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AMH'S



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416



TO: Susan Brophy, Deputy Director, Legislative Affairs

FROM: Kris Swedin, *Kris Swedin* Special Assistant, Congressional and Legislative Affairs ADR 22 log

RE: Small Business Administration's Inclusion in Stimulus Package

DATE: 4/5/93

Susan, attached is information about our 7(a) lending program which provides 90% of all the general business loans the SBA makes.

The political situation is this:

President Clinton talks constantly about small businesses and providing them access to capital

On April 27 we will run out of 7(a) money for the entire balance of the 93 fiscal year unless we are included in the stimulus package

Erskine Bowles, who the President is nominating for Administrator of the SBA, will be at his confirmation hearing the week our money runs out, which will force him to discuss this problem in a very public forum with lots of press coverage

May 9 - 15, 1993 is Small Business Week, which is an Administration sponsored week to celebrate the accomplishments of small business people through out America. We have learned from the Public Liaison Office that these events will have serious White House involvement. Once again, the press will be crawling all over us, and small businesses will not have access to capital because the SBA will be out of money.

Please call me if you have any questions at 205-6704. Thanks.

SMALL BUSINESS ADMINISTRATION
7(A) GENERAL BUSINESS
(\$ in Millions)

FY 1993 Availability	\$ 3,618.0
Actual Usage thru April 1, 1993	<u>3,125.8</u>
Balance Available	\$ <u>492.2</u> 1/

1/ Based on the average usage during March, we will be out of all 7(a) funds by April 27th unless supplemental funding through the Economic Stimulus package is provided. The 7(a) General Business program represents 89 percent of total Small Business Administration (SBA) business guaranteed lending of the SBA.

7a Daily Report
FY 1993

	<u>Daily Amt.</u>	<u>Monthly Approvals</u>	<u>YTD Cumulative</u>	<u>Quarterly Apportioned</u>	<u>Balance Available</u>
<u>1st Qtr.</u>					
October	22,760,911 - Average	477,979,138			
November	27,180,688 - Average	516,433,077			
December	21,114,429 - Average *	183,701,332			
	23,531,123 - Average *	1,178,113,547	1,178,113,547	1,180,431,517	2,317,970
<u>2nd Qtr.</u>					
January	28,301,816 - Average	818,550,613	1,996,664,160		921,377,047
February	25,727,869 - Average	488,829,509	2,485,493,669		432,547,538
March 1	11,858,142	11,858,142	2,497,351,811		420,689,396
March 2	24,089,086	35,947,228	2,521,440,897		396,600,310
March 3	21,782,915	57,730,143	2,543,223,812		374,817,395
March 4	24,022,564	81,752,707	2,567,246,376		350,794,831
March 5	28,686,024	110,438,731	2,595,932,400		322,108,807
March 8	23,103,187	133,541,918	2,619,035,587		299,005,620
March 9	28,390,637	161,932,555	2,647,426,224		270,614,983
March 10	27,023,982	188,956,537	2,674,450,206		243,591,001
March 11	22,387,388	211,343,925	2,696,837,594		221,203,613
March 12	32,159,939	243,503,864	2,728,997,533		189,043,674
March 15	21,349,449	264,853,313	2,750,346,982		167,694,225
March 16	25,930,527	290,783,840	2,776,277,509		141,763,698
March 17	25,322,578	316,106,418	2,801,600,087		116,441,120
March 18	25,895,767	342,002,185	2,827,495,854		90,545,353
March 19	36,365,872	378,368,057	2,863,861,726		54,179,481
March 22	16,355,801	394,723,858	2,880,217,527		37,823,680
March 23	25,033,957	419,757,815	2,905,251,484	1,987,609,744	262,789,777 1/
March 24	21,191,250	440,949,065	2,926,442,734		241,598,527
March 25	36,336,830	477,285,895	2,962,779,564		205,261,697
March 26	29,796,072	507,081,967	2,992,575,636		175,465,625
March 29	33,061,383	540,143,350	3,025,637,019		142,404,242
March 30	43,601,182	583,744,532	3,069,238,201		98,803,060
March 31	38,605,468	622,350,000	3,107,843,669		60,197,592
March	27,058,696 - Average				
April 1	18,002,800	18,002,800	3,125,846,469	450,000,000	492,194,792

* Average based on adjusting December's productions with backlog processed in January (Jan. 4-5).
1/ 2nd qtr. reapportioned additional \$250,000,000.

Prepared By:
The Office of the Comptroller



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416



TO: Howard Paster, Director Legislative Affairs
Susan Brophy, Deputy Director Legislative Affairs

FROM: Kris Swedin, *Kris Swedin* Special Assistant, Congressional Affairs

RE: Jobs Number in the SBA's Portion of the Economic Stimulus Package

DATE: 4/14/93

I wanted to alert you to the following jobs number situation. The SBA was not consulted by OMB when they prepared the 12,000 figure that is in the bill language of the stimulus package pertaining to the 7 (a) program. The first we learned of it was when the number was already printed. We hoped job numbers wouldn't become an issue, but since they have I wanted to point this out to you.

The actual number of jobs created by the \$141 million for the SBA's 7 (a) program is 110,000 over 4 years rather than 12,000 over two years. Senator Bumpers, Chairman of the Small Business Committee, is pushing to make this public because he wants to talk about 7 (a) in the most favorable light.

I'd like to talk to you about this sometime today. My phone number is 205-6704. Thanks!

FY 1993 President's Economic Stimulus Proposal

The Economic Stimulus Package that the President sent to Congress last month contained an appropriation request for the Small Business Administration (SBA) to provide an additional \$2.6 billion in loan guarantees to the small business community. The justification statement supporting the request was prepared by OMB and referred to the creation of over 12,000 new jobs over the next two years. The basis of this estimate is supported by a recent study conducted for the SBA by Price Waterhouse. The OMB in computing the jobs estimate mistakenly assumed that current economic conditions were identical to that used by Price Waterhouse. As such, OMB assumed that if financing was not available to the small business through SBA then some alternate source of financing would be available to them that would result in the generation of a reduced level of employment. Therefore, for the purpose of the supplemental justification, OMB computed the employment impact as the net of those jobs created by SBA less those jobs assumed to be created through these alternative financing sources.

The error in this assumption is that during the Price Waterhouse study period there did exist alternative financing sources for small businesses. However, given regulatory restrictions that the banking community has been faced with during the last few years those alternative financing sources have greatly diminished. As a result, SBA to a large extent is the **"ONLY GAME IN TOWN"** for intermediate and long-term commercial financing to the general small business community. When considering the impact of this regulatory issue, the number of anticipated jobs created by providing an additional \$2.6 billion in loan guarantees is really about 110,000 jobs over the next four years. Considering that the subsidy appropriation required to finance the \$2.6 billion in loan guarantees is only \$141 million, the cost per job is less than \$1,300.

TALKING POINTS ON THE SBA'S 7 (a) GENERAL LENDING PROGRAM

- o The SBA is the only agency of the government that will cease a major activity of the agency if the supplemental package is not passed or if the funding for the 7(a) general guarantee loan program is not included.
- o The 7(a) loan program represents 90% of all the loan activity of the SBA. This program represents 60% of the total activity of the SBA.
- o The 7(a) loan program has a very low subsidy cost. The program generates \$20 of credit for only \$1 of taxpayer money. For \$141 million the 7(a) program will provide for \$2.6 billion in loans to borrowers.
- o 40% of all term loans made in the entire country to small businesses are made through the SBA 7(a) loan program according to a 1983 GAO report.
- o The 7(a) program not only creates new jobs but retains existing jobs by making credit available to established small businesses.
- o The SBA is the only agency other than a very small program at the Agriculture Department that makes commercial loans.
- o If the 7(a) lending program runs out of funds, virtually all immediate and long term credit will be unavailable to small businesses in the country because of regulatory pressure and because the administration's eased regulations have not yet taken effect.
- o Of the 5 major Federal credit agencies -- SBA, HUD, Farmer's Home Administration, Veterans' Administration, and Education -- the SBA has the best portfolio performance and the lowest loss rate.
- o The 7(a) program's demand level has grown by 31% over this time last year and in 1992 grew by 37% over the previous year. With the momentum of this program growing, every time the program shuts down it disrupts the confidence of both our lenders and our borrowers.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

APR 14 1993

Honorable Dale Bumpers
Chairman
Committee on Small Business
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This is in reply to your letter of April 7, 1993 requesting information on the economic impact of the proposal to increase funding for the guaranty loan program of the U. S. Small Business Administration (SBA).

Enclosed herewith (Exhibit 1) is a paper discussing the economic impact of the increase in funding for the Section 7(a) loan program by \$2.6 billion for the balance of FY93. We must point out that existing Agency systems do not provide us with reliable employment information. To make a valid estimate of employment generated by the SBA guaranty loan program, we have used the information provided to us in the Price Waterhouse evaluation completed in March of last year.

Also enclosed (Exhibit 2), is a breakdown of each state's current 7(a) loan volume, by district and branch office, as well as the projected loan volume for each location that would be provided by the stimulus package.

In the event that the stimulus package is not approved, and SBA loan making activity must be shut down, you have asked how SBA would plan to deal with Financial Assistance field personnel. The answer to that question would depend on the period of time the loan program would be likely to be without funds.

Loan processing personnel are stationed in approximately 67 district and 20 branch offices across the Nation. The number of loan officers vary from one or two to as many as five or six in each office.

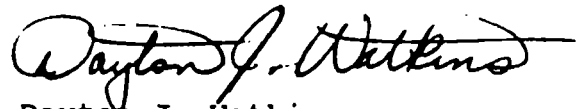
First, a number of loan officers would continue to process applications under the 504 loan program, as well as applications under the Certificate of Competency program. Secondly, if it was expected that funds would be received in a relatively short period of time, loan officers would be able to continue to accept and process to the point of approval new loan applications. Otherwise, many of the loan officers would be temporarily used in the servicing and liquidation activities of their district offices.

We believe it would be unlikely that a reduction in force would be necessary for at least two reasons: (1) As indicated above, the loan officers can be used to accomplish other necessary activities within the Agency, and (2) a reduction in force would be most disruptive, and extremely expensive, with the resultant retention lists that must be prepared and the bumping that would take place in the face of a rehiring within four or five months.

Finally, you have asked what information or advice SBA would furnish to small business applicants or borrowers between May 1 and October 1. We believe we would have no alternative but to state that supplemental funding is pending in the Congress, and we would hope that it will be approved quickly.

We hope you will find this information responsive to your request. We appreciate your interest and support.

Sincerely,

A handwritten signature in cursive script, reading "Dayton J. Watkins". The signature is written in dark ink and is positioned above the printed name and title.

Dayton J. Watkins
Acting Administrator

Enclosures

EXHIBIT 1

ECONOMIC IMPACT OF SUPPLEMENTAL ON SMALL BUSINESS

We project the impact of the supplemental appropriation based upon data from a two year study of the 7(a) Guaranteed Loan Program completed last year by Price Waterhouse. The impact of a business loan takes several years to be realized. Construction may be required, workers must be hired, and it takes time for increased production to show up as increased profit to the firm. The Price Waterhouse data permit a four year projection to be made.

We project that a \$2.6 billion supplemental will have the following economic impact by 1997:

- O 110,000 NEW JOBS
- O A PAYROLL INCREASE OF \$1.3 BILLION PER YEAR
- O AN INCREASE IN FEDERAL, STATE AND LOCAL TAXES OF \$459 MILLION PER YEAR
- O INCREASED PROFITS OF \$788 MILLION PER YEAR

Price Waterhouse found that 23% of the employees at businesses with SBA loans come from groups that typically have difficulty finding employment.

The cost in actual outlays from the Federal government for loan losses and SBA salaries and expenses is \$2,273 per job.

It should be noted, however, that the study also measured the net impact of these loans on the public treasury. Regardless of how fast the businesses grow, how much of a burden are they upon the taxpayer? We were able to compare the program cost with the additional Federal, state and local taxes paid as a result of the loans. Costs include net costs of loan making and servicing, indirect expenses, the cost of credit risk, and the net cost of honoring SBA's guaranty on defaulted loans. Taxes paid by loan recipients have been adjusted to reflect only that portion of the firms' financing that was provided by the SBA loan. SBA estimates that the cumulative return on the government's investment in loan guarantees reached 264% within four years.

¹ These figures have been adjusted downward to reflect (1) the percentage of loan recipients that will not still be in business in 1997 and (2) the percentage of businesses that could have gotten equivalent financing without the SBA guaranty. These figures are for the direct impact on loan recipients and do not include multiplier effects.

EXHIBIT 2

SMALL BUSINESS ADMINISTRATION
GENERAL BUSINESS (7A) LOAN APPROVALS
BY DISTRICT AND BRANCH OFFICE
\$ IN MILLIONS

	FY 1991		FY 1992		FY 1993 As of 3/31/93		FY 1993 Supplemental Req. 1/
	Number	Gross Amount	Number	Gross Amount	Number	Gross Amount	
Region I							
Boston D.O.	209	\$35.4	374	\$77.9	199	\$35.6	29.5
Springfield B.O.	34	4.2	42	8.5	23	4.4	3.6
Montpelier D.O.	243	41.3	292	50.1	163	30.5	25.3
Hartford D.O.	72	21.4	166	65.5	101	38.8	32.2
Providence D.O.	49	10.9	112	24.5	67	21.6	17.9
Augusta D.O.	140	29.7	239	54.3	95	23.8	19.7
Concord D.O.	167	30.5	404	91.9	240	48.9	40.6
Total	914	\$173.4	1,629	\$372.7	888	\$203.6	\$168.8
Region II							
New York D.O.	204	\$50.4	435	\$87.0	289	\$61.3	50.8
Elmira B.O.	106	14.4	147	23.0	88	13.0	10.8
Rochester B.O.	125	25.5	140	26.8	85	14.1	11.7
Melville B.O.	83	20.6	112	20.1	102	17.6	14.6
Syracuse D.O.	253	43.6	325	61.8	190	34.6	28.7
Hato Rey D.O.	199	35.5	340	60.8	251	48.6	40.1
Buffalo D.O.	235	43.4	266	48.7	129	24.6	20.4
Newark D.O.	233	60.7	311	89.4	163	49.9	41.4
Total	1,438	\$294.1	2,076	\$417.6	1,297	\$263.7	\$218.5
Region III							
Philadelphia D.O.	96	\$27.3	202	\$54.4	130	\$34.6	28.7
Richmond D.O.	104	27.8	136	45.5	73	25.5	21.1
Harrisburg B.O.	30	5.2	31	6.3	25	5.7	4.7
Wilkes-Barre B.O.	37	6.8	40	8.2	23	3.2	2.7
Charleston B.O.	0	0.0	0	0.0	0	0.0	0.0
Wilmington B.O.	40	6.1	49	12.0	31	6.5	5.4
Washington D.O.	97	26.5	137	30.9	86	22.7	18.8
Pittsburgh D.O.	230	35.2	239	38.9	101	22.8	18.9
Baltimore D.O.	101	15.2	110	20.2	49	10.1	8.4
Clarksburg D.O.	94	19.9	121	24.8	66	16.9	14.0
Total	829	\$170.0	1,065	\$241.2	584	\$148.0	\$122.7
Region IV							
Atlanta D.O.	428	\$147.1	606	\$220.5	340	\$122.1	101.2
Gulfport B.O.	39	6.0	60	11.6	30	4.2	3.5
Coral Gables D.O.	209	46.3	254	74.1	223	75.4	62.5
Louisville D.O.	225	49.1	106	30.6	75	24.1	20.0
Birmingham D.O.	281	67.8	424	101.9	220	56.6	46.9
Charlotte D.O.	197	41.8	284	63.8	157	42.1	34.9
Columbia D.O.	119	34.1	131	42.3	72	26.2	21.7
Jackson D.O.	89	15.1	206	50.4	118	35.5	29.4
Nashville D.O.	244	71.3	315	92.7	169	54.6	45.2
Jacksonville D.O.	172	49.5	223	57.9	115	30.9	25.6
Total	2,003	\$528.1	2,609	\$745.8	1,519	\$471.7	\$390.9
Region V							
Chicago D.O.	319	\$73.6	379	\$106.1	185	\$56.2	46.6
Minneapolis D.O.	293	74.6	370	96.4	191	53.6	44.4
Detroit D.O.	227	61.6	274	79.3	143	50.5	41.9
Springfield B.O.	197	46.7	197	48.8	122	34.4	28.5
Milwaukee B.O.	197	56.4	200	67.5	120	32.4	26.9
Cincinnati B.O.	74	17.2	86	21.7	55	12.8	10.6
Marquette B.O.	0	0.0	0	0.0	0	0.0	0.0
Cleveland D.O.	155	31.3	185	38.8	111	27.3	22.6
Indianapolis D.O.	232	44.7	282	58.2	120	31.3	25.9
Madison D.O.	268	66.4	342	95.3	213	66.4	55.0
Columbus D.O.	163	33.6	171	37.2	116	25.3	21.0
Total	2,125	\$506.1	2,486	\$649.3	1,376	\$390.2	\$323.4

SMALL BUSINESS ADMINISTRATION
GENERAL BUSINESS (7A) LOAN APPROVALS
BY DISTRICT AND BRANCH OFFICE
\$ IN MILLIONS - CONTINUED

	FY 1991		FY 1992		FY 1993 As of 3/31/93		FY 1993 Supplemental Request 1/
	Number	Gross Amount	Number	Gross Amount	Number	Gross Amount	
Region VI							
Dallas D.O.	436	\$121.1	639	\$179.5	338	\$89.6	74.3
Fort Worth B.O.	0	0.0	0	0.0	0	0.0	0.0
Corpus Christi B.O.	48	13.1	55	11.0	28	5.3	4.4
Lower Rio Grande D.O.	71	12.1	107	22.3	65	14.0	11.6
Little Rock D.O.	103	27.8	170	43.8	123	32.1	26.6
Houston D.O.	407	109.9	560	146.1	319	83.9	69.5
El Paso D.O.	64	12.8	126	22.4	62	9.9	8.2
Lubbock D.O.	216	35.1	269	43.9	143	26.1	21.6
New Orleans D.O.	122	27.8	227	61.9	177	45.2	37.5
Oklahoma City D.O.	205	47.4	271	65.5	125	28.5	23.6
San Antonio D.O.	230	52.1	357	92.0	209	49.2	40.8
Albuquerque D.O.	170	33.2	217	57.2	113	33.4	27.7
Total	2,072	\$492.4	2,998	\$745.6	1,702	\$417.2	\$345.8
Region VII							
Kansas City D.O.	280	\$48.4	375	\$70.4	203	\$37.1	30.7
Springfield B.O.	196	28.9	259	43.6	149	28.0	23.2
Cedar Rapids D.O.	218	28.7	234	31.8	171	28.6	23.7
Des Moines D.O.	300	42.6	387	65.6	183	33.1	27.4
Omaha D.O.	187	25.9	295	48.2	140	24.2	20.1
Wichita D.O.	246	43.4	428	69.4	210	41.1	34.1
St. Louis D.O.	189	33.5	261	56.6	162	36.0	29.8
Total	1,616	\$251.4	2,239	\$385.6	1,218	\$228.1	\$189.0
Region VIII							
Denver D.O.	371	\$88.6	571	\$141.6	274	\$63.7	52.8
Fargo D.O.	201	39.7	266	47.4	121	22.8	18.9
Sioux Falls D.O.	242	35.3	303	50.5	134	23.2	19.2
Salt Lake City D.O.	230	47.0	298	69.0	119	28.0	23.2
Helena D.O.	363	60.4	437	76.6	222	48.1	39.9
Casper D.O.	91	14.5	112	19.8	55	11.4	9.4
Total	1,498	\$285.5	1,987	\$404.9	925	\$197.2	\$163.4
Region IX							
San Francisco D.O.	736	\$220.1	872	\$283.5	435	\$142.6	118.2
Los Angeles D.O.	990	362.2	1,068	413.9	436	147.1	121.9
Santa Ana B.O.	603	227.8	616	250.3	237	101.0	83.7
Sacramento B.O.	376	104.7	366	108.0	152	41.1	34.1
Fresno D.O.	250	67.2	321	97.9	144	47.2	39.1
Las Vegas D.O.	139	26.0	124	25.6	67	15.1	12.5
Honolulu D.O.	68	9.0	76	10.4	35	6.2	5.1
San Diego D.O.	346	105.4	362	105.6	203	54.0	44.7
Phoenix D.O.	234	66.4	221	62.2	111	31.2	25.9
Agana B.O.	0	0.0	0	0.0	0	0.0	0.0
Total	3,742	\$1,188.8	4,026	\$1,357.4	1,820	\$585.5	\$485.2
Region X							
Seattle D.O.	356	\$77.6	483	\$111.5	296	\$70.9	58.8
Anchorage D.O.	73	16.1	134	40.3	97	21.1	17.5
Portland D.O.	239	45.2	252	56.5	169	43.6	36.1
Boise D.O.	198	29.9	231	39.9	92	24.0	19.9
Spokane D.O.	227	45.2	251	56.0	186	43.0	35.6
Total	1,093	\$214.0	1,351	\$304.2	840	\$202.6	\$167.9
AGENCYWIDE TOTAL	17,330	\$4,103.8	22,466	\$5,624.3	12,169	\$3,107.8	\$2,575.6

Based on an even distribution of actual usage thru 3/31/93.

cc AMT
cc Amy

APR 2 1993

TALKING POINTS ON MARCH EMPLOYMENT REPORT AND STIMULUS PLAN

GRIDLOCK OR ACTION?

Republican Senators are unable or unwilling to put partisan politics aside to support an initiative to create jobs and put the American people back to work. We are of course pleased that we are in a period of recovery -- no matter how slow -- as opposed to decline. But as the President has said, any recovery worth its salt creates jobs. Average Americans can see what the Republican Senators refuse to see. These Senators are holding up a bill that will create 500,000 new jobs and will put us on the road to real job growth.

The real question comes down to this: are you satisfied with a jobless recovery, or do you believe we need to take action to put the American people back to work. The people made their choice in November. The President made his choice when he put out a bold, economic growth package on February 17. It is now time for the Republican Senators to do the same.

TODAY'S UNEMPLOYMENT REPORT:

We do not believe the recovery is strong enough to accept gridlock and inaction when even today's unemployment report further confirms that we are still stuck in a jobless recovery. This morning the Department of Labor released its latest job figures for March which showed that:

- Unemployment stayed above 7% for the 16th month in a row.
- Totals jobs are down by 22,000.
- Total private sector jobs are down by 10,000.
- The total number of manufacturing jobs is down by 9,000.
- Construction jobs are down by 59,000 jobs.
- Retail jobs are down by 7000.
- There are still 16 million Americans who want full-time work and can't find it. 16 million Americans when you include the unemployed, those who want full-time jobs and can't find them, and discouraged worker.
- The Wall Street Journal reported just this week that consumer confidence fell because Americans were worried about job prospects. [WSJ, 3/31/93] Average Americans who are worried know gridlock when they see it -- and this is it.

ARE YOU SATISFIED WITH GRIDLOCK AND A JOBLESS RECOVERY?

43 Republican Senators are trying to make the case that we don't need an immediate plan to create jobs and get the economy moving again. They are content with inaction and what has been the most disappointing recovery in our country's history.

- **In 1992, there were more business failures than at any time in memory.**
- **Private sector employment remains more than 1.1 million jobs below where they were at the start of the recession in July 1990. That means in that in the last 2.5 years of the Bush Administration, we have lost 1 million private sector jobs, even though that included much of the so-called recovery. And today, the unemployment report showed that we are down another 10,000 private sector jobs.**
- **We have recovered less than one-third of the private sector jobs destroyed by the recession. (We have recovered only .5 million out of the 1.6 million lost during the recession).**
- **We are more than 3.4 million jobs behind a typical recovery. We are now in the 23rd month of the recovery. In a typical post-war recovery employment would have increased by 4.3 million by now.**
- **Average American workers have seen their real wages go down in the last four years, and there was no real increase in wages for the average American even in the second half of 1992.**

PARTISAN FALSE EXCUSES FOR GRIDLOCK:

The charge of pork-barrel is sheer political demagoguery. As the President has said, his budget does not include a single one of the items Republicans are charging the community block grant funds will be spent on. They are continually stressing projects that are nowhere in the President's budget as a cover for inaction and gridlock.

Republicans have tried to block this jobs package by distorting how much it costs to create each job by counting the unemployment compensation, ignoring the private sector job creation, and by counting 2 years of funding for each job. The fact is that the President's immediate jobs package is a \$30 billion mix of investments and tax incentives designed to put people to work today by investing in the businesses, training and economic development we need for economic growth.

By the most conservative estimates, our plan creates 500,000 jobs. Many Republicans mock the \$3 billion in the stimulus plan for fully funding the highway bill and the other infrastructure investments in our jobs package.

Yet, when George Bush was President he stated that the highway bill would support almost 60,000 jobs per \$1 billion spent (Federal News Service 12/18/91)

Bob Dole supported the highway bill as "creating 4 million jobs". (News Conference Federal News Service 11/27/91)

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TALKING POINTS ON MARCH EMPLOYMENT REPORT AND STIMULUS PLAN**GRIDLOCK OR ACTION?**

Republican Senators are unable or unwilling to put partisan politics aside to support an initiative to create jobs and put the American people back to work. We are of course pleased that we are in a period of recovery -- no matter how slow -- as opposed to decline. But as the President has said, any recovery worth its salt creates jobs. Average Americans can see what the Republican Senators refuse to see. These Senators are holding up a bill that will create 500,000 new jobs and will put us on the road to real job growth.

The real question comes down to this: are you satisfied with a jobless recovery, or do you believe we need to take action to put the American people back to work. The people made their choice in November. The President made his choice when he put out a bold, economic growth package on February 17. It is now time for the Republican Senators to do the same.

TODAY'S UNEMPLOYMENT REPORT:

We do not believe the recovery is strong enough to accept gridlock and inaction when even today's unemployment report further confirms that we are still stuck in a jobless recovery. This morning the Department of Labor released its latest job figures for March which showed that:

- Unemployment stayed above 7% for the 16th month in a row.
- Totals jobs are down by 22,000.
- Total private sector jobs are down by 10,000.
- The total number of manufacturing jobs is down by 9,000.
- Construction jobs are down by 59,000 jobs.
- Retail jobs are down by 7000.
- There are still 16 million Americans who want full-time work and can't find it. 16 million Americans when you include the unemployed, those who want full-time jobs and can't find them, and discouraged worker.
- The Wall Street Journal reported just this week that consumer confidence fell because Americans were worried about job prospects. [WSJ, 3/31/93] Average Americans who are worried know gridlock when they see it -- and this is it.

ARE YOU SATISFIED WITH GRIDLOCK AND A JOBLESS RECOVERY?

43 Republican Senators are trying to make the case that we don't need an immediate plan to create jobs and get the economy moving again. They are content with inaction and what has been the most disappointing recovery in our country's history.

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cc Chris
cc Army

TALKING POINTS ON STIMULUS PLAN

✓ AMH'S
APR 13 1993

The President's strategy for growth. Congress has adopted President Clinton's plan for increasing investment, creating jobs, and reducing the deficit. While this plan will ensure that the United States enjoys economic growth and its workers experience rising incomes in the long-term, we need to increase economic growth and the creation of jobs in the short-term. This anemic recovery is not producing jobs, and we need to take action now to put people back to work. The President's plan will produce over 500,000 full and part-year jobs through investments in highways, summer youth employment, community development, wastewater clean-up, summer Head Start, the WIC program, youth employment, veterans facility upgrading and energy conservation.

- * **The economic case for change.** Last Friday's unemployment report provides just the latest evidence for our economic case for change. The Department of Labor released its latest job figures for March which showed that unemployment stayed above 7% for the 16th month in a row and the total number of jobs dropped by 22,000. At the same time, there are still 16 million Americans who want full-time work and can't find it. We are still stuck in a jobless recovery.
 - Private sector employment remains more than 1.1 million jobs below where they were at the start of the recession in July 1990.
 - We are more than 3.4 million jobs behind a typical recovery. We are now in the 23rd month of the recovery. In a typical post-war recovery, employment would have increased by 4.3 million by now.
 - Average American workers have seen their real wages go down in the last four years.
- * **But 43 Republican Senators 'just say no.'** The Republicans in the Senate are unable or unwilling to put partisan politics aside to support an initiative to create jobs and put the American people back to work. These Senators are holding up a bill that will create 500,000 new jobs and will put us on the road to real job growth. The real question comes down to this: are you satisfied with a jobless recovery, or do you believe we need to take action to put the American people back to work. The people made their choice in November. The President made his choice when he put out a bold, economic growth package on February 17. It is now time for the Republican Senators to do the same.
- * **President Clinton is Fighting for a New Economy.** The Clinton budget passed by Congress fundamental reorders the nation's economic priorities by increasing investment, reducing the deficit, and moving the economy into the future. His jobs plan is an essential element of that plan -- to create jobs, boost consumer confidence, and get the economy moving again. He will not rest until the American economy starts working again for the American people. He will urge the Republican Senators to do the same.

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RESPONSE TO SENATOR ROTH'S "JOBS STIMULUS PLAN"

Background: On May 12, 1993, Senator Roth and seventeen other Republican Senators, including Bob Dole, announced support for the "Real Jobs for America" plan, which Roth claims will create 800,000 jobs by 1998. The plan is a package of eight tax incentives that would cost \$36 billion over five years. To pay for this plan, Roth proposes fourteen spending cuts totalling \$45 billion over five years -- the \$9 billion surplus would be applied to reduce the deficit. It should be noted that 80% of savings from cuts they propose come right out of the Clinton budget.

NO DEFICIT REDUCTION:

- * Ironically, the Roth plan ignores the Republicans' own insistence on serious deficit reduction. Roth suggests that we can "grow our way out of debt" -- a policy that failed miserably in the 1980's and tripled the national debt.
- * Roth claims his job creation plan is "paid for in full." But he does this by poaching specific cuts from the Clinton economic plan. **Eighty percent of the savings he specifies to pay for his plan come right out of the Clinton Budget!** (See attached table)
- * Roth's plan includes \$25 billion in tax incentives not included in the Clinton Budget and only \$9 billion in spending cuts not included in the Clinton Budget. **Thus, the Roth plan would increase the deficit over five years by \$16 billion.** (See attached table)
- * President Clinton's plan, as passed by Congress, specified some 200 specific cuts and will reduce the deficit by \$500 billion over 5 years.

PRESIDENT CLINTON'S ECONOMIC PLAN WILL CREATE MORE JOBS AND WILL HAVE REAL DEFICIT REDUCTION:

- * Roth claims his package will create some 200,000 jobs in the first two years and a total of 800,000 jobs by 1998. These figures were calculated by the same trickle-down, supply side economists who said that Ronald Reagan would balance the budget while cutting taxes.
- * Nowhere does Roth state how he would reduce the deficit over the next five years. And Roth's plan does not include a single dollar of new investment to help us develop the economy of the future.
- * By contrast, President Clinton proposed a stimulus package that would have created 500,000 new jobs by 1994 as part of a total economic plan that would create 8 million new jobs by 1998. This is job creation that would be paid for with the largest deficit reduction package ever proposed by a U.S. President.

ONE SIDED APPROACH TO JOB CREATION:

- * The Clinton Administration strongly believes the you need incentives to spur the private sector to create jobs. President Clinton has already proposed providing some of the tax incentives supported by Roth, e.g., Alternative Minimum Tax changes, modifying passive loss rules, increased expensing.
- * But, as with other recent Republican job creation plan's, this plan reflects the ideological approach that the only thing we need to do to create economic growth are tax cuts and that we can ignore investments in defense conversion, technology, and infrastructure.
- * The Clinton Administration believes we need a balanced approach to strengthening the economy and creating jobs. We believe that tax incentives must be complemented by public investment and deficit reduction to create a high wage, high-growth economy, with low interest rates. President Clinton takes a balanced approach to high-wage job creation in the short and long term.
- * In order to repair the economy we must invest in our people, our infrastructure and our businesses. We must give the American people and American businesses the tools to compete -- e.g., training for the high wage jobs of the future and R & D to develop new and emerging technologies.

THE ROTH JOBS BILL					
REVENUE LOSSES				SPENDING CUTS	
			Additional		1
			Clinton		n
	Roth	Clinton	Incentives		a
Capital Gains	\$11,700	N.A.	N.A.	Lump Sum	92
AMT	\$2,523	\$1,568	N.A.	Medicare Secondary	00
Expensing	\$8,400	\$8,400	\$3,864	Mass Transit	63
Super IRA	\$3,046	N.A.	N.A.	Highway Demos	09
Penalty-Free IRA	\$2,394	N.A.	N.A.	Successorship	0.
Jobs Tax Credit	\$3,400	N.A.	N.A.	100,000 FTEs	69
Luxury Tax	\$2,572	N.A.	N.A.	Administrative Savings	00
Passive Loss	\$2,541	\$822	N.A.	Vacation Leave SES	5.
TOTAL	\$36,576	\$10,790	\$3,864	Leg. Branch	0.
				Elim. ICC	5.
				Helium Reserves	2.
				Legal Services	0.
				Copyright Royalty	5.
				Foreign Aid	00
				TOTAL	576
				Clinton % of Roth	%
NEW ROTH				NEW ROTH	
REVENUE LOSSES	\$25,786			SPENDING CUTS	75
ROTH ADDITION TO THE DEFICIT					927

BOB
Please look over

Q/A FOR THE PLAN ANNOUNCEMENT

Q: Why does the recovering economy need a stimulus? What is the size of the stimulus and how many jobs does it create?

A: While we are all pleased that some of the recent economic indicators are improving, we still have more people unemployed than at the "bottom" of the recession. If the current "recovery" had been just as good as an average recovery there would be three million more jobs.

The Clinton plan's booster shot for the economy is nearly \$30 billion dollars in 1993 and will create 500,000 jobs.

Q: What is the defense baseline and how much are you cutting defense?

A: The defense cuts that President Clinton is proposing are based on what America needs to maintain a strong defense. In addition to achieving the Clinton plan cuts, the Clinton Administration, led by the balanced approach of Secretary Aspin will also work to make up any Bush short falls. The proposed Clinton defense cuts are \$37 billion in FY 97 and from FY 93 to FY 94 the defense budget will be cut by \$76 billion.

FYI: The cuts in the Clinton plan include \$5 billion in Bush shortfall. At this time a bi-partisan commission is investigating the size of the Bush shortfall which has been estimated by some to be as large as \$30 billion.

Q: Didn't President Clinton know that the deficit was larger than the estimates he used in Putting People First?

A: No. By anyone's estimate the deficit increase from July to the present. The OMB has revised its estimates upward almost \$100 billion dollars. The CBO's revision was \$33 billion dollars. Sharp declines in revenue estimates are the major cause of the change in deficit estimates, however, there are a number of other factors that weigh into the deficit estimates (e.g. growth rates, interest rates, and health care costs to name a few)

Bill Clinton did not know that the problem was as extreme as it is, but instead of hiding the problem with smoke and mirrors or magic asterisks that leave the deficit larger, President Clinton has stepped up to the plate and laid out the line by line cuts to reduce the deficit.

Q: Why did President Clinton back off his promise of a middle class tax cut?

A: During the campaign, President Clinton committed to the

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principles of improving the American economy in both the short and the long term, creating jobs, and increasing working Americans incomes. He also committed to creating an economic plan that was fair. President Clinton's plan meets these principles and although some of the specifics he described in the campaign have changed he is fully committed to these principles and the concept of change which brought him to Washington.

Q: What is the net revenue/spending ratio?

A: That question reflects an old way of thinking. This plan is about creating an economy that is investment driven and forward looking. There is a difference between spending and investment. The American people know the difference between spending for the movies and spending on a home.

This is a new era of budget integrity where the White House plays by the rules and refuses to use gimmicks. In the past 12 years the American government has not had the discipline that we must all have in our own lives and now we must pay for the habits of the past 12 years -- decreased investment and increasing deficits. The plan is about a structural change in how we think about the economy and the budget.

Follow-up: Let's go ahead and think the old way -- what is the ratio.

A: The revenue/spending ratio is one to one without investment. The President's plan injects investment in the early years and starts spending cuts that reflect a structural change over time. In three years the cuts outweigh the revenues. And if you think the cuts should be larger we would welcome the specifics, let me repeat, the specifics on the areas where you would recommend we cut more.

Q: Isn't this plan more of the same old tax and spend Democratic rhetoric?

A: The Clinton plan is a reversal of what we have seen for the past twelve years where investment has gone down and the deficit has gone up. The middle class was taxed and the benefits went to America's most privileged. Now the American economy and the American people are going in a new direction. Investments are going up while the deficit goes down. Tax fairness will be reestablished and the government will serve the people instead of special interests.

To: Alexis Herman
From: Carrie



FEB 17 1993

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

2/16/93

CARRIE P. MEEK
7TH DISTRICT, FLORIDA

Re: Job Stimulus
Economic Development

Alexis,

As a follow-up to my conversation with you, I have attached a letter I sent to President Clinton outlining economic initiatives that will create jobs in South Florida. Alexis, words are inadequate to describe the needs of my area: The hurricane severely impacted us, Unemployment is compounded among African-Americans and we need all the help we can get with the Haitian problem. Please review the attached (priorities highlighted in yellow). Do all that you can to include this in the President's budget

Don Glick

CARRIE P. MEEK
17TH DISTRICT, FLORIDA

COMMITTEE ON
APPROPRIATIONS

SUBCOMMITTEES:
ENERGY AND WATER
DEVELOPMENT
PORT AND MARITIME
CONSTRUCTION



Congress of the United States
House of Representatives

Washington, DC 20515-0917

TO: THE PRESIDENT

FROM: REP. CARRIE P. MEEK (17TH DISTRICT, FLORIDA) 2/12/93

SUBJECT: ECONOMIC STIMULUS BILL FOR THE 17TH DISTRICT

Please Respond To:

404 CANNON HOUSE
OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4506
(202) 226-0777 FAX

25 WEST FLAGLER STREET
SUITE 1015
MIAMI, FL 33130
(305) 381-9541
(305) 381-8376 FAX

I represent one of the poorest Districts in the United States. Additionally, Hurricane Andrew has permanently cost 86,000 jobs, most of which are in my District. Homestead Air Force Base is in my District. We campaigned together on job creation. Through my own resources I have dug out projects which can be underway in 30 to 90 days and are noncontroversial. They also provide not only short term job growth but also long term economic development. My staff attorney has developed suggested language.

Homestead/Florida City Metrorail Extension. An estimated 17,000 jobs will be created. The right of way has been purchased (an old railroad bed which accelerates completion) and the Environmental Impact Statement has been completed. Trains can be running in 18 to 24 months after funding is approved. This goes from the current end at Dadeland to Florida City passing nearby Homestead Air Force Base through the heart of the area devastated by Hurricane Andrew. It enhances the environment and provides the transportation infrastructure to return this area to prosperity. Suggested language: "there is appropriated \$ 310,000,000 to Dade County, Florida, for the Metrorail extension from Dadeland to Florida City".

Job Corps Center for Southern Dade County. There are ample places to establish such a center in southern Dade County. Not only would construction provide a short term stimulus, but this well-established program would provide training for more young people to compete in the global

economy. The annual expenditures would provide about \$ 36 million in new economic activity in southern Dade County. It is estimated that construction would cost \$ 16,000,000 (maybe less) for 400 "slots" . Annual costs would be about \$ 8,200,000. Suggested language for the Department of Labor: "there is appropriated \$ 16,000,000 for the construction of a job corps center in the general vicinity of Homestead, Florida". [The operational funds would not be needed until FY 1994.]

Bill Baggs State Park. The vegetation on this park was wiped slick by Hurricane Andrew. It is one of the most popular parks in Florida. Revegetation can begin almost immediately and will employ lower skilled individuals. Over the long term it enhances the recreational industry as well as the environment. Public Law 101-515 authorizes the Small Business Administration to fund such activities. Suggested language: "there is appropriated \$ 4,000,000 to the State of Florida for the revegetation of Bill Baggs State Park as authorized by P.L. 101-515".

City of Miami Community Development Block Grant. Through the National League of Cities, the City prepared a list of ready to go projects which met the CDBG criteria. The projects ranged from the construction of fire stations to sidewalk and street improvements to housing rehabilitation to park improvements. They have \$110,900,000 in projects ready to start within 90 days. The City has been hit by large job losses year after year: Eastern Airlines, Pan Am, financial institution bankruptcies and Hurricane Andrew. Suggested language: "there is appropriated \$110,900,000 for the City of Miami Community Development Block Grant".

East Cape Canal & Homestead Canal, Everglades National Park. These two canals are plugged to prevent environmental degradation within the Park. The plugs are about to fail. I have met with the Corps of Engineers and the

Park officials. The Corps has the authorization to do the work under the Flood Control Act of 1948, as amended, as part of the Central and South Florida flood protection project. Because of the environmental sensitivity of the area, it is a labor intensive project with an estimated cost of \$250,000. Suggested language: "there is appropriated \$ 250,000 to the Chief of Engineers, Department of the Army, to repair the plugs in the East Cape and Homestead canals, Florida".

State of Florida Highway Projects. There are four construction projects which impact my District. South Dixie Highway/US 1 runs through the heart of the southern part of my district through the area devastated by Andrew. Landscaping the median would provide short term jobs and enhance the environment of a bleak area. Suggested language: "there is appropriated \$3,500,000 to the State of Florida to landscape the median of South Dixie Highway/US 1 from SW 104th Street to SW 344th Street". Three other projects also provide substantial benefits and are ready to go. Suggested language: "there is appropriated to the State of Florida \$38,013,000 for the reconstruction of US 1/Biscayne Boulevard from NE 151st Street to NE 163rd Street and Palmetto Expressway from NW 47th Street to NW 62nd Street and from NW 122nd Street to NW 158th Street".

Dade County Transit Projects. Dade County has identified \$55,400,000 in projects which meet the criteria of the bill. They range from the 100 buses to handicapped accessibility projects to roof repair. Suggested language: "there is appropriated \$ 55,400,000 to Dade County for the use of the Metro-Dade Transit Agency to purchase 100 buses and other capital projects".

Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

TALKING POINTS

Divider Title: _____

~~CONFIDENTIAL~~

MARKING INITIALS: PCCP DATE: ^{10/17/16}

~~DRAFT~~

**ECONOMIC PACKAGE COMPONENT STRATEGY
2/14/93 UPDATE**

SINCE THE EARLIER DRAFT MATERIALS, YOU WILL NOTE CHANGES IN THE FOLLOWING ITEMS:

Item 1
Item 2
Item 3
Item 4
Item 5
Item 6
Item 7
Item 9
Item 10
Item 12

Item 13 Omitted
Item 17 Omitted
Item 18 Omitted
Item 21 Omitted
Item 25 Omitted
Item 26 Omitted

~~CONFIDENTIAL~~**DRAFT**

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#B):	Uranium Enrichment Initiative
SUMMARY:	SAVINGS: \$1.275 BILLION (FY 1994-1997) The 1992 Energy Policy Act requires DOE's uranium enrichment program to become a government corporation and to operate as would a private, for-profit enterprise. This proposal calls for (1) closing one of the two operating plants (the most likely option is the plant in Paducah, KY), (2) renegotiate the contracts at the plant to allow "wheeling", (3) reduce the clean-up liabilities of the corporation, (4) speed up the purchase of Russian highly enriched uranium (HEU), (5) transfer ownership of excess U.S. HEU to the corporation, and (6) obtain foreign funding to cost share advanced technology activities
BC RECORD:	"Stop spending 60% of the Department of Energy's budget on nuclear weapons, with nuclear power and fossil fuels receiving most of the rest." [Putting People First p.98]
IMPACT:	Likely closure of the Paducah plant could cost hundreds of jobs in Kentucky.
CONGRESS:	Ford
INTERGOV:	
POL./LIAISON:	Industry and consumer groups will oppose.
MESSAGE:	
ACTION:	

02/10/93

~~CONFIDENTIAL~~**DRAFT**

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#H):	Assess Examination Fees for State-Chartered, FDIC-Insured Banks
SUMMARY:	SAVINGS: \$1.386 BILLION (FY 1994-1997) This option would assess against state-chartered FDIC-insured banks the full cost of examining them. The FDIC monitors participating banks to ensure that they adhere to regulatory standards and safe operating procedures. The premiums it charges do not fully cover the costs of this monitoring, even though it is authorized to collect full examination expenses. Thrifts, credit unions, and nationally-chartered banks currently pay full examination expenses.
BC RECORD:	
IMPACT:	The FDIC has the administrative mechanism in place to collect these fees and the savings would be substantial. However, the additional fees might push marginal banks into insolvency.
CONGRESS:	Could be problem with Alabama, North Carolina, or Ohio delegations.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

02/10/93

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#D):	Index Nuclear Waste Fee
SUMMARY:	SAVINGS: \$105 MILLION (FY 1994-1997) (n.b. CBO estimates the savings at \$280 million) Electric utilities pay a fee for each kilowatt hour of nuclear generated electricity they sell. The resulting Nuclear Waste Fund develops storage and permanent disposal facilities for high-level radioactive waste (the first is scheduled to go on line in 2010). The fee has remained constant since it was enacted in 1983. Indexing for inflation would ensure that the Fund has sufficient resources to develop the necessary facilities and that those resources are supplied by producers rather than through public funds.
BC RECORD:	
IMPACT:	Currently, the Fund is in balance -- perhaps even in surplus. However, GAO estimates a present-value shortfall of \$2.4 billion due to future inflation if indexing is not adopted.
CONGRESS:	Need to talk with Johnston. Combined with energy tax and other energy items, could be significant.
INTERGOV:	
POL/LIAISON:	Utilities and others affected might be irritated for being asked to pay more while the fund is balanced and federal government is having trouble locating a site for the facility (Yucca Mountain siting controversy).
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#J):	Direct Student Loans
SUMMARY:	SAVINGS: \$2.211 BILLION (FY 1994-1997) Under this option, the Education Department would provide student loans directly. At present, the ED pays private lenders a "special allowance" equal to a rate of return 3.25% above 91-day Treasury Bills and guarantees repayment of the loans. Under this proposal, students would apply through their school and the ED would provide the loans directly.
BC RECORD:	"Scrap the existing student loan program and establish a National Service Trust Fund to guarantee every American who wants a college education the means to obtain one." [<u>Putting People First</u> p.87]
IMPACT:	This option has the potential for substantial savings. However, it would require putting a large new bureaucracy in place, under the direction of the ED, and it is unlikely that this can be accomplished by FY 1994. Also, small schools will need extra assistance to meet their administrative burden and schools with records of abuse would need to be monitored closely. This could negatively affect many of the Historically Black Colleges and Universities, which tend to be smaller in size and not to have administrative apparatus in place. Some education groups oppose.
CONGRESS:	Pell might oppose.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

02/10/93

~~CONFIDENTIAL~~**DRAFT****ECONOMIC PACKAGE COMPONENT STRATEGY**

ITEM (#1):	Consolidate Overseas Broadcasting
SUMMARY:	SAVINGS: \$930 MILLION (FY 1994-1997) Overseas broadcasting includes Radio Free Europe (Eastern Europe), Radio Liberty (former Soviet Union), and Voice of America (worldwide radio/tv). This option would close RFE and RL, provide VOA with additional funds for broadcasting in Eastern Europe and the Soviet Union, end construction of the radio transmitting facility in Israel, and end U.S. overseas television broadcasting.
BC RECORD:	"We should build on the successes of Radio Free Europe and Radio Liberty and expand our successful surrogate broadcasting by bringing news and information to the despotisms that remain in Asia, in China, in Vietnam, Laos, North Korea, and Burma." "The President's opposition to Asian Democracy Radio is further evidence that he still thinks it's more important to talk to dictators than to their oppressed subjects." ["American Foreign Policy and the Democratic Ideal," Milwaukee, WI, 10/1/92] "I would encourage both the Agency for International Development and the U.S. Information Agency to channel more of their resources to promoting democracy. And just as Radio Free Europe and Voice of America helped bring the truth to the people of those societies, we should create a Radio Free Asia to carry news and hope to China and elsewhere." [Speech, A New Covenant for American Security, Georgetown University, 12/12/91; and in Clinton Position Paper "Promoting Democracy Around the World"] Consolidate Overseas Broadcasting System, line-item savings of \$79 million (FY 1993-96). [Putting People First, p. 30]
IMPACT:	The consolidation of overseas broadcasting could cost as much as \$105 million in the first year. The move could be viewed by some as a weakening of U.S. interests in former communist states. Some proponents believe consolidation savings should be used to <u>expand</u> services to Asian and African nations with government-controlled radio stations. Unclear whether cuts will affect Radio and TV Marti, which are supported by South Florida and the Cuban-American community.
CONGRESS:	
INTERGOV:	
POL. LIAISON:	Alert Lane Kirkland, AFL-CIO, plus key ethnic constituencies.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#2):	Reduce Export-Import Bank Credits
SUMMARY:	SAVINGS: \$173 MILLION (FY 1994-1997) The Export-Import Bank (Eximbank) promotes U.S. exports by providing financing to foreign buyers of U.S. goods. The bank provides direct, below-market interest rate loans and guarantees private lending without receiving full compensation for the contingent liability of future losses. This option would freeze funding for the program in FY 1994-95 and begin cutting the program in FY 1996. Eximbank has lost \$7 billion on its operations, practically all in the last 15 years. Supporters argue that Eximbank increases exports and creates jobs. Detractors say little evidence exists to support that proposition. Some successful OECD negotiations have reduced other nations' export credit subsidies, thereby reducing the need for matching Eximbank credit subsidies. Efforts to eliminate Eximbank in early 1980's failed due to opposition from exporters and Congress.
BC RECORD:	"Expand funding for the Export-Import Bank to help small businesses develop export markets." [Bill Clinton on Small Business Position Paper] "Increase funding for the Export-Import Bank, targeted to assist small businesses in developing export markets." [Putting People First, p.79 and "Bill Clinton on Defense Conversion" position paper]
IMPACT:	Private credit for certain export sectors (aircraft) or markets (Eastern Europe and former Soviet Union) is tight; cuts in Eximbank could reduce U.S. exports in these areas. Also, Eximbank cuts could reduce U.S. leverage in further reductions of OECD nations' export credit subsidies.
CONGRESS:	Foley (Boeing), Gejdenson (GE), Dodd (GE), Neal, Frank (jurisdiction)
INTERGOV:	
POL./LIAISON:	Morrison-Knudsen, Caterpillar, GE, Boeing, and other large export interests would be affected.
MESSAGE:	"Restructuring Eximbank"
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#3):	Stretchout Superconducting Super Collider
SUMMARY:	ADDITIONAL COST: \$172 MILLION (FY 1994-1997) *NOTE: Earlier draft listed savings of \$172 million. New draft lists as additional costs. Typo? Either as a cut or increase, this amount represents a small portion of the \$8.2 billion total project cost. The Department Of Energy is building the SSC to investigate the origin of mass and test current theories about the unity of electromagnetism and radioactive decay. According to CBO, the funds devoted to this project are out of proportion to the likelihood of the SSC's producing usable science or technology. DOE has been largely unsuccessful in attracting commitments for substantial amounts of foreign funds as it promised. GAO may be issuing a report within a month claiming that SSC costs are out of control. According to the official DOE projection, the SSC will consume 6 percent of all federal basic research spending over the next five years.
BC RECORD:	"I support the use of federal funds to complete the superconducting supercollider. By investing in the superconducting supercollider, we are investing in research and development that will create new, critical technologies with important commercial spin-offs and improve the competitiveness of our industry." [AP, 10/30/92] But, "his staff doesn't know what funding level he would support for the project." [Star Tribune, 9/20/92]
IMPACT:	Reduction of funding for the SSC may add to the perception of U.S. unreliability in international cooperative projects. It will also affect various contractors and universities.
CONGRESS:	Political supporters of the project include the Texas, Illinois, and Louisiana delegations, and contractors around the country. Senator Johnston chairs both the authorizing and appropriations subcommittee with jurisdiction over the SSC.
INTERGOV:	
POL./LIAISON:	TX has a special Senate election in May.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#4):	Replace Space Station With Technology Investment
SUMMARY:	ADDITIONAL COST: \$1.249 BILLION (FY 1994-1997) This option would reduce spending on the the space station and redirect the funding into a broad range of technology investments.
BC RECORD:	Clinton's campaign position paper said he " <u>Support[s] completion of the Space Station Freedom</u> , while basing its development on the twin principles of greater cooperation and burden sharing with our allies." [Bill Clinton on America's Space Program] "I think we should pursue it [a manned space station], yes. At what level of funding, I don't want to make any specific commitments on that..."[NBC Today show, New York City, 6/30/92]
IMPACT:	The proposal would restore about 12,000 of the 15,000 jobs affected if the Space Station were to be <u>cancelled</u> ; the new jobs, though, would not necessarily be in the same companies and states as the Space Station jobs. Cutting the Space Station might break commitments to international partners and limit the ability to do long-duration life sciences research needed for a manned Mars mission. Advocates of canceling the space station point out that many of the traditional objectives of U.S. space policy (e.g. national security) will not be furthered by the current program.
CONGRESS:	California, Alabama, Florida, Texas delegations, and Senator Mikulski.
INTERGOV:	
POL./LIAISON:	McDonnell-Douglas and Labor. What programs (e.g., NASP) positively affecting these constituencies might be considered as part of the technology investment package?
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#5):	Reduce Rural Electrification Administration 5-percent loan subsidies
SUMMARY:	SAVINGS: \$380 MILLION (FY 1994-1997) The REA, an agency within the Department of Agriculture, provides financial assistance to electric and telephone utilities that serve rural areas. To qualify initially for an REA loan, a borrower's service area could not contain more than 1,500 inhabitants. Although many communities originally targeted by the REA have grown substantially, any utility that met the original requirements still qualifies for REA assistance. The agency's borrowers serve about 10% of the nation's electricity consumers and about 4% of its telephone customers.
BC RECORD:	"We need to invest in infrastructure, education, and health care. These investments, like rural electrification, will allow the rural economy to create good jobs . . . The REA is an important example of the role the government can play in fostering rural development. We need to see that we build on it in our comprehensive plan to rebuild rural America." [Clinton statement to the Rural Electric Cooperative Association, 9/18/92] "Allow rural electric cooperatives to prepay Federal Finance Bank debt, at a savings of \$200 million over four years that can be passed on to rural rate payers and reinvested in their communities." [Clinton/Gore on Rebuilding Rural America position paper]
IMPACT:	Would raise the utility rates charged by REA borrowers, especially for the rural regions most affected.
CONGRESS:	Byrd, Sasser, Cochran, and Southeastern States. Spratt, English, de la Garza, TN, MS, and AL.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#6):	Phaseout Below Cost Timber Sales
SUMMARY:	SAVINGS: \$274 MILLION (FY 1994-1997) In seven of the nine National Forest System regions, timber-harvest costs have consistently exceeded timber revenues. Below-cost timber sales increase the federal deficit, destroy forests, and inject the government into private timber markets. Environmentalists would support eliminating below cost timber sales as a means of reducing logging. This proposal would eliminate all timber sales in the Rocky Mountains Forest Regions One, Two, and Four -- timber costs consistently exceed revenues in these regions.
BC RECORD:	"... the reason I thought we ought to have a summit after the election and come up here and get all the parties to sit down is that I think right now we've got the worst of all worlds. You've got all the timber sales that have been tied up in court for thirty-three months. That is the worst of all worlds. You can't get any worse than that. No matter what your perspective is that's wrong. That's not good for the environment. And its terrible for the economy. And it's not right." [Conversation with Timber Family Workers in Portland, OR, 9/14/92] "For example, we know that unrestricted exports of raw logs has hurt our environment and economy. Depriving domestic mills of needed timber has driven many mills out of business and caused thousands of high-wage mill jobs to be lost. At the same time, raw log exports have threatened important wildlife habitat and weakened the waterbeds that protect us from flooding. "The long term solution is to improve the competitiveness of our timber manufacturing industry. This will require greater investment, improved education, and technological advances in this industry." [BC response to <u>The Oregon Newspapers</u>]
IMPACT:	Loss of timber activity may increase unemployment in many timber-dependent communities, especially in the Northwest.
CONGRESS:	Northwestern members
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#7):	Phaseout Wastewater Treatment Grants (except NAFTA)
SUMMARY:	SAVINGS: \$4.104 BILLION (FY 1994-1997) Construction grants for wastewater treatment were first authorized in 1972 by the Clean Water Act. Under these grants, the federal government paid 55% of project costs, with localities not obligated to repay the money. In 1987, the Clean Water Act was amended to initiate another program of grants to capitalize state revolving funds that make low interest loans to local public agencies to construct municipal wastewater treatment facilities. For each dollar of federal funds the state receives under the Act, the state contributes 20 cents to its revolving fund. Opponents of the grants argue that eliminating funding will have little effect on water pollution because the grants have done little to stimulate spending on wastewater treatment, and that federal grants replace rather than supplement state and local spending.
BC RECORD:	"Reduce solid and toxic waste, and air and water pollution to ensure we leave our nation cleaner and healthier." [Bill Clinton on Protecting our Environment] "Pass a new Clean Water Act with standards for "non-point source" pollution and incentives for our firms, farmers, and families to develop ways to reduce and prevent polluted run-off at its source; launch a national education campaign to encourage all citizens to drastically reduce their contributions to non-point-source" pollution made by household chemicals, lawn products, and pesticides." [Ibid] "Enact a stronger Clean Water Act to limit pollution before it happens." [Ibid]
IMPACT:	These funds will be replaced in a revolving loan fund for wastewater treatment.
CONGRESS:	
INTERGOV:	State and local governments are the primary recipients of these grants. With the enactment of the Clean Water Act and State SRF programs, local reaction will be negative. We should include the associations to communicate with them (NLC,NACO,US Conference of Mayors,NGA,DGA) on what we are doing so as not to appear completely contradictory.
POL./LIAISON:	Building trades need to be inoculated -- depends on how attractive stimulus package is.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8a):	Agriculture (Discretionary): Eliminate Cooperative State Research Service (CSRS) - Earmarked Grants
SUMMARY:	SAVINGS: \$97 MILLION (FY 1994-1997) The CSRS is one of three agencies through which USDA conducts and supports agricultural research and education. Specifically, CSRS supports research conducted at land-grant universities and state institutions. This proposal would eliminate congressionally earmarked CSRS grants -- a practice that has increased significantly in recent years. 126 grant, totaling over \$150 million, were included in the FY 1993 appropriations bill. These grants were not peer-reviewed, competitively awarded, nor specifically authorized.
BC RECORD:	"Look at the things we could do with farm products: biodegradable plastics, soybean-based inks, industrial oils, lubricants, bio-fuels. We can drive up incomes and profits for decades to come in states like yours and mine and create businesses that will stay in smaller communities if we had a little vision and we have <u>the kind of research and development policy and technology spreading we need.</u> " [emphasis added, Speech, Iowa, 9/12/92]
IMPACT:	Impacts smaller universities that are not competitive in other grant programs. Also, affects agribusiness -- i.e., floral, timber, and seafood industries -- that benefit from this research.
CONGRESS:	Whitten, Ag Appropriations Committee.
INTERGOV:	
POL./LIAISON:	State Universities.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8b):	Agriculture (Discretionary): Eliminate CSRS Earmarked Facilities Construction
SUMMARY:	SAVINGS: \$87 MILLION (FY 1994-1997) This proposal would eliminate congressional earmarking of CSRS facilities construction. This account is often used to fund projects that are not directly related to agricultural research, such as the \$3.7 million earmarked for the New York Botanical Garden in FY 1993.
BC RECORD:	"Improve farmers' incomes by properly managing current programs." [Clinton-Gore on Rural Development]
IMPACT:	Alternative funding sources are available to current recipients of this assistance.
CONGRESS:	A competitive grants program for facility construction was proposed in FY 1993 budget, but rejected by Congress. Whitten, Ag Appropriations.
INTERGOV:	
POL./LIAISON:	State Universities.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8):	Agriculture (Discretionary): Expand Agriculture User Fees
SUMMARY:	SAVINGS: \$59 MILLION (FY 1994-1997) This recommendation would change the funding source for services that currently paid for with appropriated funds to be fee-supported [including the Federal Grain Inspection Service (FGIS), the Agricultural Marketing Service (AMS), and the Agricultural Cooperative Service (ACS)] For example: this option would include the costs of standardization and research related to grain inspection in the FGIS's fee computation.
BC RECORD:	
IMPACT:	Would transfer funding responsibility from federal taxpayers to agriculture-related business.
CONGRESS:	A similar FY 1993 Budget proposal was rejected by Congress.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8d):	Agriculture (Discretionary): Eliminate Agriculture Research Service (ARS) Facilities Construction
SUMMARY:	SAVINGS: \$24 MILLION (FY 1994-1997) ARS, USDA's internal research arm, operates at locations throughout the country. Its research focuses on maintaining and increasing the productivity of the nation's land and water resources, improving the quality of agricultural products and finding new uses for them, and improving human health and nutrition. This option would reduce spending on ARS facilities construction by eliminating low-priority projects required by congressional earmarks. Construction project funding would still be provided for ARS facility improvements necessary for health and safety reasons, and ARS facility modernization for state-of-the-art research in areas such as biotechnology.
BC RECORD:	Secretary Espy's "stimulus" options included a \$36 million increase in this program. "Improve farmers' incomes by properly managing current programs." [Clinton-Gore on Rural Development] "Look at the things we could do with farm products: biodegradable plastics, soybean-based inks, industrial oils, lubricants, bio-fuels. We can drive up incomes and profits for decades to come in states like yours and mine and create businesses that will stay in smaller communities if we had a little vision and we have the kind of research and development policy and technology spreading we need." [Speech, Iowa, 9/12/92]
IMPACT:	Fewer resources would be spent on construction. This is consistent with a recent USDA re-organization review, which concluded that USDA should not build additional facilities until ARS structure and locations were determined.
CONGRESS:	Whitten, Ag Appropriation.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#8e):	Agriculture (Discretionary): Reduce Agricultural Research/Extension 10%
SUMMARY:	SAVINGS: \$577 MILLION (FY 1994-1997) This proposal would cut budget authority by 10% for all research/extension activities -- including the Agricultural Research Service (ARS), the Cooperative State Research Service (CSRS), and the Extension Service (ES). To offset the impact of this proposal, cuts could be targeted to low-priority programs in each agency.
BC RECORD:	"Look at the things we could do with farm products: biodegradable plastics, soybean-based inks, industrial oils, lubricants, bio-fuels. We can drive up incomes and profits for decades to come in states like yours and mine and create businesses that will stay in smaller communities if we had a little vision and we have the kind of research and development policy and technology spreading we need." [Speech, Iowa, 9/12/92] "Fund research and development projects to encourage processing of agriculture products in rural areas and develop alternative non-food agriculture industries." [Clinton-Gore on Rural Development] "Create a small business technical extension service through the SBA, <u>based on the successful Agriculture Extension...</u>" [emphasis added, <u>Putting People First</u>, p. 79]
IMPACT:	Federal investment in agricultural research and extension activities has been credited with U.S. farmers' large production capacity and the resulting low price of food. Reducing this investment could hurt the competitiveness of the U.S. agricultural sector in world markets.
CONGRESS:	All agricultural state members.
INTERGOV:	
POL./LIAISON:	In a recent report, the Board on Agriculture of the National Research Council proposed an increase in funding for agricultural research.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8f):	Agriculture (Discretionary): Eliminate Special Extension Grants
SUMMARY:	SAVINGS: \$54 MILLION (FY 1994-1997) The Extension Service (ES) introduces farmers to new technology and educates low-income families in good nutrition; the ES also provides some services to urban residents. Each of the ES earmarked grants that would be eliminated could be funded through the USDA formula funds each state receives to support ES.
BC RECORD:	"Create a small business technical extension service through the SBA, <u>based on the successful Agriculture Extension...</u> " [emphasis added, <u>Putting People First</u> , p. 79] "Improve farmers' incomes by properly managing current programs." [Clinton-Gore on Rural Development]
IMPACT:	Not likely to impact the ES's central mission.
CONGRESS:	Ag appropriations.
INTERGOV:	
POL/LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8g):	Agriculture (Discretionary): Reduce Foreign Agricultural Service programs
SUMMARY:	SAVINGS: \$ 35 MILLION (FY 1994-1997) USDA runs programs to promote exports and international activities through the Foreign Agricultural Service (FAS) and the Organization for International Cooperation and Development (OICD). FAS develops foreign markets by jointly funding -- with U.S. trade show and commodity organizations called "cooperators" -- overseas advertising campaigns, trade show exhibits, and promotional materials. FAS also provides commodity analysis and information on access to foreign markets to U.S. producers and traders. OICD collaborates on a variety of ventures, one of which provides training to foreign national with the objective of improving commercial relationships that will benefit U.S. agriculture. While these programs are popular among its recipients, some have questioned its value to taxpayers (In promoting commodities, FAS sponsors private, brand-name advertising). This proposal recommends reducing these expenditures by cutting market promotion activities; limiting the cooperator program, or merging the International Cooperation and Development Office with FAS.
BC RECORD:	"[George Bush] didn't understand how we need to sell pork to Russia...I came here to tell you that in my administration farm families will be able to make a profit again selling pork and beef and corn and soybeans here and around the world. [Speech, Iowa, 9/27/92] "You just look. Mr. Bush drones on and on about how he's an outward-looking president and he believe in free markets, he believes in exports. But look at his record on agricultural issues. He promised to expand farm exports, but when opportunities come, he just sort of hem and haws about them...and our farmers got the shaft.. [Ibid]
IMPACT:	If the Market Promotion Program (MPP) was reduced as well (as proposed in the entitlement options), these cuts could impact on U.S. efforts to expand into foreign markets. Some commodity groups may no longer maintain offices overseas if they must pay for it themselves.
CONGRESS:	Agricultural state members.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8h):	Agriculture (Discretionary): Reduce direct Agricultural Credit Insurance Fund (ACIF) Loans 25%, replace with guarantees
SUMMARY:	SAVINGS: \$39 MILLION (FY 1994-1997) This option would freeze the FmHA farm program loan levels for FmHA direct loans, non-subsidized guaranteed loans, and subsidized guaranteed loans for farm ownership to the levels authorized in the 1990 Budget Accord. And like OBRA 1990, this proposal would shift lending authority from direct loans to subsidized guarantee authority.
BC RECORD:	"My own state, like yours, was nearly devastated during the Reagan-Bush years of trickle-down. It started on the farms and it spread...So...I went to work to change our farm foreclosure laws in the '80s, to increase farm loans, to start a new program for first-time farmers because the average farmer is nearly 60 years old today..." [Speech, Iowa, 9/27/92]
IMPACT:	Cuts in direct loans are generally thought to disadvantage low-income borrowers. However, the impact would be lessened by actual trends in FmHA lending authority, which are a function of current low market interest rates (The interest rate charge on subsidized guarantees can be reduced to the direct limited resource loan rate of 5.0%.
CONGRESS:	The FY 1992 Ag Appropriations superseded OBRA and restored FmHA lending authority to its pre-OBRA distribution.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8i):	Agriculture (Discretionary): Implement One New Farm Service Organization
SUMMARY:	SAVINGS: \$730 MILLION (FY 1994-1997) USDA currently maintains separate field offices for each of its county-based agencies. Each of the more than 12,000 offices nationwide maintain separate support staff and computer systems, even though there are up to five USDA offices serving a single county or region. Savings would be realized through staffing cuts (through attrition) and other inefficiencies.
BC RECORD:	"Streamline USDA field offices, \$281 million (FY 1994-1997)." [Putting People First]
IMPACT:	The number of USDA offices would decline by approximately 65%.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#8j):	Agriculture (Discretionary): Reduce Economic Research Service (ERS) Funding
SUMMARY:	SAVINGS: \$60 MILLION (FY 1994-1997) ERS provides economic and other social science information and analysis to the USDA Secretary, USDA bureaus, the Administration, and the general public to evaluate USDA programs and program administration. ERS monitors and forecasts U.S. and world-wide production and demand, measures the costs and returns of U.S. production, and estimates the impact of government programs on the economy and the public.
BC RECORD:	
IMPACT:	ERS states that it is currently unable to perform all the research projects that are being requested by the Department.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#9):	Reduce 7(a) Business Loan Subsidies
SUMMARY:	SAVINGS: \$523 MILLION (FY 1994-1997) The Small Business Administration provides both direct loans and loan guarantees to qualified small businesses. Under the loan guarantee program, the federal government guarantees 90% of the principal for business loans up to \$155,000 and 70-85% of larger ones. Under the direct loan program, the SBA provides loans of up to \$150,000 to businesses located in high-unemployment and low-income areas and to businesses owned by minorities, handicapped individuals and Vietnam or disabled veterans. Homeowners recovering from natural disasters are also eligible for loans.
BC RECORD:	"I know that small businesses need more credit, not less." [Small Business Release, 9/30/92] "Despite a severe credit crunch, George Bush did not seek significant increases in Small Business Administration programs until six months before the election." [Bush/Quayles's Neglect of America's Small Businesses and Entrepreneurs, 9/30/92] Clinton criticized Bush for proposing to "halv[e] SBA small business loan subsidies..." [Small business Release, 9/23/92; and Bush/Quayles's Neglect of America's Small businesses and Entrepreneurs, 9/30/92] "The Reagan/Bush Administration proposed the elimination of the Small Business Administration first in 1985 and then again in 1986." [Bush/Quayles's Neglect of America's Small Businesses and Entrepreneurs, 9/30/92]
IMPACT:	In 1991, the SBA guaranteed 23,2000 loans and disbursed 29,300 direct loans. Reducing loans and loan guarantees would reduce long-term credit availability to these small firms at a time when the "credit crunch" for business is an important policy concern. Are there any programs that would positively affect the SBA and small businesses in the stimulus package?
CONGRESS:	Bumpers (needs call from Bentsen on capital gains, SSC and spacestation), LaFalce, Skelton.
INTERGOV:	Should not affect states or locals in any major way. Most of the 7A programs are already so cumbersome that the program is rarely used in large volume.
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#10):	Highway Demonstrations (appropriated)
SUMMARY:	SAVINGS: \$1.391 BILLION (FY 1994-1997) This proposal would eliminate funding for the 72 highway demonstration projects included in the 1993 Transportation Appropriations. Although many of the projects are low priorities for state DOTs, any could receive funding through the regular federal aid highway formula if the states concluded they are of sufficiently high-priority to warrant funding.
BC RECORD:	"...[Highway demonstration projects] shouldn't all be funded if you're going to increase highway funding to the states anyway. Let them make their own decisions about what should be done." [ABC's Good Morning America Interview, 10/30/92] "In the first week, I would issue an executive order to double the rate of highway funding in the first year to create 200,00 jobs..." [New Hampshire Democratic Party Debate, 1/19/92]
IMPACT:	This takes earmarking power away from members of Congress and forces projects to compete for funds by normal formula funding processes based on a project's worthiness. This cuts only the 72 projects added in the FY 93 appropriations bill. <u>The 539 demonstration projects authorized by Intermodal Surface Transportation and Efficiency Act are not cut.</u> Again, if the states were to determine that the projects were worthy, they could receive funding through the formula system. However, Govs and State DOTs will not necessarily support using their funds for these projects. But where is the list of these projects?
CONGRESS:	Expect opposition from Appropriations Committee members who sponsor the projects.
INTERGOV:	Based on the summary, we need to make sure Gov.'s understand this because it does not appear that we are taking away funds, just redirecting funds.
POL./LIAISON:	Building Trades, AGC and ABC need to be inoculated -- depends on how much money going to infrastructure in stimulus package.
MESSAGE:	
ACTION:	Ask NGA and AASHTO (which represent state DOTs) to support trading demos for greater formula funds (over which they exercise greater control).

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#11):	Eliminate Interstate Commerce Commission (ICC)
SUMMARY:	SAVINGS: \$92 MILLION (FY 1994-1997) Allows the ICC to complete trucking deregulation, and then eliminates the ICC, with DOT, DOJ and FTC taking over remaining functions. Legislation could also address the negotiated rates problem between shippers and carriers, which will be one of the Teamsters' principal concerns.
BC RECORD:	N/A
IMPACT:	Labor (Teamsters), some parts of the trucking industry and some shippers will oppose in favor of a piecemeal approach to regulatory reform that keeps the ICC.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	Teamsters
MESSAGE:	
ACTION:	Cutter contact Mineta.

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#12):	Stop Growth of 1993 Pell Grant Shortfall
SUMMARY:	SAVINGS: \$522 MILLION (FY 1994-1997) This option would repeal changes made in the 1992 Higher Education Act that expanded eligibility/awards for middle and upper income students. Currently, funding appropriation falls well below authorization, causing an unfunded shortfall made up in later years.
BC RECORD:	"George Bush has proposed eliminating Pell grants for any family that earns more than \$10,000 a year. That isn't right. I have no plans to cut back o the Pell Grant program." [US Students Association questionnaire]. "[George Bush has] proposed eliminating Pell grants for any family that earns more than \$100,000 a year. If your income's over \$10,000 a year, you're too rich to get any college aid...But, if you make \$300,000 a year you're still poor enough to need a capital gains tax cut. It isn't right. Those who do receive Pell grants know that they are so small; they are worth about half as much as they were a decade ago." [Speech, "They Are All Our Children," East Los Angeles, 5/14/92]
IMPACT:	Directly repeals key components of the 1992 Higher Education Act. Would cause confusion among schools and applicants. Cuts middle and upper income families out of program -- 240,000 kids. This must be decided quickly, as schools are supposed to be notified of '93-'94 award schedules on Feb. 1.
CONGRESS:	Pell, Metzenbaum, Kennedy, and Ford.
INTERGOV:	
POL./LIAISON:	Middle class hit - even if it's only perception
MESSAGE:	Eventually replace with National Service Trust Fund.
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#14):	Meat/Poultry fees - 100% of Overtime
SUMMARY:	SAVINGS: \$416 MILLION (FY 1994-1997) Slaughterhouses/meat plants <u>with regularly scheduled overtime shifts</u> would have to reimburse the federal government for the full cost of federal inspections during the overtime period. Currently, user fees for overtime inspection are required at plants without regular overtime shifts (usually smaller plants). Big plants with regular overtime shifts currently don't pay a fee.
BC RECORD:	N/A
IMPACT:	This is not a proposal to lessen inspections, but to charge fees for all plants' overtime inspections. In fact, Agriculture Secretary Espy announced that the President had authorized him to hire an additional 160 meat and poultry inspectors at a cost of \$4 million annually.
CONGRESS:	Bumpers, Pryor, Daschle, and Sasser.
INTERGOV:	
POL./LIAISON:	Industry and consumer groups will oppose. Get consumer groups, Ellen Haas, labor (UFCW & AFGE) to say positive things.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#15a):	Veteran Benefits and Services (Discretionary) - Cut VA Construction
SUMMARY:	SAVINGS: \$282 MILLION (FY 1994-1997) This proposal would freeze the VA construction budget (mainly for medical facilities) at the FY 1993 enacted level and freeze funding for three grants to states for VA construction.
BC RECORD:	"Ensure the VA receives the funding it needs to provide excellent, timely care to veterans and oppose opening VA hospitals to non-veterans . . . Expand veterans centers." [Bill Clinton on Issues of Concern to Veterans] "As an American, I honor the service of every man and every woman who has served our country in uniform. As President, I will honor your service and sacrifice with deed, not words. You earned nothing less. I will honor it first by giving veterans the kind of health care system your country owes you. I will work to ensure the VA---the Veterans Administration---gets the funding it needs to provide the excellent and timely care our veterans deserve -- <u>all</u> our veterans. [American Legion Convention Speech, Chicago, 8/25/92, original emphasis]"
IMPACT:	Rural veterans could be adversely affected. In general, this option would shift focus to improving existing facilities instead of building new ones.
CONGRESS:	Montgomery.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	More efficient, creative use of existing funds.
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#15b):	Veteran Benefits and Services (Discretionary) - Improve Management of VA Hospitals
SUMMARY:	SAVINGS: \$1 BILLION (FY 1994-1997) This recommendation proposes allocating medical resources to VA hospitals through a prospective payment system (PPS) similar to the one used in Medicare. VA had a similar system from 1986-1990 but limited its effect by severely restricting the amount of funds that could be reallocated among facilities. Under a PPS, each patient would be classified in a diagnosis-related group (DRG), which would entitle the hospital to a fixed payment designed to reflect the average cost of efficient care for such a patient. In turn, the VA health care system would receive an overall level of operational funding related to the sum of these amounts. For this system to work the VA would have to be given greater control over its facilities.
BC RECORD:	"...we will simplify and reform, and strengthen the VA's efforts to deal with the special problems veterans face -- like post-traumatic stress disorder, complications from Agent Orange, drug and alcohol abuse. And we will honor America's unbreakable moral obligation to care for our veterans who were disabled in the service of our country." [American Legion Convention Speech, Chicago, 8/25/92, original emphasis]
	Would identify hospitals that could be examined for conversion or closure. Rural VA hospitals would face the greatest financial pressure.
CONGRESS:	Congress would have less control over the VA health care system. Montgomery.
INTERGOV:	VA hospital directors would strongly oppose.
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#15c):	Veteran Benefits and Services (Discretionary) - Reduce VA Beneficiary Travel
SUMMARY:	SAVINGS: \$289 MILLION (FY 1994-1997) This option would limit the population eligible for beneficiary travel reimbursement by providing payments only to veteran patients who: (1) live more than 50 miles from the facility and (2) are treated for a service-connected disability, have at least a 50% service-related disability, or have a low income (\$15,238).
BC RECORD:	"Bush FY 1993 budget would cut mandatory veterans programs by \$3.5 billion over five years. This would strongly affect VA medical care -- eliminating travel benefits for veterans living within 50 miles of a VA medical facility (mostly rural veterans)... [Release, Fact Sheet on Bush and Veterans' Issues] "...we will simplify and reform, and strengthen the VA's efforts to deal with the special problems veterans face -- like post-traumatic stress disorder, complications from Agent Orange, drug and alcohol abuse. And we will honor America's unbreakable moral obligation to care for our veterans who were disabled in the service of our country." [American Legion Convention Speech, Chicago, 8/25/92, original emphasis]"
IMPACT:	Doubles current income threshold (\$7,619) for defining low income veterans. Eliminates travel reimbursement for high-income, service connected veterans rated 30% and 40%. Also, eliminates reimbursement for non-service-connected treatments, compensation exams, emergency care, and special transportation modes.
CONGRESS:	Requires legislation rejected by Congress in FY 90,92, and 93. Montgomery, Evans
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#15d):	Veteran Benefits and Services (Discretionary) - Reallocate Nurse Staff
SUMMARY:	SAVINGS: \$161 MILLION (FY 1994-1997)
BC RECORD:	"...we will simplify and reform, and strengthen the VA's efforts to deal with the special problems veterans face -- like post-traumatic stress disorder, complications from Agent Orange, drug and alcohol abuse. And we will honor America's unbreakable moral obligation to care for our veterans who were disabled in the service of our country." [American Legion Convention Speech, Chicago, 8/25/92, original emphasis]
IMPACT:	
CONGRESS:	Montgomery, Evans
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#15e):	Veteran Benefits and Services (Discretionary) - Adhere to Outpatient Eligibility
SUMMARY:	SAVINGS: \$199 MILLION (FY 1994-1997)
BC RECORD:	"Ensure the VA receives the funding it needs to provide excellent, timely care to veterans and oppose opening VA hospitals to non-veterans . . . Expand veterans centers." [Bill Clinton on Issues of Concern to Veterans] "...we will simplify and reform, and strengthen the VA's efforts to deal with the special problems veterans face -- like post-traumatic stress disorder, complications from Agent Orange, drug and alcohol abuse. And we will honor America's unbreakable moral obligation to care for our veterans who were disabled in the service of our country." [American Legion Convention Speech, Chicago, 8/25/92, original emphasis]
IMPACT:	
CONGRESS:	Montgomery, Evans
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#16):	Reduce Prison Construction
SUMMARY:	SAVINGS: \$331 MILLION (FY 1994-1997) Since 1981, prison capacity has more than doubled. This option would reduce construction of <u>new</u> facilities by more than 50 percent. A significant amount of new prison space is already under construction or is "in the pipeline".
BC RECORD:	"I think the answer to the overcrowding in our prison system is obviously to build more prisons, or reduce the population going in . . . My Budget . . . includes some seed money to help cities and states establish these boot camps . . . There is also the possibility of more federal prison-building" [WSB Town Hall Meeting 6/21/92] "Give young offenders a second opportunity to become decent citizens by the supporting the creation of <u>"boot camps"</u> for non-violent first-time offenders. These shock incarceration programs require rigorous exercise and arduous work to instill discipline, boost self-esteem, and teach decency and respect for the law." [Bill Clinton on Crime and Drugs] Clinton also supported the '92 crime bill conference report, which included more federal funds for prison construction.
IMPACT:	If current incarceration trends continue, prison overcrowding will remain a problem for many years. This proposal would still permit the construction of one large prison complex per year.
CONGRESS:	Biden, Schumer, Hughes, Brooks.
INTERGOV:	Govs need to be offered something by way of the boot camp program or excess base facilities for prison related activities, because this affects more than just crime imagery for all of them, it also affects jobs related to construction etc.. Check in with key governors we need on our side.
POL./LIAISON:	
MESSAGE:	Progress has been made in reducing overcrowding; there is significant prison construction already in the "pipeline."
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#19a):	Natural Resources and Environment (Entitlements): Conservation Reserve Program (CRP) - No New Acres
SUMMARY:	SAVINGS: \$331 MILLION (FY 1994-1997) Under the CRP, acres of land are competitively bid into the 10-year program during which time the land is taken out of production, and the producer is compensated with rental payments. Since FY 1985, 36.5 million acres of marginal farmland have been added to the CRP. This option would implement a "no new acres" policy for the CRP and represents an alternative to the proposal to remove all acreage from the CRP in FY 1994.
BC RECORD:	"We haven't seen good management of agricultural programs for twelve years because the people because the people running these programs didn't believe in them and would rather bring about their end by misusing them." [Questionnaire to the National Cattlemen's Association] "I'll rededicate the agencies that manage our national parks and wilderness lands to a true conservation ethic. And I'll expand our efforts to acquire new parklands and recreational sites with the funds already available under the federal Land and Water Conservation Fund. Every year, millions of American families vacation in national parks, from Yosemite to Yellowstone." [Drexel Speech 4/22/92]
IMPACT:	Uncertain, but OMB alleges that U.S. soil productivity has improved, and that the worst acres (from a conservation standpoint) have already been enrolled in the program.
CONGRESS:	The program is highly popular in the Midwest and Western states.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#19b):	Natural Resources and Environment (Entitlements): Inland Waterway User Fee Phase-In.
SUMMARY:	SAVINGS: \$685 MILLION (FY 1994-1997). This is essentially a gas tax hike. The proposal would increase the Federal inland waterway fuel tax from 19 cents to \$1.19 per gallon (six times higher), to cover the Corps of Engineers operation and maintenance costs on parts of the nation's inland water system. The tax would be phased in gradually in a series of increasing steps -- \$.10/gal the first year, \$.25/gal the second, etc. Currently, the inland navigation system is the most heavily subsidized form of commercial freight transportation and is the last remaining Corps of Engineers program that is not shared by private entities.
BC RECORD:	
IMPACT:	Would adversely affect shippers, barge operators and grain producers. Could cause certain waterway users to switch to cheaper means of transportation.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 9, 1993

~~CONFIDENTIAL~~~~DRAFT~~**ECONOMIC PACKAGE COMPONENT STRATEGY**

ITEM (#19c):	Natural Resources and Environment (Entitlement): Increase Grazing Fees
SUMMARY:	SAVINGS: \$76 MILLION (FY 1994-1997) This proposal would raise the fee that ranchers pay for access to federal grazing lands. The current fee (\$1.97/animal unit month (AUM)) does not cover the government's management costs (\$3.86/AUM) or the fair market value of the grazing rights (\$5.41 - \$9.88/AUM). This proposal would bring the fee in line with the government's costs and the fair market value of the land. Legislation increasing the fee to fair market value over four years passed the House in 1991 but did not clear the Senate.
BC RECORD:	"I support land use which helps our economy thrive and which also protects our environment. I have not taken a position on grazing fees and welcome your thoughts." [National Cattlemen's Questionnaire] (emphasis added)
IMPACT:	CBO estimates that increasing the fee to fair market value over four years would save \$120 million.
CONGRESS:	Western state delegations will strongly oppose this legislation.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#19d):	Natural Resources and Environment (entitlements): Federal Irrigation Water.
SUMMARY:	SAVINGS: \$45 MILLION (FY 1994-1997). The Bureau of Reclamation provides water from federal projects under contract to non-federal entities for irrigation in the 17 western states. Water charges for irrigation are typically well below market-value. Policies allowing up to 50 years for repayment of the federal capital investment, charging zero interest on costs assigned to irrigation, and other similar policies result in substantial federal subsidies that encourage excessive use of water. This option proposes a per acre surcharge on water sales to those Reclamation projects throughout the West that are still repaying the federal government or are receiving appropriations for operation and maintenance of water projects.
BC RECORD:	
IMPACT:	would discourage use of federal irrigation water
CONGRESS:	Miller and Western states.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#19e):	Natural Resources and Environment (Entitlements): Recreation Fees
SUMMARY:	SAVINGS: \$253 MILLION (FY 1994-1997) This proposal would increase fees on users of federal recreational areas and facilities. All major land-holding federal agencies allow recreational access to their lands. Although some charge visitor fees, these cover only a small portion of the actual cost of providing recreational access. This proposal require users to cover a greater portion of the cost of providing recreational facilities and services.
BC RECORD:	"I'll expand our efforts to acquire new parklands and recreational sites with the funds already available under the federal Land and Water Conservation Fund. Every year, millions of American families vacation in national parks, from Yosemite to Yellowstone. They deserve an administration that cares about America's parks as much as they do." [Drexel Speech, 4/22/92] "Preserve places of natural beauty and ecological importance--such as our national parks, wilderness areas, old growth forests, and wetlands--so that we can pass on America's natural splendor to our children." [Putting People First, p. 94]
IMPACT:	Increasing recreation fees would decrease the public's access to the nation's natural resources, particularly for the poor and elderly. Since this proposal only seeks to reclaim one-third of this amount, the effect of decreased access would be muted.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#19f):	Natural Resources and Environment (Entitlements): Increase Hardrock Mining Claims.
SUMMARY:	SAVINGS: \$240 MILLION (FY 1994-1997). Private access to public domain land for hardrock mining (gold, silver, copper) is controlled by the Bureau of Land Management (BLM). Under the 1872, the discovery of a "valuable mineral deposit" and the staking of a mining claim gives a prospector the right to mine and sell public domain mineral without paying fees or royalties to the federal government. The only condition is that the claimant perform \$100 of work on the land. In the FY 1993 Interior Appropriations, the \$100 work requirement was replaced with a \$100 fee. This proposal would make this provision in current law permanent after its expiration date of 1994.
BC RECORD:	N/A
IMPACT:	Minimal. Would reduce soil disturbance at claim sites done solely to satisfy the current requirement. Could disproportionately affect small operators with several claims.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#19g):	Natural Resources and Environment (Entitlements): 50% net receipt sharing (minerals).
SUMMARY:	SAVINGS: \$170 MILLION (FY 1994-1997) States would have to bear 50% of the Federal administrative costs incurred in generating the receipts prior to distribution to States and the Federal Treasury. Includes programs for oil, gas, and other minerals.
BC RECORD:	
IMPACT:	
CONGRESS:	Western members have strongly opposed this measure, but it has been enacted by Congress in the last three Interior Appropriations bill.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20a):	Agriculture (Entitlement): Eliminate Cooperative State Research Service (CSRS) Morrill-Nelson Program
SUMMARY:	SAVINGS: \$12 MILLION (FY 1994-1997) The CSRS, one of three agencies through which USDA conducts and supports agricultural research and education, has a permanent appropriation (since 1890) to support higher education in the food and agricultural sciences at land-grant institutions. The Morrill-Nelson program provides each state and territory with a \$50,000 appropriation (since 1912), which -- unlike other higher education assistance -- does not require any matching funds.
BC RECORD:	"Fund research and development projects to encourage processing of agriculture products in rural areas and develop alternative non-food agriculture industries." [Clinton-Gore on Rural Development]
IMPACT:	This proposal will have minimal impact. CSRS has other (and competitive) programs that support higher education at land-grant colleges. Moreover, the funding involved in the Morrill-Nelson appropriation is so small that it should not affect the quality of the higher education system.
CONGRESS:	
INTERGOV:	
POL./LLAISON:	Land-grant colleges will oppose the measure.
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20b):	Agriculture (Entitlement): Eliminate the Honey Program
SUMMARY:	SAVINGS: \$43 MILLION (FY 1994-1997) The federal government subsidizes the price of honey. Producers pledge their honey as collateral for a federal loan. The loan can be repaid and the collateral redeemed at either the market price or the loan rate (\$.538/lb.) whichever is lower. Participants are eligible for "loan deficiency payments" whereby the producer receives the difference between the loan rate and the market price. The market price averages \$.45/lb. for a subsidy of \$.088/lb.
BC RECORD:	"End taxpayer subsidies for honey producers." [Putting People First p.30]
IMPACT:	Roughly 350 individuals get over 50% of the payments and less than 1% of all US honey producers participate in the program. Program supporters claim that it is vital to the survival of beekeepers on whom many fruit, nut, and vegetable growers depend for pollination. The GAO holds that the program is no longer necessary to assure crop pollination.
CONGRESS:	Pryor
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
PLAN:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20c):	Agriculture (Entitlement): Total income over \$100,000 (Means-Test Farm Subsidies)
SUMMARY:	SAVINGS: \$1.05 BILLION (FY 1994-1997) Producers of wheat, corn and other feed grains, rice, and cotton who participate in federal commodity programs receive a deficiency payment, the primary form of direct payment to farmers. This payment is calculated in part by the difference between the market price of a crop and a "target price". This proposals calls for means-testing of federal farm payments, making producers with an adjusted gross income of \$100,000 or more ineligible to receive crop subsidies.
BC RECORD:	"A Clinton-Gore Administration will support an agriculture policy that both recognizes the small-family producers who have done so much to make America great and treats consumers and taxpayers fairly." [Putting People First p. 33] "The Bush-Quayle read my lips recession has caused, in May 1992, 55% of farm households to experience losses from their farming operations...has caused, since 1980, a 65% decrease in real expenditures in rural development programs...has caused during the 1980's farm and ranch families to decrease by 12% and the number of Americans living on farms and ranches to decline by nearly 25%. [Statement, "Bush\Quayle Pander then Slander America's Farmers," 9/26/92]
IMPACT:	The option directs aid at supporting farmers' incomes rather than controlling production. It would eliminate 5%-10% of program participants and target funds to small and family farmers. But farmers are likely to be uneasy with the implication that farm price supports are "welfare payments". Larger producers will complain that a cut in subsidies will make them less productive vis-a-vis heavily-subsidized foreign producers.
CONGRESS:	All Ag State Members. Check floor votes.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20d):	Agriculture (Entitlement): Limit Commodity Credit Corporation (CCC) Income-Support Payments to Individual Farmers to a Maximum \$50,000 Per Year
SUMMARY:	SAVINGS: \$810 MILLION (FY 1994-1997) While CCC deficiency payments are now limited to \$50,000 annually by law, the current definition of "person" is broadly-defined and includes payment entities such as a corporation or limited partnership. Thus, individuals are eligible to receive multiple payments. This option would preclude multiple payments by attributing them to a specific individual rather than to payment entities. Additionally, the complexity of the existing payment system makes it the most time consuming procedure that USDA county offices handle. Simplifying the limitation would also help curb fraud and waste.
BC RECORD:	"Consolidate forms and processes to cut down on wasted time and delays." [Bill Clinton on Agriculture position paper] "Improve farmers' incomes by properly managing current programs" [Clinton/Gore on Rural Development position paper]
IMPACT:	This option will streamline procedures thereby saving administrative costs as well as costs attributable to fraud and abuse. But exposing producers to market forces -- while foreign producers continue to receive substantial subsidies -- could negatively impact the agricultural sector.
CONGRESS:	Opposition can be expected from all agricultural states. May prematurely aggravate the farm debate before the 1995 farm bill comes due.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20e):	Agriculture (Entitlement): Reduce Market Promotion Program (MPP) to FY 1993 level
SUMMARY:	SAVINGS: \$208 MILLION (FY 1994-1997) MPP provides subsidies to commodity associations, cooperatives, and private enterprises to promote the export of US farm products. The 1990 farm bill authorized MPP at \$200 million per year but only \$148 million was appropriated for FY 1993. This option would make this cut mandatory and extend it through FY 1997.
BC RECORD:	"Work hard to enter new markets for American Agricultural products, particularly in Eastern Europe and the Commonwealth of Independent States." [Bill Clinton on Agriculture position paper] "Support full use of federal export tools like the Export Enhancement Program to expand trade and enter new markets." [Ibid]
IMPACT:	Impact could be muted because -- rather than eliminating the program, as some have proposed -- this option merely freezes funding. Still, depending on what is done with other similar programs, domestic producers will claim that they will be negatively impacted because foreign agricultural producers are heavily subsidized.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20f):	Agriculture (Entitlement): Increase Non-Eligible Payment Acres starting in FY 1996.
SUMMARY:	SAVINGS: \$1.03 BILLION (FY 1994-1997) This proposal would raise the percentage of "triple base" acres from 15% to 25% in FY96. The 1990 Budget Accord instituted "triple base" to reduce CCC outlays and free producers from farming for such outlays. Under triple base, 15% of a farm's crop acreage base is ineligible for CCC deficiency payments (wheat, feedgrains, cotton and rice), but most crops could still be raised on those acres and sold at market price, without jeopardizing the farm's acreage base for payments in future years. Triple base allows the farmer to respond more directly to the markets, and to rotate crops in an environmentally sound fashion.
BC RECORD:	
IMPACT:	Increases farmers' flexibility. Might lower the incomes of farmers who grow crops that are not federally supported.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	Toward more competitive, less subsidized industry.
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20g):	Agriculture (entitlement): Eliminate the 0/92 and 50/92 (PAY/92) Programs starting in FY 1996.
SUMMARY:	SAVINGS: \$937 MILLION (FY 1994-1997) In the 1985 farm bill, at a time of large crop surpluses, the USDA started paying farmers not to produce on a voluntary basis. Producers can set aside a certain portion of their crop payment acreage and still receive 92 % of their CCC deficiency payments on these acres. The effects of the PAY 92 program is demonstrated by the rice program. Whereas 174,000 acres were under the program in 1986, this figure is expected to increase 236% by 1998. This option would eliminate PAY 92 starting in FY 1996.
BC RECORD:	
IMPACT:	Could increase exports. While U.S. planted acreage fell by 10% since the introduction of PAY 92, planted acreage in other countries virtually replaced America's idled acres.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20h):	Agriculture (Entitlement): Increase Assessments on "Non-Program" Federally-Subsidized Crops Starting in FY 1996.
SUMMARY:	SAVINGS: \$900 MILLION (FY 1994-1997) "Non-program" crops (sugar, dairy, tobacco, honey, peanuts, soybeans, wool and mohair) currently receive USDA price-support loans and benefits from USDA-imposed restrictions on production and imports. The '90 farm bill reduced subsidies on program crops and levied fees on non-program crops. This option would balance the proposed increase in non-eligible (triple base) acres (see increase in non-eligible crops proposal). Would become effective in '96, when '90 Farm Bill provisions run out.
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20i):	Agriculture (Entitlement): Limit payments on wool and mohair to \$50,000 per person.
SUMMARY:	SAVINGS: \$212 MILLION (FY 1994-1997) Price support payments on wool and mohair would be limited to \$50,000 per producer, consistent with the proposed payment limitation on other CCC programs. Currently, the wool and mohair program works exclusively as income support with producers receiving a sum based on the difference between a legislatively determined support price and the market price (which is almost 210 percent lower). Current payments are highly concentrated to large, wealthy sheep/goat owners.
BC RECORD:	
IMPACT:	Align wool/mohair payment limits with that of other CCC programs.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 9, 1993

~~CONFIDENTIAL~~

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20j):	Agriculture (Entitlement): Reform Disaster Payments
SUMMARY:	SAVINGS: \$* Currently, a farmer must suffer a 35% loss (40% if they don't have insurance) to be eligible for disaster payments (farmers do not receive payments on the first 35% of crop loss). This proposal would increase the loss threshold to 40% (50% without insurance) and give the Agriculture Secretary authority to pro-rate all eligible disaster claims. The loss threshold increase alone could reduce annual disaster payments by 32 percent. * NOTE ON BUDGET SCORING: Disaster payments are not funded through an appropriations bill at the beginning of a fiscal year. Thus, there are no disaster payments included in the baseline, and so no savings can be claimed. However, disaster payments have averaged \$895 million per year since '87.
BC RECORD:	
IMPACT:	The loss threshold increase will cost some farmers disaster payments. The pro-rating proposal means that farmers may not receive full payment at a future date.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 9, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#20k):	Agriculture (Entitlement) Reform the Crop Insurance Program Through Area-Yield. (Does not apply to savings from disaster payments)
SUMMARY:	SAVINGS: \$739 MILLION (FY 1994-1997) This option would reform the FCIC crop insurance program to eliminate the need for free disaster payments. Insurance companies are "reinsured" by the FCIC to share profits and losses. Currently, the FCIC spends roughly \$2.56 for every dollar in premiums paid by farmers (administrative expenses, insurance reimbursements, etc.) Area-yield would save money as reinsured companies don't have to be reimbursed for loss adjustment activities, reducing the annual FCIC loss ratio from 1.4 to roughly 1.1. Currently, this option is being tried on a pilot basis.
BC RECORD:	
IMPACT:	Will cause confusion over proper premium rates. Payments could be paid to individual farmers within a disaster area who have not experienced a significant loss.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 9, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#22):	Federal Employee Health Benefits: Medicare Rates Over-65
SUMMARY:	SAVINGS: \$210 BILLION (FY 1994-1997) This proposal would extend Medicare Part-B billing and payment limits (which cover physician and non-hospital services) to those Federal annuitants age 65 and older who do not have Medicare coverage. Medicare Part-A billing and payment limits (covering in-patient services) already apply to this small group of people.
BC RECORD:	
IMPACT:	This proposal would reduce the income of physicians whose fees exceed the limits allowed by Medicare. These physicians could conceivably refuse to serve such retirees if brought under Medicare limits.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#22):	Federal Employees Health Benefits: Phase-In Retiree Copayments
SUMMARY:	\$415 MILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#22):	Medicaid: Survey and Certification User Fees
SUMMARY:	\$413 MILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#22):	Third Party Liability: Enhanced Collections (Includes Medicare, Medicaid, Veterans Affairs, Indian Health Service, Defense Department)
SUMMARY:	\$800 MILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Set Intraocular Lens Reimbursement at Competitive Rates (\$100) - Administration
SUMMARY:	SAVINGS: \$255 BILLION (FY 1994-1997) This proposal would reduce Medicare's payment for implantation of intraocular lens (IOL) to \$100 from the \$200 Medicare currently pays at ambulatory surgical centers and the \$215 paid by Medicare at hospital outpatient departments. The rate would be indexed by the CPI thereafter. In Canada, IOL prices average \$110.
BC RECORD:	During the campaign, Clinton repeatedly attacked Bush for cuts in Medicare. One release claimed that, under Bush's plan, care would be denied to elderly Americans because of proposed reductions in hospital and physician payments. Another campaign document warned of reductions in the Medicare reimbursement rate down to less than two thirds of cost under Bush. Clinton did express concern, however, that the U.S. health care system pays for services which are sometimes unnecessary or overpriced.
IMPACT:	If providers were unable to negotiate favorable IOL prices and find it less profitable to implant IOLs, beneficiaries access to this procedure might be reduced. The reduced prices could heavily impact the IOL industry; if IOL manufacturers go out of business, beneficiaries would lose access to IOLs.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

CONFIDENTIAL

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Eliminate Skilled Nursing Facility Return on Equity Payments
SUMMARY:	SAVINGS: \$480 MILLION (FY 1994-1997) Medicare pays for care in Skilled Nursing Facilities (SNFs) -- nursing homes -- for eligible people who need skilled nursing services following discharge from the hospital. Medicare makes return on equity (ROE) payments based on the average interest rate paid on securities issued by the Hospital Interest Trust Fund (HITF). This proposal would eliminate the requirement that Medicare make the ROE payment to the SNFs. The FY 92 President's Budget also proposed this option.
BC RECORD:	During the campaign, Clinton repeatedly attacked Bush for cutting Medicare and forcing higher payments for the elderly. Clinton spoke of people "who are forced to spend themselves into poverty and put themselves into institutions instead of being able to stay at home with nursing care..."
IMPACT:	Proprietary SNFs are the only class of Medicare provider that received return on equity payments. This proposal would discourage private investment in SNFs at a time when demand for SNFs is strong and growing. Some SNF debt financing costs are eligible for reimbursement under Medicare rules; the proposal would encourage debt-financing over equity financing, which could offset some Medicare savings.
CONGRESS:	
INTERGOV:	
POL./LLAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Set Laboratory Rates at Market Levels
SUMMARY:	Savings: \$3.01 BILLION (FY 1994-1997) The proposal initially would lower the Medicare Part B laboratory fee schedules to 76% of the median of all fees, down from the current maximum level of 88%. Later, based on market surveys, the Secretary of HHS would adjust Medicare payment rates to laboratories based on technological changes and other market factors.
BC RECORD:	During the campaign, Clinton repeatedly attacked Bush for proposed cuts in Medicare and for shifting the costs of health care to the private sector. One release claimed that, under Bush's plan, care would be denied to elderly Americans because of proposed reductions in hospital and physician payments. Another campaign document warned of reductions in the Medicare reimbursement rate down to less than two thirds of cost under Bush.
IMPACT:	Laboratories argue that lower Medicare rates will harm their industry and reduce Medicare beneficiaries' access to services.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Maintain Supplementary Medical Insurance (SMI) Premium at 25% of Costs
SUMMARY:	Savings: \$2.055 BILLION (FY 1994-1997) This proposal would raise the coinsurance rate on all services provided by the Supplementary Medical Insurance (SMI) program to 25%. Currently, the coinsurance rate on most services is 20%, except for clinical laboratory services and home health care, which have no coinsurance requirements.
BC RECORD:	During the campaign, Clinton repeatedly attacked Bush for proposed cuts in Medicare and for the devastating affect of increasing out-of-pocket health care costs over the last 12 years. One release stated that "the Bush plan would increase private sector health costs," increasing insurance premiums. The Clinton campaign also warned of reductions in the Medicare reimbursement rate down to less than two thirds of cost under Bush. Finally, Clinton complained of increasing health care costs to the states, "state governments are not like the federal government. We don't get to print money and we have to balance our books."
IMPACT:	This proposal would not increase the coinsurance payments for about 80% of Medicare beneficiaries who are covered by Medigap, Medicaid or other third party insurance. However, this would increase the risk of very large out-of-pocket costs for the 20% of enrollees who have no supplementary coverage as well as increasing medigap premiums for the 30% of enrollees who purchase that kind of supplementary insurance. Moreover, it would increase states' Medicaid costs for the nearly 20 percent of enrollees who are eligible for full or qualified Medicaid benefits.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Set Durable Medical Equipment Rates at Market Levels
SUMMARY:	\$600 MILLION (FY 1994-1997) The proposal would change the payment method for certain Durable Medical Equipment (DME) -- including ostomy and tracheostomy supplies, urological supplies, surgical dressings, splints and casts -- which are currently paid for based upon "reasonable costs."
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	10% Capital Reduction, Prospective Payment System neutral
SUMMARY:	
BC RECORD:	1.95 BILLION (FY 1994-1997)
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Internal Revenue Service/Social Security Administration/Health Care Financing Administration data match
SUMMARY:	\$953 MILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Medicare Secondary Payer (MSP) for the disabled
SUMMARY:	\$1.38 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	MSP for End Stage Renal Disease After 18 Months
SUMMARY:	\$96 MILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Payments for Hospital Outpatient Services
SUMMARY:	\$1.76 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Pay Hospitals for Inpatient Services by Hospital-based Physicians
SUMMARY:	\$2.015 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Outpatient Payment Reform (Part B) Hospitals
SUMMARY:	\$2.65 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Put Hospitals on Current Year Update
SUMMARY:	\$4.475 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL/LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Phase in Lower IME to 3.2% - Hospitals
SUMMARY:	
BC RECORD:	9.211b (94-97)
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Set Erythropoietin (EPO) at non-U.S. Market Rates (\$10 per 1,000 units) - Administration
SUMMARY:	
BC RECORD:	100m (94-97)
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#23):	Three-Month Part B Freeze (CBO)
SUMMARY:	\$3.4 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	30% Coinsurance When Medigap Pays Some Beneficiaries
SUMMARY:	\$9.35 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#23):	Discount for Interactions
SUMMARY:	\$6.806 BILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LLAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#24):	End Lump-Sum Benefit
SUMMARY:	SAVINGS: \$5.132 BILLION (FY 1994-1997) This recommendation would permanently extend the elimination of the lump-sum annuity option for federal employees retiring after 10/1/95. The Omnibus Budget Reconciliation Act of 1990 eliminated the lump-sum option for most federal employees except for the critically ill, involuntarily separated and Gulf War vets. <u>Employees retiring after October 1, 1995, will again be eligible for such lump-sum payments if no action is taken.</u>
BC RECORD:	"I support a stable and secure retirement system for public employees and would support federal legislation to protect retirement income, achieve portability of pension rights and benefits, and require federal reporting, disclosure, and fiduciary standards for public employee pension plans." [Governor Clinton's Written Responses to the FOP Questionnaire September 10, 1992 p.10]
IMPACT:	This option generates significant near-term savings, but no long-term savings as full benefits will eventually have to be paid out.
CONGRESS:	Hoyer, Moran
INTERGOV:	
POL./LIAISON:	Would be opposed by federal employee unions. Check in with AFGE on inoculation.
MESSAGE:	This would be an extension of current policy.
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~**DRAFT**

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#27):	Retain Social Security threshold and tax 85% of benefits
SUMMARY:	SAVINGS: \$21.4 BILLION (FY 1994-1997) Currently, 50% of Social Security (and RRB Tier I) benefits beyond a threshold of \$25,000 for individuals and \$32,000 for couples are subject to income tax. Retaining the current threshold and increasing the percentage of benefits taxed as income to 85% would move Social Security toward the taxation policy for pension benefits.
BC RECORD:	"So my view is the middle class -- they've been suffering, Jim. Now, should people pay more for Medicare if they can? Yes. <u>Should they pay more for social security if they get more out of it than they've paid in and they're upper income people? Yes.</u> (emphasis added)" [Third Presidential Debate, East Lansing, Michigan, 10/19/92] "Preserve and protect the Social Security system. Bill Clinton believes Social Security is a commitment that must be kept--a covenant between generations that must be honored for today's beneficiaries and for the working people who are paying into the system." [Bill Clinton on Issues of Concern to Older Americans position paper]
	Currently, 80% of Social Security recipients are not taxed. For those upper-income recipients who are taxed, a greater portion of their benefits will be subject to taxation, and some additional beneficiaries will then be subject to taxation.
CONGRESS:	Florida, Pennsylvania delegations.
INTERGOV:	
POL./LIAISON:	AARP and other seniors' groups. Get Nat'l Council of Sr. Citizens & others to speak out in favor if we don't touch COLAs.
MESSAGE:	
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~**DRAFT**

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28):	Veterans Benefits and Services (Mandatory): Housing and Loan Fees
SUMMARY:	SAVINGS: \$574 MILLION (FY 1994-1997) Currently, veterans pay a maximum fee of 1.25% of the mortgage on a no-downpayment loan; the fee decreases as the downpayment increases. This proposal would raise the maximum fee to 2% of the mortgage cost (but not for interest rate reduction financing loans).
BC RECORD:	"Bush proposed cutting \$660 million for FY 1993, and a total of \$1.2 billion over 5 years, by requiring veterans who are second and subsequent users of the loan guarantee benefit to pay a 2.5% fee and a 10% downpayment." [Fact Sheet on Bush and Veterans' Issues, 9/1/92]
IMPACT:	Might discourage participation among low-income veterans.
CONGRESS:	Similar fee proposal was rejected in the last session of Congress. Sonny Montgomery.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#28b):	Veterans Benefits and Services (Mandatory): Pensions-Medicaid Nursing Homes
SUMMARY:	SAVINGS: \$* (FY 1994-1997) This proposal would make permanent the provision in the 1990 Budget Accord that sets a \$90 monthly limit on pension benefits paid to any veteran, without a spouse or child, that receive Medicaid coverage in a Medicaid-approved nursing home. In addition, the proposal includes Congress' extension last year of the \$90 Pension-Medicaid limit to include surviving spouses without children. NB: *Because the \$90 Pension-Medicaid limit does not expire until 1997, no savings would be realized until FY 1998 (\$300 million for both options).
BC RECORD:	
IMPACT:	Previously, VA pensions in excess of \$60 were applied to the cost of a veteran's Medicaid nursing home care. Thus, states would experience an increase in their Medicaid costs.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28c):	Veterans Benefits and Services (Mandatory): Pension Through Internal Revenue Service
SUMMARY:	SAVINGS: \$* MILLION (FY 1994-1997) This proposal would make permanent the provision in the 1990 Budget Accord that grants the IRS access to tax data to verify income reported by VA pension recipients. (the VA's pension program is means tested.) NB *Because this authority does not expire until 1997, no savings would be realized until FY 1998 (\$155 million).
BC RECORD:	
IMPACT:	VA pension recipients may be less likely to file a tax form or report all income if they know that the IRS will be used to verify their eligibility.
CONGRESS:	Montgomery.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28d):	Veterans Benefits and Services (Mandatory): Readjustment Benefits
SUMMARY:	SAVINGS: \$436 MILLION (FY 1994-1997) OPTION #1: To account for Congress' increasing the monthly G.I. Bill benefits without increasing servicemembers' contribution to the program, this proposal would increase the contribution of prospective servicemembers. OPTION #2: Currently, all veterans with a service-connected disability rated greater than 10% are entitled to Vocational Rehabilitation services. This option would eliminate these benefits for veterans with a service-connected disability rating of 20% who do not have a "serious employment handicap".
BC RECORD:	"The Bush Administration has consistently opposed increased education assistance benefits under the Montgomery G.I. Bill since the program's enactment in 1984. Benefits have risen less than inflation -- from about \$300 monthly to \$350 monthly." [Fact Sheet on Bush and Veterans' Issues, 9/1/92] "In the FY 1993 budget proposal, Bush proposes cutting as many as 5,000 veteran from the vocational rehabilitation program by 1997." [Fact Sheet on Bush and Veterans' Issues, 9/1/92]
IMPACT:	1 - New recruits would pay more, in absolute terms, than their predecessors. 2 - Would prevent some combat-disabled veterans from obtaining vocational rehabilitation services.
CONGRESS:	Both proposals have been rejected by Congress in FY92 and FY93 Budgets. The Senate, however, did support/consider eliminating veterans with a 20% service-connected disability during the 1990 budget negotiations.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28e):	Veterans Benefits and Services (Mandatory): Medical Care Costs Recovery
SUMMARY:	SAVINGS: \$1.170 BILLION (FY 1994-1997) This proposal would make permanent the VA's authority to collect the cost of medical care provided by private health insurers to veterans with service-connected disabilities -- <u>but for treatment of non-service-connected conditions</u> . This authority expires in July, 1994, and would cover non-service-connected insurers as well.
BC RECORD:	
IMPACT:	
CONGRESS:	Congress has twice supported this option and used it to pay for expanded VA entitlement benefits or to fund increases in the veterans Medical Care program.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28f):	Veterans Benefits and Services (Mandatory): Prescription Charge/Co-payment
SUMMARY:	SAVINGS: \$* MILLION (FY 1994-1997) This proposal would make permanent the VA's authority to collect from most veterans a \$2 co-payment for each 30-day supply of outpatient prescription drugs that is not related to treatment of a service-connected disability. NB: *Because this authority does not expire until 1997, no savings would be realized until FY 1998 (\$42 million, or more if the payment was indexed).
BC RECORD:	"[George Bush] also seeks to impose co-payments by service-disabled veterans with disabilities rated below 50%. This would affect 50,000 in-patient admissions and 275,000 outpatients visits, costing veterans \$35 million in FY 1993 and \$140 million over five years." [Fact Sheet on Bush and Veterans' Issues, 9/1/92]
IMPACT:	
CONGRESS:	Congress has authorized the \$2 co-payment three times.
INTERGOV:	
POL./LIAISON:	Veterans Service Organizations have opposed service-connected veterans paying for any prescription drugs -- even for non-service-connected conditions.
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28g):	Veterans Benefits and Services (Mandatory): VA Housing Down Payment
SUMMARY:	SAVINGS: \$68 MILLION (FY 1994-1997) This proposal would require a 2.5% fee and a 10% downpayment for multiple-use of the loan guaranty benefit. Currently, multiple-users are charged the same fee as first-time users and are not required to make a downpayment. (Active-duty military would be exempt.)
BC RECORD:	"Bush proposed cutting \$660 million for FY 93, and a total of \$1.2 billion over five years, by requiring veterans who are second and subsequent users of the loan guarantee benefit to pay a 2.5% fee and a 10% downpayment." [Fact Sheet on Bush and Veterans' Issues, 9/1/92]
IMPACT:	Could deter some veterans from using the program.
CONGRESS:	This proposal was rejected by Congress in the FY92 and FY93 Budgets. Montgomery.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#28h):	Veterans Benefits and Services (Mandatory): Resale Loan Losses
SUMMARY:	SAVINGS: \$80 MILLION (FY 1994-1997) This proposal would make permanent the inclusion of expected losses on the resale of a foreclosed property in the VA formula used to determine whether or not it should: (1) acquire and resell a foreclosed property; or (2) pay the guarantee to the lender.
BC RECORD:	
IMPACT:	
CONGRESS:	Congress first enacted this provision in the FY 1993 appropriations for loans closed before 10/1/93. Montgomery.
INTERGOV:	
POL./LIAISON:	The Mortgage Bankers have claimed that they would leave the program if they end up with more foreclosed properties.
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#28i):	Veterans Benefits and Services (Mandatory): Insurance Administration from Reserve
SUMMARY:	SAVINGS: \$113 MILLION (FY 1994-1997)
BC RECORD:	
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#29):	Auction Federal Communications Commission spectrum
SUMMARY:	SAVINGS: \$4.072 BILLION (FY 1994-1997) The FCC currently awards licenses to use the radio spectrum through comparative hearings and lotteries. Both of these methods are economically inefficient. There are substantial delays putting the licenses into use, and winners of the FCC lotteries often turnaround and sell/auction their licenses for millions of dollars. Moreover, such auctions have generated substantial revenues for the sale of licenses for offshore drilling, grazing on federal land, and harvesting timber from National Forests.
BC RECORD:	
IMPACT:	Implementing this recommendation would require the support of the FCC and the Department of Commerce. Uncertain savings. CBO might have more information.
CONGRESS:	Dingell, Inouye, Markey
INTERGOV:	
POL./LIAISON:	Broadcasters, others?
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#30):	Restrict Business Deduction for Business Meals and Entertainment (to 50%)
SUMMARY:	SAVINGS: \$11.9 BILLION (FY 1994-1997) The tax code does not allow deductions for personal living costs, but it allows full deductions for ordinary and necessary business expenses. Expenses for meals, entertainment, and travel are deductible only if they are clearly related to business and are not deemed "lavish and extravagant". Congress reduced this deduction to 80% from 100% of the expenses that meet these conditions out of concern that some taxpayers were deducting personal living expenses as business expenses.
BC RECORD:	
IMPACT:	Separating the component of expenses that represent ordinary and necessary business expenses from the part that represents personal business consumption is inevitably arbitrary. This change would negatively affect the entertainment and restaurant industries.
CONGRESS:	Rostenkowski
INTERGOV:	
POL./LIAISON:	Restaurant and entertainment industries would vehemently oppose such a change. See if we can get unions on our side because of other positive things we're doing.
MESSAGE:	
ACTION:	

February 5, 1993

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ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#31):	Increase Alternative Minimum Tax to 28%
SUMMARY:	SAVINGS: \$8.8 BILLION (FY 1994-1997) The AMT limits the use of tax preferences by taxpayers to reduce their tax liability. Increasing the AMT would raise revenues from those taxpayers that use tax preferences most. This proposal would raise the AMT for individuals from 24 to 28 percent of alternative taxable income in excess of the exemption amount of \$40,000 for joint filers, \$30,000 for singles; the exemption amount is phased out for upper income taxpayers. The AMT was raised from 21 to 24 percent in the '90 Budget agreement.
BC RECORD:	"Increase rates on top 2%, raise Alternative Minimum Tax, surtax on millionaires: \$81.9 billion (FY 1993-1997)." [Putting People First, p. 31] "Increase the Alternative Minimum Tax on personal income from 21 to 26-27 percent." ["Bush Tries to Salvage Economic Train Wreck by Lying about Clinton Plan," press release, 9/26/92]
IMPACT:	Would substantially increase the number of AMT filers, as taxpayers must pay the larger of either the AMT or the regular tax. NOTE: the Joint Tax Committee estimates \$27 billion in additional revenues (FY93-97). Some argue, however, that revenues may be uncertain because taxpayers can avoid the AMT through careful planning.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	Toward a more progressive tax code.
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~

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ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#32):	Repeal health insurance (Medicare) taxable wage maximum
SUMMARY:	SAVINGS: \$20.7 BILLION (FY 1994-1997) Under current law, wages above the taxable maximum (\$130,000 in 1992) are exempt from all payroll taxes, including the Medicare Insurance Tax. This option would repeal the taxable maximum for Medicare. Opponents argue that higher wage earners are already subsidizing Medicare treatments of other workers. If not used entirely for deficit reduction, this option could help replenish the Medicare Trust Fund, which will be exhausted by 2005.
BC RECORD:	
IMPACT:	Would affect only 2 percent of workers.
CONGRESS:	Rostenkowski
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	Bentsen, Marina Weiss

February 5, 1993

~~CONFIDENTIAL~~

10/1/93

ECONOMIC PACKAGE COMPONENT STRATEGY

ITEM (#33):	Increase top corporation income tax rate to 36%
SUMMARY:	SAVINGS: \$20.4 BILLION (FY 1994-1997) Current top corporate rate is 34 percent, with lower marginal rates applying to the first \$75,000 of taxable income. Corporations with taxable income between \$100,000 and \$335,000 pay an additional 5 percent surtax in order to phase out the benefits of the lower marginal rates.
BC RECORD:	Never mentioned raising corporate rates during campaign.
IMPACT:	Would affect only 10 percent of corporate taxpayers (currently paying the top rate), but these firms generate 90 percent of all corporate taxable income.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#34):	Broad based energy tax (5 percent of value). Also see gas tax
SUMMARY:	SAVINGS: \$59.5 BILLION (FY 1994-1997) Probably would take the form of a 5% tax on the value of energy consumption, including coal, natural gas, oil, hydroelectricity and nuclear power. Could be levied as a fraction of the value of fuel, on the heat content of the fuel or could be based on units (of oil, coal, etc) produced.
BC RECORD:	Denied GOP accusations of a gas/carbon tax proposal during the campaign, but Bensten has proposed it informally since inauguration. !!!!also see drexel speech and check w/sylvia on refinement!!!!
IMPACT:	
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	Raise big revenues while promoting energy conservation.
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~**DRAFT**

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#35):	Extend 2.5 cent per gallon gas tax
SUMMARY:	SAVINGS: \$5 BILLION (FY 1994-1997) Federal taxes are currently 14.1 cents per gallon for gas and 20.1 cents per gallon of diesel fuel, of which 2.5 cents per gallon goes into the general fund until October 1, 1995, when rates are scheduled to drop by 2.5 cents per gallon. Would have to be specifically earmarked for deficit reduction, and not for use to finance the Highway Trust Fund. Even with the increase, U.S. gas tax rates would be among the lowest in the world, and about the same as they were in 1981.
BC RECORD:	"Clinton again criticized Tsongas' plan to raise the gas tax five cents a year for 10 years, saying it would hurt the middle class. In the shadow of Disney World, he talked about people who had driven to the entertainment center from around the country because they could not afford airline tickets, and how much those people would be hurt by a gas price increase." [Boston Globe, 3/10/92] "If you think poor and middle class families can afford to pay hundreds of dollars more in gas taxes in return for an energy policy that relies more on nuclear power, vote for Paul Tsongas." [Prepared Remarks, 3/4/92] "The only people you ask to sacrifice are the same people who sacrificed during the 1980s. Sen. Tsongas wants to continue to pound low- and middle-income people into the dirt." [From Chicago debate, Boston Globe, 3/14/92] "In his 1990 Budget Agreement, Bush passed \$25 billion in increased gas taxes, \$8.8 billion in alcohol tax increases, and an increase of \$5.9 billion in tobacco taxes as well as higher airline ticket taxes and telephone excise taxes." [Excerpted from "Bush: A Tax and Spend President"]
IMPACT:	Reduce consumption, but hurts trucking industry and some regions, particularly in the West, where people often have to drive long distances.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	Overall on energy tax - is there some kind of rebate or tax credit for rural communities, etc... who don't have more money to spend on rapid transit options.
MESSAGE:	
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~

DRAFT

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#36):	Increase "sin" taxes on alcohol and tobacco.
SUMMARY:	SAVINGS: \$18 BILLION (FY 1994-1997) Options include: increase the cigarette tax to 48 cents per pack (double current tax); increase alcohol tax to \$16 per proof gallon, and index these taxes for inflation. Current beer/wine taxes are much lower than those on distilled spirits. The '90 Budget agreement last raised excise taxes on alcohol and cigarettes.
BC RECORD:	"In his 1990 Budget Agreement, Bush passed \$25 billion in increased gas taxes, \$8.8 billion in alcohol tax increases, and an increase of \$5.9 billion in tobacco taxes as well as higher airline ticket taxes and telephone excise taxes." [Excerpted from "Bush: A Tax and Spend President"] "In Arkansas we have raised the tax on tobacco products on more than one occasion, but an increase on alcohol and tobacco related products is not included in my national economic strategy... I want a more progressive tax code that will ask the top two percent of income earners to pay their fare (sic) share and give low and middle income families a tax break." [Governor Clinton's Responses to The Center on Addiction and Substance at Columbia University]
IMPACT:	Perceived as regressive and unfair to moderate consumers by some groups. Cut down on "external costs" (mostly associated with health) of alcohol and tobacco consumption.
CONGRESS:	
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~

DRAFT

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#37):	Phase-out possessions tax credit (sec. 936) over 5 years
SUMMARY:	SAVINGS: \$5.8 BILLION (FY 1994-1997) Income earned by U.S. corporations operating in Puerto Rico or any U.S. possession is generally treated as foreign-source income, and the U.S. federal tax on such income is offset by the foreign tax credit (FTC) for any tax paid to the possession. But a U.S. corporation that receives at least 80% of its gross income for the last three years from Puerto Rico or another U.S. possession, and that derived at least 75% of its income from the active conduct of a trade or business, may elect to be a possessions corporation. With such status -- because the possessions tax credit is equal to the U.S. tax on qualified income -- the section 936 tax credit effectively exempts such income from federal tax.
BC RECORD:	
IMPACT:	Section 936 was first adopted to promote employment in U.S. possessions. And in 1987, 82% of manufacturing jobs in Puerto Rico were in possessions corporations. Critics, however, have argued that section 936 is too lucrative and cite the example of pharmaceutical manufacturers who, in 1987, received 54% of the tax benefits but accounted for only 18% of the employment in possessions corporations.
CONGRESS:	New Jersey and New York delegations, particularly Rangel, but Moynihan, Lautenberg, Bradley, and others as well.
INTERGOV:	Cuomo and Florio (NY & NJ) might be combative.
POL./LIAISON:	Pharmaceutical industry will oppose.
MESSAGE:	
ACTION:	

February 5, 1993

~~CONFIDENTIAL~~

DRAFT

ECONOMIC PACKAGE COMPONENT STRATEGY	
ITEM (#38):	Modify Limits on Pension Contributions
SUMMARY:	SAVINGS: \$4.5 BILLION (FY 1994-1997) Current law limits the contributions that an employer can make to an employees defined contribution or defined benefit plan. Payments made to defined contribution plans are limited to 25% of compensation or \$30,000 per employee (whichever is less), and payments made to defined benefit plans are limited so that annual pension benefits that begin at age 65 are no more than 100% of preretirement wages or \$112,221. For employees that are eligible for payments from both types of plans, a combined limit of 140% of wages or \$140,276 applies. These funding limits remain far higher than the preretirement earnings of most workers. In fact, fewer than 1% of employees earned more than \$140,276 in 1991. Decreasing limits on the employers contributions -- to a level that is more in line with what most employees earn -- could raise an additional \$6 billion.
BC RECORD:	"I do not foresee the need to reduce the maximum annual benefit for defined benefit plans, and I especially do not see the need to reduce the maximum annual contribution for defined contribution plans." [Questionnaire Response to <u>The Pension Form Magazine</u>]
IMPACT:	Reducing employer contribution limits may ultimately reduce total savings. Moreover, it would make participation to high-income business owners and managers less attractive, and thus might discourage them from sponsoring these plans for both themselves and their employees.
CONGRESS:	Rostenkowski, Moynihan.
INTERGOV:	
POL./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

March 1, 1993

To: Vice President Gore
Skila Harris
Alexis Herman
Tony Lake
Mack McLarty
Regina Montoya
Bernie Nussbaum
Leon Panetta
Howard Paster
John Podesta
Carol Rasco
Bob Rubin
Eli Segal
Christine Varney
Maggie Williams

MAR - 1 1993

From: Ricki Seidman
Collier Andress

Enclosed are the most current talking points for the economic plan. Please ask your assistant to keep a binder of all talking points so that you may have the most current information accessible within your department.

BRIEF Q & A ON CLINTON-GORE ECONOMIC PLAN

Deficit increase

Question: Did the President, as journalists have charged, know about the deficit increase during the campaign and not shoot straight about raising taxes?

Answer: Putting People First was based on January 1992 budget and deficit estimates. The deficit did get somewhat worse during the campaign, but not enough to have forced President Clinton to have had to raise energy taxes to hit our current deficit targets.

But then in January 1993, just two weeks before President Clinton took office, Bush Budget Director Darman revealed that in fact, the deficit in 1997 would be another \$70-\$100 billion higher than he had said it would be in August. The Congressional Budget Office also agreed the deficit in 1997 would be a lot bigger -- closer to \$30 billion more. Our transition officials found the numbers showed we were \$50 billion higher. No one -- no one -- had the capacity to know what the January 1993 CBO and OMB numbers would be before they came out. Therefore, no matter whose numbers you believe, the facts are clear: the deficit is much higher than anyone could have known last summer.

Follow-up: But didn't candidate Clinton tell Business Week in July that the 1997 deficit could hit \$400 billion?

Answer: No. Clinton was, in fact, referring to some projections that the 1992 deficit would be massive because of the Savings and Loan bailout and other factors.

Deficit claims in OMB document

Question: Why did OMB mislead the public when it claimed the plan would cut the deficit by \$500 billion?

Answer: There's been some confusion about what are called "gross" and "net" deficit reduction numbers. But let's be clear: the Clinton budget cuts the deficit by \$325 billion over four years even when you include the \$160 billion of new investments the President calls for. [Over five years, the plan reduces the deficit \$472 billion net, while also doing over \$220 billion in new investments.] The plan will reduce the deficit by \$140 billion in FY1997 alone.

Taxes on the middle class

Question: When Bush did a commercial saying that people making \$36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

Answer: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1-2%. What he proposed in his budget was only on the top 1.2% -- families making over \$180,000. Almost 99% of Americans are untouched by increases in the income tax -- just as Clinton promised.

Even when the deficit increased after the campaign by an additional \$50 billion, Clinton ensured that average families were touched as little as possible -- no more than \$17 a month for an average family -- while millions of families will pay far less when you count their reduced mortgage costs as a result of reduced interest rates.

Follow-up: But isn't it the biggest tax increase of all time?

Answer: No. The Reagan tax increase of 1982 was larger and far less fair.

Question: Is the President, by using the concept of "family economic income," misleading people about the real impact of his plan on their taxes?

Answer: For more than twenty years the Treasury Department has consistently used "family economic income" when it calculates tax impacts.

Opponents of the Clinton plan are trying to scare the public by making people believe that the Administration is suddenly changing the way it calculates how much you owe in taxes. That's not true.

Look at what the nation's top accounting have shown: Coopers & Lybrand found that for a family of four making \$55,000 adjusted gross income, their tax rate would go up less than \$11 per month; Arthur Andersen showed that a family of three making \$25,000 would actually receive a \$700 tax cut because the increase in the Earned Income Tax Credit is much larger than the energy tax.

Spending cuts

Question: Are the Republicans in Congress right when they charge that the Clinton plan doesn't really cut spending?

Answer: Listening to the Republicans talk about cutting spending is like listening to Al Capone talk about cleaning up street crime.

The Clinton plan, in fact, cuts almost \$250 billion from defense and 150 separate domestic programs over the next four years. These are specific cuts and they required tough decisions. The President had the courage to detail these cuts and the critics should either come up with specific cuts of their own or shut up.

In fact, if the Clinton plan is adopted, we will spend less -- as a proportion of our national income -- than either Bush or Reagan. [Government spending under the Clinton plan would average 22.7 percent. Under the Republicans, it averaged 23.3 percent.]

Question: Why did the Administration break its promise to offer two dollars in spending cuts for every one dollar in taxes?

Answer: The Clinton plan cuts almost \$250 billion from defense and 150 separate programs over the next four years -- and puts almost all those cuts into effect immediately. It is a serious and balanced plan to bring down the deficit and restore economic growth.

The important thing is that the President has said that he will not raise any new revenues unless Congress also votes to cut spending. In addition, the ratio of spending cuts to taxes grows each year. By the fourth year, spending cuts outstrip revenue increases and the gap gets bigger each year after that. We welcome the critics to come up with their own specific lists of further spending cuts.

Question: Isn't the Clinton plan just a ruse to take credit for spending cuts that would have happened anyway under the 1990 Budget Agreement?

Answer: No. Every single one of the 150 programs we cut is a new cut creating new savings and additional savings. The 1990 Budget agreement had caps -- it didn't say what the cuts were, or who would have the courage to identify and call for them. By filling in the black box with real and specific reductions, the Clinton plan converts smoke and mirrors into concrete spending cuts.

Question: What about the various critics who say you should just cap spending, and that will solve our deficit woes?

Answer: The magic asterisk solution to the deficit has been tried before -- and failed. Calling for a cap on spending is the easiest way to avoid making the tough calls and no way to get a handle on the deficit.

The Clinton plan is specific, balanced and fair. It calls for almost \$250 billion in cuts in 150 separate programs.

Question: How can you count savings in interest payments as spending cuts?

Answer: Only Republicans who presided over the quadrupling of our national debt would have the gall to ask this question.

When a family gets behind and has to pay interest on its Visa bill, it spends more money each month. When the Federal Government pays interest on an ever-expanding debt, it is wasting the taxpayers' money. When we pay less interest, we spend less.

Question: Why do you count increasing Social Security taxes as a spending cut?

Answer: This is a long standing practice used by the Bush and Reagan administrations for years. The important point is that we need to reduce spending on entitlement programs to reduce the deficit, and we have taken a measure to reduce such spending in a fair and progressive way that leaves untouched 80% of all Social Security recipients.

Question: Why does the Clinton plan count user fees as spending reductions rather than tax increases?

Answer: If the government is asking users of a service to pay more in fees, its costs go down. Therefore, the program costs less to the government.

Every Republican budget produced since 1981 has included user fees as an offset to spending. This is not a new practice.

Question: Isn't a boost in the earned income tax credit really a spending increase?

Answer: This is standard budget practice. It is amazing that when we give a tax cut to working people, as opposed to the wealthiest Americans, some people want to call it spending.

Note: It is possible that Congressional Democrats may insist on counting a portion of the increase in the Earned Income Tax Credit as a spending increase.

Gramm-Armev:

Question: What about the Gramm-Armev plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non-Social Security entitlements at inflation as they claim?

Answer: Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm-Armev does not call for a single new dollar in training for laid-off defense workers, for anti-crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

According to Congressional experts who have studied their plan, it could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI -- 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

Kemp-Weber:

Question: How about the Kemp-Weber proposal -- "Empower America?"

Answer: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

Mr. Kemp calls for hundreds of billions in all sorts of tax cuts to everyone imaginable. He would spend hundreds of billions reducing the payroll tax cut, increasing the personal exemption, while reducing every corporate tax imaginable. Some of this is nice -- I wish we could just give away hundreds of billions. And what is his only suggestion for paying for these massive new tax cuts? He calls for a line-item veto -- which we support -- and what he calls "strong budget caps." We really can't afford four more years just like the last 12 years with people like Mr. Kemp promising everything to everyone, saying we can cure all our problems without having the guts to come forward with even one specific tough choice.

IN-DEPTH Q&A ON CLINTON-GORE ECONOMIC PACKAGE

1. Broder column and the deficit:

Q: Broder implied that the President knew about the deficit increase during the campaign and that thus he was not being straight in saying that it was the deficit that forced him to go beyond the campaign and raise energy taxes. What is your response?

A: The clear and undisputable facts show that he is wrong. It is the case that the deficit did deteriorate during the Presidential campaign. Everyone knew that. But it did not deteriorate enough to require us to have raised energy taxes to get our current deficit target for 1997.

But the undisputable fact is that after the election was over the deficit got far worse by any standard. The adjusted OMB shows that the deficit got worse by \$70-100 billion after the campaign. The CBO showed that it got worse by well over \$33 billion. When adjustments were made to our internal numbers, the deficit was \$50 billion higher. So by any standard, it is a clear, objective and undisputable fact that the deficit got \$33-\$100 billion worse after the campaign. No one -- no one -- had the capacity to know what the January 1993 CBO and OMB numbers would be before they came out. Therefore, no matter whose numbers you believe, the facts are clear: the deficit is much higher than anyone could have known last summer.

2. Business Week Deficit "Prediction:"

Q: But last July, Clinton told Business Week the deficits would approach \$400 billion.

Let me repeat, no human being could predict what the OMB or CBO would do with their January 1993 numbers until they came out.

The unexpected increase in the deficit was the rise in FY1997 to \$346 billion -- more than \$100 billion greater than when we first did our plan. When Clinton spoke to Business Week he was not even talking about the deficit baseline in 1996 or 1997. What he was referring to in that July 6, 1992 interview was that some were predicting that the 1992 budget might rise to near \$400 billion because of RTC costs and other factors. When Congress did not deal with the RTC and technical changes were made, the deficit for 1992 ended up being \$290 billion. As it turned out, the 1992 number was far lower than anyone expected, but the 1997 number that we have to live with was more than \$100 billion worse than Clinton -- or anyone -- could have known in July 1992.

3. Bush Campaign Tax Commercial:

Q: When Bush did a commercial saying that people making \$36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

A: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1-2%. What he proposed in his budget was only on the top 1.2% of families making over \$180,000. Almost 99% of Americans are untouched by increases in the income tax -- just as Clinton promised.

Even when the deficit increased after the campaign by an additional \$50 billion, Clinton ensured that average families were touched as little as possible by overall tax package-- no more than \$17 a month for an average family -- while millions of families will pay far less when you count their reduced mortgage costs.

4. Family Economic Income:

Q: David Broder says that the Clinton counts income in his figures of \$30,000 and \$100,000 is inflated and counts income that people normally do not count as income and that this is more smoke and mirrors. What is your response?

A: Those were the same Treasury calculations used in the Treasury for years -- by Republican Administrations. Only now is it challenged. If you look at the Reagan Administration's 1985 "Tax Proposals to the Congress for Fairness, Growth and Simplicity" or their 1984 report "Tax Reform for Fairness, Simplicity, and Economic Growth" -- they both use the same concept of "family income" and have an appendix that explained it in detail. Whatever differences there are between family income and adjusted gross income, that difference is minimal for the average middle class family.

In any case, objective studies by the nation's top tax and accounting companies completely confirm our estimates.

Arthur Anderson showed that a family of three making \$25,000, would actually receive a \$700 tax cut because the amount we increased the Earned Income Tax Credit is so much larger than the energy tax.

Coopers & Lybrand found that for a family of four making \$55,000 adjusted gross income their tax rate would go up less than \$11 a month.

[It should also be noted that, by any standard, objective study after objective study has shown that the average family pays only around \$15 more a month in higher energy taxes, while a USA Today article this week 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. In addition, the worst distribution table shows that the top 10% pay 70% of all of revenues in the Clinton plan.]

5. Clinton Baseline and CBO Baseline:

Q: Isn't Clinton's baseline purposefully made more negative so that it looks like you are doing more on the deficit. After all, the CBO deficit is only \$319, while his is \$346?

A: The Administration had some slightly more conservative revenue calculations, but let's be clear: the plan achieves specific gross cuts of \$195 billion in 1997. When you subtract \$55 billion for new investments that comes to \$140 billion in net deficit reduction.

We have been more conservative in all our numbers so that the American people know we are shooting straight with them. Remember, the Council of Economic Advisors came up with the same growth numbers as the Blue Chip. We could have used those numbers and no one could have assailed them. Yet, since the CBO numbers were more conservative, they used them so that there could be no chance that anyone could see them as getting out of the nation's problems with rosy scenarios.

6. Spending cuts:

Q: How do you reply to the claims by Pete Domenici that the Clinton is not really doing much on spending cuts?

A: If you look at his gross cuts, he is cutting \$247 billion in spending and has \$493 overall in gross deficit reduction. Even when you subtract all of the tax incentives and new investments, you still find \$325 billion in net deficit reduction over four years and \$473 in net deficit reduction over five years. Even with all of the new investments, this is still close to being the largest net deficit reduction package of all time.

In fact, if the Clinton plan is adopted, we will spend less -- as a proportion of our national income -- than either Bush or Reagan. [Government spending under the Clinton plan would average 22.7 percent. Under the Republicans, it averaged 23.3 percent.]

7. Tax and Spending Ratios:

Q: But doesn't he rely far more heavily on tax revenues and really far too little on spending cuts? Some -- like Rep. Kasich -- say the ratio is \$3.60 cents to every \$1 in spending cuts.

A: The long-term package over five years has \$375 billion in gross spending cuts and \$222 billion in cuts even if you subtract all of the new investments.

In gross terms, the overall plan relies more on spending cuts and has more spending cuts than revenue raisers by the second full year. Yet, even if you look at the net numbers -- even if you subtract all of the tax incentives and new investments -- there are more spending cuts than taxes by the fourth year out, and most importantly, that pattern continues to grow with each year. In other words, the percentage of spending cuts continues to exceed the revenue raisers by more and more each year starting in the fourth year.

So the plan will set the nation on a new path. We are turning around the pattern of high deficits and low investment and replacing it with lower deficit, higher investments and do so while setting a long-term pattern that relies more and more on spending cuts with each year.

[Note: In real terms, Treasury has calculated that the 1982 Reagan tax increase was larger and less fair than our tax package]

Specific Spending Cut Issues:

Q: Your numbers seem good from a distance, but what we are hearing is that you are inflating your spending cuts by counting things that are not really spending cuts. I would like to mention the charges one by one and have you respond as to why it is a spending cuts.

8: Interest Cuts?

Q: Both of the critique on the Clinton budget put out by Republicans on the House and Senate Budget Committees say that the Administration is wrong to count interest rate cuts as a spending cut. What is your response?

A: We knew that Washington was out of touch, but we never thought we would live to see the day when if we cut the tragic amount of interest we pay on the debt, we would be told that this is not cutting spending! Do the Republicans think that cutting interest payments on the debt is raising taxes?

We spend nearly \$200 billion a year in interest payments on a national debt that has exploded over the last 12 years. We spend this money -- much of it to foreign bond holders -- instead of investing in America. Since, many of the people in Washington have never cut the interest payments we pay on the debt, I can understand that they do not know what to call it. But I think most people know that when they pay down their credit cards so they pay less interest, they are cutting their spending. When we finally have the courage to cut the deficit so that we are cutting the spending we pay on interests, we are cutting spending. Republicans can call this a Kangaroo or an orange or whatever they want, but common sense tell you that you are cutting spending not raising taxes.

9. Social Security?

Q: Many people have criticized the Administration for counting their Social Security provision as a spending cut when they are raising funds by including more Social Security benefits as taxable income?

A: Just Tuesday, at a Dole, Domenici, Packwood Press conference -- Senate Finance member Packwood stated clearly that this type of reduction in Social Security has been counted as a spending cut by both the Bush and Reagan Administration. [Reuters Transcript Report, 2/23/93] Former CBO director Rudy Penner has published an article stating that this reduction should be seen as a spending cut.

And as Herb Stein said in the Wall Street Journal, (1/24/93) there is no reason to call this a new revenue as opposed to a spending cut. The effect is exactly the same. However it is classified, we are spending less on entitlements by the same amount

The main thing is that it is too bad that people who don't have the courage to change are getting lost in form over substance. For years and years, we have heard that we have to cut what we spend on entitlements, and that we must have the courage to take on Social Security. If the Clinton plan had cut COLAs, it would have been regressive, but everyone would have called that a "spending cut." Yet, the Administration figured out a way to cut spending on Social Security entitlements by affecting only the top 19% of beneficiaries. That is an important, smart and fair way to reduce entitlements -- whatever you call it.

10. User Fees?

Q: Some are also saying that they are counting fees as cuts when they are really higher taxes:

A: It has always been the standard rule that if a business or a person uses a government service -- paid for by the taxpayer -- and that business or person pays for a specific service and is charged for it in a business-like way, then it is counted as a reduction of the costs of the program. Why should a taxi cab driver have his tax dollars used to subsidize a wealthy person's use of a private jet? Making that private jet owner pay for his use of a taxpayer financed airport so that we can spend less on our airports is lowering the spending costs average taxpayers have to pay.

11. Earned Income Tax Credit:

Q: The House Budget Republicans say that it is wrong for the Administration to count all of the earned income tax credit as a tax cut, and that they should count part of it as a spending increase?

A: That is a trickle-down definition if I've ever heard one. If a tax cut is given for a rich person it is called a supply-side miracle. When we give a tax cut for working people, they call it a spending increase. The fact is that President Bush and everyone else scored the earned income tax credit as a tax cut in the 1990 Budget Agreement. It is just one more attempt to distract attention from the fact that Bill Clinton has presented a real deficit package, and the Republicans have no reply.

12. Spending Cuts and Budget Agreement:

Q: What is your response to Domenici and others who say that many of the Administration's spending cuts were already in the 1990 budget agreement?

Answer: No. Every single one of the 150 programs we cut is a new cut -- beyond what was implemented in the Bush Administration -- creating new savings. The 1990 Budget agreement had caps -- it didn't say what the cuts were, or who would have the courage to identify and call for them. By filling in the black box with real and specific reductions, the Clinton plan converts smoke and mirrors into concrete spending cuts.

13. Gross and Net Deficits:

Q: But didn't the OMB Director purposely mislead us by giving the impression that you were cutting \$493 billion in net deficit reduction over four years?

A: No. There may have been some confusion over what was gross deficit cuts and what was a net deficit cut. The Administration has always made it clear that of the \$493 billion in gross deficit reduction, 2 of every 3 dollars goes for deficit reduction and \$1 goes for new investment. In his briefing on February 17th, Leon Panetta referring to the \$493 billion said, "Two-thirds of that amount goes for deficit reduction, one-third of that amount goes for investments."

14. Social Security Thresholds:

Q: The President claimed that while he was going to ask for more from well-off Social Security recipients, that no one who did not pay tax on their Social Security now would not pay tax under his proposal. Yet, some claim this is not true. They say that the provision will reach below \$32,000 and tax new people who never before paid tax on their Social Security benefits.

A: That is not true. We ask more from the top 19% of the Social Security recipients and that is all. The same 80% of Social Security recipients who don't pay a dime on their Social Security benefits will still not pay a dime.

[The formula to increase the amount of benefits subject to taxation, is phased in so that only those over the current threshold -- \$25,000 for a single and \$32,000 for couple --are affected. The claim that we are reaching deeper is not the case: the thresholds are intact under our plan. (If there are disputes on the revenue we raise, that is a technical issue)]

15. The Need for a Stimulus?

Q: Now that we see how great the growth was for the 4th Quarter of 1992, do we still need a stimulus package?

A: In light of the strong upsurge in consumer confidence that occurred in the last few months of 1992 because of optimism over President Clinton's election, we are gratified by the encouraging news. Yet, as we have said before, the President's criteria is jobs, and we still have a jobless recovery, with historically low job creation rates. If this were even an average recovery, we would have 3 million more jobs in the economy today. In fact, the unemployment rate is higher today than it was at the very bottom of the recession. So we are not satisfied, and we will not be satisfied until we get a job creating recovery.

16. Gramm-Army?

Q: What about the Gramm-Army plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non-Social Security entitlements at inflation as they claim?

A: Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm-Army does not call for a single new dollar in training for laid-off defense workers, for anti-crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

But far beyond that, their nice sounding plan could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI -- 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

We have given every cut -- no matter how painful -- line by line, dollar by dollar, year by year. Others who don't have the cuts to follow course, throw out gimmicks that sound nice, but when you look behind them you find that they could only take place if we called for painful, dangerous cuts that these same people don't have the courage to be specific about.

17. Kemp-Weber?

Q: How about the Kemp-Weber proposal -- "Empower America?"

A: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

— Mr. Kemp calls for hundreds of billions in all sorts of tax cuts to everyone imaginable. He would spend hundreds of billions reducing the payroll tax cut, increasing the personal exemption, while reducing every corporate tax imaginable. Some of this is nice -- I wish we could just give away hundreds of billions. And what is his only suggestion for paying for these massive new tax cuts? He calls for a

line-item veto -- which we support -- and what he calls "strong budget caps." We really can't afford four more years just like the last 12 years with people like Mr. Kemp promising everything to everyone, saying we can cure all our problems without having the guts to come forward with even one specific tough choice. We gave America a real budget, with over a 150 specific cuts in program for each of the next five years so that we could both bring the down the deficit while we increased investments in our people. That is tough to do, but that is the type of change the American people want.

18. Marriage Penalty?

Q: Isn't there a marriage penalty in this package?

A: No. This plan doesn't even touch the incomes taxes of any other than the top 1.2% of all taxpayers. Some have complained that the surtax on those making over \$250,000 is a marriage penalty for those in that bracket because it didn't distinguish between singles and married couples who are extremely well-off. That just goes to technical aspects of that provision and is a red-herring at best.

THE WHITE HOUSE
WASHINGTON

May 17, 1993

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: GENE SPERLING

SUBJECT: ECONOMIC TALKING POINTS

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

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

SUMMARY SHEET ON SEVEN KEY POINTS

LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE

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

SPENDING CUTS ARE SIGNIFICANT AND REAL

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

SPENDING CUTS TO FUND DEFICIT REDUCTION AND NEW INVESTMENTS

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

FAIR AND PROGRESSIVE TAXATION

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

THE ENERGY TAX IS MODEST AND PHASED-IN

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

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION

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

LOWER INTEREST RATES OFFSET TAX INCREASES

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

ECONOMIC PLAN TALKING POINTS

May 17, 1993

LEADERSHIP AND COURAGE TO BRING ABOUT ECONOMIC CHANGE

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

EVEN DISTRIBUTION BETWEEN SPENDING CUTS AND TAXES

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

SPENDING CUTS TO FUND DEFICIT REDUCTION AND NEW INVESTMENTS

- * As with the entire package, the reconciliation package includes enough cuts to support not only serious deficit reduction but new investments as well. As mentioned above, in

the entire economic plan as a whole, for every dollar of new investment, there is a dollar of spending cut to pay for it and two more for deficit reduction.

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

SIGNIFICANT SPENDING CUTS:

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

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

FAIR AND PROGRESSIVE TAXATION

- * The President's plan turns around trickle-down economics by putting forth a deficit reduction plan that is as fair as it is real in bringing down the deficit.
- * First, the overwhelming majority of these taxes fall on the most well-off Americans. Indeed, the Congressional Budget Office found that 75% of the taxes we raise fall on the 6.5% most-well off families -- those that make over \$100,000.

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

LOWER INTEREST RATES OFFSET TAX INCREASES

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

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION:

- * That is what the Deficit Reduction Trust Fund Does. It locks in \$496 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction.
- * It is a needed enforcement provision because currently, the budget law the President inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts.
- * What we heard from people all over this country is that they are willing to accept entitlement cuts and even fair tax increases if they can be assured that all of it will go to deficit reduction, and that Congress cannot later change its mind.
- * The Deficit Trust Fund has been unfairly compared to such gimmicks as the Bush "tax check-off" idea. That Bush campaign proposal is another in a long list of gimmicks designed to masquerade as an idea for more deficit reduction, without having to say where the tough choices are. The Clinton plan lays out \$496 billion spending cuts line-by-line, year-by-year. The Deficit Reduction Trust Fund is simply a legal guarantee that those funds targeted for deficit reduction in this plan will not ever be diverted.

DEFICIT REDUCTION TRUST FUND

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

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

Facts on Deficit Reduction Trust Fund

Description:

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

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

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

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

Q&A ON DEFICIT REDUCTION TRUST FUND

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

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

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

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

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

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

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

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

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

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

as of 4/16

Talking Points for Jobs Compromise

Description

o The President announced today a compromise recommendation to the Senate leadership on the jobs stimulus bill intended to break the gridlock. While the jobs bill has the support of a majority of Senators, it has been stalled by a filibuster over the past several weeks.

o The compromise would involve the following:

--Overall budget authority levels in the bill would be reduced by 25% from \$16.2 billion to \$12.2 billion. However, the jobs created by the bill would be reduced by only 18%.

--Unemployment benefits, highway programs, summer jobs, childhood immunization, Ryan White program for AIDs victims, construction of wastewater treatment facilities, food safety, and assistance to small business would be fully funded. In addition, the President would target \$200 million for grants to local governments to provide additional police protection.

--The remaining programs would be subjected to an across-the-board reduction of 44 percent. Programs in this category include CDBG, technology, education, science and housing programs.

o The President is reluctant to approve any compromise that reduces the overall number of jobs created by his economic plan. But his interest is in breaking gridlock and jumpstarting the economy, and his offer to the Senate leadership is designed with both objectives in mind.

Questions and Answers (not for distribution)

- Q. Does the Administration have any Republican support for the compromise proposal?
- A. The President has recommended a course of action to the Senate leadership in the hopes of moving forward his jobs bill. The specifics of this proposal were not discussed in advance with Republican members.
- Q. Is this proposal a first proposal in a series of negotiations or does it represent a final offer?
- A. Negotiations cannot be conducted with only one party. The Republicans have not offered any alternatives to the president's jobs bill. Reluctantly, the President has acknowledged the procedural difficulties faced in the Senate and has offered a compromise position that achieves some but not all of his economic objectives.
- Q. Will this proposal survive the Senate?
- A. It is our hope that the proposal will be adopted as the Mitchell/Byrd substitute and pass the Senate.
- Q. Why did the Administration exempt certain programs from the across-the-board reduction?
- A. The President was forced to make difficult choices amongst a series of priorities. The programs selected for funding included those where funding in fiscal 1993 is most desperately needed. We will continue to press for funding of those programs subjected to the across-the-board reduction as part of our long-term investment strategy in the fiscal 1994 and subsequent appropriation bills.
- Q. What has the Administration been doing over the recess to generate additional support for the jobs bill?
- A. The President has spoken several times on the need for the legislation and the reasons for specific program increases. Senior White House officials, Cabinet members and others have discussed the economic benefits of the proposal with a number of Republican members and urged their support.

TALKING POINTS ON THE PRESIDENT'S JOBS PACKAGE

* **Americans need jobs now.** This is a virtually jobless recovery. Today it was reported that building permits fell by nearly nine percent in March -- the worst monthly drop since the beginning of the recession. Sixteen million Americans who want full-time work still can't find it. The unemployment rate has equalled 7% or higher for sixteen straight months and we have 1.1 million fewer private sector jobs than we did at the start of the recession -- nearly three years ago. The President's jobs bill will create nearly 700,000 summer jobs this year and hundreds of thousands more year-round jobs.

* **We need to pass the President's jobs package now.** Unless the President's jobs bill is passed by the end of April, the **Small Business Administration will have to shut down its main lending program, the Section 7(a) program**, which provides loan guarantees to small business.

This is the same Section 7(a) program that sixteen Republican Senators wrote to President Bush about in a July 9, 1992 letter that urged Bush to support the 7(a) program. Here's what Republican Senators, including Bob Dole, had to say about a program they are now about to kill:

"We, the undersigned Republican Senators, are writing to express our strong support for the Small Business Administration's 7(a) program.

"Small business entrepreneurs have led the way in creating new job opportunities.... Two out of every three new jobs in the past decade have been created by small business.

"The SBA 7(a) program is an important source of long-term financing for the nation's small business sector which simply is not available through conventional sources.... The SBA 7(a) program is one of the greatest success stories of the past twelve years."

* **The package is paid for.** The \$12.2 billion jobs bill is more than paid for by the nearly \$500 billion in deficit reduction over five years in President Clinton's budget proposal.

* **Republican charges that funding for the Jobs Bill is already in the pipeline are FALSE.** The Republican attack is based on unobligated funds from the first quarter of the fiscal year. Of course, most of this year's funds haven't been obligated by only the end of the first quarter. In fact, some regular budgeted items can't begin to be spent out until late in the year so that there are funds available at that time. Some items require a state/local match on federal dollars that the other jurisdictions can't pay quite yet.

But, the Jobs Bill is different. The Jobs Bill specifically appropriates funds to be spent **THIS YEAR**. And the Jobs Bill specifically waives restrictions in several programs to ensure that these funds get out as quickly as possible.

- * **Republicans supported supplemental appropriations in the past; their opposition to supplementals is newfound.** During the Reagan and Bush Administrations, 28 supplemental appropriations bills totalling \$130 billion in net spending were enacted into law.

In fact, 24 of today's Republican senators voted for President Reagan's \$15 billion 1983 Jobs Supplemental, which included many of the same programs in President Clinton's proposal, such as: Community Development Block Grants, highways, mass transit, WIC, Unemployment Compensation and others.

After voting for 28 supplementals, why do they choose gridlock now for a jobs bill for American workers?

- * **Republicans supported highway and infrastructure investment in the past; they should support it now.**

Bob Dole supported the highway bill as "creating 4 million jobs". [News Conference Federal News Service 11/27/91]

Phil Gramm said: "How can having a highway bill be controversial? --a bill that would create tens of thousands of jobs." [Federal News Service 11/27/91]

Bob Michel said "thank heavens" for such a "job creator" bill. [11/27/91]

Newt Gingrich said that "the highway bill is undersold if you look at the job creation of the construction jobs...it is a "net job creator" and that we had to recognize the second and third-order job creation opportunities." [Federal News Service 12/18/91]

- * **Here are a few of the business groups and business people who support the President's jobs package:**

American Electronics Association

American Road and Transportation Builders Association

National Association of Homebuilders

National Association of Realtors

Small Business Legislative Council

Jerry Levin, CEO, Time-Warner

Jim Jones, President, American Stock Exchange

**TALKING POINTS
THE JOBS PACKAGE**

APR 22 1993

* On Wednesday, the Republican filibuster in the Senate held and the President's jobs plan was changed to include only funding for unemployment benefits. The Senate's failure to pass President Clinton's jobs package represents a tremendous loss for thousands of Americans who want to invest in job creation today.

* The American people understood the need for the President's job package. The President, intent upon breaking gridlock in Washington and jumpstarting the economy, offered the Senate leadership a compromise designed with both objectives in mind. Senate Republicans decided to put politics ahead of people and fund unemployment, over jobs.

* The President's complete plan fundamentally reorders the nation's economic priorities by increasing investment, reducing the deficit and moving the economy into the future. The jobs package itself would have created 500,000 full and part-year jobs in 1993 alone through investments in highways, summer youth employment, community development, wastewater clean-up, summer Head Start, the WIC program, youth employment, veterans facility upgrading and energy conservation.

* Department of Labor jobs figures released earlier in the month confirmed that the country is stuck in a jobless recovery:

- *Unemployment stayed above 7% for the 16th month in a row.
- *The total number of jobs dropped by 22,000.
- *There are still 16 million Americans who want full-time work and can't find it.
- *Average American workers have seen their real wages go down in the last four years.

*It's clear that the American people are the real losers in this fight. But President Clinton will not rest until the country's economy is moving forward. The Congress has passed the President's central budget proposal, the broad outline of his economic plan, which now lays the ground work for the consideration of specific ideas to invest in people, provide incentives for enterprises, reduce the deficit, and equip the American people to meet and master change. These actions are essential if we are to return the United States to the path of long-term economic growth.

NOTE: Attached are projected jobs bill funding figures by state and by project. The figures were compiled by the bi-partisan National Governor's Association.

-- UPDATED TALKING POINTS --

APR 20 1993

The President's Strategy for Growth

Congress has adopted President Clinton's plan for increasing investment, creating jobs, and reducing the deficit. While this plan will ensure that the United States enjoys economic growth and its workers experience rising incomes in the long-term, we still need to increase economic growth and the creation of jobs in the short-term.

The Economic Case for Change

According to the Department of Labor's latest job figures, unemployment stayed above 7% for the 16th month in a row and the total number of jobs dropped by 22,000. At the same time, there are still 16 million Americans who want full-time work and can't find it. This anemic and fragile recovery is not producing jobs, and we need to take action now to put people back to work. The President's plan will produce **over 500,000** full and part-year jobs. Here are some highlights:

- **Small Businesses (\$141 million in section 7a loan guarantees)**

Small businesses have created most of the new jobs in this country and they need to flourish. We must put an end to the era of shipping American jobs overseas while leaving small businesses without basic support. Instead, we must encourage our small business people and entrepreneurs to take risks and invest in our own communities.

- **Highways (\$3 billion)**

To build a twenty-first century, America must start investing in its own infrastructure. Just as interstate highway construction in the 1950s ushered in two decades of unparalleled growth, investment in our highways now will create large predictable markets, stimulate private industry, and put Americans back to work.

- Youth Summer Jobs (\$1 billion)

We need to provide educational enrichment for kids in the inner-city and rural communities. The summer jobs programs will create 700,000 real jobs renovating housing, repairing public buildings, doing clerical work, providing nursing assistance in hospitals, supervising and training children at child care centers. For many of these young people, this will be their first experience in the world of work. A first job can teach self-discipline, responsibility and steady work habits that businesses will want to see in their future employees. In the process, our kids will be helping to build local communities, strengthen local economies and solve local problems.

- Immunizations (\$300 million)

Studies under all administrations have shown that vaccines are the most cost-effective way to prevent human suffering and to reduce the economic cost that result from vaccine-preventable diseases. But because we've gotten away from preventive care and because immunizations have become unaffordable or unavailable, millions of infants and toddlers are at risk of completely preventable diseases like polio, mumps, and measles.

- AIDS (\$200 million for programs authorized under Ryan White Comprehensive AIDS Resources Emergency Act)

If we fail to commit our hearts and resources to fighting AIDS now, we will pay a far greater price in the future, both in deaths and in dollars. We need to focus our resources on new initiatives in research, prevention, and treatment. We need to work closely with individuals and communities that are affected by HIV to create a partnership between the federal government and those with knowledge and experience in fighting HIV.

- Wastewater Clean-up (\$845 million)

Environmental protection is fundamental to America's national security. We need an aggressive national strategy to cut pollution and clean up the waste that has already harmed our environment. We need to take effective measures to preserve our resources; and we can start by building sewage and wastewater treatment plants to clean our water supply.

- Police (\$200 million)

At a time when too many of our people live in fear of violent crime, when too many businesses have closed and too many people have lost their jobs because people are afraid to leave their homes, helping local communities to rehire police officers is the best investment we can make.

- Communities (\$1.4 billion* for community development grants)

Our nation cannot move forward until our cities and rural communities become centers of expanding opportunity and engines of economic growth. We need to require that companies that bid on community development projects 1) set up their operations in low-income neighborhoods and underserved regions and, 2) employ local residents. America's communities should be places where hardworking families can put down roots and find good jobs; let's make it so.

- Head Start (\$317 million* for summer programs)

Children who participate in Head Start do better in school and become more productive as adults. By giving them the caring, stimulating environment they need, Head Start programs enable at-risk children to become problem-solvers instead of problems. With this initiative, one of our country's most cost-effective programs will become far more widely available and help change countless lives.

- Women, Infants, and Children (\$43 million*)

Children are our future. If our nation is going to prosper, our children will have to grow up healthy, not hungry. This special supplemental food program for women, infants and children, helps make sure they do.

- ALSO Inside the Stimulus Package

Airports (\$143 million* for improvements)

Mass Transportation (\$429 million* for local transit authorities, primarily allocated to repairs and improvements)

Housing (\$241 million* for supportive housing)

Schools (\$419 million* for Chapter 1 summer and fall programs)

Student Loans (\$1 billion* to cover shortfalls in student aid programs)

Rural Development Administration (\$199 million* in grants and loans)

Department of Interior Natural Resources (\$199 million*)

Veterans Hospital (\$134 million* for maintenance)

Food Safety/Meat Inspection (\$4 million*)

Information (\$37 million* to develop new information networks and improve existing ones)

* NOTE: These numbers reflect compromise recommendations being sent to Congress. The precise numbers are continuously changing.

President Clinton is Fighting for a New Economy

The Clinton budget passed by Congress fundamentally reorders the nation's economic priorities by increasing investments, reducing the deficit, and moving the economy into the future. His jobs plan is an essential element of that plan -- to create jobs, boost consumer confidence, and get the economy moving again. He will not rest until the American economy starts working again for the American people.

END

MAR 30 1993

More Q & A on the Economic Plan...
March 26, 1993

Revision of 4th Quarter GDP

Q: Today the Commerce Department released its final estimate on 4th quarter GDP growth -- 4.7 percent -- which is only a small downward revision from the preliminary estimate of 4.8 percent. Doesn't this support arguments that the economy is on a steady course for recovery and that the President's stimulus package is not needed?

A: No. There is nothing new in this report. It is just a slight revision downward of the growth numbers that were previously released for the fourth quarter of 1994.

Corporate Profits:

Q: But Commerce also released a report today that states that corporate profits for the 4th quarter were up 15.3% over 3rd quarter profits. And corporate profits for the entire year in 1992 were up \$48.2 billion over 1991 -- the first annual increase in corporate profits since 1988.

A: The reasons that the fourth quarter numbers were so high is that the third quarter numbers were artificially depressed from the Hurricanes -- Andrew and Iniki.

As I have said from the start, however, the ultimate judge of a recovery is what it does for the jobs and wages of hardworking American families.

And while profits for corporations were up in the second half of 1992, there was no real wage growth for average American workers during this same period.

CONCERNING JOBS: this is still the weakest recovery ever:

- o private sector employment remains more than 1.1 million jobs below the level before the start of the recession in July 1990. That means in the last 2.5 years of the Bush Administration, we have lost 1 million private sector jobs, even though that included much of the so-called recovery

- o We have recovered less than one-third of the private sector jobs destroyed by the recession. (We have recovered only .5 million out of the 1.6 million lost during the recession).

- o We are now in the 23rd month of the recovery. In a typical post-war recovery employment would have

increased by 4.3 million by now. Thus we are more than 3.4 million jobs behind a typical recovery.

Jobs and Stimulus:

Q: How about those who question the job numbers in your plan?

A: These are people who advocated doing nothing for over two and half years while our nation lost 1.1 million private sector jobs. Now they are trying to point to things that are nowhere in my plan to mock the whole notion of a plan to create jobs. By the most conservative estimates, our plan creates 500,000 jobs. (They have tried to distort how much it costs to create each job by counting the unemployment compensation, ignoring the private sector job creation, and by counting 2 years of funding for each job.)

Many of them now mock the \$3 billion I have in my stimulus plan for fully funding our highway bill. Yet, when George Bush was President:

Bob Dole supported the highway bill as "creating 4 million jobs".

Phil Gramm said: "How can having a highway bill be controversial? --a bill that would create tens of thousands of jobs."

Bob Michel said "thank heavens" for such a "job creator" bill.

Newt Gingrich said that "the highway bill is undersold if you look at the job creation of the construction jobs...it is a "net job creator" and that we had to recognize the second and third-order job creation opportunities."

Greenspan Talking Points

Q. Are you more likely to call for additional spending cuts now that Greenspan has said your program needs more?

A. Greenspan said in his testimony that he "is encouraged that the President and the Congress are making serious efforts to restore a measure of balance to our fiscal affairs."

The point he made is that the deficit will still increase in the out years unless we control the structural deficit.

That is the reason the President is so determined to put forth a bold health care plan to control health care costs. The structural deficit increase will come from rising health care costs. Thus we agree that more spending controls are

needed to control the structural deficit in the out years, and that is why we need to pass our health care plan.

Q. But if you use savings from health care costs for universal access, won't you wipe out the additional savings?

A. At the outset, savings may be used for access. But even if that is the case, if we successfully reduce the spiraling increases of health care--currently 2 1/2 the rate of inflation, we will be attacking the main element of the structural deficit.

Q. But wasn't he really criticizing your tax-spending mix?

A. No. He was laying out principles on addressing the structural deficit and explicitly said he was "eschewing comments on the specific elements of the deficit reduction proposals currently under review by the Congress.

One point that we would emphasize differently through Greenspan is that he focuses on private sector investment, while we focus both on public and private investment. We must have lower interest rates-- and we have already made progress-- but we also need investment in schools, defense conversion, and 21st Century infrastructure.

Q. How about his call for a constitutional amendment to limit new taxes?

A. Greenspan said he was opposed to a constitutional balanced budget amendment. He said he would support one that calls for a super majority for all severance initiatives.

What the President has said is that he would consider such measures as long as they were designed to encourage both public and private investment. What we need, however, is more leadership not more Constitutional amendment proposals.

MAR 30

Q&A ON CLINTON-GORE ECONOMIC PACKAGE FOR MARCH 24, 1993

ENTITLEMENT CAP

Q: Do you support the entitlement cap being supported by today by Domenici and Nunn?

A: No. The entitlement cap sounds like a harmless way to raise revenues, but when you look within the harmless black box, almost 90% of all savings come from Medicare and Medicaid -- with dramatic cuts inevitable in cuts to Medicare beneficiaries of all income. The Clinton-Gore plan already cuts \$58 billion -- in specific line by line cuts from hospitals and doctors -- over five years. Yet, the Nunn-Domenici plan calls in broad and vague terms at least another \$170 billion cuts in Medicare over a five year period. Even if only half that amount were to be in benefit cuts, that could cost the average Medicare recipient over \$2000 over a five year period. If we do that, on top of the Clinton cuts, without a national health care plan, it would require severe cuts to Medicare recipients of all incomes, that will cost people hundreds of dollars in benefits each year.

Certainly freezing entitlements at inflation and population growth sounds harmless, but with health care often at three times the rate of inflation, limiting entitlements at inflation is just a clouded way of saying we should simply reduce the deficit by putting all of the burden on the elderly -- without doing anything to improve our health care system.

The way to get entitlement costs down is to come up with a real solution -- a national health care plan. That is why we are doing?

Q: But Nunn suggests that they might not start their plan until 1996. Does that make this more palatable?

A: No. That means it goes in the third through fifth year of our plan -- and will add around \$82 billion on top of our Medicare cuts. Again, as we have already called for significant provider cuts, this will inevitably mean severe cuts in benefits with no assurance that we will have a health care plan to lower costs, improve access and insure quality.

These type of black boxes approaches years down the line are exactly what we have to get away from. First, it hides the pain they would be inflicting. Second, it does not confront the reality that you can only reduce entitlements with real health care reform -- and not by simply saying you are going to dismantle the Medicare benefit structure.

[And it will force states to raise taxes by simply cutting their Medicaid payments dramatically.]

SOCIAL SECURITY THRESHOLDS

Q: GOP Senators are also going to be introducing amendments to raise the thresholds on Social Security recipients who will be subject to taxes on their benefits. What is your response?

A: I said in my Joint Address to Congress that everyone would have to contribute -- but that we would only ask people to contribute in a way that would be fair. I have chosen a way to do something that only affects the top 20% of recipients of Social Security and ensures that no one who is not currently paying taxes will have to in the future.

Ironically, many of those who criticize this progressive effort to reduce the deficit, are the same ones who want a so-called entitlement cap that would mean severe Medicare cuts that could cut significant benefits from all Medicare recipients regardless of income.

THE NEED FOR A STIMULUS?

— Q: Mr. President, growth was great in the 4th Quarter of 1992, job growth was up significantly in February and interest rates are down. With all this good economic news, why do we still need a stimulus package?

A: I am encouraged by these trends. Yet, as I have said, my criteria is jobs and despite the upturn last month in job growth we still have a jobless recovery. If this were even an average recovery, we would have 3 million more jobs in the economy today. Many of the jobs that were created last month were part time jobs. In fact, the unemployment rate is higher today than it was at the very bottom of the recession. So we are not satisfied, and we will not be satisfied until we get a job creating recovery.

And many of our signals are still mixed. Construction permits were down by 3.1% and the decline in exports -- even with a weaker dollar -- suggest that slow world demand may mean that we will be able to depend on exports less.

Q: Senator Herbert Kohl -- a Wisconsin Democrat -- has hinted that he will introduce an amendment that would characterize only half of the \$16.3 billion package as "emergency" spending and force offsetting budget cuts to finance the remainder. Would you support this idea?

A: No. This is a plan that would result in not only having a weak stimulus plan, but it would lead to less investment in education, training, and defense conversion -- things that we need to do grow this economy and have real job creation.

The main reason for the failure of the 1990 deficit plan, is that we had a recession and a historically weak recovery. Those who care most about deficit reduction should be the most supportive of our stimulus plan. It is a small price to pay for insurance against a further decline.

MICHEL-DOLE LETTER

Q: How about the letter to get rid of those stimulus elements that are trivial -- as mentioned by the letter by Michel and Dole?

A: These are people who advocated doing nothing while the last Administration did not add any new jobs in the private sector for four years -- one of the worst records on private sector job creation in our history. Now they are trying to point to things that are nowhere in my plan to mock the whole notion of a plan to create jobs.

Let's be clear: None of these so-called projects are in my plan. None of them. You can search my plan all you want, and you will never see the type of things in there that they are trying to say. They are looking for the most extreme proposals that some Mayors say they could use, or they pull out something one of the cabinet officers say they would do if they had all the money in the world.

But we will be clear: the President has said that he will not allow any trivial programs to be included in his program, and his OMB Director Leon Panetta has sent a letter to Appropriations Chair Robert Byrd making that clear.

\$90,000 PER JOB

Q: What is your response to the claim that the stimulus package will cost \$90,000 per job?

A: That is a deceptive number created by one, not counting the private sector jobs our plan creates and two, by including the unemployment compensation package as a jobs program -- when they know that it is to cushion the blow of the longterm job loss we are trying to do something about from the recession.

The clear fact is that by our conservative estimate, our stimulus package will create 500,000 new jobs through 1994. It creates jobs at a cost consistent with the average jobs per national income in the economy.

What is most ironic is that the very people who mock the \$3 billion I have in my stimulus plan for fully funding our highway bill, bragged about how much job creation such infrastructure investment would create when they were trying to claim credit for the passage of the national highway bill. **By their standards, we would add 150,000 jobs just with 10% of our \$30 billion -- in our \$3 billion highway program.**

George Bush stated that \$11 billion would create 600,000 jobs -- over 55,000 jobs

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A. Greenspan said in his testimony that he "is encouraged that the President and the Congress are making serious efforts to restore a measure of balance to our fiscal affairs."

The point he made is that the deficit will still increase in the out years unless we control the structural deficit.

That is the reason the President is so determined to put forth a bold health care plan to control health care costs. The structural deficit increase will come from rising health care costs. Thus we agree that more spending controls are needed to control the structural deficit in the out years, and that is why we need to pass our health care plan.

Q. But if you use savings from health care costs for universal access, won't you wipe out the additional savings?

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What the President has said is that he would consider such measures as long as they were designed to encourage both public and private investment. What we need, however, is

more leadership not more Constitutional amendment proposals.

cc Amy

AMH'S

APR 2 1993

TALKING POINTS ON MARCH EMPLOYMENT REPORT AND STIMULUS PLAN

GRIDLOCK OR ACTION?

Republican Senators are unable or unwilling to put partisan politics aside to support an initiative to create jobs and put the American people back to work. We are of course pleased that we are in a period of recovery -- no matter how slow -- as opposed to decline. But as the President has said, any recovery worth its salt creates jobs. Average Americans can see what the Republican Senators refuse to see. These Senators are holding up a bill that will create 500,000 new jobs and will put us on the road to real job growth.

The real question comes down to this: are you satisfied with a jobless recovery, or do you believe we need to take action to put the American people back to work. The people made their choice in November. The President made his choice when he put out a bold, economic growth package on February 17. It is now time for the Republican Senators to do the same.

TODAY'S UNEMPLOYMENT REPORT:

We do not believe the recovery is strong enough to accept gridlock and inaction when even today's unemployment report further confirms that we are still stuck in a jobless recovery. This morning the Department of Labor released its latest job figures for March which showed that:

- Unemployment stayed above 7% for the 16th month in a row.
- Totals jobs are down by 22,000.
- Total private sector jobs are down by 10,000.
- The total number of manufacturing jobs is down by 9,000.
- Construction jobs are down by 59,000 jobs.
- Retail jobs are down by 7000.
- There are still 16 million Americans who want full-time work and can't find it. 16 million Americans when you include the unemployed, those who want full-time jobs and can't find them, and discouraged worker.
- The Wall Street Journal reported just this week that consumer confidence fell because Americans were worried about job prospects. [WSJ, 3/31/93] Average Americans who are worried know gridlock when they see it -- and this is it.

ARE YOU SATISFIED WITH GRIDLOCK AND A JOBLESS RECOVERY?

43 Republican Senators are trying to make the case that we don't need an immediate plan to create jobs and get the economy moving again. They are content with inaction and what has been the most disappointing recovery in our country's history.

- **In 1992, there were more business failures than at any time in memory.**
- **Private sector employment remains more than 1.1 million jobs below where they were at the start of the recession in July 1990. That means in that in the last 2.5 years of the Bush Administration, we have lost 1 million private sector jobs, even though that included much of the so-called recovery. And today, the unemployment report showed that we are down another 10,000 private sector jobs.**
- **We have recovered less than one-third of the private sector jobs destroyed by the recession. (We have recovered only .5 million out of the 1.6 million lost during the recession).**
- **We are more than 3.4 million jobs behind a typical recovery. We are now in the 23rd month of the recovery. In a typical post-war recovery employment would have increased by 4.3 million by now.**
- **Average American workers have seen their real wages go down in the last four years, and there was no real increase in wages for the average American even in the second half of 1992.**

PARTISAN FALSE EXCUSES FOR GRIDLOCK:

The charge of pork-barrel is sheer political demagoguery. As the President has said, his budget does not include a single one of the items Republicans are charging the community block grant funds will be spent on. They are continually stressing projects that are nowhere in the President's budget as a cover for inaction and gridlock.

Republicans have tried to block this jobs package by distorting how much it costs to create each job by counting the unemployment compensation, ignoring the private sector job creation, and by counting 2 years of funding for each job. The fact is that the President's immediate jobs package is a \$30 billion mix of investments and tax incentives designed to put people to work today by investing in the businesses, training and economic development we need for economic growth.

By the most conservative estimates, our plan creates 500,000 jobs. Many Republicans mock the \$3 billion in the stimulus plan for fully funding the highway bill and the other infrastructure investments in our jobs package.

Yet, when George Bush was President he stated that the highway bill would support almost 60,000 jobs per \$1 billion spent (Federal News Service 12/18/91)

Bob Dole supported the highway bill as "creating 4 million jobs". (News Conference Federal News Service 11/27/91)

Phil Gramm said: "How can having a highway bill be controversial? --a bill that would create tens of thousands of jobs." (Federal News Service 11/27/91)

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The charge of pork-barrel is sheer political demagoguery. Opponents of the bill falsely claim that the legislation will fund exotic or wasteful spending projects. They are continually stressing projects that are nowhere in the President's budget as a cover for inaction and gridlock. Their claims are false, and they are blocking jobs.

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ON THE HIGHWAY BILL:

Many Republicans mock the \$3 billion in the stimulus plan for fully funding the highway bill and the other infrastructure investments in our jobs package. Once, however, they supported public investments:

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ON HEAD START, WIC, JOB CORPS:

Last year, Dole co-sponsored a \$2 billion measure to boost funds for Head Start, Jobs Corps, and WIC. "These programs... are among the best weapons we have in our fight against poverty," he declared. [San Francisco Chronicle, 8/31/92]

John Chaffee said, "I believe we must go a little further in fiscal year 1993 if we intend to provide full funding for WIC and Head Start... We know beyond a shadow of a doubt that these programs are successful." [Congressional Record, 5/19/92]

COMMUNITY DEVELOPMENT BLOCK GRANTS:

Phil Gramm proposed an amendment to increase CDBG funds for Texas and other states by changing the formula for distributing funds from a need-based one to a population-based one. "I'm trying to right a terrible wrong in the allocation of money.... Texas gets cheated by the current formula," he said. [AP, 6/27/90]