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RESPONSE TO DOLE ON SPENDING/TAX RATIOS

I. FACTS ON CLINTON BUDGET SPENDING/TAX RATIOS:

House and Senate Budget Committee Both Support Us: Let's Look at the Basic Facts:
There are now two version of the plan. The House and the Senate Finance plan.

The House Budget Committee has done an analysis of the House plan and found that their bill had \$250 billion in cuts and \$250 billion in taxes -- exactly \$1 to \$1.

The Senate Budget Committee using the most conservative and traditional methods possible and still found that the package to be over \$1 to \$1 -- with \$1 in spending cuts for every 92 cents in deficit reduction.

o We have an balanced package of \$500 billion, which as Chairman Moynihan said, is the largest package ever. There is \$250 billion in spending cuts. We have about \$100 billion in entitlements: \$100 billion in other spending cuts; and \$50 billion in savings from interest we pay on the national debt.

o There are well-over 100 cuts of \$100 million or more in domestic programs in the Clinton budget.

II. THERE IS NO REPUBLICAN LEADERSHIP -- ONLY REPUBLICAN ATTEMPTS AT GRIDLOCK AND TO PROTECT THE STATUS QUO:

o The Republicans offered 11 amendments to the Senate Finance bill and not one single one sought to cut spending by one single dollar.

o The Republican response by Senator Packwood is that "we are not going to do [additional spending cuts] alone" because they do not want to take the hits of showing leadership. (Washington Post, June 19, 1993) Yet, President Clinton -- alone -- put out an entire deficit reduction plan of nearly \$500 billion, with every cut and revenue raiser line-by-line, and year-by-year.

III. DOLE & PACKWOOD DISPUTE THE CHART THE PRESIDENT SHOWED AND SAY THAT THE REAL TAX/SPENDING RATIO WAS ONLY 3:1 OR WORSE AND THAT THE DEFICIT REDUCTION WAS AS LITTLE AS \$347 BILLION.

o Bob Dole has tried to block this change and this leadership by distracting the American public from what is really at stake: the largest deficit reduction in history. I hoped that the Republicans would join the President in showing leadership on deficit reduction.

o It is important to note how extreme their hand out is. It gets a wild 3:1 ration by three steps, which you can see in their attached hand-out: 1) not counting discretionary spending cuts as either spending cuts or even deficit reduction at all; 2) by not counting interest savings as spending cuts, and apparently from their hand-out, this too is not seen as legitimate deficit reduction. 3) User fees for the first time ever, are not counted as spending cuts. Thus, the only thing they calculate in making a 3:1 ratio is taxes and some entitlement cuts.

Discretionary Spending Cuts: Dole denies all of our \$100 billion in spending cuts that come from the caps and sequesters -- even though we have line by line cuts. He simply ignores 125 domestic discretionary cuts. **He states that there is no enforcement and that is untrue.** There is an extension of the current procedures in the budget resolutions and the House Bill.

When Dole bragged about the "\$500 billion deficit in 1990, he was counting discretionary spending savings under enforced by the same cap and sequester that is being extended in the Clinton plan. (See quotes on following page.)

The Republican alternative in the House -- the Kasich plan -- uses savings from for their deficit reduction package.

Cuts in Paying Interest on the National Debt: Dole & Co. say that cutting the interest government spends on the national debt is not a spending cut and that we are wrong to count that as a spending cut.

Interest savings are used to get to \$500 billion in the 1990 plan, and they were always considered spending cuts.

Kasich plan uses \$50 billion in net interest in its so-called "all spending cut/no taxes" House Republican alternative.

Fees: Dole also mocks the notion that so called user fees should be seen as spending cuts. For years, every Administration -- Republican and Democrat -- has counted it as a cut. When we spend money on an airport and we let private jet owners for free, and we make people pay for the use, we cut the spending and it has always been called a cut.

In 1985, Dole was the point person on a deficit plan, in which they specifically counted fees as spending cut.

The 1990 plan that Dole took part-authorship of had user fees, and they were clearly scored by the Bush OMB as spending cuts.

The Kasich plan, clearly has fees and specifically lists them as spending cuts -- indeed they boast that their plan has no new taxes.

IV. SUMMARY OF FIVE MAIN POINTS ON HOW CLINTON BUDGET'S TAX/SPENDING RATIOS HAVE ALWAYS BEEN COUNTED AS SPENDING CUTS BY REPUBLICANS AND DEMOCRATS ALIKE

Let me give you five reasons why that is just a pure political argument designed to prevent deficit reduction.

1. HOUSE REPUBLICAN PLAN: Most interesting, the **Kasich plan** -- the **Republican alternative counts both interest and fees and discretionary spending cuts as spending cut.** Senator Dole ridiculed the President for counting cutting interest spending as a cut, but in fact the Republican alternative in the House of Representatives counts it as a spending cut.

2. DOLE 1985 PACKAGE: Bob Dole passed his package in 1985, he listed every dollar in projected savings from the deficit reduction as a spending cut.

Dole counted net interest savings as a spending cut.

Dole had fees in his package and they were specifically listed by the Reagan OMB and Dole as a spending cuts

3. DOLE AND 1990 PACKAGE: Bob Dole supported the fight for a deficit reduction package, and bragged about it being \$500 billion in deficit reduction. It could only be \$500 billion if he was counting discretionary spending cuts that were enforced by the cap and sequester, as well as interest savings and user fees.

Dole and the Bush OMB also, quite logically, called the cut in interest savings as a deficit cut.

The Bush OMB called the fees a spending cut.

Dole and the Bush OMB took credit for all of the projected saving under the caps -- the exact same process we have in our budget, yet he wants to give us no credit for well over a 125 specific line by line cuts.

4. INTEREST PAYMENT INCREASES HAS ALWAYS BEEN SEEN AS SPENDING: Republicans -- like all of us -- have complained that we are spending too much on interest on the national debt. When you cut that spending, it is only common sense that you are cutting spending.

5. DOLE'S QUOTES FROM 1990 SAY IT ALL:

"I think a lot of people forget what this is all about. It is about deficit reduction. It is not about the gas tax or the cigarette tax or Medicare. In the long run, it is about deficit reduction, and our children and our grandchildren."

Bob Dole, Congressional Record, October 8, 1990

"I defy anyone to put together a \$500 billion package to pass -- I can put one together -- but one together that will pass..."

Bob Dole, Congressional Record, October 17, 1990

"Some...want to reduce the deficit but do not want to touch Social Security, do not raise taxes, do not touch Medicare, do not touch agriculture, but \$500 billion is not enough the same speaker will say. I have heard all those speeches and they are great. But they do not reduce the deficit.

I have said for the past several years the biggest problem we have in America is the deficit. Boy, we hear great speeches on the Senate floor. I do not question anyone's motives but sooner or later we have to make tough choices... It is not easy to save \$500 billion in a balanced package."

Bob Dole, Congressional Record, October 17, 1990

V. FOUR ADDITIONAL NOTES:

1. DOLE'S DECLINING ATTACK: Dole had been saying 6:1. Then a few days ago he went to 4:1. Friday he went to 3:1. So in a few days the facts should overwhelm him and he too will say 1:1.

2. WE DO NOT RELY ON SOCIAL SECURITY AS A CUT: We have a proposal to make 85% of Social Security benefits over income of \$32,000 should be subject to taxation for the top 20% of beneficiaries -- while now only 50% was subjected to taxation.

-- Reagan stated this was a cut, and so have others. But even if we count it as a tax increase, the President's package is still \$1 to \$1. To be conservative, we have not counted it as a spending cut and we still have an even split. The same for the House and Senate bill.

3. DOLE AND THE TAXES: In 1990 Dole strongly defended including a gas tax increase in the package. Dole in fact offered an amendment on October 17, 1990 for a 9.5 cent gas tax -- larger than the 5 cent tax eventually enacted.

In 1983, Dole single-handedly promoted a deficit reduction plan that was equally balanced and:

- raised corporate taxes
- raise a surtax on the wealthy
- **2.25 BROAD-BASED ENERGY TAX ON MOST DOMESTIC CRUDE OIL, NATURAL GAS, COAL, AND ELECTRICITY.**

4. NOTE on DISTORTED CBO Quote: Some Republicans have been using an incorrect and outdated CBO quote to support their notion that there is 3:1 ratio in taxes to spending cuts. This analysis is incorrect for the following reasons:

- 1) It was an early analysis that assumed that the Administration was not going to extend the budget caps at the same level, which the Administration did in the budget resolution. This made clear that there were far more spending cuts than that quote signified.
- 2) The same page of the same documents stresses that there are \$50 billion more in spending cuts in the Administration proposal that do not show up because of using different baselines.
- 3) CBO priced some of our cuts less than we did, but we responded by working with the House to find more cuts.
- 4) Even that same document stated that "by 1998 the proposed increases in taxes and reductions in spending are more evenly balanced."
- 5) The key thing is that both the House and Senate bill clearly have 1:1 ratios and these are the bills that will be worked on and voted on.

ATTACHED:

Document 1: June 18, 1993 Hand-Out disputing the Clinton Tax Breakdown.

Document 2: Kasich Plan: Showing Net Interest and Fees being counted as spending cuts.

Document 3: OMB Description of Dole 1985 deficit reduction plan, in which interest and user fees are counted as spending cuts.

Document 4: 1990 Budget Breakdown, showing that 1990 plan counted fees among and as spending cuts.

Document 5: Congressional Record quotes of Bob Dole on deficit reduction.

Document 1

June 18, 1993

A CLOSER LOOK AT THE NUMBERS

The President and Senate Democrats claim that the compromise bill approved on a party-line vote by Democrats on the Finance Committee would reduce the deficit by \$508 billion over 5 years -- \$248 billion from tax increases and \$260 billion from spending cuts. That is incorrect.

ARE THESE REALLY SPENDING CUTS?

The President and Senate Democrats count the following items as spending cuts:

- \$70 billion from promised future cuts in so-called discretionary spending. At this point, the bill includes no enforcement mechanism to ensure that these cuts will ever occur.
- Recounts an additional \$44 billion in discretionary spending cuts which were approved in the 1990 Budget Agreement.
- \$15 billion in user fees. User fees are tax increases.
- \$55 billion in interest savings. Interest savings should not be counted as spending cuts.

THE FACTS ABOUT RECONCILIATION.

- o The Senate bill contains only \$83 billion in real spending cuts over the next 5 years -- \$177 billion short of the claim.
- o The Senate Reconciliation bill raises \$3.18 in taxes and fees for every dollar of spending cuts over the next 5 years.
- o The House-passed Reconciliation bill calls for \$6.35 in taxes and fees for every dollar of spending cuts over the next 5 years.

KASIK fees

94-1

KASICH COUNTDOWN INTEREST

Document 3 ● Pule 1985 P/gw

**SENATE/ADMINISTRATION DEFICIT
REDUCTION PLAN**

April 15, 1985

DEFICIT REDUCTION PLAN: ACROSS-THE-BOARD AND BALANCED

Budget Component	(In billions) Deficit Reduction			
	1986	1987	1988	1986-88
1) DEFENSE	-\$18.5	-\$32.0	-\$47.1	-\$97.5
Major Non-Defense Components:				
2) Social Security and Other COLA and Pension Reforms	-4.4	-11.4	-18.1	-34.0
3) Medical Program Freezes and Reforms	-4.7	-7.8	-11.1	-23.7
4) Agriculture Program Reforms	-4.0	-5.5	-9.0	-18.4
5) Student Aid Reform	-0.3	-0.8	-1.1	-2.2
6) Domestic Program Terminations & Phase-outs	-6.6	-14.0	-16.9	-37.5
7) User Fees	-1.9	-2.1	-2.3	-6.4
8) Other Domestic Reforms, Freezes and Reductions	-10.7	-18.3	-24.6	-53.6
9) Sub-total, Non-Defense	-32.6	-59.9	-83.1	-175.8
10) Debt Service Savings	-0.9	-6.9	-15.8	-23.6
11) Total Deficit Reduction	-51.9	-98.9	-146.1	-296.8
12) Spending Cut as Percent of Baseline Spending Level	-5.1%	-8.9%	-12.2%	-8.9%

- The Deficit Reduction Plan terminates or phases out 20 programs, imposes major reductions or reforms in 40 additional programs and freezes nearly all of the remaining hundreds of Federal budget accounts.
- Taken together, the sweeping reduction measures reduce spending by \$52 billion in 1986 — or by 5% from baseline levels. Over three years, the spending reduction totals \$297 billion, or 8.9% of baseline levels. By 1988, the Federal budget will be 12% smaller with the Senate/Administration plan than under current (baseline) policy.

1990 Agreement Fees



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OMNIBUS BUDGET RECONCILIATION ACT OF 1990 (H.R. 5435)

(in millions of dollars, by fiscal year)

November 7, 1990

PRELIMINARY

DEFICIT REDUCTION 1991 1992 1993 1994 1995

TITLE I - Agriculture & Related Programs

Commodity Provisions.....0	-1218	-3023	-2491	-2493	-2507
APRIS Fees.....0	-59	-82	-86	-91	-95
SEA Loans.....0	-24	-66	-112	-167	-167
FARM Loans.....0	-280	-467	-475	-506	-446
Subtotal, Title I.....0	-1581	-3578	-3164	-3259	-3377

TITLE II - Banking & Housing

FDIC Borrowing Authority.....0	.3	-3	-2	-2	-2
Single Family Mortgage Insurance.....0	-302	-576	-448	-686	-457
FHA Mortgage Assurances.....0	-212	-207	-202	-197	-192
Flood Insurance Changes.....0	-16	-348	-173	-148	-143
Crime Insurance.....0	...	-5	-4	-2	-3
Subtotal, Title II.....0	-626	-1131	-829	-1035	-797

TITLE III - Student Loans & Labor

Stafford Student Loans.....0	...	-100	-305	-605	-685
OSHA/MSHA Penalties.....REV	-112	-208	-249	-270	-308
Child Labor Law Penalties.....REV	-3	-3	-3	-3	-3
Subtotal, Title III.....0	...	-100	-305	-605	-685
REV	-115	-308	-248	-273	-308

TITLE IV - Medicare & Medicaid

Medicare.....0	-3342	-3714	-6789	-11228	-13396
Medicaid.....0	-4	-178	-156	-172	-97
Subtotal, Title IV.....0	-3346	-3892	-6945	-11400	-13493

Fees included as
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OMNIBUS BUDGET RECONCILIATION ACT OF 1990 (H.R. 5835) (in millions of dollars, by fiscal year)

November 7, 1990

PRELIMINARY

1990

DEFICIT REDUCTION

Title IX - Transportation

	1991	1992	1993	1994	1995
.....					
Rail Safety Fees.....0	-30	-35	-34	-35	-40
NOAA Service Fees.....0	-2	-2	-2	-3	-3
USTFA Fees.....0	-10	-16	-16	-18	-18
Aviation Programs.....0	---	52	61	62	40
.....	---	---	---	---	---
Subtotal, Title IX.....0	-32	-1	7	23	-12

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Fees 95
Cut

Title X - Miscellaneous User Fees

.....					
Patents & Trademark Fees.....0	-102	-84	-99	-103	-107
Custom Service User Fees.....0	1	-371	-361	-367	-369
Random Proficiency Prog.					
Fees.....0	-2	-2	-2	-2	-2
Coast Guard User Fees.....0	-153	-168	-177	-167	-198
Vessel Tonnage Charges.....0	-53	-53	-53	-53	-53
.....	---	---	---	---	---
Subtotal, Title X.....0	-309	-878	-892	-912	-949

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Title XI - Revenues

.....					
Net Revenue Gain.....REV	-17773	-32732	-30612	-33471	-37131
Earned Income Tax Credit.....0	116	1525	2082	2806	5443
Child Health Insurance Credit..0	50	1005	1078	1156	1241
.....	---	---	---	---	---
Subtotal, Title XI.....0	166	2330	3160	4030	6684
REV	-17773	-32732	-30612	-33471	-37131

Title XII - Pensions

.....					
PBOC Premiums.....0	-120	-130	-130	-130	-130
Pension Asset Reversions 1/4.....REV	---	---	---	---	---
.....	---	---	---	---	---
Subtotal, Title XII.....0	-120	-130	-130	-130	-130

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Document 5

October 17, 1990

CONGRESSIONAL RECORD — SENATE

S 15531

So I do hope we will have a chance to have amendments to strike some of those provisions.

Mr. PELL. Mr. President, I will vote to table the amendment by Senator MITCHELL to modify the gasoline tax provisions of the reconciliation bill. I am doing so because approval of this amendment would have the affect of making it impossible for the Senate to vote directly on the question of whether the deficit reduction package should contain an increase in the gasoline tax.

I believe the Senate should have the opportunity to vote directly on the question of increasing the gasoline tax. I am opposed to an increase in the gasoline tax at this time even though I have in the past advocated a higher Federal gasoline tax as a means to increase revenue and to encourage energy conservation. The reason for my vote today is my concern about the immense impact a sudden additional increase in the cost of gasoline would have on the working men and women of my State who must rely on their automobiles to get to and from their work. In just 10 weeks the average cost of gasoline in Rhode Island has increased 45 cents a gallon. And this is occurring in a State already in a recession with more than 7-percent unemployment and headed into a possibly much deeper recession. Some day—should the price of oil go down—I could see the merit in reexamining the gasoline tax question. But to vote to increase that tax for Rhode Islanders in today's circumstances would not be correct.

Mr. DURENBERGER. Mr. President, the budget reconciliation package that is before this body today is held together by the thinnest of threads. Weaken a single thread in any part of this package and the entire package could unravel. Mr. President, raising fuel taxes is not popular, it is especially difficult to do at a time when the Iraqi crisis has caused gasoline and diesel fuel prices to increase 30 to 40 cents per gallon in a little more than 2 months.

But, Mr. President, if this country is ever going to develop a rational energy conservation strategy, if we are ever going to make a dent in our Federal budget deficit, then we inevitably have to consider raising the cost of fuel. Everyone likes cheap gasoline until we wake up one day and find that our addiction to cheap oil has made us far too dependent on oil from the Middle East. Our entire economy, the transportation sector, the heating sector, the manufacturing sector, every service in this country, is affected by the sharp runup in oil prices in the past 2 months.

The budget deficit package seeks to encourage conservation by incrementally raising the gasoline and diesel fuel tax. Part of the increase in funds will be used for deficit reduction. Mr. President, while I do not like the idea of separating gasoline tax revenue

from the trust fund, I believe the urgency of the budget deficit requires that we do so at this time.

Simply stated, if we eliminate the gas tax provision, we might as well give up on the idea of congressional input into deficit reduction. The Symms amendment would not only unravel the threads of this deficit reduction package, it guts the package. It would tell the American people to live with a \$100 billion across-the-board sequester because the Congress cannot make the hard decisions.

Mr. President, I think we can make the hard, but less popular decisions. This is one of those times when we should stand up for the national interest and vote against an amendment to kill this package.

Mr. MITCHELL. Mr. President, I would like to renew my suggestion that we yield back the time on the first-degree amendments and then permit the distinguished Republican leader to offer the second-degree amendment. There will be 1 hour debate on that.

I move that all of the time so far has been used by the Senator from Idaho and those supporting him. Will that be acceptable to the Senator?

Mr. SYMMS. Mr. President, I will be happy to yield back my time right now.

Mr. MITCHELL. Mr. President, I yield back my time.

The PRESIDING OFFICER. The Republican leader.

AMENDMENT NO. 3015 TO AMENDMENT NO. 3014
(Purpose: To change the allocation formula)

Mr. DOLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kansas (Mr. Dole) proposes amendment numbered 3015 to amendment No. 3014.

Mr. DOLE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's Record under "Amendments Submitted.")

The PRESIDING OFFICER. Under the rule, the Republican leader controls 30 minutes. The majority manager or his designee controls the balance of the time. The Republican leader is recognized.

Mr. DOLE. Mr. President, this amendment retains the 9½-cent gas tax. It does shift the mix. Instead of 50-50, 60 percent goes into the trust fund and 40 percent is deficit reduction. That in essence is what it does and it does avoid a vote on the gas tax amendment offered by the distinguished Senator from Idaho.

I have heard a lot of complaints about not having a vote up or down. I think I have been here long enough to

know we all know we are within the rules. Nobody is violating the rules. We are using the rules. We are offering amendments.

I think the majority, at least I trust the majority understands we are working on a package here of about \$500 billion. This would take out \$33.6 billion and put nothing back. That would not only unravel the package, that would probably finish the package. If not, someone can offer a motion to strike the next tax and then offer to strike the Medicare savings and then offer to strike defense savings. And then, of course, the interest savings would fall on their own. Maybe the leaders can offer that motion.

Those who want to kill this bill certainly ought to use every opportunity, but we should not have to cooperate with them. If somebody is going to hang me, they are going to furnish the rope. I am not going to furnish the rope. You get your own rope.

I am trying to do the best I can for President Bush. The last time I checked, he was a Republican. It is my job as a leader in the Senate to try to move the President's agenda. I regret that some of my colleagues on this side disagree. That is their right. We all have our rights. I might find myself in disagreement sometime.

If we put a COLA freeze in here, we would have people all over us about the COLA freeze. If we taxed Social Security benefits, they would be all over us about taxing Social Security benefits. We left those out.

I defy anyone to put together a \$500 billion package to pass—I can put one together—but put one together that will pass. We will be glad to remove this one and bring another one up by unanimous consent. But that is not what we have before us. We have some people who want to kill the package, but they want to do it an inch at a time. This is more than an inch. It is about 10 percent of the package, so we will just have 90 percent left. Then somebody says, let us take out another 10 percent.

This Senator would like to finish this bill and leave Washington. But certainly every Member has a right to offer every amendment, and we have every right to try to frustrate every amendment. That is the way it works, and this Senator does not know the rules that well. I agree with the Parliamentarian. If he did not vote, I would not try to interpret him. So we have an understanding. I do the voting and he would do the interpretation.

What we are doing is legislating. We are playing by the rules in an effort to preserve this package. And to those who do not want the package, they can do everything they can to try to frustrate it, defeat it, chop it up. But, in my view, if we think there is a chance that they might prevail and kill the package, then we will look a little foolish out here. Oh, I do not want anybody to be denied their vote.

Mr. DOMENICI. The Republican leader did, too.

Mr. DOLE. He is a great teacher.

So in any event, we know pretty much what the agreement is going to be. It is going to be tough. It is going to be hard to vote for, and it is not going to pass the Senate unless Republicans and Democrats support it. So nobody is going to engage in fun and games and try to fool anybody. If so it is not going to pass. If it should pass on a party line vote, it will be vetoed. I understand when the President signs a CR he may issue certain guidelines on what he expects in the reconciliation.

They have a \$13 billion cut for agriculture in this, if you look at the budget summit agreement. It is in here but I have an inkling, it is probably going to be somewhere. And I am from a farm State. It is an entitlement program. Thirteen billion dollars is a lot of money for agriculture, but so is paying additional interest for farmers, and so is inflation for farmers. You add up what 1 percent interest rate means to farmers, more than 3 percent in target price or 1 percent inflation. My farmers want to be part of the solution not part of the problem.

Gas tax—oh, that is a bad idea, but that is only why we are over in the Persian Gulf, or in the gulf; the gulf crisis is all about oil. So we do not want any good policy. Do not have a gas tax because people do not like a gas tax. They are for cigarette tax, business taxes, liquor taxes, beer taxes, and wine taxes, unless they smoke or drink.

But a lot of people drive. And you take a poll and say, do you want to contribute to the gulf crisis and help our boys over there? Oh, yes, 89 percent. Do you want to pay 1 penny more in gas tax? No, 73 percent.

I do not know what the answer is unless we have leadership. I have a feeling the American people are about 6 months or a year ahead of us and have been and continue to be and they are fed up with this whole process, because they do not understand it.

We were out at Andrews Air Force Base so long we could have been called up or retired. I went over to the Officer's Club one night and there were some civilians over there, retired officers. They said, "What are you guys still doing here? You have been here all week." That was only the 8th day. They were still eating over there on the 10th day. They like it there. The rates are good. And we were still there the 10th day. They did not understand it. They are only normal human beings.

And we were running this up and down the tree, the capital gains and the bubble. They had not heard of the bubble in the Officer's Club. The next day they heard of, but not the bubble. [Laughter.]

So we have an opportunity tonight to take a step forward to keep the process moving.

We had a rather raucous caucus this morning on our side. I apologize to anybody I may have offended, probably everybody who was there. But we want to move the process forward. The President of the United States wants to move the process forward. One of my responsibilities is to represent the President of the United States. And I am proud to do that. We want a majority vote on this side. In fact, we want more than a majority vote on this side to demonstrate our commitment to deficit reduction.

I think a lot of people forgot what this is all about. It is about deficit reduction. It is not about the gas tax or the cigarette tax or Medicare. In the long run, it is about deficit reduction, and our children and our grandchildren.

So the easy vote is no. Just vote no. It is too much this or it did not do enough of this or I will not vote for this. And that is fine, as long as we have a majority.

And keep in mind the tough vote is coming—reconciliation. That is the law. The President does not sign the budget resolution. He stayed out of this process. He does not sign the budget resolution. But he is going to sign the reconciliation or he is going to veto the reconciliation. He is going to sign it if it is fair and if it meets his requirements and our requirements in the Congress and sort of lives up to the budget agreement. If not, he is going to veto it.

Finally, I thank the majority leader and all of our colleagues on each side of the aisle. This has been a long, tough, tough process. Whatever happens, whatever the vote is, we thank you for your patience and your tolerance, because this has not been an easy job.

And the distinguished Senators from New Mexico and Texas and the two Senators from Oregon who have been on the firing line day after day in the process, I particularly thank them; and also the members of our staff who have gone through this for the past several months.

I think we have done a pretty good job, not perfect. We could all do a better job. I think at one time we had at least, 46 plans on this side and we only have 45 members; DOMENICI had 2. [Laughter]. And that is the way it goes. But this is what we have. This is it.

I urge my colleagues to vote "aye" for the United States, vote "aye" for the senior citizens, the farmers, the business people, the workingmen, the workingwomen, the children, the grandchildren who want to have a future, too.

The PRESIDING OFFICER. All time has expired.

Mr. MITCHELL. Mr. President, I ask unanimous consent that I be permitted to address the Senate for 5 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MITCHELL. Mr. President. Members of the Senate, midnight is not ordinarily harvest time, but it is tonight. Tonight, we reap the bitter harvest of a decade of national indulgence. For 10 years, the American people have been told they can have it all—more for defense, more for Medicare, less in taxes. Way down deep, in our national heart of hearts, we all knew it was not true. But it was easy to believe, easy to ignore the truth, easy for a nation to indulge itself. And our Nation did.

That is why in the past few months we, the elected representatives of the American people, have been caught in a crossfire. From one side, we have been hit with the insistent demand that we reduce the deficit. The American people know and we know that we cannot go on each year spending hundreds of billions of dollars more than we take in. But from the other side has come with equal insistence fierce resistance to higher taxes or lower spending.

Oh, of course, everyone is for less spending in the abstract. Few are for it in the specific. That is why there have been many speeches in this Senate calling for deep cuts in something called entitlements. I have listened and I have yet to hear one speech calling for deep cuts in Medicare or Social Security. But we all know that Medicare and Social Security are entitlements and the largest. We all know the problem. We all know the solution. And it has to begin here tonight.

This is not a perfect resolution. Every Senator who wants to vote against it, who wants to find a reason to justify a no vote, can say it does not do this exactly the way I would like to see it done. We have 100 Senators and we have 100 perfect plans for reducing the deficit, if only the other 99 knew as much as each one did.

Well, this does not do everything every Senator would like, but it is a beginning. It is a real beginning. It is a serious beginning.

The single most important contribution that we can make to America's economic future is to bring the deficit down so interest rates can come down. High interest rates are the greatest barrier to the expansion of our economy. The need to provide jobs for our people, jobs in a free market economy, the best social program ever devised, the best solution to our economic problems, the best way to have productive families, living in decent homes with their children going to good schools; in short, to give American families a chance to achieve the American dream. That is what we can help contribute to if we vote for this budget resolution.

Those who vote no, I respect their sincerity. I disagree with them and theirs is not the answer. But we simply must pass this resolution and we have committed ourselves on both sides of

tude in developing a bipartisan legislative package to implement the broad policies outlined in the second Budget Agreement.

However, I am still gravely concerned with the parameters within which the development of specific policies will occur. I am concerned that the budget resolution could result in a reconciliation bill that remains regressive and unfair to working people. I am concerned that the Reconciliation measure may force too great a deficit reduction on the elderly, our veterans, and society's most vulnerable people. I am concerned that the defense spending figure is too high, particularly with the exclusion of the costs of Desert Shield. And, I am concerned that the reconciliation bill may not be fair to Massachusetts or consistent with restoring economic growth. I can understand the possibility of producing a better reconciliation bill under this agreement than under its predecessor. And I hope that would be the case. But I see insufficient evidence that that would be the case. And I must vote on the evidence and not on some vague hope, even if that hope is widely shared.

Mr. President, I believe that it is also necessary that some Democratic Senators remain uncommitted to this budget agreement in order that we act as a counter weight to Republican opponents of the budget resolution. It is important that Democratic Senators send a message to the committees working out the details of the reconciliation package. It is critical that they recognize that a passable bill must be one that responds to Democratic as well as Republican concerns. I do not want the lopsided vote in the House to suggest to the committees that they must lean to the rich and the right during their deliberations. Passage of a reconciliation bill is essential. But we must not lose track of the fact that this reconciliation bill is more important than any we have passed before.

This reconciliation bill will lock in the fiscal priorities for this nation for the next five years. It is imperative that committee members understand that they must not only overcome Republican objections if it is to pass, but also concerns shared by many Democratic members, including many of those who will vote for this resolution.

As I said before, I am not convinced that the budget agreement reflects adequate attention to savings that I believe can be made in many areas, particularly in wasteful and unnecessary weapons systems, excessive subsidies to wealthy farmers, and in closing tax loopholes to the oil and gas industry and to the wealthiest of Americans.

I am willing to make the tough choices because they must finally be made. But I am not willing to make the wrong choices for the people of Massachusetts. And I am not afraid that the tax and spending configuration on this budget resolution will

produce that result. I am unwilling to start down this slippery slope. For once we begin to descend, reversing ourselves will be difficult if not impossible.

Therefore, I intend to vote against the revised budget agreement. First, in the hope that a better agreement can quickly be reached; second, to remind committee members that some Democratic Senators are watching their work carefully and will oppose a final reconciliation bill that is unfair to working people if the second budget resolution is enacted.

Whether we pass this budget resolution or not, I supported the short-term continuing resolution that delays sequestration for the duration of the continuing resolution. It is absurd that we would continue to strangle the operation of the Federal Government until our people turn blue. We must keep the critical functions of Government operating, while we work to forge a better budget, a budget and ultimately a reconciliation bill, that truly reflects the values, priorities, and sense of fundamental fairness of the American people.

Mr. SASSER. Mr. President, how much time do we have remaining on our side?

The PRESIDING OFFICER. All time allocated to the Senator from Tennessee has expired.

Mr. DOMENICI. How much time remains on our side?

The PRESIDING OFFICER. The Senator from New Mexico has 3 minutes and 22 seconds.

Mr. DOMENICI. Mr. President, I have one speaker remaining, the Republican leader. I ask unanimous consent that he have 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chair recognizes the Senate Republican leader.

Mr. DOLE. Mr. President, first of all, I want to thank President Bush for starting this process several months ago. It has been a bipartisan process. We have had our ups and downs. We have had our problems, and we had the summit and we have been out at Andrews Air Force Base. A lot of us were frustrated, and some of us are still frustrated. Some of us want to reduce the deficit but do not touch Social Security, do not raise taxes, do not touch Medicare, do not touch agriculture, but \$500 billion is not enough, the same speaker will say.

I have heard all those speeches and they are great. But they do not reduce the deficit. And those who say no new taxes that is fine; that is your position, stick with it. Some of us who would not take pledges on taxes remember certain things that happened.

I certainly urge my colleagues on this side of the aisle to support this budget resolution. The American people want leadership not speeches. They may disagree with us. They may vote against us. But they have children and they have grandchildren.

And if we do not act now, when? If we are not capable, who is going to act?

I have said for the past several years the biggest problem we have in America is the deficit. Boy, we hear great speeches on the Senate floor. I do not question anyone's motives but sooner or later we have to make tough choices. This is only a budget resolution. It is important, do not misunderstand me.

I thank the chairman, Senator SASSER, and Senator DOMENICI. They did a lot of hard work. I thank the other members of our team, Senator GRAMM, Senator HATFIELD, and Senator PACKWOOD on this side, and all others who were summiteers. I do not apologize for anything, except we spent a lot of time in the last 30 days. We have been night and day on the budget, 2 o'clock in the morning, 3 o'clock, 4 o'clock in the morning, midnight, all weekends.

We made an agreement and I hope we can stick by that agreement that we would each furnish at least half the votes, Republicans half of their votes, Democrats half of their votes.

I cannot help what happened in the House. I may not agree with it. I think they let the President down. I think they let the country down when they rejected the budget summit agreement because, as the distinguished Senator from New Mexico says, you can take a look, you can try everything else, and sooner or later you are going to come back to just about where we were. It is not easy to save \$500 billion in a balanced package.

But this is the U.S. Senate. And we have a bit more flexibility. We have 6-year terms for a specific purpose so we can make harder choices. So I do not quarrel with the House of Representatives. I was there for 8 years and I understand the frustration, particularly if you are a Republican in the minority and have never had to govern, never been in the majority.

It is frustrating. But I believe we are on the right track. I want a majority on this side so that I can go to Senator MRCALL and others on the other side and say, listen, we are players in this game, and if we do not follow the guidelines in the reconciliation process we will not deliver any votes if we can help it on this side of the aisle. That is what we all agreed to do.

Some of my friends say, oh, well, what about the gas tax? There is nothing about a gas tax in here. What about this—some who I heard argue before—there is no specificity in the budget resolution. If you put it in there, they argue take it out. I want my committee to make the judgments.

I remember when I was chairman of the Finance Committee I argued with the Budget Committee every year. "Do not tell me what to do with the budget deficit; we will tell you what to do." I learned that from ROBERT C. BYRN.

SUMMARY OF THE CLINTON-GORE ECONOMIC GROWTH PLAN

LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate in his first 30 days in office and put forth a specific and detailed plan to reduce the deficit and increase investment in our people.

CAN WE AFFORD NOT TO CHANGE? If we are serious about the economic health of this country we have to ask whether we can afford not to change? If this bill fails, it will be a victory for gridlock and large deficits and a loss for getting our house in order and moving our nation forward.

STRONG DEFICIT REDUCTION TO GET OUR ECONOMIC HOUSE IN ORDER:

The President's plan calls for \$500 billion deficit reduction plan, evenly divided between \$250 billion in net spending cuts and \$250 billion in tax increases.

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION:

Under the President's plan every dollar that is targeted for deficit reduction will be locked away in a deficit reduction trust fund so that such savings promised for deficit reduction can never be used down the road for pet spending projects by anyone.

FAIR AND PROGRESSIVE TAXATION: The overwhelming majority of these taxes fall on the most well-off Americans. Indeed, the Congressional Budget Office found that 75% of the taxes we raise fall on the top 6% most well-off families -- those that make over \$100,000, and 66% fall on those making over \$200,000. There is no income tax increase for 98.8% of American taxpayers. Only those families making over \$180,000 would see their income tax rates increase.

SPENDING CUTS: The Clinton plan calls for \$250 billion in net spending cuts -- a \$1 in cuts for every \$1 raised in revenues. Every dollar of new investments is paid for with over \$3 in spending cuts. There are over 100 domestic programs cut by over \$100 million.

NEW INVESTMENTS -- BORROWING LESS WHILE INVESTING MORE: The President's economic plan includes enough savings to lower the deficit by \$500 billion while still making room for nearly \$100 billion in new investments and \$100 billion in new tax investment incentives.

STRONGER ECONOMY: The presentation of the Clinton plan has lowered interest rates and already had a positive effect in turning this economy around. **Jobs:** We have created 755,000 jobs in the first four months of this Administration -- over 90% (702,000) in the private sector. Thus, while the Bush Administration created 1 million private sector jobs in four years, we have created 70% that much in just four months. **Inflation:** Inflation was virtually flat this last month, showing that we are creating jobs and getting growth back without sparking inflation. **Housing and Construction:** Last month new housing sales were up 22.7% -- a seven year high. 130,000 construction jobs have been created in the last four months, the largest four month gain in nearly nine years.

THE PRESIDENT'S DEFICIT REDUCTION PLAN HAS ALREADY PRODUCED ECONOMIC BENEFITS

LOWERED INTEREST RATES TIED TO CLINTON: The strong bond market rally began right after the November election. Investors showed confidence in Bill Clinton's commitment to deficit reduction and the substantial drop in long-term interest rates continued after the President introduced his economic plan -- the largest deficit reduction package ever championed by a U.S. President. The evidence is in the numbers!

Treasury issues	11/06/92	1/26/93	2/19/93	6/18/93
3 mo. bill	3.06%	2.95%	2.93%	3.06%
10 yr. note	6.97	6.50	6.35	5.95
30 yr. bond	7.76	7.26	7.13	6.81
Conventional mortgage rates 30 yr. fixed (FHLMC series)	8.29	N/A	7.65	7.38

IMPACT OF LOWERED RATES ON AVERAGE AMERICANS:

Big Savings On Buying or Refinancing a Home: a March, USA Today article showed that many middle class families will save over \$1000 in mortgage costs from the reduced interest rates that have been brought about already from the seriousness of the Clinton plan. [USA Today, 2/24/93]

If a family with a \$100,000 mortgage at a 10 percent rate refinanced at a 7-1/2 percent rate, monthly savings would total \$175, or \$2,100 a year. [Treasury Dept. Estimate] About 375,000 Americans refinanced their homes during the first quarter. [Mortgage Bankers Association Weekly Survey and Treasury Dept. Interpretations]

New Home Sales: Lower interest rates have led to a surge in new home sales. In April, new home sales rose 22.7%, the largest monthly increase in almost seven years.

Construction Jobs: With the lower interest rates, and increased building, construction jobs have increased. The construction sector, which lost 721,000 jobs during President Bush's term of office, has gained 130,000 jobs so far during President Clinton's term -- the largest four-month gain since July of 1984.

RESPONSE TO DOLE ON SPENDING/TAX RATIOS

I. FACTS ON CLINTON BUDGET SPENDING/TAX RATIOS:

House and Senate Budget Committee Both Support Us: Let's Look at the Basic Facts:
There are now two version of the plan. The House and the Senate Finance plan.

The House Budget Committee has done an analysis of the House plan and found that their bill had \$250 billion in cuts and \$250 billion in taxes -- exactly \$1 to \$1.

The Senate Budget Committee using the most conservative and traditional methods possible and still found that the package to be over \$1 to \$1 -- with \$1 in spending cuts for every 92 cents in deficit reduction.

o We have an balanced package of \$500 billion, which as Chairman Moynihan said, is the largest package ever. There is \$250 billion in spending cuts. We have about \$100 billion in entitlements: \$100 billion in other spending cuts; and \$50 billion in savings from interest we pay on the national debt.

o There are well-over 100 cuts of \$100 million or more in domestic programs in the Clinton budget.

II. THERE IS NO REPUBLICAN LEADERSHIP -- ONLY REPUBLICAN ATTEMPTS AT GRIDLOCK AND TO PROTECT THE STATUS QUO:

o The Republicans offered 11 amendments to the Senate Finance bill and not one single one sought to cut spending by one single dollar.

o The Republican response by Senator Packwood is that "we are not going to do [additional spending cuts] alone" because they do not want to take the hits of showing leadership. (Washington Post, June 19, 1993) Yet, President Clinton -- alone -- put out an entire deficit reduction plan of nearly \$500 billion, with every cut and revenue raiser line-by-line, and year-by-year.

III. DOLE & PACKWOOD DISPUTE THE CHART THE PRESIDENT SHOWED AND SAY THAT THE REAL TAX/SPENDING RATIO WAS ONLY 3:1 OR WORSE AND THAT THE DEFICIT REDUCTION WAS AS LITTLE AS \$347 BILLION.

o Bob Dole has tried to block this change and this leadership by distracting the American public from what is really at stake: the largest deficit reduction in history. I hoped that the Republicans would join the President in showing leadership on deficit reduction.

o It is important to note how extreme their hand out is. It gets a wild 3:1 ration by three steps, which you can see in their attached hand-out: 1) not counting discretionary spending cuts as either spending cuts or even deficit reduction at all; 2) by not counting interest savings as spending cuts, and apparently from their hand-out, this too is not seen as legitimate deficit reduction. 3) User fees for the first time ever, are not counted as spending cuts. Thus, the only thing they calculate in making a 3:1 ratio is taxes and some entitlement cuts.

Discretionary Spending Cuts: Dole denies all of our \$100 billion in spending cuts that come from the caps and sequesters -- even though we have line by line cuts. He simply ignores 125 domestic discretionary cuts. **He states that there is no enforcement and that is untrue.** There is an extension of the current procedures in the budget resolutions and the House Bill.

When Dole bragged about the "\$500 billion deficit in 1990, he was counting discretionary spending savings under enforced by the same cap and sequester that is being extended in the Clinton plan. (See quotes on following page.)

The Republican alternative in the House -- the Kasich plan -- uses savings from for their deficit reduction package.

Cuts in Paying Interest on the National Debt: Dole & Co. say that cutting the interest government spends on the national debt is not a spending cut and that we are wrong to count that as a spending cut.

Interest savings are used to get to \$500 billion in the 1990 plan, and they were always considered spending cuts.

Kasich plan uses \$50 billion in net interest in its so-called "all spending cut/no taxes" House Republican alternative.

Fees: Dole also mocks the notion that so called user fees should be seen as spending cuts. For years, every Administration -- Republican and Democrat -- has counted it as a cut. When we spend money on an airport and we let private jet owners for free, and we make people pay for the use, we cut the spending and it has always been called a cut.

In 1985, Dole was the point person on a deficit plan, in which they specifically counted fees as spending cut.

The 1990 plan that Dole took part-authorship of had user fees, and they were clearly scored by the Bush OMB as spending cuts.

The Kasich plan, clearly has fees and specifically lists them as spending cuts -- indeed they boast that their plan has no new taxes.

OUR SPENDING CUTS ARE REAL

The Clinton plan calls for approximately \$350 billion in spending cuts in discretionary spending, entitlement cuts, and cuts on interests paid on the national debt. While there has been a great deal of distortion as to the degree of our spending cuts, the facts are as follows:

- o Half of the President's \$500 billion deficit reduction plan, comes from spending cuts.
- o The President's plan actually cuts nearly \$350 billion in spending. He uses \$250 billion for deficit reduction and nearly \$100 billion for new investments in education, training, technology, crime prevention and defense conversion.
- o The \$250 billion for deficit reduction comes approximately from \$110 billion in discretionary spending cuts, \$90 billion in entitlement cuts and \$50 billion in cuts on interest paid on the national debt.
- o It is completely untrue that the President is in anyway delaying spending cuts. He has repeated on several occasions that there will be no tax increases without spending cuts. Indeed, below is a summary of some of the proposed spending cuts and the amounts that will be cut in the first year of the budget in FY1994.

SUMMARY OF SPENDING CUTS:

Entitlement Cuts:

- The plan identifies over 30 specific cuts in Medicare and Medicaid that reduce the deficit by \$56 billion.
- Agriculture entitlements are cut by \$3 billion
- Federal worker entitlements are cut by \$11 billion.
- Through FCC spectrum auctions we save \$7 billion.

Discretionary Spending Cuts: And that is not counting the spending cuts on the discretionary budget side, which include:

- pay reductions for Federal employees by \$13.2 billion
- Administrative cuts by \$11 billion
- Cutting 100,000 federal workers to save \$10.2 billion
- Nuclear reactors R&D cuts to save \$1 billion
- REA subsidies cuts to save \$545 million
- Agriculture administrative cuts to save \$1.1 billion
- Consolidating overseas broadcasting to save \$894 million
- Streamlining education programs to save \$2.2 billion

Eliminating Programs: The plan also calls for eliminating several programs:

- Tens of Highway Demonstration projects saving over \$1 billion
- Special Purpose HUD grants
- Tens of National Oceanic Atmospheric Administration Demonstration projects
- The current and outdated student loan program
- Earmarked SBA grants
- Agriculture special grant programs
- Unnecessary federal commissions

FAIR TAXATION THAT REWARDS WORK AND PROMOTES INVESTMENT

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

TAXES FALL ON THOSE MOST ABLE TO PAY: First, the overwhelming majority of these taxes fall on the most well-off Americans. Most of the taxes are ones that affect only the largest corporations or taxpayers with income well in excess of \$125,000. Only the top 1.2% of families -- those with incomes over \$180,000 -- will pay higher income taxes. For the other 98.8% of Americans, their income tax rate stays the same.

Indeed, the Congressional Budget Office found that 66% of the taxes we raise fall on those making over \$200,000, while 75% of the taxes we raise fall on the 6.5% most well-off families -- those that make over \$100,000.

THE IMPACT ON AVERAGE FAMILIES IS MINIMAL: Second, the only tax in the President's initial package that affects the middle class is the energy tax and that does not even go into effect until the summer of 1994 and when it does, it will be phased in three equal stages over three years. The average family making under \$30,000 will pay no additional taxes. In 1994, a family making \$40,000 will pay only an additional \$1 a month under all the Clinton tax proposals. In 1995, they will pay only \$7 and then only \$17 a month when it is fully phased in according to both Treasury as well as the Congressional Budget Office. On the other hand, the most wealthy households will average over \$1,900 per month in additional taxes by 1998.

If a bill with less than the President's energy tax is chosen for the final bill, there will be even less of a monthly burden.

Furthermore, the lower interest rates caused by the announcement of the President's deficit reduction plan has already allowed middle class families to save over \$1000 a year in lower mortgage costs. [USA Today 2/24/93]

THE PLAN INCLUDES A MAJOR TAX CREDIT FOR THE WORKING POOR AND OTHER OFFSETS TO ENSURE THAT FAMILIES UNDER \$30,000 ARE

GENERALLY HELD HARMLESS: The President's plan called for offsets in things such as Earned Income Tax Credit so that families with incomes under \$30,000 are on the whole held harmless. According to a study by Arthur Anderson, a family of three making \$25,000 would actually see their taxes fall by several hundred dollars.

PRO-BUSINESS INVESTMENT INCENTIVES: The Clinton plan also includes targeted pro-business investment incentives, especially provisions that would promote small business: 1) a plan to increase the amount small businesses could expense from \$10,000 to \$25,000; 2) new provision to lower the capital gains tax for small businesses and empowerment zones that give businesses incentives to invest and create jobs in distressed economic communities.

Q & A ON SENATE BUDGET PLAN AND OTHER BUDGET ISSUES

SENATE BUDGET BILL:

QUESTION: The Senate has changed much from the President's bill and taken out or revised many of the provisions that are close to his heart. Does this mean that he will support the House bill or is he satisfied with the Senate bill?

ANSWER: We are going to fight for what we consider to be the core principles of this package: 1) \$500 billion in deficit reduction to get interest rates low and economic growth up; 2) \$250 billion in spending cuts; 3) a tax package that for a change is progressive, in which at least 75% of the burden falls on those making over \$100,000; and 4) And which has pro-work and pro-investment incentives.

I think the both the bill that passed the House and what is in the Senate are bills that both generally fit over 80% of the President's package, but we will fight to ensure that the final bill fits these principles of deficit reduction, fairness and spending less but better.

QUESTION: But doesn't the loss of so much of the energy tax mean that either the bill no longer fits these principles or that it is really quite different now from the bill that the President put forward.

ANSWER: No. The main principles that the President cares about are that we have a package that reduces the deficit by \$500 billion in the most fair and pro-growth way possible. Both bills include nearly all of the taxes that we called for and they fall on those making over \$180,000 while ensuring that average families never pay more than a few dollars more a month.

Our concern is whether reducing the energy tax will lead to a less fair deficit reduction plan by putting too much burden on the working poor or 34 million Americans who rely on Medicare or as some have suggested, by cutting benefits for 27 million Social Security recipients. That is what the President will have his eye on as we fight for final passage.

QUESTION: You said that one of the principles was to get the President's investments. Yet, this package has no empowerment zones, \$10 billion less in the Earned Income Tax Credit, and no immunization. Can you say that this package really meets those principles?

ANSWER: I do believe that on the whole what has come out of the Senate Finance Committee is a pro-investment and pro-work bill very much as the President proposed. Do we think this bill is good? Yes. Do we think it could be made better by being even more pro-work and more pro-investment by staying closer to my original proposal. Yes. But we are making progress and we are confident we will be able to work out a strong final bill.

SMALL BUSINESS PROVISIONS:

QUESTION: How about the proposal to cut back small business expensing and the small business capital gains tax cut?

ANSWER: The President has proposed to more than double the amount of investments that small businesses can immediately deduct, and he has offered a plan for a new targeted capital gains tax cut for small business because we believe that small businesses are the engine of creating jobs for middle class America. Both the House and Senate bills increase the investment provision significantly -- but we will certainly fight to make the final bill one that is as strong as possible in spurring job creation and entrepreneurship among our small businesses.

ENTITLEMENT CAPS:

QUESTION: Clearly entitlement spending has contributed significantly to runaway budget deficits. Several Republican alternative plans rely on entitlement caps to achieve entitlement savings. Does the Clinton Administration support any type of entitlement cap to control such spending?

ANSWER: Let me say, that the President does support an entitlement "alarm bell" mechanism -- like the Stenholm/Sprat/Penny proposal -- that forces the President and Congress to deal with entitlement spending any time it goes above estimated targets.

Furthermore, the President supports the notion of essentially capping entitlement costs through health care reform, which is a context in which we can control costs while dealing with the underlying problem of spiraling health care costs. And finally, the President made specific choices and came up with close to \$100 billion in specific entitlement savings and he did it in a way that was as fair to entitlement beneficiaries. If the Republicans want more entitlement caps, they have an obligation to give us the specific cuts they want -- and not to hoodwink the American public with an entitlement cap proposal that sounds good but hides all the tough choices.

REPUBLICAN ALTERNATIVES:

QUESTION: What is your opinion of the Kasich proposal that many Republicans support in the House?

ANSWER: This bill is a case of false advertising. They will tell you that it is good because it has no taxes. What they won't tell you is the following:

Quite simply: the Republican alternative says that in order to have less taxes on the most well-off Americans, we should have \$100 billion less deficit reduction, more Medicare cuts to 34 million beneficiaries, less investment in poor children through

investment in poor children through successful programs like Head Start, and that we should then gut every single new investment we have to help the middle class -- from worker training, to college opportunity, to defense conversion, to apprenticeships, to welfare reform, to investing in our environment. They are guilty of false advertising.

Let me make this clear. When you look at Republican alternatives that brag about not raising any taxes -- keep in mind that what they are really saying is that they are not going to ask for any contributions to deficit reduction from the wealthy and they are going to have to make up the difference by further cuts elsewhere -- cuts that almost always fall squarely on the backs of the middle class.

The bargain that supporters of the Kasich plan want America to accept is less investment, less deficit reduction, and tough cuts in health care for 34 million elderly Americans and even poor children so that they can cut the keep the top 1% from having to pay higher taxes; so that they can keep the country club deduction; so that they can keep the 3-martini lunch deduction high and so that corporations can still ask the rest of us to subsidize CEOs who make over \$1 million even when their companies are not performing. **There is nothing strong and certainly nothing pro-middle class in doing less deficit reduction, less investment in our people and schools, and more on attacking Medicare so that you can keep special interests happy and taxes on the most-well off Americans low.**

DISCRETIONARY INVESTMENT CAPS:

QUESTION: How are you going to deal with the facts that your investments are tens of billions over the caps? Isn't it the case that you will have to scale back your investment package significantly?

ANSWER: The Clinton plan cuts spending by \$250 billion while still finding some additional cuts to pay for new investments in education, training, technology and defense conversion and 100,000 new police on the street. Every dollar of new investments is paid for by a spending cut. As to whether this includes everything we think we need for investment in the future, the answer is no. But our goal over the next four years is to find room for more of the investments in people that we desperately need, but not through spending more, but through finding even additional cuts so that we are spending less, but spending better on economic growth and jobs for our future.

QUESTION: Didn't the President oppose a gas tax during the campaign?

ANSWER: The President did not want to raise any tax that would have any impact on the middle class.

Yet, the deficit -- which had got worse during the campaign -- deteriorated significantly again in January, and required major new deficit reduction sources to get to where we need to be. Rather than practice business as usual -- which is either to ignore a worsening deficit projection or use rosy scenarios to cover it -- the President felt he had to include an energy tax, and he felt the BTU tax, with offsets, was the most fair way, and the way that had the best chance of passage. With the new deficit numbers, he was making the best of a bad situation that he inherited.

When we proposed our plan we felt the BTU tax was needed to get deficit reduction we had to have in the most fair and pro-growth manner possible. That is still our feeling, but our goal is not to make a litmus test out of any one provision, but to fight as hard as we can to make the final bill -- including the energy tax -- that comes out of Conference have \$500 billion in deficit reduction and be as pro-growth and pro-fairness as possible.

MEMO

TO: CRAIG SMITH, MINYON MOORE

cc: Ertharin Cousin

xcc: Alexis Herman, Assistant to the President

Steve Hilton, Deputy Assistant to the President

Amy Zisook, Special Assistant to the President

HIGH TECH ISSUES IN THE RECONCILIATION BILL IN THE SENATE

Senator Feinstein's problem on the R&D credit is apparently becoming a real burden on her ability to vote.

Senator Danforth (R.MO) has been the prime sponsor of the R&D credit being made permanent. He was approached to agree to a sense of the Senate resolution which would have made Senator Feinstein more comfortable in her vote. Unfortunately, Senator Danforth wants to have a vote on an amendment on the R&D credit instead of a resolution.

CORETECH is pushing for the issue. They are represented by Stu Eisenstat, who reportedly thought up the sense of the Senate resolution solution.

Senator Feinstein is apparently under pressure from some of her California high tech constituents to hold out for the R&D credit. Some others have indicated to her that they can live with it being temporary.

The other high tech research and development issue is the "861" issue. I don't pretend to understand it. It is of importance to IBM and TRW among others.

There is an important solution being proposed on this as well.

Apparently in other years then Senator Bentsen and Representative Rostenkowski sent a letter to Treasury indicating that they believed regulations could be issued on 861, and legislation was not necessary, but Secretary Brady would not issue them and substituted an eighteen month study instead. Supposedly, these regulations could be issued at a rate of between 50% and 64%. If this were taken care of by regulation that would have no revenue effect, and then that 861 money could be used for the R&D credit. The Senate Finance Committee report calls for a regulatory fix again. THIS IS NOT FEINSTEIN'S ISSUE.

I am uncertain whether we really need to solve these high tech problems in order to pass the bill. So far we have only an indication from Senator Feinstein of her problems on it being severe enough to hold her vote, and a sense of the Senate resolution would suffice for her on that issue. She has other issues like capital gains, but we understand that Senator Mitchell will offer an amendment on that.

August 4, 1993

MEMORANDUM TO WHITE HOUSE STAFF

FROM: Gene Sperling

AUG - 4 1993

SUBJECT: Memos on Dole Reply and Retroactivity

Attached are two memos: The first is our Rec Room Reply to the Dole Response to the President last night. The second is a two-page summary on the truth on retroactivity. There is significant misunderstanding on this latter issue, so we need to get the facts out.

AMH
In addition to your
BINDER, HERE IS
A FOLDER OF PAPERS
ON RECON. FROM your
desk, Gene's new
memos on TOP. R

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SENATOR BOB DOLE AND THE FACTS

Senate Minority Leader Robert Dole told the American people that there were four questions they had to ask. Unfortunately, there were serious misstatements in all four of the questions he discussed.

I. DOLE AND THE FACTS ON TAXES:

MISSTATEMENT #1:

BOB DOLE SAID THAT RETROACTIVE TAXES WERE UNFAIR AND UNPRECEDENTED.

FACTS: THE PRESIDENT HAS ALWAYS BEEN CLEAR AND DIRECT ON RAISING TAXES ON THE TOP 1%.

- Only the top 1.2% of individual taxpayers pay more.
- The President said in the most clear manner possible throughout the entire campaign, the transition and in his original proposal on February 17, 1993 (which had a January 1, 1993 effective date) that he would push for a modest tax increase on the top 1% of Americans, those making over \$180,000.
- From Michael Eisner to Lee Iacocca, many well off Americans shifted income to 1992 because it was clear that taxes were going up on the top 1% in 1993.

OVER 90% OF SMALL BUSINESSES WILL BENEFIT FROM THE TIMING OF THE TAX CHANGES: Only 4% of businesses owners make over \$180,000, and will be affected by the starting date of the tax January 1, 1993 effective date. Yet, well over 90% of small businesses will benefit from a menu of tax cuts that start on January 1, 1993 or earlier. Increased expensing starts on January 1, 1993, over 90% of small businesses will receive or be eligible for additional tax cuts because of the timing of the tax changes. In addition, small companies, larger companies and others will be eligible for other additional tax cuts that are retroactive to June 30, 1992:

- Research & Development tax credit
- Low-income housing tax credit
- Employer provided education assistance
- Targeted Jobs Tax Credit
- 25% Self-Employed Health Deduction

THERE HAVE BEEN RECENT TAX PROVISIONS ENACTED INTO LAW WHICH WERE RETROACTIVE AND VOTED ON BY REPUBLICANS AND SIGNED BY REPUBLICAN PRESIDENTS: Despite claims that retroactive tax

increase are unheard of, the fact is that Ronald Reagan signed retroactive tax increases in 1981, 1984 and 1986 that were voted favorably on by Republicans.

Economic Recovery Tax Act of 1981. Provisions limiting tax straddles. Signed into law by President Reagan on 8/13/81, effective 6/23/81.

Deficit Reduction Act of 1984. Signed into law by President Reagan on 7/18/84. Several retroactive items:

- a. Restriction of income tax credits - effective 1/1/84
- b. Restriction of income averaging - effective 1/1/84
- c. Restriction of depreciation of luxury cars - effective 6/18/84
- d. Restriction of business leasing deductions - effective 5/23/84
- e. Restriction of bonds, other debt instruments -some effective 3/1/84
- f. Postponement of expensing - effective 1/1/84
- g. Restriction of finance leases - effective 1/1/84

Tax Reform Act of 1976: Increased the alternative minimum tax on individual from 10% to 15%. The corporate alternative minimum tax was similarly increased to 15%. Both increases were effective after December 31, 1975. The act was passed on October 4, 1976.

Tax Reform Act of 1986. Repeal of investment tax credit. Signed into law by President Reagan on 10/22/86, effective 1/1/86.

Retroactive Taxes are Not Historically Rare: There are at least 12 additional times that retroactive taxes have been passed.

MISSTATEMENT #2: The Clinton plan contains \$260 Billion of new taxes and Fees.

FACTS: As the Washington Post said this morning, the Senator exaggerated the number of taxes which is \$241 billion in new taxes -- not \$260 billion. The \$260 billion figure includes user fees which are spending cuts, not taxes. These are the same user fees that Republican alternatives counted as spending cuts. Senator Dole is inconsistent in that he counts the "fees" as taxes even though he counted the same "fees" in his plan as spending cuts. Indeed, program specific payments that prevent taxpayers from subsidizing specific services have always been counted as reductions in government outlays.

- In 1985, Senator Dole was the point person on a deficit plan, in which they specifically counted fees as spending cuts.

- The 1990 bi-partisan plan had user fees, and they were clearly scored by the Republican Administration's OMB as spending cuts.
- In Dole's 1993 Republican alternative, he specifically counts the same amount of fees as cuts as the Clinton plan does.

TAX MISSTATEMENT #3: Senator Dole gave the impression that there was a new Clinton estate tax rate increase retroactive to January 1, 1993?

FACTS:

- There are no new taxes on estates in the President's plan. None. The only tax that affects estates is an extension of an estate tax rate that has applied since 1987 -- not a new tax. In fact, this tax rate was retained and extended in 1984 and 1987 in bipartisan bills negotiated with Senator Dole playing a lead role.
- Only the estates of the very wealthy are affected. The rate applies only to estates over \$2.5 million in value. The average worth of the estates affected is \$10 million. The rate affects only 1,000 estates out of the 1.2 million individuals who died this year.
- This provision in the conference agreement, which extends the top estate tax rate which expired at the beginning of the year, **was passed by the Congress last year** (in HR 11). Estate planners around the country were well aware of the provision, and the likelihood of enactment in the next tax bill.

II. DOLE AND THE FACTS ON SPENDING CUTS

MISSTATEMENT: Senator Dole stated that 80% of all of the cuts come after the 1996 election?

FACTS: As to the timing of the cuts, around 60% of the spending cuts come in the last two years -- a reasonable pace to phase in cuts, when you consider what is practicable, humane and best for avoiding economic contraction. Every specific cut in reconciliation will be voted into law at the same time that taxes are -- not a moment later -- and there is a hard freeze that ensures that discretionary spending is cut by 13% over 5 years.

● According to CBO, on the other hand, it is Senator Dole who has approximately 75% of his spending cuts in the last two years, a far higher percentage than this agreement.

III. SENATOR DOLE AND THE FACTS ON JOB CREATION

MISSTATEMENT: "Back in January, the non-partisan Congressional Budget Office told us that, 'If Congress did not do anything, if we did not pass any economic package, our economy would create 9.4 million new jobs over the next four years. President Clinton now says that his plan will create perhaps 8 million jobs -- new jobs over the next four years. In effect, by passing the President's plan, we could lose 1.4 million jobs.'"

FACTS: There are several problems with Dole's argument. For example, he doesn't tell you the following:

- After the last four years -- the worst record of private sector job creation since the Hoover Administration -- it's nice to have a debate over whether the economy will create 8 million or 9 million jobs. Under the Clinton Administration, the economy has created an average of 148,000 jobs per month -- more than seven times the private sector job growth rate in the Bush Administration.
- What Senator Dole seems to be saying is that we can do nothing and create jobs. But we learned over the last four years that you can't create jobs through wait-and-see, do nothing economics. The fact is that studies show that our plan can accomplish both \$500 billion in deficit reduction and 8 million new jobs.
- The CBO number he cites is actually 8.8 million jobs and that at least two independent forecasters (DRI and Wharton Econometrics) have projected the economy to create 9 million jobs under the Clinton plan. And unemployment is projected to be lower under the President's plan than under the January CBO projection.
- Many independent analysts agree that if we don't pass the plan there will be a severe reaction in the financial markets -- which would have a negative impact on job creation. CBO has always maintained that deficit reduction is essential for long-term economic health. Recently, Federal Reserve Chairman Alan Greenspan testified to the importance of passing a \$500 billion deficit reduction plan.

- Studies released by the Joint Economic Committee and the National Venture Capital Association indicated that two of the plan's small business incentives alone will add 200,000 additional jobs over the next five years.

IV.

SENATOR DOLE AND THE FACTS ON NATIONAL DEBT

MISSTATEMENT: The Federal debt will grow one trillion under the Clinton plan over the next five years.

FACT: What Bob Dole did not tell you is that the debt would grow even more under his plan than under the Clinton plan.

- Senator Dole failed to mention that his own plan lowers the deficit \$100 billion less by his own admission and his own paper describing the plan. Senator Dole looked the deficit in the eye and blinked. Bob Dole is asking for a budget that would move us \$100 billion farther away from deficit reduction -- and that is if you count all of his "entitlement cap" and "across-the-board" caps.
- We inherited the a \$300 Billion deficit, and the largest run up in the deficit in history. President Clinton responded with the largest deficit reduction in history. During that transitional period time the debt will grow unfortunately because of the build up over the last 12 years. Yet, the debt will be \$500 billion less because of the President's deficit reduction package and it would be \$100 billion higher if the Congress chose Senator Dole's plan instead of the President's.

THE FACTS ON RETROACTIVITY

SUMMARY

- 1. THE TAXES AFFECT ONLY THE TOP 1% -- THOSE COUPLES MAKING OVER \$180,00 (AGI) -- AND THE PRESIDENT WAS CLEAR AND DIRECT ON HIS INTENTION TO INCREASE TAXES MODESTLY ON THESE 1% OF TAXPAYERS:**
- 2. OVER 90% OF SMALL BUSINESSES WILL BENEFIT FROM THE TIMING OF THE TAX CHANGES:**
- 3. THERE HAVE BEEN RECENT TAX PROVISIONS ENACTED INTO LAW WHICH WERE RETROACTIVE AND VOTED ON BY REPUBLICANS AND SIGNED BY REPUBLICAN PRESIDENTS:**
- 4. THERE IS NO NEW INCREASE IN THE ESTATE TAX: THE TOP RATE ON ESTATES OF OVER \$2.5 MILLION IS JUST BEING EXTENDED.**

FOUR MAIN POINTS

1. THE PRESIDENT HAS ALWAYS BEEN CLEAR AND DIRECT ON RAISING TAXES ON THE TOP 1%.

- Only the top 1.2% of individual taxpayers
- The President said in the most clear manner possible throughout the entire campaign, the transition and in his original proposal on February 17, 1993 (which had a January 1, 1993 effective date) that he would push for a modest tax increase on the top 1% of Americans, those making over \$180,000.
- From Michael Eisner to Lee Iacocca, many well off Americans shifted income to 1992 because it was clear that taxes were going up on the top 1% in 1993.

2. OVER 90% OF SMALL BUSINESSES WILL BENEFIT FROM THE TIMING OF THE TAX CHANGES:

- Only 4% of businesses owners make over \$180,000, and will be affected by the starting date of the tax January 1, 1993 effective date.
- Yet, well over 90% of small businesses will benefit from a menu of tax cuts that start on January 1, 1993 or earlier. Increased expensing starts on January 1, 1993, over 90% of small businesses will receive or be eligible for additional tax cuts or benefits because of the timing of the tax changes. In addition, small companies, larger companies and others will be eligible for other additional tax cuts that are retroactive to June 30, 1992:
 - Research & Development tax credit
 - Low-income housing tax credit
 - Employer provided education assistance
 - Targeted Jobs Tax Credit
 - 25% Self-Employed Health Deduction

3. THERE HAVE BEEN RECENT TAX PROVISIONS ENACTED INTO LAW WHICH WERE RETROACTIVE AND VOTED ON BY REPUBLICANS AND SIGNED BY REPUBLICAN PRESIDENTS: Despite claims that retroactive tax increase are unheard of, the fact is that Ronald Reagan signed retroactive tax increases in 1981, 1984 and 1986 that were voted favorably on by Republicans.

Economic Recovery Tax Act of 1981. Provisions limiting tax straddles. Signed into law by President Reagan on 8/13/81, effective 6/23/81.

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Tax Reform Act of 1986. Repeal of investment tax credit. Signed into law by President Reagan on 10/22/86, effective 1/1/86.

At least a Dozen More Historical Examples: Retroactive taxes are not historically rare, There are at least 12 additional times that retroactive taxes have been passed.

4. THERE IS NO NEW INCREASE IN THE ESTATE TAX: THE TOP RATE ON ESTATES OF OVER \$2.5 MILLION IS JUST BEING EXTENDED. Senator Dole gave the erroneous impression that there was a new Clinton estate tax rate increase retroactive to January 1, 1993.

- There are no new taxes on estates in the President's plan. None. The only tax that affects estates is an extension of an estate tax rate that has applied since 1987 -- not a new tax. In fact, this tax rate was retained and extended in 1984 and 1987 in bipartisan bills negotiated with Senator Dole playing a lead role.
- Only the **estates of the very wealthy** are affected. The rate applies only to estates over \$2.5 million in value. The average worth of the estates affected is \$10 million. The rate affects only 1,000 estates out of the 1.2 million individuals who died this year.
- This provision in the conference agreement, which extends the top estate tax rate which expired at the beginning of the year, **was passed by the Congress last year** (in HR 11). Estate planners around the country were well aware of the provision, and the likelihood of enactment in the next tax bill.

August 3, 1993

MEMORANDUM TO WHITE HOUSE STAFF

From Gene Sperling

Subject: Positive Quotes From Newspapers

AUG - 3 1993

We had some extremely positive validation of our plan from the major newspapers today. Attached are selected quotes

MAJOR NEWSPAPERS STATE THE PRESIDENT'S DEFICIT REDUCTION PLAN IS REAL AND THAT HIS PLAN MEETS HIS GOALS AND BRINGS ABOUT REAL CHANGE

DEFICIT REDUCTION IS REAL:

"And, because the 1993 plan is built on more realistic economic assumptions and occurs at a moment when the economy appears to be strengthening, there is some reason to believe that it is more like to achieve its stated deficit goals than the 1990 plan, which ran smack into recession....

"Clinton deficit projections rest on an economic forecast closer to the consensus of private forecasts than the outdated one that was used when the 1990 plan came to a vote."

Wall Street Journal August 3, 1993

"If Congress approves the legislative compromise that House and Senate negotiators struck today -- a probability but by no means a sure bet -- then the President will have achieved the first of his goals, reducing the annual Federal deficit. This is a serious, credible, mostly gimmick-free bill that should make the deficit significantly lower over the next five years than it otherwise would be, saving the country billions of dollars in interest payments on the national debt."

New York Times, August 3, 1993

SWEEPING TAX REFORM:

"The compromise agreement represents a sea change in tax policy after 12 years of Republican rule under Ronald Reagan and George Bush. It shifts a greater tax burden to the wealthiest 1.2 percent of all Americans while providing new and expanded tax incentives for struggling businesses."

Washington Post, August 3, 1993

PRO-INVESTMENT

"Second, Mr. Clinton seems to have been more successful than Mr. Bush was in convincing Congress to couple deficit reduction with tax breaks to encourage investment, including a capital-gains tax cut for investors in certain small firms and the creation of tax-favored "empowerment zones" to lure jobs to pockets of poverty."

Wall Street Journal August 3, 1993

"The working poor would be deserving winners as a result of a major increase in the earned-income tax credit that supplement their wages. That and a food stamp increase in the bill represent a first step toward the president's image of welfare reform. The bill would begin the restructuring of college student aid he has proposed as well, and take such lesser steps as expanding child immunization and funding a "family preservation" program meant to reduce the need for foster care."

The Washington Post, August 3, 1993

MEETS THE PRESIDENT'S GOALS

"The objectives of the economic plan the administration sent to Congress were to drive down future budget deficits, spread the burden according to ability to pay and leave some room for attacking an accumulating social deficit as well. The House-Senate conference agreement, for all the compromises it entailed, would comfortably accomplish all three goals. The so-called reconciliation bill is a shift toward responsible fiscal and social policy alike. Republican and other critics who helped to create the problems it seeks to solve now say the bill is too weak, but weakness is not the reason they are voting no."

The Washington Post, August 3, 1993

August 3, 1993

MEMORANDUM TO WHITE HOUSE STAFF

From Gene Sperling

AUG - 3 1993

Subject: Response to Key Issues

While we will be soon sending around talking points and Q&A that will be coordinated with Hill Democrats, you might want to pay special attention to the strong responses we have to three of the Republican's major attacks on the President's plan. Attached are responses to 1) Retroactivity; 2) The plan's affect on the fast growing small businesses; and 3) the notion that are spending cuts come late.

225 - 2203

TAXES AND RETROACTIVITY

Q: What is your response to claims that the individual income tax effective date of January 1, 1993 is an unfair retroactive tax that will hurt the economy?

1. THE PRESIDENT HAS ALWAYS BEEN CLEAR AND DIRECT ON RAISING TAXES ON THE TOP 1%. The President said in the most clear manner possible throughout the entire campaign, the transition and the beginning of his Administration -- in particular the announcement of his plan on February 17, 1993 --- that he would push for a modest tax increase on the top 1% of Americans, those making over \$180,000. There was no surprise -- indeed many well-off Americans in the top 1% took earnings and bonuses early because the President-elect had at that time made it clear what his tax policy would be. Only about the top 1% of taxpayers and the top .1% of corporations will be affected.

2. OVER 90% OF SMALL BUSINESSES WILL BENEFIT FROM THE TIMING OF THE TAX CHANGES: As usual, some Republicans look out only for those making over \$180,000 and ignore the over 90% of small businesses who will benefit from the timing of the tax changes: How?

ONLY 4% of businesses owners make over \$180,000, and will be affected by the starting date of the tax January 1, 1993 effective date.

YET, WELL OVER 90% OF SMALL BUSINESSES WILL BENEFIT FROM A MENU OF TAX CUTS THAT START ON JANUARY 1, 1993 OR EARLIER. Both major small business tax cuts -- increased expensing and targeted small business tax cut -- start on January 1, 1993, over 90% of small businesses will receive or be eligible for additional tax cuts because of the timing of the tax changes. In addition, small companies, larger companies and others will be eligible for other additional tax cuts that are retroactive to June 30, 1992:

- o Research & Development tax credit
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3. THERE HAVE BEEN RECENT TAX PROVISIONS ENACTED INTO LAW WHICH WERE RETROACTIVE AND VOTED ON BY REPUBLICANS AND SIGNED BY REPUBLICAN PRESIDENTS: Despite claims that retroactive tax increase are unheard of, the fact is that Ronald Reagan wrote

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REPUBLICAN MISINFORMATION ABOUT THE CLINTON ECONOMIC PLAN

I. SENATOR DOLE CLAIMS THAT TAXES ON THE WELL-OFF WILL HURT THE TOP 4% OF GROWING SMALL BUSINESSES, BUT THE EXPERT ON WHOM HE RELIES SAYS THAT DOLE IS WRONG.

While Senator Dole now correctly admits that only the top 4% of business owners who file as individual tax payers -- those with over \$180,000 taxable income -- will pay more taxes, Senator Dole erroneously states that these top 4% will produce 70% of the jobs and that the tax on the wealthiest Americans would hurt these fast-growing small businesses.

He is wrong. Dole's claim comes from a NFIB press release that cites MIT professor David Birch's research as stating that "the fastest growing 4% of firms in the country were responsible for 70% of the new jobs."

Yet, according to the New York Times:

David Birch "said that the higher taxes would hardly touch the fastest growing small businesses that are creating most of the jobs because those companies report very little income. The reason: they are so busy reinvesting in plant and equipment that their profits are minimal."

The New York Times went on to state:

"Mr. Dole apparently took his numbers from Mr. Birch's research which shows that 4% of the nation's companies produced 70% of the jobs over the last five years. Mr. Birch said this 4% was quite different from the 4% the Administration said would face higher taxes." "Small Business May Hold Fate of Clinton Budget Plan," New York Times, July 31, 1993

THE CLINTON PLAN IS PRO-SMALL BUSINESS:

The Clinton plan is pro-small business. Here's why: Over 90% of small businesses to receive or be eligible for a tax cut through increased expensing, a targeted small business capital gains tax cut and an extension of the deduction for health insurance premiums for small business.

Eight small business groups support the plan: including the National Small Business United, National Venture Capital Association and the National Association for the Self Employed.

II. THERE IS A HIGHER PERCENTAGE OF CLINTON SPENDING CUTS IN THE FIRST THREE YEARS THAN IN THE DOLE PLAN

WHAT DOLE SAID: On the David Brinkley Show, Senator Bob Dole erroneously stated that the Clinton Plan had 80% of the spending cuts after the election. "Eighty percent of the spending cuts don't even come until after the 1996 election." That is wrong.

FACTS ON CLINTON PLAN: Clinton has a higher percentage of his spending cuts in the first three years than Dole does in his plan. The Senate version had approximately 60% of the spending cuts in the last two years -- a reasonable pace to phase in cuts, when you consider what is practicable, humane and best for avoiding unnecessary contraction. Nonetheless, every specific cut in reconciliation will be voted into law at the same time that taxes are -- not a moment later -- and there is a hard freeze that ensures that discretionary spending is cut by 13% over 5 years.

THE FACTS ON DOLE PLAN: According to CBO, Senator Dole's proposal calls for approximately 75% of his spending cuts in the last two years after the 1996 election, a far higher percentage than the President's plan.

Handwritten note:
Dole's plan
75% of spending cuts
in last two years

PERMANENTLY EXTEND THE MORTGAGE REVENUE BOND PROGRAM

- **Anything less will be a retreat from what Congress passed last Fall in HR-11, the tax bill President Bush vetoed.** It will amount to taking the revenue Congress earmarked to pay for MRB extensions last Fall and devoting it now to some other program.
- **A permanent MRB program is the most popular program in Congress.** MRBs were one of only three expired tax programs the Congress chose to make permanent in the urban aid tax bill which President Bush vetoed last Fall. President Clinton has called for a permanent MRB extension and the House has passed one.

Seventy-two Senators have signed a letter to Chairman Moynihan urging the Senate to recede to the House MRB permanency provision. The full Senate unanimously adopted a "Sense of the Senate Resolution" in support of a permanent MRB program.

More than 200 House Democrats have written to Chairman Rostenkowski in either the Price/Pelosi/Frank or Moran letters asking him to insist on the House MRB permanency provision.

Permanent MRB legislation is the most heavily cosponsored legislation in either House. An unprecedented 90 percent of the 102nd Congress (490 Senators and Representatives) cosponsored permanent MRB extension legislation. Identical legislation introduced only five months ago has already been cosponsored by a majority of both houses and both tax committees.

HUD Secretary Cisneros has made a permanent MRB program one of his five key community investment initiatives. He has written Treasury Secretary Bentsen, OMB Director Panetta, White House Chief of Staff McLarty, and Bob Rubin to urge that they stand by the President's promise for permanent MRBs in conference.

- **The Senate bill puts MRBs in great peril in providing an MRB extension only through next June.** The Senate bill is not just a significant retreat from the permanent MRB program Congress passed just last year, but will also assure another disruption of the MRB program, because Congress will not pass another tax bill by next July and may not consider one at all in an election year.
- **The Senate bill doesn't actually save money.** If the Congress enacts a one-year extension with the intention of renewing MRBs again next year, it will misrepresent the true cost of the current bill, which is supposed to set fiscal policy for another five years. If Congress lets the MRB program die when it expires next year under the Senate bill, the hopes of hundreds of thousands of lower income Americans for their chance to own a home and become stakeholders in the American dream will die with it.

Attachments - 72 Senators To Moynihan
175 House members To Rostenkowski/Li
Cisneros To Treasury
Public Interest Group Letter To Rostenkowski



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

MEMORANDUM

TO: Lloyd Bentsen, Secretary of the Treasury
Mack McLarty, White House Chief of Staff
Leon Panetta, Director, OMB
Howard Paster, Assistant to the President,
Legislative Affairs
Bob Rubin, Assistant to the President, NEC
Christine Varney, Secretary of the Cabinet

FROM: Henry Cisneros *Henry Cisneros*

DATE: July 9, 1993

SUBJECT: Permanent Extension of the Mortgage Revenue Bond
the Mortgage Revenue Bond program

I am writing to urge Administration support for a permanent extension of the Mortgage Revenue Bond (MRB) Program as the House and Senate conferees begin work on the 1993 Budget Reconciliation Bill.

The Administration has expressed support for the MRB program in the past. The President committed to a permanent extension of the mortgage revenue bond program (and the low income housing tax credit) during his campaign last fall. Support for permanent extensions was also included in the book Putting People First. Finally, the President included permanent extensions for both programs in the economic plan he sent to the Congress in February.

As you know, the House bill contains a permanent extension for the MRB program, while the Senate bill provides for only a one-year extension of the program.

There are several important reasons to support a permanent extension of the program. First, MRBs serve an important role in providing homeownership opportunities to low and moderate income Americans. For the past two decades, mortgage revenue bonds have made it possible for over two million low and moderate households to purchase their first home. MRBs provide mortgages to more than 130,000 lower-income homebuyers every year, and account for one of every twelve mortgages made to first-time buyers at the bottom of the homeownership ladder most in need of help. Even in a low-interest rate environment such as the current one, MRBs reach down and help to bridge the vast affordability gap that

continues to plague this generation of first time homebuyers.

In addition, the MRB program has contributed to the economy. In 1992, new homes financed with MRB loans produced 27,000 jobs and generated over \$750 million in wages and tax revenues.

Failure to support extension of the MRB program on a permanent basis could lead to disruption of the program and could undermine our ability to provide continued and expanded homeownership opportunities to thousands of families.

Second, last year's tax bill (HR 11) -- subjected to a veto by President Bush -- contained a permanent extension of the MRB program. Support of only a one year extension represents a retreat from the positive position this issue held last year.

Third, estimates by the Congressional Joint Tax Committee indicate that the difference in cost between a one year extension and a permanent extension for the MRB program is \$350 million, less than the cost of a one year extension (\$550 million).

Finally, permanent extension of the Mortgage Revenue Bond Program would provide a major achievement for affordable housing and for the homeownership and economic opportunity goals supported by this Administration.

I urge the Administration to adopt permanent extension of the MRB program as its position and to convey this position to the Budget Reconciliation conferees as strongly and as soon as possible.

United States Senate

WASHINGTON, DC 20510

July 1, 1993

The Honorable Daniel Patrick Moynihan
Chairman, Senate Committee on Finance
205 Dirksen Senate Office Building
Washington DC 20510

Dear Chairman Moynihan:

As you are aware, the Senate unanimously approved a Sense of the Senate resolution urging the Senate conferees to agree to the permanent extension of the Mortgage Revenue Bond (MRB) program. As cosponsors of legislation, S.348, first introduced by Senators Riegle and Chafee, we urge its inclusion in the final Budget Reconciliation bill to conform to the House bill and to the request by the President.

In this 103rd Congress, more than a majority of both houses and their tax writing committees have already cosponsored legislation to extend the MRB program permanently. During the 102nd Congress, 490 Senators and Representatives cosponsored permanent extension, making it the most heavily cosponsored legislation of either house and resulting in its inclusion in HR 11 which passed the Congress last fall.

The bill passed by the Senate only extends the program through next June. Though described as a 24-month extension, the 12 month retroactive application is meaningless for most states. Expiration next June will effectively assure another jarring and lengthy disruption of the MRB program.

The expiration of the MRB program a year ago has denied tens of thousands of low income American families access to decent and affordable housing and has cost the economy thousands of jobs and billions in wages and tax revenues. New homes financed with MRB loans in 1992 produced 27,000 jobs and generated over \$750 million in wages and tax revenues. The National Association of Home Builders estimates that if MRBs are not extended, as many as 37,000 jobs will be lost in 1993 and 63,000 each year thereafter.

MRBs provide mortgages to more than 130,000 lower-income first-time homebuyers every year and account for one of every twelve mortgages made to first-time buyers who are those at the bottom of the home ownership ladder needing the most help. The National Council of State Housing Agencies reports that MRB homebuyer incomes in 1992 averaged \$28,500 which is less than 74 percent of the national median income, compared to \$42,300 for the average conventional first-time homebuyer and \$49,800 for all

The Honorable Daniel Patrick Moynihan
July 1, 1993
Page 2

conventional homebuyers. The average purchase price of an MRB home was \$64,270, compared to \$100,200 for first-time conventional homes and \$131,300 for all conventional homes.

According to the Joint Tax Committee's estimates, the Senate bill expends \$550 million for the one-year MRB extension whereas the permanent MRB extension would cost only an additional \$350 million.

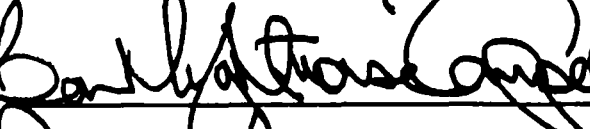
In the last decade, MRBs have been extended seven times. It is a program that works. Now is the time to extend it permanently. We strongly urge you to support a permanent extension of the MRB program in the final Budget Reconciliation bill.

Sincerely,

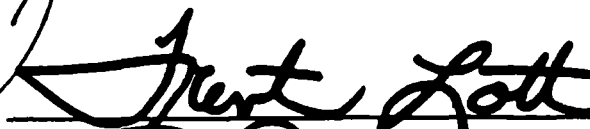






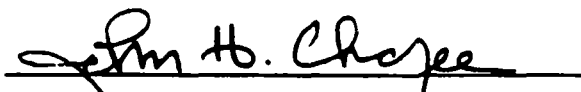


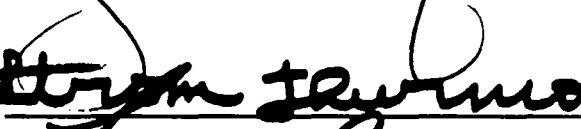


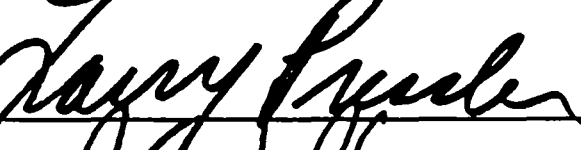


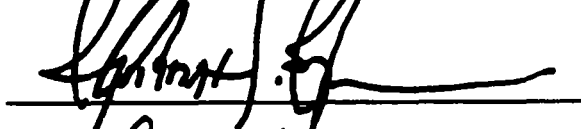


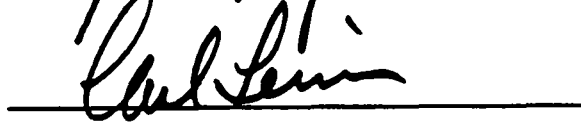


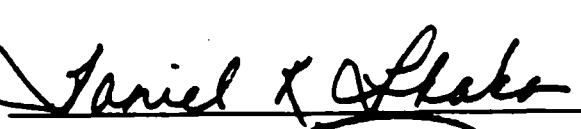


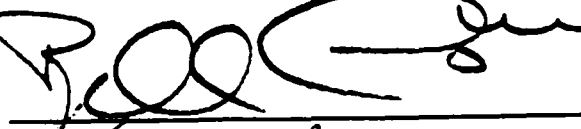














Barbara A. Mikulski

John J. Vukobratovic

Bob Smith

Vernon

Paul Sarbanes

Bob Crutcher

Patrick Leahy

Clair Fe

Byron Z. Dargatzis

Russell E. Holt

James G. Stein

Stendell Tard

John Breaux

Chris Dodd

Frank Lautenberg

Tom Harkin

Barbara Boxer

Jane D. Packer

Mark Taper

John D. Dingell

Tim Wirth

Tom Harkin

Dennis R. Conner

Al Franken

Paul A. Ryan

Sherry Reid

MSB
7/12/93

~~Pat McCrory~~

Chuck Robb

Patty Murray

John Glenn

~~Kevin W. Ford~~

John Warner

Frank R. Lautenberg

Chuck Grassley

~~Jim~~

Lyndie

Kent Conrad

~~Bob~~

~~Jim~~

Richard B. Lugar

Frank Brown

Herb Kohl

Edward M. Kennedy

Richard Shelby

~~John Hatch~~

Dale Bumpers

Paul D. Wellstone

OE Biden

Jim Exum

~~Pat~~

Frank H. Lautenberg

~~Sam~~

Honorable M. Fitzpatrick

~~Ben~~

Red Stevens

Signers of the Lieberman-Chafee Letter on MRBs-72 total:

Daniel Akaka
Joe Biden
Jeff Bingaman
Kit Bond
David L. Boren
Barbara Boxer
John Breaux
Hank Brown
Richard H. Bryan
Dale Bumpers
Conrad Burns
Ben Nighthorse Campbell
John Chafee
Dan Coats
Thad Cochran
William S. Cohen
Kent Conrad
Larry E. Craig
Thomas A. Daschle
Dennis DeConcini
Christopher Dodd
Pete V. Domenici
Byron L. Dorgan
Dave Durenberger
J. James Exon
Dianne Feinstein
Wendell H. Ford
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Tom Harkin
Orrin Hatch
Mark Hatfield
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Caliborne Pell
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Jim Sasser
Richard C. Shelby
Paul Simon
Alan K. Simpson
Robert C. Smith
Arlen Specter
Ted Stevens
Strom Thurmond
John Warner
Paul David Wellstone
Harris Wofford

Congress of the United States
House of Representatives
Washington, DC 20515

July 12, 1993

Hon. Dan Rostenkowski
2111 Rayburn Building
Washington, DC 20515

*175 House Democrats
have signed*

Dear Mr. Chairman:

We strongly urge you to include the permanent Mortgage Revenue Bond (MRB) extension contained in the House bill and requested by the President in the final Budget Reconciliation Bill. We are also supportive of the permanent extension of the Low-Income Housing Tax Credit included in both the House and Senate bill.

We are grateful for your leadership on the House-passed permanent MRB extension. The Senate bill, however, provides an MRB extension only through next June. That brief extension effectively assures another jarring and lengthy disruption of the MRB program, because Congress will not pass another tax bill by next July and may not consider one at all next year.

In floor action on the bill, however, the Senate spoke strongly and unanimously in favor of a permanent MRB extension when it adopted a "Sense of the Senate" resolution urging the acceptance of a permanent MRB extension in conference.

The MRB program expired nearly a year ago, denying tens of thousands of low income American families decent and affordable housing and costing the economy thousands of jobs and billions in wages and tax revenues. The new homes financed with MRB loans in 1992 produced 27,000 jobs and generated over \$750 million in wages and tax revenues. The National Association of Home Builders estimates that if MRBs are not extended, as many as 37,000 jobs will be lost in 1993 and 63,000 each year thereafter.

MRBs provide mortgages to more than 130,000 lower-income first-time homebuyers every year, and account for one of every twelve mortgages made to first-time buyers and most of the mortgages for buyers at the bottom of the homeownership ladder who need the most help. The National Council of State Housing Agencies reports that MRB homebuyer incomes in 1992 averaged \$28,500, under 74 percent of the national median, compared to \$42,300 for the average conventional first-time homebuyer and \$49,800 for all conventional homebuyers. The average purchase price of an MRB home was \$64,270, compared to \$100,200 for first-time conventional homes and \$131,300 for all conventional homes.

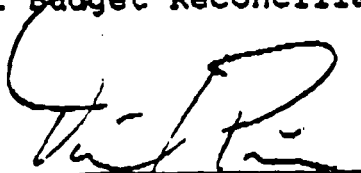
According to the Joint Tax Committee's estimates, the Senate bill

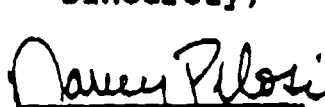
already invests \$550 million for the one-year MRB extension. The Joint Committee estimates that a permanent MRB extension would cost only about \$350 million more than the short-term extension included in the Senate bill.

The MRB program deserves permanent extension. It is the most heavily cosponsored legislation in either house. An unprecedented 90 percent of the 102nd Congress (490 Representatives and Senators) cosponsored permanent MRB extension legislation. Permanent MRB extension legislation introduced in the 103rd Congress has already captured the support of a majority of both houses and their tax committees in less than five months.

In the last decade, MRBs have been extended seven times. Now is the time to make this proven program permanent. We strongly urge you to support a permanent extension of the MRB program in the final Budget Reconciliation bill.

Sincerely,


DAVID E. PRICE


NANCY PELOSI


BARNEY FRANK

July 13, 1993

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Rostenkowski:

The undersigned state and local government organizations and national nonprofits strongly urge you to insist on the House-passed permanent extension of the Mortgage Revenue Bond (MRB) program in conference on the budget reconciliation bill, H.R. 2264. The President has asked for this permanent MRB extension, the Congress passed it just last fall in the vetoed urban aid tax bill, H.R. 11, and the Senate last month adopted a unanimous resolution calling for it in conference.

The MRB program represents tens of thousands of low income families' only hope of attaining homeownership. It must not be lost. Yet the budget reconciliation bill passed by the Senate only extends the program through next June. Expiration next June will assure another jarring, lengthy, and potentially permanent disruption of the MRB program and deny tens of thousands of low income American families access to decent and affordable housing.

MRBs provide mortgages to more than 130,000 lower-income first-time homebuyers every year and account for one of every twelve mortgages made to first-time buyers, those needing the most help. MRBs are integral to the economy, providing thousands of jobs and billions in wages and tax revenues. New homes financed with MRB loans in 1992 alone produced 27,000 jobs and generated over \$750 million in wages and tax revenues. The National Association of Home Builders estimates that if MRBs are not extended, as many as 37,000 jobs will be lost in 1993 and 63,000 each year thereafter.

MRBs make homeownership possible for people who could not otherwise afford their own home. National Council of State Housing Agencies data shows that the average MRB borrower in 1992 had a family income of only \$28,500, which is less than 74 percent of the national median income, compared to \$42,300 for the average conventional first-time buyer and \$49,800 for all conventional homebuyers. The average purchase price of an MRB home was \$64,270, compared to \$100,200 for first-time conventional homes and \$131,300 for all conventional homes.

According to the Joint Tax Committee's estimates, the Senate bill expends \$550 million for the one-year MRB extension whereas the permanent MRB extension in the House bill would cost only an additional \$350 million.

In this Congress, more than a majority of both houses have already cosponsored legislation to extend the MRB program permanently. During the last Congress, 490 Senators and Representatives cosponsored permanent extension, making it the most heavily cosponsored legislation of either house.

MRBs are a tested and proven producer of affordable housing. The program can only maintain its effectiveness if it is finally made a permanent part of the Tax Code. Then state and local housing agencies can concentrate on doing what they do best, providing decent, affordable housing for lower income people in need. We urge you to strongly advocate a permanent extension of the MRB program in the final budget reconciliation bill.

Sincerely,

Association of Local Housing Finance Agencies
Council of State Community Development Agencies
The Enterprise Foundation
Local Initiatives Support Corporation
National Association of Counties
National Community Development Association
National Conference of State Legislatures
National Council of State Housing Agencies
National Governors' Association
National League of Cities
National Low Income Housing Coalition
U.S. Conference of Mayors

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1. The first part of the document is a list of names and dates, which appears to be a roster or a list of participants. The names are written in a cursive script, and the dates are written in a more formal, printed style. The list is organized into two columns, with names on the left and dates on the right.

2. The second part of the document is a large, handwritten signature or initials, which is written in a cursive script. This signature is written over the list of names and dates, and it appears to be a signature of a person who is associated with the document.

3. The third part of the document is a large, handwritten number '2', which is written in a cursive script. This number is written over the signature and the list of names and dates, and it appears to be a page number or a section number.

M. L. L.
J. L. L.
H. L. L.



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Alexandria, VA 22314-1437

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FAX 703/549-8712

Philip M. Oia
Director of Federal Relations

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A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

JOHN D. RAFFAELLI
ATTORNEY AT LAW

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Robert D Bannister
Senior Staff Vice President

National Association of Home Builders
15th and M Streets, N.W. Washington, D.C. 20005

*Lobbying expenses
working*

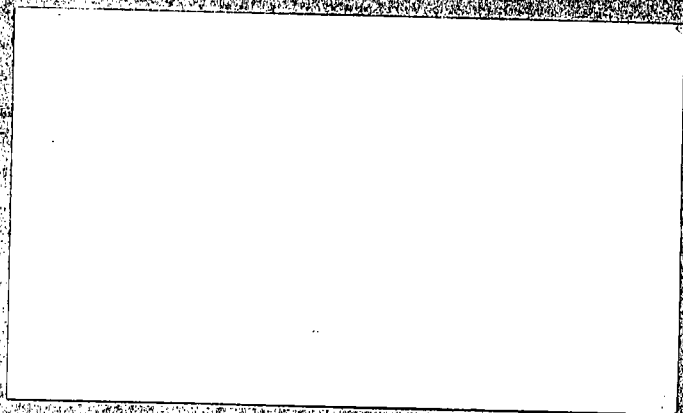
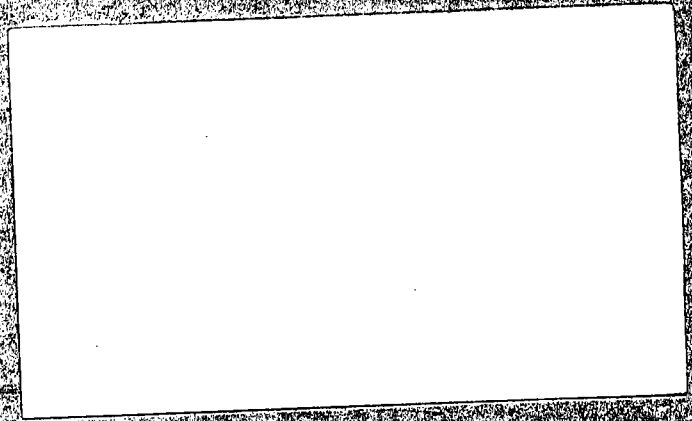
LINDA GOOLD
Director
Federal Tax Programs

group

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Budget Reconciliation
Side by Side Comparison of House and Senate Bills

	House	Senate
Mortgage Revenue Bonds	Renewed and made permanent. Effective 7/1/92.	Extended from 7/1/92 through 6/30/94.
Low Income Housing Credit	Renewed and made permanent. Effective 7/1/92.	Same as House.
Passive Losses	Real estate professionals who incur losses from rental real estate can use them to offset any income.	Losses from rental real estate can offset only real estate income.
Pension Investment	Modifies pension investment and REIT rules to facilitate investment in real estate by pension funds.	Same as House.
Debt Restructure	The basis of trade or business property may be reduced by amount of discharged debt.	No provision.
Depreciable Life for non-residential property	Increased from 31.5 years to 39 years. Effective for property placed in service after 2/25/93.	Life increased to 38 years. Same effective date.
Insurance premiums	Renews deduction for 25% of health insurance premiums paid by self-employed persons. Effective 7/1/92 to 12/31/93.	Same as House.
Expensing for Depreciable Property	Increases amount of property that can be currently expenses from \$10,000 to \$25,000.	Increases cap to \$15,000.
Capital Gains	Maximum tax rate on capital gains remains at 28%, even though highest tax rate is 39.6%.	Maximum capital gains rate is 28%, but 10% additional surtax imposed on individuals with more than \$250,000 <u>taxable</u> income.
Lobbying expenses	Trade association members not permitted to deduct the portion of their dues attributable to lobbying.	Same as House, but could apply to greater universe of expenditures.
Moving expenses	Deductions for certain transaction costs on the purchase and/or sale of a home would be disallowed. Basis of property would be adjusted.	Same as House. Adds \$10,000 overall cap on moving expenses.
Gas tax	No gas tax, but Btu tax would be equivalent to 7.5 cents per gallon gas tax.	No Btu tax. Imposes additional 4.3 cents per gallon increase on gasoline.

**Real Estate: Commercial Provisions
Estimated Budget Effects of Revenue Reconciliation Provisions
As Approved by the
Committee on Ways and Means on May 13, 1993
and the
Senate Finance Committee on June 18, 1993**

Fiscal Years 1994-1998
(millions of dollars)

<u>Provision</u>	<u>House</u> 1994-1998	<u>Senate</u> 1994-1998
Provide passive loss relief for real estate professionals	-2,658	-2,237
Debt relief for individuals	-366	No Provision
Facilitate pension investment in real estate	-310	-310
	-----	-----
TOTAL	-3,334 =====	-2,547 =====
Increase recovery period for non-residential property	39 years/ +3,574	38 years/ +3,189
Excess to other provisions	+240	+642

Excess of Senate over House = \$402 million

Source House - JCX-4-93, May 17, 1993
Senate - Chairman's Mark #93-2 104 June 16, 1993, 5:00pm

MEMORANDUM

July 9, 1993

TO: Caren Wilcox
FROM: John Raffaelli
RE: Real Estate Tax Provisions in Conference -- Talking Points

National Realty Committee appreciates the interest and commitment the Administration has shown toward addressing the severe economic problems facing real estate markets nationwide. In addition to representing serious deficit reduction and thereby helping to maintain low interest rates, we view the real estate proposals contained in the Administration-supported tax proposals generally as positive for the industry.

The "revenue-neutral" provisions that were added to the Administration's real estate package by the House Ways and Means Committee significantly increased the constructiveness of the real estate package. From our perspective, this House-passed revenue-neutral real estate package would go far in helping stabilize real estate values and aid overall economic growth.

Unfortunately, the Senate bill represents a step back -- not only from the House provisions, but from the original Administration proposal as well. In Conference, National Realty Committee will urge adoption of the House real estate package. We respectfully request support for this effort from the Administration.

Real Estate Provisions

There are three initiatives that the income-producing real estate industry has been supporting over the past few years as a means of helping to stabilize property values and restore liquidity to the marketplace. These issues are:

Passive Loss Modification. This provision would modify the passive loss rules to allow individuals in the real estate business to be treated the same under the passive loss rules as individuals in other lines of business. Thus, individuals in the real estate business would be allowed to fully deduct losses from rental activities in which they materially participate. This provision is needed because the current passive loss rules discourage owners from holding or acquiring troubled properties; make property workouts difficult to achieve; and, discourage renovations and upgrades to rental properties. The House bill includes this provision. The Senate bill restricts its usefulness by allowing qualifying rental losses to be deducted against real estate income only.

Debt Restructuring. This provision would reinstate the pre-1986 rule allowing individuals to exclude from current taxable income any reduction of real property business debt. In return, the taxpayer would reduce the depreciable basis of the property by the amount of discharged debt. By requiring the taxpayer to lower the depreciable basis in real property by the amount of discharged debt, the taxpayer would not avoid taxation. The tax

would be paid over time through lower depreciation deductions. This provision is needed because individuals who restructure loans on real property today are taxed on the amount of debt reduced under the restructuring agreement -- even though no cash is received in the transaction. Frequently the tax would be lower if the property were deeded back to the lender or placed in bankruptcy. The House bill includes this provision. The Senate bill does not include this provision.

Pension Investment in Real Estate. These provisions would modify the tax rules that apply to ownership of real estate by pension funds. These modifications have been designed to provide liquidity to pension investments in real estate, to permit pensions to invest in real estate on terms comparable to other investors, and to help end the credit crunch -- all without undermining existing ERISA-based prudent investment rules and limitations. These provisions are included in both the House and Senate bill.

Each of these initiatives was approved by Congress last year in the vetoed tax bill, H.R. 11. They were collectively introduced earlier this year in the House by Representatives Michael Andrews and Robert Matsui, and in the Senate by Senators David Boren and David Pryor.

Revenue

The industry has agreed to "play by the rules" and pay for these important tax changes through revenues derived from other tax increases affecting real estate.

As a result, the Administration proposed lengthening nonresidential depreciation from current law's 31.5 years to 37 years to finance its real estate tax initiatives (the result -- the income-producing real estate package was scored a \$ 11 million net revenue gain). In the House, the Ways and Means Committee supplemented the Administration's real estate package and more than financed the additions through a further lengthening of nonresidential depreciation to 39 years (the result -- the income-producing real estate package was scored a \$ 240 million revenue gain). The Senate, however, cut back the real estate package by deleting the debt restructuring provision and limiting the passive loss provision, thus greatly diminishing the utility of the provisions to the real estate sector and in helping the economy overall (the result -- the income-producing real estate package was scored a \$ 642 million net revenue gain).

Conclusion

National Realty Committee is actively supporting the income-producing real estate package as approved by the House of Representatives. These provisions are not radical. They were approved by Congress last year in the vetoed tax bill. The package is revenue-neutral from revenues derived from tax changes affecting the real estate industry. The provisions will substantially help stabilize real property values and thus help stabilize local property tax bases and boost consumer confidence.

Attachments

Revenue table
Passive loss discussion

**Passive Loss Reform:
Toward Real Estate Stabilization ... Not Tax Sheltering**

"We do not believe that special tax incentives are required to induce the construction of the office buildings, hotels, warehouses and shopping centers which the nation requires. Frankly, we are concerned that if excessive tax incentives are offered for the construction of nonresidential buildings, the inevitable result will be a boom in tax-shelter motivated investment followed by the inevitable bust resulting from uneconomic overpricing or overproduction." National Realty Committee, Testimony before the Senate Finance Committee, 1981

Summary

Congressional interest in revisiting and modifying the passive loss rules enacted in 1986 continues to increase, especially as the rules relate to taxpayers engaged in the real estate business. Legislation approved the House of Representatives would treat individuals engaged in real estate the same under the passive loss rules as people in other businesses by allowing them to deduct losses from rental real estate activities in which they materially participate. Similar, but much more restrictive, legislation has been approved by the U.S. Senate. As these two approaches to this issue will be discussed in the upcoming House-Senate Conference on Budget Reconciliation, some questions have been posed as to whether tax shelters would be revived through a modification in the passive loss rules along the lines proposed in the House bill.

Several fundamental aspects of current tax law, real estate financing, and market conditions ensure that tax shelters would not be revived by enactment of the House legislation. The key elements to a tax shelter are: deferral of taxes; leverage; generous tax incentives; and, the ability to allocate tax losses to individuals paying high tax rates on other income. None of these tax shelter elements would be enhanced by passage of the passive loss modification proposed by the House. Consider the following:

- the proposed modification would not create a special tax break but would allow those individuals whose primary business is real estate to be taxed under the passive loss rules in the same manner as other business taxpayers;
- none of the more than 20 provisions enacted in 1986 that directly reduced the tax benefits from real estate investment would be changed by the legislation (such as longer depreciation, extension of the at-risk rules, limits on interest deductions, restrictions on partnership loss allocations, limitations on seller financing, etc.);

- losses from real estate ownership and investment today are truly economic losses (cash and economic depreciation) not inflated paper losses as may have been the case between 1981 and 1986;
- the ability to "leverage", or borrow funds, which is dramatically more difficult than in pre-1986 times, would not be increased due to the legislation; and,
- the minimum tax provisions strengthened by the 1986 Act would not be changed by the passive loss legislation and would continue to ensure that no taxpayer is able to avoid paying taxes.

Discussion

To fully appreciate why the proposed legislation will have little or no impact on tax shelter opportunities requires an understanding of previous shelter incentives, the tax law changes enacted in the 1982, 1984 and 1986 Tax Reform Acts to discourage sheltering, the current passive loss rules and the details of the proposed modification to those rules.

Why Tax Shelters Proliferated . . .

Broadly speaking, any investment that receives favorable tax treatment, such as individual retirement accounts or the tax exemption accorded interest on state and local bonds, may be termed a "tax shelter." Historically, a "real estate tax shelter" existed when an investment in a real estate venture produced, in exchange, tax losses in excess of the investment which were then deducted against the investor's other income.

In short, a real estate tax shelter involves people who invest in real estate to receive tax benefits which are then used to shelter their regular employment income. During the early 1980s, real estate tax shelters became quite prevalent because of a convergence of market realities and government policies. Consider these key factors spurring real estate tax shelters:

- the inflation mentality of the late 1970s and early 80s instilled the belief of ever-increasing real estate values;
- individual marginal tax rates as high as 70 percent in 1980, reduced to 50 percent in 1981, inspired investor demand for tax shelter opportunities;
- overly generous depreciation rules for real estate providing a recovery period of 15 years and an allowance for accelerated depreciation, and greater availability of investment tax credits, all enacted in 1981, dramatically improved the marketability of real estate tax shelters;
- a tax system that allowed seller financing to inflate purchase prices for depreciation purposes and deductions for interest payments that were accrued but not paid until some later time, and a financial system that encouraged substantial leveraging of all real estate purchases;
- the lack of an individual minimum tax to ensure some minimum tax payment by all taxpayers regardless of investment strategies.

None of these shelter-encouraging factors exist today. All have been eliminated, beginning with legislation in 1982, continuing in 1984, and culminating with the 1986 Tax Reform Act. None would be reinstated through revision of the passive loss rules for real estate entrepreneurs. Here's why.

How Congress Reacted . . .

Real estate tax shelters used to be popular not just because people could "passively" invest in limited partnerships, but because individual tax rates were quite high and because the general tax rules applying to real estate investment were exceedingly generous. In 1986 Congress did not simply enact the passive loss rules to combat real estate tax shelters. It also significantly reduced the attractiveness of real estate investment in general. For example, in the 1986 Tax Reform Act the depreciation period for real estate was significantly increased from 19 years to 31.5 years and accelerated depreciation, which had been allowed at 175 percent, was repealed. By increasing the cost recovery period over 60 percent and by shifting much of the cost that could be recovered from the earlier to the later years of the period, these depreciation changes substantially decreased the value of real estate both to current holders and to all prospective buyers.

On top of the substantial lengthening of depreciation, the Act also instituted limitations on deductions for investment interest, tightened the at-risk rules relating to the amount of equity qualifying for tax benefits, repealed the investment tax credit, required most construction expenses to be capitalized instead of deducted currently, strengthened the minimum tax rules considerably and barred tax-motivated seller financing. None of these anti-tax shelter changes made in 1986 would be revisited in any way by the passive loss modification approved by the House of Representatives.

Moreover, in addition to significantly increasing the tax on real estate ownership and investment by reducing the tax incentives described above, the '86 Act instituted the passive loss rules. At the time, and many times since, these rules have been described as the cornerstone of the attack on tax shelters. The reason -- the requirement that people only be allowed to claim current tax deduction losses from businesses in which they materially participate. This cornerstone to the passive loss rules and the attack on tax shelters would not be altered in any way by the legislation now moving through Congress. In fact, the Tax Section of the American Bar Association has stated that the legislation is "entirely consistent with the espoused purposes of enactment of the passive loss rules." Why? Because the legislation applies only to taxpayers engaged on a regular basis in the real property business. Those taxpayers whose business is not real estate would continue to be barred from claiming current real estate losses against their other income.

Real Estate Losses Today . . .

Further debunking the notion that tax shelters would return if people in the real estate business were allowed to currently deduct losses from properties in which they materially participate are facts about the nation's real estate markets and the availability of financing.

During the period from 1981 to 1986, the tax losses that real estate limited partnerships were syndicating to the general public were derived principally from two sources: noncash depreciation in excess of economic depreciation; and, highly leveraged purchase prices. Neither of these tenets of early 1980s real estate ventures are likely to return to the real estate business soon, if ever.

C-2 Amy

THE WHITE HOUSE
WASHINGTON

(HMH)

July 7, 1993

MEMORANDUM FOR MACK MCLARTY
~~ALEXIS HERMAN~~
RAHM EMANUEL
GENE SPERLING

JUL - 7 1993

FROM: JODY GREENSTONE *JG*
SUBJECT: Potential Chamber Attacks on Economic Plan

Attached please find a fax from John L. Peterson describing a potential effort by the U.S. Chamber of Commerce to attack our economic plan next week. I discussed this with David, and he suggested I let you know so we could be prepared.

Reconcil

1

The Arlington Institute

FAX: 703-243-7086

From: John L. Petersen
To: Dave Gergen/Diana Pierce
Company: The White House

Date: 5 July 1993
Time: 2:27 PM
FAX #: 202/456 - 2883

IMPORTANT !!!

David:

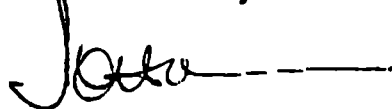
On 1 July Dick Leshar of the U.S. Chamber of Commerce had a 5-hour meeting with the top executives of his organization outlining a plan in which the Chamber would aggressively attack the administration's economic, health care and student loan programs starting on 12 July.

This meeting was the result of a series of confidential meetings held with Newt Gingrich aimed at patching up their differences with the conservatives and getting back on their bandwagon. They believe that they haven't received anything from the administration and they have agreed to be the point organization (no obvious linkage to Gingrich) in a major free media offensive that would position the Chamber as the national leader of the final push to "finish off the economic plan as it is." Leshar is adamant in wanting to be perceived as the organization that killed the economic plan. They will attempt to mobilize 215,000 small and medium-sized businesses in this assault.

Their objective is the well-known position: \$2 in spending cuts to \$1 in revenue enhancement, strong opposition to the economic, health (they evidently have very good intelligence on the emerging shape of the health-care plan) and student loan programs with lesser opposition to National Service.

Their plan is to be nice to the administration until the 12th and then blind-side you ~~and~~ when the President is out of the country. //

This comes from an absolutely reliable source. //



Our FAX number is 703-243-7086

2101 Crystal Plaza Arcade - Suite 136, Arlington VA 22202 703/243-7070 ARLINST@JGC.ORG



JOHN W. SNOW
Chairman, President
Chief Executive Officer

July 7, 1993

Honorable Patrick Moynihan
United States Senate
Washington, D. C. 20510

Dear Senator Moynihan:

My purpose in writing is to urge you to support a transportation fuel tax rather than a Btu tax when the conference committee on the Reconciliation Bills considers revenue options. CSX Corporation is a transportation company providing rail, container-shipping, intermodal, barging, trucking, and related services.

A broad-based tax on fuels used in transportation would not have the harmful affect on American industry that a Btu tax would. It would properly place the burden on consumption rather than production. A tax on transportation fuel is simpler to collect, has less administrative costs than a Btu tax, and will also encourage conservation. If there must be an energy tax as part of a deficit reduction, a broad-based consumption tax on fuel is a better alternative.

Any transportation tax on fuel should be placed on all modes of transportation equally, and the revenues should be used to reduce the deficit. Both the House and Senate bills put some, or all, of the proposed fuel taxes into the highway trust funds. The railroads could be the only mode of transportation whose fuel taxes go to reduce the deficit while their major competitors' taxes are used for their own benefit. This inequity must be corrected by the House-Senate Conference.

On behalf of CSX Corporation's 53,000 employees, I applaud the goal of deficit reduction and pledge our willingness to contribute to that effort. A transportation fuel tax levied fairly and equitably on all modes, we believe, is the appropriate means to that end.

Sincerely,

A handwritten signature in cursive script that reads 'John W. Snow'.

John W. Snow



NFIB SMALL BUSINESS NEWS

680 Maryland Avenue, Southwest, Suite 700 • Washington, DC 20024 • 202-551-4000 • Fax 202-551-0140
The Guardian of Small Business for Fifty Years

Contact: Terry Hill or Angela Jones (202) 554-9000

PRESIDENT, SENATE LEADER PLEAD CASE FOR SMALL-BUSINESS SUPPORT

JUL - 7 1993

WASHINGTON, June 29--Addressing the National Federation of Independent Business here today President Bill Clinton and U.S. Senate Minority Leader Bob Dole (R-Kansas) agreed that American small businesses are crucial to the nation's future. But beyond that, the two share little in their approach to reinvigorating the economy.

"Your group is one of the most aggressive participants in the economic budget debate," the president told some 1,200 entrepreneurs gathered for the NFIB's national public policy conference, seeking support for his economic plan. "If we can pass this bill and keep interest rates down, it will put \$110 billion into the economy and create more jobs. The bottom line is, the Senate and House bills would reduce the budget deficit by \$500 billion."

In contrast, Dole reminded the group that only three weeks remain before Congress will attempt final passage by the measure, which NFIB has vowed to oppose.

"We all agree that the budget deficit is too big, but the president's plan is not the solution," said Dole. "The president's plan will increase taxes on small business by as much as 45 percent and increase the rate for big business by 35 percent. He should cut spending first before he talks about higher taxes on anybody."

NFIB President Jack Faris confirmed the group's opposition to government-mandated health care which is part of the Administration's health reform plan. More than two-thirds of all small firms offer health plans for their workers, Faris said, and those who do not are unable to afford it.

Other speakers included Trade Ambassador Mickey Kantor, Small Business Administrator Erskine Bowles, U.S. Sens. Jay Rockefeller (D-West Virginia), Phil Gramm (R-Texas), Don Nickles (R-Okla.), Florida Gov. Lawton Chiles, former Tennessee Gov. Lamar Alexander, and entrepreneurs Jim Herr of Herr Foods, Pennsylvania and Arlene Goodman, KOA Campground, Nashville.

NFIB, which recently enlisted its 607,000th small-business owner, is celebrating its 50th anniversary.

Amg
Amg
So much for
"making friends"
Call in

JUL 8 1993
JH

E. K. Kinn
San Simon





Democratic National Committee

POLITICAL DEPARTMENT

PH 202-863-8000

FX 202-863-8196

FAX COVER SHEET

DATE: 6-25-93 TIME: _____

TO: Alexis Herman

FAX#: 456-2983 # OF PAGES (including cover): 6

FROM: Caren Wilcox

SUBJECT: _____

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COMMENTS: _____

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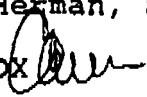
430 South Capitol Street, S.E. Washington, D.C. 20003 (202) 863-8000

Paid for by the Democratic National Committee. Contributions to the Democratic National Committee are not tax deductible.

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MEMO

TO: MINYON MOORE, CRAIG SMITH, DAVID AXELRAD
cc: Alexis Herman, Steve Hilton, Amy Zisook

FROM: CAREN WILCOX 

RE: RESULTS IN SENATE BILL

DATE: JUNE 25, 1993

There are some preliminary readings from our business friends and some results from yesterday which we should take into account as we go forward for Conference.

THE REALTORS The real estate community did not get the final amendment which they had hoped to get in the end of the Senate process. Staff apparently does not want passive losses, and leadership was not enthused to let it go, having offered a partial solution of 108, in return for requiring them not to ask for passive loss in Conference. They had to turn down 108 so as not to abandon Chairman Rostenkowski, and get passive losses. Senator Metzenbaum was used as a stalking horse during the day by leadership, and is being blamed for the loss by some in the industry. Conferees are not particularly favorable to the real estate industry.

This presents certain problems for us as we go forward to Conference and final floor vote. They will be unable to help us or make commitments unless they can have White House support which along with the House might get them an early recedence to the House version. Realistically, if they cannot get this then they have to spend the next month trying to get the House version in Conference rather than trying to help us build a grassroots coalition for final passage of the final report. The White House will need to make a decision on this.

THE ROADBUILDING INDUSTRY The highway builders are basically pleased with an amendment which was passed (which could have a technical glitch of some kind.) It is attached. It places monies into the Highway Trust Fund for use in 1995 just prior to our election. They believe that this is also very good for us, and indicate that due to the standing budget agreement the monies could not be spent on highways anyway right now. It will create jobs in 1995.

They wanted to know if I believed the White House was involved in them getting the amendment. I indicated that their views on this as a possible solution had been forwarded by us to the White House and that I knew that Secretary Pena and Rodney Slater shared their concerns, but that I could not tell them with certainty that this

April 13-17, 1994 ARTBA Annual Convention
Capital Hilton Hotel, Washington, D.C.

July 6	Board of Directors, Washington, D.C.
Aug. 5-8	Council of State Executives, Austin, TX
Aug. 28-Sept. 2	TOD, Mackinac Island, Mich.
Sept. 12-14	ARTBA-AGC-AASHTO Joint Committee, Williamsburg, VA
Sept. 27-28	ARTBA Past Chairmen, Baltimore, MD
Sept. 28-29	Mid-Year Contractors, Baltimore, MD
Sept. 30-Oct. 1	PPV CONFERENCE, Washington Court, Washington, D.C.

FAX COVER SHEET

DATE: 6-24-93TO: HAREN WIL COX - DMCFROM: PETE RUANETOTAL NUMBER OF PAGES (Including cover sheet): 3

If there are any problems with this transmission, please contact:

COMMENTS:

THANKS FOR ALL YOUR HELP!

O:\FRA\FRA93.479

Hub Brown

AMENDMENT NO. _____

Calendar No. _____

Purpose: To transfer the 4.3 cent deficit reduction rate to the Highway Trust Fund or the Airport and Airway Trust Fund, respectively.

IN THE

AMENDMENT No. 549

st Sess.

By *BROWN*

To Bill/Res. No. *5-1134* of the
cor 994.

(2 Pages)

GPO: 1992 6042 (a)

Refer

and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. BROWN

Viz:

1 On page 620, strike lines 12 through 21, and insert
2 the following:

3 (3) Section 9502(b)(3) is amended by inserting
4 "and the deficit reduction rate" after "financing
5 rate".

6 (4) Section 9503(b)(4)(B) is amended by in-
7 serting "and the deficit reduction rates under such
8 sections to the extent such rates do not exceed 4.8
9 cents per gallon" after "such sections".

O:\FRA\FRA93.479

S.L.C.

2

1 (5) Section 9503(c)(4)(D) is amended by in-
2 serting "and the deficit reduction rates under such
3 sections to the extent such rates do not exceed 4.3
4 cents per gallon" after "such sections".

5 (6) Section 9503(c)(5)(B) is amended by insert-
6 ing "and the deficit reduction rate under such sec-
7 tion to the extent such rate does not exceed 4.3
8 cents per gallon" after "such section".

9 (7) Section 9503(c)(6)(D) is amended by in-
10 serting "and the deficit reduction rate to the extent
11 such rate does not exceed 4.3 cents per gallon" after
12 "financing rate".

13 (8) Section 9506(b) is amended by inserting
14 "and the deficit reduction rate" after "financing
15 rate".

was the reason that the administration appeared to blink when their amendment came up. I think we have a chance to get some credit from them without taking it.

NFIB As you probably know the NFIB won a big amendment victory on the floor by beating back an effort by Senator Sasser to table the Pressler amendment to cut paperwork on filings on certain independent contractor payments by small business. I do not have a copy of the amendment. Once the Democratic caucus broke ranks there was a recorded vote of 94 to 4 to consider the amendment, and the four Dems changed their votes as soon as possible (almost suffering a failure to get unanimous consent to do so from the Republicans.) The amendment was then passed by unanimous consent.

I am trying to get more feedback on the expensing issue and the capital gains issue.

The PRICE WATERHOUSE "ROSTY" GROUP The companies which supported the package in the House remain basically satisfied about and optimistic about the Conference. Some of them are hoping for further remedies on the research and development issues. They should remain helpful in the Conference process.

NAM/API/CITIZENS FOR A SOUND ECONOMY It should be carefully noted that the Citizens for a Sound Economy, acting as a continuing front for NAM and the oil industry, ran an advertisement yesterday morning in Rollcall, opposing final passage of the Senate bill. Clearly the failure of the BTU tax has not bought them off. We need to continue to be very careful, and not overly optimistic about them.

I understand from a key lobbyist who had dinner with Chairman Rostenkowski last night that the Chairman is predicting the beginning of the Conference on or about July 12th, and he believes it will take two and one half to three weeks to conclude a Conference. That would mean a conference report and action on it in both houses in early August before the recess. We could have to move votes in both Houses almost simultaneously.

This is a preliminary report of emerging issues on the coming conference and the economic package from the perspective of the business community.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON DC 20460

OFFICE OF COMMUNICATIONS,
EDUCATION, AND PUBLIC AFFAIRS

FACSIMILE COVER SHEET

JUN 24 1993

TO:

*Alexis Herman**fax # 456-6218*

FROM:

Donna Gravline

DATE:

6/24

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4

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON DC 20460

OFFICE OF COMMUNICATIONS,
EDUCATION, AND PUBLIC AFFAIRS

June 24, 1993

MEMORANDUM

TO: Alexis Herman
Director, Office of Public Liaison
The White House

FROM: Denise Graveline *Graveline*
Program Advisor

RE: EPA's Public Liaison Activities

Attached is the list of top organizations that EPA's Office of Communications, Education and Public Affairs works with on a continual basis as part of our public liaison activities.

If we can be of further assistance to you in coordinating interagency outreach activities, please give me a call at 260-4356.

cc: Loretta Ucelli
Melissa Bonney
Amy Dewey



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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON DC 20460

June 24, 1993

OPL WHITE HOUSE CONSTITUENT LIST

OFFICE OF COMMUNICATIONS,
EDUCATION, AND PUBLIC AFFAIRS

High-tech companies

American Electronics Association
National Electrical Manufacturers Association
National Alternative Fuels Association
Computer and Business Equipment Manufacturers Association
Environmental Defense Fund

Realtors, Home building groups

National Realty Committee
National Association of Realtors
National Association of Home Builders of the U.S.
American Resort and Residential Development Association

Energy

American Petroleum Institute
Edison Electric Institute
American Gas Association
National Coal Association
Environmental Defense Fund
World Resources Institute
Center for Environment, Commerce & Energy

Agriculture

American Farmland Trust
Resources for the Future
American Farm Bureau Federation
United Fresh Fruit and Vegetable Association
National Wheat Growers Association

Agriculture/Rural Community

Southwest Network for Environmental & Economic Justice
United Church of Christ Commission for Racial Justice
National Association for the Advancement
of Colored People
Gulf Coast Tenants Organization
Lawyer's Committee for Civil Rights
National Committee for Radiation Victims
Native Action



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Seniors organizations/health

American Association of Retired Person
Retired Senior Volunteer Program

Education/Nutrition/Parents

National Parents/Teachers Association
National Education Association
National School Boards Association
U.S. Catholic Conference - Department of Education
Alliance to End Childhood Lead Poisoning
National Safety Council
National Science Teachers Association
New York City Department of Environmental Protection
Public Voice for Food Policy
Food Marketing Institute
National Food Processors Association
Morgan State University
Howard University
Wake Forest University
University of Michigan
University of California at Riverside
Children's Defense Fund

Health

American Council on Science and Health
National Health Law Program
Labor Occupational Health Program
American Public Health Association
American Medical Association
American Hospital Association
American Industrial Health Council
Farm Labor Organizing Committee

Empowerment Zones

National Association of Counties
National League of Cities
U.S. Conference of Mayors
National Association of Towns and Townships
International City Managers Association
National Governors' Association
Western Governors' Association
Council of State Governments
National Association of Attorneys General
National Conference of State Legislatures
Center for Neighborhood Technology
Urban League
Urban Institute
Alliance to End Childhood Poisoning
Southeast Organizing Council



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

FAX COVER PAGE

FAX NUMBER:

202/208-3231 or 202/208-5133

PHONE NUMBER:

202/208-6416 or 202/208-3271

JUN 24 1993

TO:

Alvin Herman

AGENCY/FIRM:

White House Office of Public Liaison

PHONE:

FAX:

456-6218

FROM:

LUCIA WYMAN

COMMENTS:

There are _____ page(s) including this cover page.

OFFICE OF THE SECRETARY
OFFICE OF COMMUNICATIONS
1849 C STREET, N.W.
WASHINGTON, D.C. 20240

MEMORANDUM

TO: ALEXIS HERMAN
FROM: LUCIA WYMAN
RE: INTERIOR DEPARTMENT PRIORITIES AND CONSTITUENCY EFFORTS
DATE: JUNE 24, 1993

IMMEDIATE PRIORITIES:

Northwest Forest Management Plan
Public Lands Use and Reform
 Grazing on Public Lands
 Mining on Public Lands

Since arriving at Interior in March, I have been involved in the strategic planning and implementation of the Department's efforts in managing the western public lands. The public lands use policies are critical to the western states and consequently to President Clinton.

I organized and held four public grazing meetings in the west, Bozeman, Montana; Grand Junction, Colorado; Reno, Nevada; and Albuquerque, New Mexico. Another grazing public meeting is being planned for Tucson, Arizona on July 9. The reason for these meetings was to elevate the visibility of the issues surrounding public lands management so the President's reforms can take place.

Most of the environmental groups have participated in the meetings as well as the public lands users. The following are groups involved:

National Cattlemen (and the local chapters) and other livestock interest.

Public Lands Council

Wise Use

Audubon Society

Sierra Club

National Wildlife Federation

Wilderness Association and many other less well known environmental groups and interests

Chambers of Commerce and business interests in the west whose financial existence depends on public lands use

The mining strategy has been less massaging of interests and more righteous indignation at the abuses done to the tax payer by large mining interests raping the land and ripping off the tax payer.

The week of July 5, Secretary Babbitt will begin a tour of abandoned mine sites in the west. The press will be with him and we plan at least one visit with citizen groups who have organized on behalf of clean up interests. These visits are being planned to coincide with the House Natural Resources Committee vote.

During the last week, I have talked to many groups and individuals in the Pacific Northwest in order to arrange briefings of the President's NW Forest Management Plan. This is, of course, the preparation for the White House announcement in the near future.

The greatest help I can be at this time is to continue to get mining and grazing reform resolution which will be a clear victory for the Administration. I will continue to sell the President's Forest Plan as equitable and scientifically fair and the President as courageous to tackle the problem created by 12 years of mismanagement and neglect.

If there are other ways I can help the administration with this critical vote in the Senate, please let me know. Or if there are future efforts in which I may be needed, please do not hesitate to ask. That is the reason I moved to Washington from Texas. Good luck.

cc Steve et al
cc [signature]



FAX TRANSMISSION

U.S. Department of Health and Human Services
Office of the Secretary

DATE:

6/24/93

JUN 24 1993

TO:

Alexis Herman

FAX:

456-6218

PHONE:

456-2930

FROM:

Victor Zonana

Deputy Assistant Secretary for Public Affairs/Media

Phone: (202) 690-6343

Fax: (202) 690-6247

TOTAL NUMBER OF PAGES TRANSMITTED:

4

COMMENTS:

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Office of the Secretary

Washington, D.C. 20201

June 24, 1993

MEMORANDUM

TO: Alexis Herman
Office of Public Liaison
The White House

FROM: Victor Zonana *VZ*
Deputy Assistant Secretary for Public Affairs

RE: Aging and health-care constituency groups the White House should consider mobilizing in order to influence Reconciliation.

AMERICAN ASSOCIATION OF RETIRED PERSON (AARP)
601 E Street, N.W.
Washington D.C. 20049
(202) 434-2277
Contact: Horace B. Deets, Executive Director

This is the nation's largest and most influential aging organization. They have sophisticated lobbying capabilities and are well versed in Reconciliation. However, they are very concerned about the status of health care reform and long-term care, which may color their reactions.

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE
2000 K Street, N.W.
Washington, D.C. 20006
(202) 822-9459
Contact: Martha McSteen, President

This is a very influential and aggressive group. They have a fairly effective Washington presence, and a strong direct mail capability. This group is somewhat controversial in that they can sometimes be alarmist and they may not support our agendas. However, they have the potential to be an effective ally.

NATIONAL COUNCIL OF SENIOR CITIZENS
1331 F Street, N.W.
Washington D.C. 20004
(202) 624-9539
Contact: Lawrence T. Smedley, Executive Director

Page 2 - Alexis Herman

Although this is a smaller organization that does not have the lobbying capability of the above groups, they are among our closest friends and trusted allies. They were the first aging group to endorse the President, and have remained steadfastly by our sides.

FAMILIES USA

1334 G Street, N.W.

Washington D.C. 20005

(202) 628-3030

Contact: Ronald Pollack, Executive Director

This organization has strong outreach and media capabilities primarily in the area of health care reform. They are not a membership organization and do not have the reach of the above groups, but they have superb lobbying and strategizing capabilities.

NATIONAL COUNCIL ON THE AGING, INC. (NCOA)

409 Third Street, S.W., Second Floor

Washington D.C. 20024

(202) 479-1200

Contact: Dr. Daniel Thursz, ACSW, President

This organization is smaller and has fewer capabilities, but they have a great deal of credibility and respect in the aging community. They have many direct contacts with senators (for example Senator Mikulski (D-MD)). This group represents a network of service providers and senior centers on a national level.

NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES

1533 New Hampshire Avenue, N.W.

Washington D.C. 20036

(202) 234-0823

Contact: Judy Park, Legislative Director

Although this group will not always come out, they are vocal, active and effective on issues that directly affect them such as protecting retiree benefits and long-term care. They are strongly supported by members of Congress, including those from Maryland, Virginia and Washington D.C.

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

1625 L Street, N.W.

Washington D.C. 20036

(202) 452-4800

Contact: Rob McGarrah

Page 3 - Alexis Herman

This group is a member of the AFL-CIO. They were the first major union to endorse President Clinton. They have an expanding national network of retired public sector workers, and are very involved in health care benefits and long-term care.

NATIONAL LEADERSHIP COALITION FOR HEALTH CARE REFORM

555 13th Street, N.W.

Washington, D.C. 20004

(202) 637-6830

Contact: Peggy Rhoades, Executive Director

This coalition of businesses, unions and health-care providers has clout and should be wooed.

I hope this list is useful. It was necessarily longer than you requested because of the scope of the Department's work.

I enjoyed meeting you Tuesday and look forward to working with you on the Public Liaison Inter-Agency effort.

THE WHITE HOUSE
WASHINGTON*cc: Stive
etal*

OFFICE OF LEGISLATIVE AFFAIRS

FAX COVER SHEET

NOTE: THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS
CONFIDENTIAL AND INTENDED FOR THE RECIPIENT ONLY.

DATE

8/24

TO:

Alexis Herman

FAX #

45 6218

FROM:

Nestor Davidson

RE:

PAGE 1 OF

5

IF THERE ARE ANY PROBLEMS WITH TRANSMISSION, PLEASE CALL
(202) 456-6493.

**POSSIBLE AMENDMENTS DURING FLOOR CONSIDERATION OF S.1134,
RECONCILIATION BILL OF 1994.**

June 24, 1993

9:15 a.m.

DEMOCRATS

- Sasser** 1. Extending the Budget Enforcement Act of 1990.
2. Entitlement Control.
- Boxer** Move the luxury tax repeal effective date from January 1 to July 1.
- Bradley** 1. To require certain institutions of higher education to offer students information regarding contingent repayment options.
2. Line-item Veto Amendment.
- Breaux** To restore 2.5 cents of the Highway Trust Fund financing rate to the Aquatic Resources Trust Fund.
- Bryan** 1. Amendment relating to medicare.
2-4. Amendments relating to agriculture entitlement.
5. Relating to deductibility of business meals and entertainment.
- Bumpers** 1. To provide a capital gains tax break for investments in small businesses held at least five years.
2. To amend the Finance and Labor immunization provisions.
- DeConcini** 1. Deficit Reduction Trust Fund.
2. Social Security.
- Dorgan** 1. To repeal the tax deferral for U.S. companies that shut down manufacturing plants in the U.S. and move jobs abroad.
2. Expand 25% to 100% small business health insurance deduction.
- Fainstein** Sense of the Senate on Research & Experimentation Tax Credit.
- Graham** Several Amendments to retrieve the \$19B in Medicare cuts with offsets; increase corporate tax rate to 36%, return the Section 936 tax provision to the same as the Ways & Means Cmte bill, increase the motor fuel tax from 4.3 cents to 5 cents, etc.
- Inouye** Sense of the Senate regarding business and entertainment expenses.

Lautenberg To require that the salaries of Members of Congress be sequestered first before any sequester occurs under the Balanced Budget and Emergency Deficit Control Act of 1985.

Lieberman Relating to modification of minimum tax depreciating rules.

Kerry To establish a National Health Care Trust Fund.

Metzenbaum

1. Remove Medicare cuts and offset by eliminating loopholes.
2. Move to strike the four sections that comprise the ERISA liabilities and penalties provisions.

Reid Construction water tax revenue neutral.

Simon/Metzenbaum Intangible Assets, 75% to 50%.

Wellstone/Harkin/Milkulski/Feingold
To eliminate or reduce in half the \$19 billion in additional Medicare cuts and offset by a tax on foreigners for loans or raising the corporate tax rate to 35% retroactive to January 1.

REPUBLICANS

- Brown**
1. To decrease or eliminate Cargo Preference.
 2. Money program.
 3. Social Security OASDI Trust Fund.
 4. Fuel Tax to Highway User Test.
- Chaffee** To strike the executive compensation provision.
- D'Amato**
1. Time or work limitations on state-run general assistance welfare programs with threat of losing federal administrative funds for AFDC.
 2. Cap the tax rate for small business at the corporate tax rate.
- Danforth**
1. Permanent extension of Research & Experimentation Tax Credit.
 2. Exempt aviation fuel from the transportation fuels tax.
- Dole** Intangible Assets.
- Domenici** (maybe with Nunn) To put up the walls between defense and discretionary spending.
- Domenici**
1. Strike all extraneous provisions.
 2. Military spending cap.
- Gorton** Airline energy tax exemption.
- Gramm**
1. Allow tax increases to go into affect only when spending cuts are made.
 2. Extension of FY 1991-93 discretionary caps, locking in Budget Resolution figures.
 3. Entitlement caps to replace the RTU and Social Security tax.
 4. Discretionary cap amendment that lowers cap by an amount equal to the new spending in the Clinton budget.
 5. Freeze on domestic discretionary spending.
 6. Time limitations on AFDC.
- Grassley**
1. To reduce Social Security Tax from 85% to 50%
 2. M-accounts.
- Gregg**
1. Strike student loan default cost sharing provision.
 2. Limit Sallie Mae executive salaries to President's salary level.
 3. Allowing states the flexibility to use WIC and AFDC money to pay for immunizations for poor children.
- Hatch** To eliminate the "marriage penalty" and offsets with reductions in discretionary caps.

Hutchison Across-the-board 5% reduction in object classes.

- Jeffords
1. To require that an annual federal financial report be submitted to American citizens [The American Citizens Annual Report Act].
 2. To require that an annual federal financial report be submitted to American citizens [The Deficit and Debt Reporting Act].

Lott Strike the Social Security tax increase.

- McCain
1. Commercial user fees for National Park Service.
 2. To strike provisions of the Act to extend alternative minimum treatment of gifts of appreciated property.

Nickles To strike the transportation fuel tax.

- Pressler
1. Planting soybean under 0/92 (a conservation program).
 2. Small business tax issue.

Roth/Wallop/Pressler Small business exemption from the increased tax rate.

Sponsors Unknown

Capital Gains Tax cut.

Repeal luxury tax on car and replace with 3% tax on fuel.

Repeal Section 936 Puerto Rican tax break.



Department of Energy
Washington, DC 20585

cc Steve et al

M E M O R A N D U M

TO: ALEXIS M. HERMAN
ASSISTANT TO THE PRESIDENT AND DIRECTOR, OFFICE OF
PUBLIC LIAISON

FROM: PHYLLIS L. ANDERSON *Phyllis*
PRINCIPAL DEPUTY DIRECTOR
OFFICE OF PUBLIC AND CONSUMER AFFAIRS
U.S. DEPARTMENT OF ENERGY

DATE: 23 JUNE 1993

RE: FOLLOW UP ON JUNE 22 PUBLIC LIAISON WORKING GROUP
MEETING

Jul 24 1993

Alexis, I enjoyed the meeting yesterday and want to thank you for bringing us all together. It can only be GOOD for the President and the Administration. Thank you for your efforts.

The list of energy-related groups which we have had some involvement/dialogue with which we believe might help with reconciliation are:

Solar Energy Industry Association
Alliance to Save Energy
American Council for Energy Efficient Economy
and Interstate Natural Gas Association.

Please let me know what we need to do to get them involved. I can be reached at 202 586-4940. Thanks.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-4000OFFICE OF THE ASSISTANT SECRETARY FOR
PUBLIC AFFAIRS*Copied to
Amy*

TELECOPY INFORMATION PAGE

TRANSMIT TO: Alexis Herman, Special Assistant to the President, Public LiaisonPHONE NUMBER: 456-2930FROM: Monica Lewis, Special Assistant/Public LiaisonTOTAL NUMBER OF PAGES INCLUDING THIS COVER: 2COMMENTS: Alexis -- I apologize for the delay. Please let me know if
you need additional information.

OUR TELECOPIER NUMBER IS: (202) 619-8172

OUR PHONE IS: (202) 708-0980

DATE: June 24, 1993FAX NUMBER: 456-6218

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-4000



OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AFFAIRS

MEMORANDUM TO: Alexis Herman, Special Assistant to the President/
White House Public Liaison - The White House

FROM: Monica Lewis, Special Assistant/Public Liaison

DATE: June 24, 1993

Please find below a list of important associations HUD deals with regularly which may prove instrumental in building consensus in the areas you outlined regarding reconciliation. The areas we can contribute to are **Realtors/ Home Builders** and **Empowerment Zones**. I have provided the association names, their respective directors and the corresponding telephone numbers.

Realtors/Home Builders:

National Association of Home Builders
Robert Bannister - (202) 822-0200

National Association of Realtors
Steve Driesler - (202) 383-1000

National Association of Real Estate Brokers
Frank Clay - (202) 785-4477

Mortgage Bankers Association of America
Warren Lasko - (202) 861-6500

Empowerment Zones:

National Association of Home Builders*
Robert Bannister - (202) 822-0200

National Community Development Association
Reggie Todd - (202) 293-7587

National Bankers Association
Sam Foggie - (202) 588-5432

Mortgage Bankers Association of America*
Warren Lasko - (202) 861-6500

Should you or your staff need any additional information, please do not hesitate to contact me at any time.

E X E C U T I V E O F F I C E O F T H E P R E S I D E

24-Jun-1993 12:08pm

TO: Kimberly S. Hopper
TO: Lavora R. Barnes
TO: Ernest D. Gobble
TO: David B. Anderson
TO: Floydetta McAfee

FROM: S. Collier Andress
 Office of Communications

SUBJECT: talking points- response to dole

6/24/93. j.angell/omb

REPUBLICAN BUDGET SUBSTITUTE

INCREASING THE PUBLIC DEBT:

o The Republican substitute fails to meet a key principle set forth by the President: \$500 billion in deficit reduction over five years. Instead, the Republican substitute proposes to reduce deficits by only \$411 billion over the next five years compared to \$516 billion for the Democratic plan. The Public Debt would be more than \$100 billion higher by FY 1998 with the Republican substitute. More Federal borrowing means higher interest rates, which hurts job growth.

LACK OF FAIRNESS: PROTECTING THE WEALTHY AT THE EXPENSE OF WORKING FAMILIES

o By eliminating taxes on the wealthy and replacing them with additional cuts in programs assisting the elderly and the middle class the Republican proposal displays a basic lack of fairness. The additional entitlement reductions place the burden of deficit reduction on the elderly, veterans, farmers, and students. 89% of the taxes in the Senate Democratic bill will come from people with incomes of over \$140,000. 79% of the revenues come from people making over \$200,000 a year. The Republicans are attempting to protect well-off Americans at the expense of working families.

CUTS IN BASIC GOVERNMENT SERVICES

o The additional \$100 billion five year domestic discretionary cuts are so drastic that basic government services - air traffic control, border patrol, health research, veterans health, the FBI,

anti-drug enforcement, food safety and inspection, and child care - will be threatened. Cuts of up to 10% across-the-board in all Federal discretionary programs will be necessary to achieve the \$100 billion cut in non-defense discretionary spending.

JEOPARDIZING INVESTMENTS IN JOBS AND GROWTH

o The five year cut in domestic discretionary spending proposed by the Republican budget also threatens basic investments in economic growth and jobs preserved in the Democratic budget through funding of education, transportation, job training, infrastructure, the environment, health, and research and development.

o The following investments are included in the Democratic reconciliation bill and eliminated in the Republican substitute: expansions in the earned income tax credit targeted at working families, immunizations for low-income children, incentives for small business investment, real estate incentives, extension of the research and development tax credit, and extension of the low-income housing tax credit.

ENTITLEMENT CAP: A GIMMICK TO DODGE RESPONSIBILITY

o An entitlement cap is simply an attempt to dodge the tough choices. Caps deliver no real spending cuts - after months of demanding more spending cuts the Republican alternative does not include one new specific spending cut. Democrats, through the work of 12 Senate Committees, have made the tough, specific choices on spending cuts in veterans programs, farm programs, retirement programs, Medicare and Medicaid. The Republicans have failed the most basic test of budget credibility.

THE REPUBLICAN ENTITLEMENT CAP WOULD CUT DEEPLY INTO HEALTH ENTITLEMENT PROGRAMS

o While they are unwilling to be specific about the cuts, the cap, essentially designed by Dick Darman, would cut an additional \$50 billion from entitlement programs, primarily from Medicare and Medicaid. This will include cost-shifting to the private sector, driving up costs to employers and to individuals which could, in turn, swell the ranks of the uninsured.

COMPARISON OF REPUBLICAN SUBSTITUTE AND SENATE DEMOCRATIC PACKAGE

(5-Yrs in billions of dollars)

	REPUBLICAN	DEMOCRATIC
Discretionary		
Defense	-108	-111
Non-Defense Discretionary	-92	+9
Entitlements		
Specific cuts and user fees	-116	-116
Entitlement cap	-50	-
Investments	-	+17
Interest	-45	-66
Total Spending cuts	-411	-267
Revenues	-	-249
Total Deficit Reduction	-411	-516

JUN 24 1993

TO: David Dreyer
Gene Skirling
George Sot Phanolos
Eric Berman
Alexis Herman

Fr: Barbara
Chow

Pages 3

*For INTERNAL
USE ONLY*

Dole Substitute

o Proposes at least \$100 billion less in deficit reduction than the Democratic bill.

o Achieves additional reductions entirely through spending cuts; shifting the burden from wealthy taxpayers to middle class and elderly. Cancels the increase in the Earned Income Tax Credit, thereby increasing taxes for the working poor while protecting high income Americans from any increased taxes.

o Black box, budget process amendment only. Does not propose one single specific spending cut. The only specific spending cuts in the Dole package are those already identified in the Senate bill.

o Entitlement cap spending cuts are in addition to the \$75 billion in Medicare/Medicaid cuts already included in the Senate Finance bill. \$30 billion in additional Medicare cuts, \$20 billion in Medicaid most of which will be borne by elderly beneficiaries and hard pressed state budgets. Endangers prospects for health care.

o More than half of the savings (\$200 billion) are from appropriation cuts which will come in later years and from debt service and debt management--exactly the areas Senator Dole has constantly criticized the Democratic plan from counting as spending savings.

o Does not contain important tax incentives to create jobs, promote economic growth, and educate workers. For example, the Finance Committee plan provides new tax incentives for small businesses to grow and invest. Under the Finance plan, the luxury tax would be repealed and business would be provided relief under the alternative minimum tax.

SENATE REPUBLICAN ALTERNATIVE

(\$ billions)

	1994	1995	1996	1997	1998	Total 1994-98
CBO Capped Baseline Deficit	286.7	284.4	290.0	321.7	359.7	
<u>Discretionary:</u>						
Defense (Clinton)	4.1	4.8	-10.0	-33.6	-37.5	-72.2
International (Freeze)	-0.4	-0.8	-1.4	-1.9	-2.5	-7.0
Domestic (Freeze)	-3.8	-10.2	-16.8	-23.5	-30.6	-84.9
Subtotal	-0.1	-6.2	-28.2	-59.0	-70.6	-164.1
<u>Mandatory:</u>						
Gross spending reductions						
Reconciliation	-8.5	-13.7	-24.8	-31.3	-37.6	-115.9
Entitlement cap	--	--	--	-13.9	-35.4	-49.3
Subtotal	-8.5	-13.7	-24.8	-45.2	-73.0	-165.2
Total spending	-8.6	-19.9	-53.0	-104.2	-143.6	-329.3
Debt management a/	-0.5	-1.0	-1.3	-1.6	-2.0	-6.4
Debt service	-0.3	-1.2	-3.6	-8.7	-17.0	-30.8
Grand Total	-9.4	-22.1	-57.9	-114.5	-162.6	-366.5
Plan Deficit	277.1	262.5	232.3	207.1	197.3	

NOTE: Details may not add to totals due to rounding.

a/ CBO reestimate of Treasury proposal (May 1993).

Prepared 06/23/93 10:07 AM

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UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

OFFICE OF THE DIRECTOR

MEMORANDUM

TO: ALEXIS HERMAN
ASSISTANT TO THE PRESIDENT AND DIRECTOR OF PUBLIC LIAISON

FROM: EMILY SIEKETOFF *ES*
DIRECTOR OF INTERAGENCY AFFAIRS, OPM

RE: PEOPLE OPM HAS WORKED WITH WHO MIGHT BE HELPFUL ON
RECONCILIATION

DATE: JUNE 24, 1993

The following people might be helpful to the President on reconciliation. They have been recommended by political appointees here in the agency.

Patrick Nilan
Legislative Director
American Postal Workers Union
AFL-CIO
817 14th Street, NW
Washington, DC 20005-3301

Jim Randel
Rand Real Estate Services, Inc.
203-226-8727

Tom Hipple
North American Home Builders

**POSSIBLE AMENDMENTS TO THE
OMINBUS BUDGET RECONCILIATION BILL**

SPONSOR	SUBJECT	CONTACT	SBC STAFF
* Helms/Nickles	Strike the gasoline tax (tentative).	Steve Phillips 4-6342	Cheri Reidy 4-0557
* Roth/Wallop/ Pressler	Small business exemption from the increased tax rate.		Denise Ramones 4-0543
* Lott	Strike the Social Security tax increase.	Susan Connell 4-4240	Cheri Reidy 4-0557
** Gorton	Airline energy tax exemption.		Lynne Daghlian 4-0857
** McConnell	\$3 check-off		Bill Hoagland 4-0769
Gramm	Extension of FY 1991-93 discretionary caps, locking in Budget Resolution figures	Mike Solon 4-0718	Bill Hoagland 4-0769
Gramm	Delay of all taxes until spending cuts equal new taxes. Also requires that interest savings and extensions of present law shall not count as savings.	Mike Solon 4-0718	Bill Hoagland 4-0769

SPONSOR	SUBJECT	CONTACT	SBC STAFF
Gramm	Entitlement caps to replace the Btu and Social Security tax.	Mike Solon 4-0718	Bill Hoagland 4-0769
Gramm	Non-defense BA freeze with saving directed toward a middle class tax cut.	Mike Solon 4-0718	Bill Hoagland 4-0769
Gramm	Discretionary cap amendment that lowers cap by an amount equal to the new spending in the Clinton budget.	Mike Solon 4-0718	Bill Hoagland 4-0769
Grassley	Freeze on domestic discretionary spending.	Kris Kolesnik 4-0454	Anne Miller 4-5398
Dole	Intangibles	David Taylor	Bill Hoagland 4-0769
Packwood	Moving expenses		
Grassley	M-accounts	Kris Kolesnik 4-0454	Roy Phillips 4-0529
D'Amato	Time or work limitations on state-run general assistance welfare programs with threat of losing federal administrative funds for AFDC	Gregg Rickman 4-2934	Lynne Daghlion 4-0857
Gramm	Time limitations on AFDC	Mike Solon 4-2934	Lynne Daghlion 4-0857
Gregg	Limiting the salaries of Sallie May officials to twice the pay rate of the President of the U.S.		Lisa Morin 4-0564

SPONSOR	SUBJECT	CONTACT	SBC STAFF
Gregg	Allowing states the flexibility to use WIC and AFDC money to pay for immunizations for poor children. (tentative)		Lisa Morin 4-0564
Kempthorne	Exempting state and local government from the gas tax.	Jeremy Chou 4-6142	Cheri Reidy 4-0557
Hatch	Eliminating the "marriage penalty" (both in current law and in the bill), and offsets with reductions in discretionary caps.	Judy Hill 4-9858	Annie Miller 4-5398
Jeffords	Requiring the IRS to display more budget information for the enlightenment of taxpayers.	John Zirschky 4-5141	Annie Miller 4-5398
McCain	Commercial user fees for National Park Service (tentative)	Rob Taylor 4-2235	Ricardo Rel 4-6588
Brown	Honey program	Greg Johnson 4-0300	Ricardo Rel 4-6588
Brown	Social Security OASDI Trust Fund	Greg Johnson 4-0300	Cheri Reidy 4-0557
Brown	Fuel Tax to Highway User Test	Greg Johnson 4-0300	Lynne Daghljan 4-0857

SPONSOR	SUBJECT	CONTACT	SBC STAFF
Hutchison	Across-the-board 5% reduction in object clases		
Pressler	Planting soybean under 0/92 (a conservation program).	Dave Orr 4-5842	
Pressler	Small business tax issue		Cheri Reidy 4-0557
D'Amato	Cap the tax rate for small business at the corporate tax rate.	Tim Sistrunk 4-6542	Cheri Reidy 4-0557

* incidates level I

** indicates level II

**POSSIBLE DEMOCRATIC AMENDMENTS TO THE
OMNIBUS BUDGET RECONCILIATION BILL**

SPONSOR	SUBJECT	CONTACT
Bumpers	Small Business	
Wellstone/ Harkin	Medicare	
Kerrey (NE)	National Health Care Trust Fund	
Reid	Construction water tax revenue neutral	
Dorgan	Tax incentives for run away plants	

**Denise Ramones
4-0543**

**POSSIBLE AMENDMENTS DURING FLOOR CONSIDERATION OF S.1134,
RECONCILIATION BILL OF 1994.**

June 23, 1993

2:15 p.m.

DEMOCRATS

Sasser

1. Extending the Budget Enforcement Act of 1990.
2. Entitlement Control.

Boxer

Move the luxury tax repeal effective date from January 1 to July 1.

Bradley

1. To require certain institutions of higher education to offer students information regarding contingent repayment options.
2. Line-item Veto amendment.

Breaux

To restore 2.5 cents of the Highway Trust Fund financing rate to the Aquatic Resources Trust Fund.

Bumpers

1. To provide a capital gains tax break for investments in small businesses held at least five years.
2. To increase the small business expensing allowance.
3. To amend the Finance and Labor immunization provisions.

DeConcini

Deficit Reduction Trust Fund.

Dorgan

To repeal the tax deferral for U.S. companies that shut down manufacturing plants in the U.S. and move jobs abroad.

Feinstein

Sense of the Senate on R&D on tax credit.

Lieberman

To restore realtors' provisions.

Kerrey

To establish a National Health Care Trust Fund.

Metzenbaum

Remove Medicare cuts and offset by eliminating loopholes.

Simon

Intangible Assets.

Wellstone/Harkin/Milkulski/Feingold

To eliminate or reduce in half the \$19 billion in additional Medicare cuts and offset by a tax on foreigners for loans or raising the corporate tax rate to 36% retroactive to January 1.

REPUBLICANS

Brown To decrease or eliminate Cargo Preference.

Chaffee To strike the executive compensation provision.

Danforth 1. Permanent extension of R&E.
2. Exempt aviation fuel from the transportation fuels tax.

Dole/Domenici Republican alternative package that would freeze discretionary spending, cap entitlements, provide for no new taxes, and reduce the deficit across the board. [Similar to Budget Resolution amdt offered 3/24].

Dole Intangible Assets.

Domenici (maybe with Nunn) To put up the walls between defense and discretionary spending.

Domenici 1. Strike all extraneous provisions.
2. Military spending cap.

Gramm Allow tax increases to go into affect only when spending cuts are made.

Grassley To reduce Social Security Tax from 85% to 50%

Gregg 1. Strike student loan default cost sharing provision.
2. Limit Sallie Mae executive salaries to President's salary level.

Hatch To eliminate marriage penalty in tax code.

Kassebaum Move to strike the four sections that comprise the Metzenbaum ERISA liabilities and penalties provisions.

Nickles/Grassley/Shelby/Kohl To strike the gasoline tax.

Nickles To strike the transportation fuel tax.

Sponsors Unknown
Capital Gains Tax cut.
Small Business.
Restaurant, disallow tax write-off for business meals.
Strike Transportation fuel.
Section 936 Puerto Rican tax break.
Repeal luxury tax on car and replace with 3% tax on fuel.

cc Mike
cc Amy
cc R/B

pmix

JUN 23 1995

SENATE FINANCE COMMITTEE

5 Year Savings Target: \$35.2 billion in outlays

PRELIMINARY (Action continues 18 June)

Savings Achieved

Medicare

- o Saves \$67.3 billion in Medicare and Medicaid over five years -- exceeding the savings objectives of the President's budget by \$19 billion.
- o Reduces the indexed rates of increase for hospitals, physicians, durable medical equipment, and clinical laboratories and other health care providers.
- o Encourages a greater emphasis on primary care services and primary care training.
- o Discourages wasteful construction in the overcapitalized, overbedded hospital industry, by reducing Medicare payments for capital.
- o Includes medicare secondary payer and third party liability reforms that help assure that automobile, workers compensation and other insurance pay before medicare trust funds are used.
- o Extends the Part B (SMI) premium levels beyond 1995.
- o Adopts an expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

Medicaid

- o Adopts most of the President's budget initiatives at least in part. These proposals would:
 - o strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;

- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and
- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit.

Immunizations

- o Mandates purchase of pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, and (3) uninsured children and insured children whose insurance fails to cover vital immunization services and whose family income does not exceed 75% of State median income. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.

Other Programs

- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Extends expiring Trade Adjustment Assistance program for five years to provide training and income support to workers who lose their jobs because of increased imports.
- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.
- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.

Comparison to House-passed

Medicare

- o The SFC version includes almost none of the program expansions in the House bill. The only major proposal included is along the lines of the President's rural health initiative.
- o The Medicare reductions in the Senate are generally in the same areas as the House but the SFC adds new proposals, e.g., indirect medicare education, house health limits and outpatient department payment changes. The SFC reductions also are deeper, e.g., additional Medicare secondary payer and TPL proposals, clinical laboratories. Part B premiums would be increased similarly to the House bill, but extended for an additional year.

Medicaid

- o The Medicaid savings are slightly higher (e.g., transfer of asset restrictions) in the SFC version (+\$300 million), but comparable.

Immunizations

- o The SFC bill provides a \$2 billion immunization program as in the House. However, the costs of the immunizations are proposed to be recovered by requiring State and Federal contributions to a trust fund. The contributions would be what the State and Federal Government would have otherwise spent on vaccine purchases. The House bill does not require State contributions.

Other Programs

- o Senate passed a five-year extension of trade adjustment assistance; House passed three-year extension. Program is in the baseline.
- o Senate made no changes in unemployment insurance extended benefits; House increased Federal matching rate and made other reforms.
- o Senate has substantially smaller increase for the earned income tax credit than the House-passed bill.
- o Senate does not appear to include the House-passed increases for family preservation, foster care, and related programs.

SENATE AGRICULTURE COMMITTEE

5 Year Savings Target: \$3.2 billion

Savings Achieved

- o Eliminates GATT Trigger authority that allows for lower Acreage Reduction Program (ARP), thereby increasing acres on which no payments are made.
- o Reduces Market Promotion Program (MPP) to \$110 million per year.
- o Reduces "PAY/92" program to "PAY/85". Producers who do not plant would receive deficiency payments on 85 percent, rather than 92 percent, of their acreage.
- o Increases assessments by 10 percent on sugar and peanut programs. Charges fee on tobacco imports.
- o Lowers payment gradually to \$50,000 for honey, wool and mohair programs. Lowers price support payments for these crops.
- o Reduces loan rate for soybeans and minor oilseeds, eliminates oilseed assessments.
- o Reforms Crop Insurance by improving actuarial soundness through requiring overall loss ratio of no greater than 1.1 by FY 1996. Expands area yield pilot program.
- o Caps Conservation Reserve Program sign-ups at 38 million acres, extends sign-up period for Wetlands Reserve Program through FY 2000.
- o Requires 50 percent State match for Food Stamp administrative costs, beginning April 1994.
- o Increases Forest Service recreation fees.
- o Reduces price support for butter, increases price support for dry milk. Reduces dairy assessment beginning FY 1996.
- o Prohibits marketing of milk from cows using BST through FY 1994.

Comparison to House-passed

- o Senate has no triple-base savings; House increased triple- base acres from 15 percent to 20 percent.
- o Doubles the House (and Administration) reduction in MPP.
- o House expanded Crop Insurance program by providing free catastrophic coverage; Senate has more deficit reduction reforms.
- o Comparable provisions for Conservation and Wetlands Reserve Programs, payment limits for honey, wool and mohair programs, Forest Service recreation fees, butter and dry milk prices, sugar and peanut assessment increases.
- o Senate, like House, would reform Rural Electrification Administration, but Senate does not include many of the House's objectionable telephone program provisions.
- o Senate, unlike the House, does not include Administration's proposed increases in Food Stamp program.

SENATE ARMED SERVICES COMMITTEE

5 Year Savings Target: \$2.4 billion

Savings Achieved

- o Delays the 1994 through 1997 COLAs for uniformed services retirees in DOD, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service retirees by nine months, from January to October.
- o Delays the 1998 COLA payment by eight months from January to September.
- o Exempts survivors and disabled retirees from the COLA delays.

Comparison to House-passed:

- o The House delayed uniformed services retirees COLAs by four months in 1994 and an additional three months each year thereafter.

SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE

5 Year Savings Target: \$3.1 billion

Savings Achieved

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

Comparison to House-passed

- o Savings are the same as in the House-passed bill.

SENATE COMMERCE COMMITTEE

5 Year Savings Target: \$7.4 billion

Savings Achieved

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum. Spectrum licenses are treated the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.
- o Extends the tonnage duty fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA. Savings begin in 1996, at over \$65 million annually. The fees are paid by all ships entering U.S. ports after calling on foreign ports.

Comparison to House-passed

- o Senate bill allows FCC to retain some proceeds from the spectrum auction to offset the administrative costs of the auction. House bill does not.

SENATE ENERGY COMMITTEE

5 Year Savings Target: \$0.7 billion

Savings Achieved

- o Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- o Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- o Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways and commercial tours on Federal lands. Authorizes non-Federal Golden Eagle Passport sales and allows non-Federal sellers to retain 7 percent of the receipts.
- o Limits payments and purposes for grant assistance for the Commonwealth of the Northern Mariana Islands (CNMI) to the December, 1992 agreement through 1998.

Comparison to House-passed

- o Does not include the irrigation water surcharge in the House-passed bill.
- o Funds the December, 1992 agreement on CNMI unlike the House bill.
- o Small differences on recreation and mining fees.

SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

5 Year Savings Target: \$1.3 billion

Savings Achieved

- o Permits the Army Corps of Engineers to collect fees for the use of recreational facilities it administers.
- o Amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.
- o The NRC fee extension increases receipts by \$1.16 billion in FY96 through FY98.

Comparison to House passed

- o Similar to House reconciliation provisions.

SENATE FOREIGN RELATIONS COMMITTEE

5 Year Savings Target: \$5 million

Savings Achieved

- o Delays cost-of-living adjustments for foreign service retirement benefits by three months in 1994 through 1996.
- o Eliminates the lump-sum retirement option (except for the critically ill) for foreign service retirees.
- o Proposals are consistent with Senate Governmental Affairs Committee action for other civilian retirees.

Comparison with House-passed

- o Savings are the same as in the House-passed bill.

SENATE GOVERNMENTAL AFFAIRS COMMITTEE

5 Year Savings Target: \$10.6 billion

Savings Achieved

- o Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- o Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1996.
- o Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.
- o Requires the District of Columbia to pay the Federal Employees Health Benefit program a pro-rated employer share for D.C. retirees since the establishment of home rule.
- o Changes the way deposits are made for survivor benefits. Changes result in small five-year savings but increase outlays over the long term.

Comparison to House passed

- o House eliminated "lump sum" retirement option beginning in January 1994 and FY95 for involuntary separatees.
- o House applied medicare limits for charges physicians and other providers may make to Federal Employees Health Benefits enrollees age 65 and over who are not Medicare eligible.
- o House did not include the provision that requires District of Columbia to pay a pro-rated employer share for D.C. retirees.
- o Senate did not include (not required under Senate reconciliation rules) any of the discretionary authorizations that passed the House, including pay raises.

- o Senate did not extend the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- o House and Senate require payments by USPS for past Postal obligations to the Civil Service Fund and FEHB Fund; the House requires the payments in FY 1995 through 1997 (consistent with the President's Budget); however, the Senate slips the payments, requiring USPS to start in FY 1996 through 1998.
- o House did not include provision to change the method of payment for survivor benefit deposits.

SENATE JUDICIARY COMMITTEE

5 Year Savings Target: \$0.3 billion

Savings Achieved

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

Comparison to House passed

- o Similar to House reconciliation provisions.

SENATE LABOR AND HUMAN RESOURCES COMMITTEE

5 Year Savings Target: \$4.6 billion

Savings Achieved

- o Shifts the guaranteed student loan program toward a direct loan program but capping direct loans at 50 percent of the loan volume. Makes other reforms to the guarantee program and reduces student costs.
- o Imposes a user fee on Sallie Mae based on their outstanding volume, and reduces return to lenders on new volume.
- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.
- o Authorizes appropriations for a variety of discretionary immunization programs.

Comparison to House-passed

- o Senate does not fully move to a direct loan program.
- o House does not include fees on Sallie Mae, nor reduce return to lenders.

SENATE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: \$2.6 billion.

Savings Achieved

- o Makes permanent five provisions in current law that allow VA to:
 - Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
 - Collect a \$2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
 - Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
 - Limit pension payments to \$90 per month for veterans living in Medicaid nursing homes.
 - Allow VA to include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.
- o Increases fees charged for most VA home loans by .75 percent.
- o Increases service members' contributions to the GI Bill program.
- o Delays the Compensation COLA for 3 days and rounds checks down in 1994.

Comparison to House-passed:

- o The Committee did not include four new proposals that were added by the House.
- o Senate accepted the Administration proposal to increase service members' contributions to the GI Bill program, which was rejected by the House.
- o The House does not include the Compensation COLA delay or the check round down.

16-Jun-93 7:33pm

#93-2 111
PRELIMINARY
16-Jun-93

**- Senate Finance Committee -
COMPARISON OF VARIOUS ITEMS
IN HOUSE-PASSED BILL AND
IN SENATE FINANCE CHAIRMAN'S MARK**

Fiscal Years 1994-1998

(Millions of Dollars)

Provision	----- Fiscal Year Totals 1994-1998 -----		
Extension of Expiring Provisions:	House bill	Mark	
1. Educational assistance.....	-2,789	-757	2,032
2. Mortgage revenue bonds and mortgage credit certificates.....	-978	-554	424
3. Qualified small-issue manufacturing bonds.....	-252	-152	100
4. R&E tax credit.....	-9,877	-1,839	8,938
5. Low-income housing tax credit.....	-4,894	-4,864	0
6. Targeted jobs tax credit and apprenticeship credit.....	-2,358	-866	1,782
7. Minimum tax - Appreciated property.....	-417	-417	0
8. Self-employed health insurance (25% deduction) (1).....	-588	-588	0
9. Allocate 50% of R&E expenses to place of performance, remainder as in recent statutory rules (2).....	-2,892	-450	2,142
Subtotals.....	-24,789	-9,965	14,828
Other Provisions			
1. Capital gains.....	-952	589	1,541
2. Section 936.....	8,688	3,687	-9,001
3. Deferral.....	779	306	-473
4. AMT depreciation.....	-8,841	-4,348	4,993
5. Section 179.....	-8,141	-2,928	5,213
6. EITC.....	-28,336	-18,272	10,064
7. Passive loss.....	-2,658	-2,237	421
8. Enterprise zones.....	-5,278	0	5,278
9. High-speed bonds.....	-180	0	180
NET TOTAL.....			38,842

Joint Committee on Taxation

NOTE: Estimates do not account for all possible interactions and must be viewed as very preliminary.

- (1) The House-passed bill extends this provision from 7/1/92 through 12/31/93.
 (2) Effective at expiration of Rev. Proc. 92-56, which is generally the third taxable year beginning after 8/1/91.
 Estimate includes significant interaction with other House-passed provisions.

(Amit)

June 23, 1993

JUN 23 1993

Dear Senator:

The undersigned organizations support the President's economic plan. Although the Senate Finance Committee reconciliation bill departs from this plan, it does achieve the President's principles for comprehensive deficit reduction, a more progressive tax policy, and long-term economic growth with investment in human needs.

We strongly oppose any amendments to the bill that would cap spending on entitlement programs. We encourage efforts to make the final bill more closely reflect the President's economic plan, particularly as it concerns meeting the needs of elderly and low-income Americans.

Sincerely,

AFSCME
AIDS Action Council
American Association of University Affiliated Programs
American Council on Education
American Federation of Government Employees
American Planning Association
Americans for Democratic Action
The Arc
B'nai B'rith
Career College Association
Catholic Charities
Center for Community Change
Center for Women Policy Studies
Child Welfare League of America
Church Women United
Coalition on Human Needs
Communications Workers of America
Consumer Federation of America
County Welfare Directors Association of California
Families, U.S.A.
Food Research and Action Center
Human Rights Campaign Fund
Interfaith Impact
McAuley Institute
National Association of Children's Hospitals and Related Institutions
National Association of Community Action Agencies
National Association of Community Health Centers
National Association of Homes and Services for Children
National Association of School Psychologists
National Association of Social Workers
National Coalition for the Homeless
National Community AIDS Partnership
National Council of Jewish Women
National Displaced Homemakers Network
National Education Association

National Mental Health Association
National Neighborhood Coalition
National Rural Letter Carriers Association
Network: Catholic Social Justice Lobby
OMB Watch
Peace Action
Physicians for Social Responsibility
Public Citizen
Public Employee Department, AFL-CIO
Service Employees International Union
United Auto Workers of America
United Food and Commercial Workers Union
United States Student Association
United Steelworkers of America
Woman's National Democratic Club
Y.W.C.A. of the U.S.A.

AFSCME LEGISLATION DEPARTMENT
1625 L Street, N. W.
Washington, D. C. 20036
Fax No. (202) 223-3413

FACSIMILE COVER SHEET

DATE: 6/23/93

TO: (Name) Howard Paster/Barbara Chow

ORGANIZATION: White House

DOCUMENT DESCRIPTION: _____

FAX NO.: Area Code () 456-6220

FROM: Ed Jayne

PHONE: Area Code () 429-1188

NUMBER OF PAGES TO FOLLOW: 2

RESPONSE REQUESTED? Yes _____ No _____

SPECIAL INSTRUCTIONS: _____

June 23, 1993

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Communications Workers of America
Consumer Federation of America
County Welfare Directors Association of California
Families, U.S.A.
Food Research and Action Center
Human Rights Campaign Fund
Interfaith Impact
McAuley Institute
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National Association of Community Health Centers
National Association of Homes and Services for Children
National Association of School Psychologists
National Association of Social Workers
National Coalition for the Homeless
National Community AIDS Partnership
National Council of Jewish Women
National Displaced Homemakers Network
National Education Association

**National Mental Health Association
National Neighborhood Coalition
National Rural Letter Carriers Association
Network: Catholic Social Justice Lobby
OMB Watch
Peace Action
Physicians for Social Responsibility
Public Citizen
Public Employee Department, AFL-CIO
Service Employees International Union
United Auto Workers of America
United Food and Commercial Workers Union
United States Student Association
United Steelworkers of America
Woman's National Democratic Club
Y.W.C.A. of the U.S.A.**

7:02 No. 062 P. 02
June 22, 1993
10a
Roosevelt

CEO REPS MEETING 6/22/93
10:00 AM, ROOSEVELT ROOM

FIRST NAME	LAST NAME	COMPANY
Mr. Bob	Bannister	National Association of Homebuilders
Mr. Michael S.	Berman	Duberstein Group
Ms. Letitia	Chambers	Chambers Associates
Mr. Stephen D.	Driesler	National Association of Realtors
Mr. Michael	Farren	Xerox Corporation
Mr. Claude	Fontein	The Limited, Inc.
Mr. Elliot	Hall	Ford Motor Company
Mr. Robert	Healy, Sr.	ARCO
✓ Ms. Tamara	Hirschfeld	American Stock Exchange
Mr. Richard F.	Keating	Anheuser-Busch Companies, Inc. <i>Beerman</i>
Mr. Laramie	McNamara	TRW Inc.
Mr. H. Laird	Walker	US West, Inc.
✓ Mr. Steve	Wechsler	National Realty Committee
✓ Ms. DeGee	Wilhelm	American Airlines <i>Seft</i>

Count: 14

- Envy 2nd - 1st
- 1st Hotel -

- Re-creating / food

PUBLIC LIAISON JUNE 20 - JULY 3

June-July 1993

June 20	SUNDAY	June 27
June 21 8:15am Assn of Government Accountants (AMH) Orlando 12:30pm Reconciliation Meeting w/ Liberal Groups 180 1:00pm American Task Force on Bosnia (MD) 476 5:00pm Lawyers Committee on Civil Rights Reception (BC)	MONDAY	June 28 Ukrainian-American Leadership
June 22 8:30am Health Care Providers 9:30am Reconciliation Meeting w/ Seniors Groups 180 10:00am Washington Reps & CEO's (Amy) Roosevelt Room 3:00pm Public Liaison InterAgency (Doris) RR	TUESDAY	June 29 2:00pm Committee of 200 (Amy)
June 23 National Association of Hispanic Journal (BC)* 8:15am Business Liaison Conference Call (Amy) 11:00am Center for the Study of the Presidency RR 3:00pm CEO Lunch (Amy) 7:00pm Center for Study of Pres Dinner (BC)	WEDNESDAY	June 30 12:00pm CEO Lunch (Amy)
June 24 C-SPAN Board of Governors (BC) (Amy)* Photo with Joe Louis Barrow Jr (Danny) Oval Photo with winners of Academic Decathlon (Danny) Holocaust Museum Board Swearing-In (Amy) 474 Nat'l Assn Police Organizations (BC) (Steve)	THURSDAY	July 1 2:00pm Fund for American Studies 450
June 25	FRIDAY	July 2
June 26	SATURDAY	July 3

June						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

DATE 11/2/81

Free

Kalt

Kerry

WTT

WTT

WTT

(2-50)

11

SENATE ECONOMIC PACKAGE

SMALL BUSINESS:

NAWBO (National Assoc. of Women Business Owners)
PIC (Private Industry Council)
Minority Business Owners
Business Executives for National Security
National Small Business United/Society of Women Business
Owners
Direct Marketing Association
Valley Industry Commerce Assoc. (VIMA)
National Assoc. of Minority Contractors

Chambers of Commerce - L.A., Sacramento, etc.
SENIORS: Mike

WOMEN:

League of Women Voters
Junior League
Women's Legal Defense Fund
AAUW
OWL (Older Women's League)
National Women's Law Center

RELIGION:

National Council of Churches
Jewish groups--Sara Erman
Religious Action Center

POLICE/LAW/VETS:

National Bar Assoc.
National Assoc. of Police Organizations
AMVETS
Intl. Union of Police Associations

LABOR:

Joan Baggett
AFTRA/SAG

EDUCATION:

NEA-JOAN
AACC (American Assoc. of Community Colleges)
AASCU (American Assoc. of State Colleges & Universities)
AAU (American Assoc. of Universities)
Council of Education
National PTA

CIVIC/SOCIAL ORGANIZATIONS:

NAACP
National Urban League
OCA
JACL

National Council of La Raza
LULAC
PIRG
Urban Development
Urban Coalition
Leadership Conference of Civil Rights
National Council for Urban Economic Development

TECHNOLOGY:
AEA

LIBERAL GROUPS:
Mike

FARMERS:
Mike

(Amel)

JUN 23 1993

cc Amy
R/B

The Impact of Tax Rate Changes in Administration's Budget Plan on "Small" Businesses

Some have argued that the Administration's proposal to increase marginal tax rates for the top 1.2 percent of U.S. taxpayers would have an adverse impact on "small" businesses, including businesses organized as S corporations, partnerships or sole proprietorships. It is also argued that the rate increases, which apply only to married couples with taxable income (income after all expenses) above \$140,000, would result in job losses because of the alleged impact of the change on small businesses. These allegations are false. Here are the facts:

- First, the Administration's proposed top marginal rates are modest by historical standards. A 36 percent marginal rate would apply to taxable income over \$140,000 for joint returns (\$115,000 for single filers), and a 10 percent surtax would apply to taxable income over \$250,000. The U.S. economy has enjoyed healthy growth when marginal tax rates were far higher than these levels. For example, in the 1960s, average annual (real) GDP growth was 4.1 percent, although the top marginal income tax rate averaged 78.7 percent for the decade. (By comparison, average annual GDP growth in the 1980s was 2.5 percent when the top marginal rate averaged 48.1 percent.) In addition, it is interesting to note that, as part of its 1985 Tax Reform proposals, the Reagan Administration proposed a top marginal rate of 35 percent at \$70,000 for joint returns (\$42,000 for single individuals). These rates would have applied to income from S corporations, partnerships, etc., as well as income from other sources.
- The argument that higher marginal rates on S corporations, partnerships, and sole proprietorships will reduce employment (or investment) by these businesses doesn't make sense. The higher marginal rates in the Administration's plan apply only to income after expenses, i.e., after deductions for wages and depreciation, for example. Thus, any amounts paid out to the employees of these businesses are deductible and thus are not subject to the higher rates.
- It is extremely misleading to imply that any income earned by an S corporation, partnership, or sole proprietorship is earned by a "small" business. For example, in 1990, nearly 50 S corporations had gross receipts over \$500 million. Shareholders in these S corporations earned an average of \$2.5 million from these businesses. By definition, only S corporation shareholders, partners, and sole proprietors with net income (profits) over \$140,000 would face higher marginal rates, and then only, of course, for the income above the threshold.
- In any event, only a small percentage of taxpayers with active business income greater than their wages — the true business owners (as opposed to investors in tax shelters, for example) — would face higher rates on any of their income. Of the nearly 7 million taxpayers with business income in excess of their wages, only 4.2 percent, or about 300,000, would be subject to the higher marginal rates. While this is higher than the percentage for all taxpayers, this is because taxpayers with income from S corporations, etc., are likely to have high incomes. For example, in 1990, over 80 percent of all S corporation income was

-2-

earned by taxpayers whose AGI exceeded \$100,000, and 43 percent of S corporation income was earned by taxpayers with AGI over \$1 million.

- Finally, it would be inaccurate to assume even that the 4 percent figure cited above represents the kinds of examples cited as "small business" owners, such as the hardware store owner or corner grocer. Many S corporations, shareholders, partners, partnerships, and sole proprietors, particularly in the high income ranges, are not small business owners of these types, but instead investment bankers, doctors, lawyers, and lobbyists. Is it really "fair" to exempt these "small business owners" from paying their fair share of the burden of deficit reduction? Providing an exemption from the rate increases for S corporations, partnerships, and sole proprietorships, would do just that.

June 23, 1993

MEMORANDUM FOR ALEXIS HERMAN

FROM: AMY ZISOOK

SUBJECT: AMERICAN ELECTRONICS ASSOCIATION *anf*

Attached is a fax I received from Dick Iverson, President of AEA.

They are meeting with Bob Rubin tomorrow(Thursday).

They are not working against the Senate Bill, although they hate it. They're planning on doing their work in conference.

cc: Steve Hilton

AMERICAN ELECTRONICS ASSOCIATION



SENATE TAX PACKAGE

ORIGINALLY:

- The President's package had a targeted capital gains provision that would make more capital available for new businesses and, in turn, create jobs.
- It also held capital gains rate at 28% which encouraged investment and jobs.
- It had a permanent R&D tax credit which would encourage new technical development.
- The President originally pledged to reduce the deficit by \$3 for every \$1 of new taxes.

Consequently, even though it was the largest tax hike in history, we endorsed its objective because of:

- 1) Capital formation and jobs
- 2) R&D provisions
- 3) Deficit reduction

UNDER THE SENATE FINANCE COMMITTEE PROPOSAL:

1. Capital will continue to be scarce and so will jobs.
 - There is no capital gains provision.
 - The capital gains rate is to be increased from 28% to 30.8% for investors with incomes over \$250,000.
 - The anti-deferral provision still encourages investment and jobs off shore.
2. U.S. R&D is discouraged.
 - There is only a one year R&D tax credit extension -- prospective only, which creates a full year gap in the credit.
 - The moratorium on the 861 R&D allocation rules is less favorable than current rules and has been extended only one year.
 - Despite the fact that high technology often has a useful life of less than three years, there is a 14 year amortization rule for high technology intangible assets even more onerous than the House proposal -- 25 percent of the acquisition cost will never be deductible.
3. Deficit reduction is small and in the future.
 - Deficit is reduced \$1 for every \$3 or \$6 of new taxes --

American Electronics Association

235 E. 57th Street, N.W., Suite 900, Washington, D.C. 20008 Telephone: (202) 462-9110 Fax: (202) 462-9111
 12111 Great America Pkwy., P.O. Box 54220, Santa Clara, CA 95052 Telephone: (408) 352-0200 Fax: (408) 970-8545



depending on who is counting

- Real cuts represent less than 2% of budget for the period
- Real cuts are back-end loaded with 50% of the total coming in 1997 Senate Tax Package

THEREFORE:

The Senate Finance Committee plan has become no more than a huge tax package which will reduce capital and jobs in high-tech industries. While our foreign competitors are working closely with their governments to improve their competitive position in the global marketplace, ours is offering up a plan for unemployment and recession.

THERE IS NOTHING LEFT IN THIS PLAN FOR HIGH TECHNOLOGY TO SUPPORT.

We strongly urge the full Senate and the Conference Committee to:

1. Adopt the capital gains initiative as introduced by Senators Bumpers, Brown, Kerry and Lieberman;
2. Adopt a capital gains rate of 28% for all investors;
3. Eliminate the proposals on deferral;
4. Enact a permanent R&D tax credit with continuity from July 1, 1992;
5. Enact a permanent moratorium on the 861 R&D allocation rules -- the "64% solution";
6. Exempt high-tech intangibles from the 75% 14-year amortization rule.

SENATE BUDGET COMMITTEE

MINORITY

Pete V. Domenici - Ranking Member, NM
Charles E. Grassley, IA
Don Nickles, OK
Phil Gramm, TX
Christopher S. Bond, MO
Trent Lott, MS
Mark Green, CT
Susan Dorton, WA
Judy Gregg, NH

634 Dirksen Senate Office Building • Washington, D.C. 20510 • (202) 224-6088

Senate Republican Substitute Reconciliation Bill Senators Dole, Domenici, Packwood

June 23, 1993

Objective: Reduce spending first to reduce the federal deficit.

Outline of Proposal:

I. Deficit reduced below \$200 billion in 1998 without taxes.

1. The federal deficit would be reduced to \$197 billion in 1998 without taxes. This is lower than the Senate Democratic plan in that year (\$202 billion) but which relies on over \$263 billion in new taxes and user fees.
2. Total deficit reduction over next five years exceeds \$367 billion in real, enforceable spending cuts. [CBO's estimate of President Clinton's FY 1994 Budget submission totaled \$362 billion over five years.]

II. Discretionary Spending Cuts

1. Extend current law discretionary spending caps for defense, international, and domestic expenditures through 1998. Enforceable through current law sequester process. Savings total \$164 billion over next five years.
 - Defense spending caps set at 1994 Budget Resolution levels and President Clinton's request. Defense spending declines from \$279 billion in 1994 to \$253 billion in 1998. Defense outlay savings total \$73 billion over next five years.
 - International spending capped at 1993 level for next five years. Spending would average \$21 billion a year over next five years. Savings total \$7.0 billion over next five years.

(MORE)

- Domestic spending capped at 1993 level for next five years. Spending would average \$240 billion annually. Savings total \$85 billion.

III. Entitlement Spending Cuts

1. Establish an enforceable, real cap on non-social security entitlement spending. Cap would become effective in 1996, providing sufficient time for Congress and the Administration to propose substantive legislation to meet cap levels. Caps would apply only to those programs whose expenditures exceeded population growth, inflation, and (in 1996 and 1997) an additional 1% adjustment factor. Total entitlement savings over next five years from implementation of policies to stay within the cap formula would be \$165 billion. Entitlement cap level of spending would be achieved by:

- Adopting all real entitlement cuts in Senate reported reconciliation bill and exclude all direct spending increases. Total gross savings of nearly \$115 billion over next five years.
- Additional entitlement cuts of \$49 billion achieved through application of entitlement cap effective in 1996.

IV. Debt Service Savings \$37.2 billion.

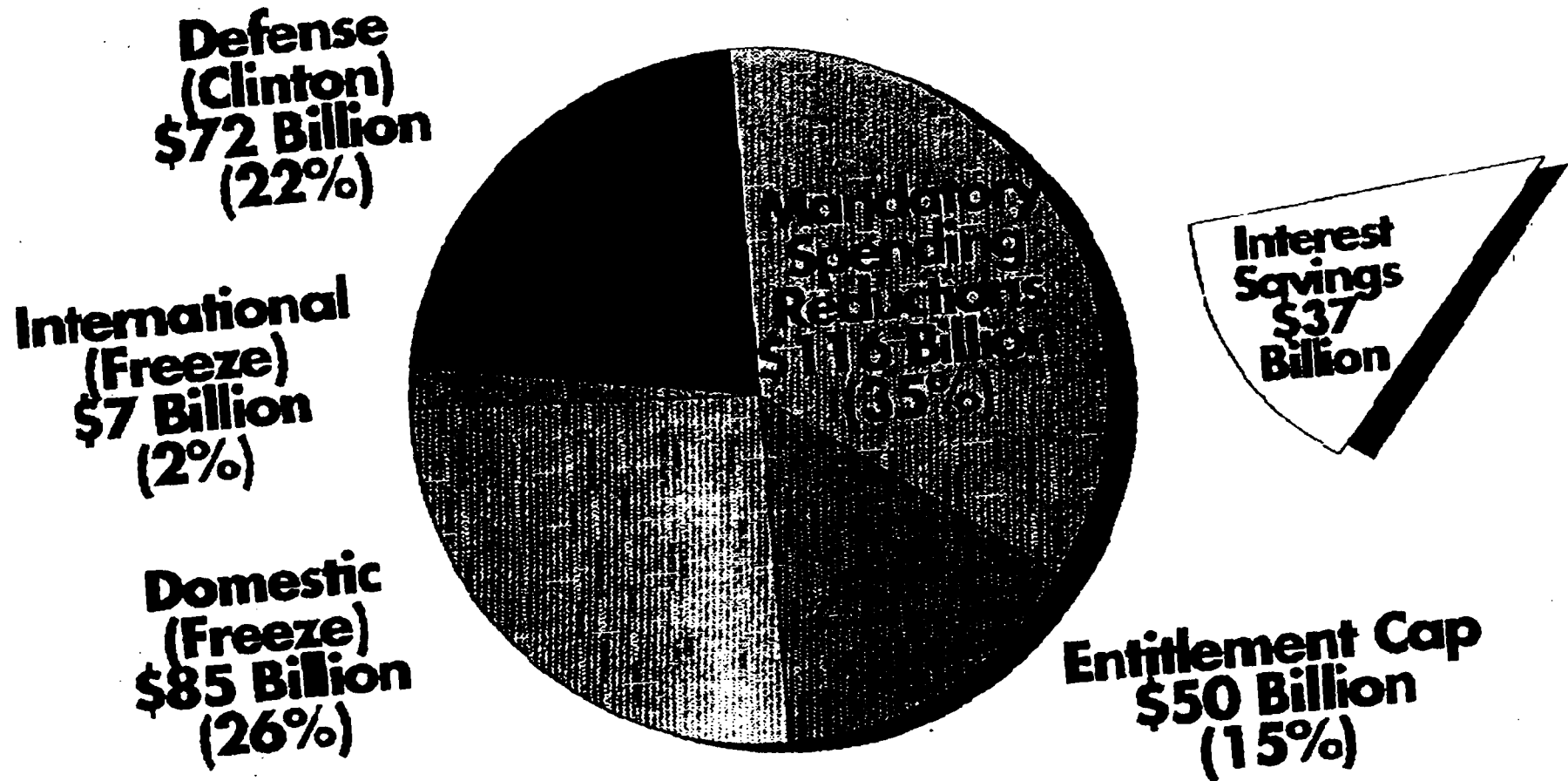
- Based on CBO reestimates of the Treasury Department's actual debt management proposal, savings of \$6.4 billion over the next five years are included in aggregate deficit reduction numbers.
- Additional debt service savings of \$30.8 billion from reduced deficit spending in the proposal.

V. Revenue Proposals -- Zero Revenues Raised

1. Sense of the Congress Language: No new taxes should be imposed on the American public until and when the spending cuts specified in this plan have been agreed on and implemented with enforceable procedures.

- VI. Makes "emergency" spending legislation that is exempt from a sequester subject to a 60-vote point of order.

Distribution of \$367 Billion Senate Republican Spending Cut Plan



SOURCE: Senate Budget Committee, Minority Staff

23-001-90

POSSIBLE AMENDMENTS TO THE OMINBUS BUDGET RECONCILIATION BILL
--

SPONSOR	SUBJECT	CONTACT	SBC STAFF
* Helms/Nickles	Strike the gasoline tax (tentative).	Steve Phillips 4-6342	Cheri Reidy 4-0557
* Roth/Wallop/ Pressler	Small business exemption from the increased tax rate.		Denise Ramones 4-0543
* Lott	Strike the Social Security tax increase.	Susan Connell 4-4240	Cheri Reidy 4-0557
** Gorton	Airline energy tax exemption.		Lynne Daghljan 4-0857
** McConnell	\$3 check-off		Bill Hoagland 4-0769
Gramm	Extension of FY 1991-93 discretionary caps, locking in Budget Resolution figures	Mike Solon 4-0718	Bill Hoagland 4-0769
Gramm	Delay of all taxes until spending cuts equal new taxes. Also requires that interest savings and extensions of present law shall not count as savings.	Mike Solon 4-0718	Bill Hoagland 4-0769

SPONSOR	SUBJECT	CONTACT	SBC STAFF
Gramm	Entitlement caps to replace the Btu and Social Security tax.	Mike Solon 4-0718	Bill Hoagland 4-0769
Gramm	Non-defense BA freeze with saving directed toward a middle class tax cut.	Mike Solon 4-0718	Bill Hoagland 4-0769
Gramm	Discretionary cap amendment that lowers cap by an amount equal to the new spending in the Clinton budget.	Mike Solon 4-0718	Bill Hoagland 4-0769
Grassley	Freeze on domestic discretionary spending.	Kris Kolesnik 4-0454	Anne Miller 4-5398
Dole	Intangibles	David Taylor	Bill Hoagland 4-0769
Packwood	Moving expenses		
Grassley	M-accounts	Kris Kolesnik 4-0454	Roy Phillips 4-0529
D'Amato	Time or work limitations on state-run general assistance welfare programs with threat of losing federal administrative funds for AFDC	Gregg Rickman 4-2934	Lynne Daghlion 4-0857
Gramm	Time limitations on AFDC	Mike Solon 4-2934	Lynne Daghlion 4-0857
Gregg	Limiting the salaries of Sallie May officials to twice the pay rate of the President of the U.S.		Lisa Morin 4-0564

SPONSOR	SUBJECT	CONTACT	SBC STAFF
Gregg	Allowing states the flexibility to use WIC and AFDC money to pay for immunizations for poor children. (tentative)		Lisa Morin 4-0564
Kempthorne	Exempting state and local government from the gas tax.	Jeremy Chou 4-6142	Cheri Reidy 4-0557
Hatch	Eliminating the "marriage penalty" (both in current law and in the bill), and offsets with reductions in discretionary caps.	Judy Hill 4-9858	Annie Miller 4-5398
Jeffords	Requiring the IRS to display more budget information for the enlightenment of taxpayers.	John Zirschky 4-5141	Annie Miller 4-5398
McCain	Commercial user fees for National Park Service (tentative)	Rob Taylor 4-2235	Ricardo Rel 4-6588
Brown	Honey program	Greg Johnson 4-0300	Ricardo Rel 4-6588
Brown	Social Security OASDI Trust Fund	Greg Johnson 4-0300	Cheri Reidy 4-0557
Brown	Fuel Tax to Highway User Test	Greg Johnson 4-0300	Lynne Daghlion 4-0857

SPONSOR	SUBJECT	CONTACT	SBC STAFF
Hutchison	Across-the-board 5% reduction in object clases		
Pressler	Planting soybean under 0/92 (a conservation program).	Dave Orr 4-5842	
Pressler	Small business tax issue		Cheri Reidy 4-0557
D'Amato	Cap the tax rate for small business at the corporate tax rate.	Tim Sistrunk 4-6542	Cheri Reidy 4-0557

* incidates level I

** indicates level II

**POSSIBLE DEMOCRATIC AMENDMENTS TO THE
OMNIBUS BUDGET RECONCILIATION BILL**

SPONSOR	SUBJECT	CONTACT
Bumpers	Small Business	
Wellstone/ Harkin	Medicare	
Kerrey (NE)	National Health Care Trust Fund	
Reid	Construction water tax revenue neutral	
Dorgan	Tax incentives for run away plants	

**Denise Ramones
4-0543**

**POSSIBLE AMENDMENTS DURING FLOOR CONSIDERATION OF S.1134,
RECONCILIATION BILL OF 1994.**

June 23, 1993

2:15 p.m.

DEMOCRATS

Sasser

1. Extending the Budget Enforcement Act of 1990.
2. Entitlement Control.

Boxer

Move the luxury tax repeal effective date from January 1 to July 1.

Bradley

1. To require certain institutions of higher education to offer students information regarding contingent repayment options.
2. Line-item Veto amendment.

Breaux

To restore 2.5 cents of the Highway Trust Fund financing rate to the Aquatic Resources Trust Fund.

Bumpers

1. To provide a capital gains tax break for investments in small businesses held at least five years.
2. To increase the small business expensing allowance.
3. To amend the Finance and Labor immunization provisions.

DeConcini

Deficit Reduction Trust Fund.

Dorgan

To repeal the tax deferral for U.S. companies that shut down manufacturing plants in the U.S. and move jobs abroad.

Feinstein

Sense of the Senate on R&D on tax credit.

Lieberman

To restore realtors' provisions.

Kerrey

To establish a National Health Care Trust Fund.

Metzenbaum

Remove Medicare cuts and offset by eliminating loopholes.

Simon

Intangible Assets.

Wellstone/Harkin/Milkuiski/Feingold

To eliminate or reduce in half the \$19 billion in additional Medicare cuts and offset by a tax on foreigners for loans or raising the corporate tax rate to 36% retroactive to January 1.

REPUBLICANS

Brown To decrease or eliminate Cargo Preference.

Chaffee To strike the executive compensation provision.

Danforth 1. Permanent extension of R&E.
2. Exempt aviation fuel from the transportation fuels tax.

Dole/Domenici Republican alternative package that would freeze discretionary spending, cap entitlements, provide for no new taxes, and reduce the deficit across the board. [Similar to Budget Resolution amdt offered 3/24].

Dole Intangible Assets.

Domenici (maybe with Nunn) To put up the walls between defense and discretionary spending.

Domenici 1. Strike all extraneous provisions.
2. Military spending cap.

Gramm Allow tax increases to go into affect only when spending cuts are made.

Grassley To reduce Social Security Tax from 85% to 50%

Gregg 1. Strike student loan default cost sharing provision.
2. Limit Sallie Mae executive salaries to President's salary level.

Hatch To eliminate marriage penalty in tax code.

Kassebaum Move to strike the four sections that comprise the Metzenbaum ERISA liabilities and penalties provisions.

Nickles/Grassley/Shellhy/Kohl To strike the gasoline tax.

Nickles To strike the transportation fuel tax.

Sponsors Unknown
Capital Gains Tax cut.
Small Business.
Restaurant, disallow tax write-off for business meals.
Strike Transportation fuel.
Section 936 Puerto Rican tax break.
Repeal luxury tax on car and replace with 3% tax on fuel.

Q & A ON SENATE BUDGET PLAN AND OTHER BUDGET ISSUES

SENATE BUDGET BILL:

QUESTION: The Senate has changed much from the President's bill and taken out or revised many of the provisions that are close to his heart. Does this mean that he will support the House bill or is he satisfied with the Senate bill?

ANSWER: We are going to fight for what we consider to be the core principles of this package: 1) \$500 billion in deficit reduction to get interest rates low and economic growth up; 2) \$250 billion in spending cuts; 3) a tax package that for a change is progressive, in which at least 75% of the burden falls on those making over \$100,000; and 4) And which has pro-work and pro-investment incentives.

I think the both the bill that passed the House and what is in the Senate are bills that both generally fit over 80% of the President's package, but we will fight to ensure that the final bill fits these principles of deficit reduction, fairness and spending less but better.

QUESTION: But doesn't the loss of so much of the energy tax mean that either the bill no longer fits these principles or that it is really quite different now from the bill that the President put forward.

ANSWER: No. The main principles that the President cares about are that we have a package that reduces the deficit by \$500 billion in the most fair and pro-growth way possible. Both bills include nearly all of the taxes that we called for and they fall on those making over \$180,000 while ensuring that average families never pay more than a few dollars more a month.

Our concern is whether reducing the energy tax will lead to a less fair deficit reduction plan by putting too much burden on the working poor or 34 million Americans who rely on Medicare or as some have suggested, by cutting benefits for 27 million Social Security recipients. That is what the President will have his eye on as we fight for final passage.

QUESTION: You said that one of the principles was to get the President's investments. Yet, this package has no empowerment zones, \$10 billion less in the Earned Income Tax Credit, and no immunization. Can you say that this package really meets those principles?

ANSWER: I do believe that on the whole what has come out of the Senate Finance Committee is a pro-investment and pro-work bill very much as the President proposed. Do we think this bill is good? Yes. Do we think it could be made better by being even more pro-work and more pro-investment by staying closer to my original proposal. Yes. But we are making progress and we are confident we will be able to work out a strong final bill.

SMALL BUSINESS PROVISIONS:

QUESTION: How about the proposal to cut back small business expensing and the small business capital gains tax cut?

ANSWER: The President has proposed to more than double the amount of investments that small businesses can immediately deduct, and he has offered a plan for a new targeted capital gains tax cut for small business because we believe that small businesses are the engine of creating jobs for middle class America. Both the House and Senate bills increase the investment provision significantly -- but we will certainly fight to make the final bill one that is as strong as possible in spurring job creation and entrepreneurship among our small businesses.

ENTITLEMENT CAPS:

QUESTION: Clearly entitlement spending has contributed significantly to runaway budget deficits. Several Republican alternative plans rely on entitlement caps to achieve entitlement savings. Does the Clinton Administration support any type of entitlement cap to control such spending?

ANSWER: Let me say, that the President does support an entitlement "alarm bell" mechanism -- like the Stenholm/Sprat/Penny proposal -- that forces the President and Congress to deal with entitlement spending any time it goes above estimated targets.

Furthermore, the President supports the notion of essentially capping entitlement costs through health care reform, which is a context in which we can control costs while dealing with the underlying problem of spiraling health care costs. And finally, the President made specific choices and came up with close to \$100 billion in specific entitlement savings and he did it in a way that was as fair to entitlement beneficiaries. If the Republicans want more entitlement caps, they have an obligation to give us the specific cuts they want -- and not to hoodwink the American public with an entitlement cap proposal that sounds good but hides all the tough choices.

REPUBLICAN ALTERNATIVES:

QUESTION: What is your opinion of the Kasich proposal that many Republicans support in the House?

ANSWER: This bill is a case of false advertising. They will tell you that it is good because it has no taxes. What they won't tell you is the following:

Quite simply: the Republican alternative says that in order to have less taxes on the most well-off Americans, we should have \$100 billion less deficit reduction, more Medicare cuts to 34 million beneficiaries, less investment in poor children through

investment in poor children through successful programs like Head Start, and that we should then gut every single new investment we have to help the middle class -- from worker training, to college opportunity, to defense conversion, to apprenticeships, to welfare reform, to investing in our environment. They are guilty of false advertising.

Let me make this clear. When you look at Republican alternatives that brag about not raising any taxes -- keep in mind that what they are really saying is that they are not going to ask for any contributions to deficit reduction from the wealthy and they are going to have to make up the difference by further cuts elsewhere -- cuts that almost always fall squarely on the backs of the middle class.

The bargain that supporters of the Kasich plan want America to accept is less investment, less deficit reduction, and tough cuts in health care for 34 million elderly Americans and even poor children so that they can cut the keep the top 1% from having to pay higher taxes; so that they can keep the country club deduction; so that they can keep the 3-martini lunch deduction high and so that corporations can still ask the rest of us to subsidize CEOs who make over \$1 million even when their companies are not performing. There is nothing strong and certainly nothing pro-middle class in doing less deficit reduction, less investment in our people and schools, and more on attacking Medicare so that you can keep special interests happy and taxes on the most-well off Americans low.

DISCRETIONARY INVESTMENT CAPS:

QUESTION: How are you going to deal with the facts that your investments are tens of billions over the caps? Isn't it the case that you will have to scale back your investment package significantly?

ANSWER: The Clinton plan cuts spending by \$250 billion while still finding some additional cuts to pay for new investments in education, training, technology and defense conversion and 100,000 new police on the street. Every dollar of new investments is paid for by a spending cut. As to whether this includes everything we think we need for investment in the future, the answer is no. But our goal over the next four years is to find room for more of the investments in people that we desperately need, but not through spending more, but through finding even additional cuts so that we are spending less, but spending better on economic growth and jobs for our future.

QUESTION: Didn't the President oppose a gas tax during the campaign?

ANSWER: The President did not want to raise any tax that would have any impact on the middle class.

Yet, the deficit -- which had got worse during the campaign -- deteriorated significantly again in January, and required major new deficit reduction sources to get to where we need to be. Rather than practice business as usual -- which is either to ignore a worsening deficit projection or use rosy scenarios to cover it -- the President felt he had to include an energy tax, and he felt the BTU tax, with offsets, was the most fair way, and the way that had the best chance of passage. With the new deficit numbers, he was making the best of a bad situation that he inherited.

When we proposed our plan we felt the BTU tax was needed to get deficit reduction we had to have in the most fair and pro-growth manner possible. That is still our feeling, but our goal is not to make a litmus test out of any one provision, but to fight as hard as we can to make the final bill -- including the energy tax -- that comes out of Conference have \$500 billion in deficit reduction and be as pro-growth and pro-fairness as possible.

CITIZENS FOR A SOUND ECONOMY

A CONSERVATIVE REPUBLICAN GROUP, FUNDED BY BIG OIL

CSE CREATED AND FUNDED BY LARGEST PRIVATE OIL COMPANY:

- Koch Industries of Wichita, Kansas, is the nation's largest privately held oil company. CSE owes its existence to Koch foundation seed money. Though now well established, CSE still receives more than a half-million dollars annually from the Koch foundations. Between 1986 and 1990, the Koch foundation gave CSE \$ 4,800,000. David Koch was chairman of Citizens for a Sound Economy in 1992. [New York Times, 10/31/91; LA Times, 11/28/92; National Journal, 5/16/92]

OIL COMPANIES EXECUTIVE VP & TOP LOBBYIST RUN CSE FOUNDATION:

- The CSE Foundations Chairman is David Koch -- the Executive Vice President of Koch Industries. The top board member of CSE is Richard H. Fink -- Koch Industries' top lobbyist or its "Vice President of Government and Public Affairs". [CSE Annual Report]

OIL COMPANY THAT FUNDS CSE INVESTIGATED BY JUSTICE DEPARTMENT:

- The Justice Department has been investigating the company after allegations that it stole millions of dollars in oil from Indian-owned lands. [New York Times, 10/31/91]

CHAIRMAN OF CSE WAS REAGAN BUDGET DIRECTOR:

- James C. Miller, III, chairman of Citizens for a Sound Economy, served as Director of the Office of Management and Budget under President Reagan from 1985-1988. [Reuter Business Report, 4/8/91]

MANAGEMENT OF ECONOMY WASN'T VERY 'SOUND' UNDER CSE CHAIRMAN:

- During Mr. Miller's tenure at OMB, the debt held by the public grew by \$550 billion (from \$1.5 trillion to \$2.05 trillion). [CBO, 1/93]

CSE'S ANTI-TAX DIRECTOR WORKED ON QUAYLE COMPETITIVENESS COUNCIL:

- David McIntosh, head of the CSE anti-tax campaign, worked as a staff member in the Office of the Assistant to the President for Economic and Domestic Affairs during the Bush Administration and was appointed to work for Dan Quayle's Competitiveness Council in June 1990. [Reuter Business Report, 4/8/91]
- Quayle's Competitiveness Council, which President Clinton eliminated, worked behind closed doors to exempt big business and big contributors from the effects of legislation. The Competitiveness Council never once intervened on the behalf of average working Americans, but worked hard to allow industry to get away with paying less than their fair share.

THIRD CSE EMPLOYEE TIED TO FORMER REPUBLICAN ADMINISTRATION:

- Daniel Oliver who is currently working at Citizens for a Sound Economy served as the FTC Chairman during the Bush Administration. [Reuter Business Report, 4/8/91]

Medicare/Medicaid

- ✓ provides for about \$19 billion more in cuts in Medicare than proposed by the President, for a total of \$67 billion in Medicare reductions. *Beneficiaries would not be affected directly. The rate of increase in spending to providers is cut.* The package also trims \$8 billion from Medicaid programs.
- ✓ promotes primary care by increasing graduate medical education payments for primary care residents, and provides a full inflation update in the payment formula for primary care services;
- ✓ partially reduces the annual updates for Medicare hospitals and provides special payment protections for rural hospitals;
- ✓ closes a loophole and strengthens current law to restrict the ability of individuals to transfer their assets in order to qualify for Medicaid; and.
- ✓ establishes a program to purchase vaccines for children in low-income families who are uninsured or who are covered under an insurance policy that doesn't cover immunizations. This bulk-purchase program, combined with the benefits of preventive immunization, actually will save more than \$40 million.

June 23, 1993

MEMORANDUM FOR ALEXIS HERMAN

FROM: AMY ZISOOK *mf*

SUBJECT: SMALL BUSINESS

I spoke with John Satagaj (SBLC) and John Galles (NSBU) again today. They're all working on amendments, but will not oppose the Senate Bill if they aren't included. They're going to conference, too.

John Galles said that he's been working with Erskine Bowles on all of this, too. Perhaps we should have Erskine as well as White House staff at our meeting next week.

cc: Steve Hilton
Marilyn DiGiacobbe