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Budget Materials [1]

Budget materials

The Balanced Budget is a Win for Cities

"Our historic balanced budget is an empowerment budget, preparing Americans for the 21st century."
-- President to the National Urban League, 8/4/97

Today, President Clinton addresses the Nation Urban League in Washington, D.C. Noting that the recently passed balanced budget is the strongest budget for America's cities in a generation, the President will detail how this historic agreement will empower America's cities. The balanced budget builds on the Administration's four and a half year record of accomplishment and helps to address the challenges still facing urban communities.

THE BALANCED BUDGET IS AN EMPOWERMENT BUDGET

- ***ECONOMIC DEVELOPMENT*: Triples the Number of Empowerment Zones** (EZs) -- The President won inclusion of 20 new EZs in the balanced budget -- 15 urban and 5 rural. These new EZs will be eligible for the Brownfields tax incentive, special expensing of business assets, and qualification for private-activity bonds. Two additional new EZs have the same tax credits as the 1994 versions. With the 22 new Empowerment Zones, the total number of EZs created by President Clinton climbs to 31.

- ***ENVIRONMENTAL CLEAN-UP*: Cleaning Up 14,000 Contaminated, Abandoned Sites** -- The President fought for and won the inclusion of the Brownfields tax incentive in the balanced budget; this tax incentive reduces costs by permitting clean-up costs to be deducted immediately for tax purposes and encourages redevelopment of these areas. Treasury estimates that the program will leverage more than $6 billion for private sector cleanups nationwide, allowing redevelopment of 14,000 brownfields.

- ***FIGHTING CRIME*: The balanced budget protects funding for the Community Oriented Policing Services (COPS) initiative,** which is putting 100,000 more police officers on the street by the year 2000.

    - ***INVESTMENTS IN CHILDREN*: Unprecedented Investments in Our Children's Health and Education** -- The balanced budget includes the largest investment in higher education since the G.I. Bill in 1945, including: $1,500 hope scholarship to help make two years of college universally available, and a 20% tuition tax credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills. It also includes the single largest investment in health care for children since 1965 ($24 billion) and $500 per child tax credit for approximately 27 million families.

- ***WELFARE TO WORK*: Helping Cities and Employers Move People from Welfare to Work** -- Helping cities move welfare recipients to jobs, the balanced budget includes $3 billion in Welfare-to-Work Job Challenge funds. In addition, the balanced budget includes a welfare-to-work tax credit that gives employers an added incentive to hire and keep long-term welfare recipients.

PRESIDENT CLINTON DELIVERS THE FIRST BALANCED BUDGET IN A GENERATION AND A MAINSTREAM TAX CUT

Budget materials

President Clinton has achieved an historic balanced budget that promotes our values, providing critical investments for education, health care, and the environment while strengthening and modernizing Medicare and Medicaid. It also provides middle-class families a tax cut to help raise their kids and send them to college. We have cut the deficit by 77%, from $290 billion in 1992 to $67 billion or less this year. This historic budget finishes the job, while meeting our goals.

ONLY FOUR YEARS AGO. In 1993, the President inherited a budget deficit of $290 billion that was expected to explode to over one-half trillion dollars in 2002. A decade of large deficits had weakened the foundation of our economy and sapped our power and prestige abroad. Unemployment was 7.5% in 1992, and job growth was sluggish.

THE PRESIDENT PASSES HIS 1993 ECONOMIC PLAN. President Clinton addressed this problem of fiscal instability immediately on a pledge to cut the deficit in half. Working with Democrats in Congress, he implemented an economic program designed to reduce the deficit and to invest in critical priorities, such as education and training. **The 1993 economic plan has exceeded all expectations:** *the deficit has fallen by 77%, dropping for a likely fifth year in a row to $67 billion or less in 1997; equipment investment has been the strongest since Kennedy was President; the economy has produced over 12.5 million new jobs; and the unemployment rate this year is the lowest in 24 years.*

THE PRESIDENT ACHIEVES FIRST BALANCED BUDGET IN A GENERATION TO FINISH THE JOB. The President began his second term determined to fulfill his goal of balancing the budget. As we head into the next century, this bipartisan balanced budget protects our priorities, solidifies the nation's economic foundation, restores faith in our ability to govern ourselves, and bolsters America's preeminent position in the world economy.

- **$900 Billion in Net Ten-Year Savings** to keep us on the path of fiscal responsibility and help prepare the nation for the retirement of the baby boom generation.

- **Single Largest Investment in Health Care for Children Since the Passage of Medicaid in 1965.** Today, ten million children have no health insurance. The balanced budget takes dramatic and concrete steps to right this wrong. Health care coverage will be extended to up to 5 million children

- **Critical Long-Term Entitlement Reforms** including $434 billion in ten-year Medicare savings to keep the Medicare Trust Fund Solvent for at least a decade. Importantly, these savings are achieved in a way that prepares Medicare for the 21st century -- more choice is provided, competition is injected, and payment systems are revamped and preventive benefits are included.

- **Largest Increase in Higher Education Funding Since the G.I. Bill of 1945, including** $1,500 HOPE Scholarship to make the first two years of college universally available and a 20% Tuition Tax Credit for college juniors, seniors, graduate students and for working Americans pursuing lifelong learning to upgrade their skills.

- **$500 Per Child Tax Credit** to make it easier for approximately 27 million families to raise their children.

- **Helping Move People from Welfare to Work.** The budget adds $3 billion, the full amount requested by the President for the Welfare-to-Work Jobs Challenge, to the TANF block grant to fund welfare-to-work efforts in high-poverty, high-unemployment areas.

- **Protects our Nation's Most Vulnerable People.** The budget includes $12 billion to restore both disability and health benefits for legal immigrants who are or become disabled, ensuring that they will not be turned out of their apartments or nursing homes or otherwise left to an uncertain fate.

PRESIDENT CLINTON DELIVERS THE FIRST BALANCED BUDGET IN A GENERATION AND A MAINSTREAM TAX CUT

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- ✔ **$900 Billion in Net 10 Year Deficit Savings.**
- ✔ **First Balanced Budget since 1969.**
- ✔ **Single Largest Investment in Health Care for Children Since 1965.**
- ✔ **A $500 Per Child Tax Credit for Approximately 27 Million Families.**
- ✔ **Largest Investment in Higher Education Since the G.I. Bill in 1945:**
  - **$1,500 HOPE Scholarship to Make Two Years of College Universally Available**
  - **20% Tuition Tax Credit for College Juniors, Seniors, Graduate Students and for Working Americans pursuing Lifelong Learning to upgrade their skills**
- ✔ **Critical Long-Term Entitlement Reforms -- Extends Solvency of Medicare Trust Fund for at Least a Decade.**
- ✔ **Brownfields and Empowerment Zones Tax Incentives to Revitalize Our Nation's Distressed Areas.**
- ✔ **A $ 3 Billion Welfare-to-Work Jobs Initiative Targeted to High Poverty Areas.**
- ✔ **Treats Legal Immigrants Fairly -- Restores Health and Disability Benefits**

THE FIRST BALANCED BUDGET IN A GENERATION

FIRST BALANCED BUDGET SINCE 1969

- ✔ Net savings of over **$900 billion** over ten years.
- ✔ 1993 Economic Plan has cut the deficit 77% from $290 billion in 1992 to $67 billion or lower in 1996. **This agreement finishes the job -- balances the budget in 2002 and puts the budget in surplus in each of the second five years of the budget.**

SINGLE LARGEST INVESTMENT IN HEALTH CARE FOR CHILDREN SINCE THE PASSAGE OF MEDICAID IN 1965

- ✔ **An unprecedented $24 billion for children's health care.**
- ✔ **Guarantee of meaningful health coverage including full range of benefits to as many as 5 million uninsured children.**
- ✔ Provisions to ensure that states use this investment to provide health care coverage to children who do not currently have health insurance and that there are adequate cost protections so that families are not burdened with excessive costs.

CRITICAL LONG-TERM ENTITLEMENT REFORMS

- ✔ **$434 billion in ten-year Medicare savings.**
- ✔ **This extends the life of the Medicare Trust Fund for at least a decade.**
- ✔ **Prepares Medicare for the 21st century** -- more choice is provided, competition is injected, and payment systems are revamped.
- ✔ **$4 billion in preventive benefits** to fight diseases like breast cancer, diabetes & colon cancer.

MOVES PEOPLE FROM WELFARE TO WORK & TREATS LEGAL IMMIGRANTS FAIRLY

- ✔ **$3 billion to help states and local communities move people from welfare to work.**
- ✔ **$12 billion to restore both disability and health benefits for legal immigrants** who are currently receiving assistance or become disabled, ensuring that they will not be turned out of their apartments or nursing homes or otherwise left to an uncertain fate.

A MAINSTREAM TAX CUT

On December 15, 1994, President Clinton put forth the Middle Class Bill of Rights which included a $500 Child Tax Credit, an expanded IRA that allows people to withdraw money tax-free and without penalty for education and a tax deduction for post-high school education expenses. ***Each of the President's proposals are included in this budget:***

A CHILD TAX CREDIT FOR APPROXIMATELY 27 MILLION FAMILIES.

- ✔ **$500 Per-Child Tax Credit for approximately 27 million families with 45 million children** under 17. The credit begins to phase-out for couples with incomes above $110,000.
- ✔ **Up to 4.8 million working families will now receive the child tax credit** who would not have under the Congressional plans. At the President's insistence, **more than $10 billion over 5 years** was added to provide a Child Tax Credit for people making under $30,000 like young teachers, police officers, farmers, and nurses who work hard and play by the rules.

A VICTORY FOR MIDDLE CLASS PARENTS TRYING TO PAY FOR THEIR CHILDREN'S COLLEGE AND FOR WORKING PEOPLE TRYING TO UPGRADE THEIR SKILLS.

- ✔ **$1,500 HOPE Scholarship to make the first two years of college universally available.** The final agreement includes the President's initiative to advance the goal of making the 13th and 14th grades as universal as a high school diploma is today. Students would be provided a scholarship of 100% on the first $1,000 of tuition and fees and 50% on the second $1,000.
- ✔ **20% Tuition Tax Credit for college juniors, seniors, graduate students <u>and</u> for working Americans pursuing lifelong learning to upgrade their skills.** The 20% credit will be applied to the first $5,000 of qualified education expenses through 2002, and to the first $10,000 thereafter. A major deficiency of the congressional tax bills has been that they did little to help students in their third and fourth year s of college and they were missing a commitment to lifelong learning. The President has long understood that the economy is changing and that people must have the opportunity to enhance their skills throughout their lives. This is why the President insisted on the 20% tuition tax credit that is in the final bill.

TAX INCENTIVES TO REVITALIZE OUR NATION'S DISTRESSED URBAN AREAS.

A key component of the President's tax cutting agenda has been to spur economic activity in distressed areas of our nation's cities. This budget reflects the President's agenda:

- ✔ **A New Tax Cut Plan Helps to Clean Up and Redevelop Brownfields.** The 3-year Brownfields tax incentive will reduce the cost of cleaning up thousands of contaminated, abandoned sites in economically distressed areas by permitting clean-up costs to be immediately deducted for tax purposes, rather than requiring this spending to be written off over time. This would, in turn, encourage redevelopment of these areas.

- ✔ **New Empowerment Zones.** The budget includes a second-round of EZs -- 15 urban and 5 rural EZs. The new EZs will benefit from a different blend of tax credits than the first-round communities. For example, the EZs will be eligible for the Brownfields tax incentive, special expensing of business assets, and qualification for private-activity bonds.

HELPING MOVE PEOPLE FROM WELFARE TO WORK

- ✔ **A Welfare to Work Tax Credit.** This provision will give employers an added incentive to hire long-term welfare recipients by providing a credit equal to 35% of the first $10,000 in annual wages in the first year, and 50% of the first $10,000 in the second year of employment, paid to new hires who have received welfare for an extended period. The credit is for two years per worker to encourage not only hiring but retention.

- ✔ **$3 Billion to Help People in Distressed Areas Move from Welfare to Work.** Adds $3 billion to help localities move the most disadvantaged welfare recipients into jobs; the funding is targeted to high-poverty areas, including inner cities. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers, transportation and other critical post-employment supportive services.

PRESIDENT CLINTON DELIVERS THE LARGEST SINGLE INVESTMENT IN CHILDREN'S HEALTH CARE SINCE THE PASSAGE OF MEDICAID IN 1965

The President fought hard to ensure that the Budget Agreement includes $24 billion to provide meaningful health care coverage to as many as five million of our nation's ten million uninsured children. This investment includes a meaningful benefits package, ensures that states use this money to cover uninsured children and not replace existing public or private spending, and guarantees adequate cost-sharing protections for families.

- ✔ **INVESTS UNPRECEDENTED $24 BILLION FOR UNINSURED CHILDREN.** The President insisted on increasing the investment for children's health from $16 billion to $24 billion by including revenue from a new tobacco tax. Because of the President's leadership, this budget will contain the largest children's health care budget since the enactment of Medicaid in 1965. Including these additional revenues in the children's health initiative will not only further reduce the number of uninsured children, but it will serve as a financial barrier to help prevent our children from starting smoking in the first place.

- ✔ **ENSURES MEANINGFUL HEALTH CARE COVERAGE, WHILE ALLOWING STATES TO DESIGN THEIR OWN BENEFITS PACKAGE.** The President fought hard to ensure that this investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. The President also worked to ensure that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

- ✔ **GIVES STATES THE FLEXIBILITY TO DESIGN BENEFITS THAT MEET THEIR NEEDS.** States will be able to choose from any of four benefits packages: (1) the FEHPB model; (2) the benefits package of the most popular state HMO; (3) the state employee plan; and (4) the actuarial equivalent of any of the three stated benefit plans as long as prescription drugs, vision, hearing, and mental health services now offered in these plans are guaranteed to equal at least 75 percent of the value of these services.

- ✔ **SUPPLEMENTS NOT SUPPLANTS CURRENT HEALTH CARE COVERAGE.** Includes provisions to ensure that states provide health care coverage to children who do not currently have health insurance. It requires that states maintain their current level of spending to access Federal dollars to help make sure that this investment is not used to replace public or private money that already covers children.

- ✔ **ENSURES ADEQUATE COST-SHARING PROTECTIONS.** The President fought to ensure that families are not forced to shoulder excessive costs for their children. The Agreement guarantees that families under 150 percent of poverty will be protected against overly burdensome cost sharing.

PRESIDENT CLINTON DELIVERS A $500 CHILD TAX CREDIT FOR APPROXIMATELY 27 MILLION FAMILIES

MAIN FEATURES OF THE CHILD TAX CREDIT:

- ***Age.*** Covers children under 17.
- ***Amount per child.*** $400 in 1998. $500 thereafter.
- ***Income limits.*** Begins to be phased out for couples making over $110,000 and for one parent families making over $75,000..
- ***Stacking.*** Child tax credit will be calculated or "stacked" before the EITC and will therefore be available for the up to 4.8 million working families who have incomes below $30,000 and who were denied the child tax credit under the congressional bills.
- ***For families with more than two kids -- Refundability to cover out-of-pocket income and payroll taxes.*** Because many large families have little income tax liability, but pay significant out of pocket payroll taxes, the child tax credit for these families is partially refundable. These families will receive a child credit for their income taxes plus the extent to which their out-of-pocket (employee share) payroll taxes exceed their EITC.
- ***Savings Incentive Feature.*** Taxpayers who are entitled to a child credit would be given the opportunity to contribute $500 each year to an education IRA. Earnings would accumulate tax-free in the account and no taxes would be due upon withdrawal for an approved purpose.

A CHILD TAX CREDIT FOR FAMILIES WHO WORK HARD AND PAY TAXES.

Both congressional plans failed a critical test of fairness by denying the child tax credit to up to 4.8 million hard-working families who pay taxes and earn less than $30,000 a year. These are young teachers, police officers, farmers, and nurses who work hard and play by the rules.

President Clinton worked to ensure that under any final agreement, these young parents would receive a child tax credit to make it easier for them to raise their children.

> *Consider a family of four with two small children: the father is a rookie police officer making $23,000, and the mother has chosen to stay at home. Both congressional bills would have denied this family, and millions of others, the child tax credit. The President said all along that this would be wrong and insisted they be included in any final tax cut. Under the final agreement, this family will receive a child tax credit of $675.*

	President Clinton's Proposal	**Agreement**	**House Bill**	**Senate Bill**
Child Tax Credit for family of rookie police officer making $23,000	**$767**	**$675**	**$0**	**$0**

PRESIDENT CLINTON DELIVERS EDUCATION TAX CUTS TO HELP MIDDLE CLASS FAMILIES PAY FOR COLLEGE

THE PRESIDENT'S HOPE SCHOLARSHIP AND TUITION TAX CREDIT

From the beginning, promoting expanded educational opportunity has been the centerpiece of President Clinton's budget and his middle class tax cut proposal. Promoting education is the centerpiece of this final tax cut bill:

✔ **$1,500 HOPE Scholarship to make the first two years of college universally available.** The final agreement includes the President's program to advance the goal of making the 13th and 14th grades as universally available as a high school diploma is today. Students would be provided a scholarship of 100% on the first $1,000 of tuition and fees and 50% on the second $1,000.

✔ **20% Tuition Tax Credit for College Juniors, Seniors, Graduate Students <u>and</u> for working Americans pursuing lifelong learning to upgrade their skills.** The 20% credit will be applied to the first $5,000 of qualified education expenses through 2002, and to the first $10,000 thereafter. A major deficiency of the congressional tax bills was that they did little to help students in their third and fourth years of college and they were missing a commitment to lifelong learning. The President has long understood that the economy is changing and that people must have the opportunity to enhance their skills throughout their lives. This is why the President insisted on the 20% tuition tax credit that is in the final bill.

A SUMMARY OF ADDITIONAL EDUCATION TAX CUTS

- ***Education and Retirement Savings Accounts.*** Allows penalty-free IRA withdrawals for undergraduate, post-secondary vocational, and graduate education expenses. Additionally, taxpayers eligible for the child tax credit are given the opportunity to deposit $500 into an education IRA. Earnings would accumulate tax-free and no taxes would be due upon withdrawal for an approved purpose.

- ***Employer-Provided Education Benefits.*** Extends Section 127 of the tax code for three years, which allows people to exclude $5,250 of employer-provided undergraduate education benefits from their taxable income.

- ***Student Loan Interest Deduction.*** Allows a deduction for up to $2,500 per year of interest on education loans for expenses of students enrolled at an institution of higher education. This deduction would be available even if the taxpayer does not itemize deductions.

- ***Community Service Loan Forgiveness.*** In most circumstances, a loan that is forgiven is considered income and is therefore taxable. To encourage programs that offer loan forgiveness to borrowers who take lower-paying, community-service jobs, loan amounts forgiven through programs run by nonprofit tax-exempt charitable or educational institutions, would be excluded from income. Currently, the exclusion generally covers only certain forgiveness arrangements between students and government entities.

- ***Repeal Cap on Tax Exempt Bond Issuance by Colleges and Universities.*** Repeals the $150 million bond cap that affects private higher education institutions and certain other charitable institutions. The repeal would apply to tax-exempt bonds issued by these institutions to finance new capital expenditures.

PRESIDENT CLINTON DELIVERS A BUDGET THAT STRENGTHENS AND PRESERVES MEDICARE

The Budget Agreement preserves and strengthens the Medicare program, saving $115 billion over five years and extending the life of the Medicare Trust Fund for at least ten years. It modernizes Medicare by including new market-oriented reforms that have proved successful in the private sector and $4 billion in new preventive benefits. As this agreement strengthens and preserves the Medicare program, it also creates a Medicare Commission to examine the long-term needs of the program so that Medicare will be prepared for the retirement of the baby boomers.

- ✔ **SAVES $115 BILLION OVER FIVE YEARS.** Includes $115 billion in savings over five years and $434 billion over ten years.

- ✔ **EXTENDS THE LIFE OF THE MEDICARE TRUST FUND FOR AT LEAST TEN YEARS.** This agreement will keep Medicare solvent until at least 2007.

- ✔ **IMPLEMENTS UNPRECEDENTED NEW MARKET-ORIENTED REFORMS INCLUDING:**

  (1) Empowering the Secretary of Health and Human Services to implement competitive market mechanisms;
  (2) Opening up new options that have proved effective in the private sector, including allowing Medicare to work with Preferred Provider Organizations (PPOs) and Provider Sponsored Organizations (PSOs);
  (3) Providing Americans with meaningful choices by reforming annual Medigap enrollment; and
  (4) Building on the success Medicare has had in controlling hospital costs, restructuring the entire payment system so that rates are set in advance through a prospective payment system.

- ✔ **INCLUDES $4 BILLION OVER FIVE YEARS FOR NEW PREVENTIVE BENEFITS INCLUDING** expanding coverage for mammograms and colorectal screening and improving self-management of diseases like diabetes.

- ✔ **ENSURES NEW PREMIUM PROTECTIONS FOR LOW-INCOME MEDICARE BENEFICIARIES.** The budget agreement invests $1.5 billion over five years to pay the premiums for beneficiaries up to 135 percent of poverty. Beneficiaries over 135 percent of poverty to as high as 185 percent of poverty will get assistance as well.

- ✔ **TAKES STEPS TO ENSURE THAT VULNERABLE HOSPITALS ARE PROTECTED.** The Agreement reduces the Medicare Disproportionate Share Hospitals cut from $2.4 billion in the Senate-passed agreement to $600 million over five years.

- ✔ **ESTABLISHES A MEDICARE COMMISSION.** The agreement creates a 17-member Medicare Commission which contains eight Democrats and eight Republicans and an additional member that will be selected jointly by the President and the Congressional leadership to chair the Commission. The Commission will release a report in 1999 and require a 11 of 17 majority to ensure that its recommendations are bipartisan.

PRESIDENT CLINTON DELIVERS TAX CUTS TO CLEANUP AND REVITALIZE URBAN AREAS...

✔ **THE BROWNFIELDS TAX INCENTIVE WILL REDUCE THE COST OF CLEANING UP THOUSANDS OF CONTAMINATED, ABANDONED SITES IN ECONOMICALLY DISTRESSED AREAS** by permitting clean-up costs to be immediately deducted for tax purposes, rather than requiring this spending to be written off over time. This would, in turn, encourage redevelopment of these areas. The tax incentive will be available for three years.

✔ **THIS PROPOSAL IS A MAJOR PRIORITY FOR MANY OF AMERICA'S MAYORS.** Chicago Mayor Richard Daley, writing recently on behalf of the U.S. Conference of Mayors, urged Ways and Means Chairman Archer to include the President's Brownfields proposal in the tax bill: "This is a high priority for communities across the nation." [Letter to Chmn. Archer, 6/11/97]

✔ **CREATES NEW EMPOWERMENT ZONES.** Under the President's 1993 Empowerment Zones and Enterprise Communities initiative, participating communities develop a strategic plan to spur economic development, and they receive Federal tax benefits, social service grants and flexibility in use of Federal funds in order to put these plans into effect. The EZs and ECs are urban or rural areas with high poverty and unemployment rates.

- ***A Strong Start since 1994.*** The 105 communities selected as EZ/ECs in 1994 amassed over $8 billion in public-private commitments. In the six urban Empowerment Zones, the private sector has made or pledged $2 billion in new investments.
- ***A Second Round to Build on Our Successes.*** In response, the President proposed, and the bill includes, a second-round of EZs-- 15 urban and 5 rural EZs. The new EZs will benefit from a different blend of tax credits than first-round EZs. They will be eligible for the Brownfields tax incentive, special expensing of business assets, and qualification for private-activity bonds.

...AND TO MOVE PEOPLE FROM WELFARE TO WORK

✔ **A WELFARE-TO-WORK TAX CREDIT.** This provision will give employers an added incentive to hire long-term welfare recipients by providing a credit equal to 35% of the first $10,000 in annual wages in the first year, and 50% of the first $10,000 in wages in the second year of employment, paid to new hires who have received welfare for an extended period. The credit is for two years per worker to encourage not only hiring but retention.

✔ **$3 BILLION TO HELP THE MOST DISADVANTAGED MOVE FROM WELFARE TO WORK.** Adds $3 billion to help localities move the most disadvantaged welfare recipients into jobs; the funding is targeted to high-poverty areas, including inner cities. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers, transportation and other critical post-employment supportive services. The Labor Department will provide oversight but the dollars will be placed in the hands of the localities who are on the front lines of the welfare reform effort.

PRESIDENT CLINTON FOUGHT TO PROTECT OUR MOST VULNERABLE PEOPLE

Several provisions in last year's welfare reform bill had nothing to do with the goals of welfare reform. The President said so at the time and promised to work to correct these provisions. That's why he fought to ensure that any agreement protects the most vulnerable in our society. The President fought to better protect:

CHILDREN

- ✔ **KEEPING THE GUARANTEE TO MEDICAID.** Preserves the Federal guarantee of Medicaid coverage for the vulnerable populations who depend on it and contains additional investments to extend coverage to uninsured children.

LEGAL IMMIGRANTS

- ✔ **CURRENT RECIPIENTS.** Restores both SSI and Medicaid benefits for immigrants now receiving assistance, ensuring that they will not be turned out of their apartments or nursing homes or otherwise left to an uncertain fate.

- ✔ **CURRENT RESIDENT NONRECIPIENTS.** Does not change the rules retroactively. Immigrants in the country as of August 22, 1996 but not receiving benefits at that point who subsequently become disabled will also be fully eligible for SSI and Medicaid benefits.

- ✔ **REFUGEES AND ASYLEES.** Extends the SSI and Medicaid eligibility period for refugees and asylees from 5 years after entry (the limit in the welfare bill) to 7 years, in order to give these residents more time to naturalize.

  The budget legislation also, pursuant to Administration suggestions, treats Cuban and Haitian entrants and Amerasians immigrants as refugees for purposes of SSI, Medicaid and other means-tested benefits, ensuring that they can receive the assistance needed as a result of the extraordinary hardship many have endured.

POOR ELDERLY AND DISABLED, INCLUDING CITIZENS

- ✔ **RECIPIENTS OF STATE SSI SUPPLEMENTS.** Does not include the House-passed provision that would have repealed the maintenance of effort requirement applying to State supplementation of SSI benefits, permitting States to reduce or eliminate benefits to almost 3 million poor blind, elderly and disabled individuals.

PEOPLE WHO WANT TO WORK BUT CAN'T FIND A JOB

- ✔ **CHILDLESS ADULTS.** Last year's welfare reform bill restricted food stamps for able-bodied childless adults to only 3 out of every 36 months, unless they are working. This move ignored the fact that finding a job often takes time. The budget bill provides $1.5 billion to create 235,000 work slots and provide food stamp benefits to those who are willing to work but, through no fault of their own, have not yet found employment.

- ✔ **ALLOWS STATES TO EXEMPT UP TO 15 PERCENT OF THE FOOD STAMP RECIPIENTS WHO WOULD OTHERWISE BE DENIED BENEFITS AS A RESULT OF THE "3 IN 36" LIMIT.**

President Clinton's Historic Balanced Budget Agreement: Building on His Strong Record of Deficit Reduction and Growth

President Clinton has achieved a balanced budget agreement that includes critical investments in education, health care, and the environment while strengthening and modernizing Medicare and Medicaid -- just as he promised last year. This achievement finishes the job of balancing the budget, a key priority for the President since he took office.

ONLY FOUR YEARS AGO. In 1993, the President inherited a budget deficit of $290 billion that was expected to explode to over one-half trillion dollars in 2002. A decade of large deficits had weakened the foundation of our economy and sapped our power and prestige abroad. Unemployment was 7.5% in 1992, and job growth was sluggish.

THE PRESIDENT PASSES HIS 1993 ECONOMIC PLAN. President Clinton addressed this problem of fiscal instability immediately on a pledge to cut the deficit in half. Working with Democrats in Congress, he implemented an economic program designed to reduce the deficit and to invest in critical priorities, such as education and training. **The 1993 economic plan has exceeded all expectations:** *the deficit has fallen by 77%, dropping for a likely fifth year in a row to an expected $67 billion in 1997; equipment investment has been the strongest since Kennedy was President; the economy has produced over 12.5 million new jobs; and the unemployment rate this year is the lowest in 24 years.*

THE PRESIDENT ACHIEVES BIPARTISAN AGREEMENT TO FINISH THE JOB. The President began his second term determined to fulfill his goal of balancing the budget. As we head into the next century, this bipartisan agreement protects our priorities, solidifies the nation's economic foundation, restores faith in our ability to govern ourselves, and bolsters America's preeminent position in the world economy. The balanced budget agreement includes $900 billion in 10 year net deficit savings and delivers the first balanced budget in a generation.

President Clinton Delivers the First Balanced Budget in a Generation		
Year	1993 Deficit Projection	Current Deficit Path
1993	$310	$255
1994	$302	$203
1995	$301	$164
1996	$298	$107
1997	$347	
1998	$387	
1999	$429	
2000	$475	
2001	$521	
2002	$576	

BUDGET STAYS IN BALANCE. In addition to delivering a balanced budget in 2002, **the budget agreement delivers budget surpluses for each of the second five years of the budget window, 2003-2007,** putting the nation on a solid fiscal path at a critical time as the baby boom generation edges toward retirement.

Year	**Surplus**
2003	
2004	
2005	
2006	
2007	

President Clinton Delivers
a Mainstream, Middle Class Tax Cut

How Typical American Families Will Benefit

Example #1

Consider a family of four who makes $75,000 a year. The father is a civil engineer and makes $50,000 and the mother is a secretary and makes $25,000. They have two kids, a son who is 14 and a freshman in high school and a daughter enrolled full-time in her first year at a state university. Her tuition is $5,000 a year.

This family benefit from the tax cut in at least two ways. They will receive a child tax credit of $500 for their son, plus a HOPE Scholarship of $1,500 for their daughter. In total, they will receive a $2,000 tax cut.

Tax Cut

Family of four with two children aged 14 and 18 and $75,000 income:	
Child Tax Credit for 14 year old	$500
HOPE Scholarship for 18 year old	$1,500
Total tax cut:	**$2,000**

Example #2

Consider a family of three making $55,000 a year. The father has a degree in accounting and works for a local business in the accounting department. The mother works part-time at the local library. They have one daughter aged 7. The father would like to return to school to prepare for his CPA examination. He is going to attend the local liberal arts college. He has signed up for two courses with total tuition of $4,000.

This family will receive a $500 tax child tax credit for their daughter and a $800 tuition tax credit to help pay for the father's course work.

Tax Cut

Family of three with one child aged 7 and $55,000 income:	
Child Tax Credit for 7 year old	$500
Tuition tax credit	$800
Total tax cut:	**$1,300**

Example #3

Consider a family of three making $80,000 combined. The mother is a nurse and the father is an architect. They have a daughter who is 17 years old and is trying to decide where to go to college. She is leaning towards a private liberal arts school and thinks she'll go to law school after that. Her parents are staring at tuition payments in excess of $10,000 a year for seven school years and wondering how they will pay for it.

This tax cut will help. Their daughter will be eligible for a $1,500 HOPE Scholarship in each of her first two years in college. During her junior and senior years, she will be eligible for a tuition tax credit of $1,000. Additionally, she will be eligible for a tuition tax credit of $1,000 in each of her three years of law school (because seven school years fall across eight tax years she will be eligible for another $1,000 in the eighth year).

Year	Tuition Tax Credits
1998	$1,500 Hope Scholarship
1999	$1,500 Hope Scholarship
2000	$1,000 Tuition Tax Credit
2001	$1,000 Tuition Tax Credit
2002	$1,000 Tuition Tax Credit
2003	$2,000 Tuition Tax Credit
2004	$2,000 Tuition Tax Credit
2005	$1,000 Tuition Tax Credit
Cumulative Tax Cut to Help Pay for Daughter's Education	**$11,000**

Example #4

A single mother lives with her six year old daughter in California. She's been working as a bank teller for several years and her pay is now up to $20,000 a year. Working towards becoming a loan officer, she is taking one course a semester towards a bachelor's degree. Her tuition runs about $1,000. This family will receive a $500 child tax credit for the daughter and a $200 tuition tax credit.

Tax Cut

Family of two with one child aged 6 and $20,000 income:	
Child Tax Credit for 6 year old	$500
Tuition Tax Credit	$200
Total tax cut:	**$700**

Budget materials

7-25 Spending bill debrief

Agreed:

1. Medicare comm'n - 17 mbrs 8 Repub 8 Dems
1 Ch - maj ldrship / Pres
9/1 selection date - mutual consultation
report 3/1/99
40% vote to make recs.

2. Immigrants - Senate
disabled + elderly

3. SSI ~~MOE~~ kids -
covered - 100 m. comes out of 166.
mandatory

4 Shimby - capped mand 1.5 b' for 5 yrs something there
out of Medicaid.

5. W to Wk
75/25 DOL / PICs
drafted as amend. to TANF - so gives cmte
jurisdiction
not thru TANF ags - must make sure

Substate allocs - House way
comp grants - 1st 5 mos of yr.

6. SSI MOE - drop the provision

Medicare – CT up there now

Hyde – unsettled.

MSAs – will pick # out of air.
balanced billing ??

FLSA – ??
May end up dropping all.

Privatization – debating # of states + %ages

Kids health – didn't talk $s. 16? 24?
def. of benefits –

Budget materials

PRESIDENT CLINTON DELIVERS THE FIRST BALANCED BUDGET IN A GENERATION AND A MAINSTREAM TAX CUT

- ✔ **Roughly $900 Billion in Net 10 Year Deficit Savings.**
- ✔ **First Balanced Budget since 1969.**
- ✔ **Largest Investment in Higher Education Since the G.I. Bill in 1945:**
  - **$1,500 HOPE Scholarship to Help Make Two Years of College Universally Available.**
  - **20% Tuition Tax Credit for College Juniors, Seniors, Graduate Students <u>and</u> Working Americans pursuing Lifelong Learning to upgrade their skills.**
- ✔ **Single Largest Investment in Health Care for Children Since 1965.**
- ✔ **A $500 Per Child Tax Credit for Approximately 27 Million Families.**
- ✔ **Critical Long-Term Entitlement Reforms -- Extends Solvency of Medicare Trust Fund for at Least a Decade.**
- ✔ **Brownfields and Empowerment Zones Tax Incentives to Revitalize Our Nation's Distressed Areas.**
- ✔ **A $ 3 Billion Welfare-to-Work Jobs Initiative Targeted to High Poverty Areas.**
- ✔ **Treats Legal Immigrants Fairly -- Restores Health and Disability Benefits.**

THE FIRST BALANCED BUDGET IN A GENERATION

FIRST BALANCED BUDGET SINCE 1969

- ✔ Net savings of roughly **$900 billion** over ten years.
- ✔ 1993 Economic Plan has cut the deficit more than 75% from $290 billion in 1992 to $67 billion or lower in 1997. **This agreement finishes the job -- balances the budget in 2002 and puts the budget in surplus at least through 2007.**

SINGLE LARGEST INVESTMENT IN HEALTH CARE FOR CHILDREN SINCE THE PASSAGE OF MEDICAID IN 1965

- ✔ **An unprecedented $24 billion for children's health care.**
- ✔ **Guarantee of meaningful health coverage including full range of benefits to as many as 5 million uninsured children.**
- ✔ Provisions to ensure that states use this investment to provide health care coverage to children who do not currently have health insurance and that there are adequate cost protections so that families are not burdened with excessive costs so that care is affordable.

CRITICAL LONG-TERM ENTITLEMENT REFORMS

- ✔ **Between $400-$450 billion in ten-year Medicare savings.**
- ✔ **Extends the life of the Medicare Trust Fund for at least a decade.**
- ✔ **Prepares Medicare for the 21st century** -- more choice, competition, improved payment systems.
- ✔ **$4 billion in preventive benefits** to fight diseases like breast cancer, diabetes & colon cancer.
- ✔ **$1.5 billion to help pay the premiums of low-income Medicare beneficiaries.**

PROTECTS THE PRESIDENT'S CRITICAL DOMESTIC PRIORITIES. The Budget Agreement, which will be enacted in the Appropriations bills in the fall, includes 99% of total amount of President's 5-year Domestic Discretionary Budget.

- ✔ **Largest education investment in 30 years.**
- ✔ **Pell Grant expansion** -- maximum grant increased to $3,000.
- ✔ **New child literacy initiative** consistent with President's America Reads.
- ✔ **Head Start expansion** -- on track to 1 million children in 2002.
- ✔ **Full funding for President's training budget,** including Job Corps.
- ✔ **President's FY 98 budget request for EPA Operating Budget**
- ✔ **National Park Service full funding** for operations budget, plus land acquisition and state assistance, and Everglades Restoration.
- ✔ **Superfund** -- clean-up of 500 toxic sites in next four years (if policies can be worked out).
- ✔ **COPS** -- funding on track to put 100,000 more police officers on streets by 2000, plus full funding for overall Violent Crime Reduction Trust Fund.

MOVES PEOPLE FROM WELFARE TO WORK & TREATS LEGAL IMMIGRANTS FAIRLY

- ✔ **$3 billion to help states and local communities move people from welfare to work.**
- ✔ **$12 billion to restore both disability and health benefits for 350,000 legal immigrants** in 2002 who are currently receiving assistance or become disabled, ensuring that they will not be turned out of their apartments or nursing homes or otherwise helpless.
- ✔ **Preserves the minimum wage and other labor protections for welfare recipients moving from welfare to work.** Does not include the House-passed provision to leave workfare participants unprotected by the
- ✔ **Fair Labor Standards Act and other employment laws.** Protects workers from displacement by those leaving the welfare rolls, and establishes a strong process for workers to raise grievances with an independent agency.

A MAINSTREAM TAX CUT

On December 15, 1994, President Clinton proposed the Middle Class Bill of Rights, which included a $500 Child Tax Credit, an expanded IRA to allow people to withdraw money tax-free and without penalty for education, and a tax deduction for post-high school education expenses. ***Each of the President's proposals is included in this budget:***

A CHILD TAX CREDIT FOR APPROXIMATELY 27 MILLION FAMILIES.

- ✔ **$500 Per-Child Tax Credit for approximately 27 million families with 45 million children** under 17. The credit begins to phase out for couples with incomes above $110,000.
- ✔ **13 million children from families with incomes below $30,000 will receive the child tax credit -- up to 7.5 million* more than would have under the Congressional plans.** Families earning under $30,000 such as young teachers, police officers, farmers, and nurses who work hard and play by the rules will now receive the Child Tax Credit. *Comparison to House passed bill; vs. Senate bill: 5.9 million.

A VICTORY FOR MIDDLE CLASS PARENTS TRYING TO PAY FOR THEIR CHILDREN'S COLLEGE AND FOR WORKING PEOPLE TRYING TO UPGRADE THEIR SKILLS.

- ✔ **$1,500 HOPE Scholarship to make the first two years of college universally available.** The final agreement includes the President's initiative to help make the 13th and 14th grades as universal as a high school diploma is today. Students will receive a scholarship of 100% on the first $1,000 of tuition and fees and 50% on the second $1,000.
- ✔ **20% Tuition Tax Credit for college juniors, seniors, graduate students <u>and</u> for working Americans pursuing lifelong learning to upgrade their skills.** The 20% credit will be applied to the first $5,000 of qualified education expenses through 2002, and to the first $10,000 thereafter. The President has long understood that the economy is changing and that people need the opportunity to enhance their skills throughout their working lives. This is why the President insisted on the 20% tuition tax credit that is in the final bill and was a major improvement over the bills passed by Congress.

TAX INCENTIVES TO REVITALIZE OUR NATION'S DISTRESSED URBAN AREAS.

A key component of the President's tax cutting agenda has been to spur economic activity in distressed areas of our nation's cities. This budget reflects the President's agenda:

- ✔ **A New Tax Cut Plan Helps to Clean Up and Redevelop Brownfields.** The 3-year Brownfields tax incentive will reduce the cost of cleaning up thousands of contaminated, abandoned sites in economically distressed areas by permitting clean-up costs to be deducted immediately for tax purposes. This will, in turn, encourage redevelopment of these areas. *The Treasury Department estimates that this $1.5 billion tax incentive would leverage more than $6 billion for private sector cleanups nationwide, allowing redevelopment of 14,000 brownfields.*

- ✔ **New Empowerment Zones (EZs).** The budget includes a second-round of EZs -- 15 urban and 5 rural EZs. The new EZs will benefit from a different blend of tax credits from the first-round communities. For example, the EZs will be eligible for the Brownfields tax incentive, special expensing of business assets, and qualification for private-activity bonds.

HELPING MOVE PEOPLE FROM WELFARE TO WORK

- ✔ **A Welfare to Work Tax Credit.** This provision will give employers an added incentive to hire long-term welfare recipients by providing a credit equal to 35% of the first $10,000 in wages in the first year of employment, and 50% of the first $10,000 in the second year, paid to new hires who have received welfare for an extended period. The credit is for two years per worker to encourage not only hiring but retention.

- ✔ **$3 Billion to Help Move 1 Million People from Welfare to Work.** Includes President's proposal to create $3 billion Welfare to Work Jobs Challenge to move long-term welfare recipients into lasting, unsubsidized jobs. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers, and other critical post-employment support services. The Labor Department will provide oversight but the dollars will be placed in the hands of the localities who are on the front lines of the welfare reform effort.

PRESIDENT CLINTON DELIVERS THE LARGEST SINGLE INVESTMENT IN CHILDREN'S HEALTH CARE SINCE THE PASSAGE OF MEDICAID IN 1965

The President fought hard to ensure that the Budget Agreement includes $24 billion to provide meaningful health care coverage to as many as five million of our nation's ten million uninsured children. This investment includes a meaningful benefits package, ensures that states use this money to cover uninsured children and not replace existing public or private spending, and guarantees adequate cost-sharing protections for families.

✔ **INVESTS UNPRECEDENTED $24 BILLION FOR UNINSURED CHILDREN.** The President insisted on increasing the investment for children's health from $16 billion to $24 billion by including revenue from a new tobacco tax. Because of the President's leadership, this budget will contain the largest children's health care budget increase since the enactment of Medicaid in 1965. Including these additional revenues in the children's health initiative will not only further reduce the number of uninsured children, but it will also serve as a financial barrier to help prevent our children from starting smoking in the first place.

✔ **ENSURES MEANINGFUL HEALTH CARE COVERAGE, WHILE ALLOWING STATES TO DESIGN THEIR OWN BENEFITS PACKAGES.** The President fought hard to ensure that this investment guarantees the full range of benefits -- from checkups to surgery -- that children need to grow up strong and healthy. The President also worked to ensure that prescription drugs, vision, hearing, and mental health coverage now offered at the state level are extended to millions of uninsured children.

✔ **GIVES STATES THE FLEXIBILITY TO DESIGN BENEFITS THAT MEET THEIR NEEDS.** States will be able to choose from any of four benefits packages: (1) the FEHPB model; (2) the benefits package of the most popular state HMO; (3) the state employee plan; and (4) the actuarial equivalent of any of the three stated benefit plans as long as prescription drugs, vision, hearing, and mental health services now offered in these plans are guaranteed to equal at least 75 percent of the value of these services.

✔ **SUPPLEMENTS, NOT SUPPLANTS, CURRENT HEALTH CARE COVERAGE.** Includes provisions to ensure that states provide health care coverage to children who do not currently have health insurance. It requires that states maintain their current Medicaid eligibility levels of spending to access Federal dollars to ensure that this investment is not used to replace public or private money that already covers children.

✔ **ENSURES ADEQUATE COST-SHARING PROTECTIONS.** The President fought to ensure that families are not forced to shoulder excessive costs for their children. The Agreement guarantees that families under 150 percent of poverty will be protected against overly burdensome cost sharing.

PRESIDENT CLINTON DELIVERS A $500 CHILD TAX CREDIT FOR APPROXIMATELY 27 MILLION FAMILIES

MAIN FEATURES OF THE CHILD TAX CREDIT:

- ***Age.*** Covers children under 17.
- ***Amount per child.*** $400 in 1998. $500 thereafter.
- ***Income limits.*** Begins to be phased out for couples making over $110,000 and for one parent families making over $75,000.
- ***"Stacking."*** Child tax credit will be calculated or "stacked" before the EITC, and will therefore be available for the up to 7.5 million children in working families who have incomes below $30,000 and who were denied the child tax credit under the congressional bills.
- ***For families with more than two children -- Refundability to cover out-of-pocket income and payroll taxes.*** Because many large families have little income tax liability, but pay significant out-of-pocket payroll taxes, the child tax credit for these families is partially refundable. These families will receive a child credit for their income taxes plus the extent to which their out-of-pocket (employee share) payroll taxes exceed their EITC.
- ***Savings Incentive.*** Taxpayers will be given the opportunity to contribute $500 each year to an education Individual Retirement Account (IRA). Earnings would accumulate tax-free in the account, and no taxes will be due upon withdrawal for an approved purpose.

A CHILD TAX CREDIT FOR FAMILIES WHO WORK HARD AND PAY TAXES.

13 million children from families with incomes below $30,000 will receive the child tax credit -- up to 7.5 million* more than would have under the Congressional plans. Families making under $30,000 like young teachers, police officers, farmers, nurses and others who work hard and play by the rules will now receive the Child Tax Credit. *Comparison to House passed bill; vs. Senate bill: 5.9 million.

President Clinton worked to ensure that under any final agreement, these young parents would receive a child tax credit to make it easier for them to raise their children.

Consider a family of four with two small children: the father is a rookie police officer making $23,000, and the mother has chosen to stay at home. Both congressional bills would have denied this family, and millions of others, the child tax credit. Under the final agreement, this family will receive a child tax credit of $675.

	President Clinton's Proposal	Agreement	House Bill	Senate Bill
Child Tax Credit for family of rookie police officer making $23,000	**$767**	**$675**	**$0**	**$0**

PRESIDENT CLINTON DELIVERS EDUCATION TAX CUTS TO HELP MIDDLE CLASS FAMILIES PAY FOR COLLEGE

THE PRESIDENT'S HOPE SCHOLARSHIP AND TUITION TAX CREDIT

From the beginning, promoting expanded educational opportunity has been the centerpiece of President Clinton's budget and his middle class tax cut proposal. Promoting education is the centerpiece of this final tax cut bill:

✔ **$1,500 HOPE Scholarship to make the first two years of college universally available.** The final agreement includes the President's program to advance the goal of making the 13th and 14th grades as universally available as a high school diploma is today. Students will receive a scholarship of 100% on the first $1,000 of tuition and fees and 50% on the second $1,000.

✔ **20% Tuition Tax Credit for College Juniors, Seniors, Graduate Students <u>and</u> working Americans pursuing lifelong learning to upgrade their skills.** The 20% credit will be applied to the first $5,000 of tuition and fees through 2002, and to the first $10,000 thereafter.. The President has long understood that the economy is changing and that people must have the opportunity to enhance their skills throughout their working lives. This is why the President insisted on the 20% tuition tax credit that is in the final bill and is a major improvement over the Congressionally-passed bills.

A SUMMARY OF ADDITIONAL EDUCATION TAX CUTS

- ***Education and Retirement Savings Accounts.*** Allows penalty-free IRA withdrawals for undergraduate, post-secondary vocational, and graduate education expenses. Additionally, taxpayers are given the opportunity to deposit $500 into an education IRA. Earnings would accumulate tax-free and no taxes will be due upon withdrawal for an approved purpose.

- ***Employer-Provided Education Benefits.*** Extends Section 127 of the tax code for three years, which allows workers to exclude $5,250 of employer-provided undergraduate education benefits from their taxable income.

- ***Student Loan Interest Deduction.*** Allows a deduction for up to $2,500 per year of interest on education loans for expenses of students enrolled at an institution of higher education. This deduction will be available even if the taxpayer does not itemize deductions.

- ***Community Service Loan Forgiveness.*** In most circumstances, a loan that is forgiven is considered income and is therefore taxable. To encourage programs that offer loan forgiveness to borrowers who take lower-paying, community-service jobs, the agreement excludes from taxable income both loan amounts forgiven through programs run by nonprofit tax-exempt charitable or educational institutions. Currently, the exclusion generally covers only certain forgiveness arrangements between students and government entities.

- ***Repeal Cap on Tax Exempt Bond Issuance by Colleges and Universities.*** Repeals the $150 million bond cap that affects private higher education institutions and certain other charitable institutions. The repeal applies to tax-exempt bonds issued by these institutions to finance new capital expenditures.

PRESIDENT CLINTON DELIVERS A BUDGET THAT STRENGTHENS AND PRESERVES MEDICARE

The Budget Agreement preserves and strengthens the Medicare program, saving $115 billion over five years and extending the life of the Medicare Trust Fund for at least ten years. It modernizes Medicare by including new market-oriented reforms that have proved successful in the private sector plus $4 billion in new preventive benefits. As this agreement strengthens and preserves the Medicare program, it also creates a Medicare Commission to examine the long-term needs of the program so that Medicare will be prepared for the retirement of the baby boomers.

✔ **SAVES APPROXIMATELY $115 BILLION OVER FIVE YEARS.** Includes about $115 billion in savings over five years and between $400-$450 billion over ten years.

✔ **EXTENDS THE LIFE OF THE MEDICARE TRUST FUND FOR AT LEAST TEN YEARS.** This agreement will keep Medicare solvent until at least 2007.

✔ **IMPLEMENTS NEW MARKET-ORIENTED REFORMS INCLUDING:**

(1) Empowering the Secretary of Health and Human Services to implement competitive market mechanisms;
(2) Opening up new options that offer more choice among competing health plans and have proven effective in the private sector, including Preferred Provider Organizations (PPOs) and Provider Sponsored Organizations (PSOs);
(3) Providing Americans with meaningful choices by reforming annual Medigap enrollment; and
(4) Building on Medicare's success in controlling hospital costs, restructuring the payment systems for home health, agencies, skilled nursing facilities and hospital outpatient departments so that rates are set in advance through a prospective payment system.

✔ **INCLUDES $4 BILLION OVER FIVE YEARS FOR NEW PREVENTIVE BENEFITS.** Expanding coverage for mammograms and colorectal screening and improving self-management of diseases like diabetes.

✔ **ENSURES NEW PREMIUM PROTECTIONS FOR LOW-INCOME MEDICARE BENEFICIARIES.** The budget agreement invests $1.5 billion over five years to pay the premiums for beneficiaries up to 135 percent of poverty. Beneficiaries over 135 percent of poverty to as high as 175 percent of poverty will get assistance as well.

✔ **TAKES STEPS TO ENSURE THAT VULNERABLE HOSPITALS ARE PROTECTED.** The Agreement reduces the Medicare Disproportionate Share Hospitals cut from $2.4 billion in the Senate-passed bill to $600 million over five years.

✔ **ESTABLISHES A MEDICARE COMMISSION.** The agreement creates a 17-member Medicare Commission which contains eight Democrats and eight Republicans and a Chair who will be selected jointly by the President and the Congressional leadership. The Commission will release a report in 1999 and require an 11 of 17 majority to ensure that its recommendations are bipartisan.

THE BUDGET AGREEMENT PROTECTED THE PRESIDENT'S PRIORITY PROGRAMS, INCLUDING EDUCATION, ENVIRONMENT AND LAW ENFORCEMENT

The Budget Agreement achieved 99% of the President's budget for non-defense discretionary spending over the next 5 years. While priority items are protected, there are $61 billion of savings in non-defense discretionary outlays over the next 5 years -- a 10% real cut by 2002. ***These priorities will be ratified in the appropriations process under the budget agreement.***

LARGEST INCREASE IN EDUCATION INVESTMENT IN 30 YEARS

The budget agreement endorsed President Clinton's overall plan for investing in education and training -- $63 billion more than the Republican plan over five years. With the tax cuts for education, this represents the largest increase in the Federal investment in education in 30 years. The agreement specifically calls for:

- ✔ **Increases funding for Head Start to continue on road to achieve enrollment of 1 million kids in 2002.**
- ✔ **Largest Pell Grant increase in two decades - boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students.**
- ✔ **Adopts the President's budget request to launch a child literacy initiative consistent with his America Reads program.**
- ✔ **Increases funding for bilingual (27% increase) and immigrant education (50% increase).**
- ✔ **Includes all of the $579 million increase in funding requested by the President in his FY 1998 budget of $5.3 billion for Training and Employment Services, including Job Corps.**

BOLSTERS ENVIRONMENTAL ENFORCEMENT AND KEY PROGRAMS

- ✔ **Provides a 9% increase for EPA's Operating program which includes research, enforcement, state grants and regulatory programs.**
- ✔ **Doubles the pace of Superfund cleanups, if policy details can be worked out.**
- ✔ **Provides a 6 percent increase for operation of the National Parks, and a more than doubles funding ($156 million) for Everglades Restoration.**

PUTS MORE POLICE ON THE STREET

- ✔ **Protects funding for the Community Oriented Policing Services (COPS) initiative, which should put 100,000 more police officers on the street by 2000.**

URBAN INITIATIVES

- ✔ **Expansion of Community Development Financial Institution Fund.**

PRESIDENT CLINTON DELIVERS TAX CUTS TO CLEAN UP AND REVITALIZE URBAN AREAS...

- ✔ **THE BROWNFIELDS TAX INCENTIVE WILL REDUCE THE COST OF CLEANING UP THOUSANDS OF CONTAMINATED, ABANDONED SITES IN ECONOMICALLY DISTRESSED AREAS** by permitting clean-up costs to be deducted immediately for tax purposes. This will, in turn, encourage redevelopment of these areas. The tax incentive will be available for three years. *The Treasury Department estimates that this $1.5 billion tax incentive would leverage more than $6 billion for private sector cleanups nationwide, allowing redevelopment of 14,000 brownfields.*

- ✔ **THIS PROPOSAL IS A MAJOR PRIORITY FOR MANY OF AMERICA'S MAYORS.** Chicago Mayor Richard Daley, writing recently on behalf of the U.S. Conference of Mayors, urged Ways and Means Chairman Archer to include the President's Brownfields proposal in the tax bill: "This is a high priority for communities across the nation." [Letter to Chmn. Archer, 6/11/97]

- ✔ **CREATES NEW EMPOWERMENT ZONES.** Under the President's 1993 Empowerment Zones and Enterprise Communities initiative, participating communities develop a strategic plan to spur economic development, and they receive Federal tax benefits, social service grants and flexibility in use of Federal funds in order to put these plans into effect. The EZs and ECs are urban or rural areas with high poverty and unemployment rates.
  - ***A Strong Start since 1994.*** The 105 communities selected as EZ/ECs in 1994 amassed over $8 billion in public-private commitments. In the six urban Empowerment Zones, the private sector has made or pledged $2 billion in new investments.
  - ***A Second Round to Build on Successes.*** In response, the President proposed, and the bill includes, a second round of EZs -- 15 urban and 5 rural EZs. The new EZs will benefit from a different blend of tax credits from first-round EZs. They will be eligible for the Brownfields tax incentive, special expensing of business assets, and qualification for private-activity bonds.

...AND TO MOVE PEOPLE FROM WELFARE TO WORK

- ✔ **A WELFARE-TO-WORK TAX CREDIT.** This provision will give employers an added incentive to hire long-term welfare recipients by providing a credit equal to 35% of the first $10,000 in wages in the first year of employment, and 50% of the first $10,000 in wages in the second year, paid to new hires who have received welfare for an extended period. The credit is for two years per worker to encourage not only hiring, but also retention.

- ✔ **$3 BILLION TO HELP MOVE 1 MILLION PEOPLE FROM WELFARE TO WORK.** Includes President's proposal to create $3 billion Welfare to Work Jobs Challenge to move long-term welfare recipients into lasting, unsubsidized jobs. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers, transportation and other critical post-employment support services. The Labor Department will provide oversight but the dollars will be placed in the hands of the localities who are on the front lines of the welfare reform effort.

- ✔ **PRESERVES THE MINIMUM WAGE AND OTHER LABOR PROTECTIONS FOR WELFARE RECIPIENTS MOVING FROM WELFARE TO WORK.** Does not include the House-passed provision to leave workfare participants unprotected by the Fair Labor Standards Act and other employment laws.

- ✔ **PROTECTS WORKERS FROM DISPLACEMENT BY THOSE LEAVING THE WELFARE ROLLS,** and establishes a strong process for workers to raise grievances with an independent agency.

PRESIDENT CLINTON FOUGHT TO PROTECT OUR MOST VULNERABLE PEOPLE

Several provisions in last year's welfare reform bill had nothing to do with the goals of welfare reform. The President said so at the time and promised to work to correct these provisions. That's why he fought to ensure that any agreement protects the most vulnerable in our society. The President fought to better protect:

CHILDREN

✔ **KEEPING THE MEDICAID GUARANTEE.** Preserves the Federal guarantee of Medicaid coverage for the vulnerable populations who depend on it, and contains additional investments to extend coverage to uninsured children. Also ensures that 30,000 disabled children losing SSI because of the new tighter eligibility criteria keep their Medicaid coverage.

LEGAL IMMIGRANTS

✔ **CURRENT RECIPIENTS.** Restores both SSI and Medicaid benefits for immigrants now receiving assistance, ensuring that they will not be turned out of their apartments or nursing homes or otherwise left helpless.

✔ **CURRENT RESIDENT NONRECIPIENTS.** Does not change the rules retroactively. Immigrants in the country as of August 22, 1996 but not receiving benefits at that time who subsequently become disabled will also be fully eligible for SSI and Medicaid benefits. The budget will restore benefits to over 350,000 legal immigrants in FY 2002.

✔ **REFUGEES AND ASYLEES.** Extends the SSI and Medicaid eligibility period for refugees and asylees from 5 years after entry (the limit in the welfare bill) to 7 years to give these residents more time to naturalize. Adopts Administration proposal to treat Cuban and Haitian entrants and Amerasian immigrants as refugees to preserve benefits for these groups that have endured extraordinary hardships.

POOR ELDERLY AND DISABLED, INCLUDING CITIZENS

✔ **RECIPIENTS OF STATE SSI SUPPLEMENTS.** Does not include the House-passed provision that would have repealed the maintenance-of-effort requirement applying to State supplementation of SSI benefits which would have permitted States to reduce or eliminate benefits to almost 3 million poor blind, elderly and disabled individuals.

PEOPLE WHO WANT TO WORK BUT CAN'T FIND A JOB

✔ **235,000 MORE WORK SLOTS.** Last year's welfare reform bill restricted food stamps for able-bodied childless adults to only 3 out of every 36 months, unless they were working. This move ignored the fact that finding a job often takes time. The budget bill provides nearly $1 billion for an estimated 235,000 work slots over 5 years and food stamp benefits to those who are willing to work but, through no fault of their own, have not yet found employment.

✔ **ALLOWS STATES TO EXEMPT UP TO 15 PERCENT OF THE FOOD STAMP RECIPIENTS (70,000 Individuals Monthly) WHO WOULD OTHERWISE BE DENIED BENEFITS AS A RESULT OF THE "3 IN 36" LIMIT.**

AN HISTORIC BALANCED BUDGET: BUILDING ON THE PRESIDENT'S STRONG RECORD OF DEFICIT REDUCTION AND GROWTH

President Clinton has achieved a balanced budget agreement that includes critical investments in education, health care, and the environment while strengthening and modernizing Medicare and Medicaid -- just as he promised last year. This achievement finishes the job of balancing the budget, a key priority for the President since he took office.

ONLY FOUR YEARS AGO. In 1993, the President inherited a budget deficit of $290 billion that was expected to explode to over one-half trillion dollars in 2002. A decade of large deficits had weakened the foundation of our economy and sapped our power and prestige abroad. Unemployment was 7.5% in 1992, and job growth was sluggish.

THE PRESIDENT PASSES HIS 1993 ECONOMIC PLAN. President Clinton addressed this problem of fiscal instability immediately on a pledge to cut the deficit in half. Working with Democrats in Congress, he implemented an economic program designed to reduce the deficit and to invest in critical priorities, such as education and training. **The 1993 economic plan has exceeded all expectations:** *the deficit has fallen by more than 75%, dropping for a likely fifth year in a row to $67 billion or lower in 1997; equipment investment has been the strongest since Kennedy was President; the economy has produced over 12.5 million new jobs; and the unemployment rate this year is the lowest in 24 years.*

THE PRESIDENT ACHIEVES BIPARTISAN AGREEMENT TO FINISH THE JOB. The President began his second term determined to fulfill his goal of balancing the budget. As we head into the next century, this bipartisan agreement protects our priorities, solidifies the nation's economic foundation, restores faith in our ability to govern ourselves, and bolsters America's preeminent position in the world economy. The balanced budget agreement includes roughly $900 billion in 10 year net deficit savings and delivers the first balanced budget in a generation.

The First Balanced Budget in a Generation*		
1993	$310	$255
1994	$302	$203
1995	$301	$164
1996	$298	$107
1997	$347	$67
1998	$387	$90
1999	$429	$90
2000	$475	$83
2001	$521	$53
2002	$576	$1 Surplus

BUDGET STAYS IN BALANCE. In addition to delivering a balanced budget in 2002, **the budget agreement delivers budget surpluses for each of the second five years of the budget window, 2003-2007,** putting the nation on a solid fiscal path at a critical time as the baby boom generation edges toward retirement.

Year	**Surplus***
2003	$5
2004	$20
2005	$24
2006	$30
2007	$34

* Numbers from the budget agreement. Final Budget numbers from reconciliation still being tallied.

The Balanced Budget Delivers a Mainstream, Middle Class Tax Cut

How Typical American Families Will Benefit

Example #1

Consider a family of four with an income of $40,000 a year. The father is a carpenter who makes $25,000, and the mother works at a local department store and makes $15,000. They have two children, a son who is 14 and a freshman in high school and a daughter enrolled full-time in her first year at a state university. Her tuition is $5,000 a year.

This family benefits from the tax cut in at least two ways. They will receive a child tax credit of $500 for their son, plus a HOPE Scholarship of $1,500 for their daughter. In total, they will receive a $2,000 tax cut.

Tax Cut

Family of four with two children aged 14 and 18 and $40,000 income:	
Child Tax Credit for 14 year old	$500
HOPE Scholarship for 18 year old	$1,500
Total tax cut:	**$2,000**

* Tax Year 1999

Example #2

Consider a family of three making $55,000 a year. The father has a degree in accounting and works for a local business in the accounting department. The mother works part-time at the local library. They have one daughter aged 7. The father would like to return to school to prepare for his CPA examination. He is going to attend the local liberal arts college. He has signed up for two courses with total tuition of $4,000.

This family will receive a $500 child tax credit for their daughter and an $800 tuition tax credit to help pay for the father's course work.

Tax Cut

Family of three with one child aged 7 and $55,000 income:	
Child Tax Credit for 7 year old	$500
Tuition tax credit	$800
Total tax cut:	**$1,300**

* Tax Year 1999

Example #3

Consider a family of three making $80,000 combined. They have a daughter who is 17 years old and is trying to decide where to go to college. She is leaning towards a private liberal arts school. Her parents are staring at tuition payments in excess of $10,000 a year for four school years and wondering how they will pay for it.

This tax cut will help. Their daughter will be eligible for a $1,500 HOPE Scholarship in each of her first two years in college. During her junior and senior years, she will be eligible for a tuition tax credit of $1,000. (because four school years fall across five tax years she will be eligible for another $1,000 in the fifth year).

Year	Tuition Tax Credits
1998	$1,500 Hope Scholarship
1999	$1,500 Hope Scholarship
2000	$1,000 Tuition Tax Credit
2001	$1,000 Tuition Tax Credit
2002	$1,000 Tuition Tax Credit
Cumulative Tax Cut to Help Pay for Daughter's Education	**$6,000**

Example #4

A single mother lives with her six year old daughter in California. She's been working as a bank teller for several years and her pay is now $20,000 a year. Working towards becoming a loan officer, she is taking one course a semester towards a bachelor's degree. Her tuition is $1,000. This family will receive a $500 child tax credit for the daughter and a $200 tuition tax credit.

Tax Cut

Family of two with one child aged 6 and $20,000 income:	
Child Tax Credit for 6 year old	$500
Tuition Tax Credit	$200
Total tax cut:	**$700**

* Tax Year 1999

Compiled by H. Budget Committee

DRAFT

MAJOR POLICY ISSUES TO BE RESOLVED IN RECONCILIATION CONFERENCE

Prepared by the Majority Staffs, House and Senate Committees on the Budget
1 July 1997

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
	MEDICARE		
- MedicarePlus/ Medicare Choice	**Payments to Medicareplus Health Plans** — Carve out of amounts attributable to disproportionate share hospitals [DSH], indirect medical education [IME] costs, and direct medical education [DME] costs. - **COMMERCE** — Phases out amounts over 5 years. - **WAYS AND MEANS** — Maintains amounts in MedicarePlus payments.	Carves out DSH, IME, and DME from the Medicare Choice payment over 4 years.	Supports Senate and House Commerce provisions. Opposes any provision to allow balance billing.
	Capitation Payment Rate — Derive from a blend of local and input price-adjusted national costs. - **COMMERCE** — 70% local, 30% national. - **WAYS AND MEANS** — 50-50 blend, updates links to growth in FFS Medicare.	Uses a 50-50 blended payment of local and national costs that are not input price-adjusted. Growth in payments tied to GDP growth.	Prefers Commerce 70/30 blend, which mitigates the geographic variation in payments without major disruption; the House link to fee-for-service payments; the Commerce floor; and the House approach to risk adjustment. Objects to most payment provisions in the Senate bill, some of which are individually justifiable, which together could lead to abrupt changes in additional benefits now provided to Medicare enrollees.
	Minimum Monthly Payment/Minimum Update — - **COMMERCE** — Floor of $350 in 1998. Sets payment at 100 percent of 1997 rate for 1998, 101 percent for 1999-2000, 102 percent for 2001 and beyond. - **WAYS AND MEANS** — Floor of $350 for 1998. Sets minimum payments increase of 102 percent of the prior year's rate.	~~Sets floor at $4,200 a year and maintains payment at 100 percent of the prior year.~~ Initially sets $350 payment floor and minimum increase, but provides for adjustment to increase floor to 85% of national average (over $400), financed by reducing minimum increase to zero.	

Budget materials

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
		MEDICARE (continued)	
- Home Health Spending Transfer	Transfers certain home health spending (following 100 visits or not following a hospitalization) from Part A to Part B. - COMMERCE - Makes entire transfer immediately. - WAYS AND MEANS - Phases-in transfer over 6 years.	Phases in transfer over 7 years.	Supports House Commerce Committee provision.
- MSA's	Provides for medical savings account demonstration, allowing 500,000 individuals to enroll.	Allows 100,000 enrollees.	Current law balance billing limitations should apply to the demonstration, which should be as small as possible. The demo should be limited geographically for a trial period (e.g., 2 States for 3 years).
- Eligibility Age	No provision.	Conforms Medicare eligibility age to Social Security's normal retirement age, saving $10.2 billion from 2003 through 2007 and reducing Medicare's long-term deficit by 0.2 percent of payroll.	Without alternative sources of coverage, could cause many to become uninsured while waiting for Medicare eligibility. Conferees should drop this provision.
- Income-Related Premium	No provision.	Phases up premium from current 25 percent of program costs to 100 percent, saving $3.9 billion over 5 years, $19.6 billion over 10 years. Phase-in would be over income ranges: for single persons with incomes of $50,000 to $100,000; for couples with incomes of $75,000 to $125,000,	The Administration has a number of concerns about this proposal, including phase-up to 100% instead of 75% of costs. Administering through HHS poses serious problems; should be administered through Treasury. Could cause adverse selection and lose significant revenue due to inefficiency.
- Home Health Copayment	No provision.	$5 dollar copayment applying only to home health visits paid from Part B; capped at annual hospital deductible; saves $4.7 billion over 5 years.	Ineffective at lowering use, since 85% of beneficiaries have Medigap or Medicaid. Conferees should drop this provision.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
- Medical Malpractice	- COMMERCE - Limits noneconomic damages to $250,000 and implements other reforms. - WAYS AND MEANS - Limits noneconomic damages to $250,000 and implements other reforms.	No provision.	Strongly opposes House provisions.
- 10-Year Savings	**WAYS AND MEANS** — $386 billion. (The Commerce Committee does not have jurisdiction over the full amount.)	Saves $447 billion over 10 years.	The Agreement calls for $434.0 billion in net Medicare savings over ten years.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION

MEDICAID

- Total Savings	Saves ~~$12.9 billion~~ $11.8 billion, after adjusting the CBO-reported savings for Medicaid-related changes because of the child health insurance initiatives.	Saves net of ~~$13.5 billion~~ $14.7 billion over 5 years.	The Agreement calls for $13.6 billion in savings over five years, net of spending on new initiatives described in the Agreement.
- DSH Reductions	Reduces disproportionate share hospital [DSH] payments by $15.3 billion gross over 5 years by establishing additional caps on State DSH allotments for fiscal years 1998-2002. The State DSH allotments for States in which 1995 DSH payments were less than 1 percent of total medical assistance spending would be frozen at the level of payments for DSH adjustments in those States in 1995. For States classified as "high" DSH States for fiscal year 1997, DSH allotments would be reduced from the ~~higher of~~ 1995 ~~or 1996~~ payment levels. The reduction percentage for "high" DSH States would be equal to 2 percent in 1998, 5 percent in 1999, 20 percent in 2000, 30 percent in 2001, and 40 percent in 2002. All other States' DSH payments would be equal to the ~~higher of~~ 1995 ~~or 1996~~ DSH payments levels reduced by one half of the reduction percentages for "high" DSH States.	Reduces disproportionate share hospital [DSH] payments by $16.0 billion gross over 5 years by establishing additional caps on State DSH allotments for fiscal years 1998-2002. Freezes very low DSH States for 5 years (below 3 percent DSH); low-DSH (above 3 percent but below 12 percent) get phased-in 15-percent reduction from their allotments; high DSH (above 12 percent) get a phased-in 20-percent reduction and a phase-out of any spending for mental health facilities from their base DSH allotments. Also applies new restrictions on using DSH for mental health facilities and requires States to privatize payments to hospitals based on their low-income utilization rate.	As in OBRA 93, DSH policy should be designed to avoid undue hardship on any State: • Prefer the President's 1998 budget proposal, which takes an equal percentage reduction from a State's total DSH spending, up to an "upper limit." • DSH savings should be linked to a Federal standard for targeting remaining DSH funds to needy hospitals. • Prefer the House provision requiring States to make DSH payments directly to qualifying hospitals (rather than through managed care payments) and not allowing DSH payments through capitation payments to managed care organizations.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
		MEDICAID (continued)	
- DC and Puerto Rico	No provision.	Increases FMAP for DC to 60 percent for 1998 through 2000; increases payment for Puerto Rico by $30 million in FY 1998 plus increases for other territories.	D.C. -- Prefers to drop Senate sunset in 2000 and increase match rate to 70% (as in President's 1998 budget). Puerto Rico -- Prefers to include adjustments for PR and the territories in the President's 1998 budget.
- Medicare Part B Premium Protection	Spends $1.5 billion over 5 years in Medicaid for premium assistance for seniors with incomes of 120 percent to 175 percent of poverty. Covers the full Medicare premium for those with incomes up to 135 percent of poverty. For seniors with incomes between 135 and 175 percent of poverty, the assistance covers that portion of the Medicare Part B premium increase attributable to the home health spending transfer.	Creates a new Medicare block grant, $1.5 billion over 5 years, to States to provide premium assistance for beneficiaries between 120 percent and 150 percent of poverty.	Prefers to finance the cost of the full Medicare premium through Medicaid. Objects to Senate provision that uses a Medicare grant for this assistance that sunsets in 2002.
- Medicaid Cost Sharing	No provision.	Requires limited cost sharing for optional benefits; prohibits cost sharing for children under 18 in families with incomes below 150% of poverty.	Prefers language in President's budget, which allows States to charge nominal copays for HMO enrollees. The Administration is concerned that the Senate bill could compromise beneficiary access to quality care.
- 1115 Waivers and Provider Tax Waivers	Extends expiring 1115 Medicaid waivers.	Extends expiring 1115 Medicaid waivers without regard to budget neutrality. Also deems provider taxes as approved for one State.	The Administration has a number of concerns about this proposal.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
-- Return-to-Work	No provision.	Allows States to allow workers with disabilities to buy into Medicaid.	Prefers President's 1998 budget proposal, which would not limit eligibility to people whose earnings are below 250% of poverty.
- Criminal Penalties for Asset Divestiture	Amend Section 215 of HIPAA to provide sanctions only against those who help people to dispose of assets in order to qualify for Medicaid.	Amend Section 215 of HIPAA to provide sanctions only against those who help people to dispose of assets in order to qualify for Medicaid.	Supports repeal of this section.
- Medicaid Management Information	Requires States to show that their State-designed Medicaid management systems meet outcome-based performance standards and would permit the collection and analysis of person-based data	No provision.	Supports House provision.
- Alaska Medicaid Match Rate	No provision.	Increases federal Medicaid matching rate for Alaska.	Opposes change to single-State FMAP in the absence of efforts to examine broader alternatives.
- Payment Rates for QMB's and Dual Eligibles	No provision.	Allows States to use Medicaid payment rates when determining whether any cost-sharing is owed for QMB's and dual eligibles, for net savings of $2.1 billion over 5 years ($5 billion in Medicaid savings, $2.9 billion in Medicare costs.)	No position.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
		WELFARE-TO-WORK	
- Fair Labor Standards Act	Applies language from the 1987 law creating AFDC JOBS to indicate that participants in public sector or non-profit workfare activities are not employees under the Fair Labor Standards Act. Specifies maximum number of hours states can require beneficiaries to work by counting TANF and Food Stamp benefits as wages for purpose of the minimum wage.	**No provision.**	Supports Senate position and strongly opposes minimum wage and welfare work requirement proposals in House bill, which were not in the Agreement. Supports extending Senate provisions on non-displacement and grievance procedures and worker protections to all working welfare recipients under TANF.
	Provides nondiscrimination and grievance procedure guidelines for workfare.	Provides non-displacement, grievance procedures, and other worker protections to WTW grant funds.	
	No provision.	Allows States, through the imposition of sanctions, to pay less than the minimum wage for certain recipients.	Oppose Senate provisions.
- Grant Distribution Formula	**WAYS AND MEANS** — Provides 50 % of funding through formula grants and 50 % through competitive grants awarded by Labor. **EDUCATION AND THE WORKFORCE** — Provides 95% of funding through formula grants and 5% through competitive grants awarded by Labor.	75% of funding by formula, 25% through competitive grants.	Prefers Ways and Means provision in House bill, which best accomplishes goal in the Agreement that funds be allocated and targeted to areas with high poverty and unemployment.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION

WELFARE-~~TO-WORK~~

- SSI State Supplements	Eliminates the maintenance of effort requirement that prevents States from lowering or eliminating State supplemental SSI payments.	No provision.	Strongly opposes repeal of the MOE provision, which was not in the Agreement.
- Vocational Education Counted as Work Under TANF Work Requirements	- WAYS AND MEANS - Limits the number of TANF beneficiaries who can be counted toward meeting the work participation requirements to 30% of the total number of people meeting the requirement rather than 20% of the total TANF caseload. Teen parents attending high school are not required to be counted within the 30%. - EDUCATION AND WORKFORCE - Limits number of TANF beneficiaries a state can count who are in vocational education to 20% of the total number of persons meeting the work requirement rather than 20% of the total TANF caseload. Teen mothers attending high school do not fail within the 20% cap.	Continues to permit States to calculate up to 20% of their TANF caseloads participating in vocational education as meeting the work requirement, but eliminates current requirement that teen mothers attending high school be counted as part of that 20% cap.	The Agreement did not address making changes in the TANF work requirements regarding vocational education and educational services for teen parents, and the Administration urges the Conferees to drop these provisions.
- TANF Transfers to Title XX	Removes the requirement that States transfer $2 to child care activities for every $1 in TANF block grant funds that they transfer to the Title XX Social Services Block Grant.	No provision.	Opposes House provisions, which were not in the Agreement.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
		~~WELFARE-TO-WORK~~ IMMIGRANTS	
- Alien Eligibility for SSI and Medicaid	Restores eligibility for SSI and Medicaid for ~~legal~~ qualified aliens who were in the country and on the benefit rolls receiving SSI as of August 22, 1996. Legal aliens who were in the U.S. but not receiving SSI benefits are ineligible for benefits if they become disabled in the future. Total cost is $9 billion over 5 years.	Restores eligibility for SSI and Medicaid for ~~legal~~ qualified aliens who were in the country and on the benefit rolls receiving SSI benefits as of August 22, 1996. Provides eligibility for SSI benefits to legal aliens ~~in the U.S. on August 22, 1996 but who were not on the benefit rolls then at any time in the future if they become disabled.~~ who entered the U.S. prior to August 23, 1996 and who are or who become disabled in the future. Gives States the option to exempt immigrant children from the 5 year ban on Medicaid. Exempts immigrants from SSI ban who are so severely disabled they are unable to naturalize. Total cost is ~~$11.4~~ $11.6 billion over 5 years.	Supports Senate provision, which implements the Agreement. House bill fails to fully restore SSI and Medicaid benefits for all legal immigrants who are or become disabled in the future who entered the U.S. prior to August 23, 1996. (The President stated in a June 20 letter that he will not sign legislation that does not include the policy that protects immigrants who are or become disabled.)

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION

FOOD STAMPS

- Work Slots	Provides States with $680 million in new funding over 5 years for Education and Training activities within Food Stamps. At least 80 percent of the total Food Stamp E & T funding of $1.1 billion would be earmarked to able-bodied adults subject to the work requirement. Job search would not be an allowable use of the funding earmarked for able-bodied adults. CBO assumes the policy will generate 205,000 work slots that keep able-bodied adults subject to the work requirement eligible for benefits over 5 years. However, other activities that do not meet the work requirements would be permissible.	Provides $640 million in funding to create additional Education & Training positions within food stamps. Requires the Secretary of Agriculture to establish two different reimbursement rates for States accessing these funds. A higher rate will be paid to states drawing down funding for placing persons subject to the work requirement in work slots which keep those persons eligible for food stamps. A lower reimbursement rate will be paid to states that use funding on activities that do not keep persons subject to the work requirement eligible for benefits. CBO assumes this policy generates 250,000 work slots over 5 years that ~~keep people eligible for benefits~~ meet the work requirements. ~~over 5 years~~.	Agreement provides for additional and redirected E&T funds "to create additional work slots for individuals subject to the time limits" to maximize the number of new slots. Administration endorses Senate reimbursement structure and House provisions for maintenance of effort in order to ensure that the maximum number of slots are created.
- ~~"Texas" Waiver~~ Welfare Privatization	Permits any State to contract with a private sector entity to conduct ~~income verification and~~ eligibility determinations for Food Stamps and Medicaid.	~~Allows up to 10 States to conduct a demonstration program of contracting out income verification and eligibility determination activities to private sector companies~~. **No provision (dropped, per Byrd rule.)**	Strongly opposes House provision and urges the Conferees to follow the approach taken by the Senate (i.e., no provision).

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
		CHILDREN'S HEALTH	
- Total Spending	Spends $15.9 billion over 5 years for children's health insurance or services.	Spends $24 billion (preliminary scoring) for children's health insurance, including the $8 billion added from the tax bill (see below).	Supports -- • Senate definition of benefits, limits on cost-sharing • State option in House bill to spend grant money on grants, Medicaid, or a combination of the two (Senate requires States to choose only one) • Strong maintenance of effort provision and a prohibition on using provider taxes and donations to fund States' share • Using same match rate for Medicaid, grant programs Opposes -- • Provisions that allow States to pay for family coverage or pay the employee's share of employer-sponsored insurance
- Extra $8 billion	No provision.	Provides additional $8 billion in the tax bill.	Supports using all of the revenue from the tobacco tax for initiatives that focus on the needs of children and health. Opposes sunset in this funding after 2002.
- Medicaid Benefits for Children Losing SSI Benefits	Allows, but does not require, States to restore Medicaid benefits for children losing SSI benefits because of new, tighter SSI standards for childhood eligibility.	No provision.	Agreement calls for the restoration of these benefits. The Administration supports FY 1998 President's budget provision, which guarantees Medicaid coverage for these children.
- Direct Provision of Services	Allows States to use funds for the purchase of health insurance for the direct provision of health care.	Does not provide for the direct provision of health care.	Opposes House direct services option.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
- Funding Structure	Allows States to spend grant funds on Medicaid, a grant program, or a combination of the two.	Requires States to choose between Medicaid and a grant option.	Supports House provision.
- Eligibility	Defines targeted low-income children as those whose family income exceeds the Medicaid applicable levels but does not exceed an income level 75 percentage points higher than the Medicaid applicable income level.	Includes a ceiling of 200% of poverty for eligibility.	Opposes income ceiling.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
- Hyde Amendment	Extends to children's health initiative funding the Medicaid prohibitions on Medicaid payment for abortion services.	Same as House. Also includes a managed care sanction to exclude abortion services except under certain circumstances.	Opposes limiting access to medically necessary benefits, including abortion services.
HEALTH INSURANCE FOR SMALL BUSINESSES			
- MEWA	Includes legislation allowing small businesses and organizations to offer health insurance, extending ERISA preemptions and State regulations, requiring solvency standards for association health plans, and other regulations.	No provision.	Strongly opposes House provision.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
	SPECTRUM AUCTIONS		
- Analog Return	Authorizes the FCC to auction frequencies that are currently allocated for analog television broadcasting. Imposes a time limit on the television licenses that authorize analog television services. Allows the FCC to extend the time limit if more than 5 percent of the households in a market rely exclusively on analog television signals.	Comparable provision, except that the FCC is required to delay the return it the 5-percent test is not met.	Agreement includes hard cut off date with authority to extend for small and rural markets. Agreement assumed that this auction would take place in 2001 with a firm cut off date for analog broadcasting in 2006.
- Vanity Numbers	Does *not* authorize the FCC to auction the so-called vanity telephone numbers.	Does *not* authorize the FCC to auction the so-called vanity telephone numbers.	Agreement includes a proposal authorizing FCC to auction vanity telephone numbers ($0.7B).
- Bankruptcy	No provision.	No provision.	Seeks authority to allow the FCC to revoke and reauction a license when a licensee declares bankruptcy.
- Federal Reimbursement	No provision.	Authorizes reimbursement of Federal agencies for the costs of relocating to new spectrum bands so that spectrum they are now using may be made available by the FCC for auction for commercial use.	Agreement assumed and the Administration supports reimbursement.
- Spectrum Penalty	Does not include a penalty fee that would be levied against those entities who received "free" spectrum for advanced, advertiser-based television services, but failed to utilize it fully.	Does not include this penalty fee.	Agreement includes a fee to be levied against entities that received spectrum at no charge for digital broadcasting, but opted to utilize it for ancillary services ($2.0B).

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
	STUDENT LOANS		
- Administrative Cost Allowance	Requires payment to guaranty agencies of 0.85 percent of the principal of all new loans. Capped at $170 million for 1998 and 1999 and $150 million for 2000-2002.	Same provision.	Opposes this provision, which provides a new entitlement to guaranty agencies.
- Smith-Hughes Act	Eliminates the Smith-Hughes Act, the original vocational education program.	No provision.	Prefers House provision, which is consistent with the Agreement.
- Retention Allowance	Allows guaranty agencies to retain 18.5 percent on payments received when a defaulted loan is consolidated. The Committee claims that this will have a retroactive effect allowing guaranty agencies to retain 27% between 1992 and 1997 if legislative intent is considered. CBO and OMB do not score the amendment as a cost item because they do not interpret the amendment to allow agencies to retain 27% retrospectively.	No provision.	Opposes this provision, which would provide funding to guaranty agencies without regard to expenses incurred. Interprets amendment to have only prospective, not retrospective, application.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
	VETERANS' BENEFITS		
- Medical Care Cost Recovery	Replaces the existing Medical Care Cost Recovery Fund with a new fund into which monies recovered or collected for medical care would be deposited and would be available, *subject to appropriations*, to pay for the expenses associated with veterans' medical care. ~~If spending from the collections is not subject to appropriations, budget targets will not be met.~~ Also includes a "failsafe" provision authorizing additional funds in the event there is a shortfall in anticipated collections in excess of $25 million.	Replaces the existing Medical Care Cost Recovery Fund with a new fund into which monies recovered or collected for medical care would be deposited and would be available, *subject to appropriations*, to pay for the expenses associated with veterans' medical care. No "failsafe" mechanism.	Concurs with Senate position.
- VA and DoD Medicare Subvention Demonstrations	No provision.	Requires managed care and fee-for-service demonstrations of Medicare reimbursement to the Departments of Veterans Affairs and Defense.	

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
		HOUSING	
- Mark to Market	No Provision. (Representative Lazio has introduced, by request, the administration's bill and there is at least one other house version introduced so far.)	FHA Multifamily Mortgage Restructuring: Net savings would be $240 million between 1997 and 2002. The reform would reduce the rents on Section 8 Housing contracts and use a new capital grant program out of the FHA in order to avert large defaults on federally insured mortgages. There are several different versions of this legislation. Without these provisions, the Banking Committee would still exceed its target reconciliation savings of $1.5 billion over 5 years.	Prefers following changes to Senate bill: • Allow for the conversion of subsidies to portable tenant-based assistance, allowing tenants to seek out the best available housing and permitting projects to develop a more diverse mix of income levels. (Senate maintains low-income rental assistance as project-based, tied to specific properties.) • Give HUD more flexibility to design the most effective partnerships. (Senate establishes a preference for delegating restructuring tasks to housing finance agencies.) • Amend tax code to allow for tax amortization in exchange for long-term affordability restrictions. (Senate attempts to address tax issues through the use of "soft" second mortgages which, as interpreted by IRS, may not have the desired effect of deferring tax consequences.) (CBO scores $326 million in savings over 1997-2002 from the Administration's bill.)