

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7020

Leadership Meeting 6-22

12:15

- Pressler

- Dole

- Cochran

- Wallop

- Chafee

- Hatfield

- D'Amato

- McCain

- Simpson

- Danforth

- Murkowski

- McConnell

- Nickles

- Helms

- Stevens

Mayor Schundler

Jersey City

POLICY LUNCHEON AGENDA
Tuesday, June 22, 1993

1. Supplemental Pending -- Hatfield
 - Limited list of amendments / votes expected
 - Final passage no later than 7:00 p.m.

2. Reconciliation -- Domenici
 - Scheduled to begin Wednesday a.m.
 - 20 hour time limitation
 - Conference to discuss alternatives / amendments Wednesday, 9:30 a.m.

3. Appropriations Bills -- Hatfield
 - House considering military construction, Energy and Water and Treasury Postal this week.
 - House may do up to seven more Appropriation Bills next week.

4. Nixon Funeral
 - Group will be departing very early Saturday morning for Mrs. Nixon's funeral. Notify Howard if interested in attending.

SCHEDULE FOR THE WEEK OF JUNE 21, 1993

TODAY, TUESDAY, JUNE 22

THE SENATE WILL RECONVENE AT 2:15 P.M. AND RESUME CONSIDERATION OF THE ROTH AMENDMENT TO THE SUPPLEMENTAL APPROPRIATIONS BILL. A VOTE WILL OCCUR IN RELATION TO THE ROTH AMENDMENT AT APPROX. 2:45 P.M. TODAY. SEVERAL OTHER AMENDMENTS ARE IN ORDER BY CONSENT, THEREFORE, VOTES WILL OCCUR THROUGHOUT TODAY'S SESSION. ALSO BY A PREVIOUS CONSENT, A VOTE WILL OCCUR ON FINAL PASSAGE OF THE SUPPLEMENTAL APPROPRIATIONS BILL AT 7:00 P.M. TODAY.

WEDNESDAY, JUNE 23

IT IS ANTICIPATED THAT THE SENATE WILL BEGIN CONSIDERATION OF THE RECONCILIATION BILL, WHICH HAS A STATUTORY TIME LIMITATION OF 20 HOURS. THEREFORE, VOTES WILL OCCUR AND A LATE SESSION CAN BE ANTICIPATED IN ORDER TO MAKE PROGRESS ON THE RECONCILIATION BILL.

THURSDAY, JUNE 24 - FRIDAY, JUNE 25

RESUME AND COMPLETE ACTION ON THE RECONCILIATION BILL. VOTES WILL OCCUR. ALSO THE SENATE COULD BE ASKED TO TURN TO EXECUTIVE CALENDAR NOMINATIONS THAT MAY BE CLEARED FOR ACTION. ROLL CALL VOTES COULD OCCUR IN CONNECTION WITH THOSE NOMINATIONS.

NOTE:

THE MAJORITY LEADER HAS ANNOUNCED THAT ON MONDAY, JUNE 28, ROLL CALL VOTES COULD OCCUR, SINCE IT IS THE LAST MONDAY PRIOR TO THE SCHEDULED JULY 4TH RECESS.

POLICY LUNCHEON AGENDA
Tuesday, June 22, 1993

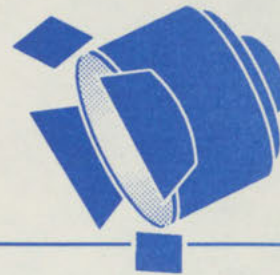
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The Polling Spotlight



From the Office of the GOP Conference Secretary, Trent Lott, Secretary
Dave Hoppe, Staff Director 202-224-3496

released: 6/22/93

- 1) HOW DO YOU FEEL ABOUT CAMPAIGN FINANCE REFORM LEGISLATION, INCLUDING PUBLIC FINANCING? (Fabrizo, McLaughlin & Associates (R) Poll, conducted 5/20-23, surveyed 1,000 adults; margin of error +/- 3.1%)

	<u>ALL</u>	<u>DEMOCRATS</u>	<u>GOP</u>	<u>INDEPENDENTS</u>
<u>FAVOR</u>	32%	35%	25%	36%
<u>OPPOSE</u>	47	40	55	49
<u>DON'T KNOW</u>	21	25	20	16

- 2) HOW DO YOU FEEL ABOUT PRESIDENT CLINTON'S ECONOMIC PROGRAM? (L.A. Times, conducted 6/16, surveyed 1,474 adults margin of error +/- 3%)

	<u>NOW</u>	<u>2/93</u>
<u>APPROVE</u>	43%	60%
<u>DISAPPROVE</u>	41	26

DO YOU VIEW HIS PLAN AS A RETURN TO TAX AND SPEND?

	<u>NOW</u>	<u>2/93</u>
<u>YES</u>	53%	35%

DO YOU VIEW IT AS BOLD AND INNOVATIVE?

	<u>NOW</u>	<u>2/93</u>
<u>YES</u>	28%	50%

HOW DO YOU FEEL ABOUT CLINTON'S ENERGY TAX?

	<u>NOW</u>	<u>2/93</u>
<u>FAVOR</u>	38%	56%
<u>OPPOSE</u>	54	41

3) CONGRESS SHOULD...

<u>PASS CLINTON'S ECONOMIC PLAN AS IS</u>	10%
<u>LESSEN TAX INCREASES, INCREASE SPENDING CUTS FOR SAME AMOUNT OF DEFICIT REDUCTION</u>	54
<u>KEEP TAX INCREASES, INCREASES SPENDING CUTS FOR MORE DEFICIT REDUCTION</u>	27

4) BEFORE 1996, CLINTON PLAN...

	<u>NOW</u>		<u>1/93</u>	
	<u>WILL</u>	<u>WON'T</u>	<u>WILL</u>	<u>WON'T</u>
<u>BRING SUSTAINED PROSPERITY</u>	39%	49%	50%	36%
<u>SIGNIFICANTLY REDUCE DEFICIT</u>	38	52	40	50
<u>SUBSTANTIALLY REDUCE INFLUENCE OF LOBBYISTS & SPECIAL INTERESTS</u>	29	56	31	53

**U.S. Senate
Republican Policy
Committee**

Don Nickles, Chairman
Kelly D. Johnston, Staff Director

Legislative Notice

No. 11A (Update)

Editor, Judy Gorman Prinkey
June 22, 1993

H.R. 2118 — Supplemental Appropriations for FY 1993

....UPDATE....UPDATE....UPDATE....UPDATE....

- The Senate entered into a unanimous consent agreement on June 17, limiting amendments to H.R. 2118 and setting a vote on final passage to occur no later than 7:00 p.m. on Tuesday, June 22.
- Here's a recap of spending in the bill, updated to reflect Senate Floor action:

BUDGET AUTHORITY

Supplemental Appropriations, Total Domestic & Defense	\$ 3,200,015,538
Domestic Rescissions, as reported by Senate Committee	-1,321,129,000
Defense Rescissions, Byrd Amendment adopted June 17	-1,250,000,000
<hr/>	
Net New Supplemental Appropriations	\$ 628,886,538

AMENDMENTS

Under the June 17 U.C., the following 33 first-degree amendments are in order (and are subject to relevant second-degree amendments):

Bingaman. Re. Public Health Service (has announced he will not offer)

Bond. To strike \$3.1 million for 50 Full Time Equivalent (FTE) positions at the White House

Brown. Re. Cargo preference: a Sense of the Senate that the President direct federal agencies not to accept bids for transport of U.S. grain that are more than double the competitive world market rates

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Byrd. "Relevant"

Chafee. To direct the Army Corps of Engineers to spend \$750,000 (appropriated in the FY93 Energy and Water Appropriations bill) to construct the "Cliff Walk" shore protection project

D'Amato. Re. Department of Education administrative expenses

D'Amato. Re. Welfare/Workfare

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DeConcini. Re. Defense/international narcotics

DeConcini. No. 484 (was modified and agreed to this morning) To make producers of citrus crops eligible for certain Commodity Credit Corporation funds

DeConcini. Re. Travelgate

Dole. Re. Travelgate

Domenici. Re. Virus in Four Corners geographic region

Domenici. Technical re. Petroglyphs Monument in New Mexico, giving a one-year extension on authority to Park Service for taking certain lands (voice vote expected)

Domenici. Re. Bureau of Reclamation

Gramm. To restore funds for prison construction; offset will be offered

Grassley. Re. M Account (withdrawn)

Grassley. Re. Older Americans Act (indicated he will not offer; see Harkin amendment below)

Harkin. [to provide \$10 million for senior jobs program] Re. Older Americans Act: (deficit-neutral)

Harkin/Feinstein. Re. Refugees

Hatch. Re. Law enforcement funding: to require discretionary grants be distributed by existing formulas (population-based) or that each State be guaranteed at least 1 percent

Hatfield. "Relevant"

Heflin. Re. Trio Program funding

Helms. "Relevant"

Inouye. Re. Defense

Kennedy. Re. Education funding

Mitchell. Re. Department of Justice

Nickles. Extends deadline for 1993 crop disaster from May 1 to July 1

Nickles. Re. Community policing

Pressler. To permit farmers who were unable to plant corn during the current crop year, due to excessive rain, to devote conservation-use acreage under the 0/92 program to the planting of soybeans

Pryor. To clarify current funding for educational agencies at base closings

Roth. To offer his Jobs for America Act, S. 1058

Staff Contact: Judy Myers, 224-2946

U.S. Senate
Republican Policy
Committee

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Legislative Notice

Editor, Judy Gorman Prinkey

12:00 Noon
June 22, 1993

S. ? -- Omnibus Budget Reconciliation Act of 1993

The Clinton tax plan will be reported today from the Senate Budget Committee, as an original bill, by a party-line vote of 11-9. No report will be filed. (The Senate Finance Committee, which has jurisdiction over the lion's share of the reconciliation instructions contained in the fiscal year 1994 budget resolution, reported its portion of the bill to the Senate Budget Committee on June 18, 1993, by a party-line vote of 11-9.)

NOTEWORTHY

- The bill contains the heart of the Clinton plan to reduce the federal deficit through a combination of personal and business tax increases, selected "spending cuts," and targeted spending increases for various federal programs. In fact, the Senate bill proposes a total of \$348 billion in deficit reduction: \$249 billion in net taxes; \$15 billion in user fees; and \$84 billion in reductions in the planned rate of growth in various federal programs.
- The bill is likely to be called up on Wednesday morning, June 23. Per the Congressional Budget and Impoundment Control Act of 1974, as amended, debate is limited to 20 hours. This *Notice* contains background (page 2), a chart of Senate committee reconciliation (page 3), committee-by-committee reconciliation highlights (pps. 3-12) based on CBO and Joint Committee on Taxation estimates, and parliamentary notes (page 12), which detail the basic rules and restrictions which govern consideration of the reconciliation bill.
- The bill creates a new top personal tax rate of 36 percent; increases the corporate tax rate from 31 to 35 percent; raises tax rates on small business from 31 percent to between 39.6 and 44.5 percent; imposes a "millionaire's" surtax on incomes above \$250,000; and imposes a tax of 85 percent on social security beneficiaries. It repeals the luxury tax on boats, aircraft, jewelry, and furs, while indexing the luxury tax threshold for cars for inflation. It also imposes a new 4.3 cents per gallon tax on motor fuels while extending the current 2.5 cents per gallon motor fuels tax -- agreed to in the 1990 budget agreement and originally scheduled to expire on September 30, 1995 -- through 1999.
- The proposal also slows the rate in growth of several federal programs, primarily in Medicare and Medicaid programs, but expands new spending \$19.3 billion, notably in the Earned Income Tax Credit program (\$16.8 billion).

BACKGROUND

On February 17, 1993, President Clinton released his tax-and-spend plan for the federal government at his State of the Union speech. The plan contained the broad goal of reducing the deficit by \$500 billion over five years through a combination of revenues ("taxes," or "user fees") and reductions in the rate of growth of various federal programs ("spending cuts"). The plan eliminated just eleven specific federal spending programs.

On April 1, 1993, the House and Senate passed the fiscal year 1994 budget resolution, which reflected much of the President's plan, and contained so-called "reconciliation instructions." These mandated various committees of the House and Senate to find ways to achieve savings in programs under their committee jurisdiction, either through reductions in the growth of spending, or revenue increases.

In the House, committees struggled for eight weeks to achieve their reconciliation instructions. After numerous modifications and compromises, the House of Representatives passed a reconciliation bill, H.R. 2264, on May 27, by a vote of 219-213. The bill raised taxes and fees a net total of \$291 billion (including \$72 billion from a BTU tax), while reducing spending just \$46 billion -- a ratio of \$6.35 to \$1 in new taxes to spending cuts.

Last week, the Senate Finance Committee swapped the BTU tax for a 4.3 cents per gallon tax on motor fuels (in addition to extending a 2.5 cents per gallon tax hike imposed as part of the 1990 budget agreement). Further, the Senate Finance Committee reduced the level of spending increases on various social programs, and restricted several business-related provisions, to make up for the revenue when the BTU tax was eliminated. Currently, the ratio of new taxes and fees to spending cuts stands at \$3.15 to \$1.

All estimates in this Notice, unless specified otherwise, were developed by the Congressional Budget Office and the Joint Committee on Taxation.

See the chart, on the next page, for a quick rundown of committee-by-committee reconciliation accomplishments.

SENATE RECONCILIATION STATUS

(FY 1994-98 deficit reduction in \$ millions)

Committee	Instructions	Submitted
Agriculture, Nutrition, and Forestry	-3,170	-3,318
Armed Services	-2,361	-2,653
Banking, Housing, and Urban Affairs	-3,131	-3,131
Commerce, Science, and Transportation	-7,405	-7,395
Energy and Natural Resources	-737	-749
Environment and Public Works	-1,254	-1,254
Finance		
Spending	-31,791	-59,215
User Fees	-3,366	-2,985
Revenues	-272,105	-248,660
Foreign Relations	-5	-61
Governmental Affairs	-10,638	-10,685
Judiciary	-345	-345
Labor and Human Resources	-4,570	-4,594
Veterans Affairs	-2,580	-2,609
TOTAL SPENDING b/	-55,101	-83,616
TOTAL USER FEES b/	-15,510	-14,880
TOTAL REVENUES	-272,667	-248,876
TOTAL RECONCILIATION b/	-343,278	-347,372

CBO/JCT estimates unless otherwise noted.

b/ Excludes double-counting from joint jurisdiction.

COMMITTEE-BY-COMMITTEE RECONCILIATION HIGHLIGHTS

AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

Instructed: \$3.17 billion.

Achieved: \$3.318 billion.

On June 16, the Committee achieved its target by approving a \$3.3 billion package of spending cuts and policy changes in various programs. Unlike the House bill, the Senate version does not reauthorize commodity programs through FY 1998. Most of the savings in the House bill came from an increase (from 15 percent to 20 percent) in the amount of land on which farmers cannot receive crop subsidies through the flex or triple-base acres program. CBO has estimated that this would save \$1.96 billion over five years.

In contrast, the Senate Agriculture Committee approved a different package that:

- **Eliminates** a current law provision that permits the Secretary of Agriculture to boost price support payments to grain farmers if European and other nations refuse to cooperate on reducing farm subsidies through trade negotiations. This would save \$586 million over five years;
- **Changes** the federal crop insurance program (savings of \$501 million over five years);
- **Caps enrollment** in the Conservation Reserve Program at 38 million acres, and increases enrollment in the wetlands reserve program (which is the same as the House version). (total savings of \$469 million over 5 years);
- **Reduces spending** on the Market Promotion Program to \$110 million per year and targets \$33 million of this amount toward smaller businesses (savings of \$405 million over five years);
- **Modifies the pay-92 commodity programs** by reducing the size of payments to farmers (savings of \$296 million over five years);
- **Reduces dairy product price supports and milk assessments** (savings of \$265 million over five years).

The Senate version also would limit fees to honey producers, cap support prices for wool and reduce payment limitations for wool and mohair producers, permit recreation fees to be charged on Forest Service parkland, and require States to pay more of the costs of Food Stamp administration.

In addition to the above cuts, the Committee included various policy changes to:

- **Require cigarette manufacturers** to report their use of imported tobacco (\$29 million);
- **Impose a one-year moratorium** on sales of milk from cows that have been injected with bovine somatotropin (bsT), a synthetic growth hormone currently under FDA review (\$15 million); and
- **Modifies the Rural Electrification Administration loan programs** to save \$162 million in loan subsidies for the REA electric and telephone loan programs over five years. However, since the proposed changes are to "discretionary" spending programs, the provision might be subject to the so-called Byrd rule which prohibits extraneous matter. To address that possibility, the Committee approved a separate bill for floor action if the relevant provisions are struck from the reconciliation bill.

The Committee **did not** include \$8 billion in additional Food Stamp expenditures envisioned when the FY 1994 budget resolution passed the Congress on April 1. Consequently,

the Majority, as part of its claimed \$508 billion in deficit reduction, counts **not** increasing spending a spending cut.

ARMED SERVICES COMMITTEE

Instructed: \$2.361 billion.

Submitted: \$2.653 billion.

The Committee, by voice vote, exceeded its required savings by delaying the annual cost of living adjustment (COLA) for retirees from January 1 to October 1 in each of the next four fiscal years and to September 1 in FY 1998, for a total savings of \$2.653 billion.

BANKING, HOUSING, AND URBAN AFFAIRS COMMITTEE

Instructed: \$3.131 billion.

Achieved: \$3.131 billion.

The Committee would:

- ***Grant depositors preference*** to claims of other creditors benefits the FDIC. This would raise \$750 million. Depositor preference is the law in 29 States;
- ***Require*** the Federal Reserve Banks to reduce their surplus to 3 percent of members' capital less \$213 million by 1998, thus raising \$213 million for the Treasury;
- ***Permit Department of Housing and Urban Development (HUD)*** access to IRS income information for applicants and tenants of public and federally assisted housing. This HUD income verification provision is projected to reduce HUD public housing operating subsidies by \$1.022 billion;
- ***Permit Ginnie Mae*** to charge fees for Real Estate Mortgage Investment conduits (REMICS), raising \$730 million;
- ***Accelerate the amortization*** of the premium paid by FHA-insured homebuyers to recognize the income earlier, raising \$416 million.

COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE

Instructed: \$7.405 billion.

Achieved: \$7.395 billion.

The Committee approved by voice vote a deficit reduction package that would:

- ***Auction radio spectrum licenses***, raising an estimated \$7.2 billion over five years. In addition, 200 megahertz of spectrum would be transferred from the Federal Government to the FCC for new technologies; and
- ***Extend the existing tonnage duties*** on foreign vessels that ply U.S. waters (for assumed savings of \$205 million from FY 1996 through 1998).

ENERGY AND NATURAL RESOURCES COMMITTEE

Instructed: \$737 million.

Achieved: \$749 million.

The Committee exceeded its target. Its reconciliation recommendations:

- *Expand the user fee base* of National Park, Bureau of Land Management and Forest Service facilities, raising \$262 million;
- *Take credit* for \$270 million raised by changing the 1872 Mining Law to include a \$100 per claim per year holding fee payable to the U.S. Treasury. The total of \$270 million was calculated as an extension of the proposal as included in the FY 1993 Interior Appropriation bill. A lesser amount would be raised under Senator Craig's bill, S. 775, which passed the Senate by unanimous consent on May 25, 1993, because of its broader small-miner exemption;
- *Codify the requirement* in the FY 1993 Interior Appropriation bill that applicable States contribute 25 percent of the administrative costs incurred by the Department of the Interior and the Forest Service in collecting fossil fuel royalties and revenues, raising \$174 million;
- *Save \$42 million* by reducing Federal payments to the Northern Mariana Islands pursuant to an agreement negotiated between the Executive Branch and that government, which has not yet been approved by Congress.

ENVIRONMENT AND PUBLIC WORKS COMMITTEE

Instructed: \$1.254 billion.

Achieved: \$1.254 billion.

The Committee hit its target. The recommendations:

- *Extend Nuclear Regulatory Commission* user fees beyond FY 1993 for three additional years, raising \$1.169 billion;
- *Expand the authority of the Corps of Engineers* to levy user fees at developed recreational facilities such as swimming beaches and boat ramps, raising \$85 million.

FINANCE COMMITTEE

Instructed: \$307.3 billion

Achieved: \$310.9 billion

Major revenue-raising provisions of the Senate Finance Committee's proposals include:

Individual Tax Increases

- *Adds a fourth income tax bracket* of 33.5 percent this year, and 36 percent next year, for taxable incomes above \$140,000 for couples, \$115,000 for singles, and \$127,500 for heads of households;
- *Imposes a "millionaire's" surtax* on taxable income above \$250,000 (including capital gains), a tax rate of 35.3 percent in 1993 and 39.6 percent in subsequent years.
- *Increases the Alternative Minimum Tax (AMT)* from 24 to 26 percent for incomes

above \$175,000; to 28 percent for income above that;

- **Permanently caps** the phaseout of the personal exemption and itemized deductions (so-called PEPs and Pease), currently slated to expire in 1996 and 1997, respectively.

[Total revenue, all four preceding provisions: \$106.8 billion. All preceding provisions take effect on July 1, 1993, vs. the January 1, 1993, effective date in the House proposal.]

- **Raises the percentage of social security benefits** taxed from 50 to 85 percent, for beneficiaries with modified adjusted gross incomes plus half their benefits which totals \$32,000 for individuals, \$40,000 for couples. [Total revenue: \$26.3 billion. Takes effect January 1, 1994, same as the House.]
- **Repeals** the current \$135,000 cap on Medicare payroll taxes for all wages and self-employment income (the 2.9 percent applies to both employees and employers, who split the tax). [Total revenue: \$29.2 billion. Effective date is January 1, 1994, same as the House.]
- **Cuts compensation** able to be taken into account for purposes of benefits and contributions under qualified retirement plans to \$150,000 in 1994. [Total revenue: \$2.5 billion. Both House and Senate effective dates are January 1, 1994.]
- **Cuts the deductible portion** of business-related meals and entertainment from 80 percent to 50 percent; denies deduction for club dues (includes airline and hotel clubs). [Total revenue: \$1.1 billion. House and Senate propose effective dates of January 1, 1994.]
- **Reinstates** the top 53 and 55 percent tax rates for estates inherited on the owner's death. [Total revenue: \$2.8 billion. The House and Senate both impose the tax effective January 1, 1993.]
- **Disallows moving expense deduction** for meals and real estate expenses; imposes a \$10,000 cap; modifies individual estimated tax requirements. [Total revenue: \$2.9 billion. All provisions in both House and Senate plans take effect January 1, 1994.]

Energy tax increases:

- **Imposes** a 4.3 cents per gallon tax on all transportation fuels (those used for cars, trucks, buses, airplanes, etc, with an exception for off-road farm use). [Total revenue: \$24.2 billion. The House BTU tax was to take effect July 1, 1994; the Senate gas tax takes effect October 1, 1993.]
- **Extends** the 2.5 cents per gallon motor fuels tax, imposed in the 1990 budget agreement, through 1999 [Total revenue: \$7.9 billion. Both extensions take effect October 1, 1995.]

Business tax increases:

- **Increases** the top corporate tax rate from 31 to 35 percent, for taxable income above \$10 million. This creates an effective tax of 33.5 percent in 1993, and 35 percent thereafter. [Total revenue: \$16.4 billion. Both House and Senate propose this take effect January 1, 1993.]
- **Alters and extends** corporate estimated tax rules. [Total revenue: \$7.8 billion. The House and Senate plan this to take effect in taxable years beginning after December 31, 1993.]
- **Restricts** section 936 credit. [Total revenue: \$3.8 billion. The Senate and House plan this to take effect in taxable years beginning after December 31, 1993.]
- **Requires** mark-to-market accounting method for dealers in securities. [Total revenue: \$3.8 billion. The Senate and House plans both propose this to take effect in taxable years ending on or after December 31, 1993.]

- *Denies* corporate deductions for executive compensation in publicly-held companies paid in excess of \$1 million in compensation; lobbying deductions, too, are denied. [Total revenue: \$1.6 billion. The pay deductions would take effect in both plans beginning on January 1, 1994; the lobbying expenses would be curtailed for expenses after December 31, 1993, in both the Senate and House proposals.]
- *Forbids* Federal Savings and Loan Insurance Corporation double-dipping. [Total revenue: \$1 billion. The double-dipping would be prohibited beginning March 4, 1991, under both the House and Senate proposals.]
- *Imposes various* foreign tax provisions, including denial of tax subsidies for exports of certain unprocessed timber. [Total revenue: \$3.1 billion. All effective provisions are identical in each bill, with the addition of timber, which would take effect upon the date of enactment under the Senate plan. There is no comparable House provision.]
- *Obliges* businesses which purchase intangible assets to write off the purchase cost over 14 years. [Total revenues: \$5.1 billion. This would take effect upon the date of enactment in both plans.]

Major "investment" provisions:

- *Permanently* extends the low-income housing tax credit, and the AMT exemption for appreciated property gifts. [Total revenue loss: -\$5.3 billion. Both Senate and House plan the tax credit to take effect on July 1, 1992, and the gift credit for tangible personal property made after June 30, 1992, and for contributions of all property made after 1992.]
- *Extends* to June 30, 1994, the targeted jobs tax credit, the research and experimentation credit, the tax break for employer-provided education assistance and tax exemptions for small-issue manufacturing bonds and for mortgage revenues bonds. The bill extends through December 31, 1993, the 25 percent deduction for health insurance for the unemployed. [Total revenue loss: -\$4.4 billion. The jobs tax credit takes effect on July 1, 1992, for both plans; the R&E provision, which is a permanent extension for the House, takes effect July 1, 1992, but only takes effect on July 1, 1993, in the Senate plan, and expires on June 30, 1994.]
- *Expands* the Earned Income Tax Credit. [Total revenue loss: -\$1.5 billion]
- *Allows* real-estate developers, and others who work full-time in real estate, to write off passive losses on rental property against their real estate income. [Total revenue loss: -\$2.2 billion]
- *Increases* the amount of depreciable property allowed to be written off by small business from \$10,000 to \$15,000. [Total revenue loss: -\$2.9 billion]
- *Repeals* excise taxes on airplanes, yachts, furs, and jewelry, imposed as part of the 1990 budget agreement. (So-called "luxury tax.") [Total revenue loss: -\$270 million]
- *Indexes* the luxury tax threshold for cars (currently at \$30,000) for inflation. [Total revenue loss: -\$938 million]

Health, Medicare, Social Security, Income Security

The Committee bill proposes reductions of \$67 billion over five years in the Medicare program, \$17 billion more in spending reductions than was approved by the House. Among the additional cuts contained in the Senate Finance Committee bill are:

- *Reduction in hospital updates.* Hospitals that are reimbursed under the prospective payment system (PPS), will have their rates of increase scheduled for October 1, 1993,

delayed until January 1, 1994, and curbed substantially. Current law, for example, provides for the standard reimbursement amount for urban hospitals to rise at the rate of increase in the cost of the hospital "market basket." The bill would shave an average of 2 percentage points off the market basket adjustment from 1994 to 1996 and 1 percentage point in 1997. Rural hospitals would face smaller reductions.

Hospitals that are excluded from the PPS system (psychiatric, rehabilitation, children's, cancer, and long-term hospitals) would face cuts of 1 percent below market basket adjustments through 1997.

These provisions are projected to save \$22.3 billion over five years.

- **Reduction in payment for hospital outpatient services.** The Committee bill proposes various changes in how much hospitals may be reimbursed for outpatient services, and revises the payment formula for these services.

Estimated savings: \$7.4 billion over five years.

- **Other Medicare cuts.** Hospitals also would face cuts of \$2.4 billion over five years in federal payments for direct and indirect medical education and graduate medical education. Payments to physicians are cut about \$9.5 billion by reducing the amount of their 1994 update and making changes in the fee schedule that will affect future updates. Payments for other services such as clinical laboratories, durable medical equipment, prosthetics and orthotics, and ambulatory surgical centers would be frozen for at least one year and will receive reduced updates in future years.
- **Immunizations.** The bill establishes a central bulk purchasing program under the Social Security Act, replacing purchase of vaccines under Medicaid and supplementing the current CDC vaccine purchase program. In order to participate in the program, states must assure that every eligible child (children on Medicaid and children in families with incomes up to 75 percent of the State median) receive free vaccines. The Finance Committee believes that the program will be funded by recouping savings accruing to existing State and federal programs that currently purchase vaccines for the population that is covered under this proposal.
- **Social Security.** The bill would impose a tax of up to 85 percent of social security benefits on individual beneficiaries with incomes in excess of \$32,000 and on couples with incomes over \$40,000. Currently, no more than 50 percent of their benefits are subject to taxation. Proceeds from this tax hike would be deposited to the Medicare trust fund. The House-passed tax hike on social security benefits would affect individuals with incomes above \$25,000 and couples with incomes in excess of \$32,000. The House bill also provides that revenues from this tax increase be credited to the general fund of the treasury.
- **Income Security.** The bill sets new targets for state paternity establishment programs, levies a fee on states for whom the federal government administers supplemental security income (SSI) payments, reduces to 50 percent the federal match for all administrative costs incurred under the Aid to Families with Dependent Children (AFDC) program, and eases requirements for certifying citizenship of adult members

of AFDC households. Unlike the House measure, the Senate bill would allow AFDC work requirements to take effect on October 1, 1993. The House bill contains an Administration-backed proposal that would delay implementation of AFDC work requirements until October 1, 1994.

FOREIGN RELATIONS COMMITTEE

Instructed: \$5 million.

Achieved: \$61 million.

While under instructions to save \$5 million, the Committee by voice vote approved a package that would save \$61 million over five years. The proposals would:

- ***Eliminate the lump-sum retirement*** option for participants in the foreign service retirement system who retire after September 1995, except for certain individuals (savings of \$52 million); and
- ***Delay for three months*** the cost of living adjustments for foreign service employees (savings of \$9 million over five years).

GOVERNMENTAL AFFAIRS COMMITTEE

Instructed: \$10.638 billion.

Achieved: \$10.685 billion.

The Committee, by a vote of 7-4, backed various proposals, including:

- ***A 3-month delay*** in cost of living adjustments in various federal employee retirement plans in 1994, 1995, and 1996 (\$779 million);
- ***Eliminating lump-sum retirement*** options for certain federal employee retirement plans for employees retiring after September 30, 1995 (\$8.616 billion);
- ***Requiring the District of Columbia*** government, starting in October 1993, to pay the employer share of the Federal Employee Health Benefit premiums for District retirees (\$242 million);
- ***Obliging the Postal Service*** to make payments for COLAs and health benefits for past retirees (\$1.041 billion); and
- ***Imposing a permanent reduction*** in the annuities of federal employee if the retiree marries after retirement and opts for survivor coverage (\$7 million).

JUDICIARY COMMITTEE

Instructed: \$345 million.

Achieved: \$345 million.

The Committee met its instructions by extending expiring surcharges on patent and trademark fees, which were imposed as part of the 1990 budget deal. Instead of expiring on September 30, 1995, they would now last until October 1, 1998.

LABOR COMMITTEE
Instructed: \$4.57 billion.
Achieved: \$4.594 billion.

Under a compromise reached with Committee Republicans, the Labor Committee has reported legislation that would replace *half* of the current guaranteed student lending program with direct lending over the next five years. The House bill would scrap the current program for a system of direct loans, an idea that is being pushed by the Clinton Administration. Under the Senate bill, 5 percent of all new loan volume in academic year (AY) 1994-95 would be loans made directly by the federal government. That proportion would rise to 30 percent in AY 1995-96, 40 percent in AY 1996-97, and 50 percent in AY 1997-98 and in subsequent years.

The bill would achieve additional savings by decreasing the subsidies currently paid to lenders and guaranty agencies, and by assessing fees on lenders and Sallie Mae.

The Labor Committee also has called for several changes in the Employee Retirement Income Security Act (ERISA). These changes involve:

- **Immunization continuation coverage mandate.** The bill would bar self-insured plans that cover childhood immunizations from discontinuing that coverage.
- **Conforming amendments.** The bill conforms ERISA with Medicaid "secondary payor" requirements (under jurisdiction of the Finance Committee) to allow states to enforce payment liability of private health plans in cases where Medicaid beneficiaries are involved. Also included were conforming changes regarding collection of health payments from parents of children in custody disputes.
- **Pension issues.** The Labor Committee also included legislation to reverse a Supreme Court ruling that was issued on June 1, 1993. In that case (*Mertens, et al. v. Hewitt Associates*), the Supreme Court held that ERISA does not authorize suits for money damages against nonfiduciaries who knowingly participate in a fiduciary's breach of fiduciary duty. The case involved a lawsuit by former employees who participated in the Kaiser Steel Retirement Plan against an actuarial firm that had done actuarial work for the plan's trustees. The plaintiffs alleged that Hewitt Associates had failed to change their actuarial assumptions about the plan after many plan participants had opted for early retirement. This failure, they asserted, made Hewitt Associates liable to provide "equitable relief" to pensioners who received reduced pensions from the Pension Benefit Guaranty Corporation, rather than the more generous income they would have received had their retirement plan not failed. The Court, in a 5-4 decision, ruled that ERISA did not authorize such suits against nonfiduciaries.

Under provisions of the so-called Byrd rule governing extraneous material, it is possible that several of the above provisions could not be retained in the bill upon challenge.

VETERANS AFFAIRS
Instructed: \$2.280 billion
Submitted: \$2.609 billion

- **Increases** from 1.25 percent to 2 percent the fee veterans pay to the Department of Veterans Affairs for guaranteed low-interest home loans (savings of \$633 million over five years);

- *Allows* the Veterans Administration to recover from insurers the cost of treating service-disabled veterans with nonservice-connected conditions (savings of \$606 million); and
- *Increases* the contribution of service members to the GI Bill education benefits from \$1,200 to \$1,644 (savings of \$444 million).

PARLIAMENTARY NOTES

Some Quick Highlights For Floor Consideration

- Per the Budget Impoundment and Control Act of 1974, as subsequently amended, floor debate on Senate reconciliation bill totals 20 hours, equally divided between Republicans and Democrats.
- There is a two-hour time limit on all amendments offered in the first-degree; and that time must expire, or be yielded back, before a second-degree amendment can be offered to the pending first-degree amendment.
- There is a one-hour time limit on all second-degree amendments.
- Any debatable motions or points of orders also carry a one-hour time limit.
- Time on all the preceding is equally divided, and is subtracted from the bill. In an ideal world, this would mean that proponents and opponents agree to use the same amount of time on each amendment or motion, up to the maximum allowed. But in the world of U.S. budget process, it also means that if proponents use one hour on a first-degree amendment, but opponents only use 10 minutes, then yield back time, the total time -- 70 minutes -- is equally divided, and 35 minutes are subtracted from the bill time on each side.
- Time spent on quorum calls and votes are not counted against the time limit.
- If neither side yields time (i.e., if no one is conducting any business on the bill, but no quorum call is in progress), the acting Senate President has the right to charge time equally from both sides.

How To Tell If Your Amendment is in Order

Amendments are not in order to the reconciliation bill if they reduce any specific budget outlay reductions below the level provided or if they reduce revenue increases below the level provided -- unless the amendment makes a reduction in other specific outlays, an increase in other specific revenues, or a combination thereof that is at least equivalent to the outlay increase or revenue decrease in the amendment. Otherwise, the amendment would be subject to a 60-vote point of order. Motions to strike are always in order. Other amendments to change (increase or decrease) numbers; those adding language which restricts some power granted in the bill; and sense-of-the-Senate amendments which are limited to matters within the jurisdiction of the committee.

Employing the Byrd Rule

An amendment to the Budget Impoundment and Control Act enacted in 1985 offers some protection to reconciliation bills from the inclusion of "extraneous" material. This rule, named

after its primary sponsor, Senator Robert C. Byrd (D-WV), applies the rules of germaness, and additional restrictions worked out in subsequent legislation (most notably, the 1990 budget agreement) to remove material from a reconciliation bill when it is being considered on the floor. It also applies to conference reports. The Senate Budget Committee is obliged to report to the Senate a list of extraneous provisions. Often, the Senate has deemed all defined extraneous provisions as stricken from the bill upon its final passage. Senators may raise a Byrd rule point of order on material not contained on the list; it is within the Chair's discretion whether to rule that such point of order is sustained. Material is considered extraneous if it:

- Doesn't change outlays or revenues;
- Increases the deficit if the committee has failed to meet its instruction;
- Is a provision from a committee which has no jurisdiction over the provision;
- Would produce changes in outlays or revenues which are incidental to the non-budgetary components of the provision;
- Wipes out outlay reductions or revenue increases in the year following the envelope of the reconciliation bill; (i.e., after FY 1998) or
- Affects Social Security.

Republican staff of the Senate Budget Committee had identified nearly 200 provisions in the House-passed version of the reconciliation bill which, in their estimation, met the definition of extraneous under the Byrd rule.

Staff contact: Eric Ueland (202) 224-2946

POLICY LUNCHEON AGENDA
Tuesday, June 22, 1993

1. Supplemental Pending -- Hatfield
 - Limited list of amendments / votes expected
 - Final passage no later than 7:00 p.m.

2. Reconciliation -- Domenici
 - Scheduled to begin Wednesday a.m.
 - 20 hour time limitation
 - Conference to discuss alternatives / amendments ~~Wednesday~~
~~9:30 a.m.~~ 4pm.

3. Appropriations Bills -- Hatfield
 - House considering military construction, Energy and Water and Treasury Postal this week.
 - House may do up to seven more Appropriation Bills next week.

4. Nixon Funeral
 - Group will be departing very early Saturday morning for Mrs. Nixon's funeral. Notify Howard if interested in attending.

So, We Talk Too Much?



The Supreme Court's two-word opinion of the Senate's reform bill may be 'Good grief!'

Washington's political class and its journalistic echoes are celebrating Senate passage, on a mostly party-line vote, of a "reform" that constitutes the boldest attack on freedom of speech since enactment of the Alien and Sedition Acts of 1798. The campaign finance bill would ration political speech. Fortunately, it is so flagrantly unconstitutional that the Supreme Court will fling it back across First Street, N.E., with a two-word opinion: "Good grief!"

The reformers begin, as their ilk usually does, with a thumping but unargued certitude: campaigns involve "too much" money. (In 1992 congressional races involved a sum equal to 40 percent of what Americans spent on yogurt. Given the government's increasing intrusiveness and capacity to do harm, it is arguable that we spend too little on the dissemination of political discourse.) But reformers eager to limit spending have a problem: mandatory spending limits are unconstitutional. The Supreme Court acknowledges that the First Amendment protects "the indispensable conditions for meaningful communication," which includes spending for the dissemination of speech. The reformers' impossible task is to gin up "incentives" powerful enough to coerce candidates into accepting limits that can be labeled "voluntary."

The Senate bill's original incentive was public financing, coupled with various punishments for privately financed candidates who choose not to sell their First Amendment rights for taxpayers' dollars and who exceed the government's stipulated ration of permissible spending/speech. Most taxpayers detest public financing. ("Food stamps for politicians," says Sen. Mitch McConnell, the Kentucky Republican who will lead the constitutional challenge if anything like this bill becomes law.) So the bill was changed—and made even more grossly unconstitutional. Now it limits public funding to candidates whose opponents spend/speak in excess of government limits. The funds for the subsidy are to come from taxing, at the top corporate rate, all contributions to the candidate who has chosen to exercise his free speech rights with private funding. So 35 percent of people's contributions to a privately funded candidate would be expropriated and given to his opponent. This is part of the punishment system designed to produce "voluntary" acceptance of spending limits.

But the Court says the government cannot require people "to pay a tax for the exercise of that which the First Amendment has made a high constitutional privilege." The Court says that the "power to tax the exercise of a

right is the power to control or suppress the exercise of its enjoyment" and is "as potent as the power of censorship."

Sen. Fritz Hollings, the South Carolina Democrat, is a passionate advocate of spending limits but at least has the gumption to attack the First Amendment frontally. The Senate bill amounts, he says candidly, to "coercing people to accept spending limits while pretending it is voluntary." Because "everyone knows what we are doing is unconstitutional," he proposes to make coercion constitutional. He would withdraw First Amendment protection from the most important speech—political discourse. And the Senate has adopted (52-43) his resolution urging Congress to send to the states this constitutional amendment: Congress and the states "shall have power to set reasonable limits on campaign expenditures by, in support of, or in opposition to any candidate in any primary or other election" for federal, state or local office.

Hollings claims—you have to admire his brass—that carving this huge hole in the First Amendment would be "a big boost to free speech." But by "free" he means "fair," and by "fair" he means equal amounts of speech—the permissible amounts to be decided by incumbents in Congress and state legislatures. Note also the power to limit spending not only "by" but even "in support of, or in opposition to" candidates. The 52 senators who voted for this included many who three years ago stoutly (and rightly) opposed carving out even a small exception to First Amendment protections in order to ban flag-burning. But now these incumbents want to empower incumbents to hack away at the Bill of Rights in order to shrink the permissible amount of political discourse.

Government micromanagement: The Senate bill would ban or limit spending by political action committees. It would require privately funded candidates to say in their broadcast advertisements that "the candidate has not agreed to voluntary campaign limits." (This speech regulation is grossly unconstitutional because it favors a particular point of view, and because the Court has held that the First Amendment protects the freedom to choose "both what to say and what *not* to say.") All this government micromanagement of political speech is supposed to usher in the reign of "fairness" (as incumbents define it, of course).

Incumbents can live happily with spending limits. Incumbents will write the limits, perhaps not altogether altruistically. And spending is the way challengers can combat incumbents' advantages such as name recognition, access to media and franked mail. Besides, the most important and plentiful money spent for political purposes is dispensed entirely by incumbents. It is called the federal budget—\$1.5 trillion this year and rising. Federal spending (along with myriad regulations and subsidizing activities such as protectionist measures) often is vote-buying.

It is instructive that when the Senate voted to empower government to ration political speech, and even endorse amending the First Amendment, there was no outcry from journalists. Most of them are liberals and so are disposed to like government regulation of (other people's) lives. Besides, journalists know that government rationing of political speech by candidates will enlarge the importance of journalists' unlimited speech.

The Senate bill's premise is that there is "too much" political speech and some is by undesirable elements (PACs), so government control is needed to make the nation's political speech healthier. Our governments cannot balance their budgets or even suppress the gunfire in America's (potholed) streets. It would be seemly if politicians would get on with such basic tasks, rather than with the mischief of making mincemeat of the First Amendment.

Senate Republican Substitute Reconciliation Bill

Senators Dole, Domenici, Packwood

June 22, 1993

(Draft)

Objective: Reduce spending first to reduce the federal deficit.

Outline of Proposal:

I. Deficit reduced below \$200 billion in 1998 without taxes.

1. The federal deficit would be reduced to \$197 billion in 1998 without taxes. This is lower than the Senate Democratic plan in that year (\$202 billion) but which relies on over \$263 billion in new taxes and user fees.

2. Total deficit reduction over next five years exceeds \$367 billion in real, enforceable spending cuts. [CBO's estimate of President Clinton's FY 1994 Budget submission totaled \$362 billion over five years.]

II. Discretionary Spending Cuts

1. Extend current law discretionary spending caps for defense, international, and domestic expenditures through 1998. Enforceable through current law sequester process. Savings total \$164 billion over next five years.

-- Defense spending caps set at 1994 Budget Resolution levels and President Clinton's request. Defense spending declines from \$279 billion in 1994 to \$253 billion in 1998. Defense outlay savings total \$73 billion over next five years.

-- International spending capped at 1993 level for next five years. Spending would average \$21 billion a year over next five years. Savings total \$7.0 billion over next five years.

-- Domestic spending capped at 1993 level for next five years. Spending would average \$240 billion annually. Savings total \$85 billion.

III. Entitlement Spending Cuts

1. Establish an enforceable, real cap on non-social security entitlement spending. Cap would become effective in 1996, providing sufficient time for Congress and the Administration to propose substantive legislation to meet cap levels. Caps would apply only to those programs whose expenditures exceeded population growth, inflation, and (in 1996 and 1997) an additional 1% adjustment factor. Total entitlement savings over next five years from implementation of policies to stay within the cap formula would be \$165 billion. Entitlement cap level of spending would be achieved by:

-- Adopting all real entitlement cuts in Senate reported reconciliation bill and exclude all direct spending increases. Total gross savings of nearly \$115 billion over next five years.

-- Additional entitlement cuts of \$49 billion achieved through application of entitlement cap effective in 1996.

IV. Debt Service Savings \$37.2 billion.

-- Based on CBO reestimates of the Treasury Department's actual debt management proposal, savings of \$6.4 billion over the next five years are included in aggregate deficit reduction numbers.

-- Additional debt service savings of \$30.8 billion from reduced deficit spending in the proposal.

V. Revenue Proposals -- Net Zero Revenues Raised

1. Sense of the Congress Language: No net new taxes should be imposed on the American public until and when the spending cuts specified in this plan have been agreed on and implemented with enforceable procedures.

2. Sense of the Congress that the Secretary of the Treasury should conduct a study on the desirability and feasibility of abolishing the current income tax system and replacing it with a progressive consumption-based, savings exempt, tax system.

(Under consideration but not agreed to yet, three tax incentives: (1) repeal of luxury tax, (2) small business expensing, and (3) indexation of capital gains. These items (losing revenues of about \$18 billion) would be offset with: (1) 10% surtax on millionaires and (2) extend and modify corp. est. tax.

SENATE REPUBLICAN ALTERNATIVE

(\$ billions)

	1994	1995	1996	1997	1998	Total 1994-98
CBO Capped Baseline Deficit	286.7	284.4	290.0	321.7	359.7	
<u>Discretionary:</u>						
Defense (Clinton)	4.1	4.8	-10.0	-33.6	-37.5	-72.2
International (Freeze)	-0.4	-0.8	-1.4	-1.9	-2.5	-7.0
Domestic (Freeze)	-3.8	-10.2	-16.8	-23.5	-30.6	-84.9
Subtotal	-0.1	-6.2	-28.2	-59.0	-70.6	-164.1
<u>Mandatory:</u>						
Gross spending reductions in reconciliation	-8.5	-13.7	-24.8	-31.3	-37.6	-115.9
Entitlement cap	--	--	--	-13.9	-35.4	-49.3
Subtotal	-8.5	-13.7	-24.8	-45.2	-73.0	-165.2
<u>Revenues</u>						
Debt management a/	-0.5	-1.0	-1.3	-1.6	-2.0	-6.4
Debt service	-0.3	-1.2	-3.6	-8.7	-17.0	-30.8
Grand Total	-9.4	-22.1	-57.9	-114.5	-162.6	-366.5
Plan Deficit	277.1	262.5	232.3	207.1	197.3	

NOTE: Details may not add to totals due to rounding.

a/ CBO reestimate of Treasury proposal (May 1993).

Prepared 06/22/93 10:12 AM

MEMORANDUM

TO: SENATOR DOLE

FROM: Bob Dove

RE: 306 Point of Order against House Reconciliation Bill

DATE: June 22, 1993

There is a 60 vote point of order against taking up the House Reconciliation bill. This should, under the precedents, give you an absolute whip hand in determining whether the House bill ever is called up. The validity of this point of order was conceded by Alan Frumin. However, today he told me that the point of order cannot be made until the bill is before the Senate. The timing is crucial. Once the bill is before the Senate the Majority Leader can use the Byrd rule to cleanse the bill of the language which supports the point of order.

Senate Procedure, which was reissued only last year contains language specifically allowing a point of order against a motion to proceed.

He is willing to ignore this language to allow the Democrats to win.