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MID-SESSION REVIEW

OF THE

1997 BUDGET

July 1996

12-10-96
Budget

TALKING POINTS ON BIENNIAL BUDGETING
DECEMBER 10, 1996

* The Administration strongly supports the concept of two-year budgets and two-year appropriations.

* We first took this position in the original Reinventing Government report in 1993. It's been repeated in REGO reports and in testimony on the Hill.

* To quote the original REGO report: "Annual budgets consume an enormous amount of management time...With biennial budgets...we might spend more time examining which programs actually work." *

* Two-year budgeting would provide more time for making decisions and for oversight of existing programs, and it would help agencies reduce waste by providing them with a little more consistency and predictability.

* An interesting historical fact: The first bill in the Congress to require biennial budgeting was introduced in 1977 by none other than Leon Panetta, who was then a freshman Member of Congress.

* **If asked** whether it would reduce flexibility, Congress would still have the option of enacting supplemental appropriations bills to subtract or add to spending in particular areas (with appropriate offsets) if necessary to meet unforeseen circumstances.

* **If asked,** we've never actually sent up a legislative proposal, but we would be interested in working with the Congress on such legislation.

TOIV (Checked by Haas)

TALKING POINTS ON CBO NUMBERS
DECEMBER 10, 1996

* At the Administration's request, the Republican congressional leadership has agreed to direct the Congressional Budget Office to provide the Office of Management and Budget with its economic assumptions as soon as they are ready -- that is, before the Administration's budget is issued.

-- This would be unprecedented.

-- We expect to get the assumptions later this week.

* This is an important gesture as we seek to reach common ground with Congress on a balanced budget.

-- Obviously, the more that the Administration and Congress know about one another's economic assumptions, the more likely that we can find some way to bridge the gap between them later in the process.

-- For instance:

-- The Administration and Congress might decide to choose one or the other set of economic assumptions to work from, or

-- The Administration and Congress might choose to split the difference between the two sets of assumptions.

* We're encouraged by news reports that CBO may be moving closer to OMB's economic assumptions.

-- Economic assumptions are a key component of the projections of where the deficit is going down the road.

-- Thus, the closer we are on our economic assumptions, the more we will agree on our projections of the deficit in the coming years -- that is, the size of the problem that we face in reaching balance.

-- The less we argue about assumptions, the more we can concentrate on the policies that we take us to a balanced budget.

* There is no formal process for bringing our projections together.

-- But, obviously, our economists talk to their economists and share information so they can understand one another.

* Please bear in mind: It is only the economic assumptions that we believe that we are getting this week.

-- We also expect to receive the technical assumptions (Medicare/Medicaid spending projections, revenue projections, etc.) sometime down the road, but we don't have a firm date on that.

-- With the technical assumptions, we also expect to receive CBO's baseline (deficit projections for the future).

-- But we don't know that we will receive the technical assumptions and baseline before we have to lock in our decisions for the President's fiscal 1998 budget -- which is before Christmas.

-- That means that we still may face significant differences between the OMB and CBO baselines down the road.

TOIV (Checked by Haas)

CPI 12/9/96

Q. Didn't the Administration stake out new ground on the CPI this weekend in Secretary Rubin's and Director Raines' comments embracing the Boskin Commission's notion that we have to fix the CPI.

A. **Lead Response to Any CPI Question.** Yesterday, we heard that 4 key people on both sides: Rubin, Raines, Kasich, and Domenici all agree that this really needs to be a situation of getting the numbers right, regardless of politics or the budget process.

Nothing new was said over the weekend by Secretary Rubin or Director Raines. The Administration position remains the same:

- We should not rule out a change in the cost-of-living adjustment if, based on technical analysis, there's a broad-based agreement that there is a better and more accurate measure of the cost-of-living

- We should allow time for experts around the country in the private and public sector to digest and analyze the Boskin report and other similar reports and studies.

- The Administration has always stated that the question that must be asked is: Based on science and technology -- taken out of politics -- can we improve the CPI so that it better measures inflation?

Q. What did Rubin mean by saying that "Boskin got it right?"

A. The Secretary was only referring to the part of the report that said these are very serious issues and that the best way to treat their their report is for the best technical and scientific experts in the private and public sector to digest this report, analyze this report, and reach their own conclusions, and make their own recommendations.

Secretary Rubin did not embrace any specific recommendation of the Boskin commission.

Q. Does that mean you do or do not think will be part of budget process this year

A. The critical thing is that this be a technical, scientific inquiry to see where there is broad agreement among experts. I don't think anybody knows about whether such a broad technical agreement can be reached in a way that would be helpful to the balanced budget process. But we all think it should be looked at as a separate technical judgement.

Q. Would you be willing to have a legislative fix on CPI?

A. At this point we are interested in looking for broad technical agreements. That is the first step. At this point, we are not ruling in or out any particular means to how any adjustments will be made.

Our Administration is open to seeing where we can get broad agreement among experts as to the best CPI adjustment. The timing of when such an agreement can or cannot be reached cannot be determined at this time.

12-4-96
Budget

Talking Points on CPI and Boskin Commission

I believe in having a cost-of-living adjustment and indexing our tax brackets to take account of inflation. The process of determining that should never be politicized, but should be based on the best scientific and objective technical judgment.

There have been, however, serious questions raised by experts -- including at the Bureau of Labor Statistics -- as to what is the most accurate measures of the cost-of-living.

I believe that all of us should be open to reviewing the best evidence and expertise as to what the most accurate cost-of- living measure should be, and that our goal should be to reach a broad agreement based on the best scientific and technical judgment possible.

Q: Are you willing to appoint a commission to look at this measure? What are you going to do?

A: There are new reports expected out by the Boskin Commission and a new experimental index by the Bureau of Labor Statistics early next year. The first step should be for everyone to carefully study these measures and keep an open mind. I am going to ask my economic team to review this new data.

Q: In the past the Administration appeared to state that CPI issues were technical and should be left to the BLS. Is the Administration now abandoning this position and saying they would look beyond the BLS to the views of outside economist for a possible legislative fix to the CPI?

A: The Administration believes that the cost-of-living adjustment should be based on the most accurate, technical and scientific judgment that can be broadly agreed to by the top experts across the nation. Much of this top expertise is housed at the BLS, but just as the BLS themselves do, other decision-makers in Washington should also be willing to weigh all of the top expert opinion and evidence from across the nation.

Q: Would the Administration consider a new index -- different from the CPI -- to base government benefit adjustments and tax bracket indexing to?

A: That's a premature questions at this point. As we have said, the important thing is to ensure that we have the most accurate and credible cost-of-living measure possible that protects people's standard of living and is based on the best scientific and technical judgment that can be broadly agreed to by the nation's top experts at BLS and elsewhere.

MORE DETAILED TALKING POINTS

(1) The Consumer Price Index (CPI) is more than just an objective yardstick of changes in consumer prices. It is used by millions of Americans to ensure that their Social Security and other benefits are protected from inflation and to adjust tax brackets to keep our tax system fair. Therefore it is imperative that the index reflects changes in the cost of living as accurately as possible.

(2) The Boskin report raises legitimate and important issues about how changes in the cost of living are measured. Most economists -- including those at the Bureau of Labor Statistics (BLS) -- agree that the existing CPI produced by the BLS is an imperfect measure of changes in the cost of living. The current CPI measures the cost of a fixed market basket of goods. For this reason, it does not reflect the extent to which people substitute less expensive items for more expensive items as relative prices change. Changes in quality are also difficult to capture fully in the index.

(3) The issues raised by the Boskin Commission report must be considered in this way. The BLS, the rest of the Administration, and the public will carefully review the new report and its recommendations. The BLS already has an ongoing effort to improve the CPI and indeed has already made several improvements over the last four years. This effort has identified many of the problems discussed by the Boskin group and has come up with a number of solutions.

(4) The process of making changes in the measurement of the cost of living cannot be politicized; it should be based on broad agreement among scientific and technical experts.

12-3-96
Budget

Talking Points

CBO's Upcoming Baseline for Fiscal 1998 and Beyond

December 2, 1996

* As CBO has made clear publicly, CBO's forthcoming updated baseline will close the gap between the OMB and CBO baselines.

-- OMB will release its new baseline in the President's 1998 budget, due to Congress by February 3.

-- CBO will release its baseline over the next month or so.

* Republicans have agreed to give the Administration CBO's new economic assumptions early next week.

* But we still will not have the technical assumptions -- which include such important factors as the spending projections for Medicare and Medicaid and projections of tax receipts.

* We expect the gap between the two agencies on ~~their deficit~~ estimates for 2002 -- the year that everybody wants to reach balance -- to be about $50 billion.

-- That's half of the previous gap of about $100 billion.

* Obviously, the closer that OMB and CBO are on their starting points, the easier it will be for the White House and Congress to agree on a long-range plan.

-- The issue will be less the OMB/CBO gap, and more the policies needed to reach balance in 2002.

* We are obviously delighted that the two agencies are seeing eye-to-eye more on the future shape of the economy and the size of the deficit problem.

(MIKE -- Here's the slight problem with what you said earlier:

OMB and CBO staffers have chatted informally about all this -- as they always do -- but on a confidential basis.

We did not, however, CONVINCE them to change their view of the world, and any suggestions that we did could backfire; that is, it could force them to back away from the fact that they were starting to see things our way.

Thus, you should suggest that we are pleased that the agencies are in closer agreement, based on their respective INDEPENDENT judgments about the economy and how it will affect the deficit outlook.

12-2-96
Budget

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Budget
1-10-97

TALKING POINTS ON BUDGET GIMMICKS
JANUARY 10, 1997

* I'm not going to talk about any of the specifics in the President's budget.

* But I can tell you that the President will propose a budget that achieves balance by 2002. It will be credible, and it will be consistent with the values of the American people and with the priorities that he has pursued for four years now.

* This President has a history of extraordinary credibility when it comes to the impact of his budgets.

    * In each of the first four years, the deficit has turned out even lower than he projected.

    * And the 1993 budget plan, which we projected would reduce the deficit by $505 billion, is now projected to achieve over $900 billion in deficit reduction.

    * Obviously, the economy is even better than we projected as well.

* So when it comes to credibility, the President has a solid record of conservative and credible estimates and budgets.

12/19/96

TALKING POINTS ON BUDGET DELIBERATIONS
DECEMBER 19, 1996

* The President intends to make all of the major decisions on his Fiscal Year 1998 budget by the end of this week.

* He began meeting with the members of his economic team last week, and those meetings will conclude tomorrow. Those in the meetings include the Vice President, the outgoing and incoming Chiefs of Staff, the outgoing and incoming heads of the NEC, the OMB Director, the Treasury Secretary, the Legislative Affairs director, and others.

* The kinds of decisions the President needs to make include questions about the broad parameters of his budget, overall spending for the various departments, the initiatives he wants to propose to carry out the commitments he has made and to meet his priorities for the American people, and the appeals brought by Cabinet members when they cannot resolve the disagreements they might have with the Office of Management and Budget on significant issues involving their departments.

* For example, the President as you know has a great interest in advancing his agenda for education. He would want to take a direct hand in decisions about the major elements of any education initiatives to be included in the budget.

* With regard to appeals, the fact is OMB and the agencies are able to resolve the vast majority of their disagreements in discussions that take place without the President and, for the most part, without other members of his economic team. It's only disagreements on significant matters that come before the President.

* Several cabinet officers will come to see the President and his economic team today. They will be able to make their case on whatever significant issues they have not been able to resolve with OMB.

CONGRESSIONAL DISCUSSIONS ON BALANCED BUDGET AMENDMENT
FEBRUARY 24, 1997

* The President has had discussions with a number of members of Congress over the past several weeks, including the new members of the Senate. In some of those, he has raised his concerns about the proposed Balanced Budget Amendment.

* I'm not aware of any conversations he has had in the past few days with any particular members (including Torricelli and Landrieu), but I'm happy to check on that.

(Background: Hilley doesn't know if he has talked to either of the two Senators in the past few days, but if he has, it would be very unhelpful were it to become known.)

TOIV
Conversation with Hilley

A Balanced Budget Plan that's Tough but Fair
Key Points to Make About the President's Budget

- **Tough Choices are Made Now.** The President's budget makes the hard choices today to balance the budget by 2002. It locks in savings of $350 billion over five years -- including $137 billion in discretionary spending, $100 billion in Medicare, and $34 billion in corporate tax subsidies. The credibility of the budget is underscored by the fact that it is the first Presidential budget declared "alive on arrival" since 1981.

- **Cuts are Sustainable and Workable.** The President's budget cuts non-defense discretionary spending by 9 percent in real terms over five years, while protecting investments in the President's priorities. The spending path is reduced slowly and steadily.

- **Built on Solid, Conservative Economic Forecasts.** The President's budget is based on prudent and conservative assumptions about future economic performance. For four years in a row, growth has been higher and the deficit has been lower than the Administration had predicted. The actual deficit has been $50 billion lower we had forecast a year earlier -- a healthy break from the rosy scenarios of the previous two Administrations, in which the deficit was <u>larger</u> than forecast in 10 out of 12 years. In 1996, the President's budget office's estimate of growth and the deficit were too cautious -- and more accurate than the Congressional Budget Office's forecasts.

- **Major Investment in Education**. The President's plan makes a dramatic investment to open the doors of college to more Americans. It includes the largest increase in the maximum Pell Grant in two decades, provides a yearly $1,500 HOPE scholarship tax credit, and creates a $10,000-a-year tuition tax deduction for college costs to make education more affordable. It also expands IRAs, which in conjunction with the tuition tax deduction, allows families to save and pay for college tax-free.

- **Expanding Health Care and Investments in Children**. The President's plan makes critical savings in health care, while expanding coverage for as many as 5 million children. It also expands Head Start to meet our target of 1 million children by 2002; and increases funding in children's nutrition and prenatal programs (WIC) to $4.1 billion.

- **Hard-Nosed Measures to Trim Corporate Subsidies.** The President's plan achieves more than $34 billion dollars by cutting corporate subsidies. Those savings -- achieved by closing unwarranted and unnecessary tax loopholes, and by stiffening compliance measures -- are <u>three times</u> as much as the proposed savings in GOP Budget Chairman John Kasich's plan.

QUESTIONS & ANSWERS

Q: DOESN'T YOUR BUDGET AVOID ALL THE PAINFUL DECISIONS NEEDED TO ELIMINATE THE DEFICIT?

A:

- Not at all. We are locking in savings of $350 billion over the next 5 years -- including $137 billion in discretionary spending, $100 billion in Medicare savings ($138 billion over 6 years), and $34 billion in reducing unneeded corporate tax subsidies -- and cutting the deficit by $252 billion. Our budget will eliminate the deficit by the year 2002, the first time we will have balanced the budget since 1969.

- We have carefully examined the budget for areas in which we can achieve savings. Our Medicare and Medicaid proposals achieve $110 billion in savings over the next five years, and extend the life of the Medicare Trust Fund to 2007, while maintaining the integrity of both programs. Our non-defense discretionary outlays follow a smooth, steady decline -- falling by 9 percent in real terms between FY 1997 and 2002.

- The Budget includes specific, credible cuts in many areas. In addition to the savings from Medicare, Medicaid, and unwarranted corporate subsidies, the budget reduces non-defense discretionary spending by 9 percent in real terms over 5 years. As just a few examples, we are reducing funding for Federal building construction; for the Corps of Engineers (as part of our effort to target new construction to projects that are national priorities); for P.L. 480 farm subsidies (farm incomes are at record levels); and for Clean Coal Technology projects that are no longer economically viable. We're also cutting USDA buildings and facilities, international conferences and contingencies, the Overseas Private Investment Corporation, and GSA Operations.

Q: DOESN'T YOUR BUDGET ACHIEVE 75 PERCENT OF ITS SAVINGS IN THE FINAL TWO YEARS?

A:

- Our budget is <u>not</u> backloaded. Just take a look at our record. We've already cut the deficit from $290 billion in 1992 to $107 billion last year. When the President took office, the deficit had to be cut by a cumulative $2.75 trillion between 1993 and 2002 in order to reach balance by 2002. We have already locked in $2.5 trillion of those savings, and this budget would lock in the extra $250 billion needed. *The fact is that we've done most of the work in our first 4 years.*

- We are making the hard decisions now. We are locking in savings of $350 billion over the next 5 years -- including $137 billion in discretionary spending and $100 billion in Medicare savings ($138 billion over 6 years) -- and cutting the deficit by $252 billion.

- As with any credible budget plan, the savings from making those hard decisions now grow over time. Our savings are not backloaded: 67 percent of the $350 billion in savings occur in the last two years. That's within the range that Robert Reischauer, the former director of the CBO, has proposed as showing that the budget cuts are smooth and *not* backloaded. And over 6 years, only 61.7 percent of our savings occur in the final two years.

Q: DOESN'T YOUR BUDGET FAIL TO BALANCE UNDER CBO ASSUMPTIONS?

A:

- We have submitted a plan that balances the budget in 2002 under our assumptions. Our assumptions have proven to be conservative over the past four years: *every year, the deficit has been lower and growth has been higher than we had predicted.* Our current assumptions are equally prudent and conservative.

- Since we took office, the actual deficit has on average been about $50 billion lower than we had projected the year before. CBO has been less accurate: they have overestimated the deficit by $59 billion on average.

- It is important that the numbers we use as part of a balanced budget agreement be credible and conservative -- and that they are supported by both the markets and the public. Our projections for GDP growth and inflation over the next five years match those of the Blue Chip private sector consensus.

- If, despite our expectations, our assumptions do not prove correct, we will pursue an expedited process with Congress to agree on how to close any budget gap. And in order to ensure that we eliminate the deficit in 2002, we have identified precisely what steps would be taken by statute if our assumptions prove inaccurate and the expedited process with Congress doesn't work. Specifically, most of our tax cut proposals would sunset in 2001, and a 2.25 percent across-the-board reduction in spending (except Social Security) would be triggered. The discretionary spending reductions would start in 2001 and the reductions in mandatory programs would begin in 2002.

Q: YOU HAVE INCLUDED A HOME HEALTH CARE TRANSFER GIMMICK IN THE BUDGET. HOW CAN YOU POSSIBLY DEFEND IT?

A:

- Let's be clear: our savings of $138 billion in Medicare over 6 years ($100 billion over 5 years) does *not* include the home health care transfer from Part A to Part B of the program. The $138 billion is the net reduction of Medicare spending relative to the budget baseline -- and thus is the amount by which our Medicare changes contribute to deficit reduction. The transfer does not contribute to the $252 net deficit reduction in our package.

- The policy you mentioned was in our budget last year and it was in the House Republican budget in 1995 which every Republican in the House voted for. It is also included in this year's Blue Dog Coalition budget,

- Shifting long-term home health visits (other than the first 100 visits following a hospitalization) away from Part A of the Medicare program makes sense because home health care has increasingly become a chronic care benefit not linked to hospitalization. It was also the established policy prior to the 1980s. And it protects the Medicare Trust Fund until 2007, while not imposing harmful cuts on hospitals or other priorities, or excessive burdens on beneficiaries.

[Background: Originally designed as a post-acute care benefit for beneficiaries who had been hospitalized, home health care has increasingly become a chronic care benefit, not linked to hospitalization. Our proposal restores the original split of home health care benefits so that the first 100 home health visits following a 3-day hospitalization would be reimbursed by Part A and all other visits -- including those not following hospitalization -- would be reimbursed by Part B.]

Q: FOLLOW: IF THE HOME HEALTH TRANSFER IS NOT A GIMMICK, THEN WHY DON'T YOU INCLUDE IT AS PART OF THE PART B PREMIUM?

A:
- We have always been concerned about out-of-pocket costs for Medicare beneficiaries. Older Americans spend, on average, 20 percent of their income on health care and three-fourths have incomes lower than $25,000. We have to be careful that as we reform the Medicare program, we do not place undue burden on lower-income seniors.

Q. DOESN'T YOUR BUDGET CREATE $60 BILLION IN NEW ENTITLEMENTS?

A.
- No. My budget actually *saves* $121 billion in entitlement spending over the next 5 years.

- We <u>are</u> proposing some new additions to our health care programs, but they are aimed at reducing the number of uninsured Americans and are *not* open-ended entitlements. For example:

  -- Our program to provide health insurance for unemployed workers is capped. The program is structured as a grants program to States. While there are provisions to help States that have unanticipated increases in unemployment, there is an overall Federal cap on spending that cannot be breached. Moreover, the program is sunset after 4 years.

-- There are no new entitlements in children's health as well. The children's health initiative also contains no new individual entitlement. It provides States with grants that, by law, will not exceed $750 million in each year. Medicaid spending itself, under my plan, will be capped for the first time in its history. The Federal funding limits are set based on the number of people covered so that States — not the Federal government — make the decisions about coverage.

- We are also proposing some changes to the welfare reform legislation that was enacted last year, but our purpose is to fix unnecessary and damaging provisions in that legislation -- involving legal immigrants and Food Stamp recipients. We do not view these changes as new spending or new entitlements.

- It is ironic that we are sometimes criticized for phasing out new proposals -- such as school construction -- and simultaneously for creating permanent new mandatory spending programs. Our phase-outs are designed to allow an evaluation of how well the new programs are working -- and we have been careful to avoid creating permanent new entitlements without knowing the effects.

Q: WHY DO YOU ELIMINATE MANY OF YOUR NEW PROGRAMS BEFORE 2002?

A.

- Many of our proposals -- such as school construction, welfare to work, skill grants, and health insurance for the unemployed -- are new programs. They are untried. We want to see how they work before the government funds these initiatives permanently.

- For example, our school construction initiative -- providing $5 billion over 4 years -- is explicitly designed to jump-start $20 billion in local projects. The Federal government has traditionally not been involved in school construction and renovation; our proposal is therefore not supposed to be a permanent Federal program.

TALKING POINTS ON BUDGET/TAXES
MARCH 24, 1997

* **Our budget both achieves balance <u>and</u> includes a tax cut**. We have shown that you can do both and our strong preference is to have a balanced budget that provides tax relief for middle-income families.

* **Our tax cuts are integral to what the President wants to achieve and he is committed to them**. Opening the doors to college is one of the President's top priorities. Along with his efforts to expand Pell grants, the President's Hope Scholarship tax credit and tuition tax deduction are critical to advancing this goal.

  The President also understands that raising children today is expensive. The President is committed to making it easier. That's why his budget includes a child tax credit that will help 18 million families with 34 million children.

  His proposal also provides savings incentives that help average families prepare for retirement and for the purchase of a first home.

* **If a <u>separate vote on tax cuts</u> will pave the way to a balanced budget agreement, we will be open to it**. The President is determined to get a balanced budget agreement that can win the support of majorities of both parties in both Houses of Congress. We are open to compromises that will reach our goals and get the job done.

FOLLOW-UP

Q: SO YOU WOULD OR WOULD NOT AGREE TO DROPPING TAX CUTS?

A: We are not dropping our tax cuts. We are committed to providing them. All we are saying is that IF a separate vote on cuts will make getting a balanced budget agreement easier --as some members of the GOP leadership in Congress have suggested--, we are open to it.

(Apparently, we did this to be sure we were not in the position of screwing moderates who oppose all tax cuts, given Gingrich's new stand. But this is a process point, not substance. We continue to want both a balanced budget and tax cuts, but if it takes two votes to get it, as some Congressional leaders are suggesting, we're open to it, and we won't stand in the way.)

TOIV
Combination of Haas and Siewert
Sperling ok on last Q&A

MAR-04-97 06:30 FROM:OMB COMMUNICATION

Xmo ...

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

March 4, 1997

Honorable Frank R. Lautenberg
Ranking Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Senator:

You asked whether the alternative set of policies proposed by the President in the event that Congressional Budget Office projections are used in the budget process would achieve unified budget balance in fiscal year 2002.

As we described in our March 3 preliminary analysis of the President's 1998 budgetary proposals, "the alternative policies proposed by the President were designed to fill exactly any size deficit hole that CBO might project under the basic policies." Therefore, Table 6 in our analysis which provides CBO's estimate of the effect on the deficit of the President's alternative budgetary policies shows a zero deficit for fiscal year 2002.

I hope that this answer meets your needs.

Sincerely,

June E. O'Neill

cc: Honorable Pete V. Domenici

4·9·97

~~DRAFT~~ GUIDANCE ON BUDGET/MEDICARE
APRIL 9, 1997

* The White House and the congressional leadership are engaged in serious budget discussions that grew out of the meeting the President called before the Congressional recess. As you remember, he met with the Budget leadership and asked the staffs to get together during the recess. Now, his representatives are meeting with senior members of Congress.

* The President is determined to reach a balanced budget agreement that is consistent with the priorities of the American people, and we believe these discussions should give the American people good reason for hope.

* Yesterday, the President's representatives (Sperling, Raines, Hilley, and Secretary Shalala) met with the bipartisan Congressional Budget Committee leadership and other key chairmen and ranking members. The subject was Medicare, and it was a very productive and constructive meeting.

* As you will recall, the President, in the balanced budget plan he submitted in February, has already moved halfway toward the Republicans in the level of Medicare savings he is proposing. I think it's fair to say that the Administration put on the table an additional proposal, a very serious proposal, regarding Medicare.

* Because we agreed in the meeting to keep the specifics of the meeting confidential, I'm not in a position to give you any specifics. However, I will not argue with the reports I have read that suggest that in order to minimize the burden on Medicare beneficiaries, our proposals continue to focus on provider savings.

* The President has instructed his team to be flexible. He understands that everyone will have to compromise to reach an agreement. He is determined to reach a balanced budget plan that can win the support of a majority of both parties in Congress -- and of the American people.

(If asked -- today they are going to talk about non-defense discretionary spending.)

TOIV
Reviewed by NEC/Hilley

4-17-97

GUIDANCE ON BUDGET
APRIL 17, 1997

* Negotiations continued yesterday on Capitol Hill, and the White House representatives will again be on the Hill today to continue discussions. **Today's discussion will focus on international assistance, and for that reason our usual negotiators will be joined by Secretary Albright and Secretary Rubin whose presence should emphasize how important this subject is to us.**

* Then we don't expect any further meetings until at least Wednesday, due to the Congressional schedule.

* (If asked) We still hope and expect that there will be an appropriate time soon for the bipartisan Congressional leaders to come and meet with the President, as the President envisioned when he kicked off this process a few weeks ago. As you can see, given the schedule of meetings, it might be difficult to get to that point by next week. But I can't rule it out.

* (If asked) Discussions continue to show progress. There is no agreement, implicit or otherwise, on the major issues. Other than saying that, it would not be helpful to the discussions for me to talk about specifics.

TOIV
Reviewed by Hilley

4·21·97

GUIDANCE ON BUDGET
APRIL 21, 1997

Q: Senator Lott and Chairman Kasich over the weekend essentially laid down an ultimatum to the White House, threatening to go ahead with their own budget if there is no agreement by late Wednesday or Thursday. Do you think there will be an agreement by then?

A: Well, let's keep in mind that there will be no talks today or tomorrow because of the Congressional break. I think the talks have been making progress, and we have good reason to hope that the talks will continue to make progress. And Republican Congressional leaders agree that the talks are making progress. **I think they are as eager as we are for an agreement, and perhaps that is what accounts for these deadlines. But with Members of Congress out of town, we can't even meet again until at least Wednesday. And I don't think they intended to set what would be, in effect, a one-day deadline.** I'm sure we'll get back together in the next few days and continue talking, and we're very hopeful that there will be continuing progress.

* (When's next meeting?) Because they are out of town, the next meeting has not officially been scheduled, but that's merely a matter of getting on the phone and setting it up. We'll let you know when it's set.

* (Happy with comments by Democratic leaders?) Congressional Democrats have been very constructive in these negotiations. Their comments yesterday were consistent with the conversations we have had with them. Like the President, they are very eager to get a balanced budget agreement that protects our priorities -- providing the best possible education to our children, expanding the number of kids with health coverage, protecting the environment, strengthening Medicare and ensuring its solvency well into the next decade.

TOIV
Conversations with Hilley, Siewert (for Gene)

4-23-97

GUIDANCE ON BUDGET
APRIL 23, 1997

Q: **What meetings are taking place regarding the budget negotiations today?**

A: Today is a very busy day on the budget front. **First**, as you know, a number of House Democrats will be here at the White House this afternoon to meet with the President to discuss the budget negotiations and the priorities we share in those negotiations -- such as providing the best possible education to our children, expanding the number of kids with health coverage, protecting the environment, strengthening Medicare and ensuring its solvency well into the next decade.

Right now, we anticipate members of the House Democratic leadership and Democratic members of the House Budget Committee, led by their ranking member, Congressman Spratt.

In addition, some of our negotiators will be on the Hill talking with a number of Senate Democrats about some of the very same issues.

(**If pressed on Congressional Dems**) Congressional Democrats have been very constructive in these negotiations. Like the President, they are very eager to get a balanced budget agreement that protects our priorities --providing the best possible education to our children, expanding the number of kids with health coverage, protecting the environment, strengthening Medicare and ensuring its solvency well into the next decade.

Tomorrow, we anticipate a similar meeting with Senate Democrats here at the White House.

(If asked) No meetings scheduled at this time with Republicans, although you can never rule it out. (No plans at the moment)

Q: **Is the White House concerned about the letter sent by conservative Republicans to Senator Lott demands with regard to any budget agreement?**

A: **As the President said last week, we all need to be flexible and willing to compromise if we are serious about getting a deal. Each of us must be willing to compromise our sense of the perfect, to reach an agreement that advances the greater good. And we can do so without compromising our deeply-held values.**

It is critical that any budget deal contain important investments in our priorities, such as extending health care coverage to 5 million children, providing greater educational opportunity and protecting the environment.

We can achieve a mainstream balanced budget agreement that garners the support of a majority of Democrats and Republicans as well as the overwhelming majority of the American people. And that is what we ought to be working for.

Q: What about the continuing comments from Republicans to the effect that the major issues need to be resolved today or tomorrow?

A: We share with members of Congress their eagerness to achieve a budget agreement. But we prefer to focus on the substance of the negotiations rather than deadlines. It should be clear that we are continuing to make progress, and we believe that is what's important.

TOIV
Based on information from, and reviewed by, NEC

4.24.97

1. "world class ed for children"
2. expand # of kids w/ health coverage
3. protect environment
4. ensure solvency of Medicare well into next century

GUIDANCE ON BUDGET
APRIL 24, 1997

+ legal immigrants

Q: **What meetings are taking place regarding the budget negotiations today?**

A: As you know, a number of Senate Democrats were here at the White House this morning to meet with the President to discuss the budget negotiations and the priorities we share in those negotiations -- such as providing the best possible education to our children, expanding the number of kids with health coverage, protecting the environment, strengthening Medicare and ensuring its solvency well into the next decade.

They included Senator Daschle and Democratic members of the Senate Budget Committee, led by their ranking member, Senator Lautenberg. Yesterday, of course, we had a similar meeting with House members.

This was a good, constructive meeting. The Senators stressed to the President the importance of achieving a balanced budget that meets our shared priorities -- providing the best possible education to our children, expanding the number of kids with health coverage, protecting the environment, strengthening Medicare for the future and ensuring its solvency well into the next decade, restoring assistance for legal immigrants. They understand the need to compromise, but a final agreement needs to achieve these goals.

Some pointed out that Democrats responsible for 93 budget that brought deficit down by more than 60 percent, and that Democrats need to be a part of finishing the job of balancing the budget. *

Did they urge the President to force Republicans to present their own budget?

Some expressed support for that view, but they said they respected the President for having the courage to try to achieve an early balanced budget agreement and they said this was less important than the substance of a final agreement, which they stressed should achieve a balanced budget that protects our key priorities.

(If pressed on Congressional Dems) Congressional Democrats have been very constructive in these negotiations. Like the President, they are very eager to get a balanced budget agreement that protects our priorities --providing the best possible education to our children, expanding the number of kids with health coverage, protecting the environment, strengthening Medicare and ensuring its solvency well into the next decade.

(If asked) No meetings scheduled at this time with Republicans, although you can never rule it out. (No plans at the moment) But we obviously have a busy schedule here for the remainder of this week through at least Monday.

Q: **Is the White House concerned about letters being sent by conservative Republicans and liberal Democrats in an effort to influence negotiations?**

A: **As the President said last week, we all need to be flexible and willing to compromise if we are serious about getting a deal. Each of us must be willing to compromise our sense of the perfect, to reach an agreement that advances the greater good. And we can do so without compromising our deeply-held values.**

It is critical that any budget deal contain important investments in our priorities, such as extending health care coverage to more children, providing greater educational opportunity, and protecting the environment.

We can achieve a mainstream balanced budget agreement that garners the support of a majority of Democrats and Republicans as well as the overwhelming majority of the American people. And that is what we ought to be working for.

Q: What about the comments from Republicans to the effect that the major issues needed to be resolved by today?

A: We share with members of Congress their eagerness to achieve a budget agreement. But we prefer to focus on the substance of the negotiations rather than deadlines. **I haven't heard any particular deadline repeated in the past couple days. And I think it should be clear from their comments that the Republican leadership understands the seriousness with which we are approaching these negotiations.** It should be clear that we are continuing to make progress, and we believe that is what's important.

TOIV
Based on information from, and reviewed by, NEC

revised 11:15 a.m.
4.30.97

Budget Guidance
April 28, 1997

Q: When will the President be meeting with Republicans on the budget?

A: The President said yesterday that we would know whether we can reach an early bipartisan agreement on the budget in the next few days. We have not set a time for a bipartisan meeting yet [ck. With Hilley], but both sides will be working very hard all week to find common ground.

Q: Are the details of the latest offers reported in the Times and USA Today accurate?

A: I am not going to detail the state of play in the negotiations from this podium. For those negotiations to succeed, we need to maintain a degree of confidentiality about them. The negotiators have been hard at work for several weeks now, and they are narrowing the differences. That's what good faith negotiations are supposed to do.

Q: The President seemed to indicate on "Face the Nation" that he was willing to apply "heat" to fix the CPI if that was necessary. Does that mean he will pressure BLS to lower CPI?

A: The President said yesterday what he has said before: that he wants the cost of living indexation to be as technically accurate as possible. And there are many experts who believe that CPI is overstated. We are not ruling in or out a specific means of ensuring that CPI is measured accurately, but the President also made it clear yesterday that he wanted any adjustments to be made on the technical merits.

Q: Time magazine reports that Erskine Bowles met with Chairman Kasich and Speaker Gingrich to discuss a CPI fix. Is Time's characterization of that meeting accurate?

A: The Chief of Staff has had a number of consultations with Democratic and Republican leaders to explore ways of reaching common ground on the budget. We are not going to discuss the contents of these confidential meetings.

Q: Republicans are objecting to the President's plan to increase spending on domestic programs by $119 billion over his budget last year. Is the President willing to lower his request for new spending to last year's levels?

A: The President's budget is very strict. It reaches balance in five years, while cutting discretionary domestic spending by 9 percent in real terms over 5 years. That includes significant increases in key areas -- education, law enforcement, health care for children, and the environment -- while providing deep cuts another areas of domestic spending to pay for them.

AAKE
BT, MEG, LMc, JL
return for
Monday brief
-Mc

Budget Agreement - Q & A

Q: DOESN'T THIS BUDGET FAIL A BASIC TEST OF FAIRNESS?

A: No, it is a tough budget, but it is a fair budget.

- **It protects the most vulnerable members of our society.** To gauge fairness one has to look at what will be the impact on the lives of the most vulnerable, including the young and the old, the sick and the poor, and those who are new to this country. Look at what this budget does:

  1) It expands health coverage to as many as five million children of working Americans.

  2) It restores basic disability and health benefits for legal immigrants, something the President was determined to do.

  3) It retains the basic federal guarantee of Medicaid coverage for the nation's poor.

  4) To improve the lives of countless senior citizens, it expands health coverage to include critical preventive diseases, to help our elderly fight terrible diseases such as diabetes.

- **The budget remembers the often forgotten middle class.** This budget will make it easier for parents to raise their kids and send them to college.

- **And just like the Economic Plan passed during the first term, more Americans will have jobs with this budget than they would without it.**

Q: **LAST YEAR THE ADMINISTRATION CRITICIZED AS EXTREME MEDICARE CUTS OF SIMILAR MAGNITUDE. WERE YOU DEMAGOGING LAST YEAR OR ARE YOU HURTING SENIORS THIS YEAR?**

A: **There are very real differences between the Medicare reforms assumed in this agreement and what was vetoed in 1995. The same policies the Republicans would have cut excessively are being protected in today's agreement.**

1) **The budget agreement keeps the Medicare Part B premium at its current level of 25 percent of program costs -- far below 31.5 percent the 1995 Republican budget the President vetoed.** These premiums are very reasonable and significantly below the vetoed 1995 Republican budget's premiums -- around $20 below in 2002 or around $240 per year.

2) **Aligning growth rates with private vs. cutting far below** - the agreement aligns Medicare growth rates with today's projected private premium growth rates. By contrast, the vetoed bill would have cut Medicare growth rates far below the relative private sector growth rates. This would have damaged the Medicare program and hurt beneficiaries.

3) **The Medicare savings in the budget agreement meet the Republicans half-way.**

4) **Critical Investments vs. No Investments** - the agreement includes critical investments in preventive coverage for such diseases as diabetes and breast cancer, holding the promise of improving the lives of countless senior citizens. The vetoed budget included extremely modest investments, $100 million for coverage of oral breast cancer drugs.

Q: **CAN YOU ASSURE AMERICA'S SENIORS THAT THEIR MEDICARE ISN'T BEING CUT TO PAY FOR TAX CUTS FOR THE RICH?**

- **The bulk of the tax cuts in the balanced budget agreement are designed to make it easier for parents to raise their children and to send them to college.**

- **The senior citizens of this country support these goals - they want to their grandchildren to receive a quality education and be able to afford to go to college.**

- **This agreement will modernize Medicare, make it more efficient, and extend its solvency for a decade.** Senior citizens will have more health care options and better information to make choices.

- **The President worked hard to make sure that critical preventive benefits were added to the health coverage Medicare beneficiaries receive.** This will allow countless of our elderly and their doctors to detect diseases early and to better manage diseases, such as diabetes and breast cancer.

Q: DIDN'T YOU AT THE LAST MINUTE FUDGE THE ASSUMPTIONS BY $45 BILLION TO REACH BALANCE?

A: The balanced budget agreement incorporates conservative economic assumptions.

- **In each of the last four years, we have <u>over-estimated</u> the size of the deficit,** and <u>under-estimated</u> the pace of economic growth. It looks extremely likely that will happen again this year. Even with no growth for the rest of the year, our growth assumption will be too conservative. And the deficit is likely to be substantially lower than $100 billion -- even though we projected it at $126 billion. Our assumptions for future years are similarly conservative.

- **The agreement uses even more pessimistic assumptions than ours.** CBO is just recognizing what has become increasingly apparent-- that recent deficit projections have been way off and far too pessimistic.

<u>IF NEEDED</u>

- **Compared to assumptions we were working with, the impact of this CBO change was only about $10-12 billion in 2002.**

- **Moreover, we applied the savings in the early years largely to deficit reduction, to reduce the deficit more quickly.**

Q: ISN'T THIS BUDGET BACK LOADED?

A: No, this budget is not backloaded.

- **This ignores the fact that 63% of the work has already been done.** We have cut the deficit from $290 billion to $107 billion. This agreement finishes the job in a credible way. The budget deficit follows a very smooth path from the $290 billion in 1992 to balance in 2002.

- **This budget includes significant changes in each of the major entitlement programs that will be written into law this year.** It is true that the savings grow over time, but that is exactly want we need to do - address the challenge today and implement solutions that are permanent. That's what this budget does.

- This is a solid and credible budget with the support of an Administration with an unprecedented record of deficit reduction and the support Congressional Leaders who have devoted much of their time in Congress to addressing this problem, such as John Spratt, John Kasich, and Pete Domenici.

Q: WHY WOULD ANY DEMOCRAT UP FOR ELECTION IN 1998 VOTE FOR THIS BUDGET WHICH STRIKES MANY AS A REPUBLICAN DOCUMENT?

A: It's the Democrats that passed an historic deficit reduction plan in 1993 that now has seen the deficit cut for what will soon be five years in a row.

- **In 1993, we showed that we could dramatically reduce the deficit and still pursue progressive policies.** While we were reducing the deficit, we were also enrolling more kids in Head Start, increasing access to college, cleaning up the environment, and investing in science and technology.

- **This continues on the successful path :**

1) **Expands educational opportunity**
   - Largest Pell Grant increase in two decades - 4 million will receive a grant of up to $3,000 - an increase of $300 in the maximum grant.
   - A tax cut to make college more affordable for middle income families.
   - Expansion of Head Start - to achieve goal of 1 million kids in 2002.

2) **Expands health coverage for as many as 5 million children.**

3) **Strengthens and Modernizes Medicare and Medicaid:**
   - Extends the solvency of Medicare Trust Fund for at least a decade.
   - Provides beneficiaries more health care options and better information, preparing the program for the 21st century.
   - Expands coverage of critical preventive treatments of diseases, such as diabetes and breast cancer.

4) **Strengthens environmental protection and enforcement**
   - Accelerates Superfund cleanups by almost 500 sites by the year 2000.
   - Expands the Brownfield Redevelopment Initiative to help communities cleanup and redevelop contaminated areas.
   - Increases environmental enforcement

5) **Treats legal immigrants fairly**
   - Restores disability and health benefits for law-abiding, disabled immigrants.

- **Finally, this agreement will help restore the faith this nation has in its ability to govern itself.** During the 1980s, the explosion of debt and large deficits cast doubt on the nation's abilities to govern effectively. This agreement demonstrates that we can govern ourselves effectively. I am confident it is an effort Democrats will want to join.

Q: **WHAT'S THE 7-YEAR SAVINGS FIGURE FOR MEDICARE IN THIS BUDGET?**

A: **The Medicare savings in this agreement meet the Republicans halfway.**

- **Moreover, the Medicare differences are even greater than the numbers imply.** The reason the Republican plan was so potentially damaging to Medicare was that it would have cut Medicare's growth rate well below comparable private sector growth rates. It also included harmful structural reforms which would have undermined the program, including balance billing and hard spending caps. By contrast, this agreement aligns Medicare's growth rate with private sector growth rates. It also contains structural reforms that will modernize Medicare, offering more choices for managed care, shifting to competitive pricing, enhancing preventive coverage, and offering consumers more information.

Q: **HOW ABOUT THE 6-YEAR FIGURE ON TAX CUTS? HOW DIFFERENT ARE THOSE NUMBERS FROM THE LAST GOP PROPOSAL FROM LAST YEAR?**

A: **These are not the same tax cuts the Republicans proposed.** Last year's Republican plan raised taxes on hard working people at the bottom end of the income spectrum and provided tax cuts disproportionately to people at the top end. This agreement includes no such tax cut on working families. It does include a tax cut for middle income families to make it easier for them to raise their children and send them to college.

Q: THIS AGREEMENT EXTENDS THE LIFE OF THE MEDICARE TRUST FUND AT LEAST A DECADE. HOW QUICKLY WILL YOU MOVE TO RESTORE THE TRUST FUND'S SOLVENCY IN THE LONGER TERM? AND WHEN CAN WE EXPECT YOU TO TAKE ON SOCIAL SECURITY WHICH FACES ITS OWN CRISIS?

A: This balanced budget takes us a solid step forward in our nation's preparation for the retirement of the baby boom generation. In preparation, we must do what we can today to both boost future living standards and solidify the basic financial soundness of individual programs. This agreement does both.

- **This budget agreement, coupled with the 1993 economic plan, will have reduced the cumulative deficit over the 1993-2002 period by more than $2 trillion.** This is the surest way we know to boost national savings to support higher future living standards. This accomplishment will have many long-term positive economic consequences.

- **This balanced budget plan also puts Medicare on sounder financial footing.**

  - **Medicare -** The solvency of the Medicare trust fund is extended by a decade and several crucial structural reforms are implemented offering more health plans options, shifting to competitive pricing, enhancing preventive coverage, and offering consumers more information.

- **As this balanced budget plan is being implemented, focus can shift to even longer term concerns, looking several decades ahead.** Again, this balanced budget agreement is a major step forward in that regard and is the surest way we know to improve the long-term outlook.

Q: THIS BUDGET ACHIEVES MEDICARE SAVINGS THROUGH PRICE CONTROLS THAT DO NOTHING TO REFORM THE SYSTEM. WHY DID YOU PASS UP THIS CHANCE TO ENACT REAL REFORM?

A: This budget includes real Medicare reforms:

1) **Restructures Medicare's fastest growing services.** Builds on the successes Medicare has had in controlling hospital costs, restructuring the payment system for home health, skilled nursing facilities, and hospital outpatient services.

2) **Offers consumers more choices for managed care.** Creates new Preferred Provider Organizations (PPOs) and Provider Sponsored Organizations (PSOs) options.

3) **Takes steps to remedy the well-documented overpayment to Medicare managed care.** It also addresses the flawed payment methodology that has led to great geographical disparity.

Q: WHAT ABOUT THE HOME HEALTH GIMMICK USED JUST TO EXTEND THE TRUST FUND WITHOUT REAL SAVINGS?

A: The home health transfer in the budget agreement is not a gimmick.

- The budget agreement moves a portion of home health spending gradually into the Part B of the program, including it in the Part B premium. Moreover, it includes a completely new reimbursement mechanism called prospective payment that produces billions of dollars in savings.

CPI

Q: AREN'T YOU USING CUTS IN SOCIAL SECURITY COLAs TO PAY FOR TAX CUTS THAT WILL PREDOMINANTLY GO TO HIGH INCOME PEOPLE?

A: **The only changes that will be occur are those BLS makes in the ordinary course of business.** BLS has already announced the change assumed. These improvements happen all the time: indeed, over the past 10 years the BLS has made at least 16 changes to the CPI in order to improve its accuracy.

The bulk of the tax cuts in the balanced budget agreement are targeted at middle income people. The agreement includes a top priority of the President's to make college more affordable for middle class families. This tax cut, coupled with the largest Pell Grant expansion in two decades, is part of the President's overall strategy to make college more accessible to all Americans. The agreement also includes a child tax credit to make easier for working parents to raise their kids.

Q: DID THE BLS AGREE TO THE CHANGE?

A: The only changes being made to the CPI are those that the BLS believes will improve the index and <u>that have already been publicly announced</u>. We are not legislating any change in the COLAS.

Q: **DIDN'T THE PRESIDENT SAY HE WAS WILLING TO TAKE THE HEAT ON THE CPI? DIDN'T HE CAVE?**

A: **Our policy has always been to ensure the most technically accurate measure of the cost of living.** Congressional budget leaders on both sides felt strongly that sticking solely to the announced BLS change would help ensure passage of the balanced budget agreement.

- The President's position has been the same throughout - he remains committed to the most accurate cost of living measure.

Q: **WHY DID YOU HAVE 0.3 IN THE AGREEMENT YESTERDAY?**

A: It is essential to note that the 0.3 was also going to be completely BLS-blessed. It would have included a correction for upper-level substitution bias, which the BLS recognizes as a problem but which it can not address within the CPI itself because of data limitations. It would therefore have been necessary to change the COLA statutes. Instead, we have decided that a better way forward is to allow the BLS to focus on improvements to the CPI itself, and not to modify the COLA statutes.

Q: **THIS BUDGET RAISES MEDICARE PREMIUMS AND CUTS SOCIAL SECURITY, ISN'T THIS A BAD DEAL FOR AMERICA'S SENIORS?**

A: "The bipartisan budget agreement reached today by the President and the congressional leadership secures the financial health of Medicare and balances the budget." That was AARP's reaction to balanced budget agreement.

- AARP and so many others support this agreement because it's fair. It does include savings in the Medicare program, but these savings are produced in a careful manner to minimize the impact on beneficiaries, and to put he program on solid financial footing.

- Senior citizens will see many benefits from this balanced budget. They will have more health care options and better information to make those choices. Additionally, the agreement expands coverage for critical preventive treatments of diseases, such as diabetes and breast cancer.

Q: **THE PRESIDENT PROMISED TO CORRECT FLAWS IN LAST YEAR'S WELFARE BILL, DID HE BREAK THAT PROMISE?**

A: Following the passage of last year's welfare law, President Clinton was determined to do two things.

1) Make the law a success and move people from welfare to work.

2) Correct provisions in the law that had nothing to do with welfare reform, such as the issue of SSI benefits for legal immigrants.

- **The President fought hard for the proposals he advanced in his budget and was able to secure much of what he proposed. The agreement:**
  - **Includes A Welfare-to-Work tax credit to help long-term welfare recipients to get jobs.**
  - **Restores disability and health benefits for legal immigrants.**
  - **Restores Medicaid coverage for poor legal immigrant children.**
  - **Preserves food stamp benefits for people willing to work.**
  - **Provides States and cities with additional resources to move disadvantaged recipients into jobs.**

Q: **IF THE WELFARE BILL PROVIDES STATES WITH A WINDFALL, WHAT IS THE NEED FOR ADDITIONAL WELFARE-TO-WORK FUNDS?**

A: Estimates indicate that States as a whole will receive more money in FY 1997 under the welfare bill than they would have under prior law. **It is not clear, however, that this will remain true in future years, particularly in the event of an economic downturn in a State or region.**

- In addition, the welfare bill imposes a five-year time limit on benefits, and many States have waivers calling for even shorter limits. As a result, States will have to move unprecedented numbers of persons into work over the next several years, a task that will be made considerably more difficult if a recession increases the need for assistance.

- Finally, while a State as a whole may have sufficient funds, highly disadvantaged areas within the State will require a disproportionate share of resources, in order to move recipients into employment when there may be few if any entry-level jobs in that community. The budget agreement provides States and cities with these resources.

Q: EVIDENCE, INCLUDING A REPORT BY THE LABOR DEPARTMENT'S INSPECTOR GENERAL, SUGGESTS THAT THE TARGETED JOBS TAX CREDIT WAS A WASTE OF MONEY. GIVEN THAT, WHY ESTABLISH YET ANOTHER EMPLOYMENT TAX CREDIT?

A: The welfare-to-work tax credit builds on the Work Opportunity Tax Credit (WOTC); the legislation creating the WOTC addressed several of the problems with its predecessor, the Targeted Jobs Tax Credit. Among the improvements are a longer retention period (to prevent employers from claiming the credit repeatedly in instances of rapid turnover common in the low-wage labor market) and a pre-hiring screening requirement, to limit the extent to which employers are able to claim the credit for persons already on board, whom they would have hired in the absence of the credit.

Q. IN HIS STATE OF THE UNION ADDRESS, THE PRESIDENT IDENTIFIED EDUCATION AS HIS "NUMBER ONE PRIORITY FOR THE NEXT FOUR YEARS." HOW DID EDUCATION FARE IN THIS DEAL?

A. Education was the top priority of the President budget and he is delivering a balanced budget agreement with education as the top priority. The agreement moves us toward the President's goal to: To ensure that every 8 year-old can read, every 12 year-old can log on to the Internet, and every 18 year-old can go to college.

- Largest Pell Grant increase in two decades -- 4 million students will receive a grant of up to $3,000, an increase of $300 in the maximum grant.

- $35 billion of tax cuts targeted to higher education to make college more affordable for America's families.

- An America Reads initiative to mobilize a million tutors to help three million children learn to read by the end of the third grade.

- Expansion of Head Start -- to achieve goal of one million kids in 2002.

- Doubles funding to help schools integrate innovative technology into the curriculum.

5·6·97

Budget Q & A -- May 6, 1997

Q: **WHAT'S THE NEXT STEP ON THE BUDGET? WILL YOU HAVE MORE DETAILS AVAILABLE SOON?**

A: Our team has been meeting with congressional staff this week to dot the "i's" and cross the "t's" on the budget agreement. I am told that this process is going along relatively smoothly, and Congress should be able to move forward on a budget resolution in the not too distant future. We can make more details available to you when that process wraps up.

Q: **SOME LIBERALS IN THE DEMOCRATIC PARTY HAVE CRITICIZED THE BUDGET AS TOO TOUGH ON THE MORE VULNERABLE MEMBERS OF SOCIETY. DOES THIS BUDGET FAIL A BASIC TEST OF FAIRNESS?**

A: **No, this budget is tough, but it is fair.** It protects the most vulnerable members of our society:

1) It expands health coverage to as many as five million American children.
2) It restores basic disability and health benefits for legal immigrants.
3) It retains the basic federal guarantee of Medicaid coverage for the nation's poor.
4) To improve the lives of senior citizens, it expands health coverage to include preventive measures, to help fight diseases like diabetes and breast cancer.

- The budget remembers the often forgotten middle class. This budget will make it easier for parents to raise their kids and send them to college. And just like the plan we passed during the first term, this budget will create more jobs for millions of Americans.

Q: **ARE THE ECONOMIC ASSUMPTIONS IN THIS BUDGET TOO ROSY? CAN WE REALLY GO 11 YEARS WITHOUT A RECESSION?**

A: This agreement incorporates conservative economic assumptions.

- In each of the last four years, we have over-estimated the size of the deficit, and under-estimated the pace of economic growth. It looks extremely likely that will happen again this year. Even with no growth for the rest of the year, our growth assumption will be too conservative. And the deficit is likely to be substantially lower than $100 billion -- even though we projected it at $126 billion. Our assumptions for future years are similarly conservative.

- **CBO is just recognizing what has become increasingly apparent-- that recent deficit projections have been way off and far too pessimistic.**

5-7-97

Guidance on Budget
May 7, 1997

Q: **The NY Times is reporting that the White House and Republicans can't agree on the details of the deal on Medicare. Is that true?**

A: The budget deal certainly included an agreement to expand protections for Medicare premiums to low-income Americans. There is some dispute over the details of that agreement, primarily among people who were not directly involved in the budget talks. We are hopeful that we can work out that dispute in the next day or so in a cooperative fashion.

Q: **Some Republicans claim that there was never an agreement with the White House on protections for low-income Medicare beneficiaries. Is that true?**

A: It's not constructive to engage in a public debate of this matter. Needless to say, we would never have stated that there was an agreement unless we were certain that there was one.

[**Background:** The agreement builds on current law regarding (SLMB's -- Specified Low-Income Medicare Beneficiaries) which pays for the Medicare premiums of people between 100 and 120 percent of poverty. The agreement called for raising the threshold to 150 percent of poverty: 150 percent of poverty is $12,000 for singles and $15,900 for couples.]

Q: **The President said that that there would be a modest one-dollar-a-month premium for home health care. Republicans say that is not accurate. Do you stand by the President's statement?**

A: Yes. Preliminary estimates show that the home health reallocation (i.e., moving a portion of home health care to Part B of the Medicare program) will necessitate about a dollar a month increase in Medicare premiums than would have been required under the budget agreement without the home health policy. So, next year, the increase would be a dollar more; in 1999, the increase would be about two dollars more, and the year after that about three dollars more.

Q. **What about the premium in 2002?**

A. We don't have final CBO numbers yet, but we would anticipate it would be about $5 or $6 per month more than what the budget agreement would have been without the home health reallocation.

Q: **Democrats have called for an analysis of the the budget deal's impact on American families to ensure that its benefits and caosts are fairly distributed. Is the administration ready to provide that analysis?**

A: We need to work out many of the details of this agreement before we can produce an accurate distrbutional anlaysis. At the moment, there are a lot of open questions about the shape and timing of the tax cuts. Without those details resolved, any analysis would be unreliable. We will make that information available as soon as we are in a position to do so.

5.13.97

Press Guidance
May 13, 1997

Budget

John Hilley and Frank Raines will meet with Spratt, Lautenberg, Kasich and Domenici (the budget principals) on the Hill at 2:30pm. We'll know more after the meeting.

FYI - VP noted at his event that we would like to wrap this up soon.

Background: They would like to make this the final meeting.

Mellody per Siewert, Haas

5-15-97

Q: WHAT IS YOUR RESPONSE TO THE *NEW YORK TIMES* EDITIORIAL ON R&D SPENDING?

A: It's important to draw a distinction between civilian R&D and defense R&D, which the editorial unfortunately does not do. With the end of the Cold War, we can invest relatively more in productivity-enhancing civilian research. Under President Clinton, civilian R&D spending has risen by 11 percent -- from $30 billion in 1993 to $34 billion in 1997. [That's faster than the rate of overall inflation of 9.8 percent.] As a share of total Federal R&D investments, civilian R&D has risen from 42 percent in 1993 to 45 percent this year.

The President's FY 1998 budget builds on this solid record by proposing a 4 percent increase in civilian R&D next year. For example, it includes significant increases in funding for:

- The NSF (an increase in budget authority of $97 million, or 3 percent);
- The NIH (an increase of $337 million, or 3 percent);
- The Advanced Technology Program -- a cost-shared program to develop technologies critical to the competitive position of U.S. industries (a $50 million or 22 percent increase);
- The Manufacturing Extension Partnership -- a program to help smaller manufacturers use new technologies to improve their operations (a $34 million or 36 percent increase); and
- Next Generation Internet ($100 million next year) -- to support the Next Generation Internet program, which will develop a research network that can reach speeds 100 to 1000 times faster than today's Internet

The President remains committed to investing in these and other R&D projects while balancing the budget for the first time in a generation.

Congress of the United States
Washington, DC 20515

5.19.97

May 15, 1997

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20515

Dear Mr. President:

We would like to take this opportunity to confirm important aspects of the Balanced Budget Agreement. It was agreed that the net tax cut shall be $85 billion through 2002 and not more than $250 billion through 2007. We believe these levels provide enough room for important reforms, including broad-based permanent capital gains tax reductions, significant death tax relief, $500 per child tax credit, and expansion of IRAs.

In the course of drafting the legislation to implement the balanced budget plan, there are some additional areas that we want to be sure the committees of jurisdiction consider. Specifically, it was agreed that the package must include tax relief of roughly $35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

Additionally, the House and Senate Leadership will seek to include various proposals in the Administration's FY 1998 budget (e.g., the welfare-to-work tax credit, capital gains tax relief for home sales, the Administration's EZ/EC proposals, brownfields legislation, FSC software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional tax proposals.

In this context, it should be noted that the tax-writing committees will be required to balance the interests and desires of many parties in crafting tax legislation within the context of the net tax reduction goals which have been adopted, while at the same time protecting the interests of taxpayers generally.

We stand to work with you toward these ends. Thank you very much for your cooperation.

Sincerely,

Newt Gingrich
Speaker

Trent Lott
Senate Majority Leader

PRINTED ON RECYCLED PAPER

Q: **THE REPUBLICANS ARE PROVIDING NUMBERS THAT SHOW THAT THE MEDICARE CUTS YOU SAID WOULD DEVASTATE THE PROGRAM IN THE LAST DEBATE ARE ESSENTIALLY THE SAME YOU NOW ENDORSE. DOESN'T THIS PROVE YOUR WERE DEMAGOGING THE ISSUE?**

A: **It is true that the Medicare savings in the budget agreement meet the Republicans half-way.** The seven-year savings in the budget agreement are about $70 billion below the Republican's 1995 budget.

However, there are fundamental differences between this budget agreement and the Medicare proposal the President vetoed.

1) **Vetoed budget had premiums that were nearly $20 more per month than in the budget agreement.** The monthly premium under the budget agreement will be about $69 in 2002. If the policy were a 31.5% premium instead of 25%, this premium would be about $87. On an annual basis, this difference is about $215 for a single beneficiary, $430 for a couple.

2) **Vetoed budget would have raised the percent of the program funded by beneficiaries by over one fourth.** The budget agreement keeps the Medicare Part B premium at its current level of 25% of program costs — far below 31.5% the 1995 Republican budget the President vetoed.

3) **Vetoed budget's investments only 1% of the budget agreement's investments.** The budget agreement includes critical investments:

   - **Preventive services: $3 to 4 billion,** including expanded mammography coverage; coverage for colorectal screening; coverage for diabetes self-management; and increased payments for preventive vaccinations.

   - **Coinsurance reduction for outpatient hospital services: $4 billion**

   - **Premium assistance for low-income beneficiaries: $1.5 billion**

   In contrast, the vetoed budget included extremely modest investments, **$100 million** for coverage of oral breast cancer drugs.

4) **Vetoed budget had larger provider reductions.** The vetoed budget had policies that put much tighter constraints on provider payment growth. For example, the reduction in the rate of increase in Medicare's hospital payments was twice as big as that needed to hit the budget agreement's target.

5) **Vetoed budget included flawed structural reforms.** The budget agreement does not sanction the use of balance billing, association plans, and other ideas that put beneficiaries at risk.

5.19.97

Budget Questions
Monday, May 19, 1997

Q: **ARE YOU WILLING TO COMPROMISE ON THE B-AVERAGE REQUIREMENT FOR THE HOPE SCHOLARSHIP?**

A: The President believes that part of the higher education tax cut should be targeted to open the doors of college and encourage students to work hard and do well there. That's why he proposed the Hope Scholarship. We've gotten some feedback about that proposal, particularly that the grade requirement may be a little too complicated to implement. We are listening to those concerns, but no final decisions have been made.

Q: **THE BUDGET DIRECTOR INDICATED YESTERDAY THAT THE WHITE HOUSE MIGHT BE WILLING TO MOVE TOWARD THE REPUBLICAN CHILD TAX CREDIT PROPOSAL. ARE YOU WILLING TO RAISE BOTH THE INCOME LIMITS AND AGE LIMITS?**

A: The President proposed a $500-a-year child tax credit in his budget that was available for children up to the age of 13 and targeted at middle-class families. The Republican child tax credit was more expensive. **The President is committed to seeing the bulk of this tax package goes to help middle-class families**, and we will work with Congress to see how big a child tax credit we can afford consistent with our agreement.

Q: **WILL YOU ACCEPT THE SPEAKER'S PROPOSAL TO INCREASE THE ESTATE TAX EXEMPTION?**

A: The President proposed estate tax relief in his budget that was designed to help family farms and small business owners pay estate taxes. The Republican proposal is very expensive, and benefits the most wealthy Americans. Only 1-2 percent of estates are subject to this tax at all. We understand that estate tax relief is a very high priority for Republicans, but the President will work hard to **ensure that the bulk of this tax package goes to help middle-class families.**

[Background on Child Tax Credit: Our tax credit covers children up to 13 years old and phases out beginning at$60,000. The Republican proposal covers children up to 18 years old and phases out at beginning at $110,000.]

5-23-97

GUIDANCE ON BUDGET
MAY 23, 1997

Q: What is your reaction to the view expressed by Ways and Means Chairman Archer that he will not be able to raise the $50 billion in revenues needed to provide enough of an offset to provide gross tax cuts of $135 billion and net tax cuts of $85 billion over five years?

* The budget agreement calls for $85 billion in net tax cuts over five years. The only specific requirement is that it include roughly $35 billion in tax incentives for post-secondary education based on the President's proposals.

* Beyond that, the Congress obviously has some difficult decisions to make. Clearly, if the Congress is unable to produce $50 billion in revenue offsets, it will need to reduce its gross tax cuts accordingly so that the $85 billion ceiling is not breached.

* We will certainly have some ideas as this process moves forward. Our primary concern, in addition to the HOPE scholarship and the tuition deduction, is the $500 child tax credit. We also have proposals that were included in our budget to expand Individual Retirement Accounts and for very targeted capital gains and estate tax relief.

* But obviously, we placed limits on this tax cut to ensure that it does not bust the budget. Beyond $85 billion in tax cuts, additional tax cuts must be offset so that the deficit is not increased. While this will mean some tough choices, we think Congress ought to be able to craft a good tax bill within this very sensible framework.

Q: Are you disappointed that the Congress will not complete final action on the budget resolution before this recess?

* Well, it would have been better to complete the budget resolution than not. We're hopeful, however, that action will be completed as soon as the Congress returns so that they can get right to work on the reconciliation legislation as well as appropriations bills.

TOIV

4·14·97

GUIDANCE ON BUDGET TALKS
APRIL 14, 1997

* The budget negotiators go at it again today on the Hill. (Scheduled to begin at 2:30.)

* The topic of the day is Medicaid/Medicare. Therefore, they will be joined by Secretary Shalala.

* No leadership meeting with the President is scheduled at this time. However, we certainly hope that this series of meetings will culminate in such a meeting, as the President proposed a few weeks ago.

(In response to questions, would not rule out the possibility for this week, but should not signal that it's likely either. There is some possibility of a bipartisan leadership visit up here on Friday, but it's premature to be signaling this yet.)

TOIV
Based on conversations with Leg. Affairs, NEC

5·14·97

Talking Points For Democratic House and Senate Leadership

Review how the balanced budget is a result of the successes of the 1993 budget...

1. We have achieved a budget deal that is helping Democrats because it preserves our values in a uniquely Democratic way:

   - Expands health care coverage to 5 million children
   - Finds the largest increase in education and scholarship funding in history so that children will not be denied access to college
   - Expands the opportunity for all to go to college, while helping families raise their children
   - Provides the funds to help move people from welfare to work, including record expansions of transportation and day care funding
   - Preserves and protects Medicare for the next decade
   - Restores disability and health benefits to legal immigrants

   These are Democratic achievements in the midst of new fiscal realities. And the public knows that it is not Republicans, but Democrats who are fighting to extend healthcare to more children, expand educational opportunity, help legal immigrants.

   And we must defend these victories with zeal – if there is the slightest encroachment on these principles that are embedded in this deal, then we must and will fight for them – using all of the our collective powers to secure them in the appropriations bills.

2. Democrats are benefiting from this deal.

   Republicans supporting a balanced budget is not news. Democrats supporting a balanced budget – that is news.

   And that is why the party as a whole is benefiting today from an enhanced reputation for fiscal restraint through its support for this budget. The public is – and will – recognize that Democrats are fighting for their values within the context of the fiscal restraint necessary to balance the budget and keep our economy strong and growing. The weaknesses that Republicans have exploited for years will be gone – this is now a party that supported deficit reduction in 1993, and the success of that policy, along with others, has made it possible for us today to balance the budget by 2002.

3. An early deal is the best deal – giving the party time to gets its message across

   There is no doubt that striking a balanced budget deal now shifts the entire electoral dynamic, leaving the Republicans with little to run on. Welfare, Crime, Taxes and Spending – all issues that the Republicans have traditionally used to beat Democrats. But crime is down, taxes and spending under control with a balanced budget – so the Republicans will turn to more divisive issues – trying to use abortion, anti-environmentalism, anti-government feelings and family planning in divisive ways. They will have only their weaknesses left, while we will be free to turn the debate onto our strengths.

4. We can be strong with a message to the new coalition of voters we are building that can carry us over the top in 1998.

In the last election, we all retained all of our base of minorities, young people and seniors and extended our reach – one that was composed of more women than every before, more young people, more middle class voters, more suburbanites, more new immigrants to this country. We can build on this expanded coalition in 1998.

Anyone who believes that we need fights that divide the country rather than constructive positions that advance reconciliation is out of step with what is driving the public. They want us in Washington to be a constructive force for advancing their lives and protecting their children, not a source of division and gridlock.

5. With the balanced budget out of the way, we can concentrate on our own agenda – and there are many good ideas out there that are uniquely Democratic.

We have to **extend healthcare to the next 5 million children**. No child in America should have to go to sleep without healthcare. And we must expand our efforts to make sure that patients with **HMOs have a basic bill of rights** so that no one leaves a hospital prematurely or is denied the treatment they need. And make sure that people between jobs have health insurance. And we have to stand for adequate research into cancer, AIDS, diabetes and the other killers of our time.

We should continue the fight for **educational reform** – for **standards** backed by testing to take root in each and every state, to bring the **tools of new technology** so vital to today's learning to every student, rich or poor, and fight to make sure that every student has a **decent , well-built school** to attend in his neighborhood.

We should stand for taking tobacco out of the lives of our children. The addition of nicotine is taught to young people early in life, and we need to **stop the marketing of tobacco to our young.**

And we must embark on a major effort to help Americans balance home and work, and that means helping them more at work:

We need to undertake a major initiative to **expand the availability of quality day care** in this country so that parents with young children who work can know that their kids are in a safe and structured environment nearby.

We need to **expand the Family and Medical Leave Act** to give time off for doctors and teacher conferences

And pass ENDA – a bill that will prohibit discrimination in the workplace that is still permitted in 41 states.

And we should stand for the safety of our children and our police. We need a **juvenile justice bill** that is more than more penalties – we need a bill that adds the prosecutors we need and that deals with the problems of young people turning to gangs. We need **Trigger locks** on every gun so that young kids cannot fire the, and a **ban on cop-killer bullets** that was reported out of committee, but never voted on.

We must continue to **strengthen the retirement system** – both to ensure the continuation of Social Security for the next generation and to increase the security and availability of the private pension system for our working families. Who do you think the public wants to do this – a Democrat or a Republican?

And we need to continue to press for tough, meaningful environmental regulation. We have shown that a strong economy and a sound environment can go hand in hand. Now we must press for **tougher air quality standards** that will eliminate 40,000 cases a year of respiratory disease, and drinking water standards that are rigorously enforced throughout the country.

And, of course, we must pass **campaign finance reform.**

And we need to stand up for our new immigrants who are here legally in this country and have established roots in our community.

Once our fiscal house is in order, the public will turn uniquely to Democrats on each and every one of these problems. Who does the public trust with healthcare, with education, with the environment, with Medicare and Social Security – Democrats. And we can run in 1998 on a full agenda on these issues. It is a program that Democrats can stand tall on in 1998.

6. Discussion of process to achieve unified message.

5·6·97

Budget Agreement - Q & A

Q: DOESN'T THIS BUDGET FAIL A BASIC TEST OF FAIRNESS?

A: No, it is a tough budget, but it is a fair budget.

- **It protects the most vulnerable members of our society.** To gauge fairness one has to look at what will be the impact on the lives of the most vulnerable, including the young and the old, the sick and the poor, and those who are new to this country. Look at what this budget does:

  1) It expands health coverage to as many as five million children of working Americans.

  2) It restores basic disability and health benefits for legal immigrants, something the President was determined to do.

  3) It retains the basic federal guarantee of Medicaid coverage for the nation's poor.

  4) To improve the lives of countless senior citizens, it expands health coverage to include critical preventive diseases, to help our elderly fight terrible diseases such as diabetes.

- **The budget remembers the often forgotten middle class.** This budget will make it easier for parents to raise their kids and send them to college.

- **And just like the Economic Plan passed during the first term, more Americans will have jobs with this budget than they would without it.**

Q: **LAST YEAR THE ADMINISTRATION CRITICIZED AS EXTREME MEDICARE CUTS OF SIMILAR MAGNITUDE. WERE YOU DEMAGOGING LAST YEAR OR ARE YOU HURTING SENIORS THIS YEAR?**

A: **There are very real differences between the Medicare reforms assumed in this agreement and what was vetoed in 1995. The same policies the Republicans would have cut excessively are being protected in today's agreement.**

1) **The budget agreement keeps the Medicare Part B premium at its current level of 25 percent of program costs -- far below 31.5 percent the 1995 Republican budget the President vetoed.** These premiums are very reasonable and significantly below the vetoed 1995 Republican budget's premiums -- around $20 below in 2002 or around $240 per year.

2) **Aligning growth rates with private vs. cutting far below** - the agreement aligns Medicare growth rates with today's projected private premium growth rates. By contrast, the vetoed bill would have cut Medicare growth rates far below the relative private sector growth rates. This would have damaged the Medicare program and hurt beneficiaries.

3) **The Medicare savings in the budget agreement meet the Republicans half-way.**

4) **Critical Investments vs. No Investments** - the agreement includes critical investments in preventive coverage for such diseases as diabetes and breast cancer, holding the promise of improving the lives of countless senior citizens. The vetoed budget included extremely modest investments, $100 million for coverage of oral breast cancer drugs.

Q: CAN YOU ASSURE AMERICA'S SENIORS THAT THEIR MEDICARE ISN'T BEING CUT TO PAY FOR TAX CUTS FOR THE RICH?

- **The bulk of the tax cuts in the balanced budget agreement are designed to make it easier for parents to raise their children and to send them to college.**

- **The senior citizens of this country support these goals - they want to their grandchildren to receive a quality education and be able to afford to go to college.**

- **This agreement will modernize Medicare, make it more efficient, and extend its solvency for a decade.** Senior citizens will have more health care options and better information to make choices.

- **The President worked hard to make sure that critical preventive benefits were added to the health coverage Medicare beneficiaries receive.** This will allow countless of our elderly and their doctors to detect diseases early and to better manage diseases, such as diabetes and breast cancer.

Q: DIDN'T YOU AT THE LAST MINUTE FUDGE THE ASSUMPTIONS BY $45 BILLION TO REACH BALANCE?

A: The balanced budget agreement incorporates conservative economic assumptions.

- **In each of the last four years, we have <u>over-estimated</u> the size of the deficit,** and <u>under-estimated</u> the pace of economic growth. It looks extremely likely that will happen again this year. Even with no growth for the rest of the year, our growth assumption will be too conservative. And the deficit is likely to be substantially lower than $100 billion -- even though we projected it at $126 billion. Our assumptions for future years are similarly conservative.

- **The agreement uses even more pessimistic assumptions than ours.** CBO is just recognizing what has become increasingly apparent-- that recent deficit projections have been way off and far too pessimistic.

<u>IF NEEDED</u>

- **Compared to assumptions we were working with, the impact of this CBO change was only about $10-12 billion in 2002.**

- **Moreover, we applied the savings in the early years largely to deficit reduction, to reduce the deficit more quickly.**

Q: ISN'T THIS BUDGET BACK LOADED?

A: No, this budget is not backloaded.

- **This ignores the fact that 63% of the work has already been done.** We have cut the deficit from $290 billion to $107 billion. This agreement finishes the job in a credible way. The budget deficit follows a very smooth path from the $290 billion in 1992 to balance in 2002.

- **This budget includes significant changes in each of the major entitlement programs that will be written into law this year.** It is true that the savings grow over time, but that is exactly want we need to do - address the challenge today and implement solutions that are permanent. That's what this budget does.

- This is a solid and credible budget with the support of an Administration with an unprecedented record of deficit reduction and the support Congressional Leaders who have devoted much of their time in Congress to addressing this problem, such as John Spratt, John Kasich, and Pete Domenici.

Q: WHY WOULD ANY DEMOCRAT UP FOR ELECTION IN 1998 VOTE FOR THIS BUDGET WHICH STRIKES MANY AS A REPUBLICAN DOCUMENT?

A: It's the Democrats that passed an historic deficit reduction plan in 1993 that now has seen the deficit cut for what will soon be five years in a row.

- **In 1993, we showed that we could dramatically reduce the deficit and still pursue progressive policies.** While we were reducing the deficit, we were also enrolling more kids in Head Start, increasing access to college, cleaning up the environment, and investing in science and technology.

- **This continues on the successful path :**

1) **Expands educational opportunity**
   - Largest Pell Grant increase in two decades - 4 million will receive a grant of up to $3,000 - an increase of $300 in the maximum grant.
   - A tax cut to make college more affordable for middle income families.
   - Expansion of Head Start - to achieve goal of 1 million kids in 2002.

2) **Expands health coverage for as many as 5 million children.**

3) **Strengthens and Modernizes Medicare and Medicaid:**
   - Extends the solvency of Medicare Trust Fund for at least a decade.
   - Provides beneficiaries more health care options and better information, preparing the program for the 21st century.
   - Expands coverage of critical preventive treatments of diseases, such as diabetes and breast cancer.

4) **Strengthens environmental protection and enforcement**
   - Accelerates Superfund cleanups by almost 500 sites by the year 2000.
   - Expands the Brownfield Redevelopment Initiative to help communities cleanup and redevelop contaminated areas.
   - Increases environmental enforcement

5) **Treats legal immigrants fairly**
   - Restores disability and health benefits for law-abiding, disabled immigrants.

- **Finally, this agreement will help restore the faith this nation has in its ability to govern itself.** During the 1980s, the explosion of debt and large deficits cast doubt on the nation's abilities to govern effectively. This agreement demonstrates that we can govern ourselves effectively. I am confident it is an effort Democrats will want to join.

Q: **WHAT'S THE 7-YEAR SAVINGS FIGURE FOR MEDICARE IN THIS BUDGET?**

A: **The Medicare savings in this agreement meet the Republicans halfway.**

- **Moreover, the Medicare differences are even greater than the numbers imply.** The reason the Republican plan was so potentially damaging to Medicare was that it would have cut Medicare's growth rate well below comparable private sector growth rates. It also included harmful structural reforms which would have undermined the program, including balance billing and hard spending caps. By contrast, this agreement aligns Medicare's growth rate with private sector growth rates. It also contains structural reforms that will modernize Medicare, offering more choices for managed care, shifting to competitive pricing, enhancing preventive coverage, and offering consumers more information.

Q: **HOW ABOUT THE 6-YEAR FIGURE ON TAX CUTS? HOW DIFFERENT ARE THOSE NUMBERS FROM THE LAST GOP PROPOSAL FROM LAST YEAR?**

A: **These are not the same tax cuts the Republicans proposed.** Last year's Republican plan raised taxes on hard working people at the bottom end of the income spectrum and provided tax cuts disproportionately to people at the top end. This agreement includes no such tax cut on working families. It does include a tax cut for middle income families to make it easier for them to raise their children and send them to college.

Q: **THIS AGREEMENT EXTENDS THE LIFE OF THE MEDICARE TRUST FUND AT LEAST A DECADE. HOW QUICKLY WILL YOU MOVE TO RESTORE THE TRUST FUND'S SOLVENCY IN THE LONGER TERM? AND WHEN CAN WE EXPECT YOU TO TAKE ON SOCIAL SECURITY WHICH FACES ITS OWN CRISIS?**

A: **This balanced budget takes us a solid step forward in our nation's preparation for the retirement of the baby boom generation.** In preparation, we must do what we can today to both boost future living standards and solidify the basic financial soundness of individual programs. This agreement does both.

- **This budget agreement, coupled with the 1993 economic plan, will have reduced the cumulative deficit over the 1993-2002 period by more than $2 trillion.** This is the surest way we know to boost national savings to support higher future living standards. This accomplishment will have many long-term positive economic consequences.

- **This balanced budget plan also puts Medicare on sounder financial footing.**

- **Medicare -** The solvency of the Medicare trust fund is extended by a decade and several crucial structural reforms are implemented offering more health plans options, shifting to competitive pricing, enhancing preventive coverage, and offering consumers more information.

- **As this balanced budget plan is being implemented, focus can shift to even longer term concerns, looking several decades ahead.** Again, this balanced budget agreement is a major step forward in that regard and is the surest way we know to improve the long-term outlook.

Q: THIS BUDGET ACHIEVES MEDICARE SAVINGS THROUGH PRICE CONTROLS THAT DO NOTHING TO REFORM THE SYSTEM. WHY DID YOU PASS UP THIS CHANCE TO ENACT REAL REFORM?

A: This budget includes real Medicare reforms:

1) **Restructures Medicare's fastest growing services.** Builds on the successes Medicare has had in controlling hospital costs, restructuring the payment system for home health, skilled nursing facilities, and hospital outpatient services.

2) **Offers consumers more choices for managed care.** Creates new Preferred Provider Organizations (PPOs) and Provider Sponsored Organizations (PSOs) options.

3) **Takes steps to remedy the well-documented overpayment to Medicare managed care.** It also addresses the flawed payment methodology that has led to great geographical disparity.

Q: WHAT ABOUT THE HOME HEALTH GIMMICK USED JUST TO EXTEND THE TRUST FUND WITHOUT REAL SAVINGS?

A: The home health transfer in the budget agreement is not a gimmick.

- The budget agreement moves a portion of home health spending gradually into the Part B of the program, including it in the Part B premium. Moreover, it includes a completely new reimbursement mechanism called prospective payment that produces billions of dollars in savings.

<u>CPI</u>

Q: AREN'T YOU USING CUTS IN SOCIAL SECURITY COLAs TO PAY FOR TAX CUTS THAT WILL PREDOMINANTLY GO TO HIGH INCOME PEOPLE?

A: **The only changes that will be occur are those BLS makes in the ordinary course of business.** BLS has already announced the change assumed. These improvements happen all the time: indeed, over the past 10 years the BLS has made at least 16 changes to the CPI in order to improve its accuracy.

The bulk of the tax cuts in the balanced budget agreement are targeted at middle income people. The agreement includes a top priority of the President's to make college more affordable for middle class families. This tax cut, coupled with the largest Pell Grant expansion in two decades, is part of the President's overall strategy to make college more accessible to all Americans. The agreement also includes a child tax credit to make easier for working parents to raise their kids.

Q: DID THE BLS AGREE TO THE CHANGE?

A: The only changes being made to the CPI are those that the BLS believes will improve the index and <u>that have already been publicly announced</u>. We are not legislating any change in the COLAS.

Q: DIDN'T THE PRESIDENT SAY HE WAS WILLING TO TAKE THE HEAT ON THE CPI? DIDN'T HE CAVE?

A: **Our policy has always been to ensure the most technically accurate measure of the cost of living.** Congressional budget leaders on both sides felt strongly that sticking solely to the announced BLS change would help ensure passage of the balanced budget agreement.

- The President's position has been the same throughout - he remains committed to the most accurate cost of living measure.

Q: WHY DID YOU HAVE 0.3 IN THE AGREEMENT YESTERDAY?

A: It is essential to note that the 0.3 was also going to be completely BLS-blessed. It would have included a correction for upper-level substitution bias, which the BLS recognizes as a problem but which it can not address within the CPI itself because of data limitations. It would therefore have been necessary to change the COLA statutes. Instead, we have decided that a better way forward is to allow the BLS to focus on improvements to the CPI itself, and not to modify the COLA statutes.

Q: THIS BUDGET RAISES MEDICARE PREMIUMS AND CUTS SOCIAL SECURITY, ISN'T THIS A BAD DEAL FOR AMERICA'S SENIORS?

A: "The bipartisan budget agreement reached today by the President and the congressional leadership secures the financial health of Medicare and balances the budget." That was AARP's reaction to balanced budget agreement.

- AARP and so many others support this agreement because it's fair. It does include savings in the Medicare program, but these savings are produced in a careful manner to minimize the impact on beneficiaries, and to put he program on solid financial footing.

- Senior citizens will see many benefits from this balanced budget. They will have more health care options and better information to make those choices. Additionally, the agreement expands coverage for critical preventive treatments of diseases, such as diabetes and breast cancer.

Q: **THE PRESIDENT PROMISED TO CORRECT FLAWS IN LAST YEAR'S WELFARE BILL, DID HE BREAK THAT PROMISE?**

A: Following the passage of last year's welfare law, President Clinton was determined to do two things.

1) Make the law a success and move people from welfare to work.

2) Correct provisions in the law that had nothing to do with welfare reform, such as the issue of SSI benefits for legal immigrants.

- **The President fought hard for the proposals he advanced in his budget and was able to secure much of what he proposed. The agreement:**
  - **Includes A Welfare-to-Work tax credit to help long-term welfare recipients to get jobs.**
  - **Restores disability and health benefits for legal immigrants.**
  - **Restores Medicaid coverage for poor legal immigrant children.**
  - **Preserves food stamp benefits for people willing to work.**
  - **Provides States and cities with additional resources to move disadvantaged recipients into jobs.**

Q: **IF THE WELFARE BILL PROVIDES STATES WITH A WINDFALL, WHAT IS THE NEED FOR ADDITIONAL WELFARE-TO-WORK FUNDS?**

A: Estimates indicate that States as a whole will receive more money in FY 1997 under the welfare bill than they would have under prior law. **It is not clear, however, that this will remain true in future years, particularly in the event of an economic downturn in a State or region.**

- In addition, the welfare bill imposes a five-year time limit on benefits, and many States have waivers calling for even shorter limits. As a result, States will have to move unprecedented numbers of persons into work over the next several years, a task that will be made considerably more difficult if a recession increases the need for assistance.

- Finally, while a State as a whole may have sufficient funds, highly disadvantaged areas within the State will require a disproportionate share of resources, in order to move recipients into employment when there may be few if any entry-level jobs in that community. The budget agreement provides States and cities with these resources.

Q: EVIDENCE, INCLUDING A REPORT BY THE LABOR DEPARTMENT'S INSPECTOR GENERAL, SUGGESTS THAT THE TARGETED JOBS TAX CREDIT WAS A WASTE OF MONEY. GIVEN THAT, WHY ESTABLISH YET ANOTHER EMPLOYMENT TAX CREDIT?

A: The welfare-to-work tax credit builds on the Work Opportunity Tax Credit (WOTC); the legislation creating the WOTC addressed several of the problems with its predecessor, the Targeted Jobs Tax Credit. Among the improvements are a longer retention period (to prevent employers from claiming the credit repeatedly in instances of rapid turnover common in the low-wage labor market) and a pre-hiring screening requirement, to limit the extent to which employers are able to claim the credit for persons already on board, whom they would have hired in the absence of the credit.

Q. **IN HIS STATE OF THE UNION ADDRESS, THE PRESIDENT IDENTIFIED EDUCATION AS HIS "NUMBER ONE PRIORITY FOR THE NEXT FOUR YEARS." HOW DID EDUCATION FARE IN THIS DEAL?**

A. **Education was the top priority of the President budget and he is delivering a balanced budget agreement with education as the top priority. The agreement moves us toward the President's goal to: To ensure that every 8 year-old can read, every 12 year-old can log on to the Internet, and every 18 year-old can go to college.**

- Largest Pell Grant increase in two decades -- 4 million students will receive a grant of up to $3,000, an increase of $300 in the maximum grant.
- $35 billion of tax cuts targeted to higher education to make college more affordable for America's families.
- An America Reads initiative to mobilize a million tutors to help three million children learn to read by the end of the third grade.
- Expansion of Head Start -- to achieve goal of one million kids in 2002.
- Doubles funding to help schools integrate innovative technology into the curriculum.

Q. **IS THIS THE LARGEST INCREASE IN EDUCATION IN 30 YEARS?**

A. **Yes. The agreement provides for $49.8 billion of the $51 billion in spending and targeted tax cuts for education and training that the President proposed in his Budget for FY 1998. That is an increase of $7.6 billion, or 18 percent. The last time there was a larger increase was 1964-1967, after the passage of the Elementary and Secondary Education Act of 1964 and the Higher Education Act of 1965.**