# COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET



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| Memo to: | Board and Members |
| From: | Carol Cox Wait and Susan Tanaka |
| Date: | February 1, 1999 |
| Subject: | The President's FY 2000 Budget: Warning! Surpluses May be Dangerous to Fiscal Health |

The President's Budget turns savings into spending, and new tax receipts into negative outlays—all the while claiming to turn spending into savings—and all in the name of saving Social Security.

That's why experts call it the "millennium budget"—one budget like this is more than enough to last us a thousand years.

The budget is in balance, but risks sending us back into the red. To fund all of the President's priorities (nearly $400 billion over the next five years), and keep the budget in the black, the Administration relies on all of the following:

- $258 billion in budget surpluses over the next five years—including $145 billion of Social Security Surpluses;
- $34.4 billion increased revenue from a 55¢ tobacco tax increase, plus acceleration of the BATF excise tax;
- $16 billion over the next five years in "recoupment" from State tobacco settlements (reductions in State-administered federal public health, children's, youth smoking reduction and other programs);
- $44 billion in other revenue increases and corporate loophole closers;
- $48 billion in mandatory savings and $5 billion in paygo balances.

The budget may be in the black, but this reminds us that black is the color of mourning. We mourn the passing of simple budget concepts and fiscal transparency so important to government accountability.

Remember what happened at the end of the last Congress. Many of the offsets assumed in the President's Budget failed to materialize. Nonetheless, the Administration continued to push for funding for the President's priorities. Republican Congressional leaders responded by pushing their own spending priorities, and we wound up with a so-called "emergency" spending bill larger than the budgets of all but ten States in the country.

Congressional Republican's want a large tax cut. We expect Congress will reject many of the President's proposed offsets. We fear the most likely compromise is a big tax cut for Republicans—and lots of new spending for the President—with most of the financing coming from Social Security surpluses. That would reduce the amounts of publicly held debt Treasury can retire, increase interest costs, and place a greater burden on future taxpayers. And this rush to instant gratification could make Social Security and Medicare reform even more difficult than they always promised to be.

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Table 1: President's Initiatives and Source of Financing

| | FY 2000-2004 ($ billions) |
|---|---|
| Initiatives | |
| Discretionary spending increases | 213 |
| Mandatory spending increases | 22 |
| Universal Savings Accounts | 96 |
| Other tax cuts | 33 |
| Additional interest expense | 24 |
| Total | 388 |
| Financing | |
| Discretionary spending savings | 0 |
| Mandatory spending savings | 48 |
| Tobacco taxes | 34 |
| Other revenues and receipts | 44 |
| On-budget surpluses | 114 |
| Social Security surpluses | 145 |
| Paygo balances | 5 |
| Total | 390 |

**Economic and Budget Projections**

OMB and CBO project large and growing surpluses well into the next century. As recently as May 1996, CBO projected deficits rising nearly to $400 billion within 10 years. (See attachment 1 for a comparison of economic assumptions underlying budget projections.) Today, the country faces the prospect of surpluses of a similar magnitude. For politicians, projected budget surpluses may be more fun, but no less difficult to address than the escalating budget deficits of only a few years ago.

Table 2. Baseline Budget Deficits (-) /Surpluses (+)
($ Billions)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CBO** | | | | | | | | | | | |
| Off-budget | 127 | 138 | 145 | 153 | 161 | 171 | 183 | 193 | 204 | 212 | 217 |
| On-budget | -19 | -7 | 6 | 55 | 48 | 63 | 72 | 113 | 130 | 143 | 164 |
| Unified Total | 107 | 131 | 151 | 209 | 209 | 234 | 256 | 306 | 333 | 355 | 381 |
| **OMB** | | | | | | | | | | | |
| Off-budget | 121 | 129 | 134 | 142 | 151 | 158 | 173 | 180 | 190 | 198 | 205 |
| On-budget | -41 | -12 | 0 | 45 | 31 | 50 | 58 | 103 | 130 | 156 | 188 |
| Unified Total | 80 | 117 | 134 | 187 | 182 | 208 | 231 | 283 | 320 | 354 | 393 |

Conventional wisdom says that projected surpluses are fantasy. Too bad. Running surpluses would allow government to reduce outstanding public debt, lower interest costs dramatically, and strengthen the country's ability to address looming costs of the baby boom's retirement.

Baselines assume steady economic conditions (no recessions or adverse economic difficulties), no major unforeseen events such as wars or catastrophic disasters, and no changes to current policies. Forget nature or the uncertainties of the global economy. Pundits and experts scoff at the notion that politicians will let surpluses accumulate untouched. Fiscal prudence and long-term planning don't win elections.

## The President's FY 2000 Budget[1]

The President's Budget plays hide and seek with Congressional Republicans. The budget uses surpluses to fund Administration priorities. It creates the illusion that there are no surpluses available to pay for broad-based tax cuts, which are the top priority of Congressional Republican leaders. Toward this end, the budget makes the surpluses disappear. (See table 3.)

Table 3. President's FY 2000 Budget Deficits (-) /Surpluses (+)
($ Billions)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 5-Yr. Total: 2000-2004 |
|---|---|---|---|---|---|---|---|
| Off-budget surpluses* | 121 | 130 | 134 | 142 | 151 | 158 | 714 |
| On-budget deficits/surpluses: | -42 | -12 | 0 | 44 | 31 | 50 | 114 |
| Proposed adjustments: | | | | | | | |
| Transfer to Social Security | | -85 | -70 | -92 | -90 | -109 | -445 |
| Transfer to Medicare | | -18 | -20 | -28 | -27 | -30 | -124 |
| USAs | | -14 | -16 | -22 | -21 | -24 | -96 |
| Add'l discretionary spending | | | -26 | -41 | -36 | -34 | -138 |
| Add'l interest costs | | -0 | -2 | -4 | -8 | -10 | -24 |
| Total Adjustments | 0 | -117 | -134 | -187 | -182 | -207 | -827 |
| Adjusted on-budget deficits | -42 | -130 | -134 | -142 | -151 | -158 | -714 |
| Unified Total** | 79 | 0 | 0 | 0 | 0 | 0 | 0 |

* Social Security surpluses, effectively.
**Totals may not add due to rounding.
Source: *President's FY 2000 Budget*

The Administration correctly argues that saving surpluses, i.e., buying down debt held by the public, would help make Social security more affordable. CBO projects that saving the entire surplus would reduce outstanding public debt from 44 percent to 9 percent of GDP between 1998 and 2009. Net interest would decline to $95 billion, compared to $243 billion in 1998.

[1] See Attachment 3 for more detail.

We believe that Congress and the Administration should adopt a “surplus lite” policy: they should limit new spending and/or tax cuts to on-budget (non-Social Security) surpluses. (OMB projects $114 billion and CBO estimates $165 billion in on-budget surpluses over five years.)

Unfortunately, the President’s budget would spend far more than that. OMB estimates that Social Security accounts for 86 percent of total surpluses (CBO says 82%) through 2004. But the budget would credit back to Social Security only 54 percent of total surpluses over the same period. (The President’s widely-publicized 62 percent figure for surpluses allocated to Social Security is based on 15 years, which would give the on-budget surplus time to grow. As we discovered, it is hard enough to estimate budget outcomes one year in advance, let alone 15 years!)

In other words, the budget proposes to save only 62 percent of Social Security surpluses for Social Security ($445 out of $714 billion) over the next five years. But you can be certain that the Administration will blast Republicans in Congress if they propose to use one dime of these surpluses to pay for tax cuts.

The sad fact is that projected budget surpluses will not be large enough to fund either the President’s priorities or Republicans’ desire to cut taxes and save Social Security’s surpluses. Had the President held the new initiatives in his budget to the amount of operating or “on-budget” surpluses, he would have held the high ground. He might have forestalled a feeding frenzy. Instead, the President’s budget may provide cover for Republicans who will argue it is better to get money out of Washington than divert Social Security taxes to pay for other parts of the budget.

*Priority Initiatives*

The budget also includes $23 billion in unspecified “priority initiatives” for 2001-2004. Because the budget freezes non-defense discretionary spending from 2000 through 2004, these amounts are intended to provide flexibility in future budget making but are contingent upon enactment of Social Security reform.

**Creative Accounting**

The budget makes liberal use of reserves, contingent adjustments, allowances, and offsets to disguise proposed spending increases, particularly on the discretionary side of the budget. (See table 4.) These measures allow the Administration simultaneously to appear to live with the levels consistent with enacted discretionary spending caps while adding $213 billion in new outlays.

Are we headed down that same path again? That may be the most likely scenario. Republicans want tax cuts and more defense spending. The President wants more spending for defense and his domestic priorities. The most likely outcome, given large looming surpluses is some of each.

Table 4: Net v. Gross Discretionary Spending
($ Billions)

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| Discretionary (net of offsets and funding from surpluses) | | | | | |
| Defense | 275 | 283 | 293 | 305 | 314 |
| Non Defense | 317 | 303 | 289 | 295 | 301 |
| Offsets | -18 | -13 | -14 | -16 | -15 |
| Total Discretionary | 574 | 573 | 569 | 584 | 600 |
| Discretionary (gross) | | | | | |
| Defense | 275 | 293 | 310 | 318 | 329 |
| Non Defense | 316 | 320 | 313 | 318 | 320 |
| Total Discretionary | 592 | 612 | 623 | 636 | 649 |
| Difference | | | | | |
| Defense | 0 | -10 | -17 | -13 | -15 |
| Non Defense | 0 | -17 | -24 | -23 | -19 |
| Total Discretionary | -18 | -39 | -54 | -52 | -50 |

**The President's Social Security Proposal**

As he did last year, the President calls for Social Security reform. In this budget, he proposes the following general framework:

1. Transfer 62 percent of cumulative 15-year budget surpluses[2] to the Social Security Trust Fund. (See earlier discussion about spending unified budget surpluses.)

2. Invest 21 percent of the amounts transferred in private equities (in the hope that increased earnings will extend the "solvency" of the Social Security Trust Fund).

3. Add new tax credits to provide subsidized individual savings accounts (Universal Savings Accounts—USAs) intended to supplement Social Security benefits in retirement.

4. Unspecified program changes to be developed through bipartisan cooperation.

*The President focuses on how to pay for Social Security.*

The President and other supporters of the current Social Security program seek to focus on financing mechanisms rather than program design and affordability. Thus, they focus primarily on extending the solvency of the Social Security Trust Fund.

[2] 62% when surpluses used for additional interest costs are not counted, but 57% of $4.9 trillion in projected total surpluses.

This approach de-emphasizes the fact that future taxpayers will bear the cost of future Social Security benefit payments, whether or not the trust fund is solvent. Measures to extend trust fund solvency may limit future payroll tax burdens, but they would increase the amount of revenues from other sources (primarily income taxes) that would be needed to finance future benefits.

CBO projects that under current laws Social Security benefits will increase by amounts equal to 2 percent of GDP between now and 2030. In today's terms, that is about $175 billion. CBO also projects that current law Medicare and Medicaid expenditures will triple as a percent of GDP over the same period. Future taxpayers will have to pay those bills unless Congress and the President act to cut promised benefits.

*No free lunch.*

Government could borrow to pay higher benefit costs, but that would strap future taxpayers with increased interest bills on top of the benefits. Moreover, CBO and other economic experts warn us, borrowing on the scale that would be needed indefinitely to cover those costs eventually could do serious damage to the nation's economy. Government could buy stocks—and hope to reap non-tax income for Social Security—but Treasury would have to forego purchases of publicly held debt. Social Security might gain, but the non-Social Security budget (and taxpayers) would be stuck with higher interest costs.[3]

Trust fund solvency misses the point. Fed Chairman Alan Greenspan warned Congress last week that Social Security Reform requires benefit reductions or tax increases. Henry Aaron points out that the Administration could have diverted enough resources into the trust fund to extend its solvency all the way to 2075 and beyond. The Administration explicitly recognizes the need for program reforms. But the President's budget is silent on those issues. It focuses instead on attractive add-ons and apparently painless financing issues.

We very deliberately spared you an explanation of why the President's proposal to devote 60 percent of projected surpluses to Social Security is a gimmick. (If you want to know, call and we will send you the explanation.) Suffice it to say the gimmick has no economic merit. The President's proposals would permit some repurchases of government debt held by the public. The economic benefits of paying down public debt could be very large and very real. But doing nothing at all potentially would result in more debt reduction than the President's budget proposals.

The fact is, the gimmick lets the President take credit for extending trust fund solvency for seventeen years—but it does not create a dime's worth of new resources. It likely will serve to undermine those on Capitol Hill who would try to hold the line and limit new spending or tax increases to the resources represented by on-budget (non-Social Security) surpluses. And it could destroy any political incentive to face up to the real problem.

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[3] The Committee's report*, Social Security Reform: Economic, Budget Concepts, Enforcement, and Scorekeeping Perspectives* (December 1998),

**Proposed Budget Process Reforms**

The budget proposes a number of budget process reforms:

- *Transfer existing paygo balances* to the discretionary side of the budget (to support an increase in defense programs);

- *End scoring of intra-budgetary payments as discretionary* if they result from legislative increases in mandatory spending that have been scored as paygo.

- *Reserve Funds*—enact higher caps for defense and discretionary spending, consistent with the reserves contained in the budget, provided Social Security reform is enacted.

- *Biennial budgeting* (perhaps including a joint resolution to lock in agreements between Congress and the President, on aggregate budget levels, for two years), even if Congress continued to provide better predictability and planning certainty to program administrators and beneficiaries.

- *Biennial appropriations* are not necessary to the success of biennial budgeting—but making two year appropriations would increase predictability of funding and would also permit congressional committees to perform their oversight functions in the off year with less distraction, according to the budget.

- *Expedited rescission authority*—The Supreme Court ruled the Line Item Act unconstitutional. The President continues to have authority to propose specific rescissions and withhold funds for 45 days. If Congress does nothing within the 45-day period, funds must be released. The Budget supports legislation requiring Congress to vote on Presidential rescission proposals as a means to ensure effective use of taxpayer dollars.

***Building a Better Future: An Exercise in Hard Choices*–Project Update**

In January, over 700 people attend our Dallas ***Building a Better Future: Exercise in Hard Choices*** meeting. These meetings are open to the public and allow participants to focus on the type of government (including Social Security, Medicare, and Medicaid) they want and how to pay for it as the population ages and the economy changes. Twenty-nine groups are participating in this major effort.

We have completed seven of a planned ten meetings. (See attachment 4 dates and locations.) *Exercise* participants consistently indicate:

- A strong preference of keeping the federal government at its current size (19% of GDP);

- A preference for some form of individual accounts in a reformed Social Security or retirement income program, with a plurality choosing to raise payroll taxes to help fund individual accounts as supplement to basic Social Security;

- Controlling the growth of Medicare costs either through a voucher (defined-contribution) approach (half of all groups) or through rigorous incremental reforms including raising the eligibility age to age 70 (a third of all groups); and

- Capping the growth of Medicaid costs, maintaining or increasing defense spending, and reducing all other spending by about 10 percent.
- If necessary to keep the budget balanced, in order of preference, participants would raise alcohol and tobacco taxes first and individual income and payroll tax rates last.
- Almost nine out of ten groups supported using the surpluses to reduce the public debt instead of adding new spending or cutting taxes.

**Budget Issue Update Distribution**

We have converted to broadcast fax to distribute of our Budget Issue Updates. Please remember to inform us if your fax number or address changes. (We still mail some materials.)

Attachment 1

# Comparison of Economic Assumptions
# (Calendar Years)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|
| **Nominal GDP** (% change) | | | | | | |
| Blue Chip | 3.9 | 4.2 | 4.7 | 5.0 | 5.1 | 5.0 |
| CBO January | 4.1 | 3.8 | 4.3 | 4.5 | 4.6 | 4.6 |
| OMB 2000 Budget | 4.0 | 4.1 | 4.2 | 4.4 | 4.5 | 4.5 |
| **Real GDP** (Q4/Q4 % change) | | | | | | |
| Blue Chip | 2.1 | 2.4 | 2.4 | 2.6 | 2.6 | 2.6 |
| CBO January | 1.8 | 1.9 | 2.3 | 2.4 | 2.5 | 2.4 |
| OMB 2000 Budget | 2.0 | 2.0 | 2.0 | 2.4 | 2.4 | 2.4 |
| **GDP Price Index** (Q4/Q4 % change) | | | | | | |
| Blue Chip | 1.7 | 2.0 | 2.5 | 2.4 | 2.4 | 2.4 |
| CBO January | 2.1 | 2.0 | 2.2 | 2.1 | 2.1 | 2.1 |
| OMB 2000 Budget | 1.9 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| **CPI- All Urban** (Q4/Q4 % change) | | | | | | |
| Blue Chip | 2.1 | 2.5 | 2.8 | 2.7 | 2.7 | 2.7 |
| CBO January | 2.7 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| OMB 2000 Budget | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| **Civilian Unemployment Rate** (%) | | | | | | |
| Blue Chip | 4.7 | 4.9 | 5.4 | 5.4 | 5.2 | 5.2 |
| CBO January | 4.6 | 5.1 | 5.4 | 5.6 | 5.7 | 5.7 |
| OMB 2000 Budget | 4.8 | 5.0 | 5.3 | 5.3 | 5.3 | 5.3 |
| **91-day Treasury bill Rate** (%) | | | | | | |
| Blue Chip | 4.2 | 4.4 | 5.1 | 5.0 | 5.0 | 5.0 |
| CBO January | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| OMB 2000 Budget | 4.2 | 4.3 | 4.3 | 4.4 | 4.4 | 4.4 |
| **10-year Treasury note rate** (%) | | | | | | |
| Blue Chip | 4.9 | 5.2 | 5.7 | 5.8 | 5.8 | 5.8 |
| CBO January | 5.1 | 5.3 | 5.4 | 5.4 | 5.4 | 5.4 |
| OMB 2000 Budget | 4.9 | 5.0 | 5.2 | 5.3 | 5.4 | 5.4 |

Sources: President's 2000 Budget (February 1999). CBO Economic and Budget Outlook: Fiscal Years 2000-2009 (January 1999)

Attachment 2

## President's FY 2000 Budget

$ billions

| | Actual 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Receipts** | | | | | | | | | | | | |
| Individual Income Taxes | 829 | 869 | 900 | 912 | 943 | 971 | 1018 | 1069 | 1125 | 1182 | 1244 | 1309 |
| Corporate Income Taxes | 189 | 182 | 189 | 197 | 203 | 212 | 221 | 229 | 239 | 251 | 262 | 273 |
| Social Insurance Taxes | 572 | 609 | 637 | 660 | 686 | 712 | 739 | 779 | 807 | 843 | 877 | 913 |
| Excise Taxes | 58 | 68 | 70 | 71 | 72 | 74 | 75 | 77 | 78 | 80 | 82 | 84 |
| Other Receipts | 75 | 78 | 87 | 93 | 102 | 106 | 112 | 112 | 115 | 118 | 123 | 129 |
| Total Receipts | 1722 | 1806 | 1883 | 1933 | 2006 | 2075 | 2165 | 2266 | 2364 | 2474 | 2588 | 2708 |
| **Outlays** | | | | | | | | | | | | |
| Discretionary (net of offsets and funding from surpluses) | | | | | | | | | | | | |
| Defense | 270 | 278 | 275 | 283 | 293 | 305 | 314 | 332 | 346 | 359 | 370 | 384 |
| Non Defense | 285 | 303 | 317 | 303 | 289 | 295 | 301 | 300 | 299 | 302 | 310 | 316 |
| Subtotal, Discretionary | 555 | 581 | 592 | 586 | 582 | 600 | 615 | 632 | 645 | 661 | 680 | 700 |
| Mandatory | | | | | | | | | | | | |
| Social Security | 376 | 389 | 405 | 424 | 444 | 465 | 487 | 511 | 537 | 564 | 594 | 626 |
| Federal Retirement | 75 | 77 | 80 | 83 | 86 | 89 | 92 | 95 | 99 | 102 | 106 | 110 |
| Medicare | 190 | 202 | 214 | 228 | 232 | 250 | 263 | 284 | 288 | 311 | 329 | 349 |
| Medicaid | 101 | 109 | 115 | 122 | 131 | 142 | 153 | 166 | 180 | 195 | 211 | 228 |
| Unemployment | 20 | 23 | 26 | 28 | 29 | 30 | 32 | 33 | 35 | 36 | 38 | 39 |
| Means Tested | 99 | 107 | 112 | 118 | 124 | 129 | 134 | 141 | 142 | 144 | 151 | 156 |
| Deposit Insurance | -4 | -5 | -2 | -2 | -1 | 0 | 1 | 1 | 2 | 3 | 2 | 2 |
| Offsetting Receipts | -47 | -40 | -43 | -46 | -52 | -47 | -48 | -50 | -51 | -53 | -55 | -57 |
| Other | 45 | 57 | 53 | 53 | 52 | 53 | 55 | 59 | 60 | 61 | 66 | 68 |
| Sutotal, Mandatory | 855 | 919 | 959 | 1007 | 1044 | 1110 | 1170 | 1241 | 1290 | 1362 | 1440 | 1520 |
| Net Interest | 243 | 227 | 215 | 206 | 195 | 183 | 173 | 161 | 147 | 131 | 114 | 95 |
| **Total Outlays** | 1653 | 1727 | 1766 | 1799 | 1821 | 1893 | 1958 | 2034 | 2082 | 2154 | 2234 | 2315 |

Attachment 2 (continued)

**OMB February 1999 Capped Baseline**

$ billions

| | Actual 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ~~**Receipts**~~ | | | | | | | | | | | | |
| Individual Income Taxes | 829 | 869 | 902 | 918 | 948 | 976 | 1023 | 1074 | 1130 | 1187 | 1249 | 1314 |
| Corporate Income Taxes | 189 | 182 | 186 | 193 | 199 | 208 | 217 | 225 | 235 | 247 | 258 | 268 |
| Social Insurance Taxes | 572 | 609 | 636 | 660 | 686 | 712 | 739 | 777 | 807 | 843 | 877 | 913 |
| Excise Taxes | 58 | 68 | 65 | 67 | 69 | 71 | 73 | 75 | 76 | 78 | 80 | 82 |
| Other Receipts | 75 | 78 | 82 | 87 | 96 | 100 | 105 | 105 | 108 | 111 | 117 | 122 |
| Total Receipts | 1722 | 1807 | 1872 | 1925 | 1998 | 2066 | 2157 | 2256 | 2357 | 2467 | 2581 | 2699 |
| ~~**Outlays**~~ | | | | | | | | | | | | |
| Discretionary | | | | | | | | | | | | |
| Defense | 269 | 272 | | | | | | | | | | |
| Non Defense | 286 | 308 | | | | | | | | | | |
| Subtotal, Discretionary | 555 | 580 | 574 | 573 | 568 | 584 | 600 | 616 | 631 | 648 | 666 | 685 |
| Mandatory | | | | | | | | | | | | |
| Social Security | 376 | 389 | 405 | 424 | 444 | 465 | 487 | 511 | 537 | 564 | 594 | 626 |
| Federal Retirement | 75 | 77 | 80 | 83 | 86 | 89 | 92 | 95 | 98 | 102 | 106 | 109 |
| Medicare | 190 | 202 | 215 | 229 | 233 | 251 | 265 | 286 | 290 | 313 | 332 | 351 |
| Medicaid | 101 | 109 | 115 | 122 | 131 | 141 | 152 | 165 | 179 | 194 | 209 | 226 |
| Unemployment | 20 | 23 | 26 | 28 | 29 | 31 | 32 | 33 | 35 | 36 | 38 | 39 |
| Means Tested | 99 | 107 | 111 | 115 | 121 | 127 | 132 | 138 | 139 | 141 | 148 | 153 |
| Deposit Insurance | -4 | -5 | -2 | -2 | -1 | 0 | 1 | 1 | 2 | 2 | 2 | 2 |
| Offsetting Receipts | -47 | -40 | -42 | -45 | -51 | -46 | -47 | -49 | -50 | -52 | -54 | -56 |
| Other | 45 | 57 | 58 | 57 | 56 | 59 | 62 | 66 | 67 | 68 | 73 | 75 |
| Sutotal, Mandatory | 855 | 919 | 966 | 1011 | 1048 | 1117 | 1177 | 1248 | 1297 | 1368 | 1447 | 1526 |
| Net Interest | 243 | 227 | 215 | 206 | 195 | 183 | 173 | 161 | 147 | 131 | 114 | 95 |
| **Total Outlays** | 1653 | 1726 | 1755 | 1791 | 1811 | 1884 | 1950 | 2025 | 2074 | 2147 | 2227 | 2306 |

Attachment 3

## President's FY 2000 Budget Proposals

### Proposed New Initiatives

| | $ bil. 2000-2004 |
|---|---|
| New Spending | |
| Discretionary | |
| Contingent spending (funded from surpluses) | |
| Department of Defense | 54.6 |
| Non-DOD | 60.5 |
| Reserve for Other Priorities | 22.6 |
| Offset Spending | |
| (Funded by mandatory/revenue changes) | 75.2 |
| Subtotal, Discretionary Initiatives | 212.9 |
| Mandatory | |
| Child care subsidies | 6.7 |
| Early Learning Fund | 2.7 |
| Extend welfare to work | 1.0 |
| Medicare buy-in | 1.4 |
| Medicaid changes | 0.8 |
| Other health | 3.6 |
| Superfund orphan shares | 1.0 |
| Other mandatory | 4.6 |
| Subtotal, Mandatory Initiatives | 21.8 |
| Debt Service | 24.4 |
| Total, New Spending | 259.1 |
| Tax Initiatives | |
| Universal Savings Accounts | 96.3 |
| Child/dependent care tax credit proposals | 6.3 |
| Energy efficiency/enviornment credits | 3.6 |
| Education | |
| School construction tax credit | 3.7 |
| Employer-provided assistance | 1.2 |
| Low-income housing tax credit | 1.6 |
| Long-term care tax credit | 5.0 |
| Retirement savings | 1.0 |
| Extend expiring provisions | |
| R&E tax credit | 2.1 |
| Allow personal credits against AMT | 1.4 |
| Other | 6.8 |
| Total, Tax Initiatives | 128.9 |
| **Total, New Proposals** | **388.0** |

### Proposed Financing for New Initiatives

| | $ bil. 2000-2004 |
|---|---|
| Spending Offsets | |
| Discretionary | 0.0 |
| Subtotal, Discretionary | 0.0 |
| Mandatory | |
| Health care savings | 10.9 |
| Student loan reform | 2.9 |
| Tobacco recoupment | 16.0 |
| Other mandatory | 17.9 |
| Subtotal, Mandatory Offsets | 47.7 |
| Total, Spending Offsets | 47.7 |
| Revenue/Receipt Increases | |
| Reduce/eliminate corp. tax expenditures | 7.2 |
| Other revenue proposals | 26.2 |
| Tobacco legislation receipts | 34.5 |
| Reinstate Superfund excise taxes | 3.8 |
| Reinstate corp. environmental income tax | 2.7 |
| FAA user fees | 5.3 |
| Other receipt provisions | -1.2 |
| Total, Revenue/Receipt Increases | 78.4 |
| Surplus | 258.4 |
| Transfer PAYGO balances | 5.0 |
| **Total, Financing for New Initiatives** | **389.6** |

Note: Reflects OMB estimates of President's policies relative to the OMB Current Services (capped) baseline.

Attachment 4

# Building a Better Future: An Exercise in Hard Choices

## 1998-99 Meeting Sites

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| | |
|---|---|
| University of Oklahoma<br>Norman, Oklahoma | January 24, 1998 |
| Hyatt Regency<br>Long Beach, California | February 20, 1998 |
| Colorado Convention Center<br>Denver, Colorado | April 6,1998 |
| Shriners Oasis Conference Center<br>Cincinnati, Ohio | May 16, 1998 |
| UNC-Greensboro<br>Greensboro, North Carolina | June 13, 1998 |
| Kennedy School of Government<br>Cambridge, Massachusetts | October 17, 1998 |
| Dallas Market Center<br>Dallas, Texas | January 18, 1999 |
| Seattle, Washington | Spring 1999 |
| New York Metro | Spring 1999 |
| Ft. Lauderdale, Florida | Spring 1999 |