

## BUDGET SUMMIT AGREEMENT

September 30, 1990

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TABLE I.A.--DEFICIT REDUCTION  
(in billions of dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>91-95</u>
Discretionary:						
Domestic.....	--	--	-- }			
International.....	--	--	-- }	53.2	62.0	182.4
Defense.....	9.8	22.6	34.8 }			
Mandatory.....	12.1	20.9	23.9	28.8	33.3	119.0
Tax and receipt measures.....	16.2	26.7	27.0	32.1	31.8	133.8
Interest.....	<u>2.0</u>	<u>6.5</u>	<u>12.2</u>	<u>18.4</u>	<u>25.7</u>	<u>64.8</u>
Total deficit reduction.....	40.1	76.7	97.9	132.5	152.8	500.0

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TABLE I.B.--DEFICIT TARGETS AND PROPOSED SAVINGS  
(in billions of dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>91-95</u>
Mid-Session baseline consolidated deficit.....	231.4	205.0	135.2	79.6	76.8	728.0
Adjustments for:						
Economics.....	30.4	58.4	54.4	35.8	19.3	198.3
Technical changes.....	31.2	41.5	37.1	0.1	-12.0	97.9
Enacted legislation and regulations.....	<u>0.7</u>	<u>1.2</u>	<u>0.6</u>	<u>0.3</u>	<u>0.4</u>	<u>3.2</u>
Subtotal, adjustments.....	<u>62.3</u>	<u>101.1</u>	<u>92.1</u>	<u>36.2</u>	<u>7.7</u>	<u>299.4</u>
Current baseline consolidated deficits.....	293.7	306.1	227.3	115.8	84.5	1027.4
Proposed savings.....	<u>-40.1</u>	<u>-76.7</u>	<u>-97.9</u>	<u>-132.5</u>	<u>-152.8</u>	<u>-500.0</u>
Agreement consolidated deficits (+) or surplus (-).....	253.6	229.4	129.4	-16.7	-68.3	527.4
Agreement GRH deficits (excludes deposit insurance and social security).....	205.0	197.1	168.6	111.6	63.3	745.6
Revised GRH targets.....	205.0	197.1	168.6	111.6	63.3	745.6

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TABLE I.C.--BASELINE AMOUNTS AND REDUCTIONS BY CATEGORY  
(in billions of dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>91-95</u>
<b><u>Total Discretionary</u></b>						
Adjusted baseline.....	522.9	546.1	567.4	588.0	602.8	2827.2
Savings.....	<u>-9.8</u>	<u>-22.6</u>	<u>-34.8</u>	<u>-53.2</u>	<u>-62.0</u>	<u>-182.4</u>
Agreed Level.....	513.1	523.5	532.6	534.8	540.8	2644.8
<b><u>Mandatory</u></b>						
Adjusted baseline.....	664.8	692.7	678.5	651.1	703.8	3390.9
Savings.....	<u>-12.1</u>	<u>-20.9</u>	<u>-23.9</u>	<u>-28.8</u>	<u>-33.3</u>	<u>-119.0</u>
Agreed level.....	652.7	671.8	654.6	622.3	670.5	3271.9
<b><u>Interest</u></b>						
Adjusted baseline.....	197.0	203.0	205.6	204.0	199.8	1009.4
Savings (includes revenues).....	<u>-2.0</u>	<u>-6.5</u>	<u>-12.2</u>	<u>-18.4</u>	<u>-25.7</u>	<u>-64.8</u>
Agreed level.....	195.0	196.5	193.4	185.6	174.1	944.6
<b><u>Total Outlays</u></b>						
Adjusted baseline.....	1384.7	1441.8	1451.5	1443.1	1506.4	7227.5
Savings.....	<u>-23.9</u>	<u>-50.0</u>	<u>-70.9</u>	<u>-100.4</u>	<u>-121.0</u>	<u>-366.2</u>
Agreed level.....	1360.8	1391.8	1380.6	1342.7	1385.4	6861.3
<b><u>Tax and Receipt Measures</u></b>						
Adjusted baseline .....	1121.4	1194.2	1278.6	1363.0	1441.1	6398.3
Savings.....	<u>16.2</u>	<u>26.7</u>	<u>27.0</u>	<u>32.1</u>	<u>31.8</u>	<u>133.8</u>
Agreed level.....	1137.6	1220.9	1305.6	1395.1	1472.9	6532.1
<b><u>Revised Economic Assumptions</u></b>						
Adjusted baseline/Agreed level.....	30.4	58.4	54.4	35.8	19.3	198.3
<b><u>Consolidated Deficit</u></b>						
Adjusted baseline.....	293.7	306.1	227.3	115.8	84.5	1027.4
Savings.....	<u>-40.1</u>	<u>-76.7</u>	<u>-97.9</u>	<u>-132.5</u>	<u>-152.8</u>	<u>-500.0</u>
Agreed level.....	253.6	229.4	129.4	-16.7	-68.3	527.4
<b><u>GRH Deficit (excludes deposit insurance and social security)</u></b>						
Adjusted baseline.....	243.1	271.7	264.2	241.7	213.6	1234.3
Savings.....	<u>-38.1</u>	<u>-74.5</u>	<u>-95.5</u>	<u>-130.0</u>	<u>-150.1</u>	<u>-488.2</u>
Agreed level.....	205.0	197.2	168.7	111.7	63.5	746.1
<b><u>ADDENDUM (Agreed Level)</u></b>						
Social security operating surpluses .....	48.7	47.3	60.2	74.6	86.8	317.6
Deposit insurance.....	97.3	79.6	21.0	-53.6	-44.8	99.5

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TABLE II.A.--DISCRETIONARY PROGRAMS  
(in billions of dollars)

	1991		1992		1993		1994		1995		1991-1995	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Defense:												
Baseline 1/.....	313.6	306.2	326.0	316.9	338.3	326.1						
Savings.....	<u>-25.1</u>	<u>-9.8</u>	<u>-35.1</u>	<u>-22.6</u>	<u>-47.2</u>	<u>-34.8</u>						
Agreed level 2/.....	288.5	296.4	290.9	294.3	291.1	291.3						
International:												
Adjusted baseline 3/.....	20.1	18.6	20.5	19.1	21.4	19.6						
Savings.....	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>						
Agreed level.....	20.1	18.6	20.5	19.1	21.4	19.6						
Domestic:												
Adjusted baseline 3/.....	182.7	198.1	191.3	210.1	198.3	221.7						
Savings.....	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>						
Agreed level.....	182.7	198.1	191.3	210.1	198.3	221.7						
TOTAL DISCRETIONARY:												
Adjusted baseline.....	516.4	522.9	537.8	546.1	558.0	567.4	570.1	588.0	588.0	602.8	2770.3	2827.2
Savings.....	<u>-25.1</u>	<u>-9.8</u>	<u>-35.1</u>	<u>-22.6</u>	<u>-47.2</u>	<u>-34.8</u>	<u>-58.6</u>	<u>-53.2</u>	<u>-69.6</u>	<u>-62.0</u>	<u>-235.6</u>	<u>-182.4</u>
Agreed level.....	491.3	513.1	502.7	523.5	510.8	532.6	511.5	534.8	518.4	540.8	2534.7	2644.8

1/ The adjustments for revised economics for defense accounts will be made in March, 1991.

2/ Agreed Level:

Defense discretionary.....	288.5	296.4	290.9	294.3	291.1	291.3
Defense mandatory.....	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total defense.....	289.1	297.0	291.6	295.0	291.8	292.0

3/ Adjustments for anomalies to the GRH baseline include subsidized housing contract renewals and revised scoring of certain lease purchase contracts.

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
<p>The Summit negotiators agreed to total savings in the amounts listed below (under OMB scoring) for the programs indicated. Except where specifically noted, the policies described are illustrative only. The committees of jurisdiction retain the right to achieve the savings required through alternative policies. However, the President and the Bipartisan Leadership have pledged their best efforts to deliver a legislative package that fully reflects the Summit Agreement, as is noted specifically in Part IV, "Agreement Concerning Enactment."</p>						
<b>MANDATORY/ENTITLEMENTS</b>						
1 Agriculture CCC .....	1,300	13,000	1,300	13,000	--	--

It is presumed that these savings would be achieved through a combination of target price and/or base acre reduction programs (potentially including the "triple base" approach). "Triple base" means that acres which become ineligible for deficiency payments could be planted to any crop. The following provides OMB scoring of several possible options:

	<u>FY91</u>	<u>FY91-95</u>
2% per year target price cut and 3% per year base acre reduction	500	12,400

One time 2% target price cut and one-time 15% "triple base" cut:	1,000	12,200
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One-time 25% "triple base" cut (no target price reduction):	1,100	13,800
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	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
2 Medicare. ....	4,600	60,000	4,850	59,911	-250	89

	<u>FY91</u>	<u>FY91-95</u>
<b>Medicare Beneficiaries:</b>		
<b>Deductible/Premium/Coinsurance*</b>		
CBO	1,725 *	27,775 *
OMB	1,750 *	29,911 *

Policy agreement assumes a) \$100, \$125, \$150, \$150, \$150 ('91-'95) deductible,  
b) 20% clinical lab coinsurance and c) a Part B premium of 30%.

	<u>FY91</u>	<u>FY91-95</u>
<b>Providers</b>		
CBO	*	*
OMB	*	*

\* Scoring has varied between CBO/OMB and estimates are subject to change.  
Agreement assumes this beneficiary policy and that the total Medicare savings  
will be a minimum of \$4.6 b ('91) and \$60.0 b ('91-'95). This difference  
between the beneficiary total and the overall target will be met with reductions in  
reimbursement to providers (approx. \$30-35 b over 5 years).

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

		<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
		<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
Specific policies have not been identified, but the following policy changes would produce savings beyond those needed to meet these assumptions:							
<b>Part A:</b>	MBI at 4.1% in FY91; MBI -.75% in FY92; capital at 85% (continuation of current law); indirect medical education at 6.0% [Total: 2.2/16.3]						
<b>Part B:</b>	Reduce payment for overpriced procedures; update primary care services only; reduce payment for overpriced localities; cap technical copayment of diagnostic tests; extend payment limit on new physicians; limit radiology to 90% and limit technical reimbursement; limit anesthesiology to 90%; limit supervised anesthesia payments; reform assistant at surgery payments; limit surgical global fee payment; ESRD secondary payor identification; outpatient capital at 85%, effective FY92; Durable medical equipment payment reforms; reform clinical lab payments [Total: 1.3/12.5]						
<b>Other:</b>	Medicare secondary payor policies (continuation of current law); eliminate return on equity for SNFs [Total: .1/6.1]						



**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
<b>3 Eliminate lump sum Civil Service Retirement . . . . .</b>	<b>1,000</b>	<b>8,100</b>	<b>1,000</b>	<b>8,100</b>	<b>0</b>	<b>0</b>
<p>Federal employees currently may withdraw a portion of their pension funds in lump sum at retirement. Current law, through FY90, allows this lump sum to be paid in 2 annual installments. This will eliminate the lump sum option, effective 11/1/90 (1 month after announcement of agreement).</p>						
<b>4 Other Post Office/Govt. Affairs . . . . .</b>	<b>935</b>	<b>6,300</b>	<b>935</b>	<b>6,300</b>	<b>0</b>	<b>0</b>

Although the agreement does not identify specific policies, it is assumed the following options or options substantially similar will be used to meet the savings total:

	<u>FY91</u>	<u>FY91-95</u>
<b>Postal Service Reform/FEHB funding</b>		
CBO	689	4,200
OMB	689	4,200

Requires Postal service to pick up the employer health care premium component of its annuitants who retired between 1971 and 1986. The employer portion of these benefits is now paid from general revenues. This was expected to be part of OBRA '89, but postal reforms were not included in Reconciliation/ USPS off budget package.

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

		<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
		<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
	<u>FY91</u>	<u>FY91-95</u>					
<b>Extend Medicare limits to 65+ FEHB</b>							
(mand) CBO	250	1,080					
(mand) OMB	185	1,195					
[Disc Memo / CBO]	[0]	[810]					
[Disc Memo / OMB]	[185]	[1,195]					

Includes the 1% of 65+ population not covered by Medicare (pre - 1984 civil service retirees still under FEHB ) under the Medicare payment limits. Holds physician payments to Medicare rates and should actually reduce beneficiary premium costs.

**Increase Postal Service Contributions to CSRS**

CBO	0	1,187
OMB	0	1,187

Beginning in 1994, the Postal Service would increase contributions to the Civil Service Retirement Fund to pay for annuity COLA benefits that current Postal Service employees will receive after they retire. The new rate applies only to Postal Service employees covered by the CSRS.

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
5 Unspecified Energy & Commerce/Finance . . . . .	220	2,600	220	2,600	0	0

A combination of the following Medicaid proposals are presumed to make up these savings:

	<u>FY91</u>	<u>FY91-95</u>
Prudent Pharmaceutical Purchasing		
CBO	220	1,611
OMB	220	1,611

Manufacturers of the multiple source (generic) drugs with the highest Medicaid volume would bid to become sole source providers for individual Medicaid drugs in each State. For single source drugs (patented), manufacturers would be limited to charging Medicaid the best price given any bulk purchaser in State, subject to a maximum discount (20% in '91) and a minimum discount (10%), with savings returned to Medicaid through quarterly rebate. Numerous drug companies have recently proposed similar packages. VA and DOD already receive such discounts. Savings will be tied to the Medicaid baseline through a year-end reconciliation with state programs to assure achievement of baseline savings.

Pay employee health premium, if cost effective		
CBO	120	1,090
OMB	110	1,100

Many Medicaid beneficiaries have parents or spouses who have employer health coverage that could cover family members. This would allow states to opt for payment of private insurance premiums for qualified family members if those premiums are if cheaper than Medicaid coverage. Many states already do so.

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
<b>6 GSL reforms . . . . .</b>	0	2,000	0	2,000	0	0
<p>Reform GSL by identifying for disqualification proceedings the worst high default schools, with special provisions to help protect good schools with high rates; improve guarantee agency oversight and financial strength; protect students and reduce program abuses.</p>						
<b>7 Fund rail pension liability . . . . .</b>	25	200	25	200	0	0
<p>Railroads did not accrue retirement payments sufficient to meet systems obligations. Pension fund has \$34 billion unfunded liability. This proposal funds only a small portion of the underfunding (approx. 1/20) Scoring assumes a .40% increase on the RRB wage base payroll (capped at \$38,100). Alternative policy would use recalculation at current rates, but attributing employer contributions on a rolling 10 yr. base to account for reduced number of rail employees and thus greatly reduced contribution by some railroads.</p>						
<b>8 Social Security Overpayments . . . . .</b>	26	160	26	160	0	0
<p>Collect outstanding social security overpayments by withholding the amount due from Federal income tax refunds. Use tax refund offsets only for amounts owed by former beneficiaries, and only when benefit adjustments or direct payments by the overpaid individual have not been successful.</p>						

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
<b>9 FHA Assignment . . . . .</b>	<b>193</b>	<b>965</b>	<b>193</b>	<b>965</b>	<b>0</b>	<b>0</b>
This proposal would offer a cash settlement to lenders not to assign eligible section 221(g)(4) mortgages to HUD's FHA.						
<b>10 Other FHA Reforms . . . . .</b>	<b>200</b>	<b>2,500</b>	<b>200</b>	<b>2,500</b>	<b>0</b>	<b>0</b>
Assumes the elimination of distributive shares and the retention of current loan limits. Also assumes enactment of S.566 or similar reforms necessary to restore actuarial soundness. Per the agreement, it is understood that any proposals must include an aggregate increase in the actuarial soundness of the FHA loan program.						
<b>11 Unemployment Insurance . . . . .</b>	<b>0</b>	<b>4,600</b>	<b>0</b>	<b>3,165</b>	<b>0</b>	<b>1,435</b>
States would not pay employment benefits for the first two weeks after job separation. 41 states currently have a one week delay.						
<b>12 Tongass Forest . . . . .</b>	<b>28</b>	<b>204</b>	<b>28</b>	<b>204</b>	<b>0</b>	<b>0</b>
Elimination of permanent appropriation for Tongass timber fund.						

**TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
( in millions of dollars)

	<u>CBO Savings</u>		<u>OMB Savings</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>	<u>1991</u>	<u>91-95</u>
<b>13 Unspecified Veterans . . . . .</b>	500	2,700	500	2,700	0	0
<p>Specific policies have not been identified. However, the following proposals have been discussed and would meet these savings totals:</p> <ul style="list-style-type: none"> <li>-- Expand and improve third party recoveries in medical care;</li> <li>-- in the loan guaranty program, include resale losses in net-value and allow eligibility for only 10 years after service;</li> <li>-- in compensation and pensions, limit inheritance of remote heirs and do not pay compensation for secondary effects of willful misconduct; and verify pension eligibility as well as revise eligibility for veterans over age 65.</li> </ul>						
<b>14 Miscellaneous Other Mandatory Entitlements/Fees.....</b>	600	3,000	600	3,000	0	0
<p>Specific selection of this set of mandatory savings is to be determined by the summit negotiators prior to enactment of the reconciliation bill.</p>						
<b>Subtotal, Mandatory/Entitlements.....</b>	<b>9,627</b>	<b>106,329</b>	<b>9,877</b>	<b>104,805</b>	<b>-250</b>	<b>1,524</b>

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TABLE II.B.--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING  
(Outlay savings in millions of dollars)

	<u>CBO Scoring</u>		<u>OMB Scoring</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>1991-1995</u>	<u>1991</u>	<u>1991-1995</u>	<u>1991</u>	<u>1991-1995</u>
<b>MANDATORY/USER FEES</b>						
<b>1 Animal and plant health inspection.....</b>	<b>79</b>	<b>433</b>	<b>79</b>	<b>433</b>	<b>--</b>	<b>--</b>
Establish a fee that would recover the cost of certain veterinary diagnostic services, import-export inspections, and agricultural quarantine inspections at ports of entry.						
<b>2 Bank Insurance Fund assessment increase.....</b>	<b>999</b>	<b>4,045</b>	<b>999</b>	<b>4,045</b>	<b>--</b>	<b>--</b>
The Bank Insurance Fund fee increase is consistent with legislation recently proposed by Gonzalez, Riegle, and the Administration. The legislation would remove restrictions on FDIC's ability to raise rates. The estimates assume that, if the legislation passes, rates will increase from .15 percent of deposits to .195 percent in FY 1991 and to .23 percent thereafter.						
<b>3 Coast Guard: \$25 annual decal.....</b>	<b>200</b>	<b>1,077</b>	<b>200</b>	<b>1,077</b>	<b>--</b>	<b>--</b>
Charge each recreational and commercial boater using waterways patrolled by the Coast Guard \$25 annually for a decal, and charge direct fees for specific Coast Guard services, such as licensing and inspections.						
<b>4 Corps of Engineers recreational fee.....</b>	<b>20</b>	<b>100</b>	<b>20</b>	<b>100</b>	<b>--</b>	<b>--</b>
Establish fees at developed recreational sites administered by the Corps. Receipts would be used to expand operation and maintenance activities at the recreational sites beginning in 1992.						
<b>5 Customs passenger and merchandise processing..</b>	<b>291</b>	<b>2,256</b>	<b>--</b>	<b>2,823</b>	<b>291</b>	<b>-567</b>
Extend the merchandise and passenger processing fees. The proposal should be structured to ensure that the higher target and equivalent deficit reduction are accomplished.						
<b>6 EPA permit, certification, and registration fees.....</b>	<b>18</b>	<b>134</b>	<b>31</b>	<b>155</b>	<b>-13</b>	<b>-21</b>
Establish fees on EPA-issued water permits, auto fuel and certification tests, radon proficiency ratings, and pesticide registrations.						

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**TABLE II.B.--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
(Outlay savings in millions of dollars)

	<u>CBO Scoring</u>		<u>OMB Scoring</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>1991-1995</u>	<u>1991</u>	<u>1991-1995</u>	<u>1991</u>	<u>1991-1995</u>
<b>7 FEMA flood and crime insurance.....</b>	<b>14</b>	<b>833</b>	<b>14</b>	<b>224</b>	<b>--</b>	<b>609</b>
For FEMA flood insurance, increase fees on policy holders to recover the cost of administering the program; and establish a student registration fee of \$25 per week or any part of a week for State and local officials attending training sessions at the Emergency Management Institute or the National Fire Academy. The Democratic estimates include savings from reauthorization of the existing program. These should not be counted as savings, since the baseline assumes the program continues.						
<b>8 Forest Service recreational fee.....</b>	<b>8</b>	<b>40</b>	<b>8</b>	<b>40</b>	<b>1</b>	<b>1</b>
Broaden the type of existing fees that may be charged at Forest Service recreation facilities, with increased receipts funding the cost of associated recreation operation and maintenance beginning in 1992.						
<b>9 Hardrock mining claim holding fee.....</b>	<b>--</b>	<b>120</b>	<b>78</b>	<b>390</b>	<b>-78</b>	<b>-270</b>
Establish an annual fee of \$100 per claim to keep mining claims on public lands active, replacing the current Federal requirement that claimholders spend at least \$100 per year on development of the claim.						
<b>10 NOAA weather service.....</b>	<b>5</b>	<b>25</b>	<b>5</b>	<b>25</b>	<b>--</b>	<b>--</b>
Establish fees to recover NOAA costs associated with providing weather data and information.						
<b>11 Nuclear Regulatory Commission.....</b>	<b>299</b>	<b>1,661</b>	<b>296</b>	<b>1,646</b>	<b>3</b>	<b>15</b>
Increase existing fees to recover 100 percent of the NRC's costs incurred in regulating nuclear power plants.						



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**TABLE II.B.--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING**  
(Outlay savings in millions of dollars)

	<u>CBO Scoring</u>		<u>OMB Scoring</u>		<u>CBO less OMB</u>	
	<u>1991</u>	<u>1991-1995</u>	<u>1991</u>	<u>1991-1995</u>	<u>1991</u>	<u>1991-1995</u>
12 OSHA/MSHA fees..... Increase the penalties for not complying with the law. For OSHA, the maximum fine for non-serious violations would increase from \$1,000 to \$5,000 per violation. For serious violations, the maximum OSHA fine would increase from \$10,000 to \$50,000; and for MSHA, from \$10,000 to \$30,000.	95	1,130	95	1,130	--	--
13 Patent and trademark..... This increase would fully fund the program in 1991; all applicants would be required to pay a fee; and public search rooms would be operated on a fee basis.	100	540	100	540	--	--
14 Pension Benefit Guaranty Corporation (PBGC)..... Amend ERISA to raise the basic PBGC insurance premium rate, the maximum variable rate portion of the premium, and the assessment per \$1,000 of unfunded vested benefits.	120	640	120	640		
15 Railroad safety inspections..... Establish a fee, to be phased in over two years, to cover the cost of the railroad safety program.	20	170	20	170	--	--
16 U.S. Travel and Tourism Administration (USTTA). Establish a fee to be assessed on commercial airlines and cruise ship carriers to recover the full cost of USTTA operations. Under the proposal, USTTA would still require an annual appropriation.	7	43	7	63	--	-20
17 Veterans fees (unspecified).....	120	650	120	650	--	--
Subtotal, Mandatory/User Fees.....	2,395	13,897	2,192	14,152	203	-255
TOTAL MANDATORY.....	12,308	120,226	12,069	118,957	239	1,269

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## II.C. TAX AND RECEIPT TABLES

### - BUDGET SUMMIT AGREEMENT -

Fiscal Years 1991-1995

[Billions of Dollars]

Item	Effective	1991	1992	1993	1994	1995	1991-95
<b>A. Budget Outlays</b>							
State and local Social Security offset:							
a. Social Security package [target].....	--	-0.5	-0.3	-0.4	-0.4	-0.4	-2.0
b. Medicaid package [target].....	--	-0.5	-0.4	-0.4	-0.4	-0.4	-2.0
<b>B. Revenue-Losing Provisions</b>							
1. Enterprise zones [target].....	1/1/91	--	-0.1	-0.2	-0.3	-0.4	-1.0
2. Energy incentives [target].....	1/1/91	-0.4	-0.6	-0.9	-1.0	-1.1	-4.0
3. Extend certain expiring provisions through 12/31/91:							
a. R&E credit (1).....	--	-0.6	-0.4	-0.1	-0.1	(2)	-1.2
b. Low-income housing credit.....	--	-0.2	-0.3	-0.4	-0.4	-0.4	-1.7
4. Additional growth incentives for certain small businesses:							
a. Minimum basis.....	10/1/91	0.2	-0.1	-0.2	-0.3	-0.3	-0.7
b. Research and development credit of 30% (1 year).....	1/1/91	-0.1	-0.2	-0.1	(2)	(2)	-0.4
c. Deduction for stock purchases (25%)..... (3)	1/1/91	-0.4	-1.0	-1.4	-1.9	-2.6	-7.3
d. Indexing of common stock..... (4)	1/1/92	(2)	(2)	-0.1	-0.1	-0.2	-0.4
e. 2-year expansion of expensing.....	1/1/91	-2.8	-3.4	0.7	2.1	1.5	-1.9
f. Additional expensing for scientific equipment.....	1/1/91	-0.5	-0.6	0.1	0.4	0.3	-0.3
g. Reduce corporate phaseout rate from 5% to 2-1/2%.....	1/1/91	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
h. Additional growth incentives subject to mutual agreement [target].....	--	(2)	-0.1	-0.1	-0.2	-0.2	-0.6
5. Increase EITC (5) [target].....	1/1/91	-0.1	-1.1	-1.2	-1.3	-1.3	-5.0
<b>Subtotals, Revenue-Losing Provisions.....</b>		<b>-5.0</b>	<b>-8.0</b>	<b>-4.0</b>	<b>-3.2</b>	<b>-4.8</b>	<b>-25.0</b>

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Item	Effective	1991	1992	1993	1994	1995	1991-95
<b>C. Revenue-Raising Provisions</b>							
1. Energy taxes:							
a. Motor fuels tax (5 cents; 10 cents after 7/1/91)(6).....	12/1/90	5.4	10.1	9.8	9.9	9.9	45.0
b. 2-cent petroleum tax, (6).....	1/1/91	1.4	2.4	2.5	2.7	2.9	11.8
2. Increase tobacco taxes by 4 cents per pack in 1991 and by 4 cents per pack in 1993.....	1/1/91	0.6	0.8	1.5	1.5	1.5	5.9
3. Beer, wine, and distilled spirits taxes.....	1/1/91	1.5	2.1	2.1	2.1	2.2	10.0
4. 10% luxury excise tax (7).....	1/1/91	0.2	0.3	0.4	0.5	0.5	1.9
5. Ozone-depleting chemical excise tax.....	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
6. Loss deductions and salvage values for insurance companies.....	1/1/90	0.3	0.2	0.2	0.2	0.2	1.1
7. Adopt foreign compliance provisions including certain provisions from H.R. 4308 and S. 2410.....	3/20/90	(8)	(8)	0.1	0.1	0.1	0.3
8. Amortize insurance policy deferred acquisition expenses (DAC).....	9/30/90	1.5	1.7	1.7	1.6	1.5	8.0
9. Leaking underground storage tank (LUST) trust fund (5 years).....	10/1/90	0.1	0.1	0.1	0.1	0.1	0.6
10. Increase Airport Trust Fund aviation excise taxes (5 years) (9)..... (10)	1/1/91	1.3	2.3	2.5	2.7	3.0	11.8
11. Increase harbor maintenance tax (9)..... (11)	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
12. IRS enforcement initiatives [target]..... (11)	--	3.0	1.8	1.8	1.5	1.2	9.4
13. Retiree health with reversion compromise increase [target].....	1/1/91	0.5	0.2	0.2	0.1	0.1	1.0
14. State and local HI (12) [target].....	1/1/92	--	0.7	1.4	1.6	1.6	5.2
15. Corporate interest deduction partial disallowance [target].....	1/1/91	1.4	0.7	0.6	0.4	0.6	3.9
16. Certain business tax provisions [target].....	--	0.2	0.3	0.4	0.5	0.6	2.0
17. Limitation on itemized deductions (13) [target].....	1/1/91	0.5	4.1	4.0	4.5	4.9	18.0
18. Increase HI wage cap to \$73,000 [target].....	1/1/91	0.9	2.8	2.9	3.1	3.3	13.0

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Item	Effective	1991	1992	1993	1994	1995	1991-95
19. State and local social security (OASDI) ..... (14)	--	2.0	2.2	2.4	2.5	2.7	11.7
20. Payroll tax deposit stabilization.....	--	1.0	2.2	-3.2	--	--	--
<b>Subtotals, Revenue-Raising Provisions.....</b>		<b>22.2</b>	<b>35.4</b>	<b>31.8</b>	<b>36.1</b>	<b>37.4</b>	<b>162.9</b>
<b>Net Deficit Reduction.....</b>		<b>16.2</b>	<b>26.7</b>	<b>27.0</b>	<b>32.1</b>	<b>31.8</b>	<b>133.8</b>

Joint Committee on Taxation

NOTES: Details may not add to totals due to rounding.

Interaction between or among items has not been taken into account for the purpose of this table.

- (1) Base limitation is retained at current level of 50%.
- (2) Loss of less than \$50 million.
- (3) For small business equity deduction, preference included in minimum tax, recapture deduction as ordinary income, and 25% on annual deduction per taxpayer of \$50,000.
- (4) For stock of small business corporations purchased after date of Summit agreement, allow indexing of basis for inflation occurring after 12/31/90, sold after 12/31/91, and held for at least one year.
- (5) Amount does not correspond to that used in the accompanying distributional analysis.
- (6) Each State to receive Highway account apportionments and allocations equal to at least 95% of its contribution attributable to increased revenue; 50% of tax on gasoline to trust fund.
- (7) Tax applies to specific newly-manufactured items with retail prices above the following thresholds: automobiles--\$30,000; private boats and yachts--\$100,000; jewelry--\$5,000; and furs--\$5,000. Tax is 10% of purchase price in excess of thresholds.
- (8) Gain of less than \$50 million.
- (9) Estimate is net of income tax offset.
- (10) This estimate is presented relative to the CBO baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes as proposed in the President's budget. Increased revenue to be dedicated to deficit reduction.
- (11) Estimate to be provided by the Congressional Budget Office (CBO).
- (12) Rate = 0.8% in 1992, 1.35% in 1993, 1.45% in 1994 and thereafter.
- (13) Disallow itemized deductions in an amount equal to 3% of AGI in excess of \$100,000 for single returns, \$100,000 for joint returns, and \$100,000 for head of household returns. Proposal does not apply to medical expenses or investment interest. Disallowance under the proposal cannot exceed 80% of otherwise deductible itemized deductions subject to the proposal.
- (14) See related outlay offset in Section A.

(Revenue-Losing Provisions in Billions of Dollars)

The Summit negotiators agreed to total savings in the amounts listed below (under OMB scoring) for the programs indicated. Except where specifically noted, the policies described are illustrative only. The committees of jurisdiction retain the right to achieve the savings required through alternative policies. However, the President and the Bipartisan Leadership have pledged their best efforts to deliver a legislative package that fully reflects the Summit Agreement, as is noted specifically in Part IV, "Agreement Concerning Enactment."

	<u>1991</u>	<u>1991-1995</u>
B.1. Enterprise Zones . . . . .	0.0	-1.0

Provisions, designed to provide tax incentives to specially-designated areas in need of economic assistance, similar to those described in H.R. 4993 and H.R. 5190, as mutually agreed will be adopted with a total revenue cost over the five-year budget period of \$1.0 billion.

B.2. Energy Incentives . . . . .	-0.4	-4.0
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Tax incentives would be provided to enhance energy security, including incentives for oil and gas exploration, production from marginal properties and enhanced oil recovery. In addition, section 29 will be made permanent and extended to tight sands gas. Incentives for ethanol will be modified and extended. The total of energy security incentives including the foregoing will not exceed \$4.0 billion over the five-year budget period.

B.3 Extension of Expiring Provisions

Under the agreement, the following provisions would be extended through December 31, 1991:

a. Research and experimentation credit. The 25% reduction enacted for 1990 will be restored. . . . .	-0.6	-1.2
--	------	------

(Revenue-Losing Provisions in Billions of Dollars)

	<u>1991</u>	<u>1991-1995</u>
b. Low-income housing credit. The low-income housing credit allocation limit would also be restored to \$1.25 per State resident for 1990 and would be continued at that limit in 1991. . . . .		-0.2 -1.7

B.4. Provisions relating to qualified small corporations

Definition of qualified small corporation -- Qualified small corporations are domestic subchapter C corporations with paid-in capital and retained earnings of less than \$50 million. Such corporations must be engaged in an active trade or business for at least 5 years (or, if shorter, the period of their existence), and substantially all of the corporation's assets must be used in active trades or businesses. Among the types of corporations that would be excluded are: banks, savings and loan associations, insurance companies, finance companies, securities holding and management corporations, real estate holding and management companies, personal service corporations, regulated investment companies, real estate investment trusts, and cooperatives.

B.4.a. Basis Adjustment for Qualified Small Corporations . . . . .	0.2	-0.7
--	-----	------

An individual who sells common stock of a qualified small corporation acquired after September 30, 1990, and before December 31, 1995 and held for at least five years would be entitled to claim a tax basis in such stock equal to the greater of (i) his adjusted stock basis or (ii) 50% of the sales price. This rule would be available only if such corporation was a qualified small corporation at any time during the two years immediately preceding the date of the stock sale.

B.4.b. 30% research and experimentation credit for qualified small corporations . . . . .	-0.1	-0.4
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Qualified small corporations would be entitled to an additional 10% credit for research and experimentation expenses (resulting in a total credit of 30%) during 1991.

(Revenue-Losing Provisions in Billions of Dollars)

	<u>1991</u>	<u>1991-1995</u>
B.4.c. Deduction for investment in qualified small corporations . . . . .	-0.4	-7.3

Individuals would be allowed to deduct 25 percent of the purchase price of "qualified small business stock" purchased after December 31, 1990. The amount of the deduction for each individual per year would be limited to \$50,000. The individual would reduce the basis of such stock by the amount of the deduction.

"Qualified small business stock" would be defined as common stock of a qualified small corporation originally issued to an individual (either directly or through an underwriter) for money or other property (including debt, but not including stock of the corporation). It would not include stock transferred in exchange for services or issued in redemption of (or otherwise in exchange for) stock or any other equity interest that was issued prior to the effective date.

The deduction would be recaptured as ordinary income in the same manner as depreciation recapture. In addition, any of four other events would trigger recapture of an individual's deduction: (i) the death of the individual within 2 years of purchasing the stock (to prevent deathbed transfers for stock that receives a step-up in basis at death); (ii) transfer by the individual to an IRA or other benefit plan; (iii) transfer to a charity (the recapture is accomplished by denying a charitable deduction for the amount of the deduction allowed for qualified business stock), or (iv) failure of the corporation to continue to meet the definition of "qualified small corporation" for reasons other than growth of the corporation or participation in a tax-free reorganization transaction.

Individuals would be allowed to claim deductions only for amounts that they are "at-risk" with respect to the investment. The deduction would not be allowed in computing



(Revenue-Losing Provisions in Billions of Dollars)

1991    1991-1995

the alternative minimum tax. If the individual is subject to the alternative minimum tax, he would not have to reduce his basis in the stock by the amount of the deduction. The deduction would not be allowed to trusts, estates, or dependent children.

To prevent abuse, an excise tax would be imposed on corporations that during the 2 years after issuing the qualified business stock either (i) failed to satisfy the active trade or business requirement, or (ii) redeemed a substantial amount of stock without a good business purpose for the redemption. The amount of the tax would be equal to 5 percent of the fair market value of qualified business stock issued during the 2-year period.

B.4.d. Indexing investment in common stock . . . . . ---        -0.4

Individuals would increase the tax basis of common stock of a qualified small corporation, whether or not newly issued, acquired after September 30, 1990 and held for at least one year to reflect inflation occurring after December 31, 1991. The provision would expire December 31, 1995.

B.4.f. Expand election to expense certain depreciable  
business property . . . . . -0.5        -0.3

Corporations with total assets of not more than \$50 million would be allowed to elect to expense certain amounts in excess of current law limits set forth in section 179. Additional expensing may be provided for certain research and experimentation equipment. Revenue cost over the budget period will not exceed \$2.2 billion.



(Revenue-Losing Provisions in Billions of Dollars)

1991    1991-1995

B.4.g. Reduce corporate tax rate phase-out of benefit  
of lower tax brackets . . . . . -0.1    -0.5

For corporations with taxable income in excess of \$100,000, the amount of tax would be increased by the lesser of 2.5 percent of such excess or \$11,750. Thus, a corporation would not be subject to the flat income tax rate of 34 percent until the corporation has taxable income of \$570,000 or more.

B.4.h. Additional incentives to promote growth . . . . . ---    -0.6

In addition to the foregoing, the Agreement includes additional growth incentives as may be mutually agreed with a revenue cost of \$600 million over the 5-year budget period.

B.5. Earned Income Tax Credit . . . . . -0.1    -5.0

Under the agreement, the earned income tax credit would be increased at a revenue cost of \$5 billion during the period 1991-1995. (This amount is in addition to any increases in the earned income tax credit under child care legislation.)

(Revenue-Raising Provisions in Billions of Dollars)

	<u>1991</u>	<u>1991-1995</u>
C.1.a. Motor Fuels Taxes . . . . .	5.4	45.0

Increase the excise taxes on gasoline, diesel, and special motor fuels by 5 cents per gallon effective on December 1, 1990, and 10 cents per gallon effective on July 1, 1991 with floor stocks taxes being imposed.

Each State is to receive highway account apportionments and allocations equal to at least 95 percent of its contribution attributable to increased revenue.

C.1.b. Tax on Certain Refined Petroleum Products . . . . .	1.4	11.8
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Effective January 1, 1991, a tax would be imposed at a 2 cent per gallon rate on refined petroleum products including gasoline, diesel fuel, aviation gasoline and jet fuel kerosene and residual fuel oil. Products not used as fuel, such as asphalt, lubricants, waxes and feedstocks, would not be taxed. A floor stocks tax will be imposed.

In general, taxes would be paid by refiners of refined petroleum products and importers. Imported fuels are taxed, and exported fuels are exempt from tax.

Fuels sold for use in manufacturing (including agriculture) would be exempt from tax. Manufacturing would be defined to include all steps in the processing, conversion, or fabrication of raw, unfinished, or semifinished materials into a packaged and finished article of tangible personal property. The exemption would not apply to such things as transportation (including transportation in connection with manufacturing or agriculture), construction, retail trade, wholesale trade, or financial or other services.

C.2. Tobacco Excise Taxes . . . . .	0.6	5.9
-------------------------------------	-----	-----

The agreement would increase by 25 percent the current excise taxes on all tobacco products, including cigarettes, cigars, chewing tobacco, snuff, and pipe tobacco (e.g., increase the tax on a pack of 20 small cigarettes from 16 cents to 20 cents per pack), effective January 1, 1991. Further, the agreement would increase by the same dollar amount as the previous 25-percent increase the excise taxes on all tobacco products (e.g.,

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

increase the tax on a pack of 20 small cigarettes from 20 cents to 24 cents per pack), effective January 1, 1993. Finally, the agreement would impose floor stocks taxes at the time of each rate increase.

C.3. Increase Excise Taxes on Distilled Spirits, Beer, and Wine.....	1.5	10.0
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In developing the \$10 billion target, the Summit leadership contemplated a distribution of tax changes, effective January 1, 1991, roughly as follows:

- (1) The distilled spirits tax rate by \$1.50 per proof gallon, from \$12.50 per proof gallon to \$14.00 per proof gallon.
- (2) The tax rate on beer from \$9.00 per barrel (16 cents per six pack) to \$18.00 per barrel (32 cents per six pack).
- (3) The tax rate on wine will generally be increased by 22 cents per bottle as follows:
  - (a) Wine with up to 14 percent alcohol content (commonly referred to as table wine) from \$0.17 per wine gallon (3 cents on a 750-milliliter bottle) to \$1.77 per wine gallon (25 cents on a 750-milliliter bottle).
  - (b) Wine with 14 to 21 percent alcohol content (commonly referred to as fortified wine) from \$0.67 per wine gallon (13 cents on a 750-milliliter bottle) to \$1.77 per wine gallon (35 cents on a 750-milliliter bottle).
  - (c) Wine with 21 to 24 percent alcohol content from \$2.25 per wine gallon (45 cents on a 750-milliliter bottle) to \$3.35 per wine gallon (67 cents on a 750-milliliter bottle).
  - (d) Artificially carbonated wine from \$2.40 per wine gallon (48 cents on a 750-milliliter bottle) to \$3.50 per wine gallon (70 cents on a 750-milliliter bottle).

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

A domestic small producer exemption from the above rate increases (i.e., present law rates would remain in effect with respect to such producers) would apply to the first 100,000 gallons of wine produced by wineries with total production for the calendar year not exceeding 200,000 gallons and to the first 30,000 barrels of beer produced by breweries with total production for the calendar year not exceeding 60,000 barrels. Additional changes will be made to reach a revenue target of \$10 billion over the period 1991-1995. Appropriate floor stocks taxes will be imposed.

C.4.    Luxury Excise Tax . . . . . 0.2      1.9

Impose a 10-percent excise tax on the portion of the retail price of the following items that exceeds the thresholds specified below.

(1) Automobiles above \$30,000 -- An automobile is any passenger automobile manufactured primarily for use on public streets, roads, and highways that is rated at 6,000 pounds unloaded gross vehicle weight or less. This includes trucks and vans, except that only trucks and vans with a loaded gross vehicle weight of 6,000 pounds or less are subject to this tax. (No weight limitation applies to limousines.) Also, the tax does not apply to the sale of any passenger vehicle for use by the purchaser exclusively in the active conduct of a trade or business of transporting persons or property for compensation or hire.

(2) Private boats and yachts above \$100,000 -- Boats and yachts that are used exclusively in a trade or business (except for leasing, rental, business entertainment or other recreational purposes) are exempt from this tax.

(3) Jewelry above \$5,000 -- The tax applies on a item-by-item basis. Custom fabrication of jewelry also is subject to this tax. Watches are included as jewelry.

(4) Furs above \$5,000 -- The tax applies to items made from fur or in which fur is a major component. It does not apply to leather or to artificial fur.

This tax applies only to the first retail sale of newly manufactured items subject to the tax occurring on or after January 1, 1991. This tax would apply to these items upon their importation into the United States, unless the item is being imported by someone in

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

the trade or business for subsequent retail sale (in which instance the subsequent retail sale would be subject to tax). This tax does not apply to exported items.

Exemptions - The tax on automobiles and boats would not apply to the sale of those items to a State or local government for use exclusively in police or other law enforcement activities or to any person for use exclusively in providing emergency medical services.

C.5. Ozone Depleting Chemical Excise Tax . . . . . 0.1      0.5

In June of 1990, the Montreal Protocol on Substances that Deplete the Ozone Layer was amended to expand the list of controlled chemicals and to make other changes. The list of controlled chemicals was expanded to include carbon tetrachloride and methyl chloroform, among others. Under the amendments to the protocol, consumption and production controls are not applicable to carbon tetrachloride prior to January 1, 1995; consumption and production controls are not applicable to methyl chloroform prior to January 1, 1993; and consumption and production controls are not applicable to CFC-13, CFC-111, CFC-112, CFC-211, CFC-212, CFC-213, CFC-214, CFC-215, CFC-216, and CFC-217 prior to January 1, 1993.

The agreement would add carbon tetrachloride, methyl chloroform, CFC-13, CFC-111, CFC-112, CFC-211, CFC-212, CFC-213, CFC-214, CFC-215, CFC-216, and CFC-217 to the list of taxed chemicals, effective January 1, 1991.

C.6 Loss Deductions and Salvage Values for Insurance  
Companies . . . . . 0.3      1.1

The agreement would reduce the deduction allowed to property and casualty insurance companies for losses incurred, both paid and unpaid, by estimated recoveries of salvage (including subrogation claims) attributable to such losses, whether or not the salvage is treated as an asset for statutory purposes. The provision would apply to taxable years beginning after December 31, 1989. (The change would be treated as a change in the taxpayer's method of accounting requiring a spread of the adjustment over a period not to

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

exceed eight years. The amount of the adjustment is the difference between the amount of unreduced loss reserves at the end of the taxable year immediately preceding the first taxable year beginning after December 31, 1989, and the amount of the reduced loss reserve determined under this proposal as of the beginning of the first taxable year beginning after December 31, 1989.)

C.7. Foreign Compliance Provisions: Information  
Reporting and Related Provisions of the Foreign  
Tax Equity Act (H.R.4308/S.2410) . . . . . --- 0.3

The agreement includes two provisions from the Foreign Tax Equity Act of 1990, which is pending in the House as H.R. 4308 and in the Senate as S. 2410.

a. Apply the information reporting and related provisions of section 6038A, as amended in 1989, to any action the time for performance of which is after the date of enactment of the agreement, without regard to the tax year involved. The 1989 amendments to section 6038A expanded the scope of reporting requirements applicable to any foreign-owned domestic corporation (as well as any foreign-owned foreign corporation that conducts a trade or business in the United States) with respect to transactions with related parties, added a recordkeeping requirement with respect to such transactions, increased monetary penalties related to such requirements, and enhanced the enforceability of IRS summonses pertaining to such transactions (by, among other things, adding a special noncompliance rule applicable to such summonses). Under the agreement, the increased monetary penalties apply only to noncompliance that occurs or continues after enactment, and the special noncompliance rule applies only with respect to summonses that are issued after enactment. In addition, the new recordkeeping requirement only applies to records that were in existence on March 20, 1990.

b. Apply the information reporting and related provisions of section 6038A, as amended in 1989, to any foreign corporation that conducts a trade or business in the United States, and extend the application of those provisions to all tax-related items, not only transactions with related parties. Under the agreement, the extended scope of those provisions applies to any act in the time for performance of which is after the date of enactment, without regard to the tax year involved.



(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

The agreement includes the following additional provisions:

a. Statute of limitations: The statute of limitations would be extended in certain situations where the IRS has issued a special summons to any corporation. The statute of limitations would in addition be tolled if the Justice Department has sought to enforce the summons in court or the taxpayer has moved to quash the summons. Only one summons issued during an examination may trigger such extension and tolling.

b. Penalty: The current law overvaluation penalty would be broadened to cover large understatements (as well as large overstatements) in valuation, and also would be applicable to services. In addition, the overvaluation penalty would be revised to cover large section 482 adjustments (those in excess of \$10 million per taxable year). As under present law, the reasonable cause exception would continue to apply.

c. Section 6103: Clarify that current restrictions against disclosure of taxpayer information by IRS employees and agents cover people (such as experts) who provide services to the IRS.

d. The Treasury Department and GAO would be required to study various issues relating to transfer pricing and compliance.

e. The IRS would be required to revise certain procedures to ensure effective handling of section 482 cases.

C.8. Amortize Policy Acquisition Expenses		
of Insurance Companies . . . . .	1.5	8.0

Effective September 30, 1990, insurance companies would be required to amortize policy acquisition expenses on a straight-line basis over a period of 10 years. Policy acquisition expenses would be defined for each category of insurance contract as a percentage of total premiums (net of reinsurance premiums) for that category of contract. Separate categories are provided for annuity contracts, group life insurance contracts, and for all other life insurance contracts and noncancelable or guaranteed renewable accident and health insurance contracts. Reinsurance contracts are included in each

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

category. Contracts entered into under qualified pension plans are generally excluded from the provision.

Acquisition expenses subject to amortization are deemed percentages of total premiums according to the following schedule:

Group Life.....	1.65%
Annuities.....	1.40%
Other Life and Noncancelable or Guaranteed Renewable Accident & Health.....	6.25%

For cancelable accident and health insurance contracts and other similar contracts, the reserves of life insurance companies for unearned premiums and for premiums received in advance (a) would be reduced by 20 percent, and (b) would include in income over a 6-year period 20 percent of such reserves as of the last day of the first taxable year ending on or after September 29, 1990. For noncancelable or guaranteed renewable accident and health insurance contracts, clarify that the reserves of property and casualty insurance companies are to be determined under the present-law rules applicable to life insurance companies. The special treatment of acquisition expenses of life insurance companies under the adjusted current earnings provision of the corporate alternative minimum tax would be repealed.

For a taxable year that includes September 30, 1990, the agreement would apply the amortization requirement only with respect to the portion of premiums deemed attributable on a pro rata basis to the portion of the taxable year that occurs after September 29, 1990. The agreement would not treat the amortization of acquisition costs as a change in a method of accounting. The provisions relating to reserves and the provision relating to the alternative minimum tax would apply to taxable years beginning after September 29, 1990.

C.9. Leaking Underground Storage Tank (LUST) Trust Fund . . . 0.1      0.6

Beginning October 1, 1990, extend the Leaking Underground Storage Tank Trust Fund taxes for five years with no Trust Fund revenue ceiling. As under present law, excise taxes of 0.1 cent per gallon will be imposed on gasoline, diesel fuel, aviation, special



(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

motor fuels, and fuel used on inland waterways. Receipts from the taxes will be deposited in the Leaking Underground Storage Tank Trust Fund.

C.10. Increase Airport and Airway Trust Fund Excise Taxes. . . 1.3      11.8

Effective January 1, 1991, increase the following Airport and Airway Trust Fund excise taxes: air passenger ticket tax from 8 percent to 10 percent; domestic air cargo tax from 5 percent to 6.25 percent; noncommercial aviation gasoline tax from 12 cents per gallon to 15 cents per gallon; noncommercial aviation jet fuel tax from 14 cents per gallon to 17.5 cents per gallon. (The international departure tax would remain at \$6 per person.) The tax reduction trigger would be repealed.

Revenues from the current aviation tax rates would continue to go to the Airport and Airway Trust Fund. Revenues from the increased tax rates (but not the extension) would go to the General Fund.

C.11. Increase Harbor Maintenance Excise Tax . . . . . 0.3      1.8

Increase the harbor maintenance excise tax from 0.04 percent to 0.125 percent, effective January 1, 1991. As under present law, the tax will be imposed on the value of commercial cargo loaded or unloaded at U.S. ports and on commercial ship passenger fares. Revenues from the tax will continue to be transferred to the Harbor Maintenance Trust Fund.

C.12. IRS enforcement initiatives . . . . . 3.0      9.4

The agreement would require IRS management reforms and provide additional funding for IRS audit and collection efforts to meet a revenue target of \$9.4 billion for the 5-year budget period. The agreement anticipates specific appropriations to meet the revenue target.

C.13. Reversions of Excess Pension Assets . . . . . 0.5      1.0

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

1. General Rule. The current law 15% excise tax on reversions of excess pension assets to the employer would be raised to 20%. In addition, the employer would be required to transfer a cushion equal to 20% of the excess to a new retirement plan. If the employer fails to establish any new plan, then an additional excise tax equal to 20% of the excess would be applied (this additional 20% excise tax would not apply if the employer is in bankruptcy liquidation). (Retirees are not treated as pension plan participants.)

2. Special Rule to Encourage Provision of Additional Benefits to Retirees. If the employer provides benefit increases to retirees as a part of the plan termination transaction, then the 20% cushion would be reduced to 15%.

Allow certain limited annual transfers of assets from ongoing pension plans to pay for retiree health benefits subject to certain conditions:

-- Transfers could not reduce pension plan assets below the level specified in the current law full funding limitations (i.e., below the point where further pension contributions are not permitted). Transfers could in no event reduce plan assets below the greater of 125% of current liability or projected benefit obligations.

-- All participants in the ongoing plan are immediately vested in 100% of their benefits.

-- The employer could not decrease expenditures on retiree health expenses for a period of 5 years.

-- The transfer could not be for the benefit of key employees of the employer.

-- Advance notice of the transfer would have to be given to the Federal government and to affected participants.

-- Conforming ERISA changes would be made.

C.14. Extend Medicare to State and Local Employees . . . . . 0.0      5.2

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

Extend coverage under the Medicare system to all employees of State and local governments not currently covered under the system. Effective January 1, 1992, subject the wages of such employees to the Medicare (HI) portion of tax under the Federal Insurance Contributions Act phased-in to raise revenues of \$5.2 billion over the 5-year budget period.

C.15. Deny Deduction for Interest Paid by Corporations to the IRS on		
Tax Obligations . . . . .	1.4	3.9

Deny a deduction for interest paid by a corporation to the IRS on underpayments relating to Federal income tax (and, if necessary to meet the revenue target, other types of Federal tax). The provisions would be effective for payments made, in the case of a cash basis taxpayer, or interest accrued, in the case of an accrual basis taxpayer, on or after January 1, 1991, regardless of the taxable period (if any) to which the interest payment may relate. The present-law procedures permitting a taxpayer to make a payment of contested tax and interest thereon after a deficiency notice has been mailed, while continuing to contest the asserted deficiency in Tax Court, would not be changed. Provided the revenue target can be satisfied, consideration will be given to providing appropriate relief in cases in which there has been an extraordinary delay in the issuance of a statutory notice of deficiency or assessment beyond the control of the taxpayer.

C.16. Certain business revisions. . . . .	0.2	2.0
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The agreement provides for the inclusion of certain revisions in business tax provisions as may be mutually agreed upon to raise approximately \$2 billion during the period 1991-1995.

C.17. Limitation on Itemized Deductions. . . . .	0.5	18.0
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Effective January 1, 1991, reduce total otherwise allowable itemized deductions (other than medical expenses and investment interest expense) by an amount equal to three percent of the amount of a taxpayer's adjusted gross income (AGI) in excess of \$100,000. In no event, however, would total otherwise allowable itemized deductions (excluding medical expenses and investment interest) be reduced by more than 80 percent.

(Revenue-Raising Provisions in Billions of Dollars)

1991      1991-1995

In computing the amount of the reduction of total itemized deductions under the proposal, all present-law limitations applicable to such deductions first would be applied and the otherwise allowable total amount of deductions would then be reduced until this rule. An appropriate adjustment will be provided for alternative minimum tax purposes.

C.18. Increase the Cap on Wages Subject to the  
Medicare Hospital Insurance Payroll Tax. . . . . 0.9      13.0

Effective January 1, 1991, the agreement would increase to \$73,000 the cap on wages and self-employment income considered in calculating the tax liability for the Medicare hospital insurance (HI). In 1990, the HI tax is 1.45 percent of the first \$51,300 of wages and is paid by both the employer and the employee.

C.19. Extend social security (OASDI) coverage to  
certain State and local employees. . . . . 2.0      11.7

Effective January 1, 1991, OASDI coverage would be mandatory for State and local government employees not participating in a public employee retirement system in conjunction with their current State or local employment.

C.20. Stabilize Payroll Tax Deposit Rules . . . . . 1.0      0.0

Under the Omnibus Budget Reconciliation Act of 1989, employers who have accumulated \$100,000 or more of withheld employee taxes must deposit these taxes by the close of the next working day in 1990, 1993, and 1994. The employer must make the deposit within 2 days in 1991, and within three days in 1992. The agreement would make the deposit requirements consistent for all years by requiring that the deposit be made by the close of the next working day.

Note: Child care provisions (to be offset by extension of the telephone excise tax) to be included separately and subject to a subsequent authorization bill.

### III. BUDGET PROCESS REFORM AND ENFORCEMENT

- o Extend the G-R-H sequester system with new deficit targets for five years, and a deficit reduction path intended to reach zero (balance) by 1996.
- o Pay-as-you-go for entitlements and revenues. All entitlement or revenue legislation passed by Congress after adoption of this Summit Agreement must be deficit neutral. This will prevent entitlement or revenue policy actions from causing a sequester on discretionary accounts.
- o Require reconciliation instructions to cover five years.
- o Discretionary caps on budget authority and outlays for each year, 1991-1993, for each of the following three categories: defense; international; and domestic. Combine defense, international, and domestic discretionary into one category in '94 and '95 with one cap on budget authority and outlays in each of these years.
- o Automatic across-the-board offset triggered within each of the categories (defense; domestic discretionary; international discretionary) to the extent any appropriation bill (including supplementals) violates either the budget authority or outlay cap for that category (trigger 15 days after enactment if bill enacted before July 1, lookback if after July 1).
  - For a Presidentially-declared emergency request in supplementals or regular appropriations bills, this across-the-board offset would not apply to the extent of the funds requested by the President (only if the Congress agreed in the Act that it was for an emergency). If Congress proposes and the President requests new items or additional amounts for the supplemental, the offset would not apply to the items or additions.
- o Add categorical sequester for mandatories; add reconciliation for revenues:
  - Mandatory: Automatic across-the-board offset within mandatory category triggered to the extent any legislation is enacted that adds mandatory spending that is not fully offset. Change limits on sequester for existing mandatory sequester base

from two percent to four percent. The offsets are triggered 15 days after enactment if the bill is enacted before July 1; look back sequester is triggered if bill is enacted after July 1.

-- Revenues: If revenue decreases are not offset, then automatic reconciliation instruction by Budget Committee to Ways and Means, Finance, or relevant offending committee to provide offset.

-- Sixty vote point of order would apply to all revenue losing bills.

o Include social security in the consolidated budget, but remove social security operating surplus from G-R-H baseline, which will prevent technical or economic changes in social security estimates from causing a sequester on discretionary accounts.

o Include all deposit insurance accounts in the consolidated budget, but remove those accounts from G-R-H baseline, which will prevent technical or economic changes in deposit insurance accounts from causing a sequester on discretionary accounts. (Deposit insurance accounted for an estimated 99.6% of the net mandatory technical changes in 1990.)

o Two revisions of economic assumptions:

-- Update assumptions at the time of the Summit Agreement, thus holding appropriations harmless for 1991.

-- Update assumptions at the end of March 1991. The end of March economic assumptions will be used in calculating the sequester in '92, thus holding appropriations harmless for economic changes in FY 1992.

o Credit reform:

-- Begin in '92 thus holding harmless discretionary accounts for the new scoring method in '91.

-- Adjust discretionary caps for current service credit levels scored under credit reform in '92 and '93, thus holding harmless discretionary accounts to changes in scoring in these years.

- Hold adjusted baseline harmless for revisions in credit reform subsidy estimates in '92 and '93.
  - o Hold cap harmless for IMF.
  - o Hold cap harmless for Egyptian debt forgiveness (See Section VI).
  - o Hold harmless for Desert Shield funding requirements (see Section VI).
  - o Hold cap harmless for contributions to DoD.
  - o Sixty vote points of order would apply to budget resolution and to appropriation bills that exceed caps.
  - o Sections 302 and 311 points of order would be extended to out-years.
  - o Budget authority and outlays caps for 1991-1995 (see Table 2A).
  - o New methods to protect discretionary appropriations from sequester:
    - In 1991, discretionary appropriations held completely harmless for technical and economic adjustments.
    - In 1992, discretionary appropriations held completely harmless for economic adjustments, and held harmless for technical reestimates for caps in the outlay amounts of:
      - \$2.5 billion for domestic;
      - \$1.5 billion for international; and
      - \$2.5 billion for defense.
- The G-R-H cushion will be \$15.0 billion less any of the above amounts that are used.
- Aggregate budget authority for the three categories for 1991, 1992, and 1993 (together) may exceed the caps by not more than 0.4 percent, provided that not more than 0.2 percent may be applied to any one category.



- In calendar 1993, a meeting will be convened of the two Budget Committee Chairmen and Ranking Members, the two Appropriations Chairmen and Ranking Members, the Chairmen of Ways and Means Committee and the Senate Finance Committee and their Ranking Members, the Speaker, House and Senate leaders and the Director of the Office of Management and Budget, the Secretary of the Treasury and the Chief of Staff of the White House. They will review technical and economic assumptions for fiscal 1994. Any adjustments the group unanimously agrees upon will be legislatively pursued jointly and expeditiously. In 1994, and 1995, baseline held completely harmless for economic and technical adjustments enacted in accordance with unanimous leadership group recommendations. Additionally, technicals adjusted for 1993 so that they do not cause or contribute to a 1993 sequester.
  - In 1993, 1994, and 1995, discretionary appropriations held harmless for technical estimates for caps in the outlay amounts of:
    - \$2.5 billion for domestic;
    - \$1.5 billion for international; and
    - \$2.5 billion for defense.
- The G-R-H cushion will be \$15.0 billion less any of the above amounts that are used.
- In all years, 1991 through 1995, discretionary appropriations held harmless for new or expanded mandatory spending by categorical sequester on mandatories and for new revenue losing measures by pay-as-you-go and automatic reconciliation instructions to provide offset.
- o Cancellation of the FY 1991 sequester order will be accomplished when a reconciliation bill and appropriations bills reflecting agreement are enacted (as stated in section IV, Agreement Concerning Enactment).
  - o Protect Social Security by establishing, in the House, a point of order against legislation that would violate either the 5-year or 75-year actuarial balance of the funds and, in the Senate, by establishing a 60 vote point of order against legislation that would violate the 5-year actuarial balance. In addition, a study must be submitted by the Finance Committee on the 75-year actuarial balance effect. A feedback mechanism would also apply to such legislation.



- o GSEs: Treasury shall submit a report and proposed legislation to Congress on the financial soundness of Government-sponsored enterprises. CBO will also prepare a report on the types of risks that each GSE assumes. The appropriate committees will study GSE proposals and report legislation ensuring GSEs financial soundness by September 15, 1991. If such legislation is not reported, the leadership of the House and Senate commit to provide for the consideration of Administration proposals by the end of the first session of the 102nd Congress.
- o Scorekeeping -- adopt scorekeeping guidelines to be included in report entitled "Scorekeeping Guidelines for 1991."
- o Extend statutory limit on the public debt for 5 years.
- o The credit reform provisions of the Budget Summit Agreement include:
  - Makes the subsidy component of Federal direct and guaranteed loans the focus of credit budgeting.
  - Defines the subsidy to be the cost to the Government of a direct loan or loan guarantee.
  - Except for entitlements, subsidy budget authority will be controlled by appropriations.
  - Treats the non-subsidy cash flows as a means-of-financing the deficit and excludes them from the calculation of the budget deficit.
  - Provides for adjustment of budget baselines and allocations to reflect changes in accounting.
  - Prohibits Federal agencies from making or modifying a direct or guaranteed loan unless budget authority is appropriated for subsidy associated with the loan, guarantee, or modification.

#### IV. AGREEMENT CONCERNING ENACTMENT

##### UNDERSTANDING RE: TIMING & PROCESS FOR ENACTMENT BUDGET SUMMIT AGREEMENT -- 9/30/90

The President and the Bipartisan Congressional Leadership (The Speaker of the House, the Senate Majority Leader, the Senate Republican Leader, the President Pro Tempore of the Senate, the House Majority Leader, and the House Republican Leader) agree to the following undertakings. These represent commitments to good faith efforts; they do not purport to amend or suspend rules of the House or Senate; nor do they in any way affect Constitutional powers and prerogatives of the parties.

- (1) The President and the Bipartisan Congressional Leadership agree to engage in a coordinated bipartisan effort seeking to enact the Budget Summit Agreement by Friday, October 19, 1990.
- (2) Their coordinated effort shall seek to produce support for the Agreement by a majority of both Democrats and Republicans in both the House and the Senate.
- (3) Joint announcement of the Agreement shall occur on September 30th.
- (4) Immediately following joint announcement, a continuing resolution authorizing appropriations through October 5, and suspending sequester through October 5, shall be made in order in both houses of Congress -- with a view toward its prompt enactment.
- (5) The Appropriations Committees shall revise their 302(b) allocations to be consistent with the Budget Summit Agreement as reflected in the budget resolution by October 10.

(6) Prior to the expiration of the continuing resolution on October 5, both houses shall pass the 1991 budget resolution with detailed reconciliation instructions fully reflecting the Budget Summit Agreement and no other matters. Such budget resolution shall be voted upon prior to the expiration of the continuing resolution on October 5. Such budget resolution shall instruct appropriate Committees to report, with or without a recommendation, all legislation necessary to implement fully the Budget Summit Agreement (except appropriations) by October 12.

(7) The President has stated that his intention is that no further continuing resolution (beyond October 5) shall be signed until a budget resolution with reconciliation instructions fully reflecting the Budget Summit Agreement shall have passed both houses of Congress.

(8) Upon passage of a budget resolution fully reflecting the Budget Summit Agreement, a second continuing resolution -- authorizing appropriations until October 19 and suspending sequester until October 19 -- shall be voted in both Houses.

(9) The Budget Summit Agreement shall be fully legislated (except for appropriations) through a Reconciliation bill.

(10) Throughout the conference, the reconciliation Conference report shall be reviewed by the parties to this Agreement to assure its consistency with the Budget Summit Agreement. If it is deemed to be inconsistent, remedial efforts shall be made by all parties to assure consistency. Such efforts shall include bi-partisan leadership amendments as necessary.

(11) On or before October 19, 1990, a Conference Report on the reconciliation bill that fully reflects the Budget Summit Agreement shall be voted in both houses of Congress.

(12) The parties to this Agreement shall work together to support all amendments and provisions consistent with the Budget Summit Agreement and to oppose all amendments and provisions inconsistent with, or unrelated to, the Budget Summit Agreement.

(13) Conference reports on all appropriations bills consistent with the Budget Summit Agreement shall be voted in both houses by October 19.

(14) The President has stated that it is his intention that no bill suspending sequester beyond October 19 shall be signed until the following have occurred: a) a reconciliation conference report on a bill fully reflecting the Budget Summit Agreement has been passed by both houses of Congress; and b) a reconciliation bill and all 13 appropriations bills consistent with the Budget Summit Agreement have been presented to the President.

(15) To the maximum extent possible, all parties shall employ "Scorekeeping Guidelines for FY'91" (included as part of this Agreement). Nonetheless, all scoring issues related to this agreement shall be determined by OMB for the Executive Branch and by the Budget Committees for the Congress -- with the understanding that parties from each branch shall respect the appropriateness of the other's using its own scoring conventions and scoring organizations for interpretation of consistency with this Agreement. In no case will payment timing shifts or other artificial savings measures be deemed acceptable for deficit reduction scoring unless they have been specifically approved by all parties to this Agreement.

(16) The parties to this Agreement shall, in their respective areas of jurisdiction, support waiving points of order that might impede the implementation of this Agreement.

30-Sep-90  
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TABLE V.A.--ECONOMIC ASSUMPTIONS  
(calendar years)

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Nominal GNP: Level (\$ billions).....	5201	5486	5807	6199	6670	7141	7607
Percent change, 4th/4th.....	5.4	6.0	6.0	7.3	7.5	6.8	6.4
Real GNP, percent change, 4th/4th.....	1.6	0.7	1.3	3.8	4.1	3.7	3.5
GNP deflator, percent change, 4th/4th.....	3.8	5.2	4.6	3.4	3.2	3.0	2.8
Unemployment rate.....	5.2	5.6	6.1	6.4	5.6	5.3	5.1
Interest rates:							
91-day Treasury bills.....	8.1	7.7	7.2	5.7	4.9	4.4	4.2
10-year Treasury notes.....	8.5	8.7	8.3	7.1	6.1	5.6	5.3
Domestic oil prices (\$/bbl).....	17.88	21.15	24.15	21.10	21.79	22.41	23.02

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**TABLE V.B.--MAJOR TECHNICAL REVISIONS**  
(outlays in billions)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Bank Insurance Fund.....	3.7	4.5	1.8	0.5	0.8
Resolution Trust Corporation.....	25.9	29.5	18.8	-14.2	-25.9
<b>Credit Reform;</b>					
<b>International Discretionary:</b>					
BA.....	--	-0.1	-0.1	-0.2	-0.2
Outlays.....	--	0.3	-0.2	-0.1	0.0
<b>Domestic Discretionary:</b>					
BA.....	--	1.6	1.7	1.7	1.8
Outlays.....	--	1.1	1.3	1.3	1.3
<b>Mandatory:</b>					
BA.....	--	1.5	-0.3	-1.1	-4.3
Outlays.....	--	3.5	2.2	-0.2	0.6
<b>Interest (BA &amp; Outlays).....</b>	--	0.2	0.5	0.6	0.6

## VI. MISCELLANEOUS ADDITIONAL UNDERSTANDINGS

- o Scorekeeping guidelines reflecting general budget accounting conventions that will be used in measuring compliance with the Budget Agreement will be included in the reports accompanying the budget resolution presenting this agreement. Attached to the scorekeeping guidelines will be a complete listing of budget accounts included within each budget agreement category.
- o Additional funding for losses and working capital requirements of the Resolution Trust Corporation are included in this agreement and displayed on-budget. However, GRH baselines will be held harmless for these requirements to remove uncontrollable mandatory spending from sequester calculations.
- o International discretionary spending will be held harmless for the periodic assessment to the International Monetary Fund (IMF). The U.S. and other IMF countries have agreed to a 50% increase in special drawing rights (SDR). The U.S. participation will require budget authority in 1992, but will not result in outlays. Budget authority will be exchanged for SDRs of the IMF, a monetary asset of equal value.
- o Baselines will be held harmless for Egyptian debt forgiveness. International discretionary budget authority and outlays will be adjusted for not more than the amounts specified below as a result of debt relief proposed by the President and approved by the Congress. New scoring procedures will be developed by OMB and CBO that reflect the real value of debt relief proposals. These procedures will be developed for use at least in time for the FY '92 budget.

(\$ billions)

	<u>FY '91</u>	<u>FY '92</u>	<u>FY '93</u>	<u>FY '94</u>	<u>FY '94</u>
BA.....	.157	.177	.205	.246	.300
Outlays.....	.207	.294	.361	.446	.522

o Treatment of Desert Shield Supplemental:

- The amount of the presumed level in the absence of hostilities is \$15 billion. This amount is in addition to the total Defense level proposed by Senator Nunn.
- It is assumed that half of the proposed supplemental will be financed by contributions from other countries.
- It is assumed that the remainder of this proposed supplemental will not require offsets because the Summit Agreement takes into account the supplemental costs. This supplemental will have no matters extraneous to the President's request. All matters must pertain solely to Desert Shield.
- In the event of hostilities, the President may submit a dire emergency request for supplemental funding for Desert Shield purposes that will not be required to be offset. This supplemental, if needed, will contain no matters extraneous to the President's request. All matters must pertain to Desert Shield.

Defense (Function 050) Budget Levels

	<u>1991</u>		<u>1992</u>		<u>1993</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Nunn levels.....	289.1	297.0	291.6	295.0	291.8	292.0
Desert Shield						
Supplemental Total.....	15.0	11.5	--	2.8	--	0.6
Less: Contributions from						
other countries.....	- 7.5	- 5.8	--	- 1.4	--	- 0.3
Net Supplemental.....	7.5	5.7	--	1.4	--	0.3
Additional Desert Shield						
Supplemental in the						
Event of Hostilities.....	?	?	?	?	?	?