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CLINTON'S FY 1997 BUDGET: THE ERA OF BIG GOVERNMENT LIVES ON

INTRODUCTION

Just weeks after telling the nation, in this year's State of the Union address, that the "era of big government is over," Bill Clinton indicated that the obituary notice was somewhat premature when he delivered his a 20-page FY 1997 budget to Congress. In contrast to the Balanced Budget Act of 1995 (BBA), which he vetoed last fall, the latest Clinton budget would mean $1,927 in higher taxes and $3,155 in higher spending for every household in America over the next seven years. This is the eighth budget plan Clinton has delivered to Congress in a year; and, except for the FY 1996 budget submitted last February (which called for $200 billion deficits through the end of the decade), each has been short on specifics and long on promises.

While Clinton claims his FY 1997 budget will eliminate the federal deficit by FY 2002 using Congressional Budget Office (CBO) estimates, it does so only by using the same assortment of smoke, mirrors, and other gimmicks that has made taxpayers increasingly cynical about Washington's commitment to budget-making. Even worse, although the Clinton budget balances on paper, it flinches from making the tough decisions needed to eliminate wasteful and outmoded programs, end welfare as we know it, save Medicare from bankruptcy, or transfer failing federal programs to the states.

The FY 1997 Clinton budget is not the end of big government, it is the embodiment of it. Clinton's plan, for example:

- ✗ **Increases** federal spending by $361 billion over the next seven years and hikes tax revenues by $526 billion;
- ✗ **Spends** a total of $12.16 trillion over the next seven years, or $306 billion more than the vetoed Balanced Budget Act of 1995. That means $3,155 more for every household in America;
- ✗ **Raises** a total of $11.4 trillion in tax revenues over seven years, $187 billion more than the BBA, and $1,927 more in taxes for every household in America;

- ✗ **Allows** $119 billion more deficit spending through 2002 than the BBA, which is equivalent to passing along $1,227 per household in debt to the next generation of American workers;
- ✗ **Fails** to eliminate a single program of any significance;
- ✗ **Fails** to eliminate even one Cabinet-level agency;
- ✗ **Increases** entitlement spending by $365 billion over the next seven years while failing to save Medicare from bankruptcy, end welfare as we know it, or protect states from the exploding costs of Medicaid; and
- ✗ **Spends** $111 billion more on discretionary programs than the BBA while calling for billions more in spending on programs that have failed or become obsolete, that duplicate others, or that should be transferred to state and local government control.

The FY 1997 Clinton budget signals not the end of big government, but the continuation of status-quo government.

CLINTON 8, TAXPAYERS 0[1]

Despite a campaign promise to balance the budget in five years while providing tax cuts for working families, President Clinton has consistently resisted congressional efforts to enact a balanced budget plan with tax cuts. In addition to vetoing the Balanced Budget Act of 1995, Clinton presented four budget plans to Congress during 1995—each time falling far short of balancing the budget, according to the Congressional Budget Office. After a year of prodding, Clinton presented a fifth budget plan on January 5, 1996. CBO certified—at least on paper—that this new proposal would balance the budget by 2002. Closer review of each of the budget plans proposed by Clinton during

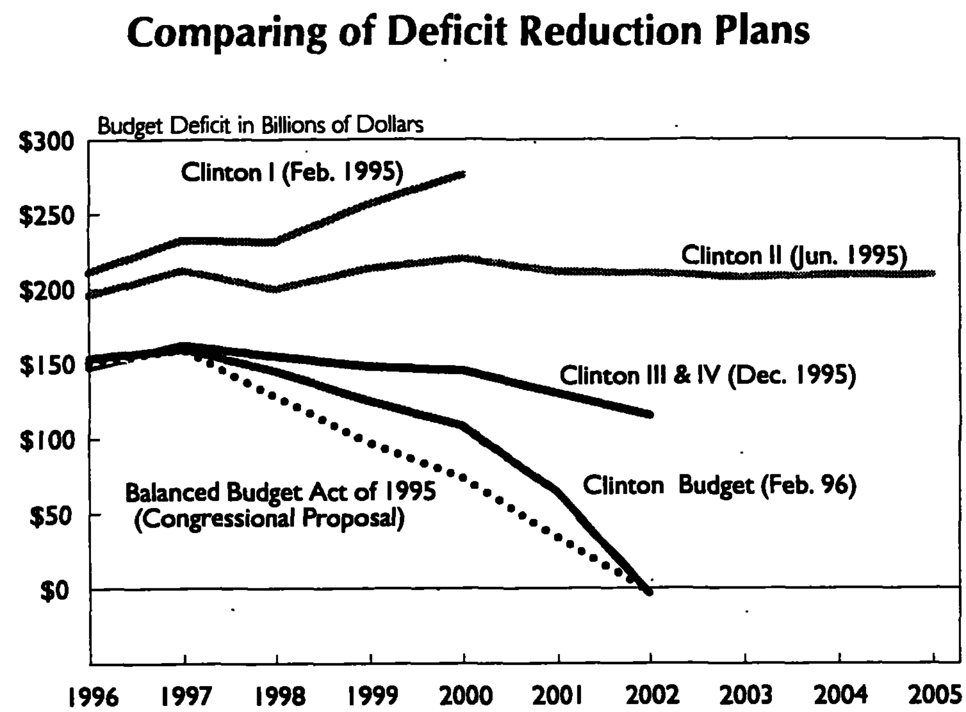
Chart 1

Clinton Balances the Budget at a Huge Cost to Taxpayers

Billions of Dollars	Clinton FY '97 Budget Proposed 1996 to 2002	Balanced Budget Act Proposed 1996 to 2002	Difference Between Clinton and BBA
Discretionary Spending	$3,754.7	$3,643.0	$111.7
Mandatory Spending	$6,683.0	$6,506.0	$177.0
Net Interest	$1,727.0	$1,709.0	$18.0
Total Federal Spending	$12,165.0	$11,859.0	$306.0
Revenues	$11,410.0	$11,223.0	$187.0
Deficits	$755.0	$636.0	$119.0

1 This section is derived largely from the forthcoming Heritage Foundation publication *Issues '96: The Candidate's Briefing Book*. Sources for figures: Congressional Budget Office and House Budget Committee, Majority Staff.

Chart 2



Sources: Congressional Budget Office; Office of Management and Budget, *Budget of the United States Government*, February 1996.

the past year, however, including the FY 1997 budget, shows that the White House has never been serious about either balancing the budget or providing meaningful tax relief. It seems interested only in finding ways to spend more taxpayer dollars while appearing to agree that the budget should be balanced.

Clinton Budget #1

In February 1995, the Clinton Administration responded to the 1994 election results by presenting a status-quo FY 1996 budget to the new Congress. This budget deviated little from "baseline" forecasts which projected $200 billion deficits through the end of the decade. According to CBO, the President's February budget would increase the deficit from an estimated $177 billion in 1995 to $276 billion in 2000. Spending would grow an average of 5 percent per year, some $422 billion in all in just five years.

The February Clinton budget did propose a few modest privatization initiatives, such as selling the Power Marketing Administrations, portions of the Strategic Petroleum Reserves, the Naval Petroleum Reserves, and portions of the National Weather Service. It also proposed terminating a few small programs and consolidating some 270 programs into 27 new programs. In addition, the budget proposed a "Middle Class Bill of Rights" which included a modest $300-per-child tax credit for families that have children below age 13 and who earn less than $60,000 per year. But the Administration did little to fight for any of these proposals. On May 19, the Senate defeated Clinton's budget plan by a vote of 99 to 0.

Clinton Budget #2

On June 13, 1995, after months of criticizing congressional efforts while offering no plan of his own, Clinton presented a second budget plan which he claimed balanced the budget in ten years, by FY 2005. This Clinton plan, barely 30 pages in length, fared no better than his first effort under CBO scrutiny. According to CBO, in addition to not balancing the budget, this plan would produce $200 billion deficits for at least the next ten years.

The second budget plan also included the modest tax cut for families with children in addition to tax deductions for higher education and expanded Individual Retirement Accounts (IRAs).

Due to revised economic forecasts, the Administration later said that this plan would balance the budget in nine years. However, the CBO maintained that it would never balance the budget. Indeed, CBO found less than $400 billion in legitimate deficit reduction in this Clinton offer—$350 billion short of the total seven-year deficit reduction in the Balanced Budget Act.

Clinton Budget #3

On December 7, the day Clinton vetoed the Balanced Budget Act of 1995, he presented yet a third budget plan. The Administration claimed that this plan also would balance the budget in seven years but was more in line with the President's priorities than the one he had vetoed.

Once again, CBO found that the Administration's numbers failed to reach a balanced budget by 2002. While this plan proposed larger savings from discretionary spending programs and welfare reform than the June budget, it also proposed smaller savings in Medicare and Medicaid. In total, Clinton's third budget produced only $385 billion in credible deficit reduction over seven years—$365 billion short of the savings achieved by the BBA he had vetoed. Moreover, according to the CBO, instead of balancing the budget in FY 2002 as advertised, it would leave a deficit of $115 billion in that year.

Clinton Budget #4

On December 15, after two weeks of negotiations with congressional leaders, Clinton presented a fourth budget plan. But this plan was mostly an iteration of Budget Plan #3 and contained no new policy recommendations.

The CBO scored this plan as $69 billion out of balance in FY 2002. The Administration tried to make up for its shortcomings in reducing the deficit by challenging CBO technical and economic estimates. The Administration had been arguing for weeks that CBO's economic assumptions were too conservative and thus required excessively deep spending cuts to balance the budget. In other words, the Administration wanted to have it both ways: Claiming that it wanted to balance the budget, it actually wanted to spend more money as the budget was moving toward balance.

On December 18, the House defeated this plan by a vote of 412 to 0.

Clinton Budget #5

On January 6, 1996, Clinton presented a fifth budget plan to Congress. This plan, largely adapted from a proposal by Senate Democrats, was certified by CBO to balance the budget in seven years, at least on paper.

It is likely that Clinton never would have submitted this plan had it not been for the conditions Congress included in the continuing resolution passed on January 5, 1996. These conditions stipulated, in effect, that a bill to provide operating funds for unappropriated federal programs through January 26 would not be sent to the President until he submitted a seven-year balanced budget plan scored by the CBO.

Though it mathematically balances the budget in seven years, the fifth Clinton budget falls far short of being credible. The reasons:

- ✗ In the fifth Clinton budget, most of the heavy lifting of deficit reduction was required in the two years following the end of Clinton's possible second term as President. Indeed, 62 percent of the plan's $583 billion in deficit reduction fell in FY 2001 and FY 2002. For example, the plan called for $102 billion in Medicare savings over seven years, but 63 percent of these savings was to come in the last two years. Similarly, the plan called for $37 billion in discretionary spending cuts beyond the savings needed to achieve a "hard freeze" in these programs, yet 95 percent of these additional savings fell in the last two years.
- ✗ While the fifth Clinton budget plan called for $87 billion in gross tax cuts ($17 billion in net tax cuts) over seven years, these cuts were "sunsetted" in FY 2001—one year before the budget would be balanced. This means taxes would have to be raised. Mathematically, such a ploy "boosts" tax revenues by at least $15 billion in FY 2002 and thus requires fewer spending cuts to achieve a balanced budget. The overall size of the tax cut proposal is reduced by the plan's call for $60 billion in new revenue from closing "corporate loopholes."

  Some 43 percent of the revenues generated from these tax hikes would be received in FY 2002.

Clinton Budget #6

The sixth Clinton plan was submitted to Congress on January 9. It moved only slightly beyond the previous plans, modestly increasing the proposed savings from Medicare, Medicaid, and welfare reform while boosting the net size of the tax cuts to $85 billion. Overall, this Clinton plan would produce nearly $160 billion less in budget savings than the last congressional offer and nearly $70 billion less in deficit reduction. Moreover, the White House still avoided the fundamental reforms in Medicare, Medicaid, and welfare needed to achieve budget savings and restructure the programs.

Clinton Budget #7

The seventh Clinton plan was submitted to Congress on January 18. This budget plan was essentially identical to the January 9 plan except that it substantially increased the amount of new revenues it would generate from closing "corporate tax loopholes" and other such devices. Because of these new revenues, the net size of the tax cut would be reduced to a mere $36 billion over seven years.

Clinton Budget #8: The FY 1997 Budget

Like the seven budget plans that preceded it during the past year, the FY 1997 Clinton budget, presented to Congress February 5, would force hard-working Americans to pay higher taxes in exchange for more spending on programs which have become old and obsolete, or which are ripe for termination, privatization, or transfer to state control. Moreover, each plan ignores the fundamental problems facing the government's major entitlement and welfare programs. Clinton has shirked his responsibility to address, for instance, a Medicare program facing insolvency, a Medicaid program that is bankrupting state budgets, and a welfare system that perpetuates a culture of poverty.

WHAT CLINTON'S FY 1997 BUDGET WOULD MEAN

The eight Clinton budgets clearly demonstrate that this President envisions a government that has a balanced budget but somehow remains largely unchanged from government with perpetual $200 billion deficits. In other words, Clinton wants it both ways. He says he wants a balanced federal budget, but he is not willing to challenge the size and scope of government as a credible balanced budget plan requires.

The boldest proposal the Administration can muster is to "reinvent government," which, in practice, amounts to putting a new paint job on a house whose foundation is collapsing under its own weight. American taxpayers sent government a very clear message in the 1994 election: They do not want useless and obsolete programs merely to waste their money more efficiently. They want the budget to be balanced in a timely fashion, and they want the result of this effort to be a smaller, less costly government.

The Clinton FY 1997 budget would leave less money in the pockets of working families and more money in the hands Washington's big spenders.

✗ **It spends money taxpayers cannot afford.** The 20-page FY 1997 Clinton budget proposes to "balance the budget" in FY 2002 while boosting spending $361 billion over the next seven years. It would spend a total of $12.16 trillion over the next seven years, $306 billion more than would be spent under the Balanced Budget Act the President vetoed last December. This amounts to $3,155 more government spending for every household in America.

✗ **It takes more of their money in tax revenues.** The Clinton budget assumes federal tax collections will grow an astonishing $526 billion by FY 2002, a jump of nearly 39 percent. Also, the Administration expects the government to collect a total of $11.4 trillion in tax revenues over the next seven years, $187 billion more than under the BBA. This amounts to $1,927 more in taxes for every household in America.

✗ **It adds to tomorrow's debt burden.** Because the Clinton budget fails to control federal spending, it would add $755 billion in accumulated deficits to the national debt, even while promising to balance the budget over seven years. Compared to the BBA, this is $119 billion more deficit spending over seven years, equivalent to transferring $1,227 per household in added debt to the next generation of American workers.

Balancing the Budget Without Lifting a Finger

As was the case with Clinton's previous "balanced budget" plans, the only way the FY 1997 budget can be made to balance—at least on paper—is by leaving the real work of deficit reduction to a future President and Congress. How does it do this?

First, the Clinton plan purports to save nearly $596 billion over the next seven years, but less than 40 percent of these savings is achieved during the first five years. The painful task of accomplishing 61 percent of the plan's deficit reduction falls to the first Congress and President elected in the next century. Indeed, some 54 percent of the plan's Medicare savings and 60 percent of its Medicaid savings will fall beyond a possible second Clinton term in office.

Second, while Clinton claims his budget balances according to Congressional Budget Office assumptions, it does not. Clinton makes his job of balancing the budget in FY 2002 easier by challenging or ignoring CBO assumptions.[2] For instance, CBO currently projects a $228 billion deficit in FY 2002. Clinton, however, reduces that projection to $221 billion by challenging one of CBO's technical assumptions, thereby avoiding the need to cut $7 billion in spending. Also, Clinton's budget uses Office of Management and Budget (OMB) estimates of proposed spectrum auction proceeds, rather than CBO estimates, to produce an additional $11 billion in deficit reduction in FY 2002—again, to avoid having to produce real spending cuts. The Senate Budget Committee reports that if honest accounting methods were used, Clinton's budget would produce a $9 billion deficit in FY 2002, not the balance the Administration claims.

Modest Tax Cuts, More Tax Increases

The Clinton budget also manipulates its proposed tax cuts in order to avoid having to make tough choices on curbing spending. The budget proposes a meager $98.5 billion in gross tax cuts over seven years, equivalent to returning just 8 cents of every $1,000 in taxes the government expects to collect. The centerpiece of the plan is a tax credit for dependent children that begins at $300 per child and increases to $500 per child in 1999.[3] However, Clinton "sunsets" the child credit after FY 2001, increasing taxes on these families by over $17 billion in 2002—the year Clinton promises to balance the budget.

The Clinton budget proposes to generate $59.4 billion in new tax revenues by "cutting corporate tax subsidies, closing loopholes, and improving tax compliance."[4] This amount exceeds the Administration's proposed seven-year savings in Medicaid ($59 billion) and

2 For a detailed analysis of these gimmicks, see Senate Budget Committee, Majority Staff, *Budget Bulletin No. 5*, February 12, 1996.

3 The Administration's child credit begins phasing out for families with incomes above $60,000 and reaches zero at $75,000 in family income. Only families with children under age 13 (ages 12 and below) are eligible for the credit. For a detailed analysis, see Scott A. Hodge, "Balanced Budget Talking Points #5: Clinton's $300-Per-Child Tax Cut Plan Denies Tax Relief to 23 Million Children," Heritage Foundation *F.Y.I.* No. 78, December 11, 1995.

4 Clinton FY 1997 Budget, p. 14.

is nearly 50 percent greater than its proposed welfare cuts ($40 billion). These new revenues effectively reduce the net size of the tax cut package to $39 billion, equal to a cut of just 3 cents for every $1,000 taxpayers will send Washington over the next seven years.

One of the major contributing factors in the Clinton budget's ability to "balance" the budget in FY 2002 is the temporary nature of the tax cuts combined with the permanent nature of the new tax revenues. The new tax measures purportedly generate $11.9 billion in FY 2002. When this amount is added to the $17 billion tax hike on families resulting from the unseating of the child tax credit, the result is $29 billion in deficit reduction, roughly 15 percent of Clinton's total deficit savings in FY 2002. Again, there is no need to make tough choices on real spending cuts.

The Failure to Address Exploding Entitlement Growth

Regrettably, Clinton proposes no credible solutions to the serious problems facing the nation's major entitlement programs, such as Medicare, Medicaid, and welfare. The meager savings the Administration proposes to achieve from these programs fall far short of stemming the tide of red ink in the near term—and far short of the fundamental changes needed to keep these programs from collapsing. The White House has been warned repeatedly of the need to curb runaway entitlements:

✗ CBO projects that, if nothing is done to slow the overall growth of entitlement programs, they will grow by $465 billion over the next seven years, a 63 percent increase. Worse yet, CBO expects entitlements to consume 57 cents of every dollar spent by the federal government in 2002—over 8 cents more than is spent today.

✗ The long-term forecasts reported by the Bipartisan Commission on Entitlement and Tax Reform, headed by Senators Robert Kerry (D-NE) and John Danforth (R-MO, now retired), are even more troubling. These projections suggest that entitlements will become a liability that cannot be sustained by the federal government, by the economy, or by the taxpayers.

Some examples of the Commission's findings:

Example: "The gap between Federal spending and revenues is growing rapidly. Absent policy changes, entitlement spending and interest on the national debt will consume almost all Federal revenues in 2010. In 2030, Federal revenues will not even cover entitlement spending."[5]

Example: "By 2030, unless appropriate policy changes are made in the interim, projected spending for Medicare, Medicaid, Social Security, and Federal employee retirement programs alone will consume all tax revenues....If all other Federal programs (except interest on the national debt) grow no faster than the economy, total Federal outlays would exceed 37 percent of the economy. Today, outlays are 22 percent of the economy...."[6]

5 Bipartisan Commission on Entitlement and Tax Reform: Final Report, January 1995, p. 4.

6 *Ibid.*, p. 8.

Example: "The share of Medicare Part B cost paid by enrollees as monthly premiums has been shrinking since the program began. When the program started, the enrollee and the Federal government had a 50-50 partnership—each paid 50 percent of the cost. Today, the Federal government pays 70 percent of Part B costs; by 2030 the government's share is projected to increase to 92 percent."[7]

Entitlements grow as a share of budget. Under the proposed FY 1997 Clinton budget, overall entitlement spending would increase by $365 billion (nearly 50 percent) over the next seven years. While the Clinton plan would slow the aggregate growth rate of these programs to an average of roughly 6 percent per year from a CBO-projected average of 7.2 percent per year, entitlement programs will increase substantially as a share of the overall federal budget. Currently, mandatory programs consume 48.7 cents of every dollar spent by the federal government. The Clinton budget plan would increase the share of federal spending dedicated to these programs to 58.8 cents of every federal dollar by FY 2002.

One reason is Clinton's failure to address significantly the systemic problems within these programs. The other reason is that Clinton's budget plan achieves more than 55 percent of its overall deficit savings from discretionary programs—which comprise just 36 percent of federal spending. As these annually appropriated programs shrink as a share of total spending, a greater share of the federal budget is consumed by "uncontrolled" entitlement spending.

Medicare is left at risk. In April 1995, the Medicare Trustees issued a warning that the Medicare Hospital Insurance (HI) Trust Fund was in severe financial imbalance and that Congress should take "timely action to establish long term financial stability for the program."[8] Indeed, recent figures from the Health Care Financing Administration (HCFA) show that in 1995, the HI program paid out $35.7 million more in benefits than it took in through the HI payroll tax, thus forcing HCFA to reduce the trust fund's accrued balance to pay its bills. This is a sign that the HI trust fund, which is expected to go bankrupt by the year 2002, could face a financial crisis even earlier than has been feared.

Despite these warning signs, the Clinton Administration's Medicare reform proposal falls short of restoring the long-term solvency of the program. Even though the President's budget promises to reduce the growth of Medicare spending by $124 billion over the next seven years compared to CBO projections, it provides too few details to justify such claims. The plan purports to allow beneficiaries more choices from the private sector, but it does not replace today's defined benefit program with a defined contribution program that truly gives America's seniors an unprecedented opportunity to choose their own health plan and range of benefits.

Furthermore, the President's budget proposal maintains a heavy taxpayer subsidy of Medicare's Part B premiums by requiring beneficiaries to pay only 25 percent of Part B program costs. The original Part B program required beneficiaries to pay premiums which reflected one-half of program costs. Maintaining the taxpayer subsidy at 75 percent means there are not enough incentives to encourage enrollees to compare the costs

7 *Ibid.*, p. 18.

8 *1995 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund,* April 3, 1995, p. 4.

and benefits of more efficient private alternatives with the costs and benefits of the Part B program. The more the subsidy is reduced, the more level the playing field between private-sector plans and government. The elderly would have incentives to choose more efficient plans in the private sector. The likely result: not just a reduction in the subsidy, but a significant reduction in gross budget outlays for Medicare.

More Medicaid costs are shifted to the states. The Clinton Medicaid reform proposal would exacerbate the crisis facing most state governments: growing Medicaid costs that are siphoning off precious resources from such other priorities such as education, prisons, and infrastructure. Heritage Foundation analysts have calculated that "if no changes are made to current law, the states and the District of Columbia probably will need to raise taxes or cut other spending by $146 billion over seven years in order to meet their mandated obligations."[9]

Clinton's proposal would control federal Medicaid costs by some $59 billion over seven years by implementing a "per capita cap" on the amount Washington sends to states to provide health care for the poor and elderly. But this purported reform retains Medicaid's existing entitlement structure by maintaining most of the current eligibility requirements in Title XIX of the Social Security Act. Maintaining these federal strings could impose an additional $47.4 billion in Medicaid costs on already financially strapped states.[10]

Limiting federal Medicaid expenditures while increasing the financial exposure of the states is irresponsible. The President's proposal does not allow states the flexibility they need to design benefit packages or other major program parameters. If the federal government is going to cap its Medicaid expenditures, the states must be allowed to establish new benefit packages, provider reimbursement systems, and—most important—eligibility criteria. While the Administration's proposal allows for some limited changes in managed care enrollment, it represents a large unfunded mandate to the states because they will not have the freedom to control costs as dictated by the federal per capita caps. The magnitude of an such an unfunded mandate will vary from state to state because of differences in population. However, a large state, such as California, could face additional costs of $4.4 billion from the per capita cap.

Welfare reform ignores the root causes of poverty. The Clinton welfare reform proposal will hardly make a dent in the massive federal welfare system that has cost taxpayers $5.5 trillion since 1965. The federal welfare system is a vast network of 78 interrelated, overlapping, means-tested programs designed to assist poor or low-income Americans. The cost to all levels of government was $350 billion in 1994, with Washington contributing 72 percent. This amounts to $3,400 for every taxpaying household in America.

Clinton proposes to trim the welfare state by an unnoticeable $40 billion over the next seven years. Real reform would send programs back to the states with only a few necessary strings attached, but the Clinton plan keeps the existing structure of federal anti-pov-

9 William W. Beach, "Updated Estimates of the Costs to the States of Not Reforming Medicaid and the Additional Costs of Adopting Per Capita Caps," Heritage Foundation *F.Y.I.* No. 81, December 18, 1995. p. 1.

10 *Ibid.*

erty programs and talks vaguely about giving flexibility to the states. Clinton also talks in tough terms about imposing real work requirements on welfare recipients but the reforms drafted by the Administration contain only sham work requirements.

The most serious flaw in the Clinton welfare plan is its failure to address one of the major root causes of poverty: illegitimacy. Since 1965, the percentage of children born out of wedlock has grown from 7 percent of all children to 32 percent—an almost five-fold increase. Rather than deal substantively with this problem, the Clinton plan simply tries to address the symptoms by spending more on job training and child care programs.

Spending Initiatives That Outweigh Spending Cuts

While stating that "government should not do for individuals what they can do for themselves," the Clinton budget outlines a sweeping agenda of spending initiatives in areas such as education, high technology, crime fighting, and the environment. Remarkably, the discussion of this new spending falls under the heading "Spurring Economic Growth," thus confirming the Administration's strange and obsolete notion that directed government spending, not private spending, is the key to creating jobs and economic growth. Nowhere, however, does Clinton's budget provide even a hint of how it intends to achieve the $297 billion in discretionary spending cuts that comprise 55 percent of its deficit reduction plan. These details, presumably, will be outlined in the Administration's full FY 1997 budget, due to be published this month.

Clinton's spending initiatives would add yet another layer of bureaucracy to the hundreds of failed programs currently funded in the federal budget in areas the President claims are priorities. Clinton has an obligation to explain to taxpayers why these hundreds of existing programs have failed, and why they have not been eliminated, before trying to justify pumping even more money into these areas.

Some of these new spending priorities include:

Job training. The budget proudly states that the Administration has shifted more money into job training programs and would increase funding for Skill Grants for dislocated workers. Yet:

- ✗ The General Accounting Office (GAO) reports that 14 separate federal departments and agencies currently fund some 164 job training programs at a cost to taxpayers of roughly $25 billion per year. Moreover, the few controlled studies that have been conducted show that these programs have little or no success either in putting people to work or in raising their wages.

Education. The Administration claims it has shifted more money to education programs such as Goals 2000 and the Safe and Drug-Free Schools and Communities program. Now Clinton wants new programs to "connect every classroom to the information super-highway," in addition to expanded work-study for college students, merit scholarships for high school students, and charter schools. Yet:

- ✗ The Department of Education already manages roughly 240 programs, dozens of them targeted to the same students for whom Clinton would create new programs. Indeed, Goals 2000 does little to benefit students; it primarily funds state bureaucracies and duplicates many programs currently operated by the states. Also, many states already are experimenting with reform initiatives such as charter schools and do not need Washington's help. Moreover, there are some 240 programs targeted to "at-risk youth" scattered throughout such agencies as the Departments of Education, Health and Human Services, Justice, and Labor. Creating more programs targeted to these young people only adds to the bureaucracy.

Science and technology "investments." The Clinton budget places great emphasis on maintaining Administration's investments in high-technology spending. Yet:

✗ These myriad "investment" programs have turned out to be little more than expensive corporate welfare. There is evidence to suggest that these programs not only do not create jobs, but actually may induce the recipient corporations to downsize their research and development departments.[11] Many corporations figure there is no reason to fund their own R&D if Washington will pick up the tab for them.

Crime. The Clinton budget "fully funds the President's Community Oriented Policing Services (COPS) initiative," which the Administration claims will put 100,000 new police officers on the street. Clinton claims this program is responsible for the hiring of 23,000 new policemen to date. Yet:

✗ The problem with Clinton's promise to put 100,000 new police officers on the street by 2000 is that the math does not work. The 1994 crime bill, which authorized the COPS initiative, provided $8.4 billion in federal funds over six years, enough money either to put only 20,000 permanent new policemen on the street or to pay 100,000 officers less than $15,000 per year. Since police officers make more than the minimum wage, state and local governments that accept these federal funds will have to finance the remaining cost themselves—a cost that could total $28 billion over six years.[12]

Congress would change this program from a matching grant to a simple block grant, allowing local governments to use the funds for other law enforcement-related purposes such as purchasing equipment, paying overtime, and establishing neighborhood programs. Clinton has rejected these reforms, and the reason is obvious: Block granting the funds will not force local governments to pay for Clinton's campaign promises.

Discretionary Spending "Cuts"

The Clinton FY 1997 budget proposes to spend $111 billion more on discretionary programs than the Balanced Budget Act the President vetoed, while claiming to save $297 billion over seven years from these programs. How can this be true? The truth is these savings are calculated from the CBO "baseline," which projects higher spending on discretionary programs in future years. Thus, simply freezing aggregate spending on these

11 Gilbert M. Gaul and Susan Q. Stranahan, "High-Tech Handouts," a seven-part series published in *The Philadelphia Inquirer*, June 3 to June 10, 1995.

12 Scott A. Hodge, "The Crime Bill's Faulty Math Means a $28 Billion Unfunded Liability to the States," Heritage Foundation *F.Y.I.* No. 29, August 16, 1994.

programs at FY 1995 levels "saves" $258 billion over seven years. The roughly $40 billion in additional "savings" (bringing the total to $297 billion) is due to Clinton's proposal to spend less in future years, below what was spent in 1995. However, the Clinton budget would implement 95 percent of these cuts in FY 2001 and FY 2002, thus leaving the tough decisions to a future President and Congress.

CONCLUSION

The era of big government is far from over. The Administration's repeated use of gimmicks and accounting ploys to "balance the budget" casts doubt on its sincerity in negotiating a balanced budget plan with Congress. At every turn, Clinton fought attempts to cut spending, or even to reduce the growth in spending. Clinton challenged CBO's conservative economic assumptions because they required greater savings to balance the budget. In other words, he wanted more money for favored programs while claiming to support a balanced budget. Clinton repeatedly called on Congress to reduce the size of the BBA's tax cut package, not because eliminating the tax cuts would balance the budget any faster (say in five years rather than seven), but because smaller tax cuts would allow more money for government spending. The record is clear: Bill Clinton prefers keeping money in the hands of Washington bureaucrats to keeping it in the pockets of American taxpayers.

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