TALKING POINTS
on the
BALANCED BUDGET AGREEMENT OF 1997

20 May 1997

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Issued By ......................................................... JOHN R. KASICH, Chairman
                                                  House Committee on the Budget
HIGHLIGHTS OF THE BALANCED BUDGET AGREEMENT

› It balances the budget by 2002 and keeps the budget in surplus thereafter.

› It provides $350 billion in gross tax cuts over 10 years for families, for education costs, and for economic growth.

› It ensures Medicare solvency for 10 years.

› It doesn’t touch Social Security benefits.

› It reduces total government spending to 18.9 percent of Gross Domestic Product [GDP] in 2002. It will be the first time since 1974 — the year that Patty Hearst was kidnapped and Hank Aaron hit his 715th home run — that Federal spending has been less than 20 percent of GDP.

› It provides for more than $600 billion in entitlement savings over 10 years.

› It provides for $114 billion less in spending over 5 years than the President’s fiscal year 1998 budget request.
It slows the growth of nondefense discretionary spending by $62 billion compared to what it would be if we did nothing.

- Nondefense discretionary outlays will grow at an average annual rate of about one-half percent a year — compared with an average of 6 percent a year for the past 10 years.

- Nondefense discretionary budget authority will grow at an average of about 1.7 percent a year, compared with an average of 5 percent a year over the past 5 years.
TALKING POINTS ON THE BUDGET

TAX RELIEF

- Provides for gross tax relief of $135 billion ($85 billion net) through 2002 and $350 billion ($250 billion net) through 2007.

- Tax relief can accommodate:
  - Tax relief for families (child tax credit, death tax relief).
  - Incentives for savings and investment (expanded Individual Retirement Accounts).
  - Incentives for economic growth (capital gains tax relief).
  - Relief for families for education costs.

- The amount of tax relief in each area, and the structure of tax relief provisions, will be determined by the Ways and Means Committee.

- Assumes extension of the airline ticket tax.
Over the 5-year period, the plan adds $16.9 billion in budget authority and more than $5 billion in outlays compared to the fiscal year 1997 Budget Resolution Conference Report. These levels allow for modernization of weapon systems, a high state of readiness, and a decent quality of life for armed forces personnel.

The level of budget authority established for national defense in fiscal year 1998 of $268.2 billion is identical to that projected in the fiscal year 1997 Budget Resolution Conference Report. This is approximately $2.6 billion higher than the President's budget request.

The 5-year defense path reflects a consensus between Congress and the administration that prudent increases in the defense budget are necessary, consistent with the need to balance the Federal budget. Given the historical decline of defense budgets since 1987, it is agreed that modest growth is now required to modernize the force structure.

The budget plan does not assume any particular result from the Pentagon's forthcoming Quadrennial Defense Review [QDR]. The QDR could have a significant impact on strategy, force levels, and personnel.
THE 2020 BUDGET 

DEFENSE

The President's Budget理发 the plan to spend $733 billion in national security, including
Defense, to protect the American people and their way of life. This budget includes a 3.2 percent increase over the 2019 budget to ensure a strong, capable, and modern military.

Defense

The FY 2020 budget proposal includes a comprehensive plan to build a more capable, resilient, and modern military. This includes:

- Additional funding for research and development to ensure our military is ready for the future.
- Increased investments in critical technologies, such as artificial intelligence and space-based systems.
- Enhanced efforts to support our military personnel and their families.

The President's budget also prioritizes cooperation and coordination with our Allies and partners to deter aggression and promote peace.

Conclusion

The FY 2020 budget is a blueprint for a strong, capable, and modern military that is ready to protect our nation and support our partners.

Note: The text is a draft and may be subject to change.
Nondefense discretionary spending provides for $35 billion over 5 years above the fiscal year 1997 spending level after accounting for the renewal of section 8 housing contracts to maintain current occupancy rates.

But nondefense discretionary spending growth will be reduced sharply compared with recent history.

- Nondefense discretionary outlays will grow at an average of about one-half percent a year — compared with an average of 6 percent a year for the past 10 years.

- Nondefense discretionary budget authority will grow at an average of about 1.7 percent a year, compared with an average of 5 percent a year over the past 5 years.

- In all, nondefense discretionary spending will be reduced by $64.1 billion over 5 years compared with projected spending if Congress did nothing.

Nondefense discretionary spending in fiscal year 1997 is about 17.3 percent of total Federal spending. Under the balanced budget plan, it will be only 15.3 percent by 2002.

Section 8 renewals entail about $35 billion in outlays over 5 years. More than half of the occupants are elderly or disabled.
NONDEFENSE DISCRETIONARY SPENDING

The President’s Budgetary Recommendations for Fiscal Year 2010

The Nondefense Discretionary Spending section of the budgetary recommendations includes all non-defense discretionary spending, which is the portion of the budget that is not programmatically determined and is available for the President to allocate as he sees fit.

The Nondefense Discretionary Spending section is comprised of several key components, including:

- Program and Project Support
- Research and Development
- Trade and Economic Development
- Law Enforcement and Security
- Education and Training
- Environmental Protection
- Transportation
- Health and Human Services

The Nondefense Discretionary Spending section is a critical component of the budget, as it allows the President to prioritize spending in areas that are not covered by specific programs or projects. This section provides the opportunity for the President to allocate funds to areas that may not have been fully funded in previous years or that require additional funding to meet the needs of the country.

The Nondefense Discretionary Spending section is subject to congressional approval, and the final amount appropriated will depend on the budget process and negotiations that take place during the fiscal year.
Assumes approximately $8.8 billion in outlays over 5 years above the 1997 level for transportation, and $8.2 billion in outlays above the President's proposed level. The resolution also establishes a deficit-neutral reserve fund making additional transportation funding available in the future.
TALKING POINTS ON THE BUDGET

PROTECTED DISCRETIONARY PRIORITIES
(funded at levels proposed in the President's fiscal year 1998 budget)

- **DEPARTMENT OF COMMERCE**
  - National Institute of Standards and Technology [NIST].

- **DEPARTMENT OF EDUCATION**
  - Education Reform (includes Technology Literacy Challenge Fund).
  - Bilingual and Immigrant Education.
  - Pell ($300 increase in 1998 maximum to $3,000).
  - Child literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

- **DEPARTMENT OF HEALTH AND HUMAN SERVICES**
  - Head Start.

- **DEPARTMENT OF THE INTERIOR**
  - National Park Service: Operation of Park Service, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers).
  - Bureau of Indian Affairs, Tribal Priority Allocations.
DEPARTMENT OF LABOR
- Training and Employment Services, including Job Corps.

DEPARTMENT OF TREASURY
- Community Development Financial Institution Fund.

ENVIRONMENTAL PROTECTION AGENCY
- EPA Operating Program.
- Superfund appropriations will be at the President's level if policies can be worked out.

VIOLENT CRIME REDUCTION TRUST FUND, INCLUDING COPS

PROTECTED DISCRETIONARY PRIORITIES Budget Agreement Talking Points - PAGE 8
TALKING POINTS ON THE BUDGET

MEDICARE

- Slows the growth of projected Medicare spending by $115 billion over 5 years.

- Extends the solvency of the Part A Trust Fund for at least 10 years through a combination of savings and structural reforms (including the home health reallocation).

- Still provides for growth in Medicare spending:
  - Assumes growth in Medicare spending per beneficiary from $5,480 in 1997 to $6,911 in 2002.

- Structural reforms will include provisions to give beneficiaries more choices among competing health plans, such as provider sponsored organizations and preferred provider organizations.

- The Medicare program reforms provide beneficiaries with comparative information about their options, such as now provided Federal employees and annuitants in the FEHB program.
Title: Benefits of an Integrated Comprehensive Health Program

Body:

The benefits of an integrated comprehensive health program extend beyond traditional medical care. This approach fosters a holistic view of health, addressing not only physical but also mental, social, and environmental aspects. By combining elements of primary care, behavioral health, and preventive services, the program aims to improve overall health outcomes and reduce costs associated with preventable diseases.

Incorporating community services and support systems also plays a crucial role. These may include nutrition counseling, exercise programs, smoking cessation support, and mental health treatments. This integrated approach helps individuals manage chronic conditions more effectively and promotes better adherence to treatment plans.

Evidence from various studies indicates that such programs can lead to substantial improvements in patient satisfaction, quality of life, and reduced hospital readmissions. Additionally, they can result in cost savings by preventing the need for more intensive, costly treatments later on.

Conclusion:

An integrated comprehensive health program offers a win-win solution for patients and healthcare systems alike. By addressing the root causes of illness and providing a supportive environment for recovery, these programs contribute significantly to public health and well-being.
• Maintains the Part B premium at 25 percent of program costs and phase in over seven years the inclusion in the calculation of the Part B premium the portion cost of home health expenditures reallocated to Part B.

• Reforms managed care payment methodology to address geographic disparities that has limited HMO access in rural areas.

• Reforms payment methodology by establishing prospective payment systems for areas such as home health providers, skilled nursing facilities, and outpatient departments.

• Funds new health benefits including: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to providers for preventive vaccinations to the extent it will lead to greater use by beneficiaries. Invests $4 billion over five years (and $20 billion over ten years) to limit beneficiary copayments for outpatient services, unless there is a more cost-effective way to provide such services to beneficiaries as mutually agreed.
The budget agreement slows the growth of Medicaid spending by a net of $13.6 billion over 5 years.

Federal Medicaid outlays would be allowed to grow from $98.6 billion in 1997 to $137.6 billion in 2002 — a 40-percent increase.

Total Medicaid spending per enrollee would grow from $2,261 in 1997 to $2,946 in 2002.

The plan assumes that most of the savings would come from reductions in disproportionate share [DSH] payments and provisions to enhance administrative flexibility.

The plan grants unprecedented flexibility to States in managing the Medicaid program, including:

- Repeal of the Boren amendment, which restricts Medicaid payment levels for hospital and nursing home services.
- Converting current managed care and home/community-based care waiver process to State Plan Amendment.
- Eliminating unnecessary administrative requirements.
The budget agreement provides $16 billion over 5 years to increase health insurance coverage, services, or a combination for children who are uninsured.

Options could include:

- Modifications to existing programs, such as Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definitions of childhood eligibility.

- Grants to the States.

- A combination of the two above.

- Other approaches.
TALKING POINTS ON THE BUDGET

WELFARE

• The plan maintains the basic thrust of welfare reform's emphasis on work rather than dependency, and reducing the welfare magnet characteristics of benefits programs.

• The plan retains the ban on noncitizen Food Stamp and non-disabled SSI eligibility, as well as on persons who entered the U.S. after August 23, 1996 who were not enrolled in SSI or Medicaid prior to June 1, 1997.

• The plan maintains the basic structure of the Food Stamp work requirement enacted in last year's welfare reform law, which requires able bodied adults to work at least 20 hours per week to retain food stamp eligibility after receiving food stamps without working for three months in any 3 year period. Provides funding for additional work slots to help people subject to the requirement comply. Provides Governors with an additional option for hardship exemptions.

• Under the balanced budget plan, funding for Federal welfare programs including the Temporary Assistance for Needy Families block grant, the child care block grant, child support enforcement, foster care, food stamps, child nutrition, Supplemental Security Income and the Social Services Block Grant will increase by 19 percent between fiscal year 1998 and fiscal year 2002. Similarly, spending on the Earned Income Credit will rise by 17.2 percent during the same period.
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WELFARE

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management.
The plan provides states with an additional $3 billion in funding over the next 5 years targeted at moving the hardest to employ welfare recipients into work. This funding should make it easier for states to meet the work requirements enacted in last year's bill that reduce state block grant funds unless at least 50 percent of their single parent welfare recipients are working at least 30 hours per week by 2002.

The plan restores SSI and Medicaid eligibility for legal immigrants who become disabled after entering the U.S. Restored eligibility is limited to persons who entered the U.S. prior to August 23, 1996 and persons who entered after that date who were enrolled in the program by June 1, 1997.

The plan lengthens the period during which refugees and asylees qualify for public benefits after receiving their immigration status from 5 years to 7 years.

The plan provides funding to create more work slots in the Food Stamp Employment and Training program over 5 years to provide additional opportunities for persons subject to the food stamp work requirement to fulfill the requirement. Total cost of the work slots and restored benefits will be $1 billion over 5 years.

The plan provides Governors with the opportunity to exempt up to 15 percent of the total number of persons in their states who would lose food stamp benefits as a result of failure to comply with the work requirement from a loss of food stamp benefits. This provision is assumed to result in $500 million in additional Food Stamp benefit payments over 5 years.
TALKING POINTS ON THE BUDGET

EARNED INCOME CREDIT

- The plan assumes savings of $124 million over 5 years. The savings will result from increased enforcement activities designed to detect fraud and erroneous claims within the credit. All of the proposals assumed in the plan were recommended by the administration.

- The Internal Revenue Service recently released a study of tax returns claiming the Earned Income Credit in 1995. One out of every four returns examined resulted in an overpayment to the claimant. Given this error rate, the IRS concluded, more than $5 billion annually is wasted in fraudulent and inaccurate overpayments within the EIC.

- About half of the overpayments cited by the IRS were the result of deliberate fraud on the part of the filer. The other half resulted from taxpayer error or confusion caused by the complexity of the credit.

- These include requiring tax preparers assisting clients claiming the EIC to exercise "due diligence" in filing returns. Increased penalties will be imposed on people filing inaccurate claims. Other assumptions include devoting more IRS resources to detecting fraud within the EIC. According to the IRS report, the significantly higher rates of fraud within the EIC are linked to a lack of detection efforts compared to anti-fraud safeguards operating in other types of welfare programs.
The plan assumes $1.8 billion in savings over 5 years in student loans by reducing excess guaranty agency reserves and reducing administrative costs in the direct loan program. Students will not be affected by these changes.

Over 10 years, the saving will come equally from the direct and guaranteed loan programs.

The same number of loans will be available to students at no additional cost to the students or their parents.

- The volume of student loans will grow from $27 billion in 1997 to $36 billion in 2002.
- The number of student loans will increase from 7,463,000 to 8,605,000.
- This is the same level of growth that would have occurred without these changes to the student loan program.
STUDENT LOANS

The plan assumes $1.5 trillion in principal over 6 years. The student loan burden is expected to increase by $1 trillion in 2021, due to recent changes in student loan programs. The plan will not alter the existing programs.

The new approach will address some difficulty from the plan's implementation.

The current level of student debt will stabilize or shrink at $1.5 trillion in 2024, reaching $1 trillion by 2025. The proposed changes will stabilize the current level of student debt. Implementing a strategy that addresses the causes of this problem is important.
TALKING POINTS ON THE BUDGET

FEDERAL RETIREMENT

- The agreement assumes $4.9 billion in Federal retirement savings over 5 years.

- The plan contains no COLA delays and no changes in the formula for computing retirement annuities, or health benefit premiums.

- Under the plan, Federal employees will see their contributions to the retirement trust fund increased by one-half percentage point by fiscal year 2001. This represents the first increase in the Federal employee contribution since 1969. The increased contributions will help strengthen the solvency of the retirement system and lessen its dependence on the general fund.

- Federal agency contributions for Civil Service Retirement System [CSRS] employees will be increased by 1.51 percentage points. This brings the agency contributions closer to the full normal cost of accruing pension benefits for their CSRS employees. The Treasury share of CSRS full normal cost will decline to 9.5 percent of CSRS payroll, lessening pressure to reduce future retirement benefits.
FEDERAL RETIREMENT

The development and implementation of a plan to provide retirement benefits to federal employees.

The plan contains an OGRA option and on average the

employment benefits for continuing service after retirement.

Under the plan, federal employees may elect to continue benefits.

Federal employees' compensation and benefits for

employment will continue to be paid by the federal agencies and

employees.

Employee compensation and benefits for

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TALKING POINTS ON THE BUDGET

VETERANS' BENEFITS

- Assumes $2.7 billion in savings over 5 years in mandatory veterans programs.
  - Assumes that the VA compensation COLA increase will be rounded down to the nearest whole dollar amount.
  - Assumes extension of expiring VA provisions of current law that sunset in 1998.
  - Assumes lifting of prohibition on home loan debt collections and extending real estate mortgage investment conduits.

- The plan recommends increasing total VA spending from $39.4 billion in fiscal year 1997 to $42.4 billion in fiscal year 2002. This increase will meet the Nation's obligation to ensure that the benefits provided to veterans are sufficient to enable them to enrich their lives, in exchange for their honorable military service.

- The plan assumes acceptance of the administration's legislative proposal to supplement VA discretionary funding with receipts and collections which are currently mandatory. Under the plan, VA medical care will be able to retain third party insurance and user fees to partially offset the cost of care provided in VA facilities. CBO estimates that this will result in a supplement in budget authority of $604 million for fiscal year 1998.
TALKING POINTS ON THE BUDGET

HOUSING

- The budget agreement includes $35 billion to renew Section 8 assisted housing contracts for very low-income Americans.

- If this funding were not included, more than three million low income Americans would lose their rental assistance and face eviction from their apartments. This represents two-thirds of the tenants now assisted.

- Half of the tenants living in these apartments are very low-income elderly and disabled Americans.

- Though $35 billion is added back to fund these renewals, it only sustains the program at 1997 levels. No expansion of the program or increase in the number of apartments being subsidized is included.
TAXING RIGHTS ON THE BUDGET

HOUSING

The budget proposes an increase of $10 billion to renew

assistance to low-income families, including those who are

elderly or disabled. This will help ensure that more families

can afford to live in safe, decent, and affordable housing.

In addition, the budget includes $5 billion to support

the development of new affordable housing units and

improve the housing stock of existing units.

This investment will help millions of Americans

who are struggling to find affordable housing in their

communities.

Transportation

The budget includes $10 billion to support the

construction and preservation of transportation

infrastructure, including roads, bridges, and transit

systems. This investment will help improve
communities across the country.

In conclusion, the budget presented in this

report offers a comprehensive approach to

addressing the needs of our citizens, while

balancing the budget and ensuring economic

growth.

Thank you for your attention.

[Signature]
**TALKING POINTS ON THE BUDGET**

**ENVIRONMENT/NATURAL RESOURCES**

- Identifies the area of natural resources and the environment as a bipartisan priority.

- Provides sufficient funds to create a healthier, safer, and cleaner environment.

- Defines several protected domestic discretionary priorities, including the National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers); EPA operating program; and Superfund appropriations, which will be at the President's level if policies can be worked out.

- Provides for an Environmental Reserve Fund to facilitate the cleanup of hazardous waste sites.


- Provides $22.8 billion in discretionary budget authority in fiscal year 1998 and $108.9 billion over the next 5 years, compared with approximately $106 billion over the last 5 years.
ENVIRONMENTAL RESOURCES

Identifying ways to reduce or eliminate sources of the environment

Commitment and Support from the Government:

- Establish and implement programs to promote sustainable development
- Support research and development in environmental technologies
- Increase funding for environmental education and awareness programs
- Enforce environmental laws and regulations
- Promote international cooperation on environmental issues

Strategic Planning:

- Develop a comprehensive environmental strategy
- Set clear goals and objectives
- Monitor progress and adjust strategies as necessary

Integrated Approach:

- Coordinate efforts across different sectors
- Foster partnerships with stakeholders
- Ensure stakeholder participation in decision-making

Innovative Solutions:

- Invest in innovative technologies and practices
- Encourage public participation and feedback

Monitoring and Evaluation:

- Regularly assess and report on environmental performance
- Use data to inform policy decisions

Collaborative Efforts:

- Collaborate with other countries and organizations
- Share knowledge and best practices
- Support local initiatives and communities

Conclusion:

The need for strong environmental policies is critical to sustaining our planet and ensuring a healthy future for generations to come.

[Signature]

[Date]
TALKING POINTS ON THE BUDGET
SPECTRUM AUCTIONS

• Assumes $26.3 billion over 5 years in savings from spectrum auctions.

• It assumes an expansion of the FCC’s current authority to auction non-broadcast spectrum and extends the auction authority beyond 1998.

• It assumes that 36 megahertz [MHZ] of spectrum currently allocated to television channels 60-69 will be auctioned and awards new generations of toll-free “888” telephone numbers through an auction.

• It assumes that 78 MHZ of spectrum currently allocated to analog broadcasting will be auctioned.

• It assumes a penalty fee will be levied against those entities who received “free” spectrum for advanced, advertiser-based television services, but failed to utilize it fully.
SPECTRUM AUCTIONS

The following 30-70 billion rare zeroes to audience your operation.

The key to accessing the spectrum of the FCC's new bands is to

The auction is scheduled to begin on Wednesday at 10 a.m. and will run
to noon. The auction will continue until the reserve price is met or

The reserve price is set at $1 billion per block and will increase by

The auction is expected to conclude by the end of the day.

The winning bidder will be announced by the FCC.

The auction is open to all bidders, including non-US companies.

The FCC is expected to issue more details in the coming days.

The auction is part of the FCC's effort to increase spectrum

The auction is expected to generate significant revenue for the

The FCC is expected to allocate the spectrum to wireless carriers

The auction is expected to have a significant impact on the

The auction is expected to conclude by the end of the day.

The winning bidder will be announced by the FCC.
TALKING POINTS ON THE BUDGET

LAW ENFORCEMENT

- The agreement provides $5.5 billion in budget authority and $3.592 billion in outlays for the Violent Crime Reduction Trust Fund (VCRTF).

- The amount provided in the agreement is equal to the President's budget request.

- The agreement also retains a separate cap for the VCRTF as established as part of the Omnibus Crime Control and Prevention Act of 1994.
TALKING POINTS ON THE BUDGET

TRANSPORTATION

• Increases outlays by $8.8 billion over 5 years above the 1997 level for transportation, and $8.2 billion above the President's proposed level.


• In mandatory spending, the budget resolution assumes the permanent extension of vessel tonnage fees, which will provide $196 million in revenues over 5 years.

• The budget resolution establishes a deficit-neutral reserve fund to allow for increased spending from the highway trust fund on highway, transit, and highway safety above the levels assumed in this resolution. To ensure that proposed transportation spending increases are deficit-neutral, the spending must be offset by reductions in other spending or by revenue increases, or by a combination of both means.
The plan is based on Congressional Budget Office [CBO] economic assumptions. Assumes that Gross Domestic Product grows at 2.1 percent a year.

- **FISCAL DIVIDEND.** The assumptions include a fiscal dividend for balancing the budget. Economists have long projected that balancing the budget would produce favorable economic effects. These were assumed in the Balanced Budget Act and would be assumed in any other balanced budget plan.

- **CBO REVENUE CORRECTION.** There is widespread misunderstanding about the revenue correction CBO has projected.

This was not a sudden windfall. A similar phenomenon occurred last year, causing CBO to lower its 1995 deficit estimate. CBO thought then that this was a one-time occurrence.

But when it happened again this year — based largely on actual, not estimated, revenues — analysts determined that there is something fundamentally wrong with the revenue projections (which are based on income estimates calculated by the Department of Commerce). CBO now says it is reasonable to assume that fixing the technical error will lower deficit projections by approximately $45 billion a year through 2002.
ECONOMIC ASSUMPTIONS

The table is based on comprehensive studies of various economic indicators and long-term forecasts. It illustrates the projected growth rates and key economic indicators over the next ten years. The data is sourced from a range of reputable research institutions and international organizations.

The table includes the following columns:

- **Year**: The year in which the economic data is projected.
- **GDP Growth Rate**: The percentage growth rate of Gross Domestic Product.
- **Inflation Rate**: The annual rate of increase in the general level of prices for goods and services.
- **Unemployment Rate**: The percentage of the labor force that is without employment.
- **Interest Rates**: The rate at which a borrower can borrow money from a lender.

The data is presented in a clear and organized manner, allowing for easy comparison and analysis of economic trends and projections.
The assumptions also include the following components, incorporated by the Budget Committee:

- **CPI. The agreement does not require any legislated change in the CPI.** The plan anticipates CPI corrections as a result of statistical improvements assumed to be independently implemented by the Bureau of Labor Statistics. CBO expects that when BLS updates its measure of the CPI, it will correct the measure to remove a fraction of the upward bias that causes CPI to overstate inflation. The corrections are expected to be 0.3 percentage points starting in 2000, which result in deficit reduction of about $15 billion for the period 2000-2002.

- **TECHNICAL CORRECTION IN PRICE MEASURES.** This assumes a 0.04-percentage-point adjustment in taxable incomes, consistent with the CPI corrections above.
TALKING POINTS ON THE BUDGET

WHERE THE $225 BILLION WENT

Here is a summary of where the additional $225 billion of revenue from CBO's updated projection went:

- $120 billion was used to replace the earlier assumed OMB income shares.

- $16 billion was used to replace the 0.15-percentage-point change in the Consumer Price Index that would have required legislative action ("upper level substitution bias").

- $8 billion was used to replace savings that were assumed from the Medicaid per-capita cap proposed (opposed by Republican and Democratic Governors). There is no per-capita cap limitation in the budget agreement.

- About $12 billion to $14 billion was used for higher defense spending, domestic initiatives, and higher levels of transportation spending.

- The remainder, $69 billion, was used for deficit reduction throughout the 5-year period.