



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 5, 2002
(Senate)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 622 - Hope for Children Act

(Rep. DeMint (R) South Carolina and 289 cosponsors)

In the last session of Congress, the Administration supported passage of H.R. 622 as an important pro-family and pro-adoption tax relief initiative and was pleased that virtually all of the provisions of this bill were included in P.L. 107-16, the Economic Growth and Tax Relief Reconciliation Act, which was enacted into law last June. The Administration understands that H.R. 622 is now being used as a vehicle for consideration of economic security proposals on the Senate floor.

The Administration believes there is a need for quick action on an economic security bill as an insurance policy against an unwanted further slowdown as well as to provide needed relief to dislocated workers. The bipartisan centrist bill that passed the House last December (the Centrist Proposal) would achieve such goals. The Administration strongly supports the Centrist Proposal. In contrast, the Daschle-Baucus amendment in the nature of a substitute will not provide true economic security. In addition, the Administration is very concerned that excessive spending will be added to this legislation that will do more economic harm than good.

The Administration urges the Senate to work together across party lines to pass a responsible economic security package that will provide an immediate boost to the economy and assistance to dislocated workers. The Centrist Proposal reflects the view that the best way to retain and create jobs is through tax relief that improves incentives to work and invest while restoring consumer and business confidence. It does so by:

- B** Accelerating the planned reduction in the 27 percent tax bracket to 25 percent, thus providing more money for consumers to spend and for entrepreneurs and small businesses to retain and create more jobs;
- B** Giving relief to low and moderate income workers to put more money back in their pockets;
- B** Providing 30 percent immediate expensing for three years to encourage businesses to invest and make new purchases; and

B Undertaking necessary reforms to the corporate alternative minimum tax, which, if unchecked, imposes job-killing higher taxes during an economic downturn.

The Centrist Proposal also provides much-needed support to unemployed and dislocated workers, through extensions of unemployment benefits and additional immediate distributions of funds for states to expand unemployment coverage temporarily in the way best suited to the needs of their workers. In addition, the Centrist Proposal includes an effective plan to enable workers to keep health insurance when they lose their jobs, through health credits that could be available immediately to assist with the costs of their insurance. Finally, the Centrist Proposal includes National Emergency Grants (NEGs) to provide additional support that can be made available quickly for health care, training, and other special needs.

Overall, the Administration believes that any economic security bill should be limited to provisions that will stimulate the economy or provide immediate assistance to dislocated workers and thus urges that miscellaneous spending items not be added to this bill. The Administration opposes measures that make fundamental structural changes in the appropriate balance between the Federal and State share of the Medicaid program. If such measures were to become permanent, it would cost about \$100 billion over ten years. In addition, the Administration would strongly oppose an amendment to delay the effective date of the January 18th final rule on Medicaid upper payment limits for non-State government-operated hospitals, if it were offered for consideration. The Centrist Proposal includes a more effective provision for immediate, emergency assistance for State health care programs. Lastly, the Administration does not support changes to the unemployment insurance program that could lead to a permanently higher level of unemployment and unemployment taxes and which could take 6 to 18 months to implement.

The Administration urges the Senate to work to craft an economic security package that reflects the Centrist Proposal and will provide immediate and effective economic security for the Nation.

Pay-As-You-Go Scoring

Any law that would reduce receipts or increase direct spending is subject to the pay-as-you-go requirements of the Balanced Budget and Emergency Deficit Control Act. Accordingly, H.R. 622, or any substitute amendment in lieu thereof that would reduce revenues or increase direct spending, will be subject to the pay-as-you-go requirement. OMB's scoring estimates are under development. The Administration will work with Congress to ensure that any unintended sequester of spending does not occur under current law or the enactment of any other proposals that meet the President's objectives.

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