

# The Washington

THURSDAY, MAY 11, 1995

*cup both feet*

## House GOP Plan Seeks \$1.4

# Post

### Sections

**A** News/Editorials  
**B** Sports/Business/Comics  
**C** Metro/Obituaries  
**D** Style/Television  
**Inside:** *The Weekly, Classified, Washington Home*  
**Today's Contents:** *Page A2*

JK

Prices May Vary in Areas Outside  
Metropolitan Washington (See Box on A4)

25¢

# Trillion in Savings

## Budget Eliminates More Than 300 Programs, Agencies

By Eric Pianin  
Washington Post Staff Writer

House Republicans, who led a political revolution last fall promising to balance the budget and cut taxes, yesterday presented a radical plan to scale back social spending dramatically and shrink the size of government.

The GOP plan, introduced by Budget Committee Chairman John R. Kasich (R-Ohio) a day after the Senate Republicans offered a similar approach, would eliminate the Departments of Commerce, Education and Energy and kill off 13 other agencies, 284 programs and 69 federal commissions.

The House Budget Committee last night moved to pass the seven-year plan to balance the budget and cut taxes. More than a third of the plan's \$1.4 trillion in savings come

from Medicare, Medicaid and other social-welfare programs.

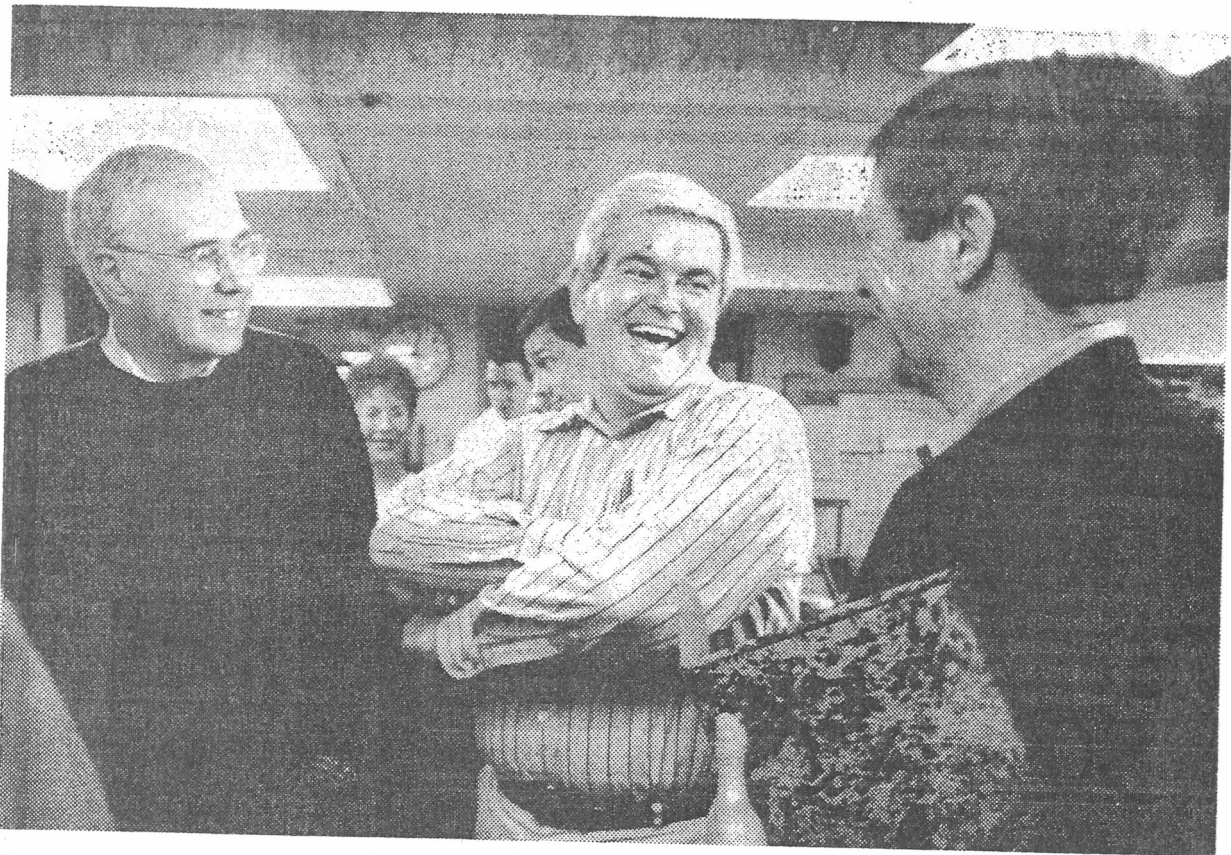
Kasich described his deficit reduction plan as "revolutionary" and said it addresses Americans' growing concern that runaway government expansion is saddling future generations with suffocating debt.

"Mothers and fathers will do virtually anything for their children, and in their guts they know that if we do not balance the budget, that their children's future is at risk," he said. "They believe the pendulum has swung too far in terms of transferring power and money and influence and control to this city."

Federal programs both prominent and obscure would fall in droves un-

See BUDGET, A6, Col. 1

■ *Related stories appear on Pages A6-A14 and on Page A21.*



At a news conference last week to discuss a retreat by Republicans to discuss issues are, from left, Rep. Robert S. Walker (R-Pa.), Speaker Newt Gingrich (R-Ga.) and Budget Committee Chairman John R. Kasich (R-Ohio). BY RAY LUSTIG—THE WASHINGTON POST

#### BUDGET, From A1

der the House GOP plan, including President Clinton's national service program, the Corporation for Public Broadcasting, the Tennessee Valley Authority, the Appalachian Regional Commission, the Legal Services Corporation and the Maritime Commission.

The federal Highway Demonstration Projects, a major source of pork barrel spending, would be eliminated, along with Amtrak, VISTA, the National Endowment for the Arts, the National Endowment for the Humanities, and a raft of vocation education and job training programs. In the Washington area, federal funding would dry up for Gallaudet University, Howard University and Howard Hospital, while the Pennsylvania Avenue Development Corporation, which has presided over downtown development, would be put out of business.

In all, the House GOP plan would reduce projected spending by \$1.4 trillion over seven years, according to staff figures, compared with slightly less than \$1 trillion of saving under the Senate Republican approach. The House needs far more in savings to help pay for a tax cut that will drain the Treasury of more than \$340 billion over seven years.

The House plan includes a 25 percent cut in foreign aid, including aid to Russia; about \$46 billion more in defense spending over five years than either the president or Senate Republicans favor; stiff cuts in agriculture subsidies and research programs; and deep cuts in discretionary spending for a wide array of domestic programs and government services.

Unlike the Senate GOP plan, House Republicans are

claiming an additional \$180 billion of savings by assuming a lower cost-of-living adjustment for Social Security recipients and federal retirees beginning in 1999, and by assuming other economic benefits that would accrue from eliminating the deficit. While Republicans say they are not tampering with Social Security, future benefits would be reduced.

The House plan would redefine the Consumer Price Index and lower cost-of-living adjustments by 0.6 percentage points beginning in 1999. House Republicans and many economists believe the price index overstates inflation and that the government could save at least \$30 billion in retirement benefits by reducing the CPI by less than a percentage point.

Both the House and Senate plans provide for an overall increase in Medicare and Medicaid spending over seven years, although at substantially lower levels than current projections. Medicare spending would total \$283 billion less than projections and Medicaid spending would fall \$184 billion below the projections under the House plan, compared with a \$256 billion Medicare savings and a \$175 billion Medicaid savings under the Senate plan.

Both the House and Senate plans would convert Medicaid, the federal-state health insurance program for the poor, into a block grant program turned over to the states to spend as they see fit and the rate of spending increases would gradually decline from 10 percent to 4 percent. House Republicans are studying plans to avert the projected bankruptcy of Medicare, the health insurance program for the elderly. Senate Republicans have called for a bipartisan commission to make recommendations by July.

Congressional Democrats and White House officials were quick to condemn the House and Senate plans as a thinly veiled attempt to transform the financially ailing Medicare and Medicaid programs to a "second-class health system" and to finance tax cuts for wealthier Americans at the expense of the poor.

"The Republican budget is wrong for working families, it is wrong for the elderly, it is wrong for the economy and I think it is wrong for the country," said White House Chief of Staff Leon E. Panetta, a former House Budget Committee chairman. Health and Human Services Secretary Donna E. Shalala said the proposed Medicare and Medicaid reductions would "make every elderly American and every disabled American much poorer."

Rep. Martin O. Sabo (Minn.), ranking Democrat on the House Budget Committee, warned that the nation was experiencing a "growing polarization of income between rich and poor" and that "the basic fundamental thrust of this [GOP] document is one that escalates rather than helps to solve that problem."

But Kasich insisted the plan was evenhanded. "No one got out of the barrel," he said. "We've gone over it with a fine-tooth comb under a microscope. . . . We're downsizing government, shifting power from this city and giving American families tax relief."

The far-reaching proposals of the House and Senate Republicans represent the first step in a long process of shaping long-term budget policy before the start of the new fiscal year Oct. 1. The proposed budget resolutions provide a broad outline for Congress for how to eliminate the deficit by 2002, including suggestions for specific program changes and cuts. However, the budget resolu-

tion is not binding on other committees, which can cut spending and change or kill programs, provided they achieve specific targets for the savings contained in the resolution.

In the Senate, Democrats wasted no time taking aim at the budget released Tuesday by Budget Committee Chairman Pete V. Domenici (R-N.M.). In particular, they objected to the savings in Medicare and warned that the Domenici plan, while it does not provide for a tax cut, contains fine print that opens the door to one.

"There is a tax cut lurking," said Sen. J. James Exon (Neb.), senior Democrat on the Budget Committee, at a panel hearing. But Domenici responded, "I'm not trying to hoodwink anybody."

The Domenici plan does not set aside any of the seven-year savings for a tax cut. But it does allow the expected fiscal dividend from lower interest rates and a stronger economy to go to tax reductions, provided there is an ironclad program in place to achieve a balanced budget by 2002.

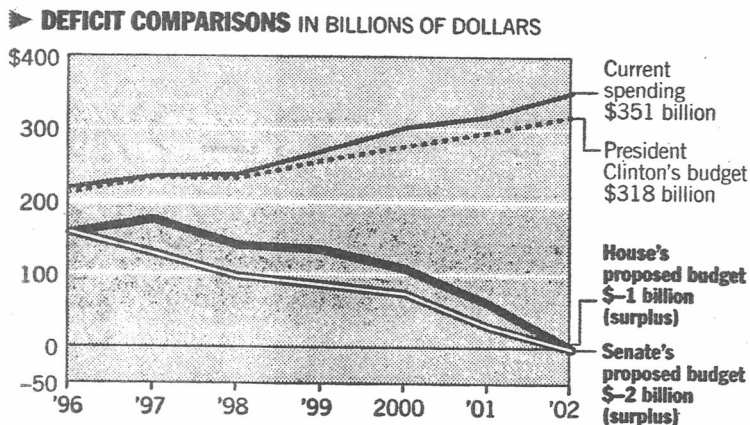
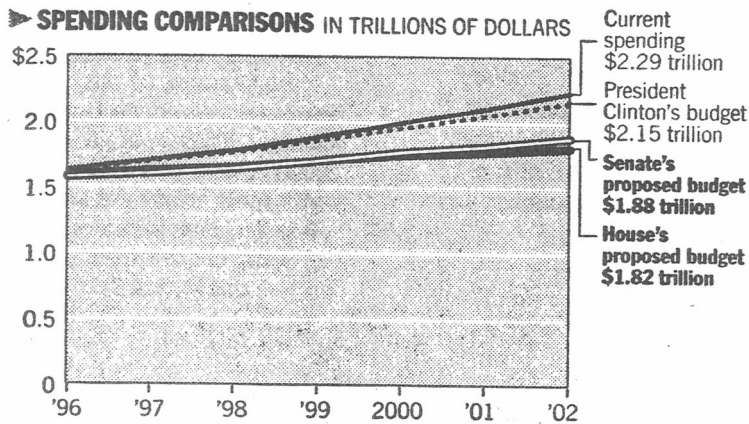
Sen. Frank Lautenberg (D-N.J.) sought to amend the Domenici plan by requiring any fiscal dividend to be applied to Medicare and Medicaid accounts, but the move was defeated on a straight party-line vote. However, the committee approved an amendment offered by Sen. Barbara Boxer (D-Calif.) requiring that approximately 90 percent of any tax cut resulting from a dividend go to working families.

---

*Staff writer Dan Morgan contributed to this report.*

## COMPARING BUDGETS

**A** look at projected spending and deficit levels under budgets proposed by the House, the Senate and President Clinton compared with the current levels.



NOTE: Under the House plan, the \$1.408 trillion spending savings over 7 years includes about \$150 billion of assumed additional economic benefit from balancing the budget and \$30 billion of savings from reducing the consumer price index by 0.6 percentage points beginning in 1999. The Senate Budget Committee estimates do not make these assumptions.

THE WASHINGTON POST

## BUDGET CHOICES

### HOUSE BUDGET

- Cuts projected spending by \$1.4 trillion over seven years.
- Eliminates the departments of Commerce, Education and Energy, and 369 other programs, agencies and commissions.
- Includes a \$340 billion tax cut package.



- Increases Clinton's proposed five-year defense budget by \$46 billion.

### SENATE BUDGET

- Cuts projected spending by nearly \$1 trillion over seven years.
- Eliminates the Commerce Department and more than 100 other programs, agencies and commissions.
- Does not include a tax cut.



- No increase over Clinton's proposed defense budget.

SOURCES: House and Senate Budget committees