105th Congress, 1st Session – – – – – – – – – – – – House Document 105–115

CANCELLATION OF ITEM OF NEW DIRECT SPENDING

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A CANCELLATION OF ONE ITEM OF NEW DIRECT SPENDING CONTAINED IN THE BALANCED BUDGET ACT OF 1997, PURSUANT TO PUB. L. 104–130, SEC. 2(a)

SEPTEMBER 3, 1997.—Message and accompanying papers referred to the Committee on the Budget and ordered to be printed

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THE WHITE HOUSE,
Washington, August 11, 1997.

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

DEAR MR. SPEAKER: In accordance with the Line Item Veto Act, I hereby cancel one item of new direct spending, as specified in the attached report, contained in the "Balanced Budget Act of 1997" (Public Law 105–33; H.R. 2015). I have determined that this cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest. This letter, together with its attachment, constitutes a special message under section 1022 of the Congressional Budget and Impoundment Control Act of 1974, as amended.

Sincerely,

WILLIAM J. CLINTON.

[Cancellation No. 97–3]

CANCELLATION OF ITEM OF NEW DIRECT SPENDING

REPORT PURSUANT TO THE LINE ITEM VETO ACT, P.L. 104–130

Bill Citation: "Balanced Budget Act of 1997" (H.R. 2015)

1(A). Item of New Direct Spending: Section 4722(c). Subsection (c), "Waiver of Certain Provider Tax Provisions", of Section 4722, "Treatment of State Taxes Imposed on Certain Hospitals", is canceled in its entirety. The remainder of Section 4722 is not canceled.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C), (E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: In the past, Federal Medicaid spending increased dramatically because some States used disproportionate share hospital payments and related special financing mechanisms such as levying taxes on health care providers to effectively lower their share of Medicaid spending. Lowering a State's share of Medicaid spending allows the State to generate additional revenues that can potentially be used for non-Medicaid purposes. In 1991, Congress limited the growth in Medicaid spending by enacting legislation to restrict the ability of States to use certain types of provider taxes as their share of Medicaid spending. *See* Section 1903(w) of the Social Security Act, 42 U.S.C. 1396b(w). Congress required that provider taxes be uniform and broad-based in order to qualify as a State's "matching" funds. The canceled item would have deemed taxes, fees, or assessments that were collected by the State of New York from a health care provider before June 1, 1997, and for which a waiver has been applied for, to be permissible health care related taxes in compliance with the requirements of Medicaid law. The canceled item, which would have constituted new direct spending, would have given preferential treatment to only one State (New York), by allowing that State to continue relying upon impermissible provider taxes to finance its Medicaid program. This preferential treatment would have increased Medicaid costs, would have treated New York differently from all other States, and would have established a costly precedent for other States to request comparable treatment. The legislative history and purposes of this provision were considered, but did not outweigh the foregoing reasons for cancellation.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes

[In billions of dollars] [1]

Fiscal year:	
1998	−$0.2
1999	0
2000	0
2001	0
2002	0
Total	−$0.2

[1] Based on CBO estimates. Final Administration scoring may vary.

1(F). Adjustments to Discretionary Spending Limits: Not applicable.

2(A). Agency: Department of Health and Human Services.

2(A). Bureau: Health Care Financing Administration.

2(A). Governmental Function (Account): Medicaid (Grants to States for Medicaid).

2(B). States and Congressional Districts Affected: New York and all Congressional Districts in New York.

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: One.