Bipartisan Budget Agreement

May 15, 1997

FINAL VERSION
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Issued by John Kasich

Bipartisan Budget Agreement between the President and the Leadership of Congress

1. The elements of this Bipartisan Budget Agreement provide for deficit reduction amounts that are estimated to result in a Balanced Budget by fiscal year 2002.

2. 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.

3. 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.

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

5. 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.

6. An increase in the debt limit sufficient to extend the limit at least to December 15, 1999 will be included in a reconciliation bill carrying out this Agreement.

7. 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.

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8. 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 process to succeed.

9. 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.

10. 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)

	1997	1998	1999	2000	2001	2002	5-Yr Total
Baseline deficits a/	67	89	109	121	95	105	
Discretionary:							
Defense	--	-3	-10	-18	-18	-28	-77
Nondefense	--	-1	-3	-8	-17	-32	-61
Mandatory:							
Presidential initiatives	--	6	6	7	7	6	31
Medicare	--	-7	-17	-23	-29	-40	-115
Medicaid	--	--	-2	-2	-4	-6	-14
Other mandatory	--	-1	-6	-14	1	-19	-40
Revenues:							
Net tax relief	--	7	11	22	23	21	85
Total policy changes	--	1	-19	-36	-37	-99	-190
Debt service	--	0	-0	-2	-4	-7	-14
Total deficit reduction	--	1	-19	-38	-41	-106	-204
Resulting deficit/surplus	67	90	90	83	53	-1	

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

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

		Agreement					Projections					Totals	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	'98-'02	'98-'07
Current Services Deficit	67.2	69.0	109.1	121.3	94.5	104.9	103.2	108.6	133.3	127.8	117.0		
Discretionary savings:													
Defense	--	-3.0	-9.9	-17.9	-18.3	-27.7	-32.1	-33.0	-34.0	-35.0	-36.1	-76.8	-247.0
Nondefense	--	-1.0	-2.5	-8.0	-17.4	-32.3	-36.5	-39.9	-42.6	-45.1	-47.5	-61.2	-272.8
Subtotal, discretionary savings	--	-4.0	-12.5	-25.9	-35.7	-59.9	-68.6	-72.9	-76.6	-80.1	-83.6	-138.0	-519.9
Mandatory savings:													
Medicare, net	--	-6.5	-16.8	-22.7	-29.0	-40.0	-50.0	-60.0	-65.0	-70.0	-74.0	-115.0	-434.0
Medicaid, net	--	--	-1.5	-2.4	-3.6	-6.2	-7.1	-8.6	-10.2	-12.0	-13.9	-13.7	-65.5
Other mandatory													
Spectrum	--	--	-3.5	-3.5	-4.5	-14.8	-1.9	-1.0	-1.0	-1.0	-1.0	-26.3	-32.2
Other	--	-1.3	-2.1	-10.9	5.5	-4.4	-1.6	-3.2	-17.7	-4.9	12.3	-13.3	-28.2
Subtotal, mandatory savings	--	-7.8	-23.9	-39.5	-31.6	-65.4	-60.6	-72.8	-93.9	-87.9	-76.6	-168.3	-559.9
Debt service, net	--	0.0	-0.5	-2.0	-3.8	-7.4	-12.5	-18.2	-25.0	-32.5	-39.9	-13.6	-141.6
Subtotal, savings proposals	--	-11.8	-36.8	-67.4	-71.1	-132.8	-141.6	-163.9	-195.5	-200.5	-200.0	-319.9	-1,221.4
Domestic Initiatives	--	5.9	6.1	6.7	6.5	6.0	6.6	7.0	7.0	7.0	7.0	31.2	65.8
Net tax cut	--	7.4	11.3	22.4	23.4	20.5	27.2	28.5	31.4	36.2	41.6	85.0	249.9
Total changes	--	1.5	-19.4	-38.3	-41.2	-106.3	-107.8	-128.4	-157.1	-157.3	-151.4	-203.7	-905.7
Resulting deficit/surplus (-)	67.2	90.4	89.7	83.0	53.3	-1.3	-4.6	-19.8	-23.9	-29.5	-34.4		

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

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Domestic Initiatives and Restorations in Agreement

(in billions of dollars)

	1998	1999	2000	2001	2002	5-year total
Assistance to immigrants:						
Elderly/Disabled						
Medicaid	0.4	0.4	0.3	0.3	0.3	1.7
SSI	1.7	1.6	1.6	1.2	1.2	7.5
Disabled kids (SSI only)[1]	0.1	0.1	0.1	0.1	0.1	0.3
Refugees/asylees	0.0	0.0	0.0	0.0	0.0	0.2
Subtotal, immigrants	2.2	2.2	2.0	1.7	1.6	9.7
Nutrition assistance:						
Add work slots for 18-50's	0.2	0.2	0.2	0.2	0.2	1.0
15% exemption for 18-50's	0.1	0.1	0.1	0.1	0.1	0.5
Subtotal, nutrition assistance	0.3	0.3	0.3	0.3	0.3	1.5
Welfare to work add to TANF	0.7	0.7	1.0	0.6	--	3.0
Subtotal, immigrants, nutrition, and work	3.2	3.3	3.4	2.4	2.0	14.2
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0
Federal land acquisition & exchange[2]	0.3	0.2	0.2	0.1	--	0.7
Environmental reserve	0.2	0.2	0.2	0.2	0.2	1.0
Offset low-income Medicare premiums	0.2	0.3	0.3	0.3	0.4	1.5
Total, Domestic Initiatives and restorations	6.3	6.6	7.3	7.0	6.5	33.6

1/ Medicaid costs reflected in elderly/disabled medicaid line

2/ Discretionary

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Agreement on Discretionary Funding

(in millions of dollars)

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

	FY 1998		FY 1999		FY 2000		FY 2001		FY 2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
-- National Defense	269,000	266,823	271,500	266,518	275,367	268,995	281,847	270,66[illegible]	289,610	273,100
Non-Defense Discretionary	257,857	286,445	261,499	292,803	261,826	295,270	260,185	293,73[illegible]	261,464	287,699
Total Discretionary	526,857	553,268	532,999	559,321	537,193	564,265	542,032	564,3[illegible]	551,074	560,799
Protected Functions:										
150 -- International Affairs	19,038	19,179	18,601	18,842	18,533	18,809	18,348	18,5[illegible]	18,218	18,442
300 -- Natural Resources and Environment	22,807	21,393	22,222	21,657	21,566	21,944	21,185	21,82	21,152	21,472
400 -- Transportation	13,556	38,267	14,974	38,933	14,788	39,310	15,066	39,418	15,347	39,418
500 -- Education, Training, Employment and Social Services	46,721	43,185	47,015	46,107	47,858	47,065	48,478	47,7[illegible]	49,199	48,559
750 -- Administration of Justice	24,405	22,170	24,795	24,191	23,887	24,996	24,094	25,6[illegible]	24,675	24,713
Subtotal, Protected Functions	126,527	144,194	127,607	149,730	126,632	152,125	127,170	153,2[illegible]	128,591	152,604
All Other	400,330	409,074	405,392	409,591	410,561	412,140	414,862	411,12	422,483	408,195
Total Discretionary Spending	526,857	553,268	532,999	559,321	537,193	564,265	542,032	564,316	551,074	560,799
Anomalies Included Above:										
Subsidized Housing (Function 600)	5,682	---	9,652	---	12,047	---	13,295	--	14,504	---
Fixed Assets (Up-Front Funding and Advance Appropriations):										
050 -- Defense	2,218	---	---	---	---	---	---	--	---	---
250 -- General Science, Space, and Technology	---	---	2,735	---	2,226	---	1,817	--	1,271	---
270 -- Energy	110	---	52	---	8	---	---	--	---	---
300 -- Environment	51	---	581	---	458	---	253	--	84	---
370 -- Commerce and Housing Credit	---	---	724	---	551	---	480	--	375	---
400 -- Transportation	---	---	675	---	724	---	424	--	206	---
550 -- Health	---	---	129	---	71	---	---	--	---	---
750 -- Administration of Justice	---	---	48	---	---	---	---	--	---	---
800 -- General Government	---	---	500	---	---	---	---	---	---	---
Total, Anomalies	8,061	---	15,096	---	16,085	---	16,269	---	16,440	---
Total Discretionary Less Anomalies	518,796	553,268	517,903	559,321	521,108	564,265	525,763	564,316	534,634	560,799

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)
- 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 the National Park System, 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

Spectrum Auctions

(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Spectrum	---	-3.5	-3.5	-4.5	-14.8	-26.3	-32.3

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).

1. 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.

2. Auction of 36 MHz of spectrum currently allocated to television channels 60-69: 24 MHz will be reserved for public safety uses (e.g., police and emergency vehicle communications).

3. 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.

4. Auction "Vanity" Toll Free Telephone Numbers: Authorize the FCC to award new generations of toll-free vanity telephone numbers (e.g., 1-888-BALANCE) through an auction.

5. Spectrum Penalty: As authorized by current law, a penalty fee would be levied against those entities who received "free" spectrum for advanced, advertiser-based television services, but failed to utilize it fully.

Student Loans

(outlay savings in millions of dollars)

	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:

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

(a) $1,000 million over five years from guaranty agency reserves

(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 in the direct loan program.

Civil Service Retirement

(deficit reduction in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Increased Agency Contributions	-597	-591	-586	-582	-577	-2,933	-2,933
Increased Employee Contributions	---	-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 effective October 1, 1997 through September 30, 2002.
- Phase in increased employee contributions to the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).
- 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 effect through December 31, 2002.
- 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)

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

- 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.

Veterans Home Loan Benefit Fund

(outlay savings in millions of dollars)

	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

- 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 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.

Veterans Compensation Program

(outlay savings in millions of dollars)

	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

- Authorizes VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying the annual COLA in each year, an extension of current law.
- The practice of rounding down monthly benefit checks is consistent with all other major pension programs including veterans pensions and military and civilian retirement benefits.

Medical Care Cost Recovery

(outlay savings in millions of dollars)

	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

- 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)

	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.

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

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

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

Veterans Housing Benefit Fund

(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	**5-Year Savings**	**10-Year Savings**
Extend Loan Asset Sale Authority	-5	-5	-5	-5	-5	-25	-50

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

- 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.

	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.

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

  1) charge borrowers using VA's home loan guaranty program a 2% instead of a 1.25% fee,
  2) charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, and
  3) include expected losses on the resale of foreclosed properties.

- 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.

FHA Assignment Program

(outlay savings 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

- 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 distress to stay in their homes.

Vessel Tonnage Duties

(outlay savings in millions of dollars)

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

- 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 cargo-carrying capacity.

Lease of Excess Strategic Petroleum Reserve Capacity

(outlay savings in millions of dollars)

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

- 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.

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

- 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)

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

- Provides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities (e.g., increased eligibility reviews, tax audits).

- 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.

VA Medical Care Cost Recovery and SSA User Fees

(in millions of dollars)

		1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Estimated spending associated with the VA user fee proposal:								
	BA	604	628	654	681	710	3,277	7,282
	OL	544	620	651	678	707	3,200	7,788
Estimated spending associated with the SSA user fee proposal:								
	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

- 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 Medical Care.
- The shift of the offsetting receipts from mandatory spending to discretionary spending has been incorporated into the Budget Committee's adjusted baseline.

SSA Fees

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

Earned Income Tax Credit

(deficit reduction savings in millions of dollars)

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

- Treasury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance levels. Final scoring is not available.
- Other mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within these total savings targets.

The Smith-Hughes Act of 1918

(outlay savings in millions of dollars)

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

- Eliminate the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending on job training and vocational education in the Administration's GI Bill for America's Workers.
- 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.

Environmental Reserve Fund

(outlay increases in millions of dollars)

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

- 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.

Priority Federal Land Acquisitions and Exchanges

(outlay increases in millions of dollars)

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

- Under this proposal, up to $315 million would be available from the Land and Water Conservation Fund (LWCF) to finalize priority Federal land exchanges in FY 1998 and FY 1999.

- Funding from the LWCF for other high priority Federal land acquisitions and exchanges (totaling $385 million) would be available in fiscal years 1999 through 2001.

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

Major Mandatory Programs

Medicare

(outlay savings in billions of dollars)

	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.

- Extend 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).

- 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.

- 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 premium the portion of home health expenditures reallocated to Part B.

- Reform managed care payment methodology to address geographic disparities.

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

- 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.

Medicaid

(outlay savings in billions of dollars)

	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.
- 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 under welfare reform, or the extension of veterans' Medicaid income protections.
- 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 unnecessary administrative requirements.

Immigration, Nutrition Assistance and Work

(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

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

- 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 SSI and Medicaid.

Nutrition Assistance

- Redirect existing food stamps employment and training funds and add $750 million in new capped mandatory funding to create additional work slots for individuals subject to the time limits.

- Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limits (beyond the current waiver policy), at a total cost of $0.5 billion.

Welfare to Work

- 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.

Children's Health

(outlay increases in billions of dollars)

	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

- 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:

  1. 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 eligibility; and

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

Budget Process

- Extend discretionary caps to 2002.
  - Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement, and extend current law sequester enforcement mechanism.
  - 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.
- Extend PAYGO to 2002.
- Revise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows 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.

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

Trent Lott
Senate Majority Leader

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

Trent Lott
Senate Majority Leader

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