Bipartisan Budget Agreement

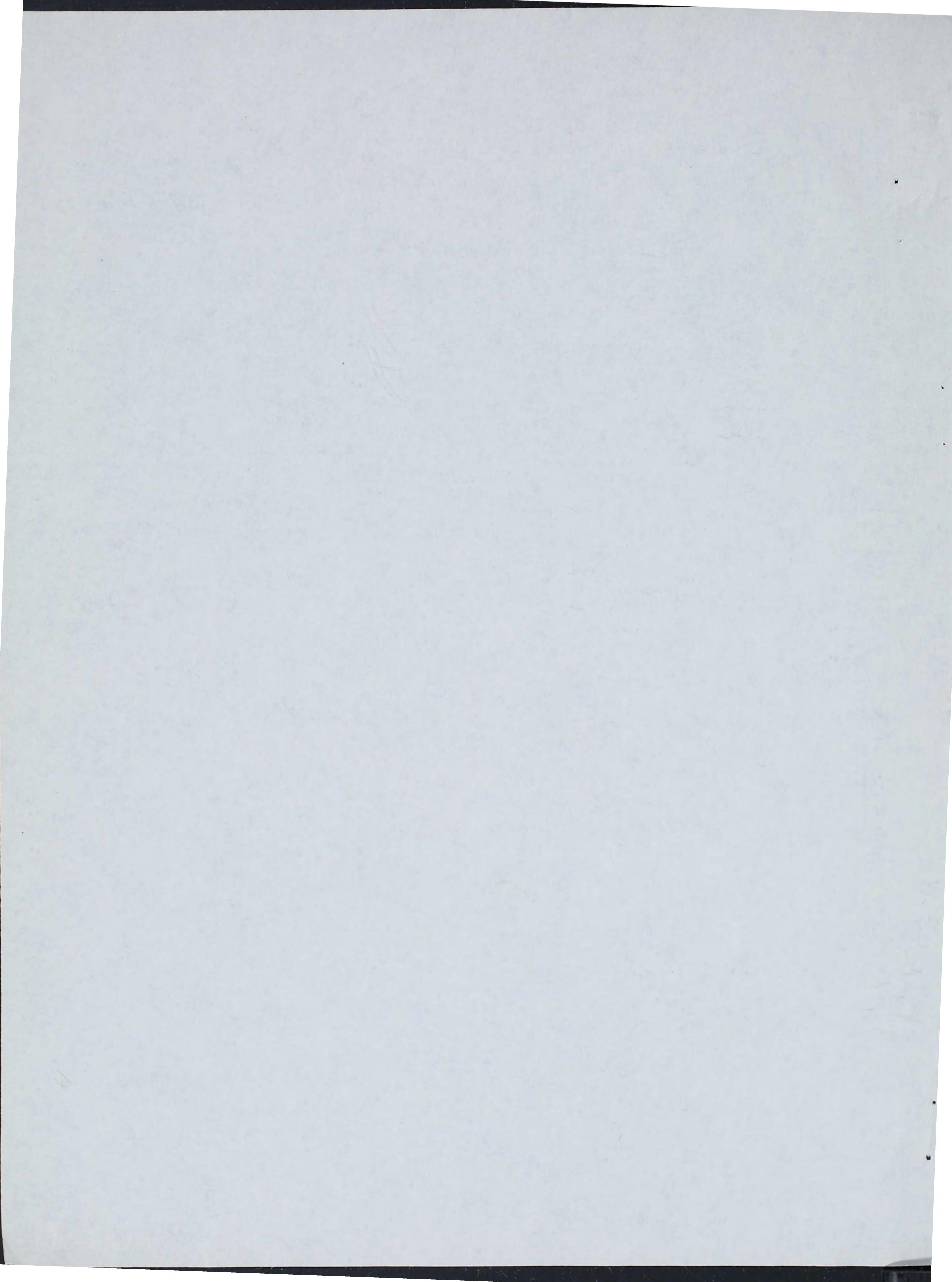
- Summary Tables II.
- Description of Agreement by Major Category III. Discretionary Programs Α. Mandatory Programs Β.
- IV. Budget Process
- Letters pertaining to tax issues ν.

May 15, 1997

Bipartisan Budget Agreement between the President and the Leadership of Congress

FINAL VERSION MAY 16, 1997 11:32 pm Issued by John Kasich

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- result in a Balanced Budget by fiscal year 2002.
- 2.
- 3.
- 4.
- 5.
- 6. reconciliation bill carrying out this Agreement.
- 7.

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Bipartisan Budget Agreement between the President and the Leadership of Congress

The elements of this Bipartisan Budget Agreement provide for deficit reduction amounts that are estimated to

The Bipartisan Budget Agreement is approved by the President, the Speaker of the House of Representatives, the Senate Majority Leader, and the Senate Minority Leader. The President and the Congressional leadership agree to engage in a coordinated effort seeking to enact the Bipartisan Budget Agreement. Their coordinated effort shall seek to produce support for the Agreement by a majority of Democrats and Republicans in both the House and the Senate. This agreement represents commitments to good faith efforts; it does not purport to amend or suspend rules of the House or Senate. If bills, resolutions, or conference reports are deemed to be inconsistent, remedial efforts shall be made by all parties to assure consistency. Such efforts shall include bipartisan Leadership consultation and concurrence on amendments and scheduling as necessary.

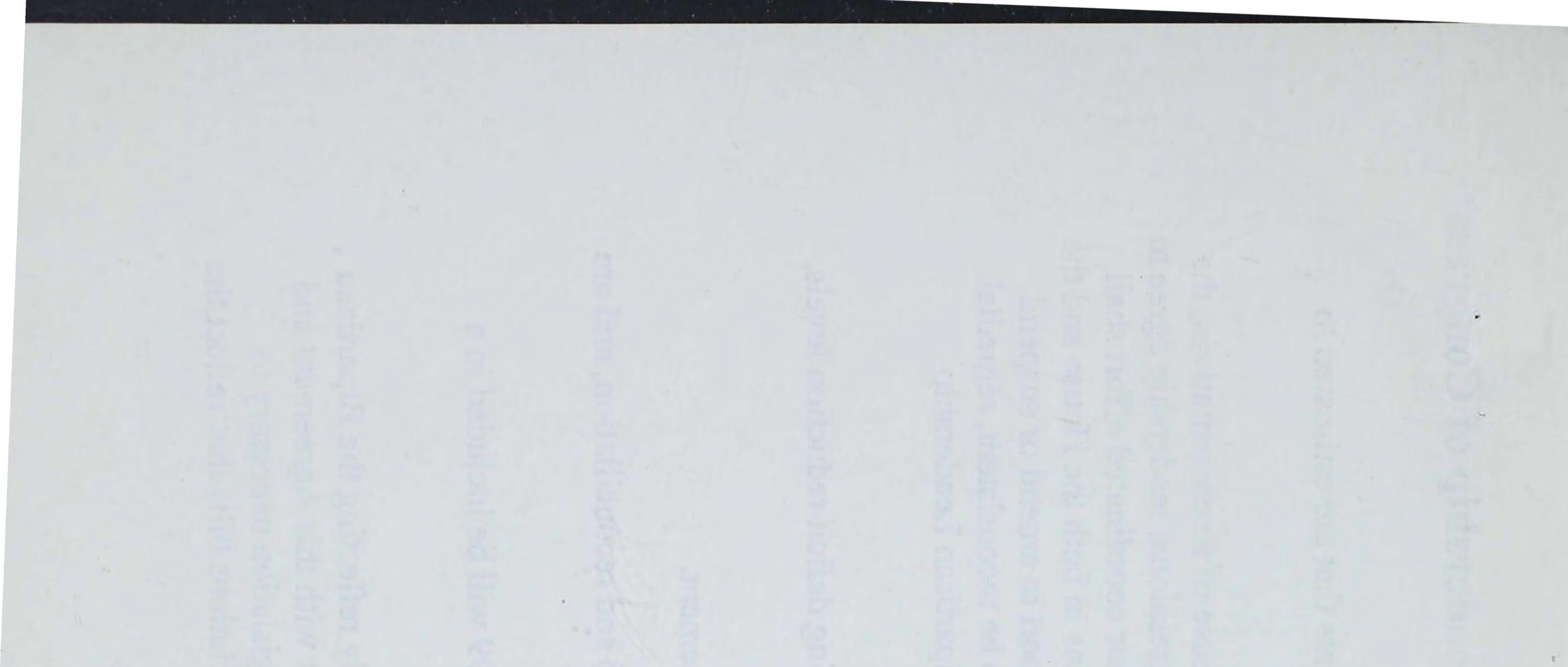
Agreed upon budget levels are shown on the tables included in this agreement, including deficit reduction levels, major category levels for discretionary, mandatory, and tax and receipt changes.

Discretionary priority spending will be protected by the amounts set forth in this Agreement.

Agreed budget process items will be included in the budget resolution (as appropriate) and reconciliation, and are set forth in the budget process description included in this Agreement.

An increase in the debt limit sufficient to extend the limit at least to December 15, 1999 will be included in a

Both Houses shall pass the 1998 budget resolution with reconciliation instructions fully reflecting the Bipartisan, Budget Agreement. Such budget resolution shall contain 602(a) allocations consistent with this Agreement and shall instruct appropriate Committees to report, with or without a recommendation, legislation necessary to implement this Agreement. Conference reports on the reconciliation bills and appropriations bills that reflect the Bipartisan Budget Agreement shall be voted in both houses of Congress.





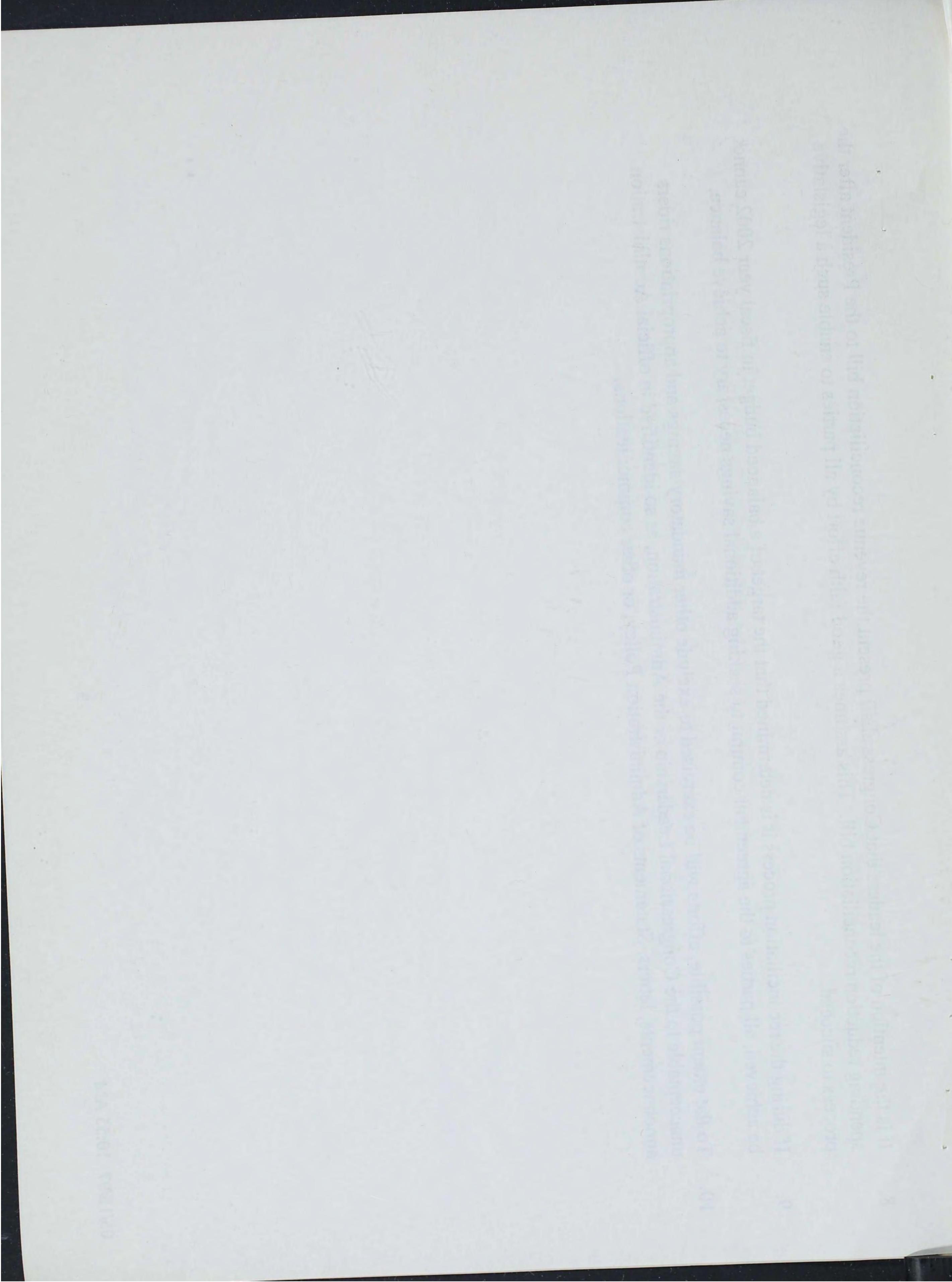
- 8. process to succeed.
- 9.
- 10.

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It is the intention of the leaders that Congress shall present the revenue reconciliation bill to the President after the spending reduction reconciliation bill. This assumes a good faith effort by all parties to enable such a legislative

If during the reconciliation process it is determined that the target of a balanced budget in fiscal year 2002 cannot be achieved, all parties to the agreement commit to seeking additional savings necessary to achieve balance.

To the extent possible, efforts will be exercised to exclude other mandatory savings and appropriations riders unacceptable to the Congressional Leadership or the Administration, as so identified in official Administration announcements, letters, Statements of Administration Policy, or other communications.



SUMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MARK (Dollars in billions)

Baseline deficits a/
Discretionary:
Defense
Nondefense
Mandatory:
Presidential initiatives
Medicare
Medicaid
Other mandatory
Revenues:
Net tax relief
Total policy changes
Debt service
Total deficit reduction
Resulting deficit/surplus

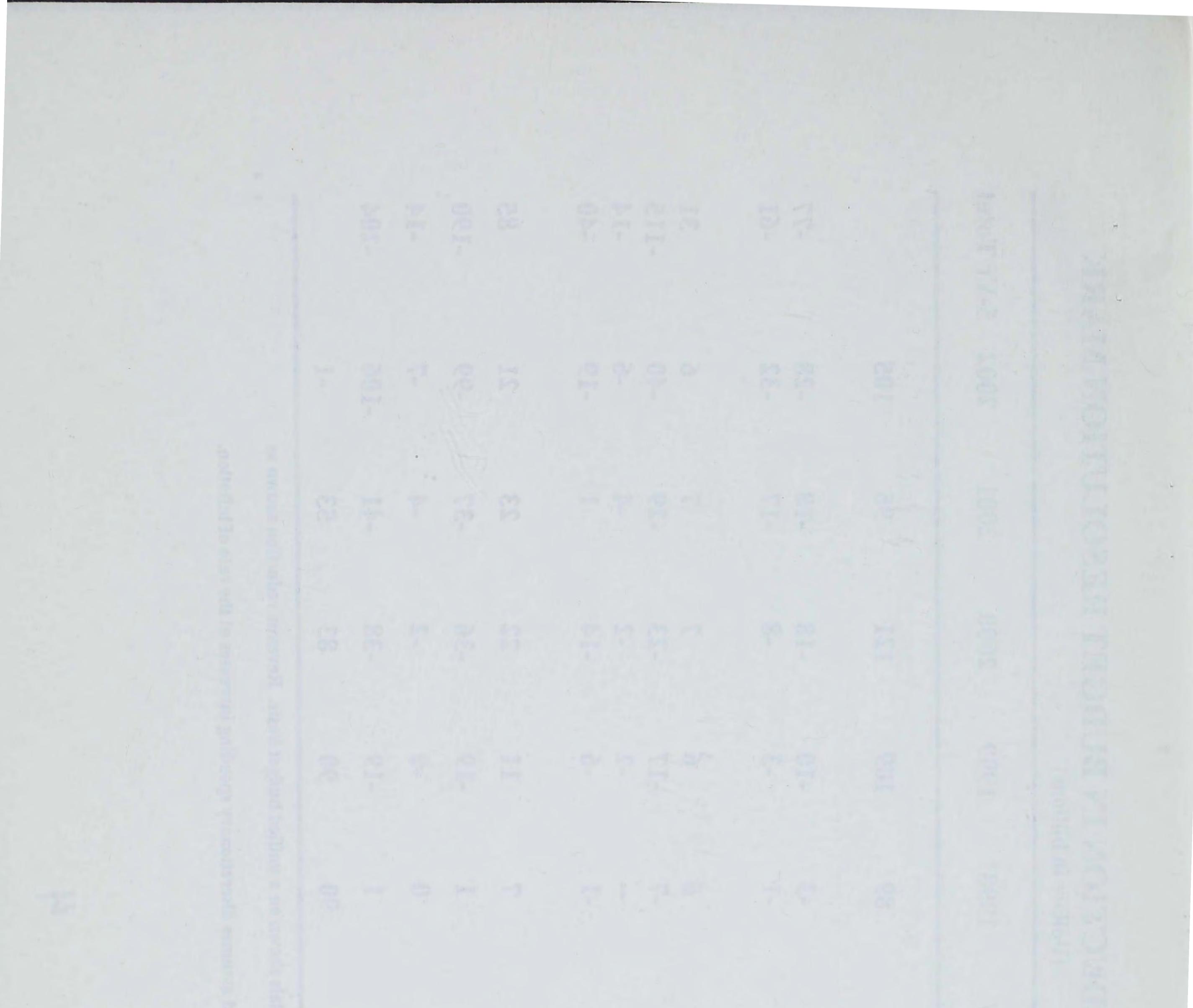
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NOTE: Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as positive because it increases the deficit. a/ Baseline includes fiscal dividend, CBO revenue update, and assumes discretionary spending increases at the rate of inflation. Prepared by SBC Majority Staff, 15-May-97

. . .

1997	1998	1999	2000	2001	2002	5-Yr Total
67	89	109	121	95	105	
	-3 -1	-10 -3	-18 -8	-18 -17	-28 -32	-77 -61
	-1		-0	-1 /	-34	
	-7	-17 -2	-23 -2	-29 -4	-40 -6	31 -115 -14
	-1	-2	-14	1	-19	-14
	7	11	22	23	21	85
	1	-19	-36	-37	-99	-190
	0	-0	-2	-4	-7	-14
	1	-19	-38	-41	-106	-204
67	90	90	83	53	-1	

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	1	Agreen	nent				P	rojections			Tota	als
1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	'98-'02	'98-07
67.2	89.0	109.1	1213	94.5	104.9	103.2	108.6	133.3	127.8	117.0		
	-3.0	-9.9	-179	-18.3	-27.7	-32.1	-33.0	-34.0	-35.0	-36.1	-76.8	-247.0
	-1.0	-2.5	.80	-17.4	-32.3	-36.5	-39.9	-42.6	-45.1	-47.5	-81.2	-272.8
	-4.0	-12.5	-25.9	-35.7	-59.9	-68.6	-72.9	-76.6	-80.1	-83.6	-138.0	-519.9
	-6.5	-16.8	-227	-29.0	-40.0	-50.0	-60.0	-65.0	-70.0	-74.0	-115.0	-434.0
		-1.5	-24	-3.6	-6.2	-7.1	-8.6	-10.2	-12.0	-13.9	-13.7	-65.5
		-3.5	-35	-4.5	-14.8	-1.9	-1.0	-1.0	-1.0	-1.0	-26.3	-32.2
	-1.3	-2.1	-10.9	5.5	-4.4	-1.6	-3.2	-17.7	-4.8	12.3	-13.3	-28.2
	-7.8	-23.9	-39.5	-31.6	-65.4	-60.6	-72.8	-93.9	-87.9	-76.6	-168.3	-559.9
	0.0	-0.5	-2.0	-3.8	-7.4	-12.5	-18.2	-25.0	-32.5	-39.9	-13,6	-14'.6
	-11.8	-36.8	-67.4	-71.1	-132.8	-141.6	-163.9	.195.5	-200.5	-200.0		
	5.9	6.1	€.7	6.5	6.0	6.6	7.0	7.0	7.0	7.0	31.2	65.8
	7.4	11.3	22.4	23.4	20.5	27.2	28.5	31.4	36.2	41.8	85.0	249.9
::	1.5	-19.4	-38.3	-41.2	-106.3						-203.7	-905.7
67.2	90.4	89.7	83.0	53.3	-1.3	-4.6	-19.8	-23.9	-29.5	-34.4		
	67.2	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	67.2 89.0 109.1 1213 -3.0 -9.9 -179 -1.0 -2.5 -80 -4.0 -12.5 -259 -6.5 -16.8 -227 $$ -1.5 -24 $$ -1.5 -24 $$ -3.5 -35 $$ -3.5 -35 $$ -1.5 -24 $$ -3.5 -35 -7.8 -23.9 -39.5 0.0 -0.5 -2.0 -11.8 -36.8 -67.4 5.9 6.1 $\epsilon.7$ 7.4 11.3 22.4 1.5 -19.4 $-3\epsilon.3$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$							

NOTE: 2000 and 2005 have 13 benefit payments and 2001 and 2007 have 11. The baseline has been adjusted to effect normalization to 12 benefit payments in each year.

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Long Range Summary, 1997-2007 (in tillions of dollars)



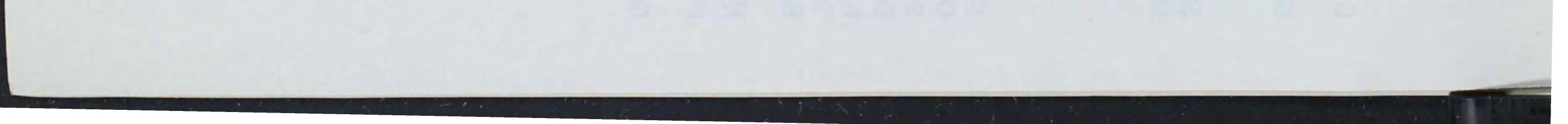
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Domestic Initiatives and Restorations in Agreement (in billions of dollars)

Assistance to immigrants: Elderly/Disabled Medicaid SSI Disabled kids (SSI only)¹ Refugees/asylees Subtotal, immigrants

Nutrition assistance: Add work slots for 18-50's 15% exemption for 18-50's Subtotal, nutrition assistance

Welfare to work add to TANF

Subtotal, immigrants, nutrition, and work

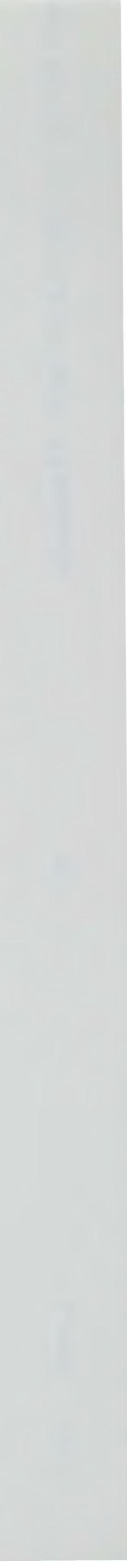
Children's Health

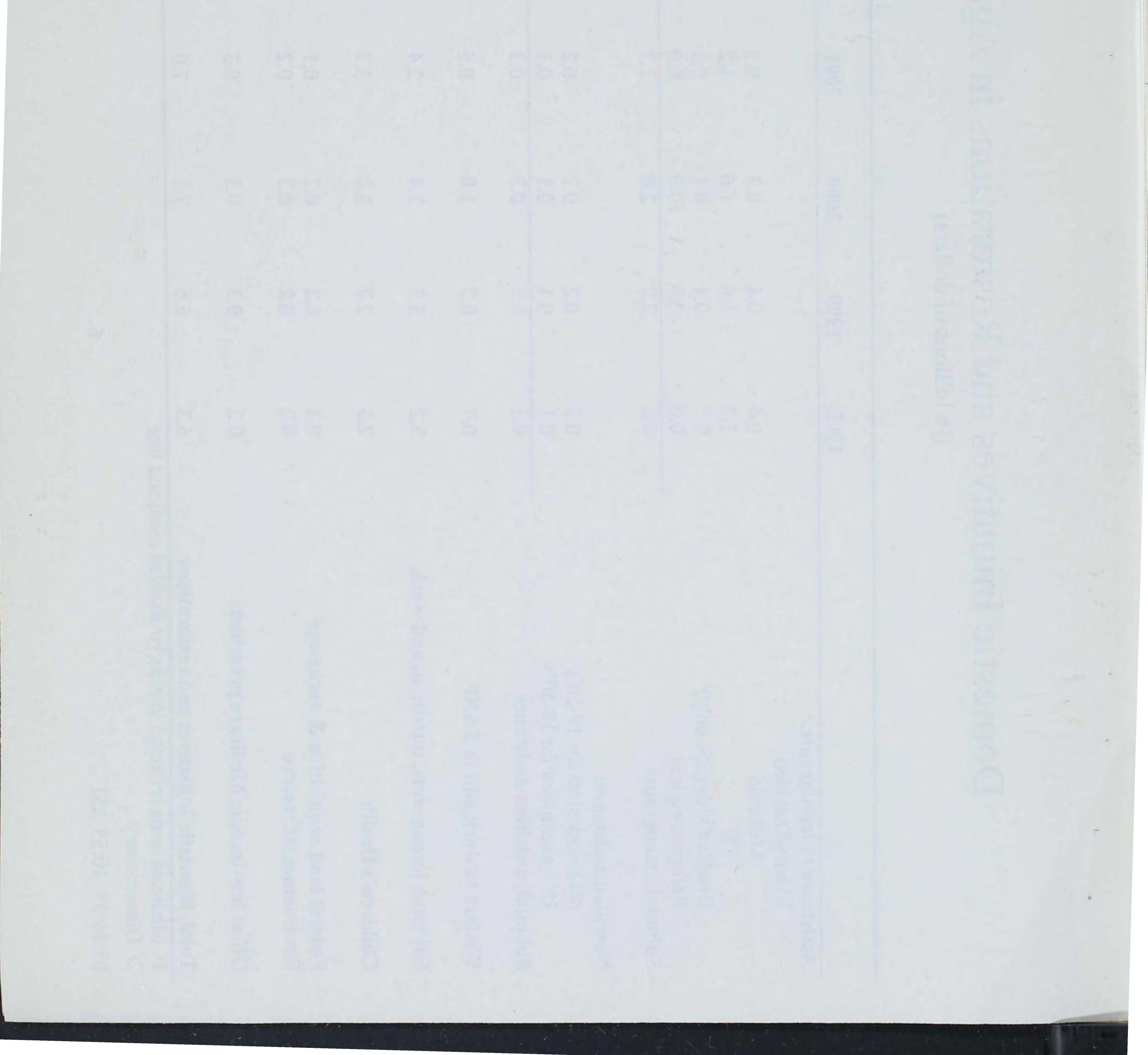
Federal land acquisition & exchange² Environmental reserve

Offset low-income Medicare premiums

Total, Domestic Initiatives and restorations6.1/ Medicaid costs reflected in elderly/disabled medicaid line2/ Discretionary05/16/97 10:55 AM

	1998	1999	2000	2001	2002	5-year total
	0.4	0.4	0.3	0.3	0.3	1.7
	1.7	1.6	1.6	1.2	1.2	7.5
	0.1	0.1	0.1	0.1	0.1	0.3
	0.0	0.0	0.0	0.0	0.0	0.2
	2.2	2.2	2.0	1.7	1.6	9.7
	0.2	0.2	0.2	0.2	0.2	1.0
	0.1	0.1	0.1	0.1	0.1	0.5
	0.3	0.3	0.3	0.3	0.3	1.5
	0.7	0.7	1.0	0.6		3.0
	3.2	3.3	3.4	2.4	2.0	14.2
	2.3	2.7	3.2	3.7	3.9	16.0
	0.3	0.2	0.2	0.1		0.7
	0.2	0.2	0.2	0.2	0.2	1.0
	0.2	0.3	0.3	0.3	0.4	1.5
s	6.3	6.6	7.3	7.0	6.5	33.6





National Defens	1
1-Defense Discretionary	1
al Discretionary	(

tected Functions:

150 International Afalis	
300 Natural Resources and Enviro	onment
400 Transportatior	••••••••••••••••••
500 Education, Traning, Employm	ent and Social Services
750 Administration of Justice	
Subtotal, Proteced Functions	
All Other	
al Discretionary Spinding	

Anomalies Includer Above:

	Subsidized Housing (Function 600)	
	Fixed Assets (Up-ront Funding and Advance Appropriations)	:
	050 Defense	
	250 General Icience, Space, and Technology	
	270 Energy	
	300 Environment	
	370 Commene and Housing Credit	
	400 Transpolation	
	550 Health	
	750 Administation of Justice	
	800 General Jovernment	
	Total, Anomales	
ł	al Discretionary Les Anomalles	1

Agreement on Discrationary Funding (In millions oldollars)

For functions specified below, implementing legislation will protect the function levels.

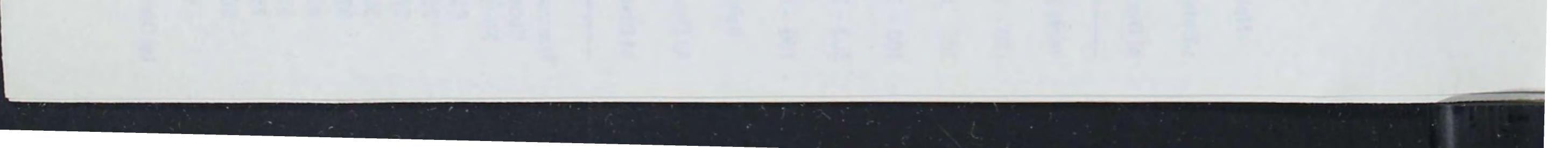
FY 1	998	FY 1	999	FY 20	00	
BA	OL	BA	OL	BA	OL	
289,000	266,823	271,500	288,518	:75,367	268,995	
257,857	286,445	261,499	292,803	181,828	295,270	
526,857	553,268	532,999	559,321	637,193	564,285	
19,038	19,179	18,601	18,842	18,533	18,809	
22,807	21,393	22,222	21,857	21,566	21,944	
13,556	38,267	14,974	38,933	14,788	39,310	
46,721	43,185	47,015	46,107	47,858	47,065	
24,405	22,170	24,795	24,191	23,887	24,996	
126,527	144,194	127,607	149,730	128,832	152,125	
100,330	409,074	405,392	409,591	410,561	412,140	
526,857	553,268	532,999	569,321	537,193	564,265	
5,682		9,652		12,047	•••	
2,218						
		2,735		2,226		
110	•••	52		θ		
51		581		458		
		724		551	•	
•••		675		724	•••	
		129		71		
		48		••••		
		500				
8,061		15,096		16,085		
518,798	553,268	517,903	559,321	521,108	564,285	

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FY 2001		FY 2002			
BA	OL	BA	OL		
281,847	270,86	289,610	273,100		
260,185	293,73	261,464	287,699		
542,032	564,398	551,074	560,799		
18,348	18,50	18,218	18,442		
21,185	21,82	21,152	21,472		
15,066	39,418	15,347	39,418		
48,478	47,778	49,199	48,559		
24.094	25,68	24,875	24,713		
127,170	153,214	128,591	152,604		
414,862	411,112	422,483	408,195		
542,032	564,318	551,074	580,799		
13,295		14,504			
1,817		1,271	•••		
253		84			
480		375	••••		
424		206	•••		

16,289		16,440			
525,783	584,386	534,634	580,799		





Protected Domestic Discretionary Priorities

(Funded at levels proposed in the President's FY 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 award amount, to \$3,000)
- •

Department of Health and Human Services Head Start

Department of the Interior

- 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** •
- •

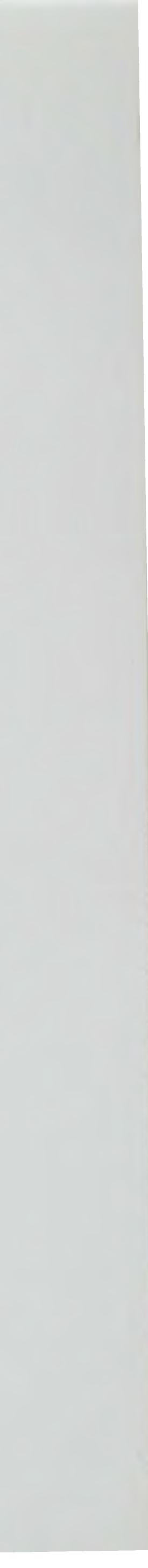
Violent Crime Reduction Trust Fund, including COPS

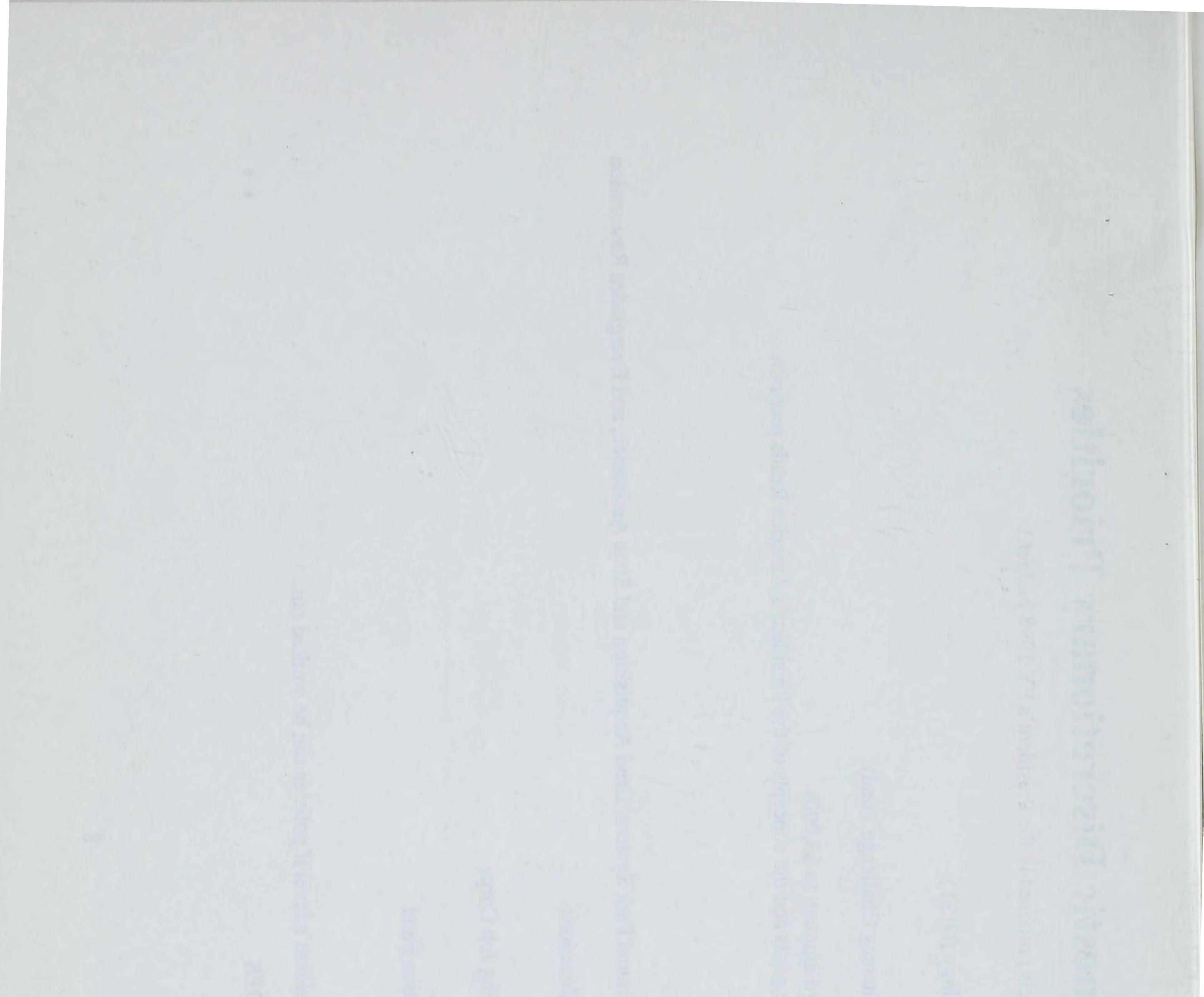
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Child literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

• National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration

Superfund appropriations will be at the President's level if policies can be worked out.





Pieros Toraz Vila

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	1998
Spectrum	

Note: Estimates for 1998-2002 were developed by the Congressional Budget Office (CBO). CBO has not formally provided estimates for 2003-2007. Tentative estimates for 2003-2007 are provided.

Four auction proposals and a penalty fee are assumed with expected receipts totaling \$26.3 billion over five years and \$32.3 billion over ten years (CBO scoring).

- police and emergency vehicle communications).
- 4. 1-888-BALANCE) through an auction.
- advanced, advertiser-based television services, but failed to utilize it fully.

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Spectrum Auctions

(outlay savings in billions of dollars)

1999	2000	2001	2002	5-Year Savings	10-Year Savings
-3.5	-3.5	-4.5	-14.8	-26.3	-32.3

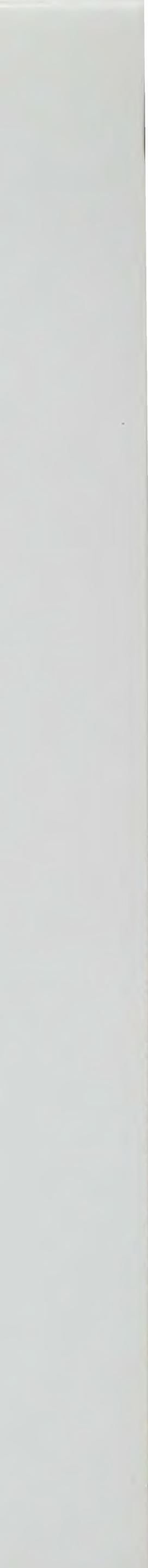
Auction of 78 Megahertz (MHz) of spectrum currently allocated to analog broadcasting: Codify current Federal Communications Commission (FCC) plans to reclaim surplus "analog" broadcast spectrum after broadcasters have migrated to new digital channels.

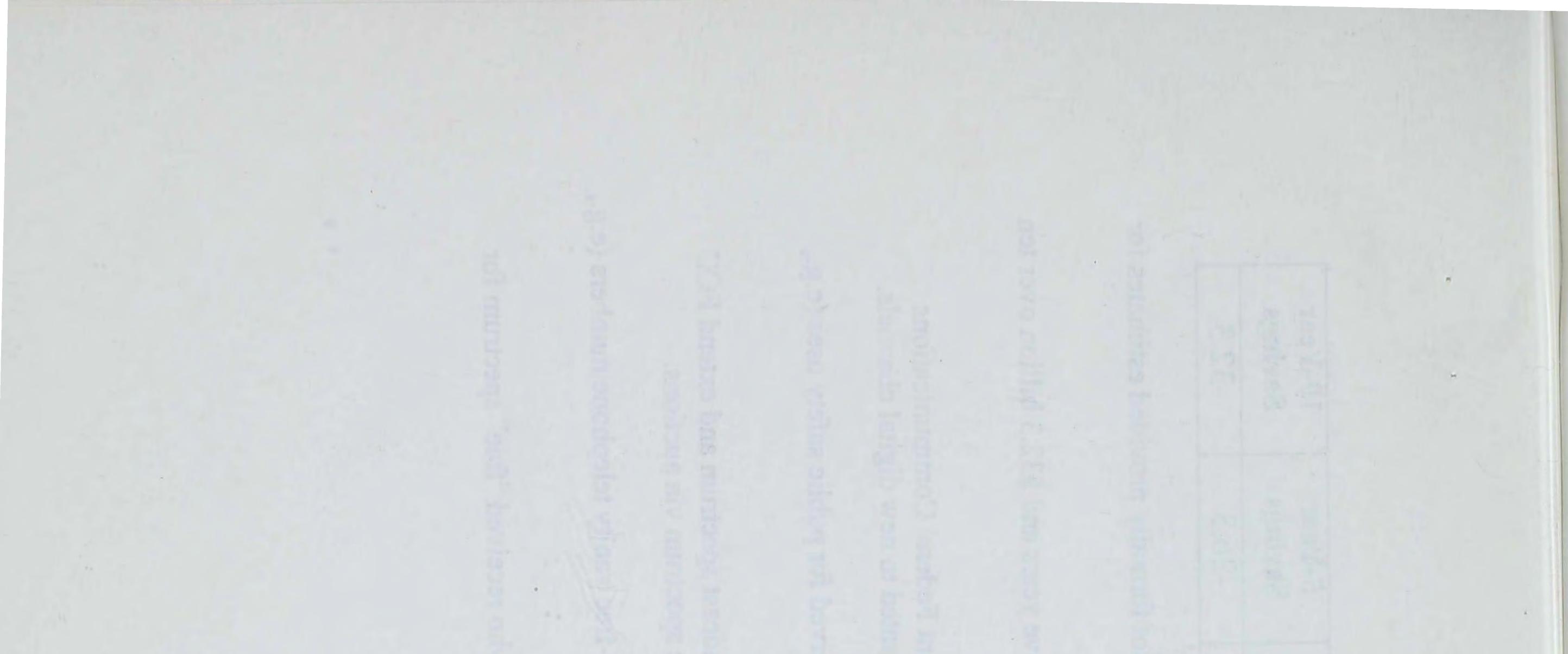
Auction of 36 MHz of spectrum currently allocated to television channels 60-69: 24 MHz will be reserved for public safety uses (e.g.,

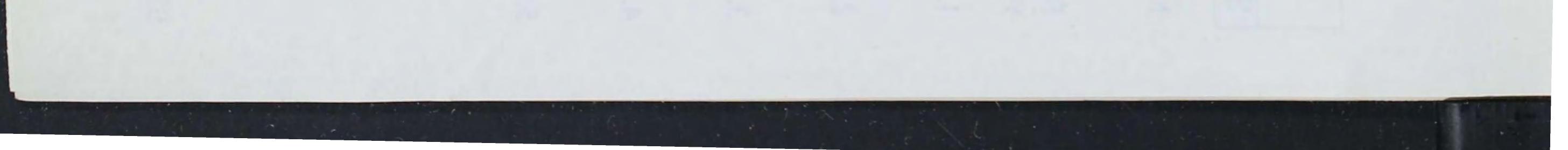
Broaden and Extend FCC Auction Authority: Expand the FCC's current authority to auction non-broadcast spectrum and extend FCC auction authority beyond 1998, when it currently expires. This proposal continues a policy to allocate spectrum via auctions.

Auction "Vanity" Toll Free Telephone Numbers: Authorize the FCC to award new generations of toll-free vanity telephone numbers (e.g.,

Spectrum Penalty: As authorized by current law, a penalty fee would be levied against those entities who received "free" spectrum for







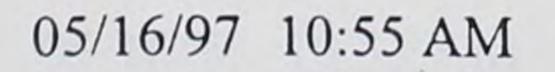
	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Total, Student Loan savings	- 241	- 240	- 151	- 81	- 1,050	- 1,763	- 1,996

The Agreement provides for outlay savings of \$1.763 billion over five years and \$1.996 billion over ten years from the student loan programs:

- ۰
- savings will be derived as follows: •
 - (a) \$1,000 million over five years from guaranty agency reserves

 - in the direct loan program.

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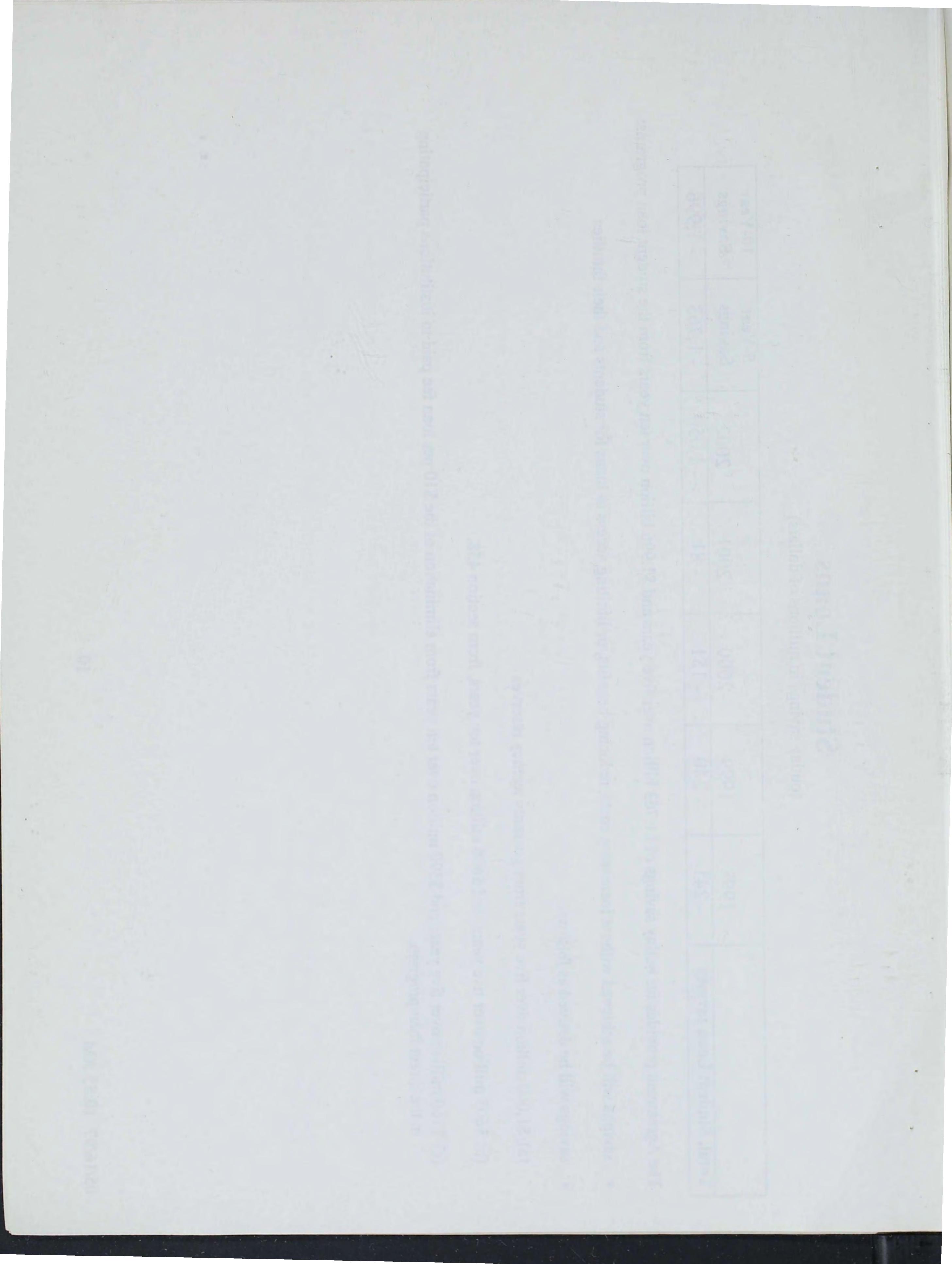
Student Loans

(outlay savings in millions of dollars)

savings will be achieved without increasing costs, reducing benefits, or limiting access to loans for students and their families

(b) \$603 million over five years, and \$606 million over ten years, from section 458.

(c) \$160 million over five years and \$390 million over ten years from elimination of the \$10 per loan fee paid to institutions participating



Increased Agency Contributions Increased Employee Contributions

- effective October 1, 1997 through September 30, 2002.
- (FERS).
- effect through December 31, 2002.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
End Transitional Payment for Worker's Compensation		-25	-33	-32	-31	-121	-261

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Civil Service Retirement (deficit reduction in millions of dollars)

1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
-597	-591	-586	-582	-577	-2,933	-2,933
	-214	-423	-571	-621	-1,829	-1,985

Increase agency contributions (except Postal Service and D.C.) for Civil Service Retirement System (CSRS) by 1.51 percentage points

Phase in increased employee contributions to the Civil Service Retirement System (CSRS) and Federal Employees Retirement System

Employee contributions would increase 0.25 percentage points January 1, 1999; an additional 0.15 percentage points January 1, 2000; and a final 0.10 percentage points for a total cumulative increase of 0.50 percentage points January 1, 2001. Increased contributions remain in

Legislation provides that agency contributions to FERS would remain unaffected by this change.

The CBO March Baseline is explicitly assumed for all Civil Service Retirement options, including any potential FEHB options.

U.S. Postal Service

(outlay savings in millions of dollars)

The proposal would repeal the payment to the U.S. Postal Service (USPS) to finance workers compensation benefits for employees injured before the USPS was created in 1971. USPS would be required to pay these costs out of the Postal Fund.



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		ns Home		Senefit H	und		
	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Allow VA to use refund offset to collect deficiency balances	-90	0	0	0	0	-90	-90

- determined that the debtor is liable to VA for the deficiency.
- This will save the program \$90 million in outlays in the first year of implementation.

· · · · · · · · · · · · · · · · · · ·	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Round down monthly compensation benefits after applying COLA	-23	-51	-88	-101	-128	-391	-1,469

- . in each year, an extension of current law.
- ۲ and military and civilian retirement benefits.

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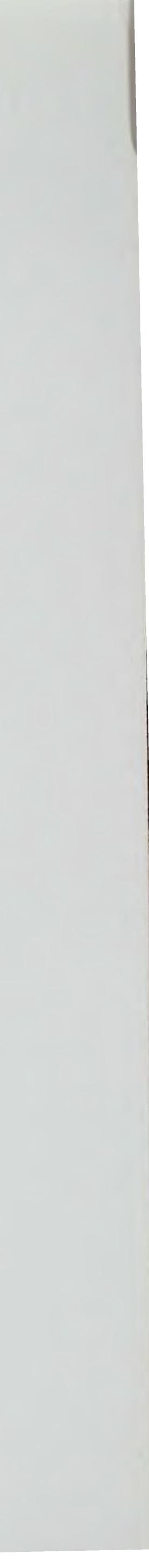
• This provision would allow VA to collect outstanding VA loan guaranty debts by Federal salary offset or Federal income tax offset. Currently VA is prohibited from using non-VA Federal offsets to satisfy debts unless the debtor consents in writing, or if a court has

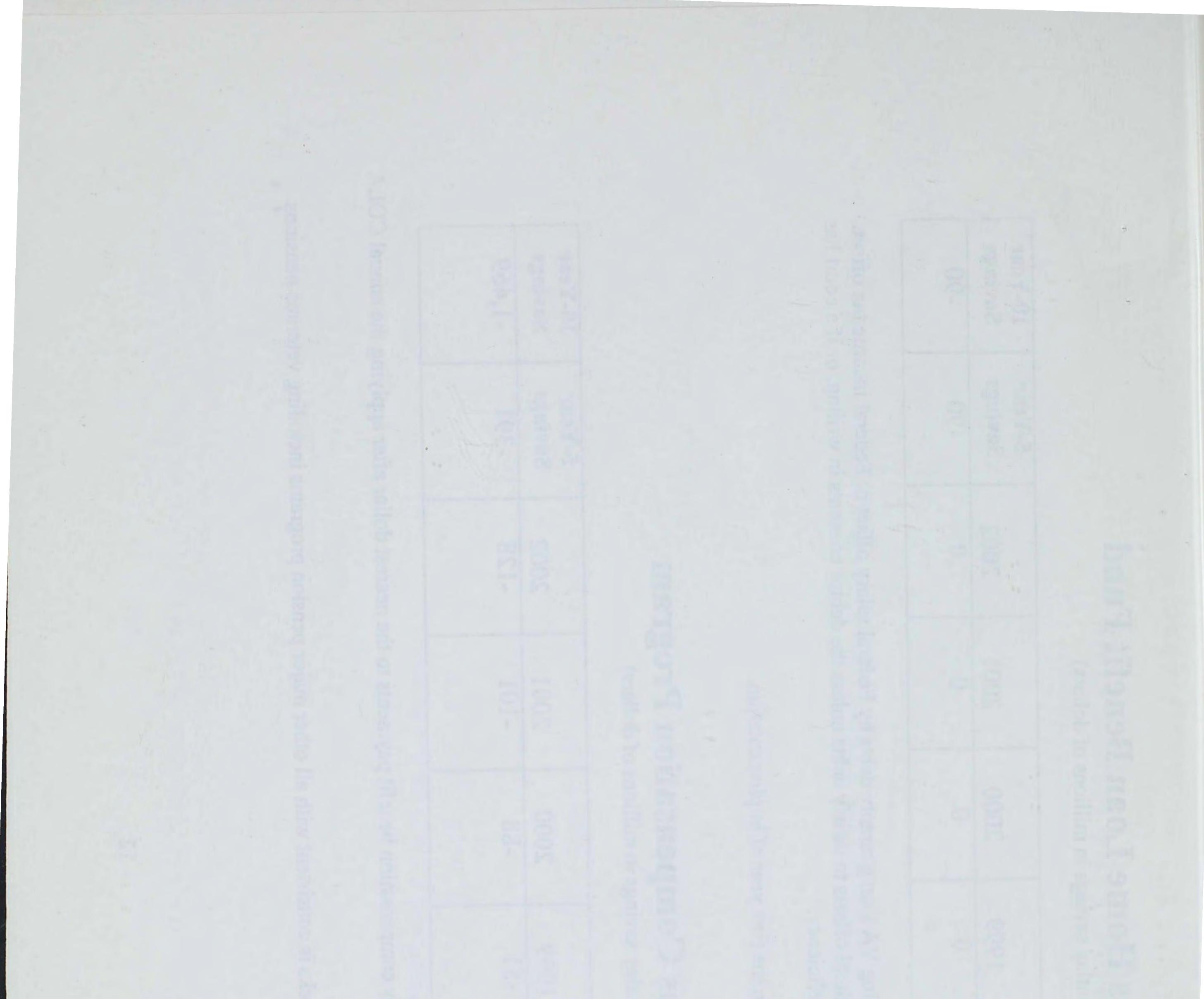
Veterans Compensation Program

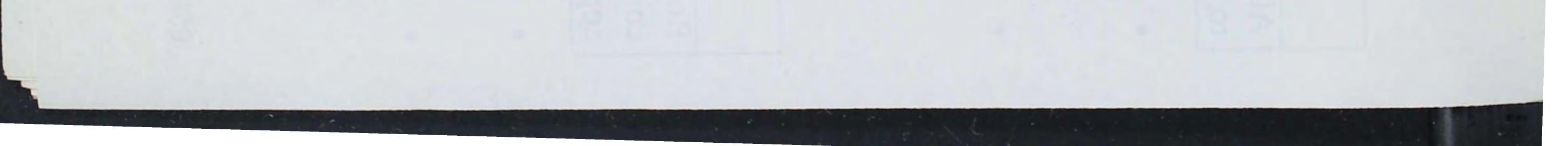
(outlay savings in millions of dollars)

Authorizes VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying the annual COLA

The practice of rounding down monthly benefit checks is consistent with all other major pension programs including veterans pensions







			e Cost F		y		
	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Mandatory Admin. Savings from moving receipts to discretionary	-118	-123	-128	-133	-139	-641	-1,427

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extension of OBRA Provisions for VA Pensions (See Note 1)		-133	-211	-143	-190	-677	-1,866

There are two OBRA savings provisions related to the veterans pension program. The overwhelming majority of the above savings are attributed to the \$90 benefit limit described below.

- be paid by the Medicaid program, where costs are shared with the states.

Note 1: The savings reflected in the table are net of Medicaid costs.

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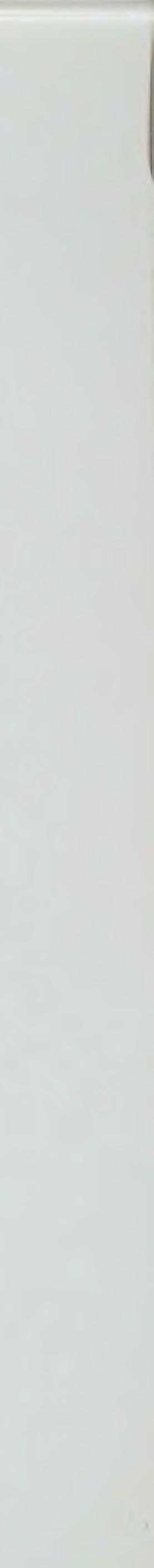
This proposal allows Medical Care to retain user fees to offset the cost of care provided in VA facilities. Currently, all receipts in excess of administrative costs are returned to Treasury. Under this structure, the administrative costs of debt collection are mandatory spending. Allowing the discretionary VA Medical Care account to retain all of these receipts and fund the cost of this activity out of its collections will result in a mandatory savings of \$641 million over five years and \$1,427 million over ten years.

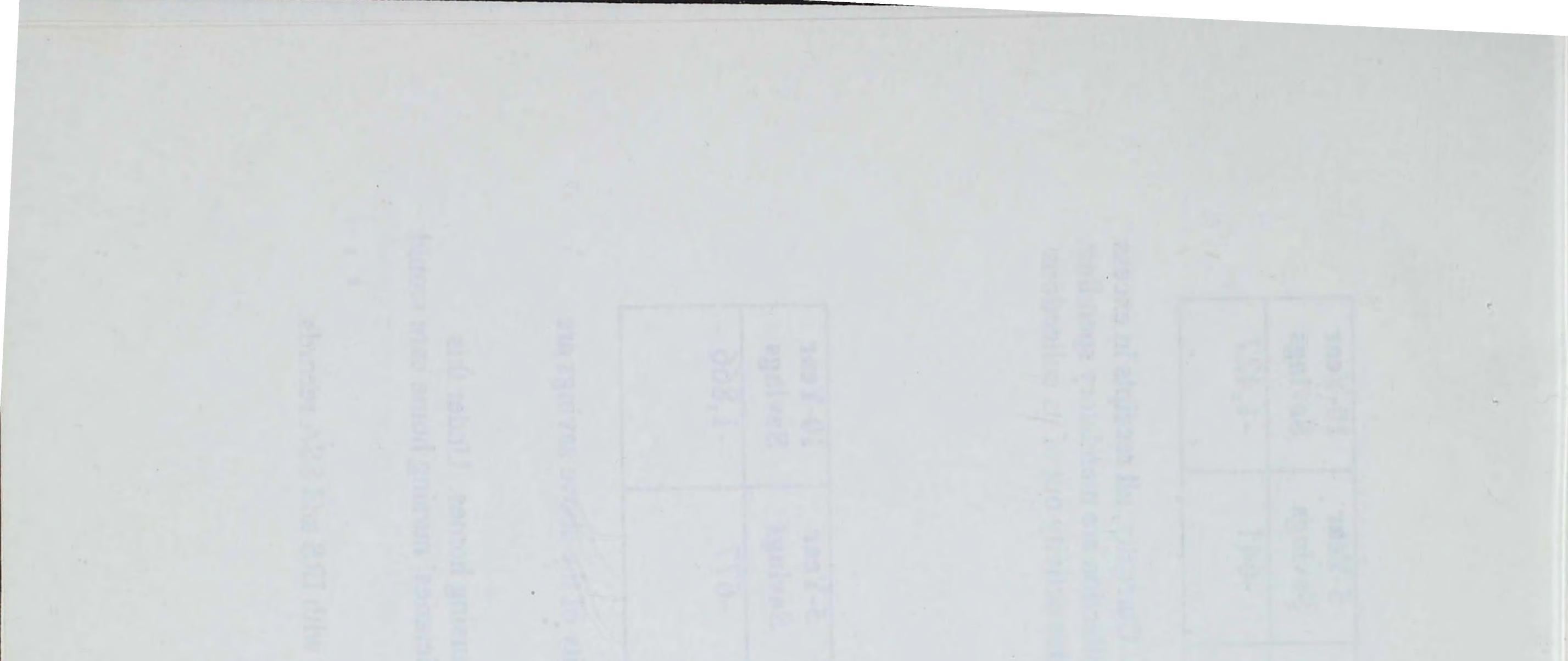
Veterans Pension Program

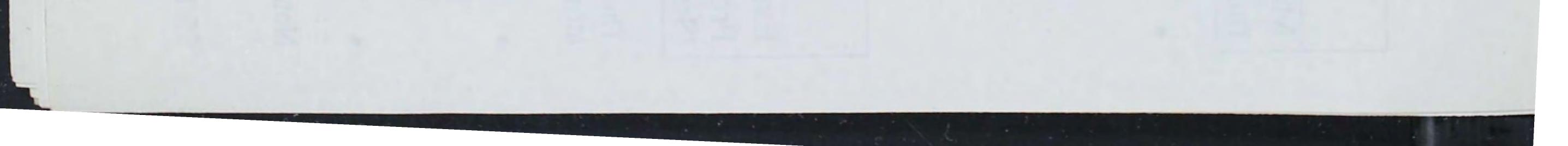
(outlay savings in millions of dollars)

This provision extends the current limitation on VA pension benefits to Medicaid-eligible recipients in nursing homes. Under this provision veterans get to keep a greater monthly benefit (the \$90 VA benefit). The full cost of the beneficiaries' nursing home care would

This provision extends the authorization for VA to match income information submitted by beneficiaries with IRS and SSA records.







	1		sing Ber in millions of	nefit Fu	nd		
	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Loan Asset Sale Authority	-5	-5	-5	-5	-5	-25	-50

- value.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Higher Loans Fees/Resale Loss Provisions (OBRA) & increase home loan fees for non-veterans	-11	-228	-227	-224	-219	-909	-1,993

This includes two proposals—extend OBRA provisions and increase the fee for non-veterans financing through "vendee" loans.

- - 2)
 - 3) include expected losses on the resale of foreclosed properties.

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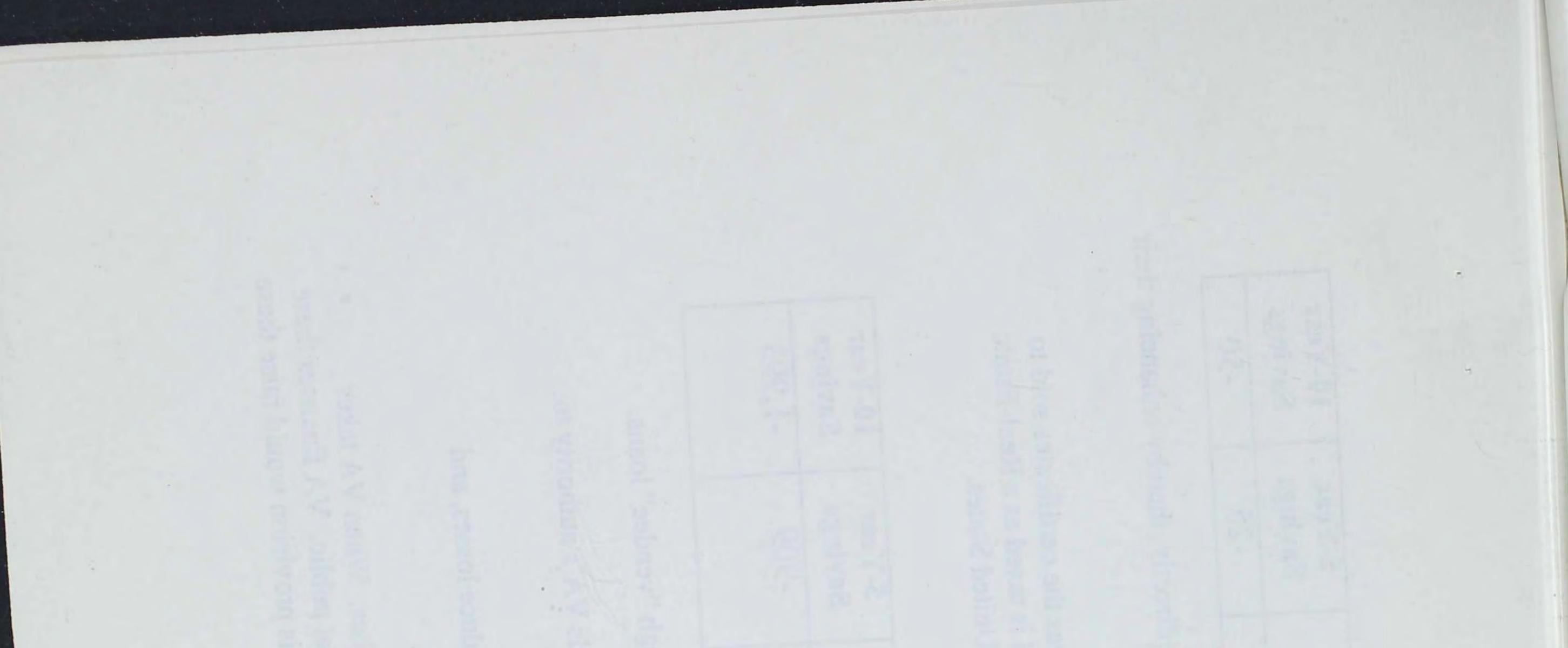
This provision would extend VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their

To cover obligations of VA's home loan program, VA secures its direct or "vendee" loans and guarantees the certificates sold to investors. VA has its own securitization vehicle which issues multiple-class pass-through securities and is taxed as a Real-Estate Mortgage Investment Conduit (REMIC). VA's REMIC currently carries the full faith and credit of the United States.

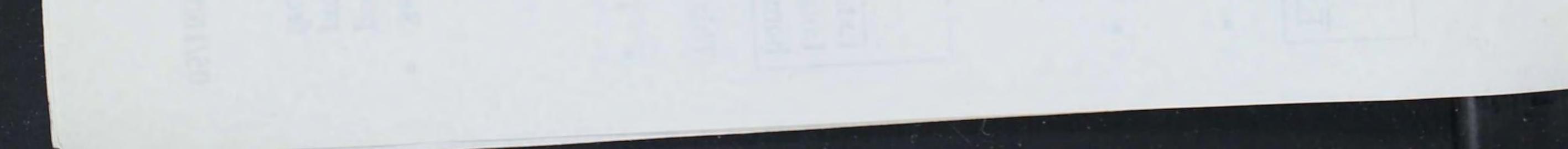
The OBRA provisions permanently extend three provisions that sunset September 30, 19998. This extends VA's authority to:

charge borrowers using VA's home loan guaranty program a 2% instead of a 1.25% fee, charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, and

Second, this provision increases the fee for non-veterans using VA's vendee loan program to match FHA fees. When VA takes . . possession of properties resulting from defaulted veterans loans, the homes are ultimately sold to the general public. VA finances these properties through its vendee loan program, charging fees that are lower than those offered to veterans. This provision would raise these fees to 2.25% -- the same up-front funding fee that the general public pays for FHA loans.



|--|--|--|--|--|--|--|--|



	1	(outlay savin	ngs in millions	of dollars)			
	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend FHA Assignment	-136	-145	-147	-128	-110	-666	-1,126

distress to stay in their homes.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Vessel Tonnage Fees		-49	-49	-49	-49	-196	-441

cargo-carrying capacity.

Lease of Excess Strategic Petroleum Reserve Capacity

	1998	1999	2000	2001	2002	.5-Year Savings	10-Year Savings
Lease Excess SPR Capacity		-1	-2	-4	-6	-13	-43

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FHA Assignment Program

This assumes continuation of current law policy to provide FHA with tools to encourage lenders to forbear for only up to 1 year. This would improve the targeting and efficiency of HUD's current program, and allow FHA homeowners experiencing temporary economic

Vessel Tonnage Duties

(outlay savings in millions of dollars)

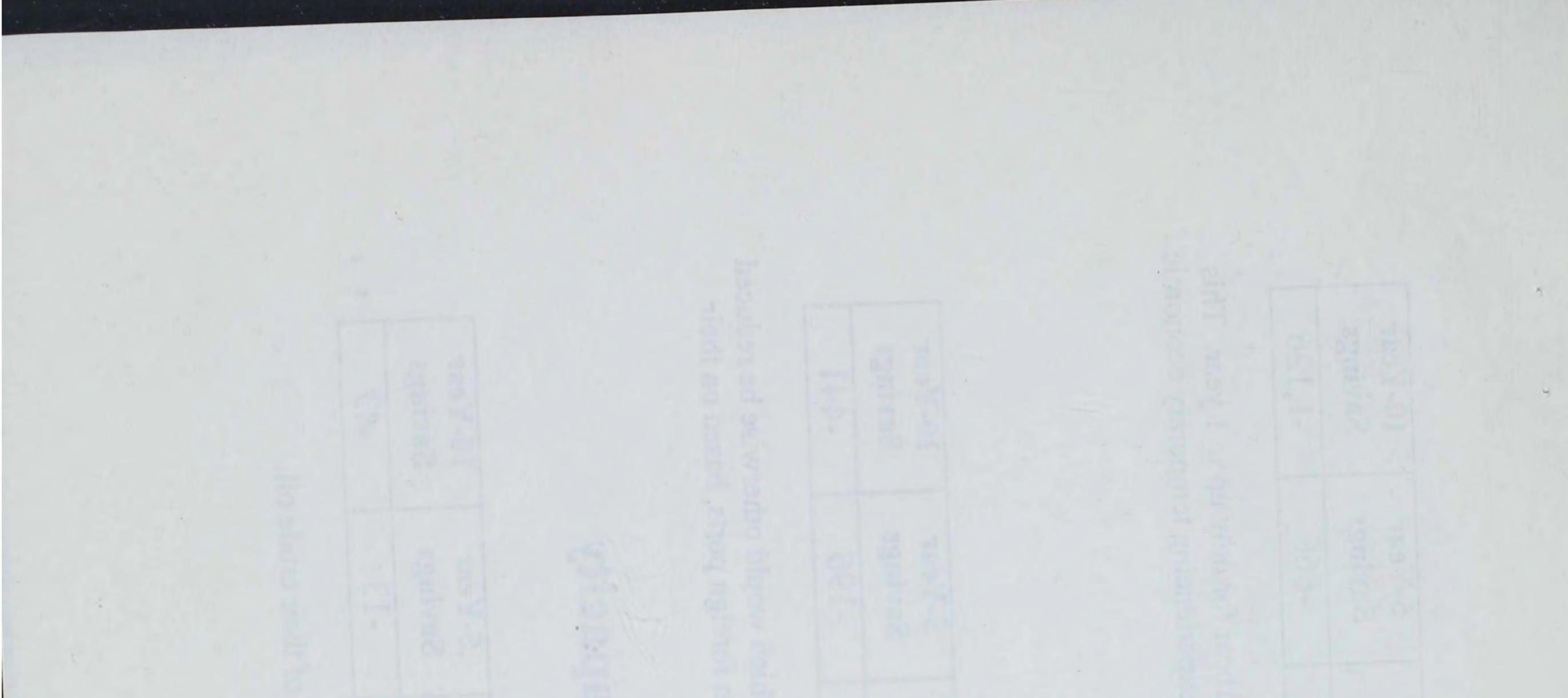
This proposal would extend vessel tonnage duties at their current levels through 2002. These duties, which would otherwise be reduced after 1998, are collected by the U.S. Customs Service from commercial vessels entering U.S. ports from foreign ports, based on their

(outlay savings in millions of dollars)

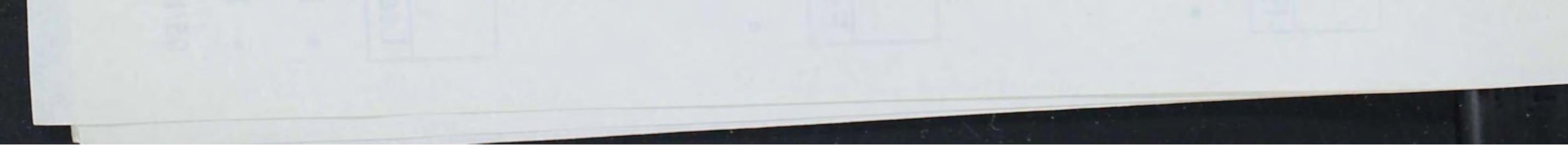
Proposal would lease excess Strategic Petroleum Reserve storage capacity to foreign nations for storage of their crude oil.

Proposal assumes that a total of five million barrels of oil are stored with a fee of \$1.20 per barrel.





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Unemployment Trust Fund (outlay savings in millions of dollars)								
	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings	
Raise UTF Ceilings			-200	-208	-216	-624	-624	

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
UI Benefits Integrity	-118	-158	-160	-162	-165	-763	-1,658

- (e.g., increased eligibility reviews, tax audits).

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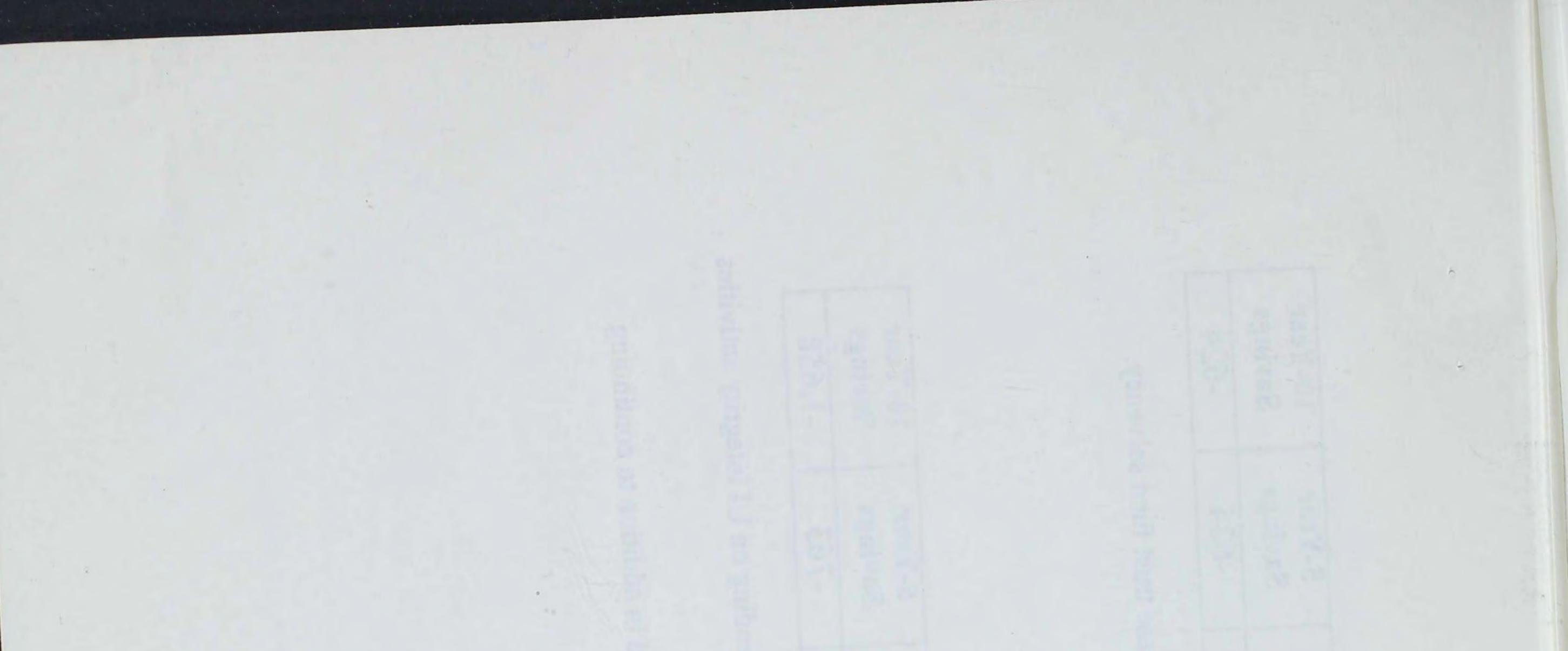
Increases the ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund to increase trust fund solvency.

Unemployment Benefits

(outlay savings in millions of dollars)

Provides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities

Assumes President's Budget requested level of funding for UI integrity (\$89 million in 1998) is provided in addition to continuing integrity activities already funded in the base UI administrative grants to obtain these savings.





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		1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Estimated s	pending associa	ated with the VA	user fee pro	posal:		1		
	BA	604	628	654	681	710	3,277	7,282
	OL	544	620	651	678	707	3,200	7,788
Estimated s	pending associa	ated with the SSA	A user fee pi	oposal:				
	BA	35	75	80	90	100	380	1,065
	OL	33	73	80	89	99	374	1,054

The proposals described below are included in the 1998 Budget and are assumed in the Budget Agreement.

VA Medical Care Cost Recovery Fees

- Medical Care.
- . adjusted baseline.

SSA Fees

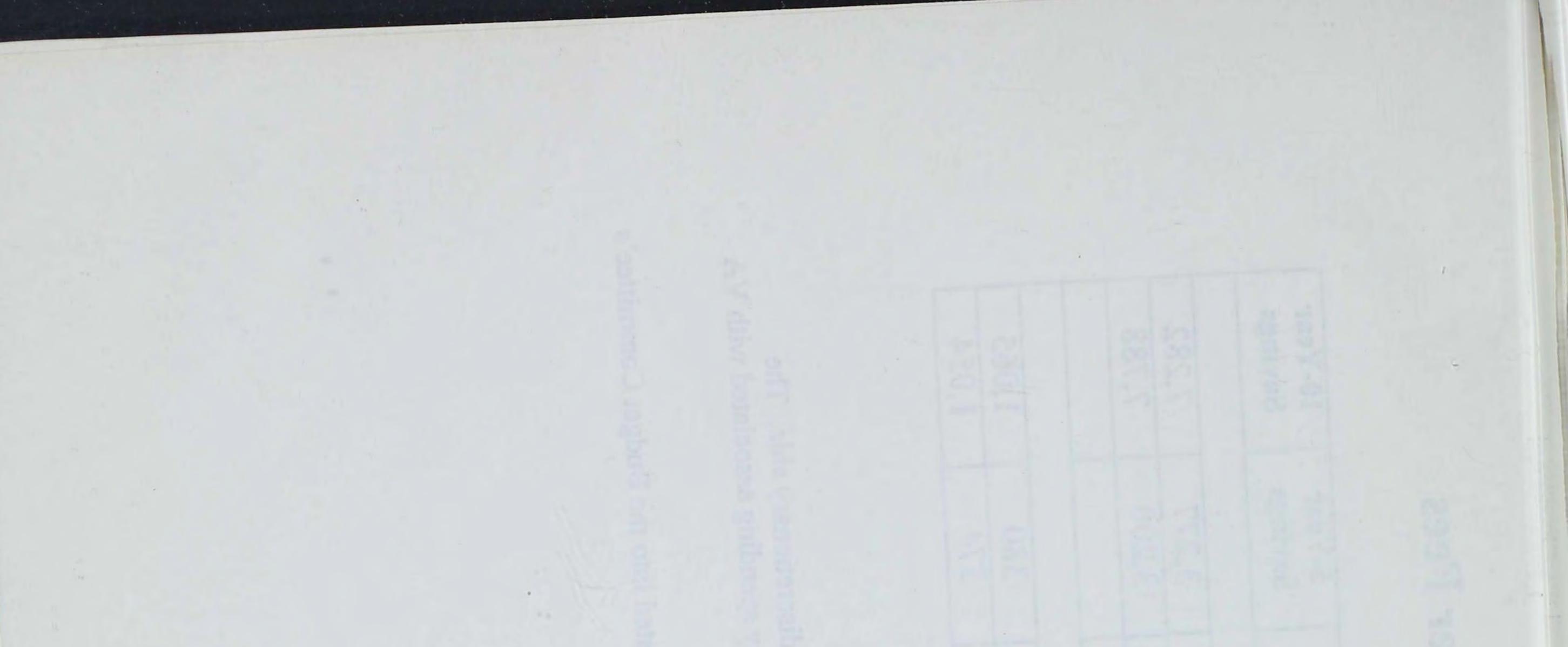
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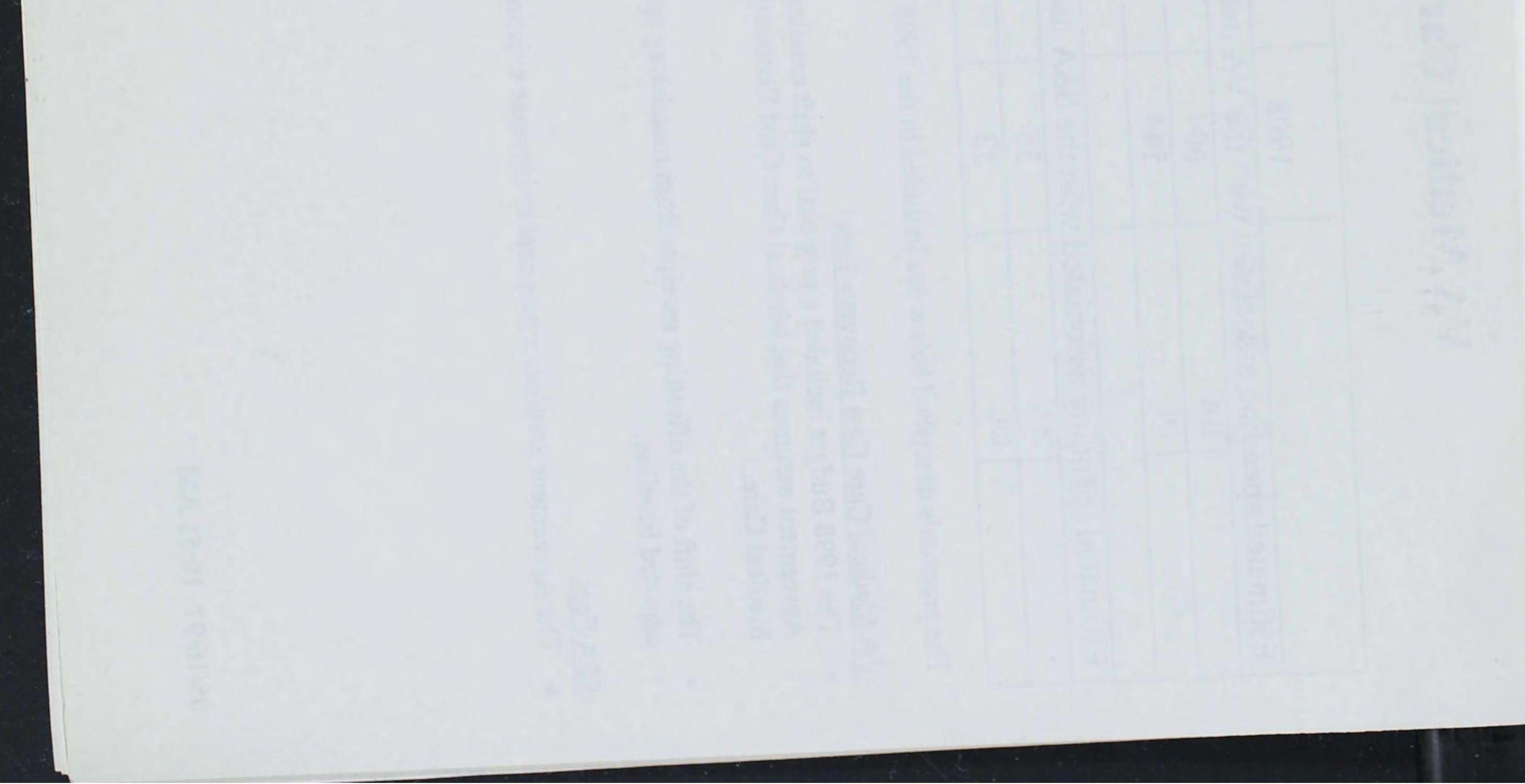
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The 1998 Budget included a proposal to shift existing offsetting receipts from the mandatory side to the discretionary side. The Agreement assumes that Medical Care Cost Recovery fees are available to support domestic discretionary spending associated with VA

The shift of the offsetting receipts from mandatory spending to discretionary spending has been incorporated into the Budget Committee's

The Agreement assumes a proposal to increase existing fees to offset SSA-related spending.





	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Earned Income Tax Credit		-13	-36	-37	-38	-124	-332

- levels. Final scoring is not available.
- ٠ targets.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Repeal appropriations under Smith Hughes	-1	-7	-7	-7	-7	-29	-64

- and vocational education in the Administration's GI Bill for America's Workers.
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Earned Income Tax Credit

(deficit reduction savings in millions of dollars)

Treasury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance

Other mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within these total savings

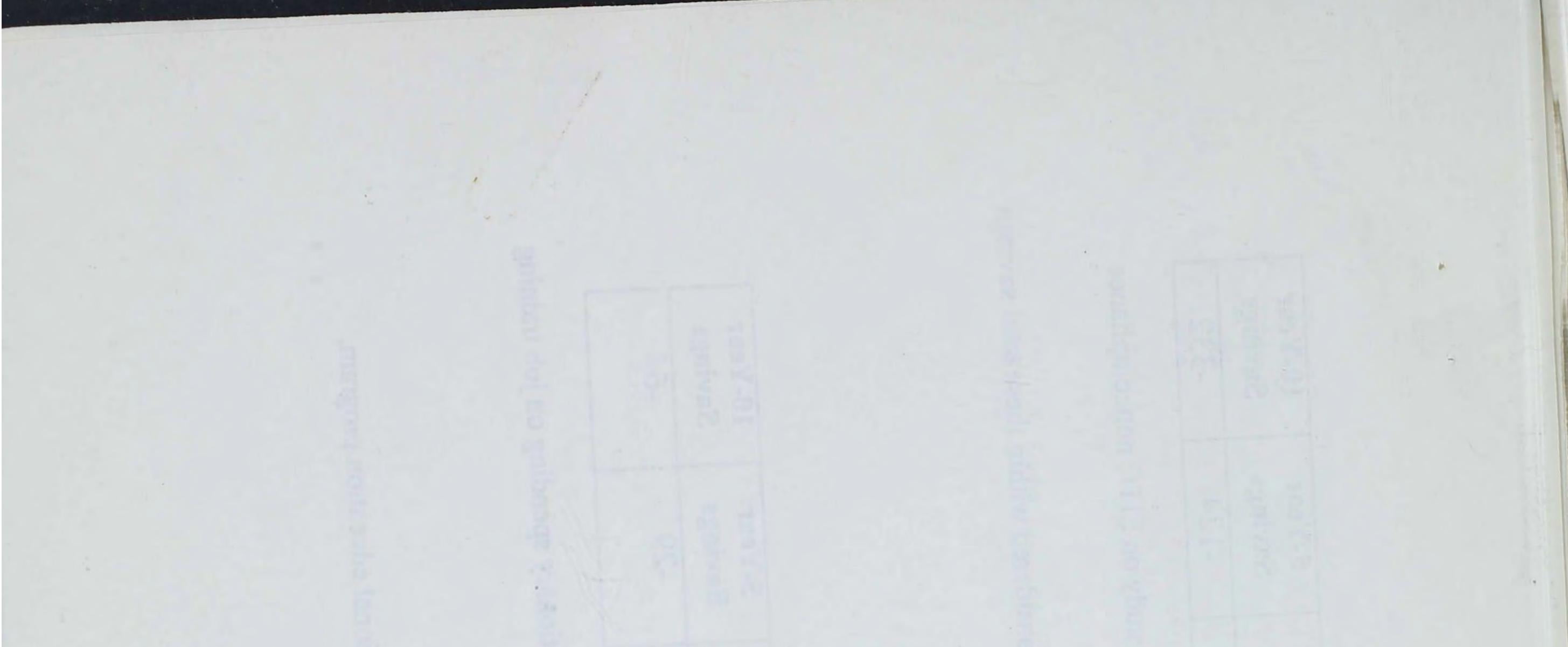
The Smith-Hughes Act of 1918

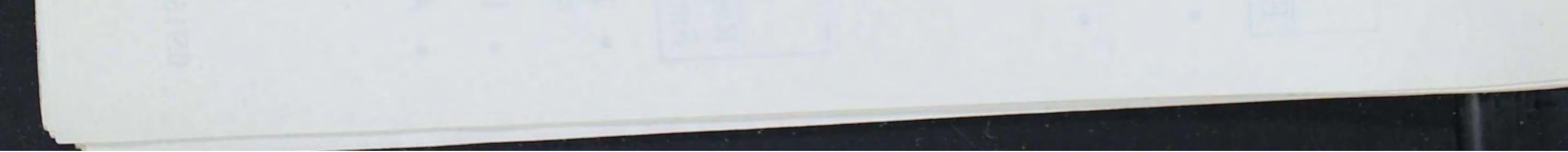
(outlay savings in millions of dollars)

Eliminate the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending on job training

Eliminating this program would save \$29 million over five years and \$64 million over ten years.

Activities funded under the Smith-Hughes Act can be supported by the Department of Education's vocational education program.





	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Orphan share spending	200	200	200	200	200	1,000	2,028

Priority Federal Land Acquisitions and Exchanges

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Priority Federal Land Acquisitions and Exchanges	300	150	150	100		700	700

- Federal land exchanges in FY 1998 and FY 1999.
- fiscal years 1999 through 2001.

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Environmental Reserve Fund (outlay increases in millions of dollars)

The proposal would provide new mandatory spending for orphan shares at Superfund hazardous waste cleanup sites. Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay.

The funds will be reserved for this purpose based on the assumption of a policy agreement on orphan share spending.

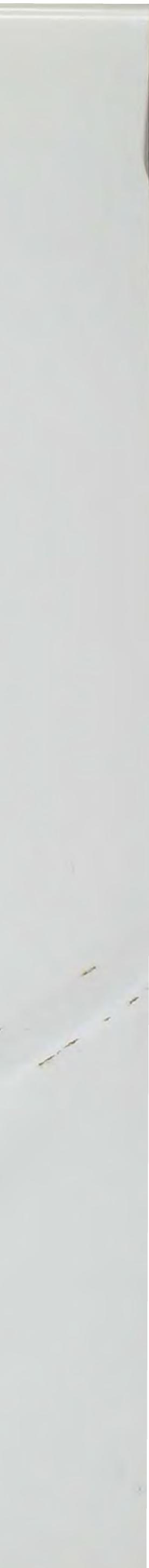
(outlay increases in millions of dollars)

Under this proposal, up to \$315 million would be available from the Land and Water Conservation Fund (LWCF) to finalize priority

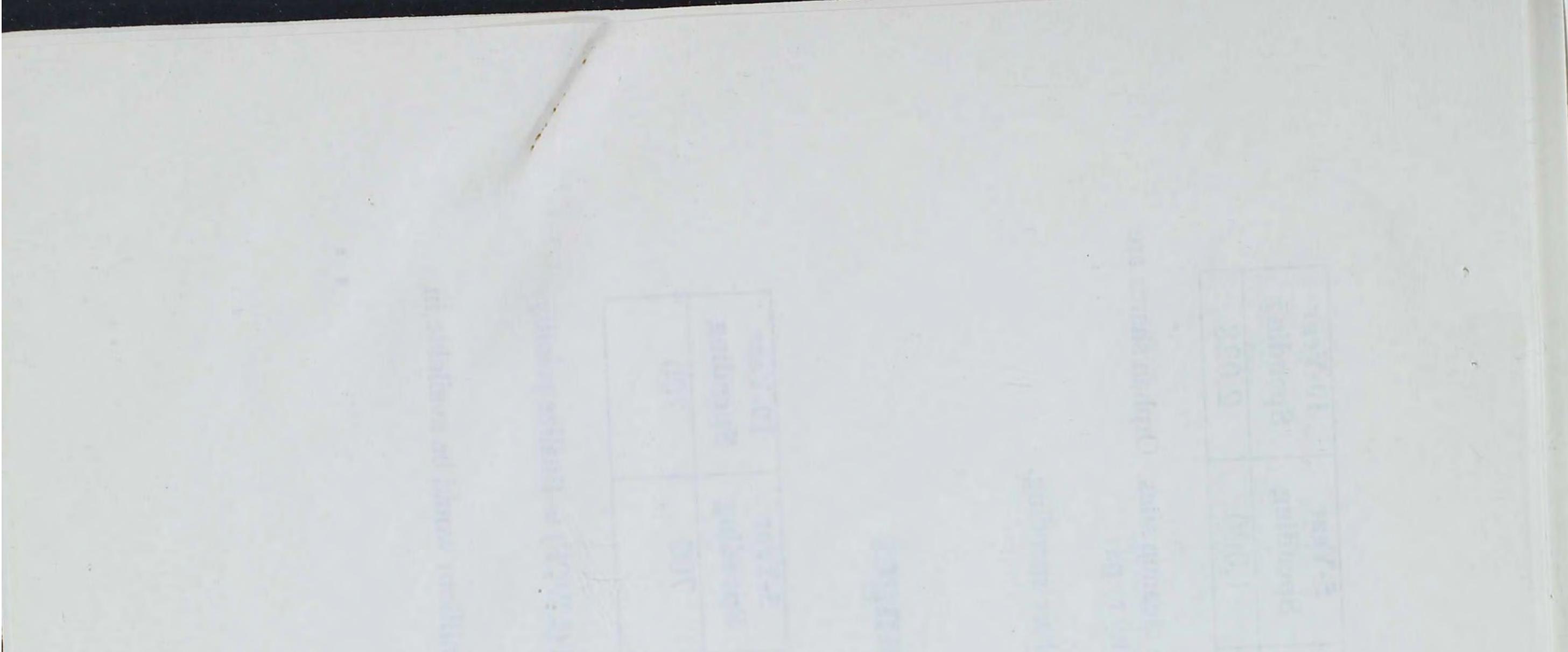
Funding from the LWCF for other high priority Federal land acquisitions and exchanges (totaling \$385 million) would be available in

The funding will be allocated to function 300 as a reserve fund exclusively for this purpose.

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	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Medicare, net	-6.5	-16.8	-22.7	-29.0	-40.0	-115.0	-434.2

- Reduce projected Medicare spending by \$115 billion over five years.
- home health reallocation).
- organizations and preferred provider organizations.
- employees and annuitants in the FEHB program.
- premium the portion of home health expenditures reallocated to Part B.
- Reform managed care payment methodology to address geographic disparities.
- facilities, and outpatient departments.

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Major Mandatory Programs

Medicare

(outlay savings in billions of dollars)

Extend solvency of the Part A Trust Fund for at least 10 years through a combination of savings and structural reforms (including the

Structural reforms will include provisions to give beneficiaries more choices among competing health plans, such as provider sponsored

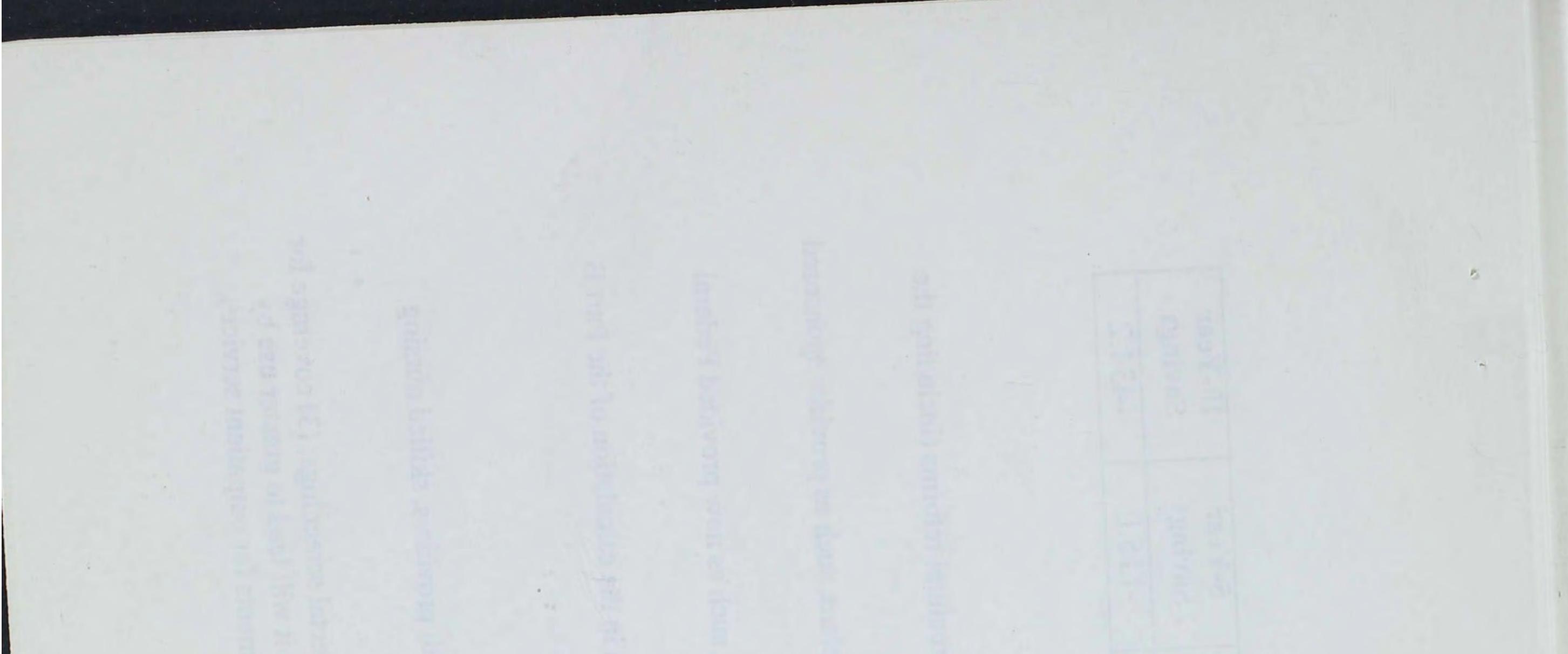
The Medicare program reforms provide beneficiaries with comparative information about their options, such as now provided Federal

Maintain 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

Reform payment methodology by establishing prospective payment systems for areas such as home health providers, skilled nursing

Funding for 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. Invest \$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.

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	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Medicaid, net	0.0	-1.5	-2.4	-3.6	-6.2	-13.6	-65.5

- Include net Medicaid savings of \$13.6 billion over five years.
- under welfare reform, or the extension of veterans' Medicaid income protections.
- . unnecessary administrative requirements.

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Medicaid

(outlay savings in billions of dollars)

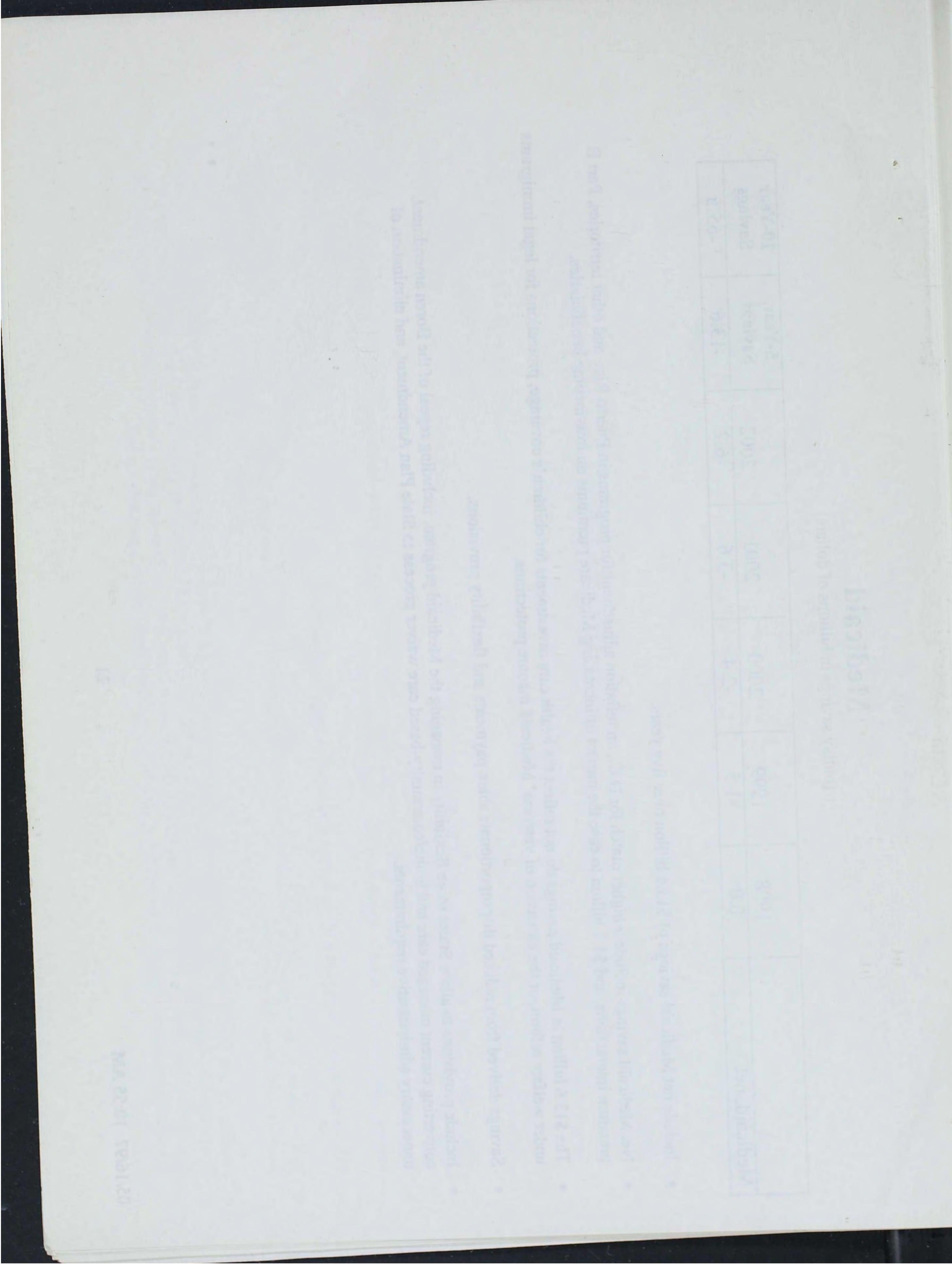
• Net Medicaid savings include a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, Part B premium interactions, and \$1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries.

The \$13.6 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants

Savings derived from reduced disproportionate share payments and flexibility provisions.

Include provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren amendment, converting current managed care and home/community-based care waiver process to State Plan Amendment, and elimination of





' (outlay increases in billions of dollars)										
	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending			
Immigrants	2.2	2.1	2.0	1.6	1.6	9.7	16.5			
Nutrition Assistance	0.3	0.3	0.3	0.3	0.3	1.5	3.1			
Welfare to Work	0.7	0.7	1.0	0.6		3.0	3.0			
Total	3.2	3.3	3.4	2.5	2.0	14.2	22.5			

Immigrants

- the rolls before June 1, 1997 shall not be removed.
- SSI and Medicaid.

Nutrition Assistance

- work slots for individuals subject to the time limits.
- policy), at a total cost of \$0.5 billion.

Welfare to Work

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Immigration, Nutrition Assistance and Work

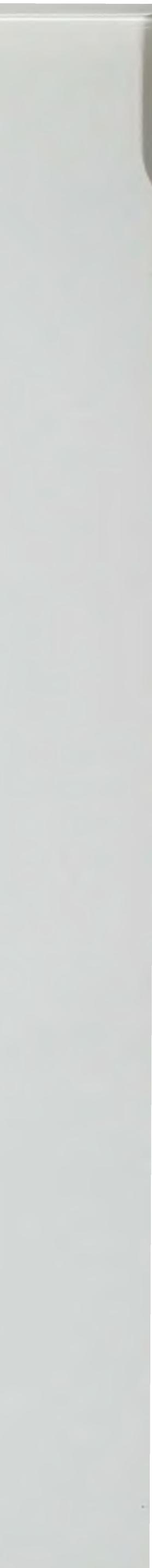
Eligibility for legal immigrants. Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered the U.S. after August 22, 1996, and are on

Refugees and asylees. Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years in order to provide

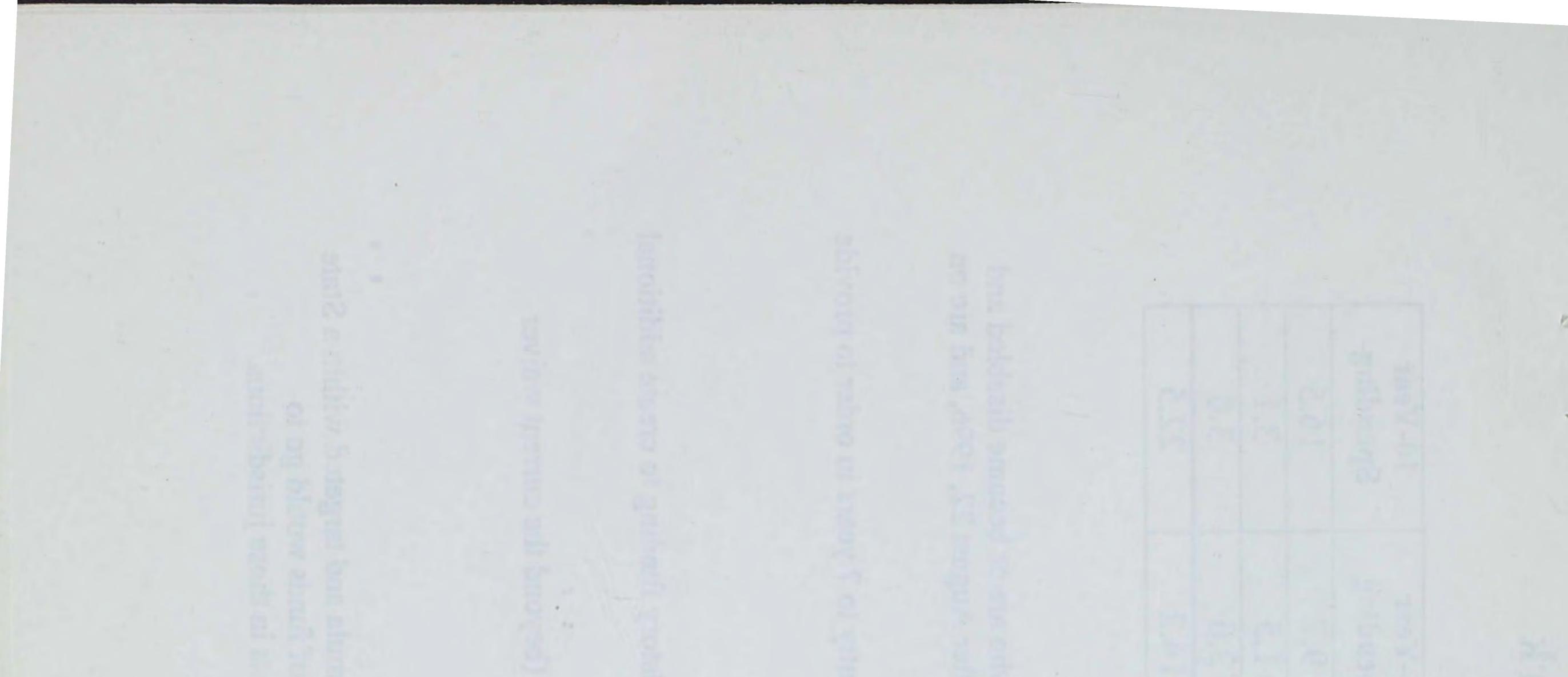
Redirect existing food stamps employment and training funds and add \$750 million in new capped mandatory funding to create additional

Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limits (beyond the current waiver

• Add \$3.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a State to areas with poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions.



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		1	hildren's increases in b				
	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0	38.9

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- - 1. eligibility; and
 - 2.

• children with a goal of up to 5 million currently uninsured children being served.

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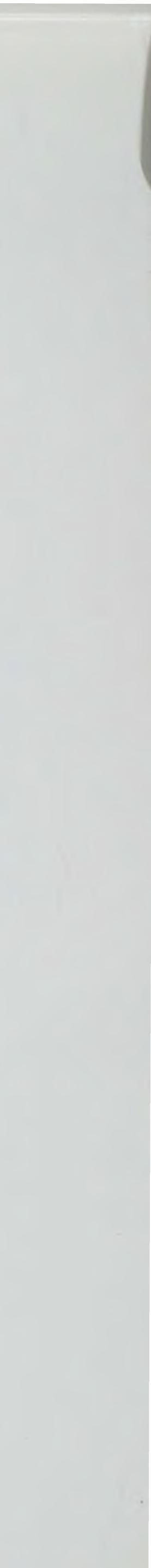
Spend \$16 billion over five years (to provide up to 5 million additional children with health insurance coverage by 2002)

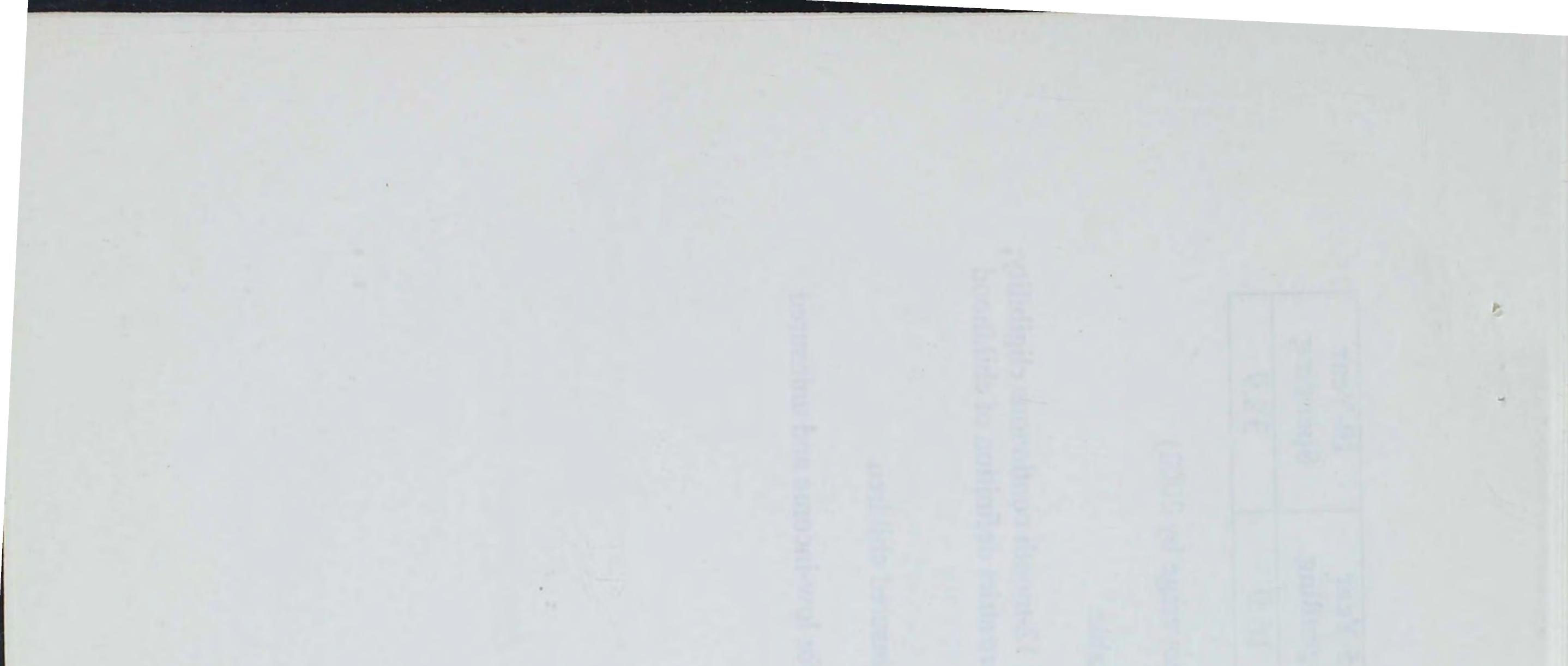
The funding could be used for one or both of the following, and for other possibilities if mutually agreeable:

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 definition of childhood

A program of capped mandatory grants to States to finance health insurance coverage for uninsured children.

The resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured







Extend discretionary caps to 2002.

- law sequester enforcement mechanism.

- .
- Extend PAYGO to 2002.
- would not increase the deficit; scoring, if allowed, based on cash effect, not NPV.
- The Superfund tax shall not be used as a revenue offset.
- Reduce paygo balances to zero, including those derived from budget agreement.
- Provide for debt limit increase sufficient to extend limit to December 15, 1999.

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Budget Process

Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement, and extend current

Within discretionary caps, establish separate categories (firewalls) for Defense and Non-Defense Discretionary (NDD) at agreed levels shown in agreement tables for each year 1998-1999 with associated sequester firewall enforcement as provided in BEA for 1990-93.

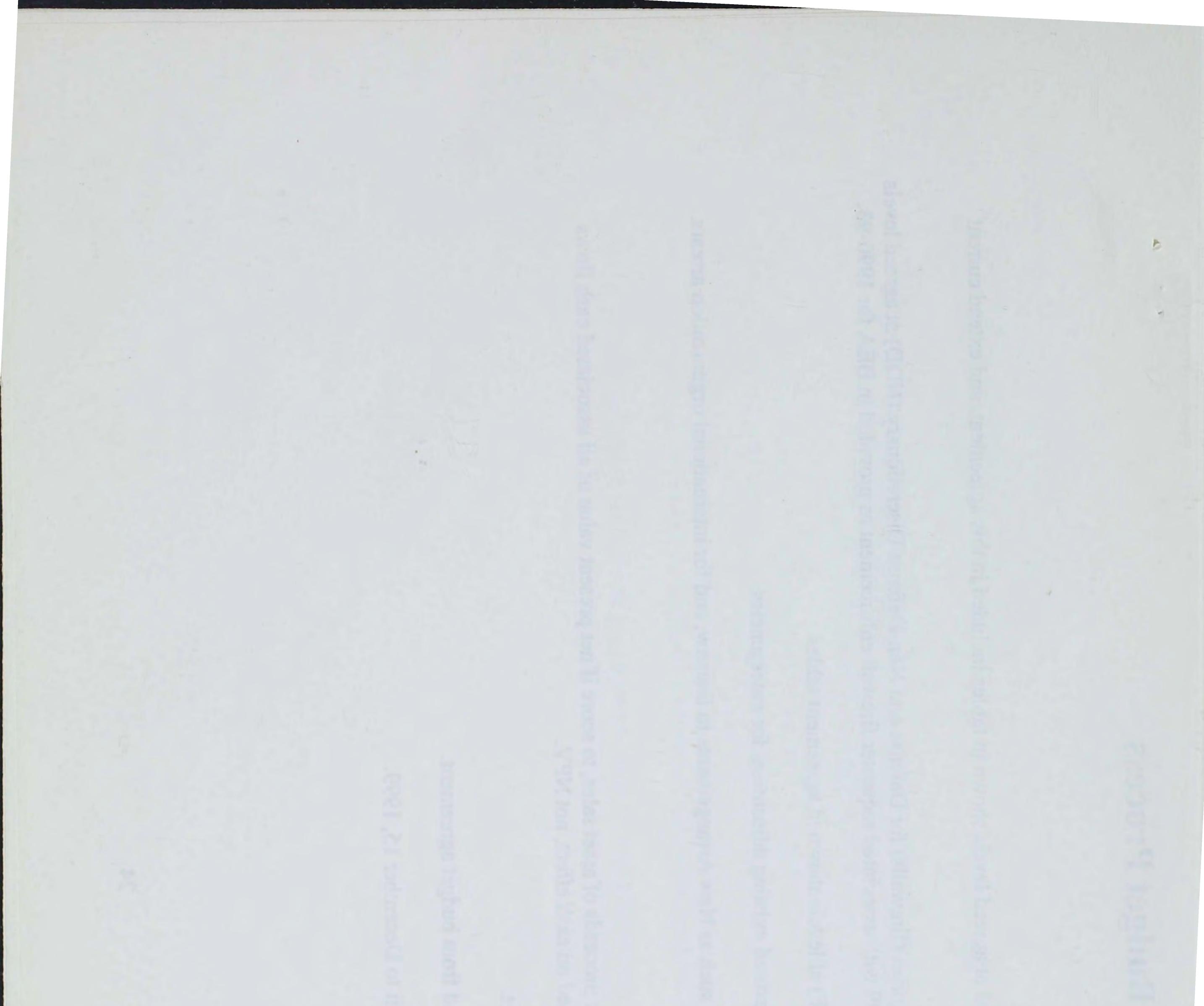
Retain current law on separate crime caps (VCRTF) at levels shown in agreement tables.

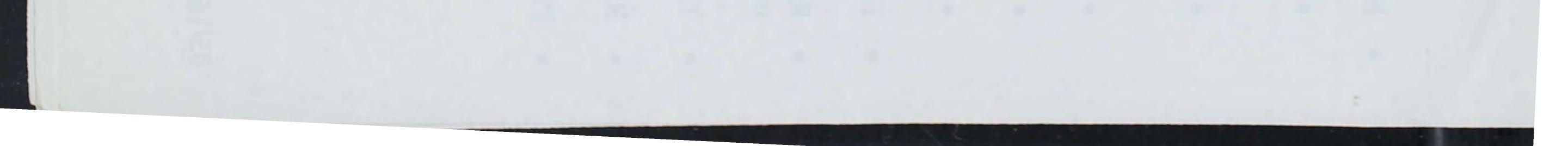
Extend and update special allowance for outlays; extend existing adjustment for emergencies.

Cap adjustment for exchanges of monetary assets, such as New Arrangements to Borrow, and for international organization arrears.

Revise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows







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May 15, 1997

The Honorable William J. Clinton President of the United States The White House 1600 Pennsylvania Avenue, N.W. Washington, D.C. 20515

Dear Mr. President:

We would like to take this opportunity to confirm important aspects of the Balanced Budget

Agreement. It was agreed that the net tax cut shall be \$85 billion through 2002 and not more than \$250 billion through 2007. We believe these levels provide enough room for important reforms, including broad-based permanent capital gains tax reductions, significant death tax relief, \$500 per child tax credit, and expansion of IRAs.

In the course of drafting the legislation to implement the balanced budget plan, there are some additional areas that we want to be sure the committees of jurisdiction consider. Specifically, it was agreed that the package must include tax relief of roughly \$35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

Additionally, the House and Senate Leadership will seek to include various proposals in the Administration's FY 1998 budget (e.g., the welfare-to-work tax credit, capital gains tax relief for home sales, the Administration's EZ/EC proposals, brownfields legislation, FSC software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional

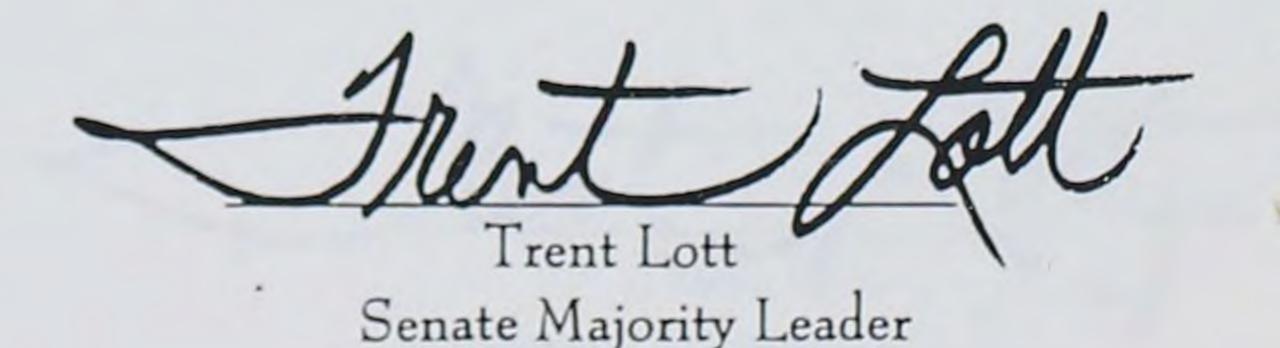
tax proposals.

In this context, it should be noted that the tax-writing committees will be required to balance the interests and desires of many parties in crafting tax legislation within the context of the net tax reduction goals which have been adopted, while at the same time protecting the interests of taxpayers generally.

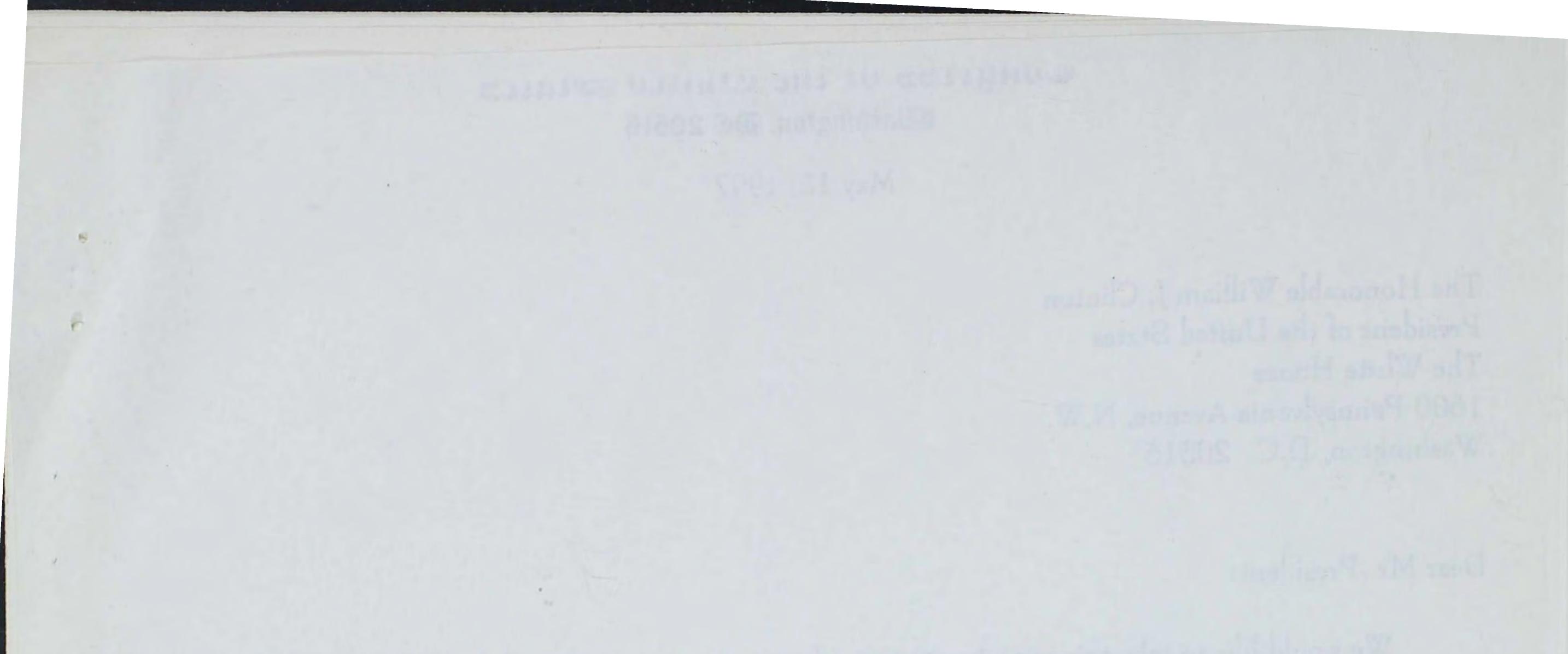
We stand to work with you toward these ends. Thank you very much for your cooperation.

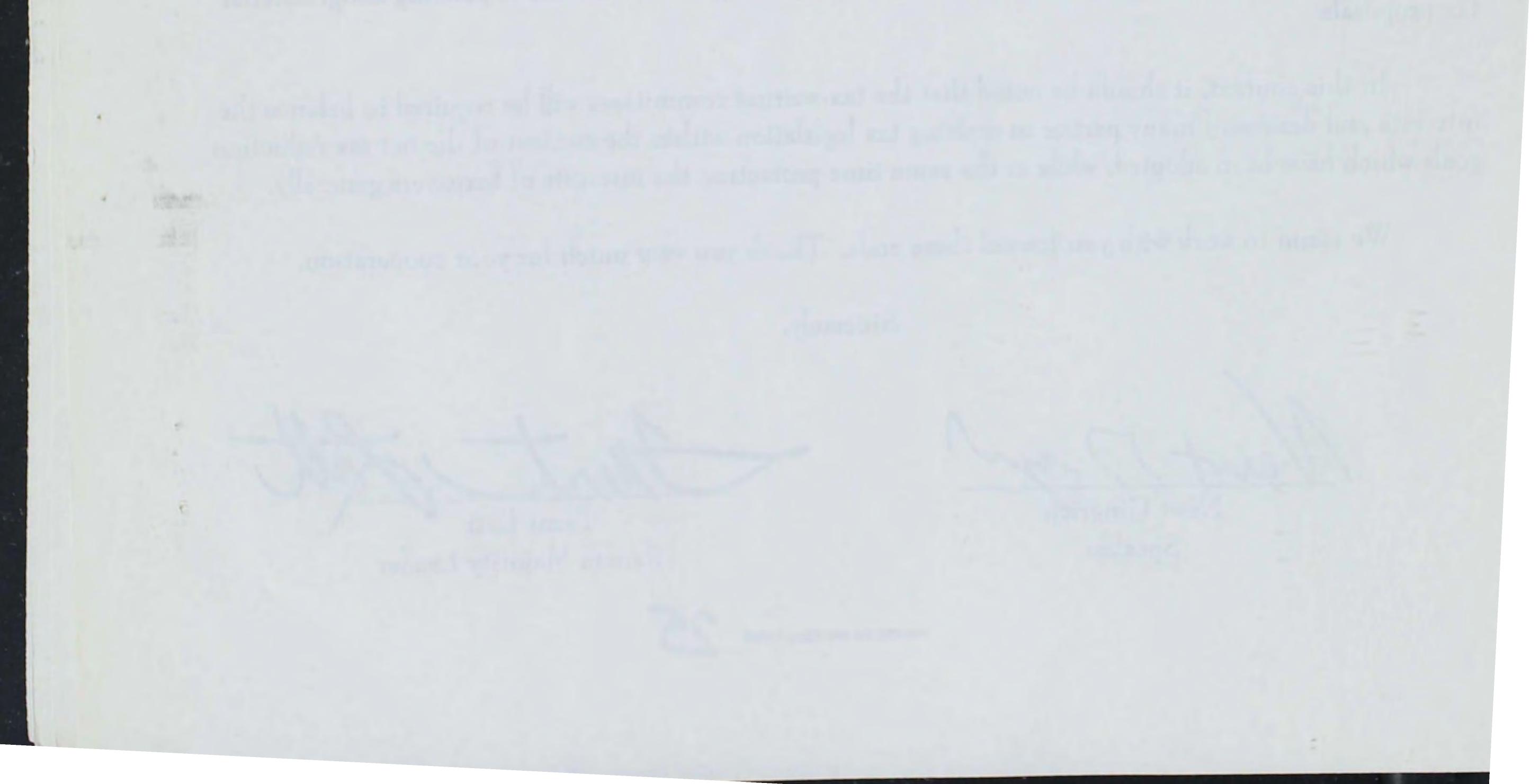
Sincerely,

Newt Gingrich Speaker









Weashington, DC 20515

May 15. 1997

Mr. Erskine Bowles Chief of Staff to the President The White House Washington, D.C. 20502

Dear Mr. Bowles:

We are writing to express our desire for continued cooperation between Congressional staff and the staff of the various Administration agencies during the development of the current budget agreement.

Much of the most difficult work in connection with the budget agreement will involve the development of the revenue provisions that will satisfy the parameters of the agreement. Historically, the staff of the Joint Committee on Taxation has provided technical legal and quantitative support to the House and Senate. The Budget Act *requires* the use of Joint Committee on Taxation revenue estimates. Ken Kies and his staff are committed to facilitating our work on the tax provisions of this budget agreement. You can be assured that they will cooperate with Administration counterparts in receiving Administration input as they carry out their statutory responsibilities.

The revenue estimating staffs of the Joint Committee on Taxation and the Office of Tax Analysis at Treasury have a long history of cooperation and communication among analysts. It is our understanding that steps have already been taken to insure that the cooperative efforts of these two staffs will be intensified during the current budget process. It is also our understanding that the professional staffs at the Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences. The proposal shall not cause costs to explode in the outyears.

Now that we have agreed upon the overall parameters of this significant agreement, an inordinate number of details concerning specific provisions must be drafted and analyzed by the JCT and the committees of jurisdiction. We look forward to working with the Administration.

Sincerely,

- Newt Gingrich Speaker

Senate Majority Leader

