

## **5. THE PRESIDENT'S 1998 BUDGET**

This budget fulfills the President's firm commitment to reach balance in 2002, building on the balanced-budget proposals that he outlined in his negotiations last year with the bipartisan leaders of Congress. Having cut the deficit by over 60 percent in his first term, the President is determined to finish the job.

Specifically, the President continues to seek cuts in unnecessary and lower-priority spending in both discretionary and mandatory programs, and to eliminate unwarranted tax and other preferences for corporations and others. The cuts would generate enough savings to provide tax relief to help middle-income Americans raise their children, send them to college, and save for the future; and to restore some harsh cuts in anti-poverty programs that Congress attached to last year's welfare reform bill.

### **Reaching Balance**

Among its major elements, the budget:

- saves \$137 billion in discretionary spending, cutting unnecessary and lower-priority programs while investing in education and training, the environment, science and technology, law enforcement, and other priorities that would raise living standards and the quality of life for average Americans;
- saves \$100 billion in Medicare, ensuring the solvency of the Part A trust fund until 2007 while maintaining the essential quality of Medicare services for the elderly and people with disabilities;
- saves \$22 billion in Medicaid, building upon the substantial savings that Federal and State experimentation in this jointly-run program is already generating, and continuing the guarantee of essential health and long-term care coverage for the most vulnerable Americans;
- saves \$76 billion by ending corporate subsidies and other tax loopholes, extending expired tax provisions, and improving tax compliance;
- saves \$36 billion by continuing the Administration's successful policy of auctioning segments of the broadcast spectrum;

- provides \$18 billion to correct the harsh provisions that Congress attached to last year's welfare reform law; and
- cuts taxes by \$98 billion, providing tax relief to tens of millions of middle-income Americans and small businesses.

## **Investing in the Future**

Balancing the budget is not an end in itself. Rather, it helps fulfill the President's main economic goal—to raise the standard of living for average Americans, both now and in the future. So do his spending priorities.

The budget continues the President's policy of shifting Federal resources to education and training, science and technology, and other investments to enable Americans to get the skills to acquire good jobs, and to give businesses the tools to become more competitive, in the new economy. It also continues to shift resources to the environment and law enforcement, raising the quality of life for average Americans.

For education and training, the budget proposes to fulfill the President's commitment to put one million disadvantaged children in the Head Start program by 2002; to create safe learning environments for more children; to help more school systems extend high academic standards, better teaching, and better learning to all students; to enable more Americans to serve their communities and earn money for college; to bring technology into more classrooms; to create a \$1,000 merit scholarship for the top five percent of graduates in every high school; to let more parents, teachers, and communities create public schools to meet their own children's needs; to make it easier for parents and students to borrow and repay college loans; to create the largest increase in Pell Grant scholarships in history in 20 years; and, finally, to provide Skill Grants to adults for job training.

The budget proposes to maintain environmental enforcement; protect national parks and other sensitive resources; and provide tax incentives to encourage companies to clean up "brownfields"—abandoned, contaminated industrial properties in distressed areas. It would put 17,000 more police on the street, bringing the total to 81,000 and moving closer to the President's goal of 100,000 by the year 2000; and it would provide more funds to combat juvenile crime and step up the fight against drugs, largely by focusing on treatment and prevention aimed at young Americans. It would increase the number of Border Patrol agents and workplace investigations to prevent illegal immigration and deter the hiring of illegal immigrants.

The budget invests in research, including biomedical research at the National Institutes of Health, in programs to combat infectious diseases at the Centers for Disease Control, in the Ryan White AIDS program that provides potentially life-extending drug therapies to many people with AIDS, and in community health centers and Indian Health Service facilities. The budget funds full participation in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which would serve 7.5 million people by the end of 1998.

Over the last year, the President also has proposed a series of initiatives to more quickly, and more effectively, meet his goal of higher living standards and a better quality of life for all Americans.

- Along with his earlier call for a tax deduction of up to \$10,000 for college tuition and job training, the President proposes a new \$1,500-a-year HOPE scholarship tax credit to make two years of college universal. The budget also proposes to increase Pell Grants for lower-income families who lack the tax liability to benefit from the tax cuts.
- The President proposes America Reads to help ensure that all children can read by the third grade, and a five-year, \$5 billion school construction fund to help States and communities address the serious problem of dilapidated school buildings.
- Building on his earlier proposal to help the unemployed keep their health care for six months, the President now proposes to help expand health care coverage to uninsured children.
- Having taken the first step to reform welfare, the President now proposes to enhance the Work Opportunity Tax Credit to encourage employers to hire long-term welfare recipients.

## **Improving Performance in a Balanced Budget World**

“We still have work to do,” the President declared in late 1996, “for while the era of big Government is over, the era of big challenges is not.”

Over the last four years, the President has used Federal resources and the power of his office to begin achieving educational excellence, expanding opportunity, cleaning up the environment, investing in promising research, ending welfare as we know it, protecting health care and pensions, making the tax system fairer, and keeping America strong. Americans want more

progress on these and other issues and, with limited funds, the Federal Government must be able to respond effectively.

Led by Vice President Gore's National Performance Review, the Administration promised to create a Government that "works better and costs less." It is saving money, cutting the workforce, eliminating needless regulations and improving the necessary ones, streamlining bureaucracies, cutting red tape, and finding ways to better serve Government's "customers"—the American people.

In 1993, President Clinton pledged to cut the Federal workforce by 252,000 full-time equivalent (FTE) positions. A year later, the President and Congress enacted the Federal Workforce Restructuring Act, requiring cuts of 272,900 FTEs by the end of this decade. (An FTE is not necessarily synonymous with an employee. One full-time employee counts as one FTE, and two half-time employees also count as one FTE.)

To date, the Administration has cut the work force by over 250,000 employees out of 2.2 million in January 1993, creating the smallest Federal workforce in 30 years and, as a percentage of all civilian workers, the smallest since 1931. The cuts correspond to a reduction of over 250,000 FTEs (see Chart 5-1).

But, while Americans want a smaller Government, they also deserve one that works better—that treats them as valued customers at Social Security, veterans', and other offices; that uses their tax dollars wisely; and that makes a real impact on their lives when it addresses the problems of crime and poverty and the challenges of work and education.

The Administration has found many ways for agencies to improve their performance and cut costs. Some of them focus on eliminating obsolete processes, others on improving the ones they have. Because agencies and programs are so different from one another, not every tool, technique, or strategy applies to each agency and department. But every agency and program can benefit from a number of them.

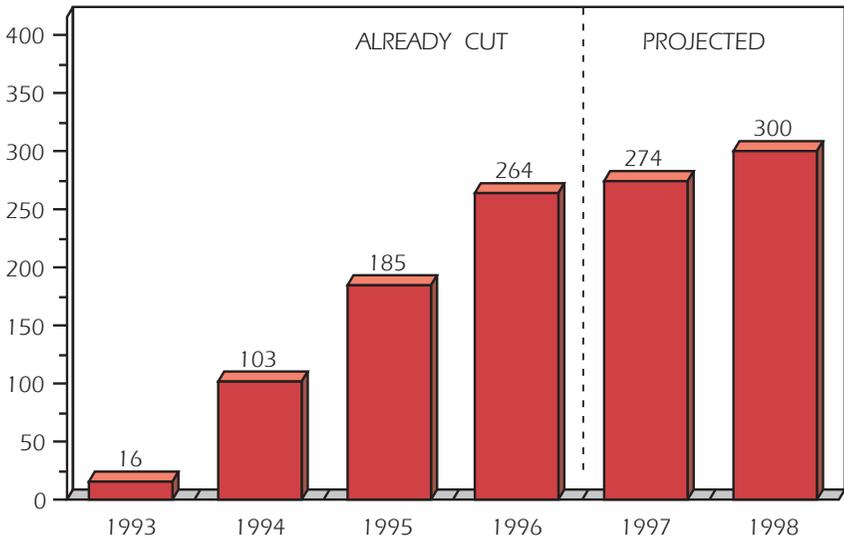
Based on lessons learned over the past four years, the Administration plans to use the following seven tools.

**Restructure Agencies:** Agencies are streamlining their workforces; eliminating redundant layers of bureaucracy; closing small, inefficient field offices; and creating partnerships with State and local governments and the private sector to focus on joint goals and the progress toward meeting them.

**Improve Effectiveness of the Federal Workplace:** Federal workers are working harder and smarter each and every day, but the Government must continue to downsize the workforce to live within the means of a

**Chart 5-1. Cuts in Civilian Employment**

FTE CUTS IN THOUSANDS



Note: In 1993, the President pledged to cut the Federal work force by 252,000 full-time equivalent (FTE) positions. Simply put, one full-time employee counts as one FTE, and two employees who work half-time also count as one FTE.

balanced budget. The Administration will continue to closely manage and target its downsizing, while agencies work to avoid employee disputes and resolve them quickly when they occur.

**Reform Federal Purchasing Practices:** Before President Clinton took office, efforts to make Government work better and cost less were often hindered by the Government's unique acquisition system. But now, with strong bipartisan support from Congress, the Administration is transforming the system into one that operates much more like those of our most successful companies.

**Expand Competition to Improve Services and Reduce Costs:** Competition spurs efficiency. The Administration is encouraging agencies to compete with one another, and with the private sector, to provide common administrative support services. More competition will bring new technologies, capital, management techniques, and opportunity to Federal employees and their customers.

**Follow the Best Private Sector Practices in Using Information Technology:** Well-managed information technology should improve Government's productivity while cutting costs. Agencies are copying the

successful practices of private firms to ensure that the technology provides workable solutions to real problems at a reasonable cost.

***Improve Credit Program Performance:*** The Government must manage its cash and loan assets as wisely as possible. It must design and administer its loan programs prudently, and provide incentives to ensure that it can collect its “receivables” (the amounts owed) in a timely fashion.

***Improve Business Management Practices:*** An efficient, effective Government needs sound financial management, reliable information, and, where appropriate, fees from those who benefit from Government’s business-like activities.

These tools are designed to do more than let agencies function better for their own sake. Ultimately, they are designed to help agencies provide better, more effective services to the American people.

Already, agencies are assessing what their programs actually accomplish and what they must do to improve their performance. The Government Performance and Results Act (GPRA)—the landmark legislation that enjoyed broad bipartisan support in Congress before the President signed it in 1993—makes agencies more accountable for, and focused on, what their programs achieve.

Agencies now have many of the tools they need. Others will require legislation. The President wants to work with Congress to help agencies improve their performance in a balanced budget world.