

# Clinton Sends Congress Detailed \$1.5 Trillion Budget

By Ann Devroy  
and Steven Mufson  
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WASHINGTON

President Clinton Thursday sent Congress the detailed version of a \$1.52 trillion budget that is already being altered by the politics of compromise.

As promised in Clinton's earlier budget outline, the president's 1,478-page plan would slash military spending while raising taxes on energy and on the income of top earners. In those priorities lie its broadest difference with the last 12 budgets of Republican rule. Overall spending during the year starting Oct. 1 would be only about 3 percent more than the current year, in line with inflation.

Clinton would use that money for new spending programs and to reduce the size of projected budget deficits. But even with the deficit-reduction efforts, the national debt would grow by \$1.45 trillion over the next five years under the Clinton plan.

Vice President Al Gore said the plan "hacks away at the deficit" and provides "the kind of change Americans want." Office of Management and Budget Director Leon E. Panetta called it a "bold plan aimed at reducing the deficit, changing priorities and investing in the future of our people and our country." But critics said the Clinton budget was noteworthy for what was missing:

— \$66.7 billion must be cut over five years to meet the spending plans recently adopted by Congress and endorsed by the administration.

— Also missing is the cost of the administration's health-care-reform plan, which will not be completed until May, and which weapon systems the Pentagon must ax.

"We [Republicans] were taunted

by the president to come out with our own specifics," said Rep. Lamar Smith, R-Texas. "He ought to practice what he preaches."

The \$66.7 billion gap reflects tighter limits set by Congress in the budget resolutions as well as re-estimates of administration policies and deals Clinton cut over the past seven weeks with members of Congress and his Cabinet. Implicit in those deals, in which he has added spending or reduced proposed fees, was that the administration and Congress would have to come up with offsetting spending cuts.

The administration sidestepped that issue Thursday.

Panetta acknowledged that "we're going to have to set some priorities on our investments" because of the caps on domestic spending subject to annual appropriation. He said the administration would negotiate the additional spending cuts with congressional appropriations committees.

Though the budget is usually the opening gambit in months of bargaining over the federal government's tax and spending program, the first Clinton budget is unique. Congress has already approved the limits of what it will spend, and the administration is deep in negotiations over elements of the package.

For example, the budget document Thursday included revenue from increased mining and grazing fees charged to those using federal lands, even though Clinton told Western senators he would not push that plan in the budget.

The next step is for congressional appropriations committees to come up with their own versions of spending plans and for key committees to draw up tax plans. With Democrats controlling the White House and Congress, the Clinton budget is expected to carry far more

weight in that process than in the years of divided government.

But Senate Minority Leader Robert J. Dole, R-Kan., flexing his muscles after his success in stalling the president's economic-stimulus package, said Republicans would be "shooting real bullets" in their negotiations with Democrats as the pieces of the budget are put together.

The White House, in turn, used the budget presentation to step up its attacks on Republicans for holding up what Panetta and Laura D'Andrea Tyson, chairman of the Council of Economic Advisers, called a key element of the plan, the quick spending meant to stimulate the economy and provide jobs.

Gore accused Republicans of working "for paralysis instead of progress" in thwarting the \$16.3 billion stimulus package. He said they would "prefer to do nothing rather than creating jobs for Americans" and pointed out Congress was on spring break while many Americans lacked the jobs and benefits they had.

Gore presented the budget in the absence of Clinton, who was in Little Rock, Ark., with his family preparing for the funeral of Hillary Rodham Clinton's father, Hugh Rodham.

Republicans attacked the Democrat's first budget as relying too heavily on new taxes, rather than real spending cuts, to pare the deficit, and they repeatedly defined the stimulus package as a wasteful spending and pork, rather than real job creation.

Dole agreed the Clinton budget sets new priorities for government, but said Clinton's budget offered "biggest taxes, bigger spending, and bigger government. There's nothing about 'change' in this whopping tax-and-spend budget."

And Rep. Smith, the budget committee member designated by the House Republicans as their spokesman, pinpointed a key GOP complaint: About 80 percent of the \$151 billion in Clinton spending cuts comes in the last two years of the five-year plan. "If anyone believes that, they believe they'll see the Easter Bunny on Sunday." Budget analysts agreed that the history of savings targeted for the "out years" is that they do not materialize.

While its overall spending is about what former President Bush would have proposed, the Clinton budget signature is in two major and several minor areas. Clinton, as promised, would reduce defense spending by \$12 billion more than Bush had proposed. He would also increase the tax rate on wealthier taxpayers and on energy, both of which Bush opposed.

In addition, the Clinton team billed their budget as far more oriented to "long-term investment," pointing to increases in funding for road and bridge work, job training, and other programs aimed at creating the tools of economic growth and the work force for it.

Republican budget experts countered that there were similar concepts in the budgets submitted by President Reagan and Bush.

The Clinton budget document also produces social-policy anathema to the Republicans: It removes restrictions from the GOP era aimed at keeping the federal government from spending money on abortion or to counsel on abortion.

Though Thursday's budget remained largely consistent with the February outline, there were several changes made by Treasury and OMB:

— The Treasury said it would earmark the increased taxes on

Social Security benefits for the Medicare trust fund. The move makes no practical difference to the federal government's finances, but reflects an attempt to sell the increased taxes to senior citizens.

— The administration added spending for the departments of Housing and Urban Development and Veterans Affairs, as well as for heating assistance for the poor, mass transit and for the Tennessee Valley Authority. New spending totaled \$1.2 billion in fiscal 1994 beyond the February figures.

— Re-estimates of earlier policy proposals added \$26 billion to projected deficits over five years. That came largely by reducing estimates of the revenue from increased taxation on Social Security benefits and from higher estimates of Medicare costs.

— The administration sliced an additional \$1.7 billion from the military budget over five years. But Panetta said that "it's going to be tough to go back to defense" for more savings.

While many of the departments got little extra to spend in the Clinton era — domestic spending is essentially frozen in this budget — there are shifts in priorities.

The Department of Housing and Urban Development, for example, unveiled several initiatives underscoring what Secretary Henry Cisneros called "a commitment to community," stressing programs that "create a sense of economic movement" instead of "maintaining the status quo."

The items included \$184 million in new money for homelessness programs, an additional \$48 million to provide jobs, training and education for disadvantaged young people and an extra \$90 million for an expanded community policing and security program for inner cities.

## Expanding Health Care Costs May Wipe Out Debt Reduction

By David Lauter  
LOS ANGELES TIMES

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Despite all its proposed tax increases and large cuts in defense spending, the budget proposed by President Clinton would produce only moderate improvements in the longstanding "structural" federal deficit — the persistent gap between federal spending and revenues.

For a culprit, blame the ever-escalating cost of federal health care programs.

Clinton counts on improvements in the economy to bring down the overall deficit by some \$50 billion over the next five years. In addition, his large defense cuts, an assortment of smaller domestic spending cuts and a healthy dose of new taxes are projected to reduce the deficit by another \$450 billion. With all that, the budget for fiscal year 1997 "will arrive at about a deficit of \$205 billion ... instead of what would be very close to about \$350 billion" without Clinton's proposed changes, budget director Leon Panetta said Thursday.

But Clinton's budget planners project the deficit to begin rising again in a few years as health care costs continue to soar. And unless those costs are brought under control, they warn, all of the administration's planned deficit reductions will be wiped out by early in the next decade.

This year, Medicare, Medicaid, and other federal health programs will cost some \$244 billion, soaking up roughly 16 cents of every federal dollar. But those sums will seem moderate by 1998, when health costs of \$398 billion are projected to take 22 cents per dollar, surpassing both Social Security and national defense to become the government's largest single account.

In the past, devout budget cutters

have often looked to defense or Social Security as the causes of red ink and the best potential sources of a cure. But defense spending already has come down sharply. As a percentage of the overall economy, the Pentagon budget is now at its smallest point since World War II. Clinton proposes to shrink it further, cutting it from 18 percent of this year's budget to 14 percent in 1998. Military leaders, and Clinton as well, have said that cutting any deeper than that would be unwise.

As for Social Security, while the program remains huge, it no longer is growing as a share of the federal budget and is not expected to grow substantially until the "baby boom" generation reaches retirement age in the next century.

Health care costs, by contrast, are growing rapidly. Several factors have driven the growth. Spending on Medicaid, the joint state-federal program that pays for medical care for the poor, has increased sharply because the lingering recession has created more poor people and because Congress has expanded eligibility for the program — bringing in more pregnant women, for example.

Medicare, the federal program of health insurance for the aged, has grown along with the number of elderly Americans.

But the costs of both programs also have grown because of the overall high rate of inflation in the entire health care field. The impact of those soaring costs on the federal budget — paralleled by the burden similar to health cost increases put on the private sector — provide much of the impetus behind Clinton's drive to reform the nation's health care system.

Clinton's budget would make some cuts in Medicare costs by squeezing payments to medical

providers. But administration planners concede those cuts are a mere stopgap. Without some way of bringing health care costs under control, they say, the deficit will begin to rise again in 1998, wiping out Clinton's deficit reductions in short order.

For now, Clinton's budget says nothing about how the health care system will be reformed, how much the reform will cost or what taxes will be raised to finance those changes. Those announcements will not come until next month. But the shadow of health care inflation looms over every other portion of Clinton's budget plan.

If current trends were allowed to continue, health care costs would "triple and, as we get into the next century, almost quadruple," budget director Panetta said. By contrast, administration planners believe that if they can manage to get health costs under control, they can keep the deficit on a slow, steady downward path until it reaches about \$70 billion 10 years from now.

Accounts of the federal budget generally focus on the overall size of the deficit — now running at about \$310 billion. But most economists argue that the overall deficit number can be misleading. A sluggish economy drives the deficit up, while a thriving economy brings the deficit down. The deficit that remains once the impact of economic conditions is factored out — the structural deficit, which is now about \$250 billion — provides the best picture of the true balance between federal spending and revenues.

On that score, Clinton's plan makes limited progress. Clinton's plan projects that the structural deficit would fall to \$201 billion in 1996 before starting to move back up again as health costs grow.

## Administration Proposes Cuts in NIH Research

By Boyce Rensberger  
THE WASHINGTON POST

WASHINGTON

The Clinton administration proposed Thursday to cut the budgets of nine of the 19 research institutes of the National Institutes of Health and to hold four more to increases of around 1 percent or less.

It is the first time in memory, several leaders of the biomedical research community said, that a president has proposed cutting the budgets of any NIH institute, which together have long been among the most highly valued parts of the federal establishment.

Among the institutes being asked to scale back their efforts are those working on prevention and treatment of heart disease, stroke, diabetes, alcoholism, mental illness and diseases of the aged. For example, the National Heart, Lung and Blood Institute, which is charged with fighting the leading cause of death in the United States — heart disease — would see its budget cut 1.3 percent.

Although all institutes are being asked to make cuts in existing programs, some would get budget increases because they are to receive funds earmarked for new or enlarged "targeted" research efforts on AIDS, breast cancer, and minority health. As a result, NIH as a whole would get a 3.2 percent increase.

Hurt most at NIH, biomedical researchers said, would be basic science, research that is not aimed at immediate practical payoff but which opens the new realms of knowledge from which future advances come.

The administration's strategy at the NIH — favoring applied science over basic science — is consistent with its proposals for comparatively large budget increases at the National Science Foundation and at NASA

At the NIH, the largest of the increases would go to institutes working on cancer (8.1 percent) and infectious diseases (8.8 percent), as well as the Human Genome Project (26.6 percent). The 3.2 percent increase for NIH as a whole, biomedical researchers said, works out to a net cutback because the inflation rate for biomedical research — higher than that for the overall economy — is expected to be about 4.1 percent next year.

The budget proposal, if approved by the Congress, would give the NIH an increase of \$333 million, bringing the total budget authority for fiscal 1994 to \$10.67 billion.

"This could be the first year ever when NIH did not at least break even," said Jerald Roschwalb of the National Association of State Universities and Land-Grant Colleges. "It's stupid. The administration's been talking about investing in American technology and this is the best investment money you can get. The breakthroughs in basic biomedical science ultimately save you money."

Advocates for the biomedical-research community also note that it was basic science that gave rise to the biotechnology industry, one of the fastest growing high-tech fields in the world. Yet the NIH arm devoted most exclusively to basic science, the Institute of General Medical Sciences, is slated for an increase of 0.1 percent.

At the National Science Foundation, by contrast, officials and grantees are generally pleased with Clinton's budget. In announcing NSF's \$3.18 billion budget proposal two weeks ago, outgoing director Walter Massey said the increase would "give priority to those programs that invest in the nation's long-term economic growth and social progress."