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Budget Materials [4]

Budget materials

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

THE DIRECTOR

June 24, 1997

The Honorable Gerald R. Solomon
Chairman
Committee on Rules
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As you consider this year's budget reconciliation bill, I am writing to transmit the views of the Administration on the Budget Committee reported legislation on the spending provisions. The Administration's views on the tax provisions of the legislation will be transmitted separately.

Many provisions of the reported bill are consistent with the Bipartisan Budget Agreement. We are pleased that, consistent with the Budget Agreement, the House is preparing to consider two separate reconciliation bills, the first for spending and the second for taxes. We expect that this consideration will continue throughout the process. However, there are a number of important areas where the legislation is not consistent with the Agreement. As you know, there are ongoing efforts to resolve a number of issues through an amendment at the Rules Committee. The Administration intends to continue working closely with the leadership on remedial amendments.

Key areas where the bill is inconsistent with the Budget Agreement include: failure to fully restore Supplemental Security Income (SSI) and Medicaid benefits for all disabled legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996; assist low-income Medicare beneficiaries in paying additional premium amounts related to the home health reallocation; provide Medicaid benefits for disabled children; implement important Medicaid investments; properly implement the home health reallocation; create additional work slots for individuals subject to the Food Stamp time limits; fully provide for savings from spectrum auctions; and ensure that a substantial share of welfare-to-work funds go to cities and counties with large poverty populations.

The Bipartisan Budget Agreement is good for America, its people, and its future, and we are fully committed to working with Congress to see all of its provisions enacted into law by the August recess.

Items Contrary to the Bipartisan Budget Agreement

Assistance for Low-Income Medicare Beneficiaries -- Recognizing that premiums represent a significant burden on low-income beneficiaries, the Budget Agreement allocated $1.5 billion to ease the impact of higher premiums on this population. The reported bill falls short of this, including only $0.5 billion for this purpose. Additionally, the approach in the bill is too administratively complex for the value of the benefit provided.

Continued SSI and Medicaid Benefits for Legal Immigrants -- The President stated in his June 20 letter to Budget Committee Chairman Kasich and Ranking Member Spratt that he will be unable to sign legislation that does not include the agreement's policy protecting disabled immigrants. The Budget Agreement explicitly states: "Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who enter the U.S. prior to August 23, 1996." The reported bill fails to reflect the Agreement. As a result, in 2002 it would protect 75,000 fewer immigrants than called for in the Budget Agreement. In addition, the President's strong preference is to cover both elderly and disabled immigrants. We will work with you to identify the necessary resources to do so.

Medicaid Benefits for Disabled Children -- The Budget Agreement clearly includes the proposal to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility. The reported bill fails to include this proposal. We strongly urge the House to include this provision and retain Medicaid benefits for approximately 30,000 children who could lose their health care coverage in FY 1998.

Medicaid Investments -- After extended negotiations that preceded the Bipartisan Budget Agreement, the Administration and the Congressional leadership agreed to specified savings and investments in the Medicaid program over five years. Specifically, the Agreement calls for a higher Federal matching payment for the Medicaid program in the District of Columbia and adjustments for the Medicaid programs in Puerto Rico and the territories. The reported bill fails to include these provisions.

Home Health Reallocation -- The home health reallocation in the Budget Agreement is not properly reflected in the reported bill. During the negotiations, we discussed at great length the shift of home health expenditures to Part B, and it was always understood to be immediate. We agreed to phase in the increased Part B premium, but not to postpone the reallocation of home health spending. The Ways and Means Committee's phase-in of the reallocation means a loss of two years of solvency in the Part A trust fund, two years which we can ill afford to lose. We urge the House to incorporate the provision included in the Commerce Committee reported title.

Additional Work Slots for Individuals Subject to the Food Stamp Time Limits -- The Bipartisan Budget Agreement includes $1.5 billion in additional funding for the Food Stamp Program to increase support for work and provide States with flexibility to exempt individuals from the Food Stamp time limits due to hardship. While we appreciate that the Committee reported bill implements the 15 percent hardship exemption consistent with the Agreement, the bill's approach for employment and training (E&T) funds for able-bodied childless adults aged 18-50 falls short of creating the maximum level of work slots. The Agreement specifically states that existing Food Stamp E&T funds will be redirected and new capped mandatory funding added "to create additional work slots for individuals subject to the time limits." The Agreement provides $1 billion for this purpose. The approach in the Committee bill would create more than 100,000 fewer work slots than the Administration's legislative proposal and approximately 60,000 fewer than the approach taken by the Senate bill. Specifically, the bill lacks performance standards and accountability to ensure that the new Federal funding creates additional work slots that meet the welfare reform statute's tough work requirements for Food Stamp recipients, particularly by allowing 100 percent of the money to be spent on job search activities.

Spectrum -- The bill needs to be modified to achieve the full $26.3 billion in savings and policies described in the Balanced Budget Agreement. At a minimum, we urge the Rules Committee to meet the target savings number in the year 2002. It is our understanding that current attempts to redraft the bill still fall over $8 billion short of target levels. The reported bill does not include two of the proposals included in the Budget Agreement, the auction of "vanity" toll free telephone numbers and the spectrum penalty fee. The bill does not include reimbursement authority for Federal users that are required to relocate to new spectrum bands. Reimbursement of Federal agencies, such as the Department of Defense, is critical in order to avoid demands for increased discretionary spending (which could total several billion dollars) under the agreed upon discretionary spending caps. Additionally, the bill does not provide a firm date for the termination of analog broadcasting, thus causing significant savings reductions.

Additional concerns include the lack of authority for the FCC: (1) to retain a portion of auction receipts to cover the expense of administering auctions that would require additional discretionary appropriations to cover these costs; (2) to use economic mechanisms other than auctions where appropriate (i.e., user fees to create incentives for efficient spectrum management); and (3) to revoke and reauction licenses when an entity declares bankruptcy, which is essential to preserving licenses awarded in previous auctions.

The reported bill also includes an expansive definition of public safety that would create loopholes permitting far too many entities to be exempted from auctions and language that would protect spectrum for use by specific Federal users, which is contrary to the Administration's policy to manage spectrum across the Federal government through a process administered by the National Telecommunications and Information Administration. The Administration also has concerns with the non-germane language that eliminates the Duopoly and Newspaper Broadcast Cross-Ownership Rules. The reported bill language could short-change our Nation's long-standing commitment to fostering a diverse marketplace of ideas and ignores potential telecommunications policy and revenue gains that may be achieved if the FCC were to repack this spectrum for alternative uses.

Targeting Welfare-to-Work Funding to Cities and Counties with Large Poverty Populations -- The Administration strongly believes that a substantial amount of all welfare-to-work funds should be managed by cities and other local areas. The welfare-to-work structure crafted by the Ways and Means Committee accomplishes this goal through its division of funds between formula (50 percent) and competitive (50 percent) grants; its formula grant sub-States allocation factors and method of administration; and its reservation of 65 percent of competitive grants for cities with large poverty populations. The Education and Workforce Committee proposal would reduce the competitive funding share from 50 percent to 5 percent, thus severely restricting the amount for which cities can apply directly. The Ways and Means proposal accurately reflects the Agreement.

Additional Concerns

Although the Budget Agreement did not specifically address the following items, the Administration has significant concerns about them. The Administration urges the Rules Committee to address these concerns.

Medicare

Medical Savings Accounts (MSAs) -- The reported bill provides for a demonstration with 500,000 participants, costing $2 billion, which is many times larger than any other Medicare demonstration. Moreover, the demonstration exposes beneficiaries to any additional charges providers choose to levy without limitation. We strongly believe that the current law limits on balanced billing should be applied to this demonstration. We commend the Senate Finance Committee for limiting this demonstration to 100,000 participants, but still prefer a demonstration limited geographically for a trial period.

Medical Malpractice -- We believe that the malpractice provisions in the reported bill are extraneous to the Bipartisan Budget Agreement. As you know, the Administration opposed the malpractice provisions in the vetoed Balanced Budget bill, as well as those adopted in the House version of the Health Insurance Portability and Accountability Act. We find these provisions highly objectionable, and we oppose them.

Preventive Benefits -- While the preventive benefits in the reported bill are largely the same as those advanced in the President's Budget, we bring to your attention the failure to waive coinsurance for mammograms. As you know, mammography saves lives, yet many Medicare beneficiaries fail to use this benefit. Research has found that copayments hinder women from fully taking advantage of this benefit. Thus, we continue to support waiving copayments for mammograms.

Medical Education/Disproportionate Share (DSH) Carve-out -- The Administration's budget would move the medical education (indirect and direct) and DSH adjustments out of managed care payment rates and redirect these funds to eligible hospitals that provide services to Medicare managed care enrollees. This is an important proposal designed to ensure that the Nation's teaching hospitals and those that serve low-income populations receive the Medicare payments to which they are entitled. We urge the House to include the Ways and Means proposal.

MedicarePlus -- The bill permits beneficiaries to be locked into a MedicarePlus plan for as long as nine months, after a lengthy transition period. We continue to support the monthly disenrollment option as an important safety valve for managed care enrollees who are dissatisfied with their managed care plan. Moreover, we would support the ability of these enrollees to opt to purchase any Medigap plan of their choice upon disenrollment.

We have expressed concerns about balanced billing limits in MedicarePlus plans and anticipate a resolution of this issue such that MedicarePlus beneficiaries maintain their current law managed care protections against excessive cost-sharing (including those prohibiting balanced billing).

Prudent Purchasing -- We are pleased that the House included our proposal to expand the "Centers of Excellence" program and included a limited demonstration of durable medical equipment competitive bidding in the reported bill. However, we urge the House to take advantage of all of our prudent purchasing proposals. The Medicare program is governed by a strict set of provider payment rules that have the effect of limiting the ability of the Federal government to secure the most competitive terms available to other payers in the marketplace. We have advanced a set of proposals to allow Medicare, the Nation's largest health insurer, to also take advantage of lower rates providers offer to other payers.

Medicare Commission -- The reported bill would establish a Medicare commission. Establishing a bipartisan process that is mutually agreeable is essential to successfully address the challenges facing Medicare. We look forward to working with you on the development of the best possible bipartisan process to address the long-term financing challenges facing Medicare while simultaneously ensuring the sound restructuring of the program to provide high-quality care for our Nation's senior citizens.

Hospital Outpatient Department (OPD) Coinsurance Waiver -- While we support the policy in the reported bill that allows hospitals to reduce coinsurance for beneficiaries without being charged with a kickback violation, we would urge the House to include language barring such hospitals from charging the Medicare program for bad debt for such waived coinsurance. We suggest that hospitals make an election with the Secretary where they choose on an across-the-board basis for all beneficiaries to waive coinsurance and consequently do not bill Medicare for the waived coinsurance. Such a policy will permit proper monitoring of bad debt.

Medicaid

Disproportionate Share Hospitals -- We have concerns about the allocation of the disproportionate share hospital (DSH) payment reductions among States included in the reported bill. Although we agree that there have been abuses of this program in the past, taking such large reductions in certain States whose Medicaid programs are particularly dependent on DSH spending will likely affect their ability to cover services. We urge the House to revisit the FY 1998 President's Budget proposal, which ensures that States with the highest DSH spending are not bearing most of the impact of the savings policy.

We are very concerned that the reported bill does not include any retargeting of DSH funds. As the Administration has stated previously, we believe that significant savings from DSH payments should be linked to an appropriate targeting mechanism. We support proposals that ensure DSH funds are better targeted to needy hospitals.

Children's Health

We believe that the $16 billion Children's Health investment should be used for health insurance coverage. The Administration does not support the direct services option in the reported bill. We are concerned that a State could spend all of its money on one benefit or to offset the effects of the DSH cuts on certain hospitals, and that children would not necessarily get meaningful coverage.

We are also concerned that the reported bill may not be the most cost-effective manner possible to expand coverage to children, as required by the Agreement. The reported bill includes both a Medicaid and a grant option; however, the incentives in the reported bill could discourage States from choosing the Medicaid option. We believe that Medicaid is a cost-effective approach to covering low-income children, and would like to work with you on strengthening this option. We also believe that the grant program should be designed to be as efficient as possible. The provision that allows States to use funds for "other methods specified under the plan" with no details on what this means implies that States may use funds for purposes other than the intent of the Agreement (e.g., to offset States' share of Medicaid). We oppose this.

We are encouraged that the Senate-reported bill includes notable improvements. Specifically, we commend the decision not to allow use of the $16 billion investment in areas other than insurance coverage and the improved definition of benefits relative to the House Commerce Committee provisions. We are also extremely concerned about the inadequacy of the bill's benefits definition and the lack of low-income protections.

As the Administration has stated many times, we do not support limiting access to medically necessary benefits, including abortion services. We would like to work with the Congress to resolve this issue.

Minimum Wage and Workfare

The Administration strongly opposes the proposals in the reported bill on the minimum wage and welfare work requirements. The proposals in the reported bill are not part of the Budget Agreement and, had they been raised during negotiations, we would have strongly opposed them. These proposals would undermine the fundamental goals of welfare reform. The Administration believes strongly that everyone who can work must work, and those who work should earn at least the minimum wage and receive the protections of existing employment laws -- whether they are coming off welfare or not. These proposals do not meet this test.

Welfare-to-Work

We are pleased that the reported bill includes provisions that would address priorities, including: the provision of formula grant funds to States based on poverty, unemployment, and adult welfare recipients; a sub-State allocation of the formula grant to ensure targeting to areas of greatest need; targeting of at least 90 percent of formula funds to individuals in greatest need; appropriate flexibility for grantees to use the funds for a broad array of activities that offer promise of permanent placement in unsubsidized jobs; funds awarded on a competitive basis; and a substantial set-aside for evaluation. We look forward to working with the Congress to refine these provisions.

Welfare-to-Work Performance Fund -- The reported bill does not include a performance fund. It is essential that welfare-to-work funds generate greater levels of placement in unsubsidized jobs than States will achieve with TANF and other funds. We hope the House will consider a mechanism to provide needed incentives and rewards for placing more of the hardest-to-serve in lasting, unsubsidized jobs that promote self-sufficiency. We look forward to working with the Congress during conference to refine these provisions.

Worker Displacement -- We strongly urge the House to adopt, at a minimum, the provisions on worker displacement included in H.R. 1385, the House-passed job training reform bill which were included in the Education and the Workforce Committee reported bill and apply both to activities under the new welfare-to-work grants and TANF.

Distribution of Funds by Year -- It does not appear that the bill's allocation of $3 billion in budget authority over fiscal years 1998-2000 would, when combined with the program structure, result in an outlay pattern consistent with an estimate of zero outlays in FY 2002, as provided in the Budget Agreement. The Department of Labor is available to help craft language that satisfies the Agreement.

Repeal of Maintenance of Effort Requirement on State Supplementation of SSI Benefits

The Administration strongly opposes the repeal of the maintenance-of-effort requirement because it would let States significantly cut, or even eliminate, benefits to nearly 2.8 million poor elderly, disabled, and blind persons. Congress instituted the maintenance-of-effort requirement in the early 1970s to prevent States from effectively transferring Federal benefit increases from SSI recipients to State treasuries. The proposal also could put at risk low-income elderly and disabled individuals who could lose SSI entirely and possibly then lose Medicaid coverage as well. The Administration opposed this proposal during last year's welfare reform debate.

Student Loans

The Administration opposes the provision regarding administrative cost allowances (ACAs) to guaranty agencies in the Federal Family Education Loan Program (FFELP). The provision would mandate ACAs to be paid at a rate of 0.85 percent of new loan volume from mandatory funding authorized under Section 458 of the Higher Education Act of 1965 (HEA), up to a cap of $170 million in FY 1998 and 1999 and $150 million in FY 2000-2002. It would represent a new entitlement to these agencies not included in the Budget Agreement. Moreover, any allowance to these agencies should bear some relationship to the costs these agencies incur and not be based on an arbitrary formula. This is an issue for the upcoming HEA reauthorization.

MEWAs

The reported bill includes language from H.R. 1515, the "Expansion of Portability and Health Insurance Coverage Act of 1997," in the budget reconciliation legislation. We believe that the bill as currently drafted has inadequate consumer protections and has the potential to result in premium increases for small businesses and employees who may bear the burden of adverse selection. H.R. 1515 would transfer the regulation of a large health insurance market away from the States through the preemption of State laws under the Employee Retirement Income Security Act ("ERISA").

Although there currently is strong bipartisan interest in strengthening consumer protections in health plans governed solely by ERISA, the current protections in ERISA are weak and inadequate. Any legislation like the current bill that expands ERISA's scope must be accompanied by an expansion of consumer protections. The Administration opposed these MEWA provisions when they were considered last year, and we believe it would be unfortunate and unwise to introduce this level of controversy into the budget reconciliation process. This far-reaching proposal should receive much greater analysis and discussion before consideration for enactment.

Privatization

The reported bill would allow the eligibility and enrollment determination functions of Federal and State health and human services benefits programs, including Medicaid and Food Stamps, to be privatized. While certain program functions, such as computer systems, can currently be contracted out to private entities, the certification of eligibility for benefits and related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. The Administration believes that changes to current law would not be in the best interest of program beneficiaries and strongly opposes this provision.

Debt Limit Extension

The Administration strongly urges the House to include the debt limit extension contained in the Bipartisan Budget Agreement in the first reconciliation bill, the spending bill.

Vocational Education in TANF and Transfers to Title XX

The Administration opposes provisions in the reported bill that alter the TANF work requirements regarding vocational education and educational services for teen parents. In particular, the Administration opposes the provision allowing States to divert TANF funds away from welfare-to-work efforts to other Title XX social service activities.

Other Provisions That May Be Added at the Rules Committee

We are also concerned by reports that the Rules Committee may consider provisions that add further restrictions to immigrants' access to public benefits. Many of the potential provisions were considered during last year's immigration reform debate and were removed from the final legislation after negotiations between Congress and the Administration because they were unacceptable to the Administration. The Administration strongly opposes these punitive provisions, which would introduce known controversies into the budget reconciliation process.

The Bipartisan Budget Agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. It is critical that we do so on a bipartisan basis.

I look forward to working with you to implement this historic agreement.

Sincerely,

Franklin D. Raines
Director

Identical letter sent to The Honorable Joseph Moakley, The Honorable John R. Kasich, and The Honorable John Spratt

Bruce -
From this morning's
budget meeting. Elena

Treasury materials
on W&M Chr. Mark
6/10/97

LIST OF OBJECTIONABLE ITEMS IN CHAIRMAN'S MARK

- The proposal provides indexing for certain capital assets beginning in 2001. The proposals to index certain capital assets and lower the rate of tax on capital gains provide a double benefit to taxpayers, substantially overcompensating them for the effects of inflation. The package would disproportionately benefit the wealthy over lower- and middle-income wage earners. The provision would also have an explosive revenue cost in years after 2007, possibly jeopardizing all our important work on deficit reduction. In addition, the proposal is so enormously complex and difficult to administer that, to quote the New York State Bar Association, indexing is "fundamentally flawed" and would create problems that would "overwhelm taxpayers and the IRS."

- Allowing the $500 child credit only after application of the earned income tax credit (EITC) is unfair to poor families. This proposal would stack the $500 child credit after the EITC (the reverse of the stacking order in the President's proposal). If this approach were adopted, families would not be entitled to the $500 child credit unless they had income tax liability after claiming the EITC, adversely affecting millions of low income families. For example, a family with two children and a $25,000 income would get nearly $1,000 less tax relief under the Chairman's proposal than under the Administration's.

- The education package is insufficient and unfair to for lower-income students. The proposal falls nearly $4 billion short of the agreed goal of $35 billion in tax cuts for education. Furthermore, as compared to the President's proposals, it directs more benefits toward middle- and upper-income families while reducing the benefits to lower-income families who rely on loans and grants to finance their education.

  - The HOPE credit would be cut to 50% of tuition expenses, halving the value of education benefits for millions of students attending community colleges and other low-cost institutions.

  - The tuition deduction would be available only if education expenses are paid from certain education savings plans. Because there would be no general tuition deduction and no student loan interest deduction, the proposal offers low-income students and students who must borrow to pay tuition no help beyond the first two years of higher education.

  - Tax-free savings offered through new education investment accounts and the opportunities for tax-deferred saving through private prepaid tuition plans are overly generous to upper income families, since they have neither income limits nor contribution limits. This would give high-income taxpayers the incentive to use these vehicles to save tax-free, even if they never intended to use the savings for education expenses.

  - The proposal would extend the exclusion for employer-provided education assistance only to the end of 1997, not to the end of 2000 as the President proposed, and would not reinstate the exclusion for graduate study.

- The American Dream Savings Account proposal is not sufficiently targeted. Assuming that the proposal (like prior Republican proposals) allows contributions to back-loaded IRAs without any income limits, we are concerned that it could result in wealthy people shifting existing savings into tax-preferred investment vehicles, rather than creating new savings. In addition, the limited description of the proposal does not state whether it would expand eligibility for deductible, front-loaded IRAs, which we believe many middle-income taxpayers would prefer over back-loaded IRAs.

- The proposed safe-harbor for independent contractor status may undermine essential worker protections. Assuming the proposal is similar to the independent contractor safe-harbor proposal in S. 460 (the Bond bill) or last year's Christensen bill, we are concerned that it could lead to widespread shifting of employees to independent contractor status, resulting in loss of worker protections, particularly if the standard would apply for all tax purposes (thereby directly affecting pension and health coverage) or for wage and hour protections..

- The alternative minimum tax (AMT) provisions are not correctly targeted. We strongly support individual AMT relief. Individual AMT relief is not for the wealthy; it is largely a middle-class relief provision. The bill, however, includes only a small, back-loaded relief provision for individuals. By contrast, the bill contains a provision for corporate AMT relief that loses twice as much revenue over ten years as does the proposal for individual AMT relief (the corporate provision costs $34 billion over 10 years; the individual provision costs $15 billion over 10 years). We believe that the corporate AMT relief is both too expensive and unnecessary in the current economic environment.

- The proposal would Impose Federal tax on all commercial activities (including gaming) of Indian tribes or related entities. Under this proposal, Indian tribes would be subject to the unrelated business income tax on all income earned from commercial activities, including gaming activities. Contrary to long-established United States policy, this tax fails to respect the sovereignty of Indian tribes and their special status as domestic dependent nations. This lack of respect for sovereignty is particularly apparent in the difference the proposal would create between tribes and States. The Code long has treated them much the same way because of their similarities as governments. However, under this proposal, States would continue to receive revenue from lotteries, liquor stores and recreational licenses tax free while tribes would be forced to pay tax on the same kinds of revenue. In addition, the proposal would be extremely difficult to administer.

- Provisions proposed by Administration not included in Chairman's mark:
  - No provision to allow a special deduction for certain environmental expenses (Brownfields) is provided.
  - No provision allowing equitable tolling is included.
  - No provision to allow mark-to-market for section 8 housing is included.
  - No expansion of empowerment zones or enterprise communities is provided.

- Additional concerns. The revenue table for the Chairman's Mark Relating to Revenue Reconciliation Provisions is 13 pages long and contains only a summary of the proposals included. Based on these summaries, we expect that we will have policy, revenue, and administrative concerns about a number of other proposals. We are likely to identify additional problems when the full description of the proposals are released.

DRAFT

SUMMARY OF
CHAIRMAN ARCHER'S MARK
RELATING TO REVENUE RECONCILIATION PROVISIONS

The mark contains a net tax cut of $84.6 billion through 2002, and $249.7 billion through 2007 (all revenue estimates are JCT scoring). The gross tax cuts are about $132 billion through 2002 and about $359 billion through 2007.

CHILD CREDIT AND DEPENDENT CARE CREDIT -- $71.3 billion through 2002; $148.3 billion through 2007

- $500 nonrefundable credit ($400 in 1998) for children under age 17, phased out beginning at AGI of $75,000 ($110,000 for joint returns)

- Index dependent care tax credit expense limit for inflation

EDUCATION TAX INCENTIVES --$31.0 billion through 2002; $75.5 billion through 2007

- HOPE scholarship credit with modifications, including

  -- Drop B average requirement

  -- Credit is 50% of up to $3000 out-of-pocket tuition expenses

- Tuition tax deduction: in lieu of President's across-the-board $10,000 tuition tax deduction, includes a $10,000 deduction for expenses paid through State-sponsored prepaid tuition programs

- Penalty-free withdrawals from all IRAs for undergraduate, post-secondary vocational, and graduate expenses

- Education savings account proposal

  -- Permit unlimited contributions to education investment account for child under 18

  -- Create private prepaid tuition plans

  -- Allow $10,000 annual ($40,000 per-student aggregate) deduction for post-secondary expenses paid through either education investment account or private prepaid tuition plan

- Other education incentives, including extension of section 127 exclusion for employer-provided education assistance <u>only</u> through 1997 and <u>only</u> for undergraduates

IRAs -- $519 million through 2002; $13.0 billion through 2007

- Create American Dream (back-loaded) IRAs

- Other changes, including penalty-free rollovers and special-purpose withdrawals for first-time home purchase

CAPITAL GAINS -- $2.7 billion through 2002; $35.0 billion through 2007

- 20/10 percent rate structure
- Indexing for inflation beginning 2001
- Exclude $500,000 gain on home sales ($250,000 singles)
- Corporate capital gains relief (phased-in rate reduction from current 35% to 30% in 2000)
- Other changes, including depreciation recapture for real estate at 26 percent

ALTERNATIVE MINIMUM TAX (AMT) RELIEF -- $19.2 billion through 2002; $50.0 through 2007

- Individual AMT relief -- increase current $45,000 exemption by $1000 every other year through 2007, index thereafter
- Corporate AMT relief -- initially exempt small corporations, then gradually repeal AMT for all corporations by 2006. This item alone costs $17.3 billion through 2002; $33.8 billion through 2007.

ESTATE TAX RELIEF -- $3.6 billion through 2002; $20.5 billion through 2007

- Increase unified credit (currently $600,000) by $20,000 per year until it eventually reaches $1 million (in 17 years)
- Liquidity relief for small businesses (somewhat similar to Administration Budget proposals)
- Miscellaneous items, including some simplification measures included in Administration package

EXPIRING PROVISIONS -- $4.0 billion through 2002; $4.2 billion through 2007

- 18-month extensions of research tax credit and contributions of appreciated stock to private foundations
- One-year extension of work opportunity tax credit
- Permanent extension of orphan drug credit

DISTRICT OF COLUMBIA TAX INCENTIVES -- $321 million through 2002; $571 million through 2007

- Create new Enterprise Zones in District. In addition to current-law EZ benefits:

  -- 0% capital gains rate on D.C. Enterprise Zone business property held at least 5 years

  -- Reduce 15% income tax bracket to 10% for zone residents

- $75 million in tax credits for providing equity and loans to certain D.C. businesses

WELFARE-TO-WORK CREDIT -- $199 million through 2002; $216 million through 2007

- Similar to Administration proposal, except wage credit is 35% (instead of 50%) on first $10,000 of wages in first years of employment, increasing to 50% in second year

MISCELLANEOUS PROVISIONS -- $3.6 billion through 2002; $7.2 through 2007
Most notable in this long list of items are:

- Independent contractor safe harbor

- Home office deduction liberalization

REVENUE RAISERS -- raise $47.1 billion through 2002; $109.2 billion through 2007. Many of these items are derived from Administration Budget proposals. Most notable:

- Extend and modify Airport Trust Fund ticket tax

  -- Reduces rate generally while partially converting to user fee by imposing new taxes on flight segments, and increasing various other components of the taxes

- Ethanol subsidies -- phase down and phase out entirely by 2001

- Indian tribes -- impose income tax on all commercial activities (not just gaming)

- Repeal exemption for TIAA/CREF (retirement fund for teachers)

SIMPLIFICATION -- $1.7 billion through 2002; $4.7 billion through 2007
Includes many items from Administration simplification package as well as a number of Member items. Notable additions:

- Permit payment of taxes by credit card

- Increase dollar limit on section 911 exclusion and index for inflation

Preliminary Assessment of Major Provisions of Competing Tax Packages, June 9, 1997 (Scoring through 2002)			
Item	Administration Package	Chairman Archer's Package	W&Ms Democrats (Preliminary)
Education	$1,500 (phased in, initially at $1,200) HOPE scholarship and $10,000 (phased in) tuition deduction ($34.4b)	Modified HOPE scholarship (50% of expenses up to $3,000) ($22.3b); deduction for undergraduate expenses paid through state-sponsored prepaid tuition program of up to $10,000/yr., $40,000 max. per student ($0.9b)	$1,500 ($1,100 in 1998-9, $1,200 in 2,000, indexed after 2001) HOPE scholarship, 20% tuition credit up to $7,500 ($4,000 in 1997-2000) ($32.3b)
School construction	Allocable K-12 school finance credits ($3.0)	None	New public-private school academy construction bonds ($5.0b)
Section 127	Permanent extension of Section 127 ($3.7)	Six month extension of Section 127 ($0.2)	Permanent extension of Section 127 ($3.7)
Student loans	Student loan interest deductibility ($1.8)	None	None
IRA withdrawals	No change in IRA rules	Penalty-free IRA withdrawals for undergraduate, post-secondary vocational, and graduate education expenses ($0.8)	No change in IRA rules
Education saving incentives	Included as part of the Kidsave proposal	Bob Dole education investment accounts for children under 18, private prepaid tuition plans; deduction for undergraduate and post-secondary vocational expenses of up to $10,000/yr., $40,000 max. per student ($7.0)	None

Middle-Class Tax Relief	Refundable Kidsave Credit under 13 ($77.8), stacked before the EITC	$500 ($400 in 1998) child credit, non-refundable, under 17 ($71.3), stacked after the EITC, 50% offset with child care credit	$500 ($250 in 1998, $300 in 1999-2000) child credit, partially refundable, under 18 ($68.7), Stacked before the EITC
	None	Index dependent care tax credit expense limit, $75,000-$100,000 AGI phaseout ($0.1)	None
Alternative Minimum Tax	Minor reform of individual AMT, phased in starting 2003	Increase individual AMT exemption amount by $1,000 every other year from 1999 through 2007, index thereafter ($1.2)	None
Corporate AMT	Part of Administration Simplification Proposal	Exemption from AMT for small corporations ($0.6)	None
	None	Phaseout of AMT for business activities: depreciation for assets placed in service after 1997, most other adjustments after 2000, repeal after 2005 ($17.3)	None
Capital Gains Provisions	No broad-based proposal	Separate 20/10.5 rate schedule, depreciation recapture, indexing starting in 2001 (raises $2.7)	18% rate on non-publicly traded assets with $600k lifetime cap ($16.1)
Home Provisions	President's Home Sales Provision ($1.4)	President's Home Sales Provision (included above)	President's Home Sales Provision ($1.4)
	None	None	Allow deductibility of losses on sales of principal residences ($1.7)

Small Business Provisions	Bumpers-Matsui targeted small business relief ($0.4)	None	None
IRAs	none	American Dream IRA's, penalty free rollovers from IRA (which raises money), special purpose withdraws for first time home purchase ($0.0)	None
Home Office	Increase availability of home office deduction ($0.6)	Unspecified home office provision ($1.1)	None
Estate Tax	Daschle estate tax relief ($2.3)	Increase unified credit to $1.0 million by 2015 ($3.1)	Modified Daschle proposal with smaller exemption increase ($1.3)
Urban Initiatives	Distressed areas and welfare-to-work ($2.9)	Modified welfare-to-work provision ($0.2)	Distressed areas and welfare-to-work ($2.9)
Other Presidential Initiatives	Equitable tolling, Puerto Rico, FSC software, and DC ($1.3)	D.C. package ($0.3)	Equitable tolling, Puerto Rico, FSC software, and DC ($1.3)
One-year extensions	R&E, contributions of appreciated stock to private foundations, WOTC and orphan drug credit ($2.2)	R&E, contributions of appreciated stock to private foundations, WOTC and permanent orphan drug credit ($3.3). Scoring difference reflects JCT/Treasury differences	R&E, contributions of appreciated stock to private foundations, WOTC and orphan drug credit ($2.2)
Independent contractors	None	Liberalized independent contractor rules ($1.0)	None

Budget materials

President Delivers First Balanced Budget Agreement in a Generation

Historic Agreement Promotes the Country's Values and Priorities

May 16, 1997

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AREA	**5 Year Savings 1998-2002 ($ billion)**	**10 Year Savings 1998-2007 ($ billion)**
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Defense	-77	-247
Nondefense	-61	-273
Subtotal	-138	-520
Mandatory Spending		
Medicare	-115	-434
Medicaid	-14	-66
Other	-40	-60
Subtotal	-168	-560
Net Interest	-14	-142
Gross Savings	-320	-1,221
Initiatives		
Children's Health	16	39

Welfare Reform	14	23
Tax Cut	85	250
Net Savings	-204	-906

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File: budget materials

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Budget materials

Welfare Provisions of Budget Agreement: A Significant Advance for Work, Fairness

A Major Victory on Welfare to Work

The recently announced budget agreement is a major victory for those who believe that the Federal government should do more to assure that those on welfare have the opportunity to make the transition to work.

- The budget agreement includes two critical welfare to work initiatives. The first is a $3 billion Welfare to Work fund for cities and states to create jobs and provide incentives for employment. This proposal will help move one million adults from welfare to work. The second is a tax credit to encourage companies to hire and retain long-term welfare recipients. The budget agreement provides all of the funds the Administration was seeking in this area.

- Combined with the extra block grant funds that are becoming available to states as caseloads drop, this will afford us an unprecedented opportunity to move people from welfare to work.

A Major Victory on Benefits for Legal Immigrants

The budget agreement is a significant victory for those who opposed the welfare law's harsh provisions on legal immigrants -- provisions that punish children and legal immigrants with severe disabilities, and burden State and local governments. These provisions had nothing to do with the real goal of welfare reform, which is to move people from welfare to work.

- The budget agreement restores SSI and Medicaid eligibility for disabled legal immigrants who entered the U.S. prior to August 1996.

- After months when the Congressional leadership argued that any change constituted "reopening" the welfare law and refused to consider it, this is a great turnaround. Although many wish that the budget agreement went further, this $9.7 billion restoration is a very significant change in the welfare law, especially given that it comes as part of an agreement to balance the budget.

A Major Victory on Food Stamp Work Requirement

Liming food stamps to three months in three years for non-disabled unemployed childless adults was inherently unfair because it did not provide any additional opportunities for work.

- The budget agreement provides $750 million to create additional work slots for this group. It also lets states exempt 15% of individuals who would lose benefits because of the time limits.

- This last-minute victory in the budget negotiations will help ensure that those willing to work keep their food stamps.

Budget materials

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Budget materials

Budget Rollout Meeting
May 8, 1997

Agenda

1. Background on the Balanced Budget Agreement

2. Rollout Strategy for the Next Week

3. Reports on Upcoming Activities (e.g., briefings; press; outreach; validation)

   Intergovernmental/Political
   Public Liaison
   Legislative Affairs
   Press Office/Communications
   Cabinet Affairs
   OVP
   Budget/Economic Team (OMB; NEC; Chief of Staff; Treasury; CEA)
   Education Team (NEC; DPC; DoEd)
   Health Care Team (DPC; OMB; HHS)
   Welfare Team (DPC; OMB; HHS)

Budget materials

Cynthia A. Rice 05/07/97 11:38:13 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP
bcc:
Subject: Re: budget documents

Bruce -- you asked me to make some rhetorical improvements to the budget descriptions.

I would propose the following changes:

Section Header now reads:

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. He fought to ensure that any agreement protects the most vulnerable in our society.

I would change to (changes underlined):

Several provisions in last year's welfare reform bill had nothing to do with the goal of welfare reform -- moving people from welfare to work. The President promised to correct these provisions and fought to ensure that this agreement promotes work and protects the most vulnerable in our society.

Welfare to work now reads:

Additional resources for areas of particular need. Adds $2.0 billion to the Temporary Assistance for Needy Families (TANF) block grant, to be targeted to high-poverty, high-unemployment areas. A share of the additional dollars will go directly to cities with large poverty populations. These resources will give States and cities the help they need to place welfare recipients living in the most disadvantaged areas into lasting jobs.

These funds could be used for wage subsidies to private employers, transportation and other post-employment supportive services essential for job retention, and other effective job creation and placement strategies.

I would change to(changes underlined):

Additional resources to promote work. Adds $2.0 billion to the Temporary Assistance for Needy Families (TANF) block grant, to be targeted for work efforts in high-poverty, high-unemployment areas. A share of the additional dollars will go to cities with large poverty populations. These resources will give States and cities the help they need to place welfare recipients living in the most disadvantaged areas into lasting jobs.

These funds could be used for wage subsidies to private employers, transportation and other post-employment supportive services essential for job retention, and other effective job creation and placement strategies.

Bruce N. Reed

Bruce N. Reed
05/06/97 01:43:55 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:
Subject: budget documents

You should use this as your chance to make some rhetorical improvements
---------------------- Forwarded by Bruce N. Reed/OPD/EOP on 05/06/97 01:49 PM ---------------------------

Russell W. Horwitz
05/06/97 01:42:35 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: budget documents

OMB is running the numbers again on these documents, so please hold off from diseminating them beyond the building.

Message Sent To:

Budget materials

Fact Sheet on the Budget Agreement
May 2, 1997

- Budget balances by 2002 -- for the first time since 1969

New Initiatives

- Agreement provides $34 billion over 5 years for new initiatives, including:

  -- $14 billion for restoring medical and disability benefits to legal immigrants and other improvements to the welfare bill, including funding for communities to help welfare recipients move to work

  -- Provides $16 to $17 billion to provide health coverage for up to 5 million children by 2002

Discretionary Spending

- Non-defense discretionary outlays are within 1 percent of the President's FY 1998 Budget request over 5 years -- protecting education, the environment, international and other priorities

- Defense spending meets President's FY 1998 Budget request (on budget authority)

Medicare & Medicaid

- Medicare savings of $115 billion over 5 years, extending the life of the Trust Fund until at least 2007

  -- Modernizes Medicare by providing new health plan choices such as PPOs and PSOs and new preventive care benefits, including annual mammograms without co-payments, diabetes self-management, and colorectal screenings

  -- Reforms outdated payment methodology for home health, skilled nursing facilities, outpatient departments, and HMOs

  -- Phases in, over time, cost of home health care into Part B premium with expanded low income protections

- Medicaid: Imposes new cost constraints (e.g., on disproportionate share hospital payments), while maintaining the Federal guarantee. The agreement responds to States' concerns by dropping the per capita cap proposal, and allowing States more flexibility to manage their Medicaid programs.

Education

- Largest increase in education spending in 30 years
- $35 billion for education tax cuts, including the Hope Scholarship and the $10,000 tax deduction
- Increases maximum Pell grant award to $3,000
- Fully funds the President's America Reads initiative

Environment

- Full funding for the President's priority areas, including Superfund and brownfields
- Full funding for national parks and Federal land management

Tax Cuts

- $85 billion in net tax cuts, including $135 billion in gross tax cuts and $50 billion of revenue raisers and extenders ($30 billion of which is the extension of the airline ticket tax)
- A majority of the $135 billion in tax cuts are dedicated to the President's priorities for middle-income tax relief, including education tax cuts and the $500 per child tax credit

COLAs

- No legislated change in COLAs. Congress will incorporate into its economic assumptions the expected effect of ongoing improvements at the Bureau of Labor Statistics.

Welfare Reform

- A welfare-to-work tax credit to help long-term welfare recipients get jobs
- New flexibility for states and localities to provide benefits for poor families

Changes to Benefits to Immigrants Proposals In the FY 1998 Budget

05-May-97

CBO Baseline. OMB estimates of CBO scoring (outlays in billions)

	1998	1999	2000	2001	2002	1998 - 2002
Restore Benefits for Immigrants						
Benefits for Disabled Immigrants.						
SSI Costs	1.7	1.6	1.6	1.1	1.2	7.4
Medicaid Costs	0.4	0.4	0.3	0.3	0.3	1.7
Total	2.1	2.0	1.9	1.4	1.5	9.1

This policy would restore SSI benefits for 310,000 legal immigrants but an additional 100,000 non-disabled elderly would still lose benefits. All legal immigrant adults who are currently receiving SSI who have become disabled would have their eligibility restored. It would also provide access to SSI for all legal immigrants admitted before their sponsors were required to sign legally binding affadavits of support ("new applicants") who become disabled after entry. This policy also ensures that none of these immigrants lose access to Medicaid.

	1998	1999	2000	2001	2002	1998 - 2002
Deem for New Entrants	0.0	0.0	0.0	0.1	0.1	0.2

This policy would retain access to SSI and Medicaid for new entrants who become disabled after entering the U.S. but with restrictions. New entrants who apply for disability benefits and have legally binding affidavits of support from their sponsors would have the income of their sponsors deemed to them. For almost all of these immigrants, deeming of sponsor's income would cause the immigrant to lose SSI and Medicaid benefits. However, unlike current law, immigrants without a sponsor or immigrants whose sponsor has died or become impoverished would retain access to SSI and Medicaid if they become disabled after coming to the U.S. (The Administration's original proposal did not deem for new entrants.)

	1998	1999	2000	2001	2002	1998 - 2002
Benefits for Immigrant Children.	0.1	0.1	0.1	0.1	0.1	0.3

This policy would restore SSI benefits for approximately 6,000 legal immigrant children who are currently receiving SSI. It would also provide access to SSI for legal immigrant children admitted before their sponsors were required to sign legally binding affadavits for support ("new applicants") who are not currently receiving benefits. These children will also retain their Medicaid under this policy. New entrant children who have legally binding affidavits of support from their sponsor would have the income of their sponsors deemed for SSI and Medicaid. (The Administration's original proposal did not deem for new entrant children. Most of the 30,000 new entrant children who were provided access under the original proposal would lose benefits because of the deeming policy.)

	1998	1999	2000	2001	2002	1998 - 2002
Extension for Refugees and Asylees.	0.04	0.04	0.04	0.04	0.04	0.2

The welfare bill exempted refugees and asylees from the benefit restrictions for their first 5 years in the country. The agreement would lengthen the exemption for refugees and asylees from 5 to 7 years to provide a more appropriate time for refugees and asylees to become citizens.

	1998	1999	2000	2001	2002	1998 - 2002
Subtotal, Benefits for Immigrants	**2.3**	**2.2**	**2.1**	**1.6**	**1.8**	**9.9**

Budget Materials

Changes to Food Stamps Proposals
In the FY 98 Budget

05-May-97

CBO Estimates (outlays in billions)

	1998	1999	2000	2001	2002	1998 - 2002
Food Stamps						
18-50's Work Requirement.	0.3	0.4	0.4	0.4	0.5	2.0

The Administration's proposal retains the "3 in 36" time limit in the welfare statute but redirects $470 million in existing Food Stamp Employment and Training Program funds and adds $750 million in new funding to create an additional 155,000 work slots monthly in FY 1998 for individuals who are subject to the time limits. In total, this proposal would enable States to provide work slots to approximately 45% of those losing benefits in FY 1998 due to the time limits. By FY 2002, in excess of 55% of the affected individuals would retain benefits. The proposal includes the cost of providing on-going benefits to individuals fulfilling the work requirements.

	1998	1999	2000	2001	2002	1998 - 2002
18-50's Work Requirement--15% waiver	0.1	0.1	0.1	0.1	0.1	0.5

The proposal permits States to exempt up to 15% of the individuals who would lose benefits because of the time limit. In total, it would enable States to exempt nearly 70,000 individuals who want to work but are unable to find a job within the three month time limit.

	1998	1999	2000	2001	2002	1998 - 2002
Subtotal, Food Stamps	**0.4**	**0.5**	**0.5**	**0.5**	**0.6**	**2.5**

Welfare to Work Proposals In the FY 98 Budget

CBO/JCT Estimates (outlays in billions)

05-May-97

Welfare to Work	1998	1999	2000	2001	2002	5 Year
Welfare to Work Jobs Challenge.	0.4	0.6	0.8	0.2	0.0	2.0

Instead of a new program, this incorporates funds in TANF. Formula grants would be allocated to States, with funds used in areas with poverty and unemployment rates at least 20% higher than the State average. A share of funds go to cities with large poverty populations commensurate with the share of long-term welfare recipients in those cities. Activities include job retention services; job retention or creation vouchers; and private sector wage subsidies for new jobs lasting 9 months.

Enhance and Expand WOTC*	0.1	0.1	0.2	0.1	0.1	0.6

The budget proposes tax incentives to create new job opportunities for long-term welfare recipients. It would create a much-enhanced credit targeted at those who need help most -- long-term welfare recipients. The new credit would give employers a 50% credit on the first $10,000 a year of wages for up to 2 years. The budget also expands the existing WOTC to able-bodied childless adults ages 18-50 who face work and time limit requirements.*

Subtotal, Welfare to Work*	**0.5**	**0.7**	**1.0**	**0.3**	**0.1**	**2.6**

*WOTC costs are included in the revenue side. Five-year WOTC total could increase by $0.1-$0.2 billion based on proposal to modify the Food Stamp 18-50 provisions.

BENEFITS FOR IMMIGRANTS PROPOSALS IN THE BALANCED BUDGET AGREEMENT

- President Clinton strongly objected to the harsh reductions in benefits to immigrants when he signed the welfare reform bill. The budget agreement restores a substantial portion of the benefits cuts enacted in welfare reform.

- The benefit restorations described below would cost $10 billion between 1998 and 2002.

The Budget Agreement Includes the Following Provisions:

- **Restore benefits for disabled immigrants.** The budget agreement includes the proposals in the President's budget that would restore benefits for 310,000 legal immigrants. All legal immigrant adults who are currently receiving SSI who have become disabled would have their eligibility restored. It would also provide access to SSI for all legal immigrants admitted before immigration policy required sponsors to sign legally binding affidavits of support. This policy will also ensure that these immigrants retain access to Medicaid. However, approximately 100,000 non-disabled elderly would still lose benefits.

- **Benefits for immigrant children would be restored.** SSI benefits for approximately 6,000 legal immigrant children who are currently receiving SSI would be restored. Access to SSI and Medicaid would also be restored for legal immigrant children who arrived before their sponsor was required to sign a legally binding affidavit of support.

- **Extension for Refugees and Asylees.** The welfare bill exempted refugees and asylees from the benefit restrictions for their first 5 years in the country. The agreement would lengthen the exemption for refugees and asylees from 5 to 7 years.

New Entrants are an Outstanding Issue:

Agreement does not exist on how new entrants (those who entered the country after the date of enactment of Welfare Reform, August 22, 1996) should be treated. The Administration supports a policy that exempts new entrants who become disabled after entering the U.S. from the benefit bans. The Administration's policy would deem the income of sponsors who have signed new legally binding affidavits of support.[1] In almost all cases, the deeming of sponsor's income results in immigrants losing eligibility for benefits.

Republicans propose to continue the bans for all new entrants. The Republican proposal would eliminate access to SSI and Medicaid for immigrants who entered after August 22, 1996, even

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[1]Regulations to be issued this month (May, 1997) will implement last year's welfare and immigration reform legislation that require the sponsors of immigrants to sign legally binding affidavits of support.

though immigrants who entered during the last 8 months are not protected by the new legally binding affidavits of support. In addition, the Republican proposal provides no protections for immigrants without sponsors or immigrants who have sponsors who have died or become impoverished. When these immigrants suffer an accident or illness and become disabled, the Republican proposal would provide no guarantee of support.

Welfare Reform
(outlay spending in billions of dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	5-Year Spending	10-Year Spending
Immigrants	--	2.3	2.2	2.1	1.6	1.8	1.8	1.8	1.8	1.7	1.8	9.9	18.9
Food Stamps	--	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	2.5	5.7
Welfare to Work	--	0.4	0.6	0.8	0.2	--	--	--	--	--	--	2.0	2.0
Welfare reform, net	--	3.1	3.3	3.4	2.3	2.4	2.4	2.4	2.4	2.4	2.5	14.4	26.5

Description

Immigrants

- Current recipients and new applicants. Restore SSI and Medicaid benefits for all legal immigrant adults who are currently receiving SSI and Medicaid who became disabled after entering the U.S. Provide access to SSI and Medicaid to all legal immigrants who became disabled after entering the U.S. and who are not currently receiving benefits if the immigrant entered before their sponsor was required to sign a legally binding affidavit of support (May, 1997).

- New entrants. Retain SSI and Medicaid for new entrants who become disabled after entering the U.S., but deem sponsors income for those with legally binding affidavits of support from their sponsors.

- Children. Restore SSI for legal immigrant children currently receiving SSI. Provide access to SSI and Medicaid for legal immigrant children who are not currently receiving benefits and do not have legally binding affidavits of support. New entrant children who have legally binding affidavits of support would have the income of their sponsors deemed for SSI and Medicaid.

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

Budget materials

Food Stamps

- Redirect $470 million in existing Food Stamp Employment and Training program funds and add $750 million in new capped mandatory funding to create an additional 190,000 work slots monthly by 2002 for individuals subject to the time limits. The total cost of $2 billion includes the cost of providing on-going benefits to individuals fulfilling the work requirements.

- Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limit (at a cost of $0.5 billion), enabling States to exempt nearly 70,000 individuals who want to work but are unable to find a job within the three-month time limit.

Welfare to Work

- Add $2.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a State to areas with poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to cities with large poverty populations commensurate with the share of long-term welfare recipients in those cities. Among the eligible activities are job retention services; job retention or creation vouchers; and private sector wage subsidies for new jobs lasting 9 months.

May 7, 1997

Budget materials

Diana Fortuna 05/06/97 01:53:24 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc: Cynthia A. Rice/OPD/EOP

Subject: Weird things in NEC/OMB writeup on budget agreement

NEC and OMB are about to release the attached description of the budget agreement. We have asked them to hold, because the section toward the end on welfare to work/TANF talks about a share of the money going directly to cities -- don't you think we should drop the word "directly"?

It also seems odd to make it sound like we have an agreement on how to treat legal immigrant new entrants when in fact we don't. Ken was just advising us to tell governors and mayors that there is no agreement in this area yet.

THE PRESIDENT FOUGHT TO BETTER PROTECT:

CHILDREN

Keeping the Guarantee of 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 WITH DISABILITIES

Current Recipients. Restores both SSI and Medicaid benefits for immigrants now receiving assistance who became disabled, 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 who are already in the country, are not now receiving benefits and subsequently become disabled will also be fully eligible for SSI and Medicaid benefits.

New Entrants. Partially restores SSI and Medicaid benefits for future arrivals who become disabled after entry--sponsor deeming will be applied with respect to both programs.

Children. Restores SSI (and Medicaid) benefits for disabled legal immigrant children who are now in the country. For children who arrive in the future, sponsor deeming will be applied with respect to both SSI and Medicaid eligibility.

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.

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

Childless adults. Last year's welfare reform bill harshly 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 agreement adds $750 million to the Food Stamp program, and redirects existing program funds, to create 190,000 new work slots for food stamp recipients subject to the "3 in 36" time limit.

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.

These two provisions together will preserve food stamps for approximately half of the able-bodied adults who, even though they are willing to work, would otherwise be ineligible for benefits.

FINISH THE JOB OF WELFARE REFORM

Additional resources for areas of particular need. Adds $2.0 billion to the Temporary Assistance for Needy Families (TANF) block grant, to be targeted to high-poverty, high-unemployment areas. A share of the additional dollars will go directly to cities with large poverty populations. These resources will give States and cities the help they need to place welfare recipients living in the most disadvantaged areas into lasting jobs.

These funds could be used for wage subsidies to private employers, transportation and other post-employment supportive services essential for job retention, and other effective job creation and placement strategies.

Extra incentive for employers. Most welfare recipients want to work. The agreement establishes an enhanced welfare-to-work tax credit, to provide private employers with an incentive to give recipients a chance.

The welfare-to-work tax credit in the budget agreement would allow employers to claim a credit of up to 50 percent of the first $10,000 in wages paid during a year to a worker who had been on welfare for a prolonged period of time. The credit is available for up to two years per worker, giving employers an incentive to not just hire, but make efforts to retain long-term welfare recipients.

In addition, expands the existing work opportunity tax credit (WOTC) to include, as one of the eligible populations, individuals subject to the "3 in 36" food stamp limit.