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ECONOMIC COMPONENT STRATEGY

ECONOMIC COMPONENT STRATEGY

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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

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: NI DATE: 7/12/12
2012-0741-F

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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:	

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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:	

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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." [Putting People First 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:	

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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 expand 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 "Support[s] completion of the Space Station Freedom, 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 cancelled; 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 The Oregon Newspapers]
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 with regularly scheduled overtime shifts 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 <u>and</u> (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:	

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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." [<u>Putting People First</u>, 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./LIAISON:	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:	

February 9, 1993

~~CONFIDENTIAL~~ DRAFT

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:	

February 9, 1993

CONFIDENTIAL DRAFT

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:	

February 9, 1993

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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~~ DRAFT

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 millon 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

~~CONFIDENTIAL~~ **DRAFT**

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

~~CONFIDENTIAL~~

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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

CONFIDENTIAL

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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

~~CONFIDENTIAL~~ **DRAFT**

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./LIAISON:	
MESSAGE:	
ACTION:	

February 5, 1993

CONFIDENTIAL

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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

~~CONFIDENTIAL~~ DRAFT

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

~~CONFIDENTIAL~~ DRAFT

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

~~CONFIDENTIAL~~

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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

~~CONFIDENTIAL~~

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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

~~CONFIDENTIAL~~ DRAFT

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

~~CONFIDENTIAL~~ DRAFT

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

~~CONFIDENTIAL~~

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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

~~CONFIDENTIAL~~ DRAFT

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

~~CONFIDENTIAL~~

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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

~~CONFIDENTIAL~~

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

~~CONFIDENTIAL~~

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

~~CONFIDENTIAL~~

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

~~CONFIDENTIAL~~

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

~~CONFIDENTIAL~~

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

February 5, 1993

~~CONFIDENTIAL~~

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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. Employees retiring after October 1, 1995, will again be eligible for such lump-sum payments if no action is taken.
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~~

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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

~~CONFIDENTIAL~~

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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

~~CONFIDENTIAL~~ DRAFT

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 -- but for treatment of non-service-connected conditions. 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

~~CONFIDENTIAL~~

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

~~CONFIDENTIAL~~

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:	

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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:	

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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

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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:	

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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 contnent 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:	

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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:	

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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

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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 effective 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:	

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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 The Pension Form Magazine]
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:	

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