PRESIDENT CLINTON'S 1999 BUDGET

Preparing America for the 21st Century

FOUR KEY POINTS

1. **BALANCED BUDGET -- FIRST IN 30 YEARS.** Next year -- because of the 1993 Economic Plan and the 1997 Balanced Budget Agreement -- we will have the first balanced budget since Neil Armstrong landed on the moon. And we could have one this year, if the economy continues to grow steady and strong.

2. **"SAVE SOCIAL SECURITY FIRST."** If we have a surplus, we must "Save Social Security First." We should not spend a dime of the surplus until we reform Social Security.

3. **SMALLER, BUT MORE PROGRESSIVE, GOVERNMENT.** Smallest government in 35 years -- while increasing critical investments in our future: Child Care, Reducing Class Size, Educational Opportunity, Expanding Medicare Coverage, Community Empowerment, unprecedented increases in Biomedical Research, and Incentives to Help the Environment.

4. **PROVIDING TAX CUTS TO WORKING FAMILIES.** Because of the tax cuts for working families signed into law by the President in 1993 and 1997, the typical middle-income family will have the lowest federal tax burden in 20 years. Now, we will build off this record to provide targeted tax relief for Child Care, Education, and the Environment.

PRESIDENT CLINTON'S ECONOMIC STRATEGY:
A Smaller, But More Progressive, Government

After 12 Years When The Republicans Exploded the Deficit and Quadrupled the National Debt, President Clinton Has Cut The Deficit, Cut Federal Spending, and Cut the Federal Workforce to Its Smallest Level in 35 Years.

From Deficit With 11 Zeros to A Deficit That is Just Zero:

- **First Balanced Budget in A Generation.** After the deficit exploded under Presidents Reagan and Bush -- rising from $74 billion in 1980 to $290 billion in 1992 -- President Clinton and the Democrats put in place a bold new Economic Plan that has helped cut the deficit and strengthen the economy. When President Clinton took office, CBO projected the deficit to be $357 billion this year and heading higher. Now, it is projected to be just $10 billion and heading lower: *next year, we will have the first balanced budget since Neil Armstrong landed on the moon.* The surplus over the next ten years is projected to be $1.1 trillion.

- **Because of Lower Deficits From the 1993 Economic Plan and the 1997 Balanced Budget Agreement We Will Save $4 Trillion.** Through the deficit reduction from the 1993 Economic Plan and the 1997 Balanced Budget Agreement, the deficit is now projected to be a total of $4 trillion lower between 1993 and 2003 compared to what was expected when President Clinton took office.

- **In 2002, Government Will Borrow $669 Billion Less Than Projected When Clinton Took Office.** When President Clinton took office, the Congressional Budget Office projected that the 2002 deficit would be $579 billion, and heading higher. Now, we project a surplus of $90 billion for 2002 -- that's a swing of $669 billion that the government will not have to borrow from the private sector.

After Federal Workforce Increased Under Reagan/Bush, Under Clinton it is Now Smallest in 35 Years Under Clinton Administration:

- **The Smallest Federal Workforce in 35 Years.** The federal bureaucracy increased from when President Reagan took office to when President Bush left office. Since President Clinton took office, the federal workforce has been cut by more than 316,000 workers, giving us the smallest workforce in 35 years. As a share of total civilian employment, the Federal workforce is the smallest since 1931.

After Spending Rose Under Reagan/Bush, It Will Be Lowest in 25 Years Under the Clinton Administration:

- **In 1998, Spending As A Share of GDP Will Be Lowest in 25 Years.** In 1998, Federal spending as a share of GDP is expected to fall to 20.0 percent -- that's its lowest level since 1974. Since President Clinton took office, spending as a share of the economy has fallen from 22.5 percent in 1992 to 20.0 percent in 1998. Under Presidents Reagan and Bush, spending as a share of GDP increased, rising from 21.7 percent in 1980 to 22.5 percent in 1992.

- **In 1998, Lowest Discretionary Spending -- As Share of GDP -- In 35 Years.** Since President Clinton took office, discretionary spending as a share of the economy has fallen from 8.7 percent in 1992 to 6.6 percent in 1998 -- that's the lowest level since 1962 when discretionary spending was first split out. Real discretionary spending has *fallen* 2 percent per year under President Clinton. This compares to real discretionary spending growth of one percent per year under Presidents Reagan and Bush.

- **Under Clinton, Non-Defense Discretionary Spending Down.** Since President Clinton took office, non-defense discretionary spending as a share of the economy has fallen from 3.8 percent in 1992 to 3.4 percent in 1998 -- that's lower than any year since 1962, except 1989 when it also equaled 3.4 percent of GDP.

- **Lower Government Spending -- As Share of GDP -- Than Any Major Economy in World.** According to the OECD, in 1997, the U.S. will have lower total government spending -- Federal, state, and local -- as a share of GDP than any major economy in the world.

PRESIDENT CLINTON'S COMMITMENT TO STRENGTHENING SOCIAL SECURITY FOR THE 21st CENTURY

THE SOCIAL SECURITY SYSTEM. Since its inception in 1935, the Social Security system has proven to be an outstanding success in providing security for the retired and disabled, as well as their families. The elderly poverty rate has fallen from more than 35 percent in 1959 to just 10.8 percent in 1996. It currently provides benefits to about 45 million Americans, and keeps roughly 15 million of them out of poverty. And Social Security benefits represent more than 75 percent of income for elderly households in the bottom 40 percent of the income distribution.

THE LONG-RUN CHALLENGE. The Social Security system, however, is expected to face increasing strains, because the retirement of the baby boomers means that the number of retirees is expected to grow much faster than the number of workers. There are currently just over 3 workers who contribute for every Social Security beneficiary. By 2030, it is expected that there will be only 2 workers for every Social Security beneficiary. According to the intermediate projection of the Social Security Trustees Report, the retirement of the baby boomers is expected to cause the Social Security Trust Fund to start falling by 2019, and to be depleted by 2029 -- after which the Social Security system would be able to finance only 75 percent of current law benefits.

PRESIDENT CLINTON'S APPROACH TO SOCIAL SECURITY REFORM. President Clinton is strongly committed to strengthening Social Security over the next two years. His plan includes:

(1) Putting Our Fiscal House in Order. Before we could begin to address the long-run problems in Social Security, we first had to put our fiscal house in order. Under President Clinton's leadership, we have now done that. The budget deficit has fallen from $290 billion in 1992 to $22 billion last year, and President Clinton's FY 1999 budget will produce balance by next year.

(2) Surpluses Reserved Pending Social Security Reform. As the President emphasized in his State of the Union address, the projected budget surpluses should be reserved pending Social Security reform. Until we address the critical challenge of strengthening the Social Security system and ensuring retirement and disability security for America's hard-working families, the Administration believes that we should not use the projected surpluses for anything else.

(3) Bipartisan Regional Conferences in 1998. The President believes 1998 should be used to engage Americans in an inclusive national debate about Social Security reform. He challenges every American to attend a conference or forum on the issue -- or to organize and host one if there aren't any planned in a given area. The President has asked the AARP and the Concord Coalition to convene bipartisan and balanced regional conferences. The President or Vice President will attend three to four of these conferences, and will also be hosting a conference on private retirement savings in July. The President and Vice President also encourage other groups to organize conferences. The national dialogue should allow all Americans to express their views, and hear the views of others.

(4) White House Conference. At the end of the year, the President will host a bipartisan White House Conference on Social Security as a culmination of the various conferences, forums, and discussions held throughout the year. The purpose of the White House conference is to bring together the lessons learned from the national dialogue.

(5) Bipartisan Negotiations in January 1999. Following the White House conference at the end of the year, the President and his team will begin negotiations in January 1999 with the bipartisan Congressional leadership over Social Security reform. The President is firmly committed to strengthening the Social Security system.