-

-Minority contacts: Joe Gale, David
Podoff, 224

-5315.
PRINTER FONT 12_POINT_COURIER
Senate Finance
Committee -- which handles most of the spending cuts in the Senate -- last Friday released its chairman's proposal. In addition to cutting Medicare and Medicaid, the plan would also slash EITC by about $40 billion (twice as deep as the House and wiping out much of our 1993 expansion). Procedurally, Finance Committee must reach its bottom line spending cut target, before it can take up the $245 billion tax cut. Because the Finance Committee is short on savings, they are making up the difference with EITC cuts much deeper than the House. Therefore, in effect, Finance is going after more EITC cuts, in order to be able to cut taxes for more affluent Americans.
Mark

-up began on
9/26: Statements largely staked out the partisan differences in how and how much you change the three main programs addressed in the mark: Medicare, Medicaid and the EITC. Baucus and Rockefeller emphasized that only $90 billion is needed to fix the Part A trust fund problem. Pryor was concerned about reducing nursing home regulations; Chafee commended the Medicare package, but indicated that he would offer amendments to the Medicaid proposal to address his concerns about the lack of access to care for pregnant women and children. Grassley focused mostly on protecting rural hospitals. He is concerned that the look

-back
mechanism hits rural hospitals particularly hard. He reserved comments on the Medicaid proposal because he hadn't time to review the formula. Senator Moynihan focused on revising the CPI.
Medicare
Walk

-Through. The Senate Finance Committee staff described the mark. No significant changes were presented and CBO scoring was shared. Over 7 years, the mark outlines slightly more than $86.8 billion in Part A cuts; slightly more than $55.7 in Part B provider cuts; $71.2 in beneficiary cuts; $47.5 billion in managed care savings. Staff announced that CBO has determined that this package would extend the insovlency date to 2009 off the Trustees' baseline.
In questioning,
Senate staff acknowledged that the MSA option was scored as a cost by CBO. Democratic Senators were concerned that only healthy beneficiaries would choose the MSA option, leaving Medicare
fee

-for

-service to care for the sickest. Democratic Senators also focused on the fact that beneficiaries would have to pay more for a managed care plan in the future if Medicare's payment to HMOs was capped too low. Senator Grassley was concerned that rural hospitals be adequately reimbursed and beneficiaries be

adequately informed about economic credentialling and other practices of HMOs.

Medicaid. The Senate Finance Committee completed a walk

-through of their Medicaid reform package on Tuesday. The Senate mark, very similar to the House Commerce bill, would repeal the individual entitlement to Medicaid, and remove Federal minimum standards for eligibility, benefits, quality, provider payments, and delivery systems.

The budget resolution caps national federal spending for Medicaid at 7.2% in FY 1996, 6.75% in FY 1997, and 4% in FY 1998

-2002. However, the Senate has not yet agreed on a distribution formula to the states. The Senate bill would allow states' funding caps to increase after FY 1997 by at least a minimum percentage and no more than 133% of the national growth rate. The minimum percentage has not yet been defined.

The Senate mark uses FY 1995 as a base year. The mark would exclude DSH from the baseline, but retain DSH as a federal program and limit federal DSH funding to $5 billion a year. In addition, States with Section 1115 waivers approved as of 9/1/95 would be allowed to grow at growth rates set in the waivers and not the growth rates set by the Chairman's mark.

The joint statement of managers on the budget resolution, with reference to Medicaid states: "This level is compatible with Medicaid growth of 7.2 percent in 1996, 6.8 percent in 1997, and 4 percent each year thereafter, or with higher growth rates of benefits and administration if disproportionate share hospital payments are frozen at 1995 levels. The conference agreement assumes that the present aggregate ratio of Federal to state funding (57 percent Federal, 43 percent State) would continue."

Taxes. If CBO certifies that budgetary balance has been achieved in 2002, and Budget Comm. determines that balance would be achieved over the period 2002

-2005, then Finance Committee is to report tax cuts of up to $245 billion over 7 years. (However, House Republicans and some Senate Republicans claim the understanding was that Finance

MUST report a tax cut of $245 billion -- no less; Packwood believed he had the discretion to report a cut smaller than $245 billion, though Roth will likely want the whole $245b). The tax legislation is to "provide family tax relief and incentives to stimulate savings, investment, job creation, and economic growth." As an indication of what the Finance Committee

might include in their reconciliation tax title, Senators Dole, Nickles, and Gramm on 8/9 introduced a child tax credit bill which has no cap on eligibility (although higher income families would receive a smaller credit).

Debt Ceiling.

Finance is also to report an increase in the debt ceiling to $5.5 trillion. However, the statement of managers states that "the conferees intend that the debt limit be enacted as separate legislation and not as part of reconciliation....However, if debt limit legislation has not been enacted this instruction would authorize the committees of jurisdiction to include the debt limit in the reconciliation bill."

Politics. With an
11

-9 split, the Republicans need every vote to report out a Reconciliation package. Chafee has indicated concerns about Medicaid block grants, but he is NOT expected to break ranks when the time comes to report the reconciliation package.

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8. Govt Affairs--Committee marked up on 9/22. Instructions require deficit reduction of $9.844 billion over 7 years. Len Weiss, Jane McFarland,
224

-2627.
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Senate Governmental
Affairs Committee (Chairman Stevens) adopted a $10 billion reconciliation package including --

delaying federal retiree COLAs from January to April (costing the average retiree about $150 per year); increasing Federal employee contributions to the retirement trust funds (by a half percent of base pay, costing the average Federal employee about $200/year by 1998); increasing non

-postal agency contributions to civil
service retirement (saves money because agency funds which would have been spent outside the government is kept within the government); and a small amount of savings by conforming congressional retirement w/ the rest of the government. (Note: On April 5 you sent a letter to Gingrich objecting to increasing employee retirement contributions in order to fund a tax cut for the wealthy).

OMB staff have heard that the House will adopt the Senate provisions (described above) plus high

-5 and an additional 0.75%
employee contribution. (Not sure about FEHB.) These additional provisions will yield more savings than necessary for reconciliation, and will allegedly be used for a tax cut.

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9. Judiciary-

-Senate Judiciary Committee met 9/21 and voted to extended the patent/trademark surcharge beyond its current expiration date of 1998, through FY 2002 (raising $476 million). Only part of the surcharge would be available to the Patent/Trademark Office's (PTO) operations. By contrast, the Administration has proposed to use the fees to fully self

-fund PTO.
PRINTER FONT 12_POINT_COURIER
Instructions require savings of $476 million in direct spending over 7 years. Minority contact: Karen Robb, 224

-7703.

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*10. Labor-

-Senate Labor Committee on 9/26 passed Kassebaum's plan (8

-7, party line) to cut $11 billion from student loan programs. Committee Dems hit the plan hard because it would cap the direct lending program at 20 percent; assess a tax of 0.85% of total Federal loan volume on colleges and universities; and eliminate the Federal subsidy that pays borrower interest on Stafford loans in the 6 months after students leave school (the "interest

-free grace period"). Under the Kassebaum plan, about 70% of savings would come from reductions in student benefits; some schools would be thrown out of the direct lending program

and future growth would be precluded; and colleges and universities would have to pay hundreds of thousands of dollars under the new tax. Senator Jeffords, although concerned about the cuts, has agreed to vote "present" on Tuesday in order to help Sen. Kassebaum report the plan.

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Instructions require
savings of $10.779 billion in direct spending over 7 years.
Minority contact: Nick Littlefield, 224

-5465.

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11. Veterans-

-Committee marked up on 9/20.
Instructions require savings of $6.392 billion in
direct spending over 7 years.
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In general, the
committee agreed with the Administration on all items except one
-- which would increase the contribution required from the active
duty pay of military enlistees enrolled in the Montgomery GI
Education program. DoD considers this an important recruiting and
retention tool and does not want the contribution to increase
(estimated to increase from $100 a month to $135 a month).
More specifically, the committee--
- Passed extensions through FY 2002 of the OBRA provisions that
are scheduled to expire before that time, including:
- The requirement that certain veterans pay a $2 "co

-payment" for
medications provided by VA for the treatment of non

-service
connected disabilities or conditions (38 U.S.C 1772A);
- The authority provided to VA to recover from third party
insurers costs associated with the provision of medical treatment
for non

-service connected disabilities or conditions (38 U.S.C.
1729);
- Housing loan fee schedules specified in section 12007 of P.L.
103

-66 (OBRA '93);
- The authority provided to VA to verify claimants' incomes for
purposes of determining eligibility for medical care and pension
benefits (38 U.S.C. 5317); and
- The $90 limitation on pension benefits paid to medicaid
beneficiaries receiving hospital, domiciliary or nursing home care
(38 U.S.C. 5503).
- For FY 1996

-2002, monthly compensation and dependency and
indemnity compensation payments adjusted to account for increases

in the cost of living would be "rounded down" to the nearest
dollar amount;

- Increases in monthly benefit payments made under the Montgomery GI Bill (38 U.S.C. Chapter 30) would be limited to 1/2 the COLA adjustment granted to recipients of comp. and dependency and indemnity comp. (DIC) benefits.
Other Modifications:
- Monthly reductions in basic pay of members of the military who participate in the Montgomery GI Bill would be increased by an amount necessary to restore the ratio of benefits to contributions in force when the MGI Bill was enacted (i.e., restoration of the so

-called 9:1 ratio);
- Section 1151 of Title 38 would be amended to clarify that, effective on the date of enactment, VA will award comp. for disabilities or deaths sustained as a result of VA medical treatment ONLY if the disability or death is caused by VA negligence or fault (i.e., repeal of the Gardner decision).
Notable omissions--
- Did not include provision to reduce compensation for certain incompetent vets (included in Budget Resolution as well as House and Senate Appropriations Bills, not included in President's Budget).
- Did not increase prescription co

-payment charges from $2 to $5 in first two years and $8 thereafter (included in Budget Resolution).
*- The committee did not pick up a part of one provision that was assumed in the budget resolution and included in the President's Budget: a two part provision that in every year would
1.) round down compensation COLA increases and, 2.) reduce COLA increases to certain recipients of survivor compensation (DIC) benefits. The Senate markup only included the round down part of this provision.
================= END ATTACHMENT 1 =================