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MID-SESSION REVIEW OF THE BUDGET

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON REVISED ESTIMATES OF THE BUDGET RECEIPTS,
OUTLAYS, AND BUDGET AUTHORITY FOR FISCAL YEARS 1995-
2000, PURSUANT TO 31 U.S.C. 1106(a)



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EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC, July 14, 1995.

Hon. NEWT GINGRICH,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Section 1106 of Title 31, United States Code, requires that the President transmit to the Congress a supplemental summary of the Budget that was transmitted to the Congress earlier this year. Enclosed are preliminary materials that are part of the supplemental summary of the Budget, commonly known as the Mid-Session Review. They contain changes in budget receipts, outlays, and budget authority requested for fiscal years 1995–2000 as required by statute. In addition, the enclosed materials also contain information for fiscal years 2001–2005. The changes discussed reflect the President's plan to balance the budget in 10 years. We are currently updating these 10-year estimates for revisions in economic assumptions, technical reestimates, and legislation enacted since the release of the February budget. These updated estimates, along with other required information, will be transmitted to you in two weeks.

Sincerely,

ALICE M. RIVLIN, *Director.*

Enclosure.

Supplemental Summary of the FY 1996 Budget: Preliminary Materials

Last month, the President announced his plan to balance the budget by FY 2005, cut taxes for middle-income Americans, and increase investments in education and training.

The President's plan builds upon the policies of the Administration's first two and one-half years that cut the deficit, created seven million jobs, controlled interest rates and inflation, expanded trade to create more high-wage jobs, and rewarded work by cutting taxes for 15 million families. The President is also building on his efforts to create a new kind of government, one that creates opportunity, not bureaucracy, and provides the tools that average Americans need to build better lives for themselves and their families.

The President's plan to balance the budget within a reasonable period of time would protect Medicare and Medicaid, invest in education and training and other priorities, and provide a targeted tax cut to help middle-income Americans raise their children, save for the future, and pay for postsecondary education.

To reach balance, the President would eliminate wasteful spending, streamline programs, and end unneeded subsidies; take the first serious steps toward health care

reform; reform welfare to reward work; and cut non-defense discretionary spending, aside from the President's investments, by 22 percent in real terms.

The Administration wants to work with the Congress on the important goal of balancing the Federal budget but continues to have grave concerns about the approach outlined in the Congressional Budget Resolution. That plan balances the budget too quickly—over seven years—and provides for a huge tax cut, the benefits of which would flow disproportionately to the wealthy. To reach balance under these conditions, the congressional plan cuts deeply into Medicare and Medicaid and cuts virtually everything else—including investments in education and training, in science and technology, and in other areas that would help raise average living standards in the future.

The following tables provide a brief overview of the President's 10-year balanced budget plan. The Administration is currently carrying on the difficult process of updating the 10-year estimates for revisions in economic assumptions, technical reestimates, and legislation enacted since the release of the February budget. These updated estimates, along with other required information, will be transmitted in two weeks.

Table 1. A COMPARISON OF DEFICIT REDUCTION PLANS
(Seven-year totals compared to OMB capped baseline, in billions of dollars)

	1996 Budget	House	Senate	Confer- ence	Presi- dent's Plan
Spending:					
Discretionary ¹	-196	-463	-522	-490	-201
Department of Defense—military		43	-24	8	-3
Other	-196	-506	-497	-498	-198
Mandatory	-44	-699	-625	-620	-202
Medicare:					
Extenders	-26	-26	-26	-26	-26
Additional cuts		-255	-222	-237	-99
Increased benefits					27
Medicaid	1	-189	-177	-184	-54
Health reform (net, including extenders)					-152
Farm	-3	-17	-12	-13	-4
Veterans	-6	-6	-10	-6	-6
Civil service		-3	-7	-1	
Poverty	-2	-128	-113	-112	-38
Spectrum	-5	-15	-25	-14	-14
Other	-1	-28	-31	-25	13
Net interest	-27	-272	-321	-280	-169
Revenue	94	340	161	250	96
Corporate subsidies		-25			-25

¹ President's plan includes major increases in key education and training programs.

Table 2. PROPOSED YEAR-BY-YEAR SAVINGS IN THE PRESIDENT'S PLAN
(in billions of dollars)

Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Baseline deficit	-201	-218	-209	-221	-229	-235	-240	-246	-255	-266
Entitlements	8	13	19	25	35	45	60	69	81	95
Medicare savings	4	6	10	16	23	30	39	45	55	67
Medicaid savings	4	4	6	7	9	11	13	15	17	19
Health coverage		-3	-4	-4	-5	-5	-5	-6	-6	-7
Welfare reform	2	4	5	6	6	7	7	8	8	8
Other	-1	2	2	1	1	2	6	7	7	7
Discretionary	13	11	14	25	35	46	57	72	86	101
Department of Defense—military							2	10	18	27
Other	12	11	14	25	35	46	55	62	67	74
Interest	2	5	12	22	34	46	61	79	97	117
Corporate subsidies	1	2	3	4	5	5	5	6	6	6
Revenue changes	-3	-11	-12	-16	-21	-23	-24	-25	-23	-25
Deficit (-) or surplus	-191	-198	-173	-161	-142	-117	-82	-47	-8	28

* \$500 million or less.

Table 3. PROPOSED YEAR-BY-YEAR TOTALS FOR THE PRESIDENT'S PLAN
(in billions of dollars)

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	10-year total
Outlays:												
Discretionary:												
Department of Defense—military	261	261	247	246	239	239	239	272	272	272	272	2,695
Other	299	292	299	299	297	296	296	296	300	306	310	2,909
Subtotal, discretionary	560	552	546	545	536	535	535	568	572	577	582	5,604
Mandatory:												
Health:												
Medicare	164	172	180	189	213	227	243	260	282	304	329	2,411
Medicaid	96	92	100	109	117	127	138	150	163	177	193	1,367
Other			3	4	4	4	4	5	5	5	6	40
Subtotal, health	260	264	280	302	334	358	385	415	449	486	524	3,818
Other	908	838	870	897	908	909	891	720	764	791	830	6,776
Subtotal, mandatory	761	800	809	808	902	1,090	1,079	1,135	1,204	1,276	1,354	10,594
Net interest	284	286	286	272	276	281	283	289	290	277	279	2,740
Total, outlays	1,605	1,637	1,671	1,723	1,767	1,894	1,891	1,992	2,066	2,152	2,210	16,927
Receipts	1,346	1,416	1,473	1,509	1,586	1,712	1,804	1,904	2,000	2,123	2,236	17,096
Deficit (-) or surplus	-259	-221	-198	-273	-201	-142	-117	-93	-47	-40	-74	-1,831

Table 4. PROPOSED DISCRETIONARY SPENDING BY FUNCTION
(in billions of dollars)

Function	Budget Authority										
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
050 National defense	282.7	258.2	253.9	280.2	288.8	276.5	288.9	286.9	287.4	287.5	287.5
150 International affairs	20.1	21.2	19.8	19.4	19.1	18.7	18.2	17.9	17.8	17.8	17.8
250 General science, space and technology	16.8	17.2	16.7	16.4	16.2	16.1	16.1	15.9	16.1	16.1	16.0
270 Energy	6.1	5.7	5.1	5.0	4.8	4.3	4.4	4.4	5.4	5.5	5.5
300 Natural resources and environment	20.5	21.7	20.8	20.1	19.8	19.5	19.4	19.4	19.5	19.6	19.6
350 Agriculture	4.0	4.0	3.9	3.7	3.9	3.5	3.6	3.6	3.6	3.6	3.6
370 Commerce and housing credit	3.5	3.5	3.5	3.4	3.1	5.2	3.2	3.1	3.2	3.4	3.3
400 Transportation	11.8	37.1	38.5	37.8	34.9	34.2	34.2	34.2	34.3	34.4	34.8
450 Community and regional development	8.6	8.3	8.3	8.2	8.2	8.2	8.2	8.3	8.3	8.3	8.3
500 Education, training, employment, and social services	39.7	44.1	45.3	46.3	47.1	46.1	46.3	50.5	51.7	53.1	54.5
550 Health	22.7	23.7	23.3	23.7	24.1	24.5	24.9	25.3	25.8	26.3	26.8
570 Medicare	3.0	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1
600 Income security	27.5	33.2	32.7	43.5	39.0	38.2	41.4	43.9	45.7	47.5	49.1
650 Social security	18.3	18.3	18.8	18.4	18.0	17.8	17.3	17.8	18.7	19.4	20.1
700 Veterans benefits and services	16.2	21.8	22.4	23.1	24.5	24.7	23.5	22.4	22.8	23.2	23.5
750 Administration of justice	11.2	15.8	12.4	12.2	12.1	12.0	12.0	13.0	13.1	13.1	13.2
800 General government	-0.5	-0.4	1.3	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
900 Allowances	-0.5	-0.4	1.3	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
950 Undistributed offsetting receipts	-	-	-	-	-0.5	-0.5	-0.5	-0.5	-0.5	-	0.2
Total, discretionary	494.2	536.5	528.9	546.9	544.8	554.8	566.5	576.3	577.1	583.0	588.1

Function	Outlays										
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
050 National defense	272.1	281.5	257.2	254.9	280.2	288.3	275.7	281.1	281.9	282.3	282.7
150 International affairs	21.4	20.9	20.9	20.7	20.0	19.2	18.6	18.2	17.9	17.8	17.7
250 General science, space and technology	15.8	16.7	16.7	16.4	16.1	16.1	16.0	15.9	16.0	16.0	16.1
270 Energy	6.5	6.2	5.8	5.4	5.0	4.3	4.3	4.4	5.2	5.4	5.6
300 Natural resources and environment	21.5	21.4	21.2	20.8	20.5	19.7	19.6	19.6	19.6	19.6	19.7
350 Agriculture	4.2	4.1	4.0	3.8	3.7	3.6	3.7	3.7	3.7	3.7	3.7
370 Commerce and housing credit	3.7	3.3	3.5	3.5	3.3	5.2	3.3	3.2	3.3	3.4	3.4
400 Transportation	38.7	38.2	37.8	37.3	37.8	36.4	35.7	35.2	35.2	35.1	35.1
450 Community and regional development	11.9	10.9	8.9	8.0	8.5	8.3	8.2	8.2	8.2	8.3	8.3
500 Education, training, employment, and social services	40.0	40.4	44.0	45.3	46.3	47.2	48.2	49.4	50.5	51.8	53.2
550 Health	22.8	23.3	23.3	23.5	23.8	24.2	24.6	25.0	25.5	26.0	26.5
570 Medicare	2.9	3.2	3.1	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1
600 Income security	38.9	38.9	40.2	40.8	40.9	41.9	42.5	43.6	44.9	46.1	47.3
650 Social security	2.4	3.1	3.2	3.0	3.8	2.9	2.9	2.9	2.9	2.9	2.9
700 Veterans benefits and services	16.2	18.1	18.9	18.5	18.2	17.8	17.7	18.0	18.5	19.2	19.9
750 Administration of justice	17.0	19.5	21.5	22.7	23.6	24.4	24.6	23.3	22.6	23.1	23.4
800 General government	12.9	12.8	12.7	12.6	12.4	12.0	11.9	12.5	12.5	12.6	12.8
900 Allowances	-0.4	-0.4	1.4	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0
950 Undistributed offsetting receipts	-	-	-	-	-0.5	-0.5	-0.5	-0.5	-0.5	-	0.2
Total, discretionary	898.2	942.1	946.1	942.8	947.7	955.2	951.4	968.8	971.8	977.4	982.4

Table 5. PROPOSED CHANGES TO MANDATORY OUTLAYS BY FUNCTION
(in billions of dollars)

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	7-year total, 1996-2002	10-year total, 1996-2005
International affairs	-0.1	-0.1									-0.1	-0.1
Energy	0.4	0.9	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	8.6	13.6
Natural resources and environment	-	-	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.8	1.4
Agriculture	-0.4	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-4.3	-6.1
Commerce and housing credit	-	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.0	1.8
Transportation	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.8
Community and regional development	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.8
Education, training, employment, and social services	-0.5	-1.0	-1.3	-1.1	-1.2	-1.2	-1.4	-1.7	-1.9	-1.9	-7.9	-13.5
Health	-0.7	-1.4	-2.2	-3.2	-4.0	-4.4	-5.1	-6.0	-11.7	-13.3	-60.0	-84.9
Medicare	-0.3	-0.5	-0.2	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-3.0	-5.0
Medicaid	-0.4	-0.9	-1.7	-2.7	-3.5	-3.9	-4.6	-5.5	-11.2	-12.8	-57.0	-89.9
Income security	-1.5	-4.2	-6.3	-6.8	-6.5	-6.5	-7.5	-7.9	-8.3	-8.5	-67.0	-92.5
Social security	-	-	-	-	-	-	-	-	-	-	-	-
Veterans benefits and services	-0.1	-0.1	-0.2	-1.3	-1.4	-1.5	-1.6	-1.7	-1.9	-1.9	-6.2	-11.6
Administration of justice	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5
General government	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed offsetting receipts	-1.0	-4.0	-8.0	-0.4	-0.4	-1.4	-6.1	-6.0	-6.5	-6.5	-17.0	-33.5
Total, mandatory	-10.5	-10.5	-21.1	-26.9	-36.7	-45.9	-60.4	-70.9	-81.3	-86.6	-210.4	-295.3

* \$00 million or less.