

FY-95 Budget -- Cross-Cutting Issues

PHOTOCOPY
PRESERVATION

DRAFT DOMESTIC POLICY COUNCIL DOCUMENT

FY95 Budget Planning By Cross-Cutting Issues

Agr. Com. Def. Edu. DOE HHS HUD DOI Int'l. DOJ DOL DOT Trea. VA

Economic Growth & Opportunity

- R&D and Technology
- Infrastructure Investment
- Human Capital (Education, Training, & Nat'l Service)
- Business Development & Investment
- Adjusting to Economic Change
- Rural Development
- Greater Border Protection

Promoting Individual Independence & Responsibility

- Welfare Reform
- Health Care Reform
- Inclusion (Persons with Disabilities, The Homeless, Older Americans; Donsia would like Native American category)

Building Stronger Communities

- Children & Family Services
- Community Empowerment (Empowerment Zones, CD Banks, Microenterprises)
- Safe and Drug-Free Communities
- Housing Reform -- Empowerment & Access
- Environmental Quality Of Life (or Environmental Health ?)

National Security

- Defense
- Peacekeeping
- Developmental Assistance

Other

pull out separately

Individual Empowerment Programs

*Indiv emp zones?
tax credits*

*check
w/
Paul*

pull out separately

FY 1995 BUDGET PLANNING by Cross-Cutting Issues

plan-IV.wk3

9/9/93

(Discretionary budget authority, mandatory outlays, and tax expenditures, in millions of dollars)

	<u>Agr.</u>	<u>Com.</u>	<u>Def.</u>	<u>Edu.</u>	<u>DOE</u>	<u>HHS</u>	<u>HUD</u>	<u>DOI</u>	<u>Int.</u> <u>Prgm.</u>	<u>DOJ</u>	<u>DOL</u>	<u>DOT</u>	<u>Trea.</u>	<u>VA</u>	<u>EPA</u>	<u>NASA</u>
--	-------------	-------------	-------------	-------------	------------	------------	------------	------------	-----------------------------	------------	------------	------------	--------------	-----------	------------	-------------

Economic Growth

- o R&D, Technology & Science - Peroff
- o Infrastructure Investment - Schwartz
- o Human Capital (Education & Training) - Selfridge
- o Business Development - Ryder
- o Urban & Regional Development & Investment - Ryder
- o Adjusting to Economic Change - Meyers
- o Export Promotion - DuSault

Promoting Individual Independence

- o Welfare Related Programs - Selfridge
- o Investing in Children - Selfridge
- o Individual Empowerment Programs - Selfridge
- o Drug-Free and Safe Communities - Schwartz
- o Homelessness & Family Services - Ryder
- o Consumer Protection - Selfridge

Environment and Natural Resources

Management

→ Ecosystem Management

- o Federal Land Management - Cogswell
- o Infrastructure and Resource Enhancement - Cogswell
- o R&D & Technology - Peroff
- o Pollution Prevention & Regulation - Cogswell
- o Facility/Site Cleanup - Peroff

Health - Kleinberg

National Security

- o Defense - Gessaman
- o Peacekeeping - Gessaman
- o Developmental Assistance - DuSault

Other (to be arrayed by function) - Dame

September 8, 1993

**SCHEDULE FOR
1995 BUDGET PREPARATION**

Event

Date

1. ISSUE PLANNING GUIDANCE TO MAJOR AGENCIES..... 9/3/93
2. ENTITLEMENTS PAPER..... COMPLETED
BY 9/30

A paper will be prepared by OMB staff (primarily BRD and EP, with assistance from program divisions) that is intended to provide: a report on the status of the entitlement caps; materials for an October legislative savings bill; the basis for a November conference on entitlements; the basis for the 1995 budget proposals. The paper will first report on the status of major entitlements, including current trends and risks. This will be followed by some discussion of strategies and options.

3. SUBMISSIONS OF MAJOR AGENCIES DUE TO OMB..... 10/1

The budget requests of major agencies are due to OMB. Because of the tight fall schedule, submission delays or major noncompliance with 1995 budget guidance could significantly complicate the review schedule.

4. DIRECTOR'S REVIEWS..... 11/1 to
11/24

OMB staff will develop summary material by agency, function, appropriations bill, and crosscutting category outlining major elements of the agency requests. The requests will be compared to the discretionary and entitlement caps and other budget limits. After consulting with agency staff on the composition of the request, OMB PADs will make recommendations to the Director in a series of meetings.

5. PRESIDENT/NEC/DPC REVIEWS OF MAJOR ISSUES..... 11/15 to
12/17

All major budget issues will be presented to the President. OMB will develop an agenda for these meetings, working with the NEC and DPC. Funding for the President's investment initiatives will be highlighted, and as with Director's reviews, the agency requests will be reviewed for compliance with the Budget Enforcement Act and other restraints. The President's decisions will be communicated to the agencies as soon as they are final.

6. ECONOMIC ASSUMPTIONS RELEASED TO AGENCIES.....12/3

The detailed information in the agency requests is based on mid-session review economic assumptions. These assumptions will be revised for the 1995 budget. For internal decisionmaking, OMB will make adjustments to recognize the approximate effects of alternative economic assumptions on the budget. For production of budget information for public release, agencies need as much lead time as feasible to translate revised economic assumptions into the thousands of data records that will support the public budget document. The work traditionally begins about the same time final decisions are being made on the budget elements.

7. DRAFTING OF BUDGET DOCUMENT -- DEVELOPMENT OF
DETAILED DATA BASE FOR PUBLIC CONSUMPTION..... COMPLETED
BY MID-
JANUARY

Budget decisions will be translated into a newly redesigned four-volume budget. The budget will be a combination of the broad justification of the February Vision document and the detailed materials from the more technical April document. The budget sections outlining the Administration's program will be circulated and cleared for public release beginning shortly after decisions are made.

At the same time, agencies will be developing the detailed data base supporting the budget. OMB staff will review the data for consistency with Presidential decisions, and compliance with BEA discretionary caps, pay-as-you-go limits and the entitlement caps. The data that supports the production process is far more detailed than the information used for internal decisionmaking.

8. PRODUCTION OF BUDGET DOCUMENT..... TRANS-
MITTAL ON
2/7/94

Once the work of drafting the text is completed and the thousands of elements of data are "locked", the materials will be turned over to the Government Printing Office for final printing and transmittal to the Congress and the Public.

September 3, 1993

Entitlement Paper

- A. The Problems: Status, trends, risks.**
- B. The Solutions: Potential savings, recommendations.**
[For entitlement cap, October bill, November conference, and/or 1995 budget.]

Possible Clusters:

- I. Retirement and Disability
 - A. Social security, disability, railroad, mining (Larry/Justine)
 - B. Federal employee retirement and disability (Larry/Justine)
 - C. Veterans compensation (Art/Alicia)
- II. Safety net: unemployment insurance, supplemental security income, food stamps, earned income tax credit, AFDC, family support, child nutrition, social services block grant, veterans pensions etc. (Richard Bavier/Melinda)
- III. Agricultural price supports (Mark Weatherly)
- IV. Finance
 - A. Deposit, PBGC, and other insurance. (Chris/Justine)
 - B. Credit programs. (Chris/Justine/Kim)
 - C. Liquidating accounts? (Kim)
- V. Interest (Bill)
- VI. Tax expenditures (Randy)
- VII. Other?

Strategies and Options:

- 1. Reducing payments to high income individuals/better targeting.
- 2. Reducing overlaps [and filling gaps?]/better coordination.
- 3. Adjusting to change/buyouts.
- 4. Reducing subsidies/setting priorities.

5. Financial institution reforms.
6. Delayed retirement/safety net.
7. More welfare reform.
8. COLA adjustments/bend points.
9. Other....

ENTITLEMENT PAPER SCHEDULE

Long-Range Baseline Estimates	Wednesday, Sept. 8, c.o.b.
First Draft Distribution to Program Divisions	Friday, Sept. 10, c.o.b.
Comments from Program Divisions	Wednesday, Sept. 15, noon.
Second Draft to Barry and Joe	Friday, Sept. 17, c.o.b.
Third Draft to Alice & PADs	Tuesday, Sept. 21
Comments due	Friday, Sept. 24, c.o.b.
Final Draft to Director	Monday, Sept. 27

Mike

THE WHITE HOUSE

WASHINGTON

September 13, 1993

MEMORANDUM FOR DOMESTIC POLICY PROGRAM STAFF

FROM: Carol H. Rasco, Assistant the President for
Domestic Policy

SUBJECT: Attached Materials

Attached are materials from the Friday, September 10 NEC meeting.
Please review for discussion at our September 14 staff meeting at
12:00 noon.

THE WHITE HOUSE

NATIONAL ECONOMIC COUNCIL

SUBJECT: FY95 BUDGET PRIORITIES, UNEMPLOYMENT EXTENSION AND
DISLOCATED WORKERS MEETING, SEPTEMBER 10, 3:30 -
5:00 P.M., ROOM 474, OEOB

	<u>FAX Number</u>
LLOYD BENTSEN, THE SECRETARY OF THE TREASURY	622-0073
RONALD BROWN, THE SECRETARY OF COMMERCE	482-2741
ROBERT REICH, THE SECRETARY OF LABOR	219-7659
LEON PANETTA, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET	395-3888
MICKEY KANTOR, UNITED STATES TRADE REPRESENTATIVE	395-3390
LAURA TYSON, CHAIR, COUNCIL OF ECONOMIC ADVISERS	395-6947
THOMAS F. (MACK) MCLARTY, CHIEF OF STAFF	456-6797
GEORGE R. STEPHANOPOULOS, SENIOR ADVISER FOR POLICY AND STRATEGY	456-2883
DAVID R. GERGEN, COUNSELOR TO THE PRESIDENT	456-2215
HOWARD G. PASTER, ASSISTANT FOR LEGISLATIVE AFFAIRS	456-6220
JOHN D. PODESTA, STAFF SECRETARY	456-2702(P)
BOB RUBIN, ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY	456-2878
CAROL RASCO, ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY	456-2878
ROGER C. ALTMAN, DEPUTY SECRETARY OF THE TREASURY	622-0404
ALICE RIVLIN, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET	395-1005
BOWMAN CUTTER, NATIONAL ECONOMIC COUNCIL	456-1605
GENE SPERLING, NATIONAL ECONOMIC COUNCIL	456-2878
ALAN BLINDER, COUNCIL OF ECONOMIC ADVISERS	395-6947
JOSEPH STIGLITZ, COUNCIL OF ECONOMIC ADVISERS	395-6947
IRA MAGAZINER, DOMESTIC POLICY COUNCIL	456-7739
GREG SIMON, OFFICE OF THE VICE PRESIDENT	456-6231
ALICIA MUNNELL, DEPARTMENT OF TREASURY	622-2633
JONATHAN SALLET, DEPARTMENT OF COMMERCE	482-4191
LARRY KATZ, DEPARTMENT OF LABOR	219-7971
#####	#####

RESPOND TO:

HEATHER ROSS (Policy)

Phone: 456-2802

FAX: 456-2223

Rm. 234

Old Executive Office Building

- GAYLEN BARBOUR (Admin.)

THE WHITE HOUSE
WASHINGTON

September 10, 1993

MEMORANDUM FOR NEC MEMBERS

FROM: ALICE RIVLIN AND GENE SPERLING
SUBJECT: NEC MEETING TODAY

The attached is for the NEC meeting at 3:30 today. Please review before the meeting, if possible.

DRAFT

September 9, 1993

To: ^{OPC} NEC Members
From: Alice Rivlin and Gene Sperling
Subject: Priorities Project

The beginning of the FY95 budget process is an opportune moment for the President to rethink, reconsider and review his policy priorities. When deciding to run for President, then Governor Clinton went through an elaborate process of discussion and analysis in deciding what would be his top policy priorities during the campaign. The priorities chosen at that time reflected years of analyses and experience of the then Governor, as well as campaign commitments. After the election, these priorities guided the investment component of the President's economic plan and Administration's proposals for reconciliation and FY 1994 appropriations.

After nine months in office, the President and the members of his Administration have an opportunity for taking stock and reevaluating policy priorities. The Administration team now has a great deal more information about the effectiveness of programs and the receptiveness of Congress and the voters to particular initiatives. The tightness of the discretionary caps in FY95 and beyond, and the increasing focus on controlling entitlement spending, makes it imperative that the President think very carefully about where he wants to direct the efforts and resources of his Administration to maximize real accomplishments.

Setting priorities must involve a process that interweaves 1) big picture reflection of the President's goals; 2) a hard-nosed sense of what is achievable policy-wise; 3) an understanding of how priorities -- both achieved and sought -- reflect on message and how the President is viewed by the public in terms of who and what he stands for. 4) a pragmatic sense of what is achievable legislatively; 5) an analysis of the budgetary constraints 6) an estimate of what is can be accomplished by the power of Presidential persuasion.

We propose that the President--and all of us--move from big issues of priorities to the actual FY95 budget decisions in three steps:

1. Legacy Notebooks: The first step should be an opportunity for the President and all of us to step back and consider what should be the President's legacy -- what are the positive things for the country he would feel most good about accomplishing -- and how that should drive both budgetary and non-budgetary decisions.

2. Reassessment of Priorities and Preview of FY 1995 Decisions: This step would lay out background information (with opportunity for discussion if the President desires) designed to answer questions like these: how well did we do in Congress in funding investments? What is the latest view within the Administration and outside about the

effectiveness of the programs we chose to emphasize and about the public's perception of that effectiveness? What shifts in resource allocation actually occurred in FY 1993 and FY 1994: more for children? more for infrastructure? more for technology and science? Less for what? What are the big choices that will have to be faced to meet the discretionary spending caps in FY 1995? What is happening to entitlement spending and what are the options for controlling it?

3. Options and Decisions on the FY 1995 Budget. The final step would be to lay out for the President the issues raised by the agencies' FY 1995 budget decisions and the major decisions he has to make to come to closure on the FY 1995 budget submission to Congress.

Early Oct. **STEP ONE: THE PRESIDENTIAL LEGACY NOTEBOOK**

Rationale: A worthwhile exercise for the President, his staff and his advisors is to consider what the President's legacy should be. This question forces the President to ask himself, if he cannot get everything he would like, what is the handful of things, that he would most like to accomplish for the nation during his tenure in the White House. Part of that question has already been answered, by his stress on health care. Yet, among his other major priorities -- children, schools, training, college, technology, defense conversion, 100,000 cops, infrastructure, AIDS, urban economic empowerment, welfare reform, environmental infrastructure -- it is hard to know which we most want to stress.

The legacy project does not mean giving up on any of these priorities, but it can focus attention and resources more clearly.

We envision two legacy notebooks:

1. General Legacy Notebook: We would collect for the President several three page memos from members of the NEC, Cabinet, White House staff and outside advisors whom the President respects. We will consult with people who know the President well as to whose comments outside of government he might be most interested in. In order to allow maximum participation, while also keeping the pages the President must read a reasonable amount, we might wish to require that all papers be signed by two or three people. If, for example, three people collaborated on each paper, 60 people could participate, while keeping the notebook to sixty pages.

The memo for the Legacy Notebook One would ask three things.

A. In a future summary of "Accomplishments of Late 20th Century Presidents," what would you most want said about Bill Clinton? (limit of three items)

B. If you had \$10 billion to spend at the margin in the next budget, how would you spend it and why? What would you reduce to find the additional money?

C. What Presidential priorities or legacy can be achieved without any (or minor) budgetary impact?

2. Cabinet Legacy NoteBooks:

The second legacy notebook would be from the Cabinet. They would be asked the same questions for their area of responsibility. Thus, the Secretary of HUD would be asked to say what the legacy should be in his Department, how he would spend an additional \$1 billion, where he would get it, and what are the non-budgetary priorities.

The notebooks would serve as not only for a first step for the President to reflect on his legacy and priorities, but as a vehicle for the NEC and White House staff to consider these issues together. After the completion of the Notebook, we would use the papers to set-off a series of NEC discussions. We might do this prior to sending the President the notebook, or while the President is doing a first read.

Mid-Oct.

Second Step: Reassessing Priorities and Preview of FY 1995 Decisions

This priority project would not serve the President well if we created a process that allowed the President to ponder priorities, but did not also inform the President about the policy and political feasibility for bringing about fundamental change in the major policy areas. The second stage should therefore provide a process for 1) answering the President's inquiries to the two Legacy Notebooks, 2) be a process to bring the President up to date on the academic studies, literature, state and local success stories; 3) Reports on public opinion on various policy initiatives; 4) Congressional analysis -- to be given in oral presentation by Pastar's office; 5) OMB analysis of budget trends in entitlements and recent changes in discretionary spending by department and major "cross-cuts" or priority areas. (See attached cross-cut table.)

This step would also involve a notebook for the President, presenting budget trends with supplementary information organized by cross-outs. For example, if the cross-cut area was "science and technology," there would be a brief memo that sought to bring the President up to speed on what was the current thinking on technology policy, the breakthroughs, the major areas of disputes. OMB, cabinet officers, and NEC members could have the opportunity to comment on different areas. Congressional relations might prepare Congressional viability analysis on major areas, to be given through a verbal presentation to the NEC and later to the President.

There is no way that this process can be perfect or complete or give the President all perspectives. Yet, it can accomplish the following:

- 1) It can ensure that the President is up-to date on major policy and academic arguments concerning major investments, as well as new and successful state and local examples.

2) It can ensure that the President is aware of major disagreements concerning the viability of certain investments.

3) It will give him a context to study and compare what experts in the field think are imperative policy issues and where viable policy responses exist.

Step Three: Budget Decisions

The first two steps would take place in September, October and early November, during the period that OMB was reviewing the agency budget submissions for FY 1995 in detail (see steps 1-4 on attached OMB budget preparation schedule). OMB would then present the budget decisions to the NEC/DPC and the President.

Presentations would be organized by cross-cut as well as by agency. An analysis by appropriations subcommittee would also be useful as final decisions were being made.

Attachments:

OMB Budget Preparation Schedule
Cross-cut table shell

September 8, 1993

**OMB SCHEDULE FOR
1995 BUDGET PREPARATION**

Event	Date
1. ISSUE PLANNING GUIDANCE TO MAJOR AGENCIES.....	9/3/93
2. ENTITLEMENTS PAPER.....	COMPLETED BY 9/30

A paper will be prepared by OMB staff (primarily BRD and EP, with assistance from program divisions) that is intended to provide: a report on the status of the entitlement caps; materials for an October legislative savings bill; the basis for a November conference on entitlements; the basis for the 1995 budget proposals. The paper will first report on the status of major entitlements, including current trends and risks. This will be followed by some discussion of strategies and options.

3. SUBMISSIONS OF MAJOR AGENCIES DUE TO OMB.....	10/1
--	------

The budget requests of major agencies are due to OMB. Because of the tight fall schedule, submission delays or major noncompliance with 1995 budget guidance could significantly complicate the review schedule.

4. DIRECTOR'S REVIEWS.....	11/1 to 11/24
----------------------------	------------------

OMB staff will develop summary material by agency, function, appropriations bill, and crosscutting category outlining major elements of the agency requests. The requests will be compared to the discretionary and entitlement caps and other budget limits. After consulting with agency staff on the composition of the request, OMB PADs will make recommendations to the Director in a series of meetings.

5. PRESIDENT/NEC/DPC REVIEWS OF MAJOR ISSUES.....	11/15 to 12/17
---	-------------------

All major budget issues will be presented to the President. OMB will develop an agenda for these meetings, working with the NEC and DPC. Funding for the President's investment initiatives will be highlighted, and as with Director's reviews, the agency requests will be reviewed for compliance with the Budget Enforcement Act and other restraints. The President's decisions will be communicated to the agencies as soon as they are final.

6. ECONOMIC ASSUMPTIONS RELEASED TO AGENCIES.....12/3

The detailed information in the agency requests is based on mid-session review economic assumptions. These assumptions will be revised for the 1995 budget. For internal decisionmaking, OMB will make adjustments to recognize the approximate effects of alternative economic assumptions on the budget. For production of budget information for public release, agencies need as much lead time as feasible to translate revised economic assumptions into the thousands of data records that will support the public budget document. The work traditionally begins about the same time final decisions are being made on the budget elements.

7. DRAFTING OF BUDGET DOCUMENT -- DEVELOPMENT OF
DETAILED DATA BASE FOR PUBLIC CONSUMPTION..... COMPLETED
BY MID-
JANUARY

Budget decisions will be translated into a newly redesigned four-volume budget. The budget will be a combination of the broad justification of the February Vision document and the detailed materials from the more technical April document. The budget sections outlining the Administration's program will be circulated and cleared for public release beginning shortly after decisions are made.

At the same time, agencies will be developing the detailed data base supporting the budget. OMB staff will review the data for consistency with Presidential decisions, and compliance with BEA discretionary caps, pay-as-you-go limits and the entitlement caps. The data that supports the production process is far more detailed than the information used for internal decisionmaking.

8. PRODUCTION OF BUDGET DOCUMENT..... TRANS-
MITTAL ON
2/7/94

Once the work of drafting the text is completed and the thousands of elements of data are "locked", the materials will be turned over to the Government Printing Office for final printing and transmittal to the Congress and the Public.

FY 1995 BUDGET PLANNING by Cross Cutting Categories

planning
1993

Objectives

Economic Growth

- o R&D, Technology & Science - Peroff
- o Infrastructure Investment - Schwartz
- o Human Capital (Education & Training) - Selfridge
- o Business Development - Ryder
- o Rural & Urban Development & Investment - Ryder
- o Adjusting to Economic Change - Meyers
- o Export Promotion - DuSault

Promoting Individual Independence & Responsibility

- o Welfare Related Programs - Selfridge
- o Individual Empowerment Programs - Selfridge
- o Investing in Children - Selfridge
- o Drug-Free and Safe Communities - Schwartz
- o Homelessness & Social Services - Ryder
- o Consumer Protection - Selfridge

Environment and Natural Resources Management

- o Federal Land Management - Cogswell
- o Infrastructure and Resource Enhancement - Cogswell
- o R&D & Technology - Peroff
- o Pollution Prevention & Regulation - Cogswell
- o Facility/Site Cleanup - Peroff

Health - Kleinberg

National Security

- o Defense - Gessamen
- o Peacekeeping - Gessamen
- o Developmental Assistance - DuSault

Other (to be arrayed by function) - Dama

Memorandum: Separate Papers to be prepared by DPC on Native Americans, Homeless and Immigration.