

FOIA MARKER

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

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Legislative Affairs

Series/Staff Member: Subject Files

Subseries:

OA/ID Number: 9432

FolderID:

Folder Title:
[Minimum Wage] [loose]

Stack:

S

Row:

26

Section:

5

Shelf:

5

Position:

3

THE WHITE HOUSE
WASHINGTON

**The President's Plan to
To Balance the Budget
In Seven Years**

December 7, 1995

Discretionary Spending: Investing in Our Future

The President's plan cuts discretionary spending by \$250 billion over 7 years, while still finding the funds to invest more in education and training, the environment, science and technology, and other priorities to help raise average living standards and the quality of American life.

For non-investment programs, too, the President's plan makes choices. It limits cuts in the most important non-investment programs by eliminating others and applying recommendations of the National Performance Review on cutting red tape and bureaucracy. By contrast, Republicans are cutting discretionary spending across-the-board, even programs in which we should be investing more, not less.

Nothing is more important to future living standards than education and training. The workers of today and tomorrow will need the best education and skills they can get to acquire high-wage jobs in the new global economy. The President proposes a broad agenda of life-long learning. Over the next 7 years, the plan calls for \$66 billion more than the Republican budget for education and training.

The President's plan boosts funding for Head Start enough to reach another 50,000 children by 2002 -- for a total of 800,000 per year -- and improve quality. The plan expands AmeriCorps, his national service program, enabling 325,000 young Americans to serve their communities and earn scholarships for higher education by 2002. It increases funds for Goals 2000 to help all States and school systems extend high academic standards, better teaching, and better learning to 44 million children in over 85,000 schools. It also increases funding for Pell Grants to cover more recipients and increase the maximum scholarship from \$2,340 to \$3,128 in 2002.

The plan protects the environment. It consolidates the Clean Water and Safe Drinking Water State Revolving Funds, giving States more flexibility to meet local priorities. It also increases funding for the operating program of the Environmental Protection Agency - the backbone of our efforts to protect the environment; these funds address global climate change, promote the development and export of environmental technology, and protect sensitive ecosystems.

The plan also invests in science and technology, through a balanced mix of basic research, applied research, and technology development, much of it through cooperative projects with private industry. It adds funds for biomedical and behavioral research at the National Institutes of Health, for basic research and education at the National Science Foundation, for basic research at NASA (including Mission to Planet Earth), and for such important initiatives as the Advanced Technology Program and the Technology Reinvestment Project.

Medicare: Expanding Choice, Improving Quality

Medicare provides health care benefits to 37 million elderly and Americans with disabilities. The President's balanced budget plan maintains the 30-year national commitment to this program and makes it more efficient. It saves \$124 billion in Medicare over the next 7 years, and would assure the fiscal integrity of the Part A Trust Fund through fiscal 2011. In addition, the President's health care initiative includes about \$25 billion in new initiatives, such as grants to states for health insurance for the unemployed. Thus, combined with this new spending, the net savings are \$98 billion.

The President's proposal provides:

- **Continued Expansion of Choice of Plans Under Medicare:** The President's plan increases choices of alternative health plans and delivery systems for beneficiaries. It provides beneficiaries with information about the providers and health plan choices available in their area, and improves the process of enrolling in health plans. The plan also improves Medicare's method for paying health plans and delivery systems, and fosters improved quality of care by health plans. Finally, the plan will enhance choice and portability through Medigap reforms.
- **A More Cost-Effective Medicare Program:** The \$124 billion in savings is based on sound, responsible reforms. They would make the program more efficient, protect the Part A Trust Fund, and keep the Part B premium at the traditional 25 percent of program costs, as extended by Congress several times since 1982. The plan provides for payment reductions to hospitals, physicians, and other providers in a way that ensures that high quality health care providers will continue to serve Medicare beneficiaries.
- **An Improved Medicare Program:** The President's plan improves the program by investing a moderate increase in resources to expand cost-effective preventive programs (e.g., by waiving cost-sharing for mammography services) and establishing a respite care benefit for families of victims of Alzheimer's Disease. The President's plan also redirects funding to academic health centers and increases funding for rural hospitals.
- **Increased Protections Against Fraud and Abuse:** The President's plan would protect Medicare from fraudulent activities by giving law enforcement officials additional authorities and resources to investigate, prosecute, and sanction those who defraud the program; ensuring an adequate and dependable source of funds to support program integrity activities; and changing reimbursement policies that inadvertently contribute to abuse and fraud.

Health Reform: Protecting Working Americans

Most working Americans get their health care insurance coverage through their employer, but the security of that coverage often depends on economic conditions and insurance rules that can exclude coverage for some people. There is strong, bipartisan support for reform of the group health benefits market to preserve and protect the coverage of working Americans.

The President's plan includes insurance reforms, along with measures to protect workers when they move from job to job or from work to unemployment and back to work.

The following are highlights:

- Increased portability of coverage;
- A limit on coverage exclusions for pre-existing medical conditions;
- Assistance to States to establish purchasing cooperatives to make insurance affordable for small businesses (including access to plans in the Federal Employees' Health Benefits Program);
- Expansion of the tax deduction for the self-employed; and
- Assistance to States to cover temporarily uninsured workers and their families.

Administrative Simplification, Privacy of Medical Records

The nation's health care system includes a huge amount of red tape and paperwork that often interferes with providing care to patients. The President remains committed to reducing these burdens. The plan adopts standards to simplify the use of electronic health information transactions and shared data systems. It also develops new, strong federal standards to ensure the privacy of individual medical records.

Long-Term Care

Frail elderly Americans and younger persons with disabilities frequently need home and community-based long-term care to help them carry out the routine activities of daily life. The plan improves access to such services in the following ways:

- **Home and Community-Based Care:** The plan establishes a new grant program to states, providing funding for home and community-based care and personal assistance services for individuals of all ages with disabilities.
- **Respite Care:** The plan makes family members of persons with Alzheimer's disease eligible for up to 32 hours of respite care each year under a new Medicare benefit.

Medicaid: Preserving Coverage

Medicaid provides acute and long-term health care services to 36 million low-income women, children, families, older Americans, and individuals with disabilities. Nearly half of Medicaid beneficiaries are children, but about two-thirds of Medicaid expenditures are for care for the elderly and individuals with disabilities.

The President's proposal maintains the 30-year collaboration with the States to provide health services to low-income families, children, the elderly, and individuals with disabilities, while making Medicaid more effective and efficient. It would reduce Federal Medicaid spending by \$54 billion over seven years.

Key elements of the President's Medicaid proposal are:

- **Guarantee of Coverage is Preserved:** People now eligible for Medicaid services retain their federal guarantee of health care coverage.
- **Cost Effectiveness:** To limit the growth in federal Medicaid spending, the plan establishes a per capita limit to constrain the rate of increase in federal matching payments per beneficiary. The limits maintain the federal financial commitment to states in the event of an economic downturn that requires states to add beneficiaries. The plan gradually tightens federal payments for disproportionate share hospitals and gives states the flexibility to target these payments to a broader range of providers, including Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs). Also, the plan gives additional federal funds to the 10 states with institutions that provide a disproportionate amount of uncompensated care, and the 15 states with a disproportionate number of undocumented immigrants.
- **Increased State Flexibility:** The plan gives states greater flexibility to change how they deliver and pay for Medicaid services, so they can reduce costs, not coverage. For example, it repeals the Boren Amendment. It also permits states to require enrollment in a choice of certain types of managed care plans or provide home and community-based care at their option, without a federal waiver.
- **Quality Protection:** The plan maintains existing Federal standards for nursing homes and institutions for people with mental retardation and developmental disabilities.
- **Financial Protection:** The plan retains protections against impoverishment for spouses of nursing home residents, and retains the guarantee that Medicaid pays for the Medicare premiums and cost-sharing for the poor elderly.

Welfare Reform: Encouraging Work and Responsibility

For low-income entitlement programs, the President targets support to the neediest, maintains the national nutrition safety net, and protects poor children. His proposals save \$46 billion over 7 years. The Republicans cut \$107 billion over 7 years, shredding the social safety net, underfunding child care, and putting millions of children at risk.

- For cash assistance and social services programs, the President's plan saves \$9 billion over 7 years by continuing State-by-State reforms to encourage recipients to move from welfare to work, tightening eligibility for Supplemental Security Income (SSI) for disabled children coming on the rolls, and ending SSI eligibility due to drug addiction or alcoholism.

By contrast, Republicans in Congress cut funding for cash assistance by \$20 billion over 7 years, weaken State contribution requirements, and impose work mandates on States without adequately funding child care and work requirements. Republicans also eliminate SSI benefits for at least 160,000 disabled children on the rolls and cut benefits by 25 percent for most of the severely disabled children coming on the rolls in the future. In 2002, as many as 750,000 children would face cuts in their benefits.

- For food assistance, the President maintains the national nutrition safety net programs while cutting mandatory spending by \$23 billion over 7 years.

Republicans eliminate the national nutrition safety net, slashing spending \$35 billion over 7 years by capping and cutting Food Stamps and cutting child nutrition programs. An optional Food Stamps block grant ends the federal commitment to minimal nutrition support. In child nutrition, Republicans mandate new administrative burdens for States and threaten national standards.

- The President continues the expansion of the Earned Income Tax Credit (EITC) for the working poor, saves \$3 billion over 7 years by improving error and fraud control, and ensures that illegal aliens not authorized to work in the U.S. do not receive the EITC.

Republicans cut the EITC by about \$32 billion, raising taxes on 12.6 million families by an average of \$332 per family in 1996.

- For benefits to immigrants, the President's plan saves \$11 billion over 7 years by tightening sponsorship and eligibility rules for non-citizens, especially for SSI, thus forcing sponsors of legal immigrants to bear greater responsibility for those they encourage to come to the U.S. The plan preserves eligibility for Medicaid.

Republicans cut \$21 billion over 7 years (plus as much as \$4 billion for Medicaid) by denying assistance to immigrants, including those who become disabled after entering the country. Over 1 million legal immigrants now in the U.S. would lose SSI, Food Stamps, Aid to Families with Dependent Children (AFDC) or Medicaid benefits under the Republican plan.

Student Loans: Expanding Access to Education

The President's plan gives schools "free choice" to participate in either of the Federal student loan programs that best meets the needs of their students. Any school can elect direct lending or guaranteed lending.

Also, the President's plan saves \$3 billion through cuts in payments and subsidies to lenders, guaranty agencies, secondary markets and post-secondary institutions, and cuts in Federal administrative funds. It establishes a competitive framework that requires all program participants to operate with greater efficiency.

The Republican plan virtually eliminates direct lending, in favor of the more costly, inefficient guaranteed loan program, by "capping" direct lending at 10 percent of total loan volume, terminating participation of 1,300 institutions of higher education, and denying access to direct loans to 2.5 million students in 1996 alone. The Republican plan makes it difficult for students to adjust loan repayment based on their ability to pay and to take community service jobs without fear of default.

In addition, the Republican plan cuts spending by \$5 billion by reducing some subsidies to lenders, but also by reducing the Secretary's authority and resources to manage the loan programs. In addition, tax provisions in the Republican plan permit non-profit secondary markets to move the benefits of non-profit status into for-profit entities, generating a substantial windfall for them.

Lastly, to help banks and other intermediaries, the Republican Budget Resolution directs CBO to change scoring for this loan program only, raising the deficit by \$5.9 billion. The President's plan deletes this directed scoring, eliminating the increase in the deficit.

Agriculture: Preserving the Farm Safety Net

The President's plan preserves the essential safety net of farm programs, and includes key reforms to ensure that farmers can adapt to rapidly changing markets. The plan gives producers much more planting flexibility, enabling them to plant for the market, not for government programs. It maintains spending for agricultural export programs to ensure that U.S. agriculture remains competitive in crucial export markets when facing subsidized competition. The plan enhances the Administration's commitment to a strong Conservation Reserve Program (CRP) by continuing to extend contracts of existing acres, authorizing new CRP enrollments, and targeting new enrollments to acres with higher environmental quality.

The President's plan cuts spending by \$5 billion over 7 years by:

- providing planting flexibility and increasing the portion of farm acres ineligible for income-support from 15 to 21 percent;
- targeting payments to producers that earn less than \$100,000 in off-farm income;
- terminating the honey program, and reforming the peanut and tobacco programs to operate at no net-cost to taxpayers; and
- eliminating payments under the Emergency Livestock Feeding program where crop insurance is available.

By contrast, the Republican plan eliminates the farm safety net by decoupling most payments from market conditions, providing windfall payments to producers when prices are high and no increase in payments to family farms when prices are low. Republicans reduce farm income and environmental benefits by blocking new CRP enrollments, permitting any acres to exit the CRP on short notice, and preventing permanent easements from being offered to farmers under the Wetlands Reserve Program. In addition, they reduce funds for export programs, potentially undermining recent record gains in U.S. agricultural exports -- the most promising market for future increases in U.S. farm income.

Federal Employees

The President's plan continues the delay, to April of each year through 2002, in paying federal retiree cost-of-living adjustments. The Omnibus Budget Reconciliation Act of 1993 had delayed the effective date for cost-of-living adjustments in Federal employee retirement benefits from January until April for fiscal 1994, 1995 and 1996. Republicans also proposed extending this policy in their reconciliation bill.

The President's plan modifies the pensions of Members of Congress and congressional staff to conform their contribution rates and benefit formulas to those of other federal employees. Under this provision -- identical to one in the Republican reconciliation bill -- the new rules apply to all service performed on or after January 1, 1996.

The President's plan ends the federal reimbursement to the U.S. Postal Service for workers' compensation costs associated with employees who were injured while employees of the Post Office Department. This provision, too, is identical to one in the Republican reconciliation bill.

The President's plan does not include the Republican reconciliation provisions that increase employee retirement contributions or agency contributions for employees under the Civil Service Retirement System (CSRS). Federal employees are already being asked to accept less than full pay raises in January; the Administration does not believe it would be fair to require employees to pay more for their retirement. In addition, the Administration does not believe agencies should have to divert much-needed resources from discretionary programs to pay more for the retirement costs of employees under CSRS.

Veterans: Honoring Our Commitment

The President's plan protects pensions for poor veterans, compensation for service-connected disabled veterans, and other veterans' entitlements, such as education and home loans. At the same time, the plan maintains responsible program management by extending policies to improve efficiency and ensure payment integrity that have already proved successful, and would otherwise expire.

The plan ensures that only veterans who are eligible for benefits receive them. It extends VA's authority to verify income eligibility data with the Internal Revenue Service and Social Security Administration. It mitigates the effects of a recent Supreme Court decision that dramatically increased the VA's liability to pay compensation for damages incurred in VA hospitals, even if the VA is not found to be at fault.

The President's plan also:

- allows VA to continue to collect modest fees from certain beneficiaries. For example, it extends VA's authority to collect a \$2 prescription co-payment from veterans being treated for medical conditions unrelated to their military service.
- expedites the collection of money owed to the government. It improves the VA's ability to collect reimbursements for health care owed by third-party insurance companies. Further, it allows the government to collect delinquent loan debt more effectively.
- ensures consistency across federal benefit programs. Specifically, it provides annual cost-of-living adjustments for veterans' compensation that are in step with veterans' pensions and other federal entitlements, such as civilian and military retirement.

The President's plan saves \$4.3 billion from veterans' programs over seven years. Republicans, by contrast, cut \$6.7 billion. The Republican plan increases out-of-pocket expenses for certain beneficiaries and decreases benefit payments to others.

Taxes: Helping Middle-Income Americans

The President's plan cuts taxes for middle-income Americans, giving them the tools they need to help raise their living standards in the future. It helps them raise their children, save for the future, and pay for postsecondary education.

By contrast, the Republican reconciliation bill provides a huge tax cut whose benefits flow disproportionately to those who are already the most well-off, and offers new tax breaks to special interests. At the same time, it raises taxes on millions of working families by slashing the Earned Income Tax Credit (EITC). The plan also creates new fiscal pressures, with revenue losses exploding after 2002 for provisions that primarily benefit upper-income taxpayers.

The President's plan includes the following elements:

- To help families raising children, the President proposes a tax credit of up to \$500 for each child under age 13. The credit starts at \$300 per child through 1998, and increases to \$500 in 1999. It is phased out between incomes of \$65,000 and \$75,000 per year.
- To help families meet the costs of education beyond high school, the President proposes a deduction for post-secondary tuition and fees of up to \$10,000 per year. The deduction begins at \$5,000 in 1996, rising to \$10,000 in 1999. It is phased out at incomes between \$100,000 and \$120,000 per year for married couples (\$70,000 and \$90,000 for other taxpayers).
- To help families save, the President proposes to expand Individual Retirement Accounts. Income limits would double; couples with incomes up to \$80,000 (and single persons with incomes of \$50,000) could make fully deductible contributions. The President would allow penalty-free withdrawals for catastrophic medical expenses (including for parents and grandparents), higher education costs, the purchase of a first home, and unemployment. The President proposes a new back-loaded IRA; contributions are not tax deductible, but withdrawals after five years are tax free.

The Republican plan gives over 47 percent of its benefits to families with incomes over \$100,000 -- the top 12 percent. By making capital gains cuts retroactive to January 1, 1995, it gives a \$13 billion windfall in about the first 9 months of 1995 alone to taxpayers who already have sold their assets. It cuts the corporate alternative minimum tax (AMT), so that it no longer adequately ensure that profitable corporations pay at least some federal tax. And it encourages businesses to avoid taxes by stockpiling foreign earnings in tax havens. The plan also lacks an important provision in the President's plan to close a loophole that allows wealthy Americans to avoid taxes by giving up their U.S. citizenship.

The Minimum Wage: Providing a Living Wage

The President's plan to raise the minimum wage is among several important steps to improve the living standards of low-skilled, low-income workers, and a necessary one to make work pay -- if we are to truly reform the welfare system. As everyone agrees, work is better than welfare. The President's plan gives Americans the opportunity to lift themselves and their families out of poverty.

The plan raises the minimum wage from the current \$4.25 in two 45-cent steps -- to \$4.70 next July 1 and to \$5.15 on July 1, 1997. This is the same plan that the President sent Congress last February, except for a change in effective dates, and is modeled on the last increase to the minimum wage, which passed Congress with broad bipartisan majorities and was signed by President Bush in 1989.

If Congress does not act now, the minimum wage will fall, in real terms, to its lowest level in 40 years. Such a result would dishonor one of the great promises of American life - that everyone who works hard can earn a living wage. Under the President's plan, over 11 million workers benefit, with a full-time, year-round worker getting a \$1,800 raise -- the equivalent of 7 months of groceries for the average family.

A rise in the minimum wage helps families that are working hard but struggling to make ends meet. Most workers who earn the minimum wage are adults, and the average minimum wage worker brought home over half of his or her family's earnings. A minimum wage increase of the magnitude of the President's proposal would not reduce employment levels, according to numerous studies. What it would do is ensure that those who work hard and play by the rules can live with the dignity they have earned.

Other Proposals

Continuing Resolution

The President proposes a simple extension of the current Continuing Resolution until January 26, 1996.

Debt Limit

The President's plan includes an increase in the debt ceiling to \$5.5 trillion, which will provide sufficient authority for the Treasury Department to meet government obligations through the end of fiscal 1997.

Budget Process

The President's seven-year balanced budget path is based on OMB economic and technical assumptions. These assumptions reflect our best information and judgment about how the economy will perform over the next seven years, and are somewhat more conservative than those of private forecasters. The Administration expects that this agreement to balance the budget over seven years, as have recent deficit-reduction agreements, will include appropriate enforcement mechanisms to ensure that we reach balance in 7 years.

In addition, the President's plan proposes that the President be given line-item veto authority. As budgets grow tighter, it is increasingly important that the President have the power to eliminate wasteful spending and tax provisions -- and critical that this power apply to all years of an agreement, including fiscal 1996 spending and tax legislation. The Administration wants to work with Congress to resolve any remaining details and concerns pertaining to this important matter.

Foster Care and Child Protection Services

The Administration strongly opposes cuts and block grants in foster care and child protective services. The House bill would block grant foster care, repeal the 1993 Family Support and Preservation program, and create a discretionary block grant for child protective services. Rather than protect children, the House's changes to foster care and child protective services could put hundreds of thousands of them at increased risk of harm. This is the wrong time to walk away from abused and neglected children and those at risk.

Benefits for Immigrants

Both the House and Senate bills go too far in cutting benefits to legal immigrants, and shifting costs to states with high numbers of immigrants. The Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being, but Congress should make these changes equitably. The House bill bans benefits for over a million immigrants who are now enrolled in SSI, Medicaid, or food stamps. The Senate bill's benefit restrictions distinguish between immigrants with and without sponsors. This is a more sensible approach than the House bill, which eliminates benefits to virtually all immigrants.

The Administration strongly opposes the Senate provision that would discriminate against U.S. citizens by denying benefits to legal immigrants even after they became naturalized citizens. We cannot have two categories of citizens. Equally objectionable is the Senate provision that would establish a class system for American citizenship by requiring sponsors' income to exceed 200 percent of poverty. Working families who are U.S. citizens should not have to pass a wealth test to be reunited with a family member. In addition, fairness dictates that Congress adopt the House provisions that exempt from benefit cut-offs those over age 75 and those too disabled to complete the naturalization process.

Several further changes could make the legislation more acceptable to the Administration. Immigrants who become disabled after entering the country should be able to get SSI. Benefit restrictions should not apply to discretionary programs and such mandatory programs as student loans and the social services block grant; the administrative burdens on these programs of verifying everyone's citizenship is significant, and the budget savings are negligible. In addition, refugees and others who came to the U.S. to avoid persecution should get adequate time to naturalize before being subject to benefit restrictions. Finally, the Administration has serious reservations about the bill's application of these provisions to Medicaid.

Disabled Children

Both the House and Senate bills go too far in the changes they would make to the SSI children's disability program. In general, the Administration favors the Senate provisions over the House bill's deep cuts, which go far beyond what's needed to correct the program's recent growth. The House bill would eventually prevent nearly a million disabled applicants who could be eligible under current rules from receiving cash assistance. We support the bipartisan Senate decision to continue to provide SSI cash benefits for all eligible children. But we strongly urge Congress to reduce hardship to disabled children currently on SSI by exempting them from these new, stricter eligibility rules. If Congress applies these rules to

current SSI recipients, however, the Administration recommends only applying them to children eligible as a result of maladaptive behavior.

Pension Asset Reversions

As the OMB Director wrote to Chairman Archer on September 13, the Administration strongly opposes a Ways and Means-passed provision that makes it easy for companies to withdraw "excess" pension assets from an ongoing plan for their own use. The provision defines "excess funding" as the amount that exceeds 125 percent of the pension plan's current liability, but companies can use actuarial assumptions that would leave a pension plan underfunded if it is terminated (or if stock prices or interest rates fluctuate). Under this provision, a reversion could leave a plan that terminated with less than the funds needed to pay pensioners.

Companies in financial trouble might have incentives to transfer funds out of pension plans, thus increasing the risk of loss for plan participants and for the Pension Benefit Guaranty Corporation. Such reversions also risk a repeat of the pension raids of the 1980s, when reversions helped fuel corporate takeovers and buyouts. Back then, \$20 billion was taken from pension plans. By Congress's own estimate, the new reversions would total about \$30 billion. This short-sighted provision risks undermining our private retirement system.

Health Benefits for Retired Unionized Coal Miners and their Families

A 1992 law requires coal mining companies to finance a health care arrangement for retired coal miners and their dependents. A Ways and Means-passed provision would exempt certain companies from their obligation to pay for retirement health benefits for their former employees, thereby threatening the solvency of the arrangement that serves nearly 100,000 retirees and dependents.

Earned Income Tax Credit (EITC)

The Administration strongly objects to the Ways and Means proposal to cut the EITC by \$23 billion over seven years, raising taxes on 14.5 million low-wage workers and their families, containing 17.7 million children. Indeed, these changes represent the antithesis of welfare "reform": They would make work pay less, penalizing those who play by the rules. The bill would require taxpayers to include social security benefits in adjusted gross income for purposes of the EITC, raising taxes on 1 million retired, widowed and disabled workers by an average of \$859. In addition, the bill would change the phase-out formula for families with children, affecting all EITC recipients with \$11,260 or more of income. It also would deny the EITC to 4.3 million very low-wage workers who do not reside with qualifying children.

The Administration believes strongly that Congress should not raise taxes on working families to finance tax breaks for the well-off. It should limit its changes to the compliance improvements that the Administration has proposed.

Taxes

The Administration strongly opposes the House tax cut; it is fiscally irresponsible, would make the tax law more complex, encourage tax shelters, and provide a disproportionate share of benefits to high-income families. The proposed tax cut by far exceeds the \$245 billion that the budget resolution specifies. We do not know how the House intends to reach the budget resolution targets.

Even if reduced to \$245 billion, the tax cut would be far too large. At a time when Congress seeks to save almost \$1 trillion to balance the budget, adding another \$245 billion to the deficit through lower taxes forces more drastic cuts in public services and benefits for lower- and middle-income families. Without this big a tax cut, Congress would not need the drastic cuts in Medicare in the budget resolution, including the increase in premiums for the elderly at all income levels.

The tax cuts provide large benefits to those who need them the least. The neutral cost recovery system (NCRS) reduces corporate income tax revenues substantially and opens up new tax shelter opportunities, while the virtual elimination of the corporate alternative minimum tax (AMT) will enable many profitable corporations to avoid paying any income tax at all. The capital gains cut is overly generous, disproportionately benefits upper-income families, will make the tax law more complex through the indexing provision, and will encourage tax shelters. Overall, about 52 percent of the benefits from the House tax provisions will accrue to families with incomes over \$100,000 (the top 12 percent of families).

The Administration also has serious concerns about more specific provisions of the House tax bill. For example, the Administration opposes the proposal to initiate federal taxation of tribal revenues from Indian gaming, which would significantly reduce resources available to tribes for such vital government services as health, education, welfare, and law enforcement -- now funded through such revenue. Furthermore, other tax-exempt or tax-immune entities that conduct these activities (such as, churches or state governments) are not taxed.