U.S. Department of the Treasury

PRESS RELEASES

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

COMMENTS BY TREASURY SECRETARY LLOYD BENTSEN ON HIS MOSCOW/ASIA TRIP

PRESS CONFERENCE, WASHINGTON, JANUARY 7, 1994

I will be leaving early next week for Moscow and the summit, and then we'll be going on to Asia. I'll be visiting China for a broad discussion of our economic relations. And I'll be stopping also in Indonesia and Thailand to discuss regional issues such as the Asia Pacific Economic Cooperation organization and financial services matters.

Let me run down our objectives on the three legs, and then perhaps I can take a few questions.

I will join President Clinton, as I did in Vancouver, in discussing the various facets of our economic relationship with Russia. While I'm there I want to commend the reformers for the progress that has been made in liberalizing and privatizing Russia's economy. And I also want to urge President Yeltsin to deepen the process of market reform.

In addition, we will underscore the West's commitment to provide large-scale financing in support of comprehensive market reform. And we will ask the international community to pay greater attention to the social hardships of Russia's transformation.

Now, as to the rest of the trip:

In China, among the more significant things I will do is reconvene meetings of the Joint Economic Committee. This is a forum at which we and the Chinese talk about bilateral economic issues.

Look at what is going on economically in China. They also are in the midst of an historic economic transformation. In our discussions, I want to stress the shared interest of both countries in China's successful transition to an open, market economy. But let me emphasize, at the same time I will make clear that U.S. concerns about human rights remain fundamental. We will obviously be watching China's actions in this area closely as we move toward the President's MFN decision this year.

The economic dialogue will include China's recent reforms of its foreign exchange, tax, monetary and financial systems. In addition, we'll talk about opening China's markets. And we will discuss areas in which we can cooperate on regional matters such as APEC. We have a full agenda in China.

I also want to make progress on one of our key foreign policy goals -- strengthening regional economic cooperation in Asia. The President's Leaders' Meeting in Seattle last fall was a big step forward. I want to talk with my counterparts in Indonesia and Thailand about the Finance Ministers' meeting I will be hosting this year. This will be an unprecedented opportunity for finance ministers from throughout the region to discuss the economic policies which will shape our future.

We need to start sharing ideas on the challenges we face, such as how can we sustain high growth, for rich and poor countries? And how can we promote economic links that promote region-wide growth? We all have enormous infrastructure needs. We ought to look at how they can be financed. We should look at how we can promote private investment, which has been driving much of the growth. And we need to look at how to have deeper and less volatile capital markets in the region. American investors can benefit from the opportunities available in the region. We need to look at how regional cooperation can make that happen.

In addition, while I am in Bangkok I expect to lay out our approach to financial services in the aftermath of the GATT negotiations.

My emphasis in my discussions with the Asian leaders will be on making the Finance Ministers meeting a cooperative venture. It should be a consensus-building exercise, building on the formula which has worked so well in the APEC trade and investment meetings. I want to stress our common interests, not any country's bilateral agenda. Our common interest is to sustain this region's strong economic performance.

The APEC region is a primary factor in our growth. Half of our exports go there. And those exports are up by two thirds in just five years. We clearly have a stake in the growth strategies of our APEC partners, and they clearly have a stake in ours. It's time for us to begin talking to each other about these economic issues.

# # #

<u>THE BROOKINGS INSTITUTION, WASHINGTON, JANUARY 5, 1994</u>

"Immediately after the summit in Moscow, I will be making my first trip to the region since becoming Treasury Secretary. I want to follow up on the progress made in Seattle at the meeting of the Asia Pacific Economic Cooperation organization that President Clinton called together.

Our nation has had, and will continue to have, a significant focus on our economic and security alliances with our European partners. That will not change. But we must also recognize that the United States has a substantial interest in the Pacific region.

The Asian Pacific region is the fastest growing economic region on the globe. Fully two-thirds of our trade deficit is with just two countries there -- Japan and China. We need to make a greater effort to see that the growth taking place in the Pacific encourages growth not only here in the United States but also among other industrial nations.

I've made this point a number of times in the past year when I was talking about NAFTA or GATT, and I'll make it again today. Exports are a driving force in our economy. Since the middle of the last decade half of our increase in income and almost all of our new manufacturing jobs have come about because of exports. It becomes clearer every day that the way to make our economy grow is to get better access to more markets.

And where are those markets? In Asia and in the Pacific, and in Latin America -- places where economies are taking off and they need the goods and the services that America can provide.

Look at the growth rates in the countries I'll be visiting. Indonesia, which has the fourth largest population in the world, has had average real growth rates of over 6 percent in the past 25 years. In Thailand, which is a regional leader in financial liberalization, the annual growth rate in the GDP has been over 7 percent for the past five years. And in China, which now is the world's third-largest economy, GDP growth rose 13 percent last year.

There are other issues that must be raised besides economic ones, such as human rights in China. But one of the ways to promote human rights is to encourage market reform and trade. They can be the engine of political change.

So I'll be talking with my counterparts in the region about our economic relationships, about having an APEC finance ministers meeting sometime this year, and about how each of us sees APEC as a vehicle to further growth and development in our respective nations. I also expect to talk about sustaining the growth we've seen, about how development can be financed, and about how capital markets can be developed.

This is a region to which we've had historic ties, and one I believe can play an increasingly important global role.

# # #

Q Mr. Secretary, in the fall report on international foreign exchange markets and trade it was mentioned that China is continuing to manipulate its currency. And I was wondering -- (inaudible due to background noise) -- announcement this week of a big reduction in textile quotas for China, if that would present a -- (off mike) -- to your discussions, or -- ?

SEC. BENTSEN: Well, first I want to congratulate them on the consolidation of their currency and getting away from the two-currency approach. I think that's helpful, and that certainly is an improvement.

Insofar as the action that's been taken on textiles, there's still some time, obviously, for negotiation in there. We've had a serious problem with transshipments that exceed the quotas that we have and up to this point feel like we have not had enough cooperation from China in trying to apprehend those, that circumvention that's taking place of these quotas. And we're continuing to urge that on the Chinese, and hopefully that can be worked out, that they'll come to the negotiation table on that and we'll make some effective progress. That's one of the reasons that even though the agreement has expired some time has been left in there for negotiation with the Chinese.

Q Do you expect something to occur between now and the 17th, or -- (off mike)?

SEC. BENTSEN: Well, I am hopeful, obviously, that something will have occurred in that regard.

Yes.

Q Mr. Secretary, how are the Chinese -- what kind of progress are the Chinese making on human rights as far as the administration is concerned, are they making good progress? And also, is there any chance that human rights could be decoupled from the trade mission?

SEC. BENTSEN: No, I don't think it'll be decoupled. I think that they play off on each other, and I think the Chinese have made some progress. I think there's more to be done.

Yes.

Q Mr. Secretary, can you explain why it was decided that on the Asian leg of your trip that you would not be going to Japan, and is there a risk that the Japanese government might perceive this as a bit of a snub and --

SEC. BENTSEN: Absolutely not. I've been to Japan and we've been very interested and we're meeting with them. We have the prime minister coming here next month, and it's just a matter of time limitation.

Look at my trip. I go all the way down from Moscow down to Jakarta, and then over to Bangkok. Look at the size of my suitcase just trying to take care of the cold weather and the warm weather. (Laughter.)

Q Do you expect Mr. Fuji to accompany Mr. Hosokawa next month on his trip to Washington?

SEC. BENTSEN: That I don't know. That I don't know. But I will be hosting a meeting for the finance ministers of Asia where we will try to do some of the things, for example, we've been able to do in the G-7 with the finance ministers.

(Cross talk.)

Q Mr. Secretary, a Chinese trade official was quoted this morning as --

SEC. BENTSEN: I was trying to listen to two of you, so -- all right.

Q A Chinese trade official was quoted this morning as threatening possible retaliation for this textile move yesterday. I wonder if anything has actually been communicated to the U.S. --

SEC. BENTSEN: Not to my knowledge. Not to my knowledge.

MODERATOR: We can take one more question. Mr. Cresinger (sp).

Q When do you see the IMF moving on the second tranche of the -- (off mike) -- operation for Russia? Is that going to happen soon, and what does Russia need to do to get the money?

SEC. BENTSEN: Well, I think what you'll have to see is some progress on the part of Russia and the IMF in working closer and better together in trying to work out the differences that they have at the present time. And we'll be pushing to try to see that that's done. But to give you a definitive time schedule, I can't do that.

What we also want to have is the G-7 countries to be fully aware of the pain that the Russian people are going through in making this kind of a transformation. Part of that, obviously, was reflected in the elections. But that does not mean that we should lessen reform. Actually, I think it means that we ought to accelerate reform to try to get that inflation down and get them on a sound basis.

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Q You talk in your statement about the need for large-scale Western aid to Russia. Will there be any announcement on this trip in that regard, if not from the IMF, from individual countries?

SEC. BENTSEN: I don't have anything definitive on that yet. Do not.

MODERATOR: Thank you very much.

SEC. BENTSEN: Thank you.

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PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
January 19, 1994

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS IN LOS ANGELES COUNTY AFFECTED BY EARTHQUAKE

The Bureau of Public Debt took action to assist victims of the earthquake that struck Los Angeles, California by expediting the replacement or payment of United States Savings Bonds for owners in the affected area. The emergency procedures are effective immediately for paying agents and owners in Los Angeles County and will remain in effect through February 28, 1994.

Public Debt's action waives the normal six-month minimum holding period for Series EE savings bonds presented to authorized paying agents for redemption by residents of the affected area. Most financial institutions serve as paying agents for savings bonds.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or the Federal Reserve Bank. Bond owners should include as much information as possible about the lost bonds on the form. This information should include how the bonds were inscribed, social security number, approximate dates of issue, bond denominations and serial numbers if available. The completed form must be certified by a notary public or an officer of a financial institution. Completed forms should be forwarded to Public Debt's Savings Bonds Operations Office located at 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the word "Earthquake" on the front of their envelopes to help speed the processing of claims.

Public Debt is the Treasury bureau responsible for administering the Savings Bonds Program.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Remarks by Jeffrey R. Shafer
Assistant Secretary for International Affairs
Department of the Treasury
before the Bankers' Association for Foreign Trade

February 11, 1994

It is a pleasure for me to be here today to take part in the BAFT's mid-winter review of key issues. I have come to know more than a few of you over the past few months as this Administration has worked to find a practical and effective way to advance open financial markets in emerging economies. We'll get to know each other better over the next year or so, because we have a long way to go together before we reach our goal: commitments to essentially full market access and national treatment from the leading countries and those with emerging markets.

This work has brought me back to issues I dealt with fifteen years ago. Then, as a Federal Reserve officer, I helped put together the proposals to authorize International Banking Facilities in this country. They were a way of expanding the ability of banks to compete in global markets from a U.S. base, at a time when domestic regulations would otherwise have put them at a competitive disadvantage. The IBFs brought jobs to New York, Miami and other American cities in the early 1980s. Now I see special international banking arrangements in many countries. It is a way for countries to test the competitive waters.

But we want them to do more than dip their toes in. We want to see markets opened, and we want to see our firms given national treatment.

President Clinton has set the strategy. It is a simple one: this country must compete, not retreat. You are on the front lines of this campaign: your job is to compete. There is no disputing that the U.S. financial community is the most competitive in the world. Innovation in the banking and securities markets here has led the world and created tremendous new opportunities for U.S. firms to meet the financial needs of consumers and businesses in economies around the world. We in the government have a complementary task: to create the opportunities for you to do what you do best by securing open markets. And we take this task seriously.

There is tremendous potential in financial services. This industry already accounts for over 6 percent of U.S. GDP and employed 5.4 million Americans in 1992. Continued growth in this industry means more jobs for Americans. But we are not the only ones who benefit. As U.S. banks, securities firms, finance companies, investment advisers and insurance underwriters extend their global presence, they bring competitive efficiency and state-of-the-art techniques to emerging markets. Efficient and open financial markets are vital to economic growth in developing countries. As Secretary Bentsen said in Bangkok last month, "the sector sends signals to the industrial muscle as to where those resources ought to go, where they'll have the most effective growth, the highest return."

We are following a three pronged approach to open markets for increased trade and investment in financial services:

1) multilateral negotiations on the General Agreement on Trade in Services (GATS) that was reached in the Uruguay Round;
2) bilateral financial policy talks; and
3) fair trade in financial services legislation.

The multilateral framework of the GATT has for more than forty years been the focus of U.S. efforts to open markets for goods. The advantages of engaging with our trading partners through this forum are many. The most important is that multilateral commitments are the best, most enforceable,longest-lasting means to increase world-wide trade and promote growth in all economies. The conclusion of the Uruguay Round has taken the multilateral system a big step ahead with the World Trade Organization (or WTO) slated to replace the GATT. We have ambitions for the World Trade Organization to enhance further the potential for international trade to contribute to growth and improved quality of life for people around the globe.

From the beginning, at Punta del Este, the Uruguay Round brought a new era to multilateral trade negotiations by putting services on the table. This provided an important opportunity for us to pursue increased access to global markets in an area in which the U.S. has long been in the forefront. Because of our competitiveness in the financial services sector and because of the importance of financial markets to growth, the U.S. Government placed a very high priority on this sector in the negotiations that concluded in Geneva in December. The services negotiations were tough, and I don't think anyone in this country was fully satisfied by the outcome -- not in basic telecoms, not in audio-visual, and not in financial services.

But this was a pioneering effort. The differences between trade in goods and trade in service meant that the approaches had to be different. This was not like cutting tariffs. Domestic regulations were involved. Rights of establishment and all that entailed had to be dealt with. Of particular importance in financial services was the disparity between a market like that of the United States, which is essentially wide open on a national treatment basis, and some others which are closed tight. While we are proud of -- and our economy benefits greatly from -- the open market we have maintained in financial services, we could not commit ourselves to maintain this open door unconditionally, while other important markets were effectively closed to our firms. Our objective in the Round was to get commitments from others to a more level playing field of market access and national treatment to foreign firms -- ours and others. It is important for us all to remember that it was, and is, our overriding objective to gain increased market access abroad in return for our commitment to provide ongoing open access -- including potential new powers -- to our banking and securities markets.

When the new team came to Treasury last year, the Uruguay Round, which had already run for six years, had less than a year to run. Secretary Bentsen set a clear objective: access for U.S. financial institutions or we would not guarantee access to our market. We did not seek confrontation; but neither could we accept what was on the table. We felt we had to go into the last round of negotiations with the ability to reward in kind those that would commit to open their markets to our firms.

With that in mind, we devised what many called a two-tier approach. We undertook to bind a basic level of commitments for all countries that would guarantee continued operations for institutions already in the market and allow some access for those from countries which did not already have a presence in the United States. For countries that were willing to make commitments on substantially full market access and national treatment, we were willing to provide equivalent access to their banking and securities firms, including guaranteed rights of expansion and new powers on a national treatment basis. It was necessary to take a limited exemption from the MFN provision of the Agreement in order to offer this, and we did so.

Although this position represented a considerable softening of the U.S. position -- a blanket MFN exemption had been taken earlier --- it was not well received by our negotiating partners. By their own admission, many of them had not taken the previous U.S. position seriously. The European Community, which had much to gain if our approach was successful in convincing key countries to open their markets, nevertheless led the opposition.

We did a lot of talking in Geneva in our effort to convince our negotiating partners that we were trying to make the financial services sector of the Round successful; that we were not trying to jettison it. In the end, we were able to gain significant improvements in the offers of some countries; others stood pat. We could not, with what was on the table, give away open-ended access to our own market. There were too many free riders. We agreed to a compromise; we retained our limited MFN exemption, but would suspend it for six months after the Uruguay Round GATS agreement enters into effect. Until then, negotiations will continue. Our goal will continue to be achievement of substantially full market access and national treatment, at least over some agreed time frame. If we make considerable progress in this period, we could then waive our right to distinguish among countries in granting access to our financial market. If we do not obtain good commitments, we will retain the exemption and grant full market access only to those countries that we judge to be doing essentially the same for us.

In our effort to gain access to national markets for our financial institutions, we are pursuing a bilateral track alongside our multilateral efforts in the GATS. We negotiated with virtually all GATS parties "bilaterally" in Geneva as part of the Uruguay Round. But we also can -- and do -- work with some countries bilaterally outside the specific context of the GATS to address issues of special concern.

The longest-running of these efforts is our dialogue with the Japanese Ministry of Finance. The Yen-Dollar talks date back to the early 1980's. U.S. interest in gaining fuller access for our banking and securities firms to the Japanese market has been an important part of this process, particularly in more recent years. Previous administrations scored some successes, and foreign banks now operate profitably in Japan. But their market share is small, about 1 percent compared to Japanese banks 10 percent share of the U.S. market. Our securities firms are prevented from bringing their considerable expertise and innovations to bear in a market that is underdeveloped. Foreign investment advisors are precluded from managing 90 percent of Japanese pension fund assets. High entry costs and limited distribution channels hamper the ability of U.S. mutual fund companies to establish and market their products.

There is still much to be done. The financial services sector is a key element of the Framework which President Clinton and Prime Minister Hosokawa are meeting to discuss today. Insurance is on the agenda now; work is underway with a view to making a breakthrough on other financial services issues this summer. The outcome of the current review of Japan's public pension fund system will be a bellwether of their willingness to undertaken meaningful reform.

In addition to this dialogue with the Japanese, we have pursued similar discussions with other key countries. We have met bilaterally with both Taiwan and Korea over the years to address currency issues and to discuss financial market access. We believe that these fora have provided critical opportunities to address policy concerns. We have gained a much better understanding of these countries' markets, as well as the political and economic factors that shape their attitudes toward reducing restrictions on access. And, for their part, they have listened, if not always agreed, with our arguments for open markets and the benefits they bring -- by increasing access to capital, promoting innovation and competition, and contributing to healthy economic growth.

As part of this tradition, as well as our efforts to close the Uruguay Round successfully, I traveled to seven countries in Asia last November. My objective was to make our case about the merits of greater financial liberalization and to make clear our objectives in the Uruguay Round. I did not come home with huge concessions. But I believe that this was an important step in the process: governments in countries with key markets must know that we are serious about what we are trying to accomplish, but we are also reasonable in how we are going about it.

Last month, Secretary Bentsen travelled to Asia to follow up on the Round and to nurture relationships with some of our partners in the Asia-Pacific Economic Cooperation organization. He delivered a three-part message: that we want to open markets, not close ours; that we will negotiate constructively, allowing current operations of foreign firms in the U.S. to continue unchecked; and that our ultimate objective is a multilateral, MFN-based agreement. Secretary Bentsen reached out to the countries he visited by praising their innovations and discussing how further steps would benefit them, not just us. He and his Chinese counterpart agreed to set up a working group on monetary and banking issues under the Joint Economic Committee to discuss improving market access.

Treasury will continue to engage governments of countries with emerging economies in dialog on financial policies.

The third integral tool in our drive to open financial markets is legislative. We need this tool for our work in building a fair competitive arena. Without authorization from Congress, the Administration cannot implement a strategy of staged access to our financial markets. The Fair Trade in Financial Services Act is a test of our seriousness. With it, we will provide an extra inducement to countries to provide access as well as to benefit from it. With such a law we will be able to negotiate more effectively. We may be successful enough that we will not have to invoke the reciprocity provisions in the legislation. On the other hand, if Fair Trade in Financial Services does not pass, those who bet that the U.S. would not be tough on free riders would be vindicated. We would see no better commitments to market access.

How do we bring this strategy together? How precisely do we intend to move ahead?

In Geneva, we have begun the process of reviewing documents to clarify countries' commitments, not just on financial services but in all sectors. This is a routine technical step in preparation for the official closing of the Round planned for Marrakesh in April. But it will also give us a much clearer understanding of what each country has committed and where our greatest challenges lie in trying to deepen market access and national treatment in the next twelve to eighteen months.

In sum, we see the time between now and Marrakesh as a preparatory period. We will be reviewing our situation and reining our strategy for moving ahead with negotiations. We certainly hope to hear from you in this period. Without your input -- both from the perspective of your field representatives who deal with local conditions every day and from your front office that has a broader vision for your future -- we will not be effective.

We will then begin working with countries to make progress toward our goals. We are not single-minded about how substantial market access and national treatment are achieved. We recognize that liberalization is a process that does not happen with a flip of a switch. We would like to help countries find a way to accommodate our needs and would, for instance, be prepared to consider transitional arrangements that provide breathing room for domestic firms to let them adjust to greater competition. Indeed, we are not encouraging countries to act carelessly, but to commit to national treatment and to allow access to their market consistent with prudent regulation. Without proper regulatory control, even promising innovations can bring volatility and risk.

And, as I mentioned before, having the Fair Trade in Financial Service Act in our back pocket will greatly enhance our effectiveness in these negotiations. This will be particularly true if interstate banking and branching moves along as recent events suggest it might. The freedom to branch on an interstate basis that the recently approved House Subcommitee bill would provide catches the interest of foreign financial institutions when they think about operations in the U.S. We think it is important that they be provided this ability on a national treatment basis. This provides us with a carrot, while FTFS is the stick we hope never to have to use.

In closing, I want to remind you that we are your advocates. But we cannot be effective ones if we do not know what you think is important. We need to understand how you see countries: which are key markets, what are the of greatest significance on your operations, what your visions for the future are. That's why I expect to get to know you still better in the coming 18 months or two years. I expect to get to know your overseas managers better, too. I'm looking forward to it.

The next two years will be busy ones for us. If we suceed in gaining good market access agreements, however, we will have done only half the job. The other half is yours. You are the ones who must reap the opportunities that are there, and who must go out into the market and compete.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
February 15, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued February 24, 1994. This offering will result in a paydown for the Treasury of about $1,825 million, as the maturing weekly bills are outstanding in the amount of $26,231 million.

Federal Reserve Banks hold $6,180 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,818 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

LB-655

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED FEBRUARY 24, 1994

February 15, 1994

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 K7 8	912794 L6 9
Auction date	February 22, 1994	February 22, 1994
Issue date	February 24, 1994	February 24, 1994
Maturity date	May 26, 1994	August 25, 1994
Original issue date	November 26, 1993	August 26, 1993
Currently outstanding	$14,063 million	$15,299 million
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
February 16, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES
TOTALING $28,000 MILLION

The Treasury will auction $17,000 million of 2-year notes and $11,000 million of 5-year notes to refund $15,189 million of publicly-held securities maturing February 28, 1994, and to raise about $12,800 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $763 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $979 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED FEBRUARY 28, 1994

February 16, 1994

Offering Amount	$17,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AD-1996	K-1999
CUSIP number	912827 N9 9	912827 P2 2
Auction date	February 23, 1994	February 24, 1994
Issue date	February 28, 1994	February 28, 1994
Dated date	February 28, 1994	February 28, 1994
Maturity date	February 29, 1996	February 28, 1999
Interest rate	Determined based on the highest accepted bid	Determined based on the highest accepted bid
Yield	Determined at auction	Determined at auction
Interest Payment dates	The last calendar day of August and February through February 29, 1996	The last calendar day of August and February through February 28, 1999
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids	Accepted in full up to $5,000,000 at the highest accepted yield
Competitive bids	(1) Must be expressed as a yield with two decimals, e.g., 7.10% (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders	Prior to 12:00 noon Eastern Standard time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Standard time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

The United States
and the
Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the United States? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost the United States billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of the United States.

The Balanced Budget Amendment: Nationwide Impact

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $90 billion a year ($728 per taxpayer)

Cuts in Benefits, Services, and Defense -- $110 billion a year

- $605 cut per year for the average Social Security recipient
- $480 less for each person enrolled in Medicare
- $254 less for each Medicaid recipient
- $34.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $16.8 billion additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $200 billion a year

- $1,100 cut per year for the average Social Security recipient
- $873 less for each person enrolled in Medicare
- $462 less for each Medicaid recipient
- $62.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $30.6 billion additional cut in annual defense spending

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[1]Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $200 billion a year

- $1,298 cut per year for the average Social Security recipient
- $1,031 less for each person enrolled in Medicare
- $545 less for each Medicaid recipient
- $73.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $200 billion a year

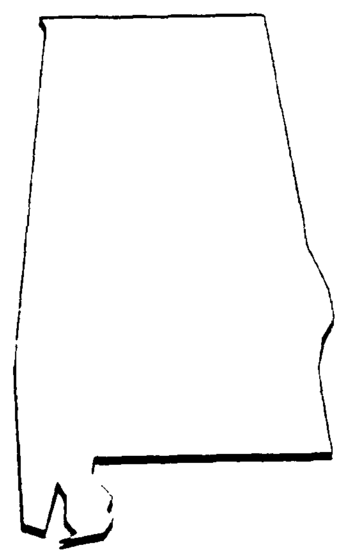
- $1,177 less for each person enrolled in Medicare
- $623 less for each Medicaid recipient
- $84.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $41.2 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $200 billion a year

- $1,483 less for each person enrolled in Medicare
- $784 less for each Medicaid recipient
- $106.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Alabama and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Alabama? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Alabama billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Alabama.

The Balanced Budget Amendment would cost Alabama $3.0 to $3.5 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.1 billion a year ($574 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.9 billion a year

- $541 cut per year for the average Social Security recipient
- $412 less for each person enrolled in Medicare
- $281 less for each Medicaid recipient
- $650 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $293 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $3.4 billion a year

- $984 cut per year for the average Social Security recipient
- $749 less for each person enrolled in Medicare
- $512 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $532 million additional cut in annual defense spending

[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.4 billion a year

- $1,161 cut per year for the average Social Security recipient
- $884 less for each person enrolled in Medicare
- $604 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $3.5 billion a year

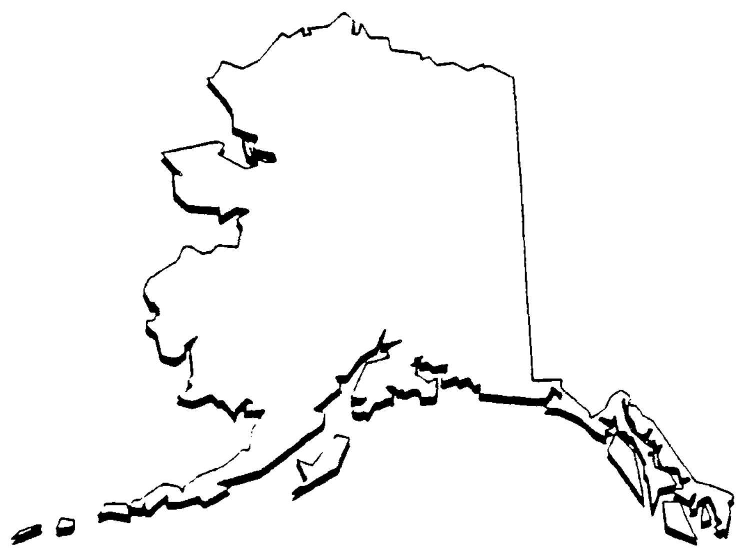
- $1,010 less for each person enrolled in Medicare
- $690 less for each Medicaid recipient
- $1.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $717 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $3.5 billion a year

- $1,272 less for each person enrolled in Medicare
- $869 less for each Medicaid recipient
- $2.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Alaska and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Alaska? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Alaska billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Alaska.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $511 million a year

- $1,249 cut per year for the average Social Security recipient
- $740 less for each person enrolled in Medicare
- $499 less for each Medicaid recipient
- $393 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $820 million a year

- $846 less for each person enrolled in Medicare
- $570 less for each Medicaid recipient
- $449 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $298 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $658 million a year

- $1,065 less for each person enrolled in Medicare
- $718 less for each Medicaid recipient
- $566 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The Balanced Budget Amendment would cost Alaska $511 to $820 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $271 million a year ($742 per taxpayer)

Cuts in Benefits, Services, and Defense -- $359 million a year

- $582 cut per year for the average Social Security recipient
- $345 less for each person enrolled in Medicare
- $233 less for each Medicaid recipient
- $183 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $121 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

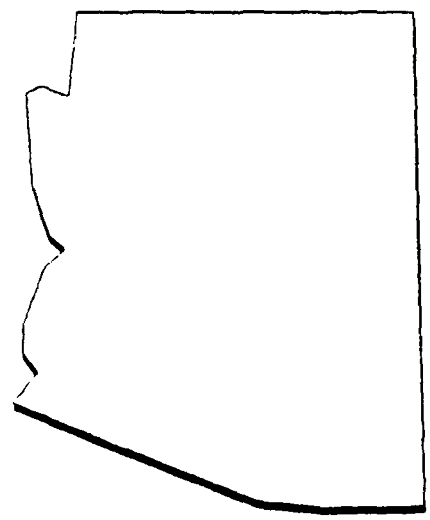
Cuts in Benefits, Services, and Defense -- $653 million a year

- $1,058 cut per year for the average Social Security recipient
- $627 less for each person enrolled in Medicare
- $423 less for each Medicaid recipient
- $333 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $221 million additional cut in annual defense spending

[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

The State of Arizona and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Arizona? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Arizona billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Arizona.

The Balanced Budget Amendment would cost Arizona $2.6 to $2.8 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.1 billion a year ($606 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.5 billion a year

- $600 cut per year for the average Social Security recipient
- $390 less for each person enrolled in Medicare
- $228 less for each Medicaid recipient
- $485 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $238 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.8 billion a year

- $1,091 cut per year for the average Social Security recipient
- $709 less for each person enrolled in Medicare
- $415 less for each Medicaid recipient
- $881 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $432 million additional cut in annual defense spending

[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.8 billion a year

- $1,288 cut per year for the average Social Security recipient
- $837 less for each person enrolled in Medicare
- $489 less for each Medicaid recipient
- $1.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.7 billion a year

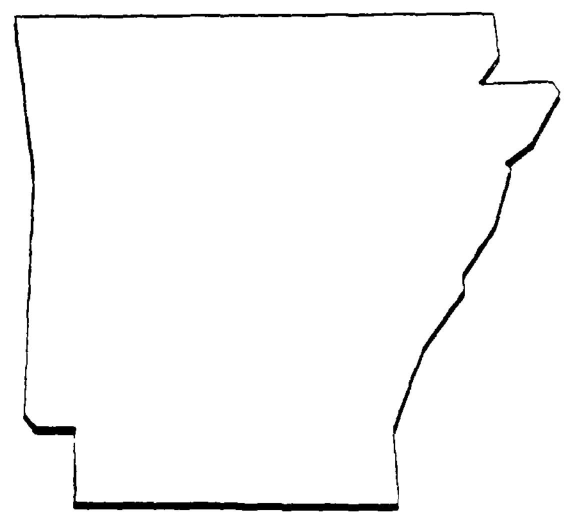
- $956 less for each person enrolled in Medicare
- $559 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $583 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.6 billion a year

- $1,204 less for each person enrolled in Medicare
- $704 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Arkansas and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Arkansas? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Arkansas billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Arkansas.

The Balanced Budget Amendment would cost Arkansas $1.5 to $1.9 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $530 million a year ($500 per taxpayer)

Cuts in Benefits, Services, and Defense -- $934 million a year

- $537 cut per year for the average Social Security recipient
- $409 less for each person enrolled in Medicare
- $262 less for each Medicaid recipient
- $269 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $57 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.7 billion a year

- $976 cut per year for the average Social Security recipient
- $745 less for each person enrolled in Medicare
- $476 less for each Medicaid recipient
- $489 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $103 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $1.9 billion a year

- $1,152 cut per year for the average Social Security recipient
- $879 less for each person enrolled in Medicare
- $562 less for each Medicaid recipient
- $578 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.6 billion a year

- $1,004 less for each person enrolled in Medicare
- $642 less for each Medicaid recipient
- $660 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $139 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $1.8 billion a year

- $1,264 less for each person enrolled in Medicare
- $808 less for each Medicaid recipient
- $831 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of California and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of California? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost California billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of California

The Balanced Budget Amendment would cost California $21.3 to $24.7 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $11.7 billion a year ($789 per taxpayer)

Cuts in Benefits, Services, and Defense -- $12.8 billion a year

- $608 cut per year for the average Social Security recipient
- $578 less for each person enrolled in Medicare
- $160 less for each Medicaid recipient
- $4.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $2.8 billion additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $23.2 billion a year

- $1,106 cut per year for the average Social Security recipient
- $1,050 less for each person enrolled in Medicare
- $290 less for each Medicaid recipient
- $7.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $5.1 billion additional cut in annual defense spending

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Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $21.3 billion a year

- $1,306 cut per year for the average Social Security recipient
- $1,240 less for each person enrolled in Medicare
- $343 less for each Medicaid recipient
- $8.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $24.7 billion a year

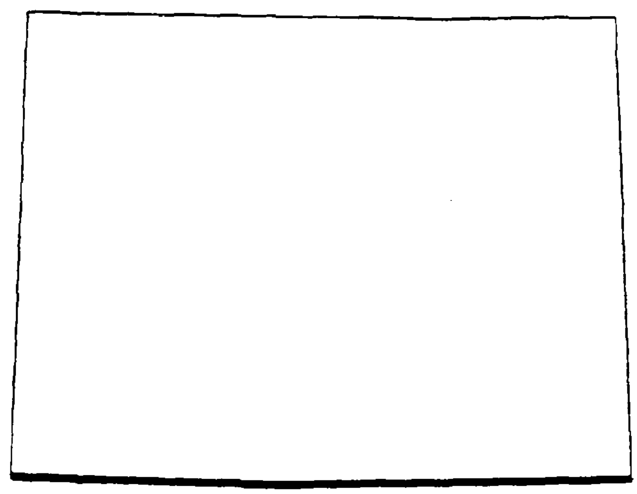
- $1,416 less for each person enrolled in Medicare
- $392 less for each Medicaid recipient
- $9.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $6.9 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $22.3 billion a year

- $1,784 less for each person enrolled in Medicare
- $493 less for each Medicaid recipient
- $12.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Colorado
and the
Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Colorado? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Colorado billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Colorado.

The Balanced Budget Amendment would cost Colorado $2.7 to $3.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.3 billion a year ($722 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.6 billion a year

- $583 cut per year for the average Social Security recipient
- $413 less for each person enrolled in Medicare
- $244 less for each Medicaid recipient
- $665 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $330 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.9 billion a year

- $1,059 cut per year for the average Social Security recipient
- $750 less for each person enrolled in Medicare
- $444 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $600 million additional cut in annual defense spending

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Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.7 billion a year

- $1,251 cut per year for the average Social Security recipient
- $886 less for each person enrolled in Medicare
- $525 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $3.1 billion a year

- $1,011 less for each person enrolled in Medicare
- $599 less for each Medicaid recipient
- $1.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $809 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.9 billion a year

- $1,274 less for each person enrolled in Medicare
- $755 less for each Medicaid recipient
- $2.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Connecticut and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of Connecticut? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Connecticut billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Connecticut.

The Balanced Budget Amendment would cost Connecticut $2.3 to $3.4 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.9 billion a year ($1,100 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.5 billion a year

- $663 cut per year for the average Social Security recipient
- $484 less for each person enrolled in Medicare
- $380 less for each Medicaid recipient
- $313 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $293 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.7 billion a year

- $1,206 cut per year for the average Social Security recipient
- $881 less for each person enrolled in Medicare
- $691 less for each Medicaid recipient
- $569 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $533 million additional cut in annual defense spending

[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.5 billion a year

- $1,423 cut per year for the average Social Security recipient
- $1,040 less for each person enrolled in Medicare
- $816 less for each Medicaid recipient
- $672 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.6 billion a year

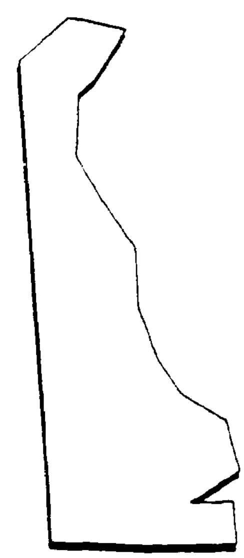
- $1,187 less for each person enrolled in Medicare
- $932 less for each Medicaid recipient
- $767 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $719 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.3 billion a year

- $1,496 less for each person enrolled in Medicare
- $1,174 less for each Medicaid recipient
- $966 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Delaware
and the
Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Delaware? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Delaware billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Delaware.

The Balanced Budget Amendment would cost Delaware $418 to $527 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $276 million a year ($774 per taxpayer)

Cuts in Benefits, Services, and Defense -- $251 million a year

- $621 cut per year for the average Social Security recipient
- $410 less for each person enrolled in Medicare
- $235 less for each Medicaid recipient
- $83 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $24 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $456 million a year

- $1,128 cut per year for the average Social Security recipient
- $745 less for each person enrolled in Medicare
- $428 less for each Medicaid recipient
- $150 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $44 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $487 million a year

- $1,332 cut per year for the average Social Security recipient
- $879 less for each person enrolled in Medicare
- $505 less for each Medicaid recipient
- $177 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $418 million a year

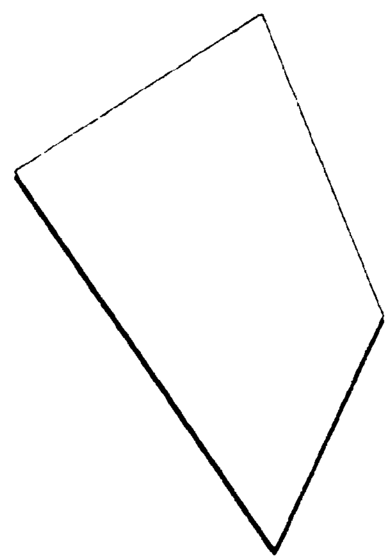
- $1,004 less for each person enrolled in Medicare
- $577 less for each Medicaid recipient
- $203 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $59 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $452 million a year

- $1,265 less for each person enrolled in Medicare
- $727 less for each Medicaid recipient
- $255 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The District of Columbia and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the District of Columbia? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost DC billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of DC.

The Balanced Budget Amendment would cost DC $2.1 to $4.8 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $285 million a year ($851 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.8 billion a year

- $515 cut per year for the average Social Security recipient
- $848 less for each person enrolled in Medicare
- $322 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $220 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $3.3 billion a year

- $937 cut per year for the average Social Security recipient
- $1,543 less for each person enrolled in Medicare
- $586 less for each Medicaid recipient
- $2.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $400 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.4 billion a year

- $1,106 cut per year for the average Social Security recipient
- $1,821 less for each person enrolled in Medicare
- $692 less for each Medicaid recipient
- $3.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $4.3 billion a year

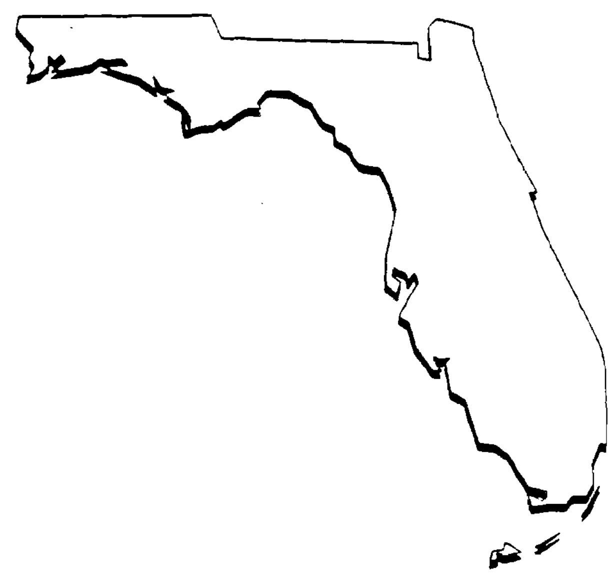
- $2,080 less for each person enrolled in Medicare
- $790 less for each Medicaid recipient
- $3.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $539 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $4.8 billion a year

- $2,620 less for each person enrolled in Medicare
- $996 less for each Medicaid recipient
- $4.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Florida and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Florida? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Florida billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Florida.

The Balanced Budget Amendment would cost Florida $9.6 to $11.0 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $4.8 billion a year ($720 per taxpayer)

Cuts in Benefits, Services, and Defense -- $5.8 billion a year

- $597 cut per year for the average Social Security recipient
- $472 less for each person enrolled in Medicare
- $170 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $719 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $10.6 billion a year

- $1,085 cut per year for the average Social Security recipient
- $858 less for each person enrolled in Medicare
- $309 less for each Medicaid recipient
- $2.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.3 billion additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $11.0 billion a year

- $1,281 cut per year for the average Social Security recipient
- $1,013 less for each person enrolled in Medicare
- $365 less for each Medicaid recipient
- $3.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $9.6 billion a year

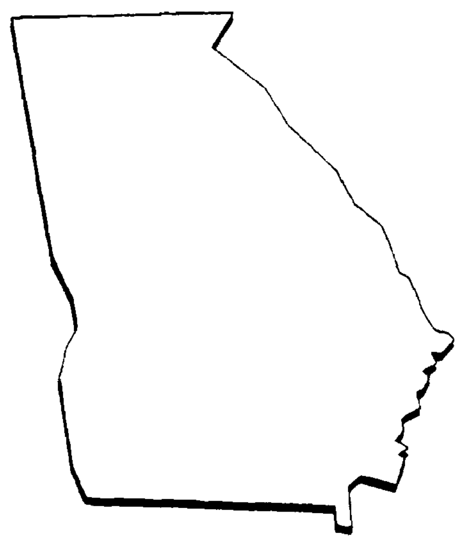
- $1,157 less for each person enrolled in Medicare
- $417 less for each Medicaid recipient
- $3.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.8 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $9.9 billion a year

- $1,458 less for each person enrolled in Medicare
- $525 less for each Medicaid recipient
- $4.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Georgia and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Georgia? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Georgia billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Georgia.

The Balanced Budget Amendment would cost Georgia $4.3 to $4.9 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $2.1 billion a year ($654 per taxpayer)

Cuts in Benefits, Services, and Defense -- $2.6 billion a year

- $552 cut per year for the average Social Security recipient
- $394 less for each person enrolled in Medicare
- $213 less for each Medicaid recipient
- $795 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $586 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $4.7 billion a year

- $1,004 cut per year for the average Social Security recipient
- $717 less for each person enrolled in Medicare
- $388 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.1 billion additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

The Balanced Budget Amendment would cost Georgia $4.3 to $4.9 billion a year

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Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $4.3 billion a year

- $1,185 cut per year for the average Social Security recipient
- $846 less for each person enrolled in Medicare
- $458 less for each Medicaid recipient
- $1.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $4.9 billion a year

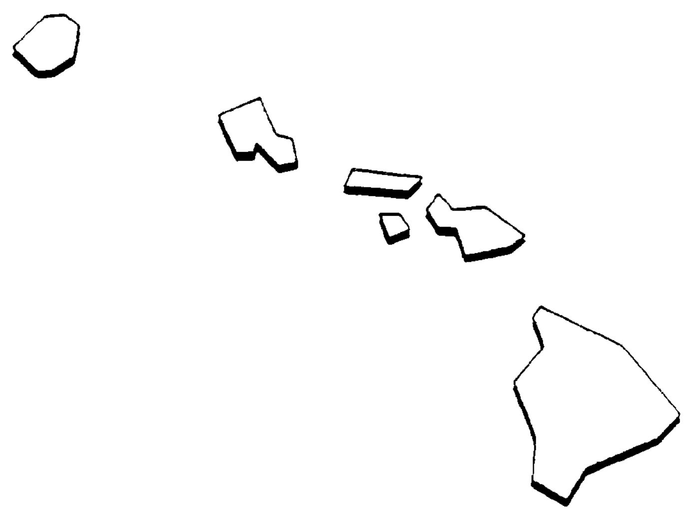
- $966 less for each person enrolled in Medicare
- $523 less for each Medicaid recipient
- $1.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.4 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $4.3 billion a year

- $1,217 less for each person enrolled in Medicare
- $659 less for each Medicaid recipient
- $2.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Hawaii and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Hawaii? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Hawaii billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Hawaii.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $4.3 billion a year

- $1,185 cut per year for the average Social Security recipient
- $846 less for each person enrolled in Medicare
- $458 less for each Medicaid recipient
- $1.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

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- $1.4 billion additional cut in annual defense spending

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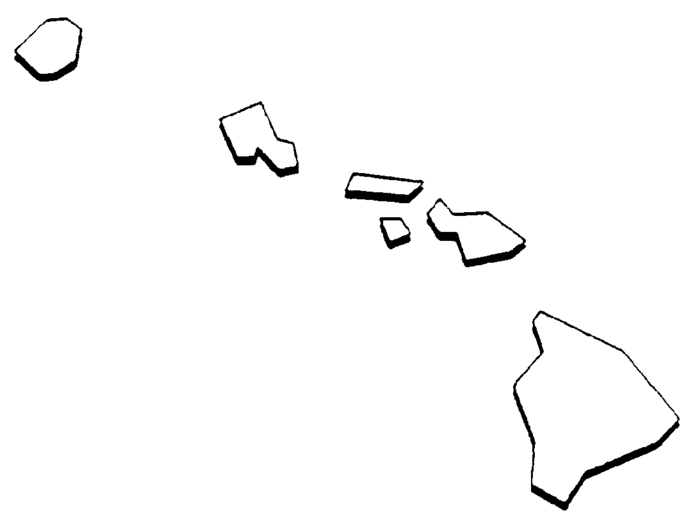
The State of Hawaii and the Balanced Budget Amendment



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The Balanced Budget Amendment would cost Hawaii $769 million to $1.2 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $459 million a year ($751 per taxpayer)

Cuts in Benefits, Services, and Defense -- $581 million a year

- $578 cut per year for the average Social Security recipient
- $350 less for each person enrolled in Medicare
- $204 less for each Medicaid recipient
- $172 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $223 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.1 billion a year

- $1,051 cut per year for the average Social Security recipient
- $636 less for each person enrolled in Medicare
- $371 less for each Medicaid recipient
- $313 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $405 million additional cut in annual defense spending

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Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $769 million a year

- $1,241 cut per year for the average Social Security recipient
- $751 less for each person enrolled in Medicare
- $438 less for each Medicaid recipient
- $370 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.2 billion a year

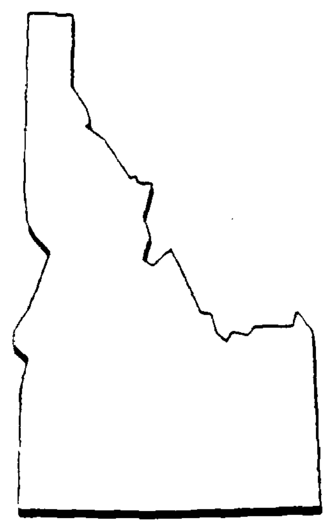
- $858 less for each person enrolled in Medicare
- $501 less for each Medicaid recipient
- $423 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $546 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $786 million a year

- $1,080 less for each person enrolled in Medicare
- $631 less for each Medicaid recipient
- $532 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Idaho and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Idaho? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Idaho billions.

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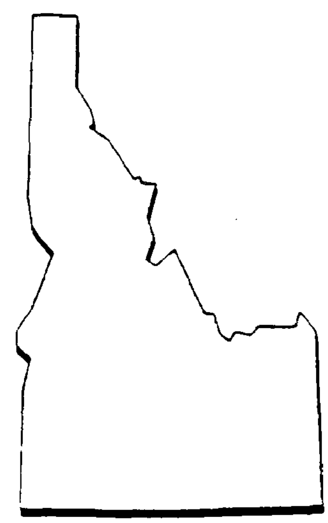

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The Balanced Budget Amendment would cost Idaho $707 to $958 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $266 million a year ($556 per taxpayer)

Cuts in Benefits, Services, and Defense -- $441 million a year

- $575 cut per year for the average Social Security recipient
- $342 less for each person enrolled in Medicare
- $282 less for each Medicaid recipient
- $222 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $20 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $801 million a year

- $1,045 cut per year for the average Social Security recipient
- $621 less for each person enrolled in Medicare
- $513 less for each Medicaid recipient
- $403 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $36 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $903 million a year

- $1,233 cut per year for the average Social Security recipient
- $733 less for each person enrolled in Medicare
- $605 less for each Medicaid recipient
- $476 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $810 million a year

- $837 less for each person enrolled in Medicare
- $691 less for each Medicaid recipient
- $544 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $49 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $958 million a year

- $1,055 less for each person enrolled in Medicare
- $871 less for each Medicaid recipient
- $685 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Illinois and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of Illinois? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Illinois billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Illinois.

The Balanced Budget Amendment would cost Illinois $7.0 to $8.9 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $4.8 billion a year ($822 per taxpayer)

Cuts in Benefits, Services, and Defense -- $4.2 billion a year

- $638 cut per year for the average Social Security recipient
- $555 less for each person enrolled in Medicare
- $184 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $232 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $7.6 billion a year

- $1,159 cut per year for the average Social Security recipient
- $1,010 less for each person enrolled in Medicare
- $335 less for each Medicaid recipient
- $2.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $422 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $8.4 billion a year

- $1,368 cut per year for the average Social Security recipient
- $1,192 less for each person enrolled in Medicare
- $396 less for each Medicaid recipient
- $2.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $7.0 billion a year

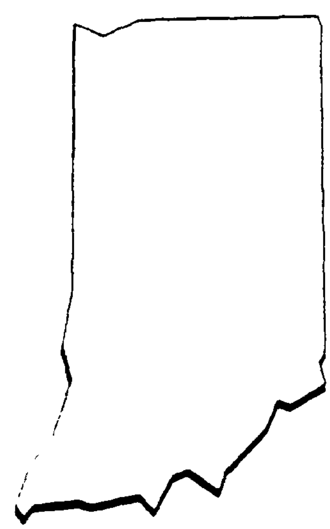
- $1,361 less for each person enrolled in Medicare
- $452 less for each Medicaid recipient
- $3.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $569 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $8.0 billion a year

- $1,715 less for each person enrolled in Medicare
- $570 less for each Medicaid recipient
- $3.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Indiana and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Indiana? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Indiana billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Indiana.

The Balanced Budget Amendment would cost Indiana $2.9 to $3.7 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.8 billion a year ($651 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.9 billion a year

- $633 cut per year for the average Social Security recipient
- $408 less for each person enrolled in Medicare
- $329 less for each Medicaid recipient
- $388 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $193 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $3.4 billion a year

- $1,150 cut per year for the average Social Security recipient
- $742 less for each person enrolled in Medicare
- $598 less for each Medicaid recipient
- $705 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $351 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.6 billion a year

- $1,358 cut per year for the average Social Security recipient
- $875 less for each person enrolled in Medicare
- $706 less for each Medicaid recipient
- $833 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.9 billion a year

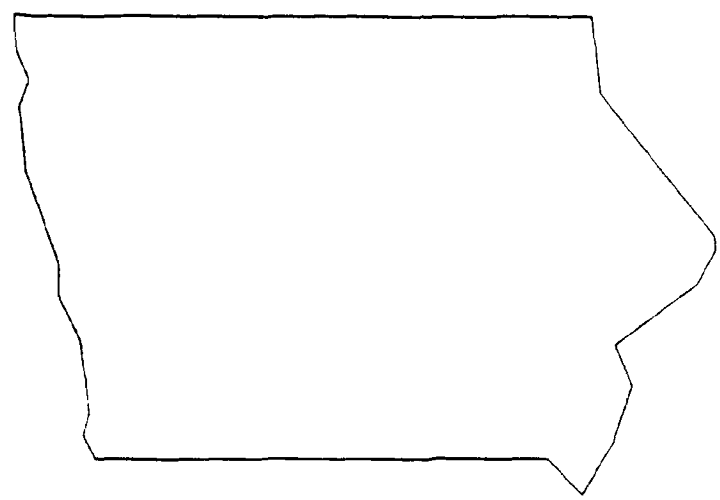
- $1,000 less for each person enrolled in Medicare
- $807 less for each Medicaid recipient
- $951 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $473 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $3.1 billion a year

- $1,259 less for each person enrolled in Medicare
- $1,016 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Iowa and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Iowa? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Iowa billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Iowa.

The Balanced Budget Amendment would cost Iowa $1.7 to $2.2 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $816 million a year ($591 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.1 billion a year

- $604 cut per year for the average Social Security recipient
- $410 less for each person enrolled in Medicare
- $249 less for each Medicaid recipient
- $337 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $45 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.0 billion a year

- $1,099 cut per year for the average Social Security recipient
- $746 less for each person enrolled in Medicare
- $453 less for each Medicaid recipient
- $613 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $83 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.2 billion a year

- $1,297 cut per year for the average Social Security recipient
- $881 less for each person enrolled in Medicare
- $535 less for each Medicaid recipient
- $723 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.7 billion a year

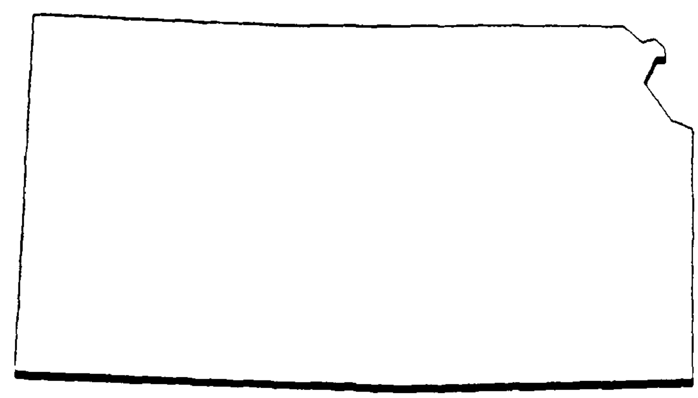
- $1,006 less for each person enrolled in Medicare
- $611 less for each Medicaid recipient
- $826 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $111 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.0 billion a year

- $1,267 less for each person enrolled in Medicare
- $769 less for each Medicaid recipient
- $1.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Kansas and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Kansas? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Kansas billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Kansas.

The Balanced Budget Amendment would cost Kansas $1.8 to $1.9 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $821 million a year ($676 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.0 billion a year

- $612 cut per year for the average Social Security recipient
- $469 less for each person enrolled in Medicare
- $294 less for each Medicaid recipient
- $295 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $150 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.9 billion a year

- $1,113 cut per year for the average Social Security recipient
- $852 less for each person enrolled in Medicare
- $535 less for each Medicaid recipient
- $536 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $272 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $1.9 billion a year

- $1,314 cut per year for the average Social Security recipient
- $1,006 less for each person enrolled in Medicare
- $631 less for each Medicaid recipient
- $632 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.8 billion a year

- $1,149 less for each person enrolled in Medicare
- $721 less for each Medicaid recipient
- $722 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $367 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $1.8 billion a year

- $1,448 less for each person enrolled in Medicare
- $908 less for each Medicaid recipient
- $910 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Kentucky and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of Kentucky? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Kentucky billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Kentucky.

The Balanced Budget Amendment would cost Kentucky $2.4 to $2.8 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $937 million a year ($566 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.4 billion a year

- $540 cut per year for the average Social Security recipient
- $368 less for each person enrolled in Medicare
- $271 less for each Medicaid recipient
- $404 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $164 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.6 billion a year

- $981 cut per year for the average Social Security recipient
- $669 less for each person enrolled in Medicare
- $493 less for each Medicaid recipient
- $735 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $298 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.8 billion a year

- $1,158 cut per year for the average Social Security recipient
- $790 less for each person enrolled in Medicare
- $582 less for each Medicaid recipient
- $868 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.5 billion a year

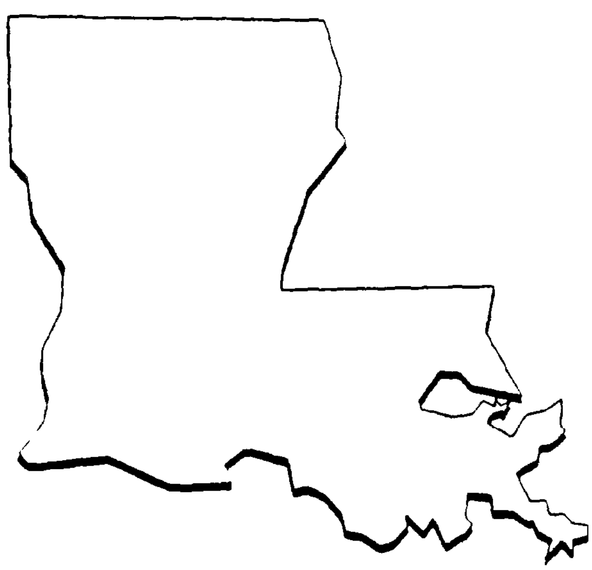
- $902 less for each person enrolled in Medicare
- $664 less for each Medicaid recipient
- $991 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $401 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.7 billion a year

- $1,136 less for each person enrolled in Medicare
- $837 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Louisiana and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Louisiana? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Louisiana billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Louisiana.

The Balanced Budget Amendment would cost Louisiana $2.8 to $3.4 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.1 billion a year ($588 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.7 billion a year

- $541 cut per year for the average Social Security recipient
- $414 less for each person enrolled in Medicare
- $415 less for each Medicaid recipient
- $445 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $182 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $3.1 billion a year

- $984 cut per year for the average Social Security recipient
- $754 less for each person enrolled in Medicare
- $754 less for each Medicaid recipient
- $808 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $331 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.3 billion a year

- $1,162 cut per year for the average Social Security recipient
- $890 less for each person enrolled in Medicare
- $891 less for each Medicaid recipient
- $954 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $3.2 billion a year

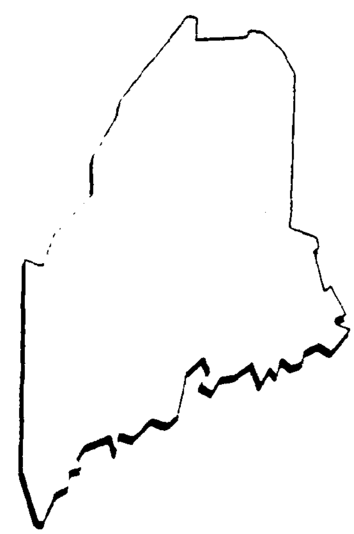
- $1,016 less for each person enrolled in Medicare
- $1,017 less for each Medicaid recipient
- $1.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $447 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $3.4 billion a year

- $1,280 less for each person enrolled in Medicare
- $1,281 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Maine and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Maine? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Maine billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Maine.

The Balanced Budget Amendment would cost Maine $932 million to $1.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $336 million a year ($560 per taxpayer)

Cuts in Benefits, Services, and Defense -- $596 million a year

- $530 cut per year for the average Social Security recipient
- $437 less for each person enrolled in Medicare
- $322 less for each Medicaid recipient
- $136 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $148 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.1 billion a year

- $964 cut per year for the average Social Security recipient
- $794 less for each person enrolled in Medicare
- $585 less for each Medicaid recipient
- $246 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $270 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $961 million a year

- $1,138 cut per year for the average Social Security recipient
- $938 less for each person enrolled in Medicare
- $691 less for each Medicaid recipient
- $291 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.1 billion a year

- $1,071 less for each person enrolled in Medicare
- $789 less for each Medicaid recipient
- $332 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $364 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $939 million a year

- $1,349 less for each person enrolled in Medicare
- $994 less for each Medicaid recipient
- $419 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Maryland and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of Maryland? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Maryland billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Maryland.

The Balanced Budget Amendment would cost Maryland $5.0 to $6.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $2.1 billion a year ($840 per taxpayer)

Cuts in Benefits, Services, and Defense -- $2.9 billion a year

- $605 cut per year for the average Social Security recipient
- $526 less for each person enrolled in Medicare
- $304 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $541 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $5.4 billion a year

- $1,100 cut per year for the average Social Security recipient
- $956 less for each person enrolled in Medicare
- $553 less for each Medicaid recipient
- $2.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $983 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $5.2 billion a year

- $1,298 cut per year for the average Social Security recipient
- $1,128 less for each person enrolled in Medicare
- $653 less for each Medicaid recipient
- $3.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $6.1 billion a year

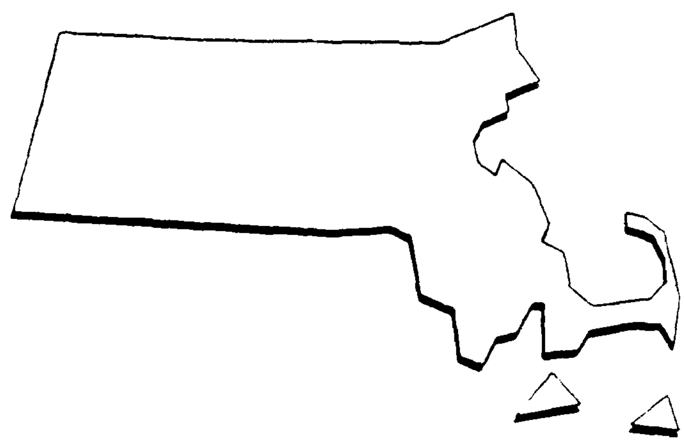
- $1,289 less for each person enrolled in Medicare
- $745 less for each Medicaid recipient
- $3.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.3 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $6.0 billion a year

- $1,623 less for each person enrolled in Medicare
- $939 less for each Medicaid recipient
- $4.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Massachusetts and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Massachusetts? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Massachusetts billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Massachusetts.

The Balanced Budget Amendment would cost Massachusetts $5.3 to $5.7 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $2.6 billion a year ($852 per taxpayer)

Cuts in Benefits, Services, and Defense -- $3.0 billion a year

- $609 cut per year for the average Social Security recipient
- $589 less for each person enrolled in Medicare
- $352 less for each Medicaid recipient
- $829 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $531 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $5.5 billion a year

- $1,107 cut per year for the average Social Security recipient
- $1,071 less for each person enrolled in Medicare
- $639 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $966 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $5.3 billion a year

- $1,307 cut per year for the average Social Security recipient
- $1,264 less for each person enrolled in Medicare
- $755 less for each Medicaid recipient
- $1.8 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $5.7 billion a year

- $1,444 less for each person enrolled in Medicare
- $862 less for each Medicaid recipient
- $2.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.3 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $5.5 billion a year

- $1,819 less for each person enrolled in Medicare
- $1,086 less for each Medicaid recipient
- $2.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Michigan and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of Michigan? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Michigan billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Michigan.

The Balanced Budget Amendment would cost Michigan $5.4 to $6.8 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $3.2 billion a year ($716 per taxpayer)

Cuts in Benefits, Services, and Defense -- $3.4 billion a year

- $639 cut per year for the average Social Security recipient
- $561 less for each person enrolled in Medicare
- $232 less for each Medicaid recipient
- $830 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $192 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $6.1 billion a year

- $1,162 cut per year for the average Social Security recipient
- $1,021 less for each person enrolled in Medicare
- $421 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $349 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $6.8 billion a year

- $1,372 cut per year for the average Social Security recipient
- $1,205 less for each person enrolled in Medicare
- $497 less for each Medicaid recipient
- $1.8 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $5.4 billion a year

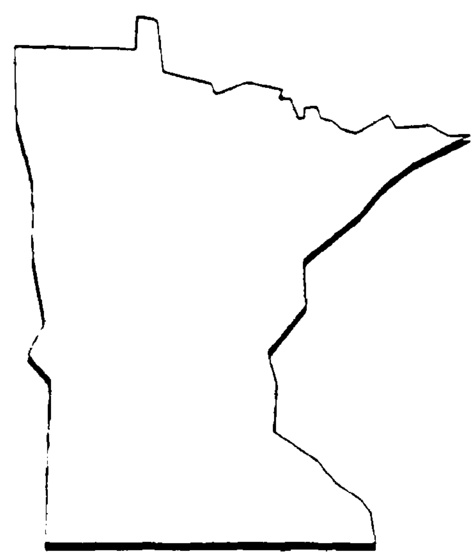
- $1,376 less for each person enrolled in Medicare
- $568 less for each Medicaid recipient
- $2.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $471 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $6.2 billion a year

- $1,734 less for each person enrolled in Medicare
- $716 less for each Medicaid recipient
- $2.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Minnesota and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Minnesota? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Minnesota billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Minnesota.

The Balanced Budget Amendment would cost Minnesota $2.7 to $3.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.6 billion a year ($711 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.6 billion a year

- $590 cut per year for the average Social Security recipient
- $397 less for each person enrolled in Medicare
- $312 less for each Medicaid recipient
- $505 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $137 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.9 billion a year

- $1,073 cut per year for the average Social Security recipient
- $722 less for each person enrolled in Medicare
- $567 less for each Medicaid recipient
- $919 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $249 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.1 billion a year

- $1,266 cut per year for the average Social Security recipient
- $853 less for each person enrolled in Medicare
- $670 less for each Medicaid recipient
- $1.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.7 billion a year

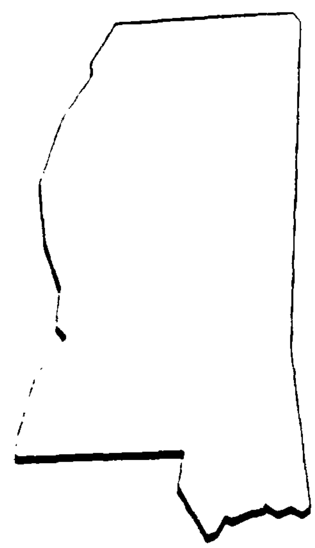
- $974 less for each person enrolled in Medicare
- $765 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $335 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $3.0 billion a year

- $1,227 less for each person enrolled in Medicare
- $963 less for each Medicaid recipient
- $1.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Mississippi and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Mississippi? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Mississippi billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Mississippi.

The Balanced Budget Amendment would cost Mississippi $1.7 to $2.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $503 million a year ($451 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.2 billion a year

- $507 cut per year for the average Social Security recipient
- $406 less for each person enrolled in Medicare
- $212 less for each Medicaid recipient
- $346 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $277 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.2 billion a year

- $922 cut per year for the average Social Security recipient
- $738 less for each person enrolled in Medicare
- $386 less for each Medicaid recipient
- $628 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $503 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.0 billion a year

- $1,088 cut per year for the average Social Security recipient
- $871 less for each person enrolled in Medicare
- $456 less for each Medicaid recipient
- $742 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.3 billion a year

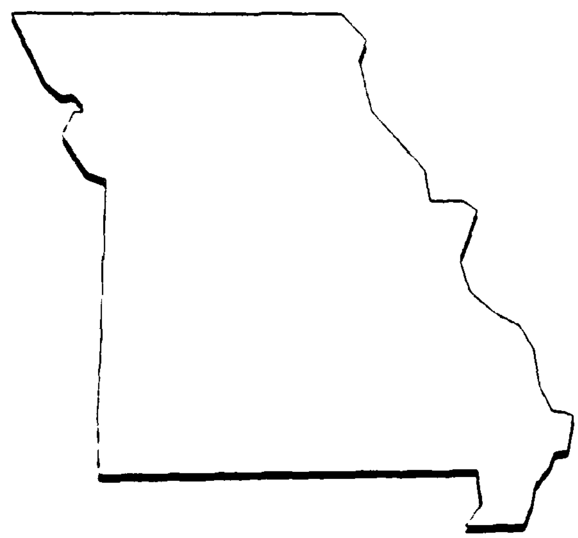
- $995 less for each person enrolled in Medicare
- $520 less for each Medicaid recipient
- $847 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $678 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.1 billion a year

- $1,253 less for each person enrolled in Medicare
- $655 less for each Medicaid recipient
- $1.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Missouri and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Missouri? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Missouri billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Missouri.

The Balanced Budget Amendment would cost Missouri $4.0 to $4.4 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.6 billion a year ($651 per taxpayer)

Cuts in Benefits, Services, and Defense -- $2.4 billion a year

- $588 cut per year for the average Social Security recipient
- $472 less for each person enrolled in Medicare
- $304 less for each Medicaid recipient
- $688 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $405 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $4.4 billion a year

- $1,068 cut per year for the average Social Security recipient
- $858 less for each person enrolled in Medicare
- $552 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $736 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $4.3 billion a year

- $1,261 cut per year for the average Social Security recipient
- $1,012 less for each person enrolled in Medicare
- $652 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $4.3 billion a year

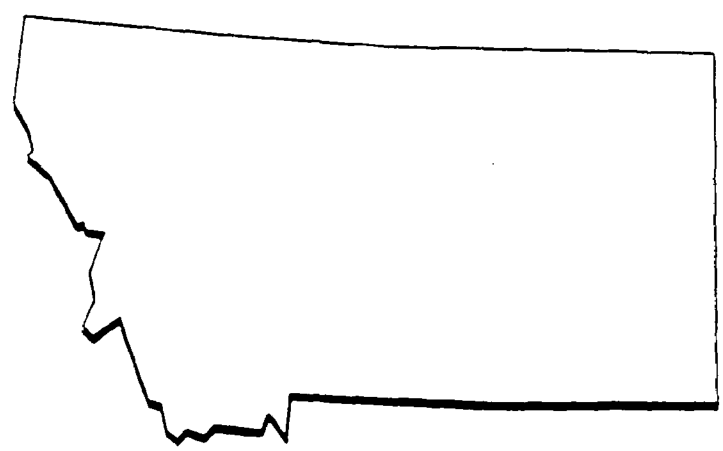
- $1,156 less for each person enrolled in Medicare
- $744 less for each Medicaid recipient
- $1.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $992 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $4.2 billion a year

- $1,456 less for each person enrolled in Medicare
- $937 less for each Medicaid recipient
- $2.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Montana and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Montana? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Montana billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Montana.

The Balanced Budget Amendment would cost Montana $586 to $829 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $204 million a year ($515 per taxpayer)

Cuts in Benefits, Services, and Defense -- $382 million a year

- $569 cut per year for the average Social Security recipient
- $383 less for each person enrolled in Medicare
- $406 less for each Medicaid recipient
- $180 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $17 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $695 million a year

- $1,035 cut per year for the average Social Security recipient
- $697 less for each person enrolled in Medicare
- $739 less for each Medicaid recipient
- $328 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $32 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $783 million a year

- $1,222 cut per year for the average Social Security recipient
- $822 less for each person enrolled in Medicare
- $872 less for each Medicaid recipient
- $387 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $701 million a year

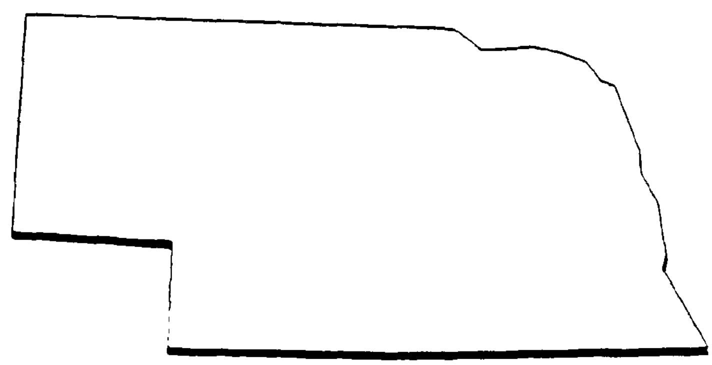
- $939 less for each person enrolled in Medicare
- $996 less for each Medicaid recipient
- $442 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $43 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $829 million a year

- $1,183 less for each person enrolled in Medicare
- $1,255 less for each Medicaid recipient
- $557 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Nebraska and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Nebraska? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Nebraska billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Nebraska.

The Balanced Budget Amendment would cost Nebraska $1.1 to $1.2 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $482 million a year ($601 per taxpayer)

Cuts in Benefits, Services, and Defense -- $640 million a year

- $588 cut per year for the average Social Security recipient
- $423 less for each person enrolled in Medicare
- $247 less for each Medicaid recipient
- $213 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $67 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.2 billion a year

- $1,069 cut per year for the average Social Security recipient
- $769 less for each person enrolled in Medicare
- $450 less for each Medicaid recipient
- $388 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $123 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $1.2 billion a year

- $1,262 cut per year for the average Social Security recipient
- $908 less for each person enrolled in Medicare
- $531 less for each Medicaid recipient
- $458 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.1 billion a year

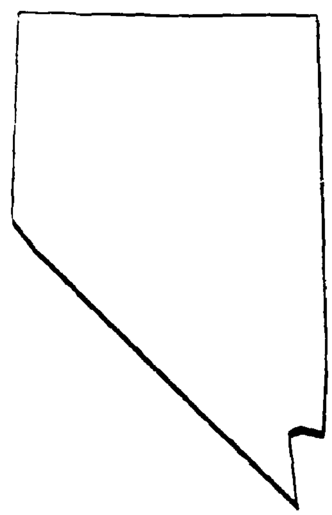
- $1,037 less for each person enrolled in Medicare
- $606 less for each Medicaid recipient
- $523 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $165 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $1.2 billion a year

- $1,306 less for each person enrolled in Medicare
- $764 less for each Medicaid recipient
- $659 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Nevada and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Nevada? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Nevada billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Nevada.

The Balanced Budget Amendment would cost Nevada $897 million to $1.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $573 million a year ($828 per taxpayer)

Cuts in Benefits, Services, and Defense -- $500 million a year

- $604 cut per year for the average Social Security recipient
- $362 less for each person enrolled in Medicare
- $296 less for each Medicaid recipient
- $223 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $46 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $910 million a year

- $1,099 cut per year for the average Social Security recipient
- $659 less for each person enrolled in Medicare
- $538 less for each Medicaid recipient
- $405 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $85 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $974 million a year

- $1,297 cut per year for the average Social Security recipient
- $778 less for each person enrolled in Medicare
- $636 less for each Medicaid recipient
- $479 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $897 million a year

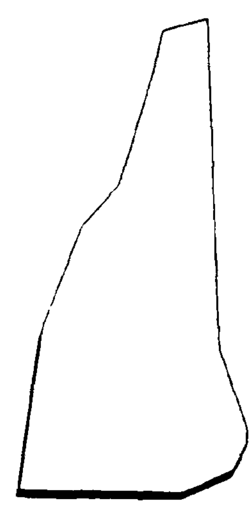
- $888 less for each person enrolled in Medicare
- $726 less for each Medicaid recipient
- $547 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $114 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $986 million a year

- $1,119 less for each person enrolled in Medicare
- $914 less for each Medicaid recipient
- $689 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of New Hampshire and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of New Hampshire? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost New Hampshire billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of New Hampshire.

The Balanced Budget Amendment would cost New Hampshire $683 to $845 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $446 million a year ($774 per taxpayer)

Cuts in Benefits, Services, and Defense -- $399 million a year

- $603 cut per year for the average Social Security recipient
- $403 less for each person enrolled in Medicare
- $919 less for each Medicaid recipient
- $78 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $42 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $725 million a year

- $1,097 cut per year for the average Social Security recipient
- $734 less for each person enrolled in Medicare
- $1,671 less for each Medicaid recipient
- $142 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $76 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $767 million a year

- $1,295 cut per year for the average Social Security recipient
- $866 less for each person enrolled in Medicare
- $1,972 less for each Medicaid recipient
- $168 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $683 million a year

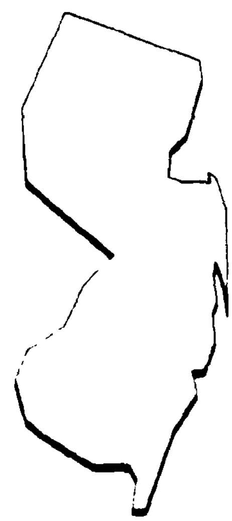
- $989 less for each person enrolled in Medicare
- $2,253 less for each Medicaid recipient
- $191 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $103 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $731 million a year

- $1,246 less for each person enrolled in Medicare
- $2,838 less for each Medicaid recipient
- $241 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of New Jersey and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of New Jersey? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost New Jersey billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of New Jersey.

The Balanced Budget Amendment would cost New Jersey $5.4 to $7.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $3.9 billion a year ($952 per taxpayer)

Cuts in Benefits, Services, and Defense -- $3.2 billion a year

- $665 cut per year for the average Social Security recipient
- $552 less for each person enrolled in Medicare
- $351 less for each Medicaid recipient
- $782 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $375 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $5.8 billion a year

- $1,209 cut per year for the average Social Security recipient
- $1,003 less for each person enrolled in Medicare
- $639 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $682 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

__Note__ Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $6.1 billion a year

- $1,427 cut per year for the average Social Security recipient
- $1,184 less for each person enrolled in Medicare
- $754 less for each Medicaid recipient
- $1.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $5.4 billion a year

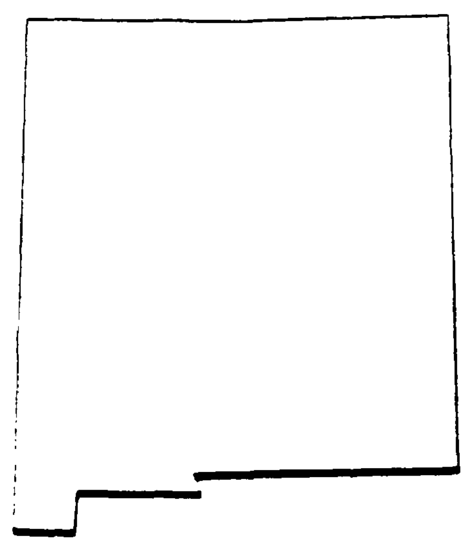
- $1,352 less for each person enrolled in Medicare
- $861 less for each Medicaid recipient
- $1.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $920 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $5.7 billion a year

- $1,703 less for each person enrolled in Medicare
- $1,085 less for each Medicaid recipient
- $2.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of New Mexico and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of New Mexico? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost New Mexico billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of New Mexico.

The Balanced Budget Amendment would cost New Mexico $1.3 to $2.1 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $379 million a year ($517 per taxpayer)

Cuts in Benefits, Services, and Defense -- $953 million a year

- $540 cut per year for the average Social Security recipient
- $366 less for each person enrolled in Medicare
- $225 less for each Medicaid recipient
- $539 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $120 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.7 billion a year

- $982 cut per year for the average Social Security recipient
- $666 less for each person enrolled in Medicare
- $409 less for each Medicaid recipient
- $981 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $219 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $1.8 billion a year

- $1,159 cut per year for the average Social Security recipient
- $786 less for each person enrolled in Medicare
- $482 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.0 billion a year

- $897 less for each person enrolled in Medicare
- $551 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $295 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.1 billion a year

- $1,130 less for each person enrolled in Medicare
- $694 less for each Medicaid recipient
- $1.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of New York and the Balanced Budget Amendment

What does a Balanced Budget Amendment mean to the State of New York? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost New York billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of New York.

The Balanced Budget Amendment would cost New York $13.9 to $15.8 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $7.7 billion a year ($877 per taxpayer)

Cuts in Benefits, Services, and Defense -- $7.8 billion a year

- $642 cut per year for the average Social Security recipient
- $577 less for each person enrolled in Medicare
- $430 less for each Medicaid recipient
- $1.8 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $564 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $14.2 billion a year

- $1,168 cut per year for the average Social Security recipient
- $1,049 less for each person enrolled in Medicare
- $782 less for each Medicaid recipient
- $3.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.0 billion additional cut in annual defense spending

[1]Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $15.6 billion a year

- $1,379 cut per year for the average Social Security recipient
- $1,238 less for each person enrolled in Medicare
- $923 less for each Medicaid recipient
- $4.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $13.9 billion a year

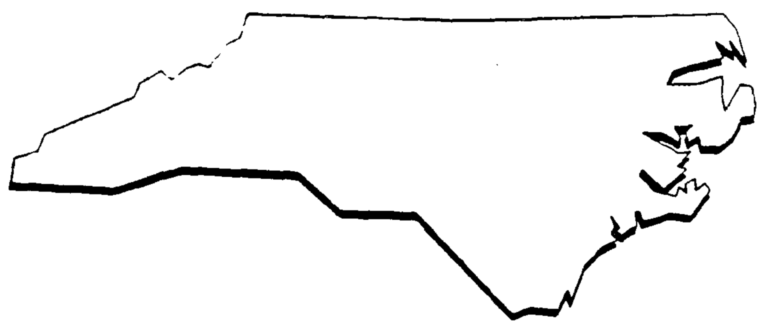
- $1,414 less for each person enrolled in Medicare
- $1,054 less for each Medicaid recipient
- $4.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.4 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $15.8 billion a year

- $1,781 less for each person enrolled in Medicare
- $1,328 less for each Medicaid recipient
- $5.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of North Carolina and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of North Carolina? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost North Carolina billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of North Carolina.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $15.6 billion a year

- $1,379 cut per year for the average Social Security recipient
- $1,238 less for each person enrolled in Medicare
- $923 less for each Medicaid recipient
- $4.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $13.9 billion a year

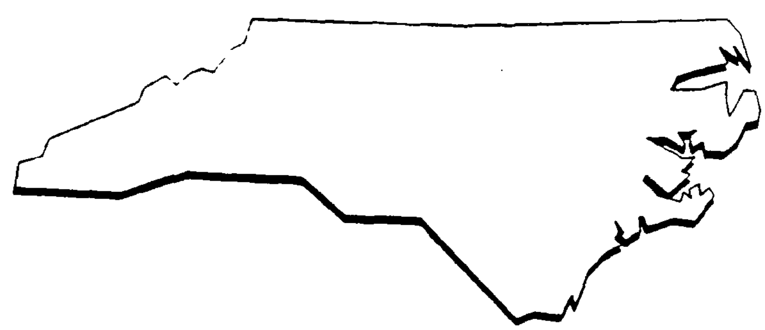
- $1,414 less for each person enrolled in Medicare
- $1,054 less for each Medicaid recipient
- $4.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.4 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $15.8 billion a year

- $1,781 less for each person enrolled in Medicare
- $1,328 less for each Medicaid recipient
- $5.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of North Carolina and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of North Carolina? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost North Carolina billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of North Carolina.

The Balanced Budget Amendment would cost North Carolina $3.9 to $4.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.9 billion a year ($581 per taxpayer)

Cuts in Benefits, Services, and Defense -- $2.4 billion a year

- $555 cut per year for the average Social Security recipient
- $331 less for each person enrolled in Medicare
- $250 less for each Medicaid recipient
- $631 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $387 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $4.3 billion a year

- $1,009 cut per year for the average Social Security recipient
- $601 less for each person enrolled in Medicare
- $455 less for each Medicaid recipient
- $1.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $704 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $4.3 billion a year

- $1,191 cut per year for the average Social Security recipient
- $710 less for each person enrolled in Medicare
- $537 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highwa and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $4.0 billion a year

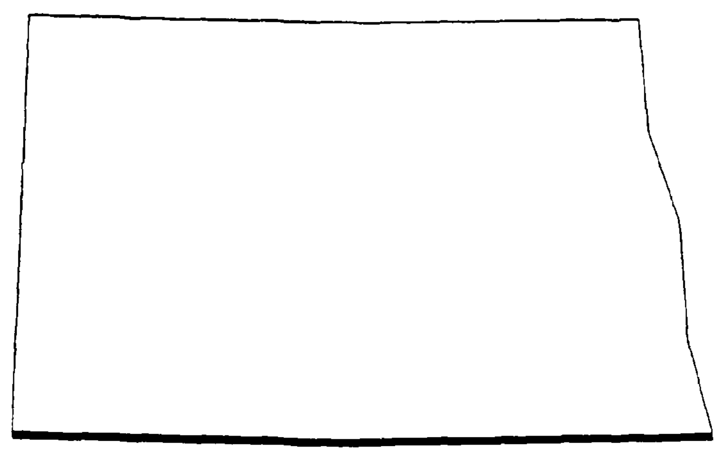
- $811 less for each person enrolled in Medicare
- $613 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highwa and bridges, protecting the environment, providing education, and other federally funded programs
- $950 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense an Social Security

Cuts in Benefits and Services -- $3.9 billion a year

- $1,022 less for each person enrolled in Medicare
- $773 less for each Medicaid recipient
- $1.9 billion in reduced funding for fighting crime, building highwa and bridges, protecting the environment, providing education, anc other federally funded programs

The State of North Dakota and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of North Dakota? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost North Dakota billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of North Dakota.

The Balanced Budget Amendment would cost North Dakota $494 to $655 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $173 million a year ($565 per taxpayer)

Cuts in Benefits, Services, and Defense -- $321 million a year

- $547 cut per year for the average Social Security recipient
- $487 less for each person enrolled in Medicare
- $374 less for each Medicaid recipient
- $125 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $36 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $583 million a year

- $995 cut per year for the average Social Security recipient
- $885 less for each person enrolled in Medicare
- $681 less for each Medicaid recipient
- $228 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $66 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $610 million a year

- $1,174 cut per year for the average Social Security recipient
- $1,045 less for each person enrolled in Medicare
- $804 less for each Medicaid recipient
- $269 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $609 million a year

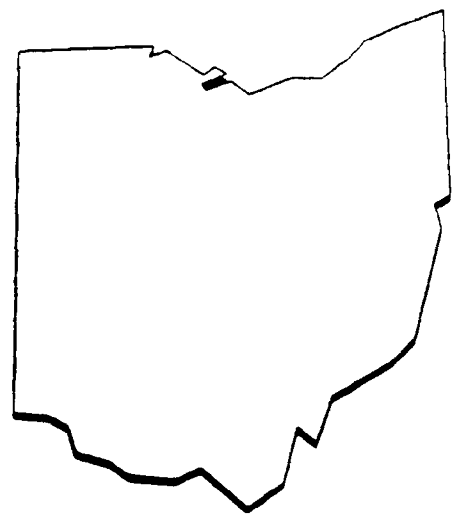
- $1,193 less for each person enrolled in Medicare
- $918 less for each Medicaid recipient
- $307 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $89 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $655 million a year

- $1,503 less for each person enrolled in Medicare
- $1,156 less for each Medicaid recipient
- $387 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Ohio and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Ohio? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Ohio billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Ohio.

The Balanced Budget Amendment would cost Ohio $6.7 to $7.9 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $3.6 billion a year ($643 per taxpayer)

Cuts in Benefits, Services, and Defense -- $4.1 billion a year

- $613 cut per year for the average Social Security recipient
- $463 less for each person enrolled in Medicare
- $239 less for each Medicaid recipient
- $1.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $390 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $7.4 billion a year

- $1,115 cut per year for the average Social Security recipient
- $841 less for each person enrolled in Medicare
- $434 less for each Medicaid recipient
- $1.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $710 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $7.9 billion a year

- $1,317 cut per year for the average Social Security recipient
- $993 less for each person enrolled in Medicare
- $512 less for each Medicaid recipient
- $2.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $6.7 billion a year

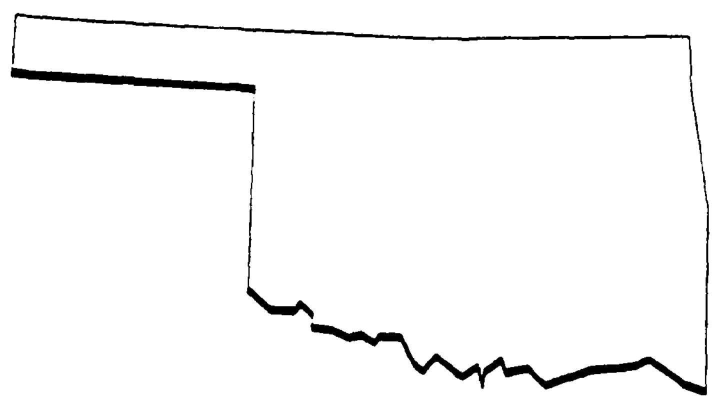
- $1,134 less for each person enrolled in Medicare
- $585 less for each Medicaid recipient
- $2.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $957 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $7.3 billion a year

- $1,429 less for each person enrolled in Medicare
- $737 less for each Medicaid recipient
- $3.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Oklahoma and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Oklahoma? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Oklahoma billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Oklahoma.

The Balanced Budget Amendment would cost Oklahoma $2.2 to $2.4 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $833 million a year ($574 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.3 billion a year

- $564 cut per year for the average Social Security recipient
- $430 less for each person enrolled in Medicare
- $255 less for each Medicaid recipient
- $411 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $192 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.4 billion a year

- $1,026 cut per year for the average Social Security recipient
- $781 less for each person enrolled in Medicare
- $463 less for each Medicaid recipient
- $747 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $348 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.4 billion a year

- $1,212 cut per year for the average Social Security recipient
- $922 less for each person enrolled in Medicare
- $546 less for each Medicaid recipient
- $881 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.4 billion a year

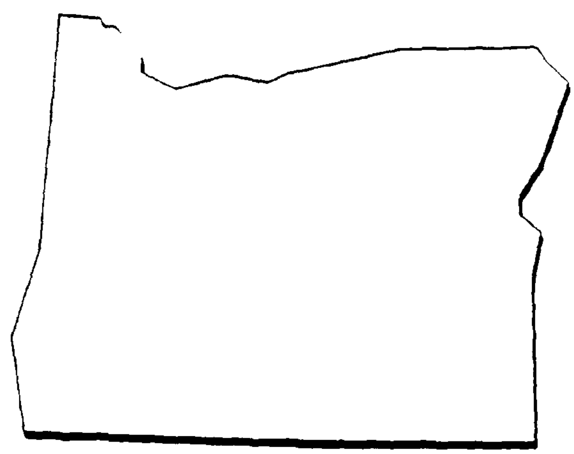
- $1,053 less for each person enrolled in Medicare
- $624 less for each Medicaid recipient
- $1.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $469 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.4 billion a year

- $1,327 less for each person enrolled in Medicare
- $786 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Oregon and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Oregon? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Oregon billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Oregon.

The Balanced Budget Amendment would cost Oregon $1.8 to $2.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $913 million a year ($633 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.1 billion a year

- $603 cut per year for the average Social Security recipient
- $405 less for each person enrolled in Medicare
- $224 less for each Medicaid recipient
- $409 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $31 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.0 billion a year

- $1,096 cut per year for the average Social Security recipient
- $737 less for each person enrolled in Medicare
- $407 less for each Medicaid recipient
- $744 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $57 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.3 billion a year

- $1,294 cut per year for the average Social Security recipient
- $870 less for each person enrolled in Medicare
- $481 less for each Medicaid recipient
- $879 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.8 billion a year

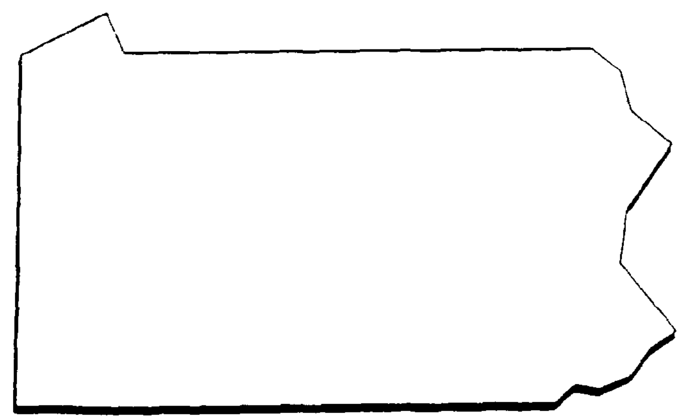
- $993 less for each person enrolled in Medicare
- $549 less for each Medicaid recipient
- $1.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $76 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.2 billion a year

- $1,251 less for each person enrolled in Medicare
- $692 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Pennsylvania and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Pennsylvania? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Pennsylvania billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Pennsylvania.

The Balanced Budget Amendment would cost Pennsylvania $8.7 to $10.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $4.2 billion a year ($707 per taxpayer)

Cuts in Benefits, Services, and Defense -- $5.2 billion a year

- $625 cut per year for the average Social Security recipient
- $546 less for each person enrolled in Medicare
- $298 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $421 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $9.5 billion a year

- $1,136 cut per year for the average Social Security recipient
- $992 less for each person enrolled in Medicare
- $541 less for each Medicaid recipient
- $2.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $765 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $10.3 billion a year

- $1,342 cut per year for the average Social Security recipient
- $1,171 less for each person enrolled in Medicare
- $639 less for each Medicaid recipient
- $2.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $8.7 billion a year

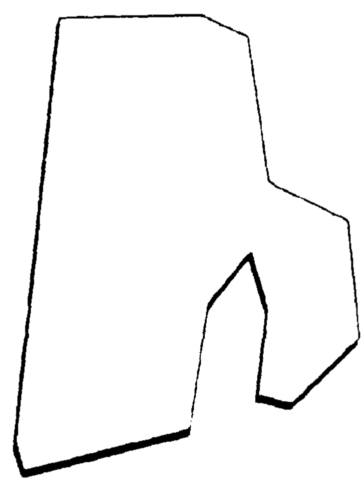
- $1,338 less for each person enrolled in Medicare
- $729 less for each Medicaid recipient
- $3.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.0 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $9.7 billion a year

- $1,685 less for each person enrolled in Medicare
- $919 less for each Medicaid recipient
- $3.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Rhode Island and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Rhode Island? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Rhode Island billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Rhode Island.

The Balanced Budget Amendment would cost Rhode Island $816 to $868 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $346 million a year ($701 per taxpayer)

Cuts in Benefits, Services, and Defense -- $469 million a year

- $605 cut per year for the average Social Security recipient
- $457 less for each person enrolled in Medicare
- $220 less for each Medicaid recipient
- $122 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $65 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $853 million a year

- $1,100 cut per year for the average Social Security recipient
- $831 less for each person enrolled in Medicare
- $401 less for each Medicaid recipient
- $221 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $118 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $868 million a year

- $1,299 cut per year for the average Social Security recipient
- $981 less for each person enrolled in Medicare
- $473 less for each Medicaid recipient
- $261 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $831 million a year

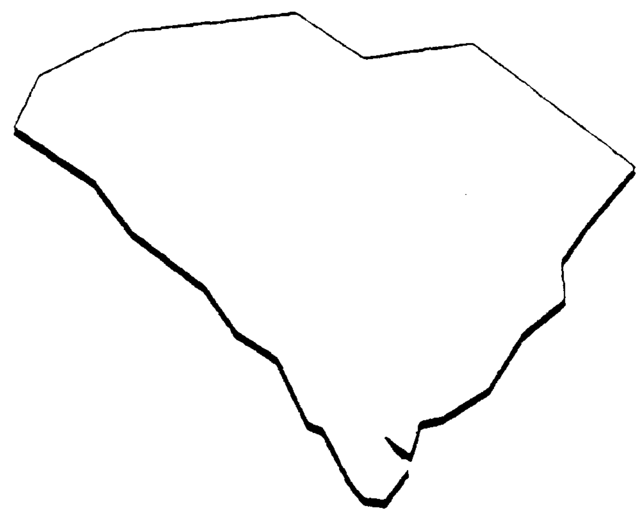
- $1,121 less for each person enrolled in Medicare
- $540 less for each Medicaid recipient
- $298 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $159 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $846 million a year

- $1,412 less for each person enrolled in Medicare
- $680 less for each Medicaid recipient
- $375 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of South Carolina and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of South Carolina? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost South Carolina billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of South Carolina.

The Balanced Budget Amendment would cost South Carolina $2.4 to $2.7 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $894 million a year ($529 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.5 billion a year

- $554 cut per year for the average Social Security recipient
- $317 less for each person enrolled in Medicare
- $305 less for each Medicaid recipient
- $518 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $227 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $2.7 billion a year

- $1,007 cut per year for the average Social Security recipient
- $576 less for each person enrolled in Medicare
- $555 less for each Medicaid recipient
- $942 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $413 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $2.7 billion a year

- $1,188 cut per year for the average Social Security recipient
- $680 less for each person enrolled in Medicare
- $656 less for each Medicaid recipient
- $1.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.7 billion a year

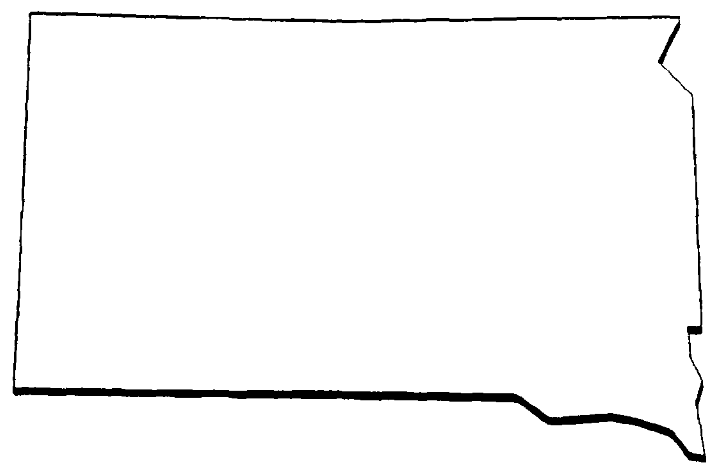
- $776 less for each person enrolled in Medicare
- $749 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $557 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $2.7 billion a year

- $978 less for each person enrolled in Medicare
- $943 less for each Medicaid recipient
- $1.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of South Dakota and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of South Dakota? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost South Dakota billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of South Dakota.

The Balanced Budget Amendment would cost South Dakota $503 to $633 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $193 million a year ($563 per taxpayer)

Cuts in Benefits, Services, and Defense -- $310 million a year

- $539 cut per year for the average Social Security recipient
- $388 less for each person enrolled in Medicare
- $319 less for each Medicaid recipient
- $126 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $23 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $564 million a year

- $979 cut per year for the average Social Security recipient
- $706 less for each person enrolled in Medicare
- $581 less for each Medicaid recipient
- $229 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $42 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $617 million a year

- $1,156 cut per year for the average Social Security recipient
- $834 less for each person enrolled in Medicare
- $685 less for each Medicaid recipient
- $270 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $559 million a year

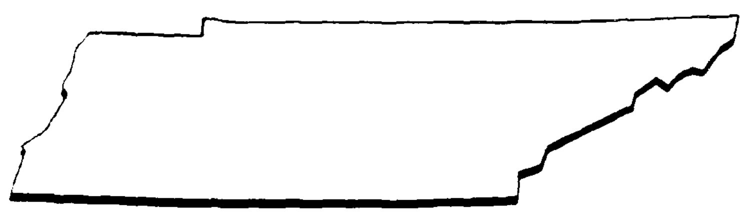
- $952 less for each person enrolled in Medicare
- $783 less for each Medicaid recipient
- $308 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $56 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $633 million a year

- $1,199 less for each person enrolled in Medicare
- $986 less for each Medicaid recipient
- $388 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Tennessee and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Tennessee? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Tennessee billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Tennessee.

The Balanced Budget Amendment would cost Tennessee $3.6 to $4.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.5 billion a year ($622 per taxpayer)

Cuts in Benefits, Services, and Defense -- $2.1 billion a year

- $552 cut per year for the average Social Security recipient
- $403 less for each person enrolled in Medicare
- $244 less for each Medicaid recipient
- $797 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $145 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $3.8 billion a year

- $1,004 cut per year for the average Social Security recipient
- $733 less for each person enrolled in Medicare
- $444 less for each Medicaid recipient
- $1.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $263 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $4.2 billion a year

- $1,186 cut per year for the average Social Security recipient
- $865 less for each person enrolled in Medicare
- $524 less for each Medicaid recipient
- $1.7 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $3.8 billion a year

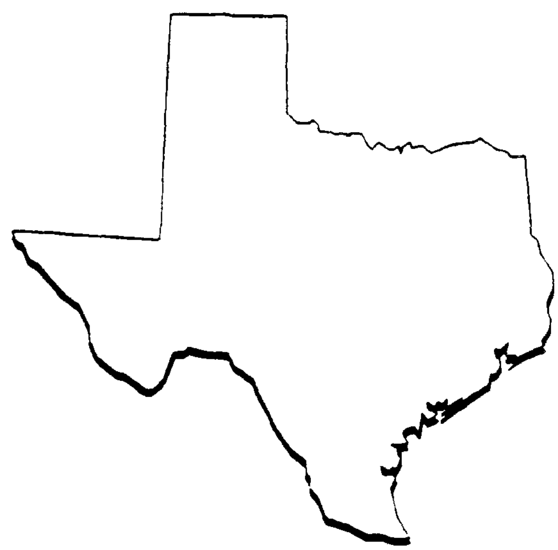
- $988 less for each person enrolled in Medicare
- $598 less for each Medicaid recipient
- $2.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $354 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $4.3 billion a year

- $1,245 less for each person enrolled in Medicare
- $753 less for each Medicaid recipient
- $2.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Texas
and the
Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Texas? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Texas billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Texas.

The Balanced Budget Amendment would cost Texas $11.5 to $12.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $5.8 billion a year ($713 per taxpayer)

Cuts in Benefits, Services, and Defense -- $6.4 billion a year

- $568 cut per year for the average Social Security recipient
- $484 less for each person enrolled in Medicare
- $233 less for each Medicaid recipient
- $2.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.1 billion additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $11.7 billion a year

- $1,033 cut per year for the average Social Security recipient
- $881 less for each person enrolled in Medicare
- $423 less for each Medicaid recipient
- $3.8 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $2.0 billion additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $11.5 billion a year

- $1,220 cut per year for the average Social Security recipient
- $1,040 less for each person enrolled in Medicare
- $500 less for each Medicaid recipient
- $4.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $12.0 billion a year

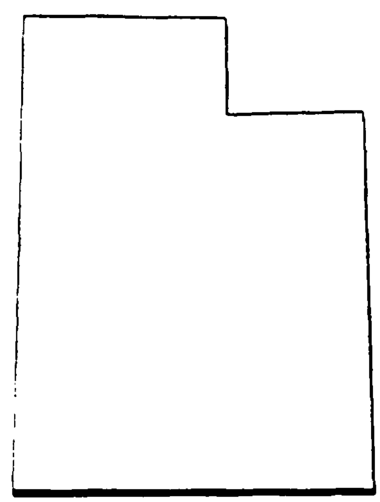
- $1,188 less for each person enrolled in Medicare
- $571 less for each Medicaid recipient
- $5.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $2.7 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $11.8 billion a year

- $1,496 less for each person enrolled in Medicare
- $719 less for each Medicaid recipient
- $6.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Utah
and the
Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Utah? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Utah billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Utah.

The Balanced Budget Amendment would cost Utah $1.1 to $1.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $445 million a year ($581 per taxpayer)

Cuts in Benefits, Services, and Defense -- $652 million a year

- $589 cut per year for the average Social Security recipient
- $301 less for each person enrolled in Medicare
- $299 less for each Medicaid recipient
- $274 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $122 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.2 billion a year

- $1,071 cut per year for the average Social Security recipient
- $548 less for each person enrolled in Medicare
- $544 less for each Medicaid recipient
- $498 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $221 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $1.1 billion a year

- $1,265 cut per year for the average Social Security recipient
- $647 less for each person enrolled in Medicare
- $643 less for each Medicaid recipient
- $588 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.3 billion a year

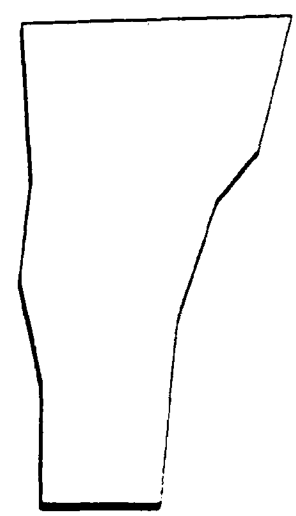
- $738 less for each person enrolled in Medicare
- $734 less for each Medicaid recipient
- $671 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $298 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $1.2 billion a year

- $930 less for each person enrolled in Medicare
- $925 less for each Medicaid recipient
- $846 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Vermont and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Vermont? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Vermont billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Vermont.

The Balanced Budget Amendment would cost Vermont $345 to $418 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $172 million a year ($599 per taxpayer)

Cuts in Benefits, Services, and Defense -- $203 million a year

- $587 cut per year for the average Social Security recipient
- $417 less for each person enrolled in Medicare
- $241 less for each Medicaid recipient
- $69 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $9 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $370 million a year

- $1,068 cut per year for the average Social Security recipient
- $759 less for each person enrolled in Medicare
- $439 less for each Medicaid recipient
- $125 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $16 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $418 million a year

- $1,261 cut per year for the average Social Security recipient
- $896 less for each person enrolled in Medicare
- $518 less for each Medicaid recipient
- $148 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $345 million a year

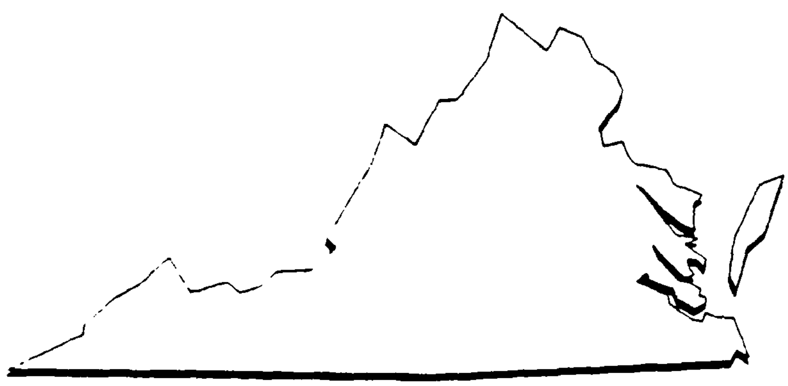
- $1,023 less for each person enrolled in Medicare
- $592 less for each Medicaid recipient
- $169 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $21 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $409 million a year

- $1,289 less for each person enrolled in Medicare
- $746 less for each Medicaid recipient
- $213 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Virginia and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Virginia? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Virginia billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Virginia.

The Balanced Budget Amendment would cost Virginia $5.1 to $7.6 billion a year

Option 1: Tax increase and across-the-board spending cut

Increases in taxes -- $2.4 billion a year ($759 per taxpayer)

Cuts in Benefits, Services, and Defense -- $3.7 billion a year

- $567 cut per year for the average Social Security recipient
- $392 less for each person enrolled in Medicare
- $189 less for each Medicaid recipient
- $1.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.3 billion additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $6.7 billion a year

- $1,031 cut per year for the average Social Security recipient
- $713 less for each person enrolled in Medicare
- $343 less for each Medicaid recipient
- $2.4 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $2.3 billion additional cut in annual defense spending

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*Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $5.1 billion a year

- $1,217 cut per year for the average Social Security recipient
- $842 less for each person enrolled in Medicare
- $405 less for each Medicaid recipient
- $2.9 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $7.6 billion a year

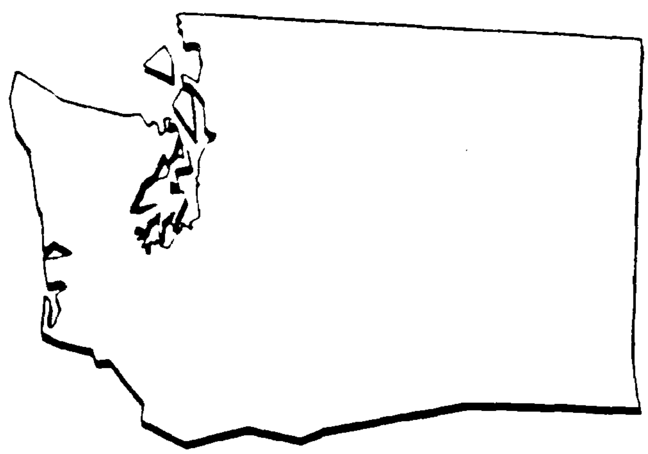
- $962 less for each person enrolled in Medicare
- $463 less for each Medicaid recipient
- $3.3 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $3.1 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $5.6 billion a year

- $1,212 less for each person enrolled in Medicare
- $583 less for each Medicaid recipient
- $4.1 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Washington and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Washington? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Washington billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Washington.

The Balanced Budget Amendment would cost Washington $3.9 to $4.3 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $2.1 billion a year ($809 per taxpayer)

Cuts in Benefits, Services, and Defense -- $2.2 billion a year

- $621 cut per year for the average Social Security recipient
- $373 less for each person enrolled in Medicare
- $240 less for each Medicaid recipient
- $830 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $377 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $4.0 billion a year

- $1,129 cut per year for the average Social Security recipient
- $677 less for each person enrolled in Medicare
- $437 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $686 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.9 billion a year

- $1,333 cut per year for the average Social Security recipient
- $800 less for each person enrolled in Medicare
- $515 less for each Medicaid recipient
- $1.8 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $4.1 billion a year

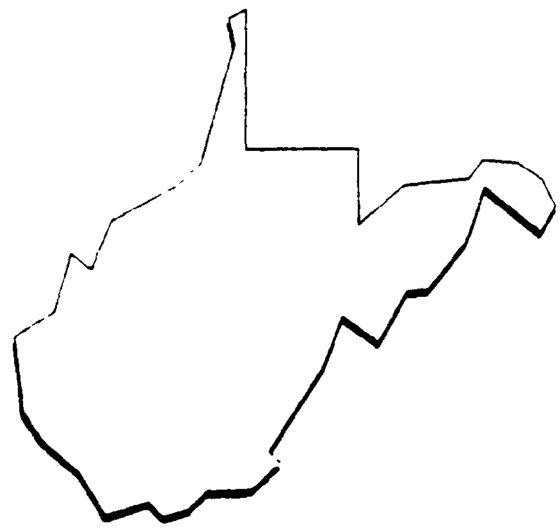
- $913 less for each person enrolled in Medicare
- $589 less for each Medicaid recipient
- $2.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $925 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $4.0 billion a year

- $1,151 less for each person enrolled in Medicare
- $741 less for each Medicaid recipient
- $2.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of West Virginia and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of West Virginia? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost West Virginia billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of West Virginia.

The Balanced Budget Amendment would cost West Virginia $1.2 to $1.6 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $412 million a year ($546 per taxpayer)

Cuts in Benefits, Services, and Defense -- $767 million a year

- $584 cut per year for the average Social Security recipient
- $405 less for each person enrolled in Medicare
- $286 less for each Medicaid recipient
- $225 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $15 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $1.4 billion a year

- $1,061 cut per year for the average Social Security recipient
- $737 less for each person enrolled in Medicare
- $520 less for each Medicaid recipient
- $409 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $27 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $1.6 billion a year

- $1,252 cut per year for the average Social Security recipient
- $870 less for each person enrolled in Medicare
- $614 less for each Medicaid recipient
- $483 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $1.3 billion a year

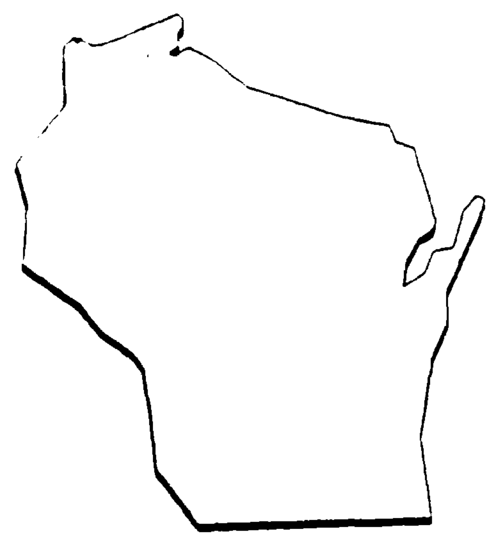
- $993 less for each person enrolled in Medicare
- $701 less for each Medicaid recipient
- $552 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $36 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $1.5 billion a year

- $1,251 less for each person enrolled in Medicare
- $883 less for each Medicaid recipient
- $695 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Wisconsin and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Wisconsin? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Wisconsin billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Wisconsin.

The Balanced Budget Amendment would cost Wisconsin $2.6 to $3.4 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $1.6 billion a year ($644 per taxpayer)

Cuts in Benefits, Services, and Defense -- $1.7 billion a year

- $616 cut per year for the average Social Security recipient
- $439 less for each person enrolled in Medicare
- $333 less for each Medicaid recipient
- $391 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $97 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $3.1 billion a year

- $1,120 cut per year for the average Social Security recipient
- $799 less for each person enrolled in Medicare
- $605 less for each Medicaid recipient
- $710 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $176 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $3.4 billion a year

- $1,322 cut per year for the average Social Security recipient
- $943 less for each person enrolled in Medicare
- $715 less for each Medicaid recipient
- $838 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $2.6 billion a year

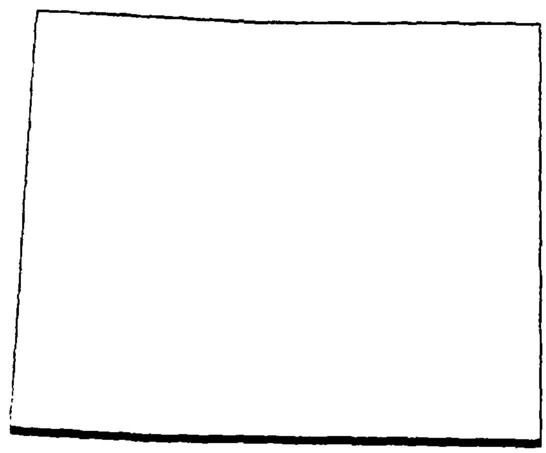
- $1,077 less for each person enrolled in Medicare
- $816 less for each Medicaid recipient
- $957 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $237 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $3.0 billion a year

- $1,356 less for each person enrolled in Medicare
- $1,028 less for each Medicaid recipient
- $1.2 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

The State of Wyoming and the Balanced Budget Amendment



What does a Balanced Budget Amendment mean to the State of Wyoming? While supporters offer a lot of tough talk, few proponents spell out the details of how they would achieve this laudable goal. The Director of the CBO, Robert Reischauer, has indicated -- and this administration agrees -- that any discussion of a balanced budget amendment must be in the context of an honest discussion about the program cuts and tax increases necessary to achieve such a balance. According to Reischauer, "it would be a particular folly to pass a balanced budget amendment and ignore the need to expeditiously enact legislation that would offer some hope of complying with it." Make no mistake, balancing the budget would require tough choices and cost Wyoming billions.

In order to encourage a more realistic, responsible debate, the Treasury Department has analyzed five possible routes to a balanced budget in 2000. These projections do not include the contractionary impact on the economy that might accompany a sharp rise in taxes or reduction in spending over such a short period of time. In this sense, these are very conservative estimates of the cost of such an amendment to the people of Wyoming.

The Balanced Budget Amendment would cost Wyoming $354 to $413 million a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $159 million a year ($697 per taxpayer)

Cuts in Benefits, Services, and Defense -- $195 million a year

- $596 cut per year for the average Social Security recipient
- $381 less for each person enrolled in Medicare
- $232 less for each Medicaid recipient
- $96 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $16 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $355 million a year

- $1.083 cut per year for the average Social Security recipient
- $693 less for each person enrolled in Medicare
- $423 less for each Medicaid recipient
- $175 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $29 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs.

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $385 million a year

- $1,279 cut per year for the average Social Security recipient
- $818 less for each person enrolled in Medicare
- $499 less for each Medicaid recipient
- $206 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $366 million a year

- $934 less for each person enrolled in Medicare
- $570 less for each Medicaid recipient
- $236 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $39 million additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $413 million a year

- $1,177 less for each person enrolled in Medicare
- $718 less for each Medicaid recipient
- $297 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Derivation of State-by-State Estimates for Balanced Budget Amendment Effects

The following description and tables provide detailed information for estimating the allocation of spending cuts and tax increases to states that would occur under the balanced budget amendment

Step 1: ***Derive size of budget cuts required under balanced budget amendment.***

An amendment that requires a balanced budget by FY2000 was used as a basis for this exercise. The first table shows recent CBO estimates of the Federal deficit and the (lower) levels of the deficit that would be required given a linear path to a balanced budget in FY2000. No cuts were assumed to occur in FY1995 as ratification of an amendment likely would come after any changes could be made to the FY1995 budget. The required cuts take into account the interest savings that would result from lower deficits and debt; a 5 percent rate of interest was assumed. The required cuts are static in nature as no macroeconomic feedback--e.g. lower economic growth resulting from the contractionary effects of deficit reduction--is assumed. As a result, the estimated size of the cuts is very conservative, representing the minimum size of cuts required. The table shows that deficit-reducing spending and tax changes of $200 billion would have to be made in FY2000.

Step 2: ***Consider alternative deficit reduction spending and tax mixes.***

Five different options for obtaining a balanced budget were examined:

Option 1: *Deficit reduction split between spending cuts (55 percent) and tax increases (45 percent).*

The allocation percentages for this option were derived (approximately) from the averages of the 1990 and 1993 deficit reduction legislation.

The spending cut translates into an across-the-board cut of 6.6 percent. The tax increase was assumed to result from a proportional increase in individual income taxes.

Option 2: *Across-the-board spending cut.*

An across-the-board spending cut of 12.0 percent of total noninterest spending in FY2000 ($200/$1661).

Option 3: *Across-the-board spending cut, excluding defense spending.*

An across-the-board spending cut of 14.2 percent of noninterest, nondefense spending in FY2000 ($200/$1407).

Option 4: *Across-the-board spending cut, excluding Social Security.*

An across-the-board spending cut of 16.2 percent of noninterest, non-Social Security spending in FY2000 ($200/$1232).

Option 5: *Across-the-board spending cut, excluding defense and Social Security.*

An across-the-board spending cut of 20.4 percent of noninterest, nondefense, non-Social Security spending in FY2000 ($200/$978).

Values for CBO's projected levels for FY2000 for Social Security; nondefense; nondefense, non-Social Security; and noninterest total spending are shown in Table F. CBO did not project a level of defense spending for FY2000. For defense spending, the Administration's FY1999 defense projection was inflated by the rate of growth of total discretionary spending from FY1999 to FY2000 in the CBO projections.

Step 3: ***Derive spending allocation parameters for states.***

Spending by states as reported in the Census publication "Federal Expenditures by State for Fiscal Year 1992" was used to derive allocation percentages for the defense, Social Security, Medicare, Medicaid, and nondefense, non-Social Security spending cuts. Detailed spending data by state for defense, Social Security, and nondefense non-Social Security are shown in Tables A and B. The resulting allocation percentages are shown in Table E. Medicaid and Medicare spending detail and allocation percentages are shown in Table D.

(Note: The data and derivations described thus far are sufficient to allocate spending cuts by state--as shown in the first tables for Options 2 through 5.)

Step 4: ***Derive tax allocation parameters.***

Option 1 has 45 percent of the deficit reduction resulting from tax increases. For purposes of this exercise, it was assumed that the higher tax revenues would be obtained from an across-the-board increase in individual income taxes. Data for income tax liability by state for 1991 were obtained from the Treasury Publication "Statistics on Income." The tax liability data and the resulting allocation percentages by state are shown in Table C.

Step 5: ***Derive per-person values.***

Per-person values for the year 2000 (shown in the second table for each option) were derived by dividing projected total spending cuts or tax increases by the projected numbers of affected persons. For Social Security, the number of recipients by State for 1992 was obtained from the Social Security Bulletin; the projected level of total recipients in 2000 was obtained from the 1993 Social Security Trustees Report. Medicare recipient data by state for 1991 were obtained from the 1993 Statistical Abstract, Table 159. Medicaid enrollee data by state for 1992 were obtained from "Medicaid Statistics" FY1992, U.S. Dept. of Health and Human Services, Health Care Financing Administration Publication No. 10129 (October 1993). The projected levels of total enrollees and recipients for 2000 were obtained from the Health Care Financing Administration. These data are shown in Tables C and D. The numbers of taxpaying units by state for 1991 were inflated by the rate of population growth to obtain taxpaying units in 2000

Final Note:

In the methodology employed, there is an implicit assumption that spending and tax allocation percentages by state will not change from 1992 (1991 for income taxes) to 2000. This is unlikely to be the case, but it was the best approach to take given the available data and the difficulties associated with estimating migration patterns and age and income distributions across states over time.

Balanced Budget Amendment--Balanced Unified Deficit by FY2000 (CBO Deficit Estimates)

Fiscal Year	CBO DEFICIT	CBO DEFICIT	ADJ. TO BALANCE BY 2000	STATIC REQUIRED CUTS	APPROX INTEREST SAVINGS
94	223	223	223		
95	171	171	171	0	0
96	166	166	160	6	0
97	182	182	120	59	3
98	180	180	80	92	8
99	204	204	40	148	16
2000	226	226	-0	200	26
2001					
2002					
2003					
2004					
2005					

Option 1--55% Spending Cuts ($110 bil), 45% Tax Increase ($90 bil)

	Across-the-Board Cut of 6.6 percent						Addendum		
	Defense	Social Security	NonDef, NonSS	Total Spending	Total Tax Increase	Total Deficit Reduction	Medicare	Medicaid	Oth Nondef NonSS
			($billions)						
U.S. Total	16.82	28.41	64.77	110.00	90.00	200.00	19.21	11.13	34.44
Alabama	0.29	0.46	1.12	1.88	1.08	2.96	0.29	0.18	0.65
Alaska	0.12	0.02	0.21	0.36	0.27	0.63	0.01	0.02	0.18
Arizona	0.24	0.44	0.85	1.53	1.08	2.61	0.24	0.13	0.48
Arkansas	0.06	0.30	0.58	0.93	0.53	1.46	0.19	0.12	0.27
California	2.83	2.69	7.23	12.75	11.72	24.47	2.27	1.01	3.96
Colorado	0.33	0.31	0.93	1.57	1.27	2.83	0.18	0.09	0.67
Connecticut	0.29	0.42	0.75	1.46	1.91	3.37	0.27	0.17	0.31
Delaware	0.02	0.08	0.15	0.25	0.28	0.53	0.04	0.02	0.08
DC	0.22	0.05	1.55	1.81	0.29	2.10	0.08	0.05	1.42
Florida	0.72	1.94	3.19	5.85	4.85	10.70	1.33	0.37	1.49
Georgia	0.59	0.60	1.40	2.59	2.08	4.66	0.35	0.26	0.79
Hawaii	0.22	0.10	0.25	0.58	0.46	1.04	0.05	0.03	0.17
Idaho	0.02	0.11	0.31	0.44	0.27	0.71	0.05	0.03	0.22
Illinois	0.23	1.33	2.61	4.17	4.77	8.94	1.01	0.34	1.26
Indiana	0.19	0.69	0.99	1.87	1.78	3.66	0.37	0.23	0.39
Iowa	0.05	0.37	0.66	1.07	0.82	1.89	0.22	0.10	0.34
Kansas	0.15	0.30	0.59	1.04	0.82	1.86	0.20	0.09	0.29
Kentucky	0.16	0.42	0.86	1.45	0.94	2.38	0.23	0.22	0.40
Louisiana	0.18	0.43	1.12	1.73	1.09	2.82	0.26	0.41	0.44
Maine	0.15	0.14	0.30	0.60	0.34	0.93	0.10	0.07	0.14
Maryland	0.54	0.45	1.96	2.95	2.10	5.05	0.34	0.16	1.46
Massachusetts	0.53	0.71	1.77	3.02	2.60	5.62	0.61	0.34	0.83
Michigan	0.19	1.15	2.02	3.36	3.23	6.59	0.83	0.37	0.83
Minnesota	0.14	0.47	0.96	1.57	1.57	3.14	0.28	0.18	0.51
Mississippi	0.28	0.28	0.67	1.22	0.50	1.72	0.18	0.15	0.35
Missouri	0.40	0.64	1.36	2.41	1.61	4.02	0.44	0.24	0.69
Montana	0.02	0.10	0.27	0.38	0.20	0.59	0.05	0.03	0.18
Nebraska	0.07	0.19	0.38	0.64	0.48	1.12	0.12	0.05	0.21
Nevada	0.05	0.13	0.32	0.50	0.57	1.07	0.06	0.03	0.22
New Hampshire	0.04	0.12	0.24	0.40	0.45	0.84	0.07	0.09	0.08
New Jersey	0.38	0.98	1.84	3.19	3.92	7.12	0.72	0.34	0.78
New Mexico	0.12	0.15	0.69	0.95	0.38	1.33	0.08	0.07	0.54
New York	0.56	2.17	5.10	7.83	7.67	15.50	1.71	1.55	1.85
North Carolina	0.39	0.74	1.26	2.39	1.94	4.32	0.36	0.28	0.63
North Dakota	0.04	0.07	0.21	0.32	0.17	0.49	0.06	0.03	0.13
Ohio	0.39	1.32	2.36	4.07	3.55	7.62	0.85	0.48	1.02
Oklahoma	0.19	0.36	0.77	1.32	0.83	2.16	0.23	0.13	0.41
Oregon	0.03	0.36	0.71	1.10	0.91	2.02	0.21	0.09	0.41
Pennsylvania	0.42	1.66	3.13	5.21	4.19	9.41	1.27	0.59	1.28
Rhode Island	0.07	0.13	0.27	0.47	0.35	0.82	0.09	0.07	0.12
South Carolina	0.23	0.37	0.87	1.47	0.89	2.36	0.17	0.19	0.52
South Dakota	0.02	0.08	0.21	0.31	0.19	0.50	0.05	0.03	0.13
Tennessee	0.14	0.56	1.40	2.10	1.48	3.58	0.33	0.27	0.80
Texas	1.09	1.53	3.81	6.43	5.84	12.27	1.06	0.66	2.08
Utah	0.12	0.14	0.39	0.65	0.44	1.10	0.06	0.06	0.27
Vermont	0.01	0.06	0.13	0.20	0.17	0.38	0.04	0.03	0.07
Virginia	1.27	0.58	1.82	3.67	2.38	6.05	0.34	0.14	1.34
Washington	0.38	0.54	1.30	2.21	2.07	4.28	0.27	0.19	0.83
West Virginia	0.01	0.25	0.50	0.77	0.41	1.18	0.15	0.12	0.23
Wisconsin	0.10	0.62	0.97	1.68	1.59	3.27	0.37	0.21	0.39
Wyoming	0.02	0.05	0.13	0.20	0.16	0.35	0.02	0.01	0.10
State Total	15.30	28.15	63.47	106.93	89.49	196.41	19.13	11.11	33.23
Undist. & Terr.	1.52	0.26	1.29	3.07	0.51	3.59	0.07	0.01	1.21

	Option 1—Per Person			
	Social Security	Medicare	Medicaid	Tax Increase
	—— Cut per Recipient ——			per Tax Filing Unit
	(dollars)	(dollars)	(dollars)	(dollars)
U.S. Total	605	480	254	728
Alabama	541	412	281	574
Alaska	582	345	233	742
Arizona	600	390	228	606
Arkansas	537	409	262	500
California	608	578	160	789
Colorado	583	413	244	722
Connecticut	663	484	380	1,100
Delaware	621	410	235	774
DC	515	848	322	851
Florida	597	472	170	720
Georgia	552	394	213	654
Hawaii	578	350	204	751
Idaho	575	342	282	556
Illinois	638	555	184	822
Indiana	633	408	329	651
Iowa	604	410	249	591
Kansas	612	469	294	676
Kentucky	540	368	271	566
Louisiana	541	414	415	588
Maine	530	437	322	560
Maryland	605	526	304	840
Massachusetts	609	589	352	852
Michigan	639	561	232	716
Minnesota	590	397	312	711
Mississippi	507	406	212	451
Missouri	588	472	304	651
Montana	569	383	406	515
Nebraska	588	423	247	601
Nevada	604	362	296	828
New Hampshire	603	403	919	774
New Jersey	665	552	351	952
New Mexico	540	366	225	517
New York	642	577	430	877
North Carolina	555	331	250	581
North Dakota	547	487	374	565
Ohio	613	463	239	643
Oklahoma	564	430	255	574
Oregon	603	405	224	633
Pennsylvania	625	546	298	707
Rhode Island	605	457	220	701
South Carolina	554	317	305	529
South Dakota	539	388	319	563
Tennessee	552	403	244	622
Texas	568	484	233	713
Utah	589	301	299	581
Vermont	587	417	241	599
Virginia	567	392	189	759
Washington	621	373	240	809
West Virginia	584	405	286	546
'Visconsin	616	439	333	644
yoming	596	381	232	697
State Total	599	479	261	724
Undist. & Terrs.	–	5,463	11	–

Option 2 – All Spending Cuts, $200 Billion

	Across-the-Board Cut of 12.0 percent				Addendum		
	Defense	Social Security	NonDef NonSS	Total	Medicare	Medicaid	Oth Nondef NonSS
			($ billions)				
U.S. Total	30.58	51.66	117.76	200.00	34.92	20.23	62.61
Alabama	0.53	0.84	2.04	3.41	0.52	0.34	1.18
Alaska	0.22	0.05	0.39	0.65	0.02	0.03	0.33
Arizona	0.43	0.80	1.54	2.78	0.43	0.23	0.88
Arkansas	0.10	0.55	1.05	1.70	0.35	0.21	0.49
California	5.14	4.89	13.15	23.19	4.12	1.83	7.19
Colorado	0.60	0.56	1.70	2.85	0.32	0.16	1.21
Connecticut	0.53	0.76	1.37	2.66	0.49	0.31	0.57
Delaware	0.04	0.15	0.27	0.46	0.08	0.04	0.15
DC	0.40	0.09	2.81	3.30	0.14	0.09	2.58
Florida	1.31	3.52	5.80	10.63	2.41	0.67	2.72
Georgia	1.07	1.09	2.55	4.70	0.63	0.47	1.45
Hawaii	0.41	0.19	0.46	1.06	0.10	0.05	0.31
Idaho	0.04	0.20	0.56	0.80	0.10	0.06	0.40
Illinois	0.42	2.42	4.74	7.58	1.84	0.62	2.28
Indiana	0.35	1.25	1.80	3.41	0.67	0.43	0.71
Iowa	0.08	0.68	1.19	1.95	0.40	0.18	0.61
Kansas	0.27	0.54	1.07	1.89	0.37	0.17	0.54
Kentucky	0.30	0.77	1.56	2.63	0.43	0.40	0.73
Louisiana	0.33	0.77	2.03	3.14	0.48	0.74	0.81
Maine	0.27	0.26	0.55	1.08	0.17	0.13	0.25
Maryland	0.98	0.82	3.56	5.36	0.62	0.29	2.65
Massachusetts	0.97	1.30	3.23	5.49	1.10	0.62	1.51
Michigan	0.35	2.08	3.68	6.11	1.50	0.67	1.51
Minnesota	0.25	0.86	1.75	2.85	0.51	0.32	0.92
Mississippi	0.50	0.50	1.21	2.22	0.32	0.26	0.63
Missouri	0.74	1.17	2.48	4.38	0.80	0.43	1.25
Montana	0.03	0.17	0.49	0.69	0.10	0.06	0.33
Nebraska	0.12	0.34	0.70	1.16	0.22	0.10	0.39
Nevada	0.08	0.24	0.58	0.91	0.12	0.06	0.41
New Hampshire	0.08	0.22	0.43	0.73	0.12	0.17	0.14
New Jersey	0.68	1.78	3.35	5.81	1.30	0.63	1.42
New Mexico	0.22	0.27	1.25	1.73	0.14	0.12	0.98
New York	1.03	3.94	9.28	14.24	3.11	2.81	3.36
North Carolina	0.70	1.34	2.30	4.34	0.65	0.50	1.15
North Dakota	0.07	0.13	0.39	0.58	0.10	0.05	0.23
Ohio	0.71	2.40	4.28	7.40	1.55	0.88	1.86
Oklahoma	0.35	0.66	1.40	2.41	0.42	0.23	0.75
Oregon	0.06	0.66	1.29	2.01	0.37	0.17	0.74
Pennsylvania	0.77	3.02	5.70	9.48	2.31	1.06	2.33
Rhode Island	0.12	0.24	0.50	0.85	0.16	0.12	0.22
South Carolina	0.41	0.67	1.58	2.67	0.31	0.34	0.94
South Dakota	0.04	0.15	0.37	0.56	0.09	0.05	0.23
Tennessee	0.26	1.01	2.55	3.82	0.61	0.49	1.45
Texas	1.98	2.78	6.92	11.69	1.93	1.21	3.79
Utah	0.22	0.26	0.71	1.19	0.11	0.11	0.50
Vermont	0.02	0.11	0.24	0.37	0.07	0.05	0.13
Virginia	2.31	1.05	3.30	6.67	0.62	0.25	2.43
Washington	0.69	0.98	2.36	4.02	0.50	0.35	1.51
West Virginia	0.03	0.46	0.90	1.39	0.27	0.23	0.41
Wisconsin	0.18	1.12	1.76	3.06	0.68	0.37	0.71
Wyoming	0.03	0.08	0.24	0.35	0.04	0.03	0.17
State Total	27.82	51.19	115.41	194.41	34.79	20.20	60.41
Undist. & Terr.	2.77	0.47	2.35	5.59	0.13	0.03	2.20

	Option 2–Per Person Social Security	Medicare	Medicaid
	—— Cut per Recipient ——		
	(dollars)	(dollars)	(dollars)
U.S. Total	1,100	873	462
Alabama	984	749	512
Alaska	1,058	627	423
Arizona	1,091	709	415
Arkansas	976	745	476
California	1,106	1,050	290
Colorado	1,059	750	444
Connecticut	1,206	881	691
Delaware	1,128	745	428
DC	937	1,543	586
Florida	1,085	858	309
Georgia	1,004	717	388
Hawaii	1,051	636	371
Idaho	1,045	621	513
Illinois	1,159	1,010	335
Indiana	1,150	742	598
Iowa	1,099	746	453
Kansas	1,113	852	535
Kentucky	981	669	493
Louisiana	984	754	754
Maine	964	794	585
Maryland	1,100	956	553
Massachusetts	1,107	1,071	639
Michigan	1,162	1,021	421
Minnesota	1,073	722	567
Mississippi	922	738	386
Missouri	1,068	858	552
Montana	1,035	697	739
Nebraska	1,069	769	450
Nevada	1,099	659	538
New Hampshire	1,097	734	1,671
New Jersey	1,209	1,003	639
New Mexico	982	666	409
New York	1,168	1,049	782
North Carolina	1,009	601	455
North Dakota	995	885	681
Ohio	1,115	841	434
Oklahoma	1,026	781	463
Oregon	1,096	737	407
Pennsylvania	1,136	992	541
Rhode Island	1,100	831	401
South Carolina	1,007	576	555
South Dakota	979	706	581
Tennessee	1,004	733	444
Texas	1,033	881	423
Utah	1,071	548	544
Vermont	1,068	759	439
Virginia	1,031	713	343
Washington	1,129	677	437
West Virginia	1,061	737	520
Wisconsin	1,120	799	605
yoming	1,083	693	423
State Total	1,090	870	475
Undist. & Terrs.	–	9,934	20

Option 3– NonDef Spending Cuts, $200 Billion

	NonDef cuts of 14.2 percent			Addendum		
	Social Security	NonDef NonSS	Total	Medicare	Medicaid	Oth Nondef NonSS
		($ billions)				
U.S. Total	60.98	139.02	200.00	41.22	23.88	73.92
Alabama	1.00	2.41	3.40	0.61	0.40	1.39
Alaska	0.05	0.46	0.51	0.02	0.04	0.39
Arizona	0.95	1.82	2.77	0.51	0.28	1.04
Arkansas	0.64	1.24	1.88	0.41	0.25	0.58
California	5.78	15.52	21.30	4.87	2.16	8.49
Colorado	0.66	2.00	2.66	0.38	0.19	1.43
Connecticut	0.90	1.61	2.51	0.58	0.36	0.67
Delaware	0.17	0.31	0.49	0.09	0.04	0.18
DC	0.10	3.32	3.42	0.17	0.11	3.05
Florida	4.16	6.85	11.01	2.85	0.79	3.21
Georgia	1.29	3.01	4.29	0.74	0.56	1.71
Hawaii	0.22	0.55	0.77	0.12	0.06	0.37
Idaho	0.24	0.67	0.90	0.12	0.07	0.48
Illinois	2.86	5.59	8.45	2.17	0.73	2.69
Indiana	1.48	2.13	3.61	0.79	0.50	0.83
Iowa	0.80	1.41	2.21	0.48	0.21	0.72
Kansas	0.64	1.27	1.91	0.43	0.20	0.63
Kentucky	0.90	1.85	2.75	0.50	0.48	0.87
Louisiana	0.91	2.40	3.31	0.56	0.88	0.95
Maine	0.31	0.65	0.96	0.20	0.16	0.29
Maryland	0.96	4.20	5.17	0.73	0.35	3.12
Massachusetts	1.53	3.81	5.34	1.30	0.73	1.78
Michigan	2.46	4.34	6.80	1.77	0.79	1.78
Minnesota	1.01	2.06	3.07	0.60	0.38	1.08
Mississippi	0.59	1.43	2.02	0.38	0.31	0.74
Missouri	1.38	2.92	4.30	0.94	0.51	1.48
Montana	0.21	0.58	0.78	0.12	0.07	0.39
Nebraska	0.40	0.83	1.23	0.26	0.11	0.46
Nevada	0.29	0.69	0.97	0.14	0.07	0.48
New Hampshire	0.26	0.51	0.77	0.14	0.20	0.17
New Jersey	2.10	3.96	6.05	1.54	0.74	1.68
New Mexico	0.32	1.47	1.79	0.17	0.14	1.16
New York	4.65	10.95	15.60	3.67	3.32	3.96
North Carolina	1.58	2.71	4.29	0.76	0.59	1.35
North Dakota	0.15	0.46	0.61	0.12	0.06	0.27
Ohio	2.84	5.06	7.89	1.83	1.04	2.19
Oklahoma	0.78	1.65	2.43	0.49	0.28	0.88
Oregon	0.78	1.52	2.30	0.44	0.20	0.88
Pennsylvania	3.57	6.72	10.29	2.72	1.26	2.75
Rhode Island	0.28	0.59	0.87	0.19	0.14	0.26
South Carolina	0.79	1.87	2.66	0.36	0.40	1.11
South Dakota	0.18	0.44	0.62	0.11	0.06	0.27
Tennessee	1.20	3.00	4.20	0.72	0.58	1.71
Texas	3.28	8.17	11.45	2.28	1.42	4.47
Utah	0.30	0.84	1.14	0.13	0.12	0.59
Vermont	0.13	0.28	0.42	0.08	0.06	0.15
Virginia	1.25	3.90	5.14	0.73	0.29	2.87
Washington	1.15	2.78	3.94	0.59	0.41	1.78
West Virginia	0.55	1.07	1.61	0.32	0.27	0.48
Wisconsin	1.32	2.08	3.40	0.80	0.44	0.84
Wyoming	0.10	0.29	0.38	0.05	0.03	0.21
State Total	60.43	136.24	196.67	41.07	23.85	71.32
Undist. & Terr.	0.55	2.78	3.33	0.15	0.03	2.60

Option 3 -- Per Person	Social Security	Medicare	Medicaid
	—— Cut per Recipient ——		
	(dollars)	(dollars)	(dollars)
U.S. Total	1,298	1,031	545
Alabama	1,161	884	604
Alaska	1,249	740	499
Arizona	1,288	837	489
Arkansas	1,152	879	562
California	1,306	1,240	343
Colorado	1,251	886	525
Connecticut	1,423	1,040	816
Delaware	1,332	879	505
DC	1,106	1,821	692
Florida	1,281	1,013	365
Georgia	1,185	846	458
Hawaii	1,241	751	438
Idaho	1,233	733	605
Illinois	1,368	1,192	396
Indiana	1,358	875	706
Iowa	1,297	881	535
Kansas	1,314	1,006	631
Kentucky	1,158	790	582
Louisiana	1,162	890	891
Maine	1,138	938	691
Maryland	1,298	1,128	653
Massachusetts	1,307	1,264	755
Michigan	1,372	1,205	497
Minnesota	1,266	853	670
Mississippi	1,088	871	456
Missouri	1,261	1,012	652
Montana	1,222	822	872
Nebraska	1,262	908	531
Nevada	1,297	778	636
New Hampshire	1,295	866	1,972
New Jersey	1,427	1,184	754
New Mexico	1,159	786	482
New York	1,379	1,238	923
North Carolina	1,191	710	537
North Dakota	1,174	1,045	804
Ohio	1,317	993	512
Oklahoma	1,212	922	546
Oregon	1,294	870	481
Pennsylvania	1,342	1,171	639
Rhode Island	1,299	981	473
South Carolina	1,188	680	656
South Dakota	1,156	834	685
Tennessee	1,186	865	524
Texas	1,220	1,040	500
Utah	1,265	647	643
Vermont	1,261	896	518
Virginia	1,217	842	405
Washington	1,333	800	515
West Virginia	1,252	870	614
'Visconsin	1,322	943	715
yoming	1,279	818	499
State Total	1,286	1,027	561
Undist. & Terrs.	–	11,727	24

Option 4-- Non-Social Security Spending Cuts, $200 Billion

	NonSS cuts of 16.2 percent			Addendum		
	Defense	NonDef NonSS	Total	Medicare	Medicaid	Oth Nondef NonSS
		($ billions)				
U.S. Total	41.23	158.77	200.00	47.08	27.27	84.42
Alabama	0.72	2.75	3.46	0.70	0.45	1.59
Alaska	0.30	0.52	0.82	0.03	0.05	0.45
Arizona	0.58	2.08	2.67	0.58	0.32	1.19
Arkansas	0.14	1.42	1.56	0.47	0.29	0.66
California	6.93	17.73	24.66	5.56	2.47	9.70
Colorado	0.81	2.29	3.09	0.44	0.22	1.63
Connecticut	0.72	1.84	2.56	0.66	0.41	0.77
Delaware	0.06	0.36	0.42	0.11	0.05	0.20
DC	0.54	3.79	4.33	0.19	0.12	3.48
Florida	1.76	7.82	9.58	3.26	0.90	3.66
Georgia	1.44	3.43	4.87	0.85	0.64	1.95
Hawaii	0.55	0.62	1.17	0.13	0.07	0.42
Idaho	0.05	0.76	0.81	0.13	0.08	0.54
Illinois	0.57	6.39	6.96	2.48	0.83	3.08
Indiana	0.47	2.43	2.91	0.91	0.57	0.95
Iowa	0.11	1.61	1.72	0.54	0.24	0.83
Kansas	0.37	1.45	1.81	0.50	0.23	0.72
Kentucky	0.40	2.11	2.51	0.57	0.54	0.99
Louisiana	0.45	2.74	3.18	0.64	1.00	1.09
Maine	0.36	0.75	1.11	0.23	0.18	0.33
Maryland	1.33	4.80	6.13	0.84	0.40	3.57
Massachusetts	1.30	4.35	5.65	1.49	0.83	2.03
Michigan	0.47	4.96	5.43	2.03	0.90	2.03
Minnesota	0.34	2.36	2.69	0.68	0.44	1.24
Mississippi	0.68	1.64	2.31	0.43	0.36	0.85
Missouri	0.99	3.34	4.33	1.07	0.58	1.69
Montana	0.04	0.66	0.70	0.13	0.08	0.44
Nebraska	0.17	0.94	1.11	0.29	0.13	0.52
Nevada	0.11	0.78	0.90	0.16	0.08	0.55
New Hampshire	0.10	0.58	0.68	0.16	0.23	0.19
New Jersey	0.92	4.52	5.44	1.76	0.84	1.92
New Mexico	0.29	1.68	1.98	0.20	0.16	1.32
New York	1.38	12.50	13.89	4.19	3.79	4.53
North Carolina	0.95	3.09	4.04	0.87	0.68	1.55
North Dakota	0.09	0.52	0.61	0.14	0.07	0.31
Ohio	0.96	5.78	6.73	2.09	1.19	2.50
Oklahoma	0.47	1.89	2.36	0.56	0.32	1.01
Oregon	0.08	1.74	1.81	0.50	0.23	1.00
Pennsylvania	1.03	7.68	8.71	3.11	1.43	3.14
Rhode Island	0.16	0.67	0.83	0.21	0.16	0.30
South Carolina	0.56	2.14	2.69	0.41	0.45	1.27
South Dakota	0.06	0.50	0.56	0.12	0.07	0.31
Tennessee	0.35	3.43	3.79	0.82	0.66	1.95
Texas	2.68	9.34	12.01	2.60	1.62	5.11
Utah	0.30	0.96	1.25	0.14	0.14	0.67
Vermont	0.02	0.32	0.35	0.09	0.06	0.17
Virginia	3.12	4.45	7.57	0.83	0.34	3.28
Washington	0.92	3.18	4.10	0.67	0.47	2.03
West Virginia	0.04	1.22	1.26	0.36	0.30	0.55
Wisconsin	0.24	2.37	2.61	0.91	0.51	0.96
Wyoming	0.04	0.33	0.37	0.06	0.03	0.24
State Total	37.50	155.59	193.10	46.91	27.24	81.45
Undist. & Terr.	3.73	3.17	6.90	0.17	0.03	2.97

	Option 4—Per Person Medicare	Medicaid
	— Cut per Recipient — (dollars)	(dollars)
U.S. Total	1,177	623
Alabama	1,010	690
Alaska	846	570
Arizona	956	559
Arkansas	1,004	642
California	1,416	392
Colorado	1,011	599
Connecticut	1,187	932
Delaware	1,004	577
DC	2,080	790
Florida	1,157	417
Georgia	966	523
Hawaii	858	501
Idaho	837	691
Illinois	1,361	452
Indiana	1,000	807
Iowa	1,006	611
Kansas	1,149	721
Kentucky	902	664
Louisiana	1,016	1,017
Maine	1,071	789
Maryland	1,289	745
Massachusetts	1,444	862
Michigan	1,376	568
Minnesota	974	765
Mississippi	995	520
Missouri	1,156	744
Montana	939	996
Nebraska	1,037	606
Nevada	888	726
New Hampshire	989	2,253
New Jersey	1,352	861
New Mexico	897	551
New York	1,414	1,054
North Carolina	811	613
North Dakota	1,193	918
Ohio	1,134	585
Oklahoma	1,053	624
Oregon	993	549
Pennsylvania	1,338	729
Rhode Island	1,121	540
South Carolina	776	749
South Dakota	952	783
Tennessee	988	598
Texas	1,188	571
Utah	738	734
Vermont	1,023	592
Virginia	962	463
Washington	913	589
West Virginia	993	701
Wisconsin	1,077	816
Wyoming	934	570
State Total	1,173	640
Undist. & Terr.	13,393	28

Option 5—Spending Cuts of $200 Billion (20.4 percent) excluding Defense and Social Security

	NonDef NonSS	Medicare	Medicaid	Oth Nondef NonSS
	($ billions)			
U.S. Total	200.00	59.30	34.36	106.34
Alabama	3.46	0.88	0.57	2.01
Alaska	0.66	0.03	0.06	0.57
Arizona	2.62	0.73	0.40	1.50
Arkansas	1.78	0.59	0.36	0.83
California	22.33	7.00	3.11	12.22
Colorado	2.88	0.55	0.27	2.05
Connecticut	2.32	0.83	0.52	0.97
Delaware	0.45	0.13	0.06	0.26
DC	4.78	0.24	0.15	4.39
Florida	9.85	4.10	1.14	4.62
Georgia	4.32	1.07	0.80	2.45
Hawaii	0.79	0.17	0.09	0.53
Idaho	0.96	0.17	0.11	0.69
Illinois	8.05	3.12	1.05	3.88
Indiana	3.07	1.14	0.72	1.20
Iowa	2.03	0.68	0.30	1.04
Kansas	1.82	0.62	0.29	0.91
Kentucky	2.66	0.72	0.69	1.25
Louisiana	3.45	0.81	1.27	1.37
Maine	0.94	0.29	0.23	0.42
Maryland	6.05	1.05	0.50	4.50
Massachusetts	5.48	1.87	1.05	2.56
Michigan	6.25	2.55	1.14	2.56
Minnesota	2.97	0.86	0.55	1.56
Mississippi	2.06	0.54	0.45	1.07
Missouri	4.20	1.35	0.73	2.12
Montana	0.83	0.17	0.11	0.56
Nebraska	1.19	0.37	0.16	0.66
Nevada	0.99	0.20	0.10	0.69
New Hampshire	0.73	0.21	0.28	0.24
New Jersey	5.69	2.21	1.06	2.42
New Mexico	2.12	0.25	0.21	1.67
New York	15.75	5.28	4.78	5.70
North Carolina	3.90	1.10	0.85	1.95
North Dakota	0.66	0.18	0.09	0.39
Ohio	7.27	2.63	1.49	3.15
Oklahoma	2.38	0.71	0.40	1.27
Oregon	2.19	0.64	0.29	1.26
Pennsylvania	9.67	3.92	1.81	3.95
Rhode Island	0.85	0.27	0.20	0.38
South Carolina	2.69	0.52	0.57	1.60
South Dakota	0.63	0.16	0.09	0.39
Tennessee	4.32	1.03	0.83	2.46
Texas	11.76	3.28	2.05	6.43
Utah	1.20	0.18	0.18	0.85
Vermont	0.41	0.11	0.08	0.21
Virginia	5.61	1.05	0.42	4.13
Washington	4.00	0.85	0.59	2.56
West Virginia	1.54	0.46	0.38	0.70
Wisconsin	2.99	1.15	0.64	1.21
Wyoming	0.41	0.07	0.04	0.30
State Total	196.00	59.09	34.31	102.60
Undist. & Terr.	4.00	0.22	0.04	3.74

	Option 5–Per Person — Cut per Recipient— Medicare (dollars)	Medicaid (dollars)
U.S. Total	1,483	784
Alabama	1,272	869
Alaska	1,065	718
Arizona	1,204	704
Arkansas	1,264	808
California	1,784	493
Colorado	1,274	755
Connecticut	1,496	1,174
Delaware	1,265	727
DC	2,620	996
Florida	1,458	525
Georgia	1,217	659
Hawaii	1,080	631
Idaho	1,055	871
Illinois	1,715	570
Indiana	1,259	1,016
Iowa	1,267	769
Kansas	1,448	908
Kentucky	1,136	837
Louisiana	1,280	1,281
Maine	1,349	994
Maryland	1,623	939
Massachusetts	1,819	1,086
Michigan	1,734	716
Minnesota	1,227	963
Mississippi	1,253	655
Missouri	1,456	937
Montana	1,183	1,255
Nebraska	1,306	764
Nevada	1,119	914
New Hampshire	1,246	2,838
New Jersey	1,703	1,085
New Mexico	1,130	694
New York	1,781	1,328
North Carolina	1,022	773
North Dakota	1,503	1,156
Ohio	1,429	737
Oklahoma	1,327	786
Oregon	1,251	692
Pennsylvania	1,685	919
Rhode Island	1,412	680
South Carolina	978	943
South Dakota	1,199	986
Tennessee	1,245	753
Texas	1,496	719
Utah	930	925
Vermont	1,289	746
Virginia	1,212	583
Washington	1,151	741
West Virginia	1,251	883
'isconsin	1,356	1,028
yoming	1,177	718
State Total	1,478	807
Undist. & Terrs.	16,871	35

Table A
1992 Fiscal Year Spending

	Total Less Interest	Defense	Social Security	Total NonDef	Total NonSS	Total Nondef, NonSS
		($ millions)				
U.S. Total	1,191,087	202,976	281,878	988,111	909,209	706,233
Alabama	20,351	3,531	4,601	16,820	15,750	12,219
Alaska	4,035	1,465	248	2,570	3,787	2,322
Arizona	16,513	2,869	4,380	13,644	12,133	9,264
Arkansas	9,957	684	2,974	9,273	6,983	6,299
California	139,695	34,131	26,710	105,564	112,985	78,854
Colorado	17,184	3,981	3,037	13,203	14,147	10,166
Connecticut	15,900	3,540	4,161	12,360	11,739	8,199
Delaware	2,685	291	798	2,394	1,887	1,596
DC	19,998	2,655	467	17,343	19,531	16,876
Florida	62,698	8,678	19,231	54,020	43,467	34,789
Georgia	28,295	7,075	5,952	21,220	22,343	15,268
Hawaii	6,497	2,690	1,030	3,807	5,467	2,777
Idaho	4,721	241	1,096	4,480	3,625	3,384
Illinois	44,412	2,800	13,198	41,612	31,214	28,414
Indiana	19,980	2,329	6,827	17,651	13,153	10,824
Iowa	11,397	548	3,694	10,849	7,703	7,155
Kansas	11,208	1,806	2,964	9,402	8,244	6,438
Kentucky	15,541	1,976	4,183	13,565	11,358	9,382
Louisiana	18,605	2,199	4,227	16,406	14,378	12,179
Maine	6,533	1,791	1,425	4,742	5,108	3,317
Maryland	32,337	6,526	4,460	25,811	27,877	21,351
Massachusetts	32,832	6,408	7,076	26,424	25,756	19,348
Michigan	35,752	2,319	11,365	33,433	24,387	22,068
Minnesota	16,806	1,651	4,672	15,155	12,134	10,483
Mississippi	13,349	3,339	2,736	10,010	10,613	7,274
Missouri	26,093	4,884	6,361	21,209	19,732	14,848
Montana	4,092	210	954	3,882	3,138	2,928
Nebraska	6,873	814	1,864	6,059	5,009	4,195
Nevada	5,377	561	1,334	4,816	4,043	3,482
New Hampshire	4,281	505	1,195	3,776	3,086	2,581
New Jersey	34,313	4,528	9,688	29,785	24,625	20,097
New Mexico	10,390	1,451	1,459	8,939	8,931	7,480
New York	83,923	6,805	21,493	77,118	62,430	55,625
North Carolina	25,739	4,675	7,299	21,064	18,440	13,765
North Dakota	3,467	437	716	3,030	2,751	2,314
Ohio	43,514	4,712	13,113	38,802	30,401	25,689
Oklahoma	14,292	2,311	3,586	11,981	10,706	8,395
Oregon	11,712	375	3,614	11,337	8,098	7,723
Pennsylvania	55,718	5,079	16,482	50,639	39,236	34,157
Rhode Island	5,066	785	1,295	4,281	3,771	2,986
South Carolina	15,908	2,744	3,660	13,164	12,248	9,504
South Dakota	3,330	278	816	3,052	2,514	2,236
Tennessee	22,533	1,744	5,524	20,789	17,009	15,265
Texas	69,856	13,170	15,157	56,686	54,699	41,529
Utah	7,114	1,467	1,392	5,647	5,722	4,255
Vermont	2,167	103	621	2,064	1,546	1,443
Virginia	40,913	15,358	5,755	25,555	35,158	19,800
Washington	24,025	4,552	5,336	19,473	18,689	14,137
West Virginia	8,127	179	2,526	7,948	5,601	5,422
Wisconsin	17,842	1,168	6,114	16,674	11,728	10,560
Wyoming	2,100	191	452	1,909	1,648	1,457
State Total	1,156,046	184,609	279,318	971,437	876,728	692,119
Undist. & Terr.	35,041	18,367	2,560	16,674	32,481	14,114

Source: Federal Expenditures by State for Fiscal Year 1992
U.S. Dept. of Commerce, March 1993

Table B

	Defense Detail		Social Security Detail		
	Wages & Salaries	Procurement	Retirement	Survivors	Disability
	($ millions)		($ millions)		
U.S. Total	73,851	129,125	194,036	58,990	30,852
Alabama	1,590	1,941	2,819	1,104	678
Alaska	1,081	384	158	56	34
Arizona	933	1,936	3,142	761	477
Arkansas	392	292	1,878	634	462
California	10,680	23,451	18,922	4,934	2,854
Colorado	1,513	2,468	2,042	609	386
Connecticut	463	3,077	3,141	702	318
Delaware	186	105	568	152	78
DC	1,222	1,433	318	99	50
Florida	3,694	4,984	14,273	3,295	1,663
Georgia	3,293	3,782	3,741	1,309	902
Hawaii	2,079	611	796	160	74
Idaho	174	67	775	210	111
Illinois	1,458	1,342	9,219	2,723	1,256
Indiana	797	1,532	4,664	1,411	752
Iowa	106	442	2,619	774	301
Kansas	949	857	2,120	608	236
Kentucky	1,551	425	2,470	993	720
Louisiana	994	1,205	2,412	1,156	659
Maine	485	1,306	982	278	165
Maryland	2,494	4,032	3,110	943	407
Massachusetts	719	5,689	5,070	1,282	724
Michigan	653	1,666	7,691	2,380	1,294
Minnesota	204	1,447	3,339	930	403
Mississippi	771	2,568	1,626	633	477
Missouri	1,212	3,672	4,332	1,310	719
Montana	154	56	643	193	118
Nebraska	517	297	1,329	385	150
Nevada	321	240	970	214	150
New Hampshire	86	419	877	204	114
New Jersey	1,300	3,228	7,073	1,767	848
New Mexico	725	726	963	308	188
New York	1,397	5,408	15,306	3,948	2,239
North Carolina	3,177	1,498	4,886	1,411	1,002
North Dakota	290	147	493	166	57
Ohio	1,684	3,028	8,720	2,983	1,410
Oklahoma	1,557	754	2,410	796	380
Oregon	173	202	2,637	645	332
Pennsylvania	2,016	3,063	11,624	3,482	1,376
Rhode Island	337	448	956	213	126
South Carolina	2,008	736	2,376	741	543
South Dakota	199	79	566	177	73
Tennessee	507	1,237	3,524	1,207	793
Texas	4,509	8,661	9,938	3,646	1,573
Utah	853	614	985	273	134
Vermont	39	64	434	120	67
Virginia	8,835	6,523	3,823	1,215	717
Washington	2,341	2,211	3,830	961	545
West Virginia	99	80	1,480	646	400
Wisconsin	283	885	4,346	1,176	592
Wyoming	129	62	312	92	48
State Total	73,229	111,380	192,728	56,415	30,175
Undist. & Terr.	622	17,745	1,308	575	677

Source: Federal Expenditures by State for Fiscal Year 1992
U.S. Dept. of Commerce, March 1993

Table C
Tax and Social Security Recipient Detail

	Inc Tax Liability 1991	Soc Sec Recips 1992	Soc Sec Recips 2000	Income Tax Allocation %	Population 1992	Population 2000	Taxpaying Units 1991	Taxpaying Units 2000
	($billions)	(millions)		%		(thousands)		
U.S. Total	473.53	40.53	46.98	100.00	255,082	274,815	114,707	123,581
Alabama	5.68	0.74	0.86	1.20	4,136	4,456	1,747	1,882
Alaska	1.43	0.04	0.04	0.30	587	632	339	365
Arizona	5.68	0.63	0.74	1.20	3,832	4,128	1,654	1,782
Arkansas	2.79	0.48	0.56	0.59	2,399	2,585	984	1,060
California	61.65	3.82	4.43	13.02	30,867	33,255	13,790	14,857
Colorado	6.66	0.45	0.53	1.41	3,470	3,738	1,627	1,752
Connecticut	10.04	0.55	0.63	2.12	3,281	3,535	1,610	1,734
Delaware	1.45	0.11	0.13	0.31	689	742	331	356
DC	1.50	0.08	0.09	0.32	589	635	311	335
Florida	25.50	2.80	3.25	5.39	13,488	14,531	6,250	6,733
Georgia	10.93	0.94	1.09	2.31	6,751	7,273	2,947	3,175
Hawaii	2.42	0.15	0.18	0.51	1,160	1,250	567	611
Idaho	1.40	0.17	0.19	0.30	1,067	1,150	445	480
Illinois	25.12	1.80	2.09	5.30	11,631	12,531	5,391	5,808
Indiana	9.38	0.94	1.09	1.98	5,662	6,100	2,544	2,740
Iowa	4.29	0.53	0.62	0.91	2,812	3,030	1,281	1,380
Kansas	4.32	0.42	0.49	0.91	2,523	2,718	1,128	1,215
Kentucky	4.93	0.67	0.78	1.04	3,755	4,045	1,538	1,657
Louisiana	5.74	0.68	0.79	1.21	4,287	4,619	1,723	1,856
Maine	1.77	0.23	0.27	0.37	1,235	1,331	556	599
Maryland	11.04	0.64	0.74	2.33	4,908	5,288	2,321	2,500
Massachusetts	13.70	1.01	1.17	2.89	5,998	6,462	2,836	3,056
Michigan	16.97	1.55	1.79	3.58	9,437	10,167	4,181	4,505
Minnesota	8.25	0.69	0.80	1.74	4,480	4,827	2,048	2,206
Mississippi	2.64	0.47	0.54	0.56	2,614	2,816	1,036	1,116
Missouri	8.47	0.94	1.09	1.79	5,193	5,595	2,295	2,472
Montana	1.07	0.15	0.17	0.23	824	888	368	396
Nebraska	2.54	0.28	0.32	0.54	1,606	1,730	745	802
Nevada	3.02	0.19	0.22	0.64	1,327	1,430	643	693
New Hampshire	2.34	0.17	0.20	0.50	1,111	1,197	534	575
New Jersey	20.65	1.27	1.47	4.36	7,789	8,392	3,827	4,123
New Mexico	1.99	0.23	0.27	0.42	1,581	1,703	680	733
New York	40.34	2.91	3.37	8.52	18,119	19,521	8,119	8,747
North Carolina	10.19	1.14	1.33	2.15	6,843	7,372	3,094	3,333
North Dakota	0.91	0.11	0.13	0.19	636	685	284	306
Ohio	18.69	1.86	2.15	3.95	11,016	11,868	5,129	5,526
Oklahoma	4.38	0.55	0.64	0.93	3,212	3,460	1,347	1,451
Oregon	4.80	0.52	0.60	1.01	2,977	3,207	1,339	1,442
Pennsylvania	22.06	2.29	2.66	4.66	12,009	12,938	5,502	5,927
Rhode Island	1.82	0.19	0.22	0.38	1,005	1,083	458	494
South Carolina	4.70	0.57	0.67	0.99	3,603	3,882	1,567	1,689
South Dakota	1.02	0.13	0.15	0.21	711	766	319	343
Tennessee	7.78	0.87	1.01	1.64	5,024	5,413	2,208	2,379
Texas	30.74	2.32	2.69	6.49	17,656	19,022	7,607	8,196
Utah	2.34	0.21	0.24	0.49	1,813	1,953	711	766
Vermont	0.90	0.09	0.11	0.19	570	614	266	286
Virginia	12.52	0.88	1.02	2.64	6,377	6,870	2,908	3,133
Washington	10.90	0.75	0.87	2.30	5,136	5,533	2,378	2,562
West Virginia	2.17	0.38	0.44	0.46	1,812	1,952	700	754
Wisconsin	8.35	0.86	1.00	1.76	5,007	5,394	2,287	2,464
Wyoming	0.84	0.07	0.08	0.18	466	502	211	228
State Total	470.85	40.53	46.98	99.43	255,081	274,814	114,707	123,581
Undist. & Terr.	2.69	0.00	0.00	0.57	0	0	0	–

Sources: Tax data, Statistics on Income, U.S. Dept. of Treasury
Social Security Recipients by State, 1992, Social Security Bulletin
2000 data–total from 1993 Social Security Trustees Report
allocated by 1992 historical distribution

Table D
Medicare and Medicaid Detail

	Medicare Enroll. 1991	Medicare Enroll. 2000	1992 Payments	Medicare Allocation	Medicaid Recip 1992	Medicaid Recip 2000	1992 Payments	Medicaid Allocation
	(thousands)		($millions)	%	(thousands)		($millions)	%
U.S. Total	34,153	39,995	147,922	100.00	31,150	43,800	67,827	100.00
Alabama	593	694	2,204	1.49	467	657	1,127	1.66
Alaska	27	32	84	0.06	58	81	115	0.17
Arizona	517	605	1,819	1.23	402	566	786	1.16
Arkansas	397	465	1,466	0.99	321	451	720	1.06
California	3,352	3,925	17,464	11.81	4,486	6,307	6,142	9.06
Colorado	369	432	1,373	0.93	259	364	542	0.80
Connecticut	476	557	2,080	1.41	316	445	1,031	1.52
Delaware	91	107	336	0.23	61	85	123	0.18
DC	78	91	597	0.40	109	153	300	0.44
Florida	2,402	2,813	10,228	6.91	1,538	2,162	2,243	3.31
Georgia	750	878	2,666	1.80	864	1,214	1,581	2.33
Hawaii	131	153	413	0.28	100	140	175	0.26
Idaho	135	158	416	0.28	87	122	210	0.31
Illinois	1,553	1,819	7,779	5.26	1,313	1,846	2,077	3.06
Indiana	775	908	2,851	1.93	507	713	1,430	2.11
Iowa	461	540	1,706	1.15	279	392	595	0.88
Kansas	368	431	1,556	1.05	227	319	572	0.84
Kentucky	543	636	1,802	1.22	583	820	1,355	2.00
Louisiana	541	634	2,022	1.37	702	987	2,498	3.68
Maine	186	218	733	0.50	162	228	448	0.66
Maryland	554	649	2,627	1.78	377	530	983	1.45
Massachusetts	879	1,029	4,670	3.16	686	965	2,069	3.05
Michigan	1,257	1,472	6,366	4.30	1,129	1,588	2,243	3.31
Minnesota	597	699	2,140	1.45	406	572	1,087	1.60
Mississippi	371	434	1,358	0.92	487	685	886	1.31
Missouri	792	927	3,369	2.28	554	780	1,443	2.13
Montana	120	141	415	0.28	60	85	210	0.31
Nebraska	240	281	915	0.62	151	212	320	0.47
Nevada	151	177	494	0.33	78	109	197	0.29
New Hampshire	141	165	513	0.35	71	100	561	0.83
New Jersey	1,109	1,299	5,518	3.73	697	980	2,100	3.10
New Mexico	186	218	614	0.42	212	298	408	0.60
New York	2,529	2,962	13,158	8.90	2,558	3,596	9,429	13.90
North Carolina	917	1,074	2,736	1.85	785	1,104	1,684	2.48
North Dakota	100	117	439	0.30	57	80	183	0.27
Ohio	1,571	1,840	6,557	4.43	1,442	2,028	2,950	4.35
Oklahoma	458	536	1,775	1.20	360	506	786	1.16
Oregon	434	508	1,586	1.07	295	415	567	0.84
Pennsylvania	1,985	2,325	9,770	6.60	1,398	1,966	3,567	5.26
Rhode Island	161	189	664	0.45	213	300	403	0.59
South Carolina	454	532	1,297	0.88	431	606	1,129	1.66
South Dakota	111	130	389	0.26	64	90	176	0.26
Tennessee	706	827	2,567	1.74	785	1,104	1,642	2.42
Texas	1,873	2,193	8,185	5.53	2,025	2,847	4,041	5.96
Utah	166	194	451	0.30	137	193	352	0.52
Vermont	76	89	286	0.19	78	109	160	0.24
Virginia	741	868	2,622	1.77	515	724	834	1.23
Washington	630	738	2,117	1.43	569	800	1,170	1.73
West Virginia	312	365	1,140	0.77	308	434	756	1.11
Wisconsin	723	847	2,865	1.94	440	619	1,256	1.85
Wyoming	53	62	182	0.12	42	60	85	0.12
State Total	34,142	39,982	147,380	99.6	30,252	42,537	67,741	99.9
Undist. & Terr.	11	13	542	0.4	898	1,263	87	0.1

Sources: 1992 spending data—Federal Expenditures by State; Medicaid recipient data data from Medicaid Statistics, FY1992, HHS, HCFA; Medicare enrollee data from 1993 Statistical Abstract, Table 159; 2000 total enrollment from unpublished HCFA estimates.

Table E
Spending Allocation percentages

	Defense	Soc. Sec.	NonDef	NonSS	NonDef Non SS
		(percent)			
U.S. Total	100.00	100.00	100.00	100.00	100.00
Alabama	1.74	1.63	1.70	1.73	1.73
Alaska	0.72	0.09	0.26	0.42	0.33
Arizona	1.41	1.55	1.38	1.33	1.31
Arkansas	0.34	1.06	0.94	0.77	0.89
California	16.82	9.48	10.68	12.43	11.17
Colorado	1.96	1.08	1.34	1.56	1.44
Connecticut	1.74	1.48	1.25	1.29	1.16
Delaware	0.14	0.28	0.24	0.21	0.23
DC	1.31	0.17	1.76	2.15	2.39
Florida	4.28	6.82	5.47	4.78	4.83
Georgia	3.49	2.11	2.15	2.46	2.16
Hawaii	1.33	0.37	0.39	0.60	0.39
Idaho	0.12	0.39	0.45	0.40	0.48
Illinois	1.38	4.68	4.21	3.43	4.02
Indiana	1.15	2.42	1.79	1.45	1.53
Iowa	0.27	1.31	1.10	0.85	1.01
Kansas	0.89	1.05	0.95	0.91	0.91
Kentucky	0.97	1.48	1.37	1.25	1.33
Louisiana	1.08	1.50	1.66	1.58	1.72
Maine	0.88	0.51	0.48	0.56	0.47
Maryland	3.22	1.58	2.61	3.07	3.02
Massachusetts	3.16	2.51	2.67	2.83	2.74
Michigan	1.14	4.03	3.38	2.68	3.12
Minnesota	0.81	1.66	1.53	1.33	1.48
Mississippi	1.65	0.97	1.01	1.17	1.03
Missouri	2.41	2.26	2.15	2.17	2.10
Montana	0.10	0.34	0.39	0.35	0.41
Nebraska	0.40	0.66	0.61	0.55	0.59
Nevada	0.28	0.47	0.49	0.44	0.49
New Hampshire	0.25	0.42	0.38	0.34	0.37
New Jersey	2.23	3.44	3.01	2.71	2.85
New Mexico	0.71	0.52	0.90	0.98	1.06
New York	3.35	7.62	7.80	6.87	7.88
North Carolina	2.30	2.59	2.13	2.03	1.95
North Dakota	0.22	0.25	0.31	0.30	0.33
Ohio	2.32	4.65	3.93	3.34	3.64
Oklahoma	1.14	1.27	1.21	1.18	1.19
Oregon	0.18	1.28	1.15	0.89	1.09
Pennsylvania	2.50	5.85	5.12	4.32	4.84
Rhode Island	0.39	0.46	0.43	0.41	0.42
South Carolina	1.35	1.30	1.33	1.35	1.35
South Dakota	0.14	0.29	0.31	0.28	0.32
Tennessee	0.86	1.96	2.10	1.87	2.16
Texas	6.49	5.38	5.74	6.02	5.88
Utah	0.72	0.49	0.57	0.63	0.60
Vermont	0.05	0.22	0.21	0.17	0.20
Virginia	7.57	2.04	2.59	3.87	2.80
Washington	2.24	1.89	1.97	2.06	2.00
West Virginia	0.09	0.90	0.80	0.62	0.77
Wisconsin	0.58	2.17	1.69	1.29	1.50
Wyoming	0.09	0.16	0.19	0.18	0.21
State Total	90.95	99.09	98.31	96.43	98.00
Undist. & Terr.	9.05	0.91	1.69	3.57	2.00

Derived from 1992 spending as shown in Federal Expenditures by State, Commerce, 1993

Table F
CBO FY2000 Budget Amounts

	Defense	Soc. Sec.	Nondef	NonSS	NonDef NonSS	Total Less Interest	Medicare	Medicaid
			($ billions)					
U.S. Total	254.0	429.0	1,407.0	1,232.0	978.0	1,661.0	290.0	168.0
Alabama	4.4	7.0	24.0	21.3	16.9	28.3	4.3	2.8
Alaska	1.8	0.4	3.7	5.1	3.2	5.4	0.2	0.3
Arizona	3.6	6.7	19.4	16.4	12.8	23.1	3.6	1.9
Arkansas	0.9	4.5	13.2	9.5	8.7	14.1	2.9	1.8
California	42.7	40.7	150.3	153.1	109.2	192.6	34.2	15.2
Colorado	5.0	4.6	18.8	19.2	14.1	23.7	2.7	1.3
Connecticut	4.4	6.3	17.6	15.9	11.4	22.1	4.1	2.6
Delaware	0.4	1.2	3.4	2.6	2.2	3.6	0.7	0.3
DC	3.3	0.7	24.7	26.5	23.4	27.4	1.2	0.7
Florida	10.9	29.3	76.9	58.9	48.2	88.3	20.1	5.6
Georgia	8.9	9.1	30.2	30.3	21.1	39.1	5.2	3.9
Hawaii	3.4	1.6	5.4	7.4	3.8	8.8	0.8	0.4
Idaho	0.3	1.7	6.4	4.9	4.7	6.7	0.8	0.5
Illinois	3.5	20.1	59.3	42.3	39.3	62.9	15.3	5.1
Indiana	2.9	10.4	25.1	17.8	15.0	28.3	5.6	3.5
Iowa	0.7	5.6	15.4	10.4	9.9	16.2	3.3	1.5
Kansas	2.3	4.5	13.4	11.2	8.9	15.7	3.1	1.4
Kentucky	2.5	6.4	19.3	15.4	13.0	21.8	3.5	3.4
Louisiana	2.8	6.4	23.4	19.5	16.9	26.1	4.0	6.2
Maine	2.2	2.2	6.8	6.9	4.6	9.0	1.4	1.1
Maryland	8.2	6.8	36.8	37.8	29.6	44.5	5.2	2.4
Massachusetts	8.0	10.8	37.6	34.9	26.8	45.6	9.2	5.1
Michigan	2.9	17.3	47.6	33.0	30.6	50.8	12.5	5.6
Minnesota	2.1	7.1	21.6	16.4	14.5	23.7	4.2	2.7
Mississippi	4.2	4.2	14.3	14.4	10.1	18.4	2.7	2.2
Missouri	6.1	9.7	30.2	26.7	20.6	36.4	6.6	3.6
Montana	0.3	1.5	5.5	4.3	4.1	5.8	0.8	0.5
Nebraska	1.0	2.8	8.6	6.8	5.8	9.7	1.8	0.8
Nevada	0.7	2.0	6.9	5.5	4.8	7.6	1.0	0.5
New Hampshire	0.6	1.8	5.4	4.2	3.6	6.0	1.0	1.4
New Jersey	5.7	14.7	42.4	33.4	27.8	48.2	10.8	5.2
New Mexico	1.8	2.2	12.7	12.1	10.4	14.4	1.2	1.0
New York	8.5	32.7	109.8	84.6	77.0	118.3	25.8	23.4
North Carolina	5.9	11.1	30.0	25.0	19.1	36.0	5.4	4.2
North Dakota	0.5	1.1	4.3	3.7	3.2	4.8	0.9	0.5
Ohio	5.9	20.0	55.3	41.2	35.6	61.4	12.9	7.3
Oklahoma	2.9	5.5	17.1	14.5	11.6	20.0	3.5	1.9
Oregon	0.5	5.5	16.1	11.0	10.7	16.7	3.1	1.4
Pennsylvania	6.4	25.1	72.1	53.2	47.3	78.7	19.2	8.8
Rhode Island	1.0	2.0	6.1	5.1	4.1	7.1	1.3	1.0
South Carolina	3.4	5.6	18.7	16.6	13.2	22.2	2.5	2.8
South Dakota	0.3	1.2	4.3	3.4	3.1	4.7	0.8	0.4
Tennessee	2.2	8.4	29.6	23.0	21.1	31.7	5.0	4.1
Texas	16.5	23.1	80.7	74.1	57.5	97.1	16.0	10.0
Utah	1.8	2.1	8.0	7.8	5.9	9.8	0.9	0.9
Vermont	0.1	0.9	2.9	2.1	2.0	3.1	0.6	0.4
Virginia	19.2	8.8	36.4	47.6	27.4	55.4	5.1	2.1
Washington	5.7	8.1	27.7	25.3	19.6	33.4	4.2	2.9
West Virginia	0.2	3.8	11.3	7.6	7.5	11.6	2.2	1.9
Wisconsin	1.5	9.3	23.7	15.9	14.6	25.4	5.6	3.1
Wyoming	0.2	0.7	2.7	2.2	2.0	2.9	0.4	0.2
State Total	231.0	425.1	1,383.3	1,188.0	958.5	1,614.6	288.9	167.8
Undist. & Terr.	23.0	3.9	23.7	44.0	19.5	46.4	1.1	0.2

CBO estimates; defense derived from Administration FY99 defense projection inflated at the rate of total discretionary spending for CBO

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

February 18, 1994

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of January 1994.

As indicated in this table, U.S. reserve assets amounted to $74,243 million at the end of January 1994, up from $73,442 million in December 1993.

U.S. Reserve Assets
(in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/3/	Foreign Currencies 4/	Reserve Position in IMF 2/
1993					
December	73,442	11,053	9,039	41,532	11,818
1994					
January	74,243	11,053	9,070	42,214	11,906

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.

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DEPARTMENT OF THE TREASURY
TREASURY NEWS
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FOR IMMEDIATE RELEASE
Text as prepared for delivery
February 22, 1994

Remarks of Treasury Secretary Lloyd Bentsen
National Association of Business Economists
Washington, D.C.

LB-658

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
NATIONAL ASSOCIATION OF BUSINESS ECONOMISTS
FEBRUARY 22, 1994

I want to welcome you to Washington for your spring meeting. I know you'll be talking with Alice Rivlin and Bob Rubin and a few other of your friends in the administration tomorrow, so I won't make a long speech tonight. I do want to take a quick look at what we've accomplished in one year and cover a few of the things we're working on now here at Treasury.

The last time I was in a room with this many economists, I was in Asia talking about opening markets, increasing trade, creating jobs. There were about 300 economists in the room in Jakarta, so I suspect that between them they had about 400 opinions. I'd wager the situation in this room is the same.

However, there is one thing I think we all agree on. Our economy is doing quite well, and it looks like it will continue performing in a steady and sustainable way into the foreseeable future.

I think it's useful to review how far we've come in a year. I know that things were starting to get better when the Clinton Administration took office, but I think we can rightly claim credit for some of the improvement because of the policies we've put in place. I guarantee you that if the economy had gone back downhill, back into that recession for a third time, that everyone would be pointing their fingers at us. So I think it's fair to claim some of the credit.

In the past year we've seen substantial headway against our unemployment rate -- down a full percentage point. We've seen nearly 2 million jobs created, and those aren't hamburger flippers either. We've seen a rebound in manufacturing jobs.
Our growth rate has rebounded to the highest point in six years, and I think it will settle down for that strong, sustainable growth we've been talking about. Americans are more confident than ever, and they're not worried about inflation.

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Insofar as interest rates are concerned, the long term rate is down. And the interest sensitive areas of the economy, like housing and autos, are showing good growth.

We also have the deficit headed down. We're $65 billion ahead of projections, and we're $125 billion lower now than what it would be if we'd done nothing.

Let's look at a few measures a little closer to home for you that are sure signs that we're doing the right thing and it's having the right effect. Your employers -- I suspect on your advice -- are replacing short term debt with long term debt. Business failures are declining. Debt-to-equity ratios on a market-value basis are at their lowest point in 20 years. There's a fundamental restructuring of corporate finance under way, and balance sheets are getting much stronger.

On top of all that, we've restored our place of leadership in the global economic arena, and now economic policy is an integral part of foreign policy. I'm a regular now at the summit meetings.

That's not bad for one year in office, but what are we going to do for an encore? First, we're going to keep plugging away at the deficit, and bringing down the size and the cost of government. The budget we just submitted actually cuts back on discretionary spending. We're eliminating or cutting back on some 300 programs.

Our agenda goes a long way beyond just passing another budget.

For instance, we're interested in health care reform not only because it will hold down the deficit but also because it will save businesses money in the long run. That's not to mention that we also think it's the right thing to do. We're the only G-7 country without universal protection for our citizens, and that's wrong.

We're interested in reforming our bank regulation system because, among other things, we want to take the kinks out of our economy. Having four regulators when one will do is overkill. It makes life difficult for our financial services industry. It cost the private sector money. And government analysts tell us we could save something on the order of $150 million or even more by eliminating this duplication.

We have some significant anti-crime legislation in the works, to cut down on the number of gun dealers and keep guns off our streets.

And we have one other major item on our agenda, and that's opening markets and, as a result, creating jobs. We did it with NAFTA, and we're in the process of doing it with the Uruguay Round. We're also working to get growth restored where it's been lagging lately since growing economies mean growing demand.

Let me tell you why I consider it so important. Since the mid '80s, half of our growth and almost all of the increase in manufacturing employment has been because of exports. They are absolutely critical to our economy.

That's why we're so committed to convincing Japan it needs to open its markets. And it's for that reason we're working to increase market access throughout Asia and the Pacific. There's tremendous growth there from which we can benefit.

That's a substantial agenda. But I'm confident we'll do well this year. People said we bit off more than we could chew last year, that we couldn't get the deficit down and growth up, but we made that work. We'll make even more progress this year.

With that, let me renew my welcome. I hope you find the sessions tomorrow useful, and enjoy your evening here at the Treasury.

Thank you.

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
February 22, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,305 million of 13-week bills to be issued February 24, 1994 and to mature May 26, 1994 were accepted today (CUSIP: 912794K78).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.31%	3.39%	99.163
High	3.33%	3.41%	99.158
Average	3.33%	3.41%	99.158

$2,000,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 48%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$49,453,787	$12,304,731
Type		
Competitive	$44,095,732	$6,946,676
Noncompetitive	1,270,844	1,270,844
Subtotal, Public	$45,366,576	$8,217,520
Federal Reserve	3,180,164	3,180,164
Foreign Official Institutions	907,047	907,047
TOTALS	$49,453,787	$12,304,731

An additional $38,753 thousand of bills will be issued to foreign official institutions for new cash.

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
February 22, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,310 million of 26-week bills to be issued February 24, 1994 and to mature August 25, 1994 were accepted today (CUSIP: 912794L69)

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.51%	3.62%	98.226
High	3.53%	3.64%	98.215
Average	3.53%	3.64%	98.215

Tenders at the high discount rate were allotted 40%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$47,806,004	$12,309,809
Type		
Competitive	$42,127,697	$6,631,502
Noncompetitive	904,954	904,954
Subtotal, Public	$43,032,651	$7,536,456
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	1,773,353	1,773,353
TOTALS	$47,806,004	$12,309,809

An additional $75,747 thousand of bills will be issued to foreign official institutions for new cash.

LB-660

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
February 22, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,200 million, to be issued March 3, 1994. This offering will result in a paydown for the Treasury of about $325 million, as the maturing weekly bills are outstanding in the amount of $25,524 million.

Federal Reserve Banks hold $6,131 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,311 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

**HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED MARCH 3, 1994**

February 22, 1994

<u>Offering Amount</u>	$12,600 million	$12,600 million
<u>Description of Offering</u>:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 K8 6	912794 M9 2
Auction date	February 28, 1994	February 28, 1994
Issue date	March 3, 1994	March 3, 1994
Maturity date	June 2, 1994	September 1, 1994
Original issue date	June 3, 1993	March 3, 1994
Currently outstanding	$28,394 million	---
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

<u>The following rules apply to all securities mentioned above</u>:

<u>Submission of Bids</u>:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
<u>Maximum Recognized Bid at a Single Yield</u>	35% of public offering
<u>Maximum Award</u>	35% of public offering
<u>Receipt of Tenders</u>:	
Noncompetitive tenders	Prior to 12:00 noon Eastern Standard time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Standard time on auction day
<u>Payment Terms</u>	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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Monthly Treasury Statement

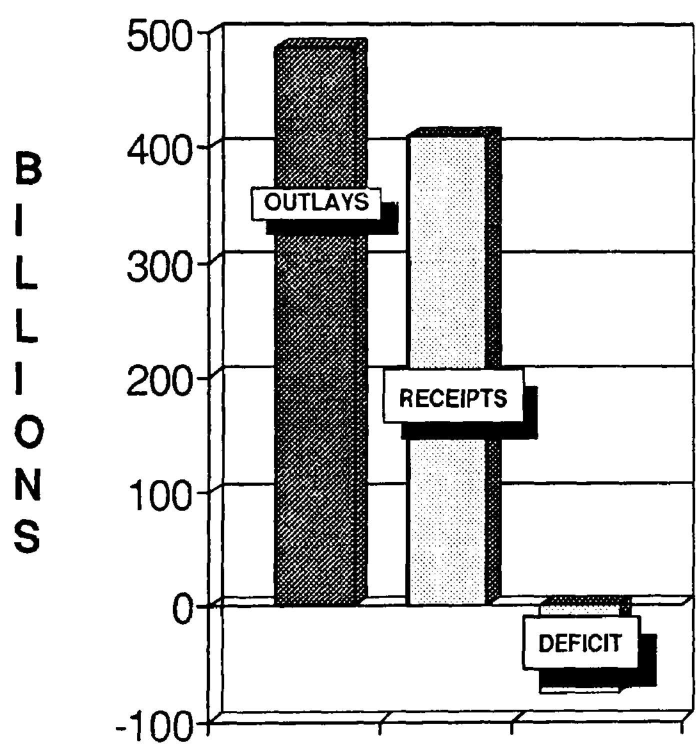
of Receipts and Outlays
of the United States Government

For Fiscal Year 1994 Through **January 31, 1994,** and Other Periods

Highlight

This issue includes the estimates from the Presidents's budget for fiscal years 1994 and 1995, released by the Office of Management and Budget on February 7, 1994.

RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT THROUGH JANUARY 1994



Contents

Compiled and Published by

Department of the Treasury
Financial Management Service

Introduction

The *Monthly Treasury Statement of Receipts and Outlays of the United States Government (MTS)* is prepared by the Financial Management Service, Department of the Treasury, and after approval by the Fiscal Assistant Secretary of the Treasury, is normally released on the 15th workday of the month following the reporting month. The publication is based on data provided by Federal entities, disbursing officers, and Federal Reserve banks.

Audience

The *MTS* is published to meet the needs of: Those responsible for or interested in the cash position of the Treasury; Those who are responsible for or interested in the Government's budget results; and individuals and businesses whose operations depend upon or are related to the Government's financial operations.

Disclosure Statement

This statement summarizes the financial activities of the Federal Government and off-budget Federal entities conducted in accordance with the Budget of the U.S. Government, i.e., receipts and outlays of funds, the surplus or deficit, and the means of financing the deficit or disposing of the surplus. Information is presented on a modified cash basis: receipts are accounted for on the basis of collections; refunds of receipts are treated as deductions from gross receipts; revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays; and interest on the public debt (public issues) is recognized on the accrual basis. Major information sources include accounting data reported by Federal entities, disbursing officers, and Federal Reserve banks.

Triad of Publications

The *MTS* is part of a triad of Treasury financial reports. The *Daily Treasury Statement* is published each working day of the Federal Government. It provides data on the cash and debt operations of the Treasury based upon reporting of the Treasury account balances by Federal Reserve banks. The *MTS* is a report of Government receipts and outlays, based on agency reporting. The *U.S. Government Annual Report* is the official publication of the detailed receipts and outlays of the Government. It is published annually in accordance with legislative mandates given to the Secretary of the Treasury.

Data Sources and Information

The Explanatory Notes section of this publication provides information concerning the flow of data into the *MTS* and sources of information relevant to the *MTS*.

Table 1. Summary of Receipts, Outlays, and the Deficit/Surplus of the U.S. Government, Fiscal Years 1993 and 1994, by Month

[$ millions]

Period	Receipts	Outlays	Deficit/Surplus (−)
FY 1993			
October	76,824	125,616	48,792
November	74,625	107,351	32,726
December	113,683	152,629	38,947
January	112,712	82,896	−29,817
February	65,975	114,172	48,197
March	83,284	127,258	43,974
April	132,012	123,921	−8,091
May	70,638	107,601	36,963
June	128,566	117,467	−11,099
July	80,626	120,204	39,577
August	86,734	109,812	23,078
September	127,469	118,904	−8,565
Year-to-Date	**1,153,147**	**1,407,831**	**254,684**
FY 1994			
October	78,668	124,090	45,422
November	83,107	121,488	38,381
December	125,416	133,667	8,252
January	122,968	107,355	−15,613
Year-to-Date	**410,159**	**486,601**	**76,442**

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

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, January 1994 and Other Periods

[$ millions]

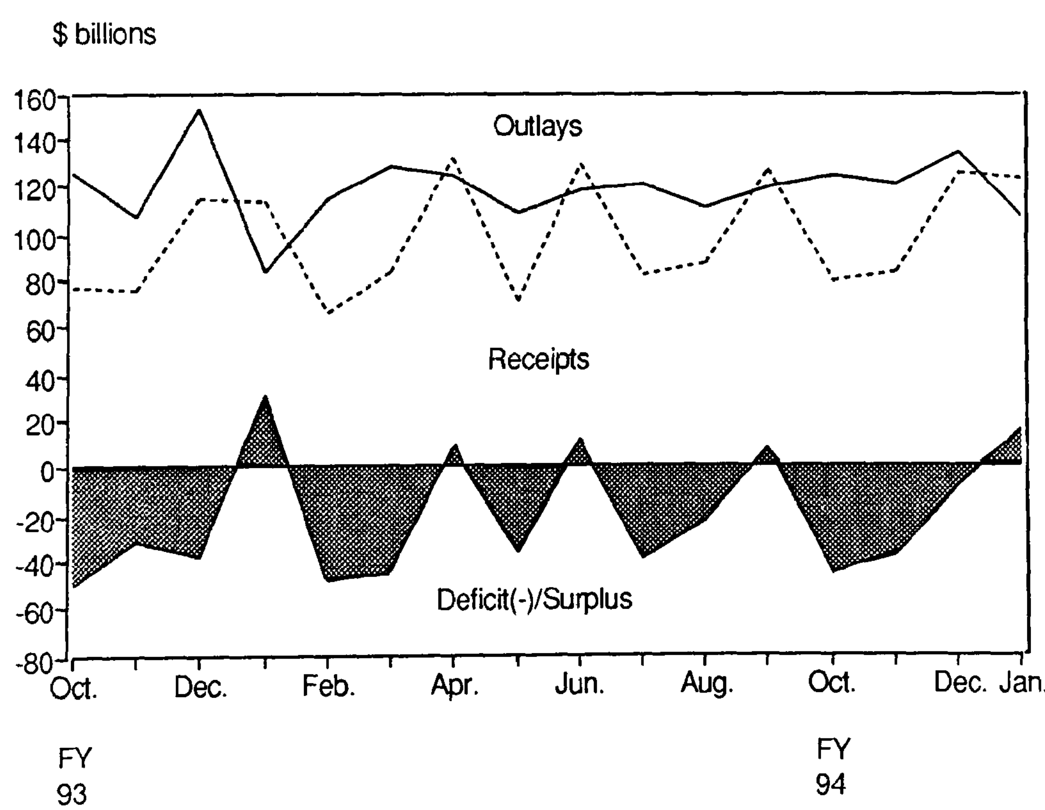
Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year[1]	Prior Fiscal Year to Date (1993)	Budget Estimates Next Fiscal Year (1995)[1]
Total on-budget and off-budget results:					
Total receipts	122,968	410,159	1,249,071	377,844	1,353,815
On-budget receipts	94,397	308,683	912,892	285,969	998,594
Off-budget receipts	28,571	101,476	336,179	91,875	355,221
Total outlays	107,355	486,601	1,483,829	468,492	1,518,945
On-budget outlays	83,164	402,440	1,202,953	388,697	1,223,582
Off-budget outlays	24,192	84,161	280,876	79,795	295,364
Total surplus (+) or deficit (−)	+15,613	−76,442	−234,758	−90,648	−165,130
On-budget surplus (+) or deficit (−)	+11,234	−93,758	−290,061	−102,727	−224,987
Off-budget surplus (+) or deficit (−)	+4,379	+17,315	+55,303	+12,079	+59,857
Total on-budget and off-budget financing	−15,613	76,442	234,758	90,648	165,130
Means of financing:					
Borrowing from the public	−6,933	82,345	225,234	73,140	173,715
Reduction of operating cash, increase (−)	−8,090	−5,306	12,506	12,463	......
By other means	−590	−596	−2,982	5,045	−8,585

[1]These figures are based on the *FY 1995 Budget*, released by the Office of Management and Budget on February 7, 1994.

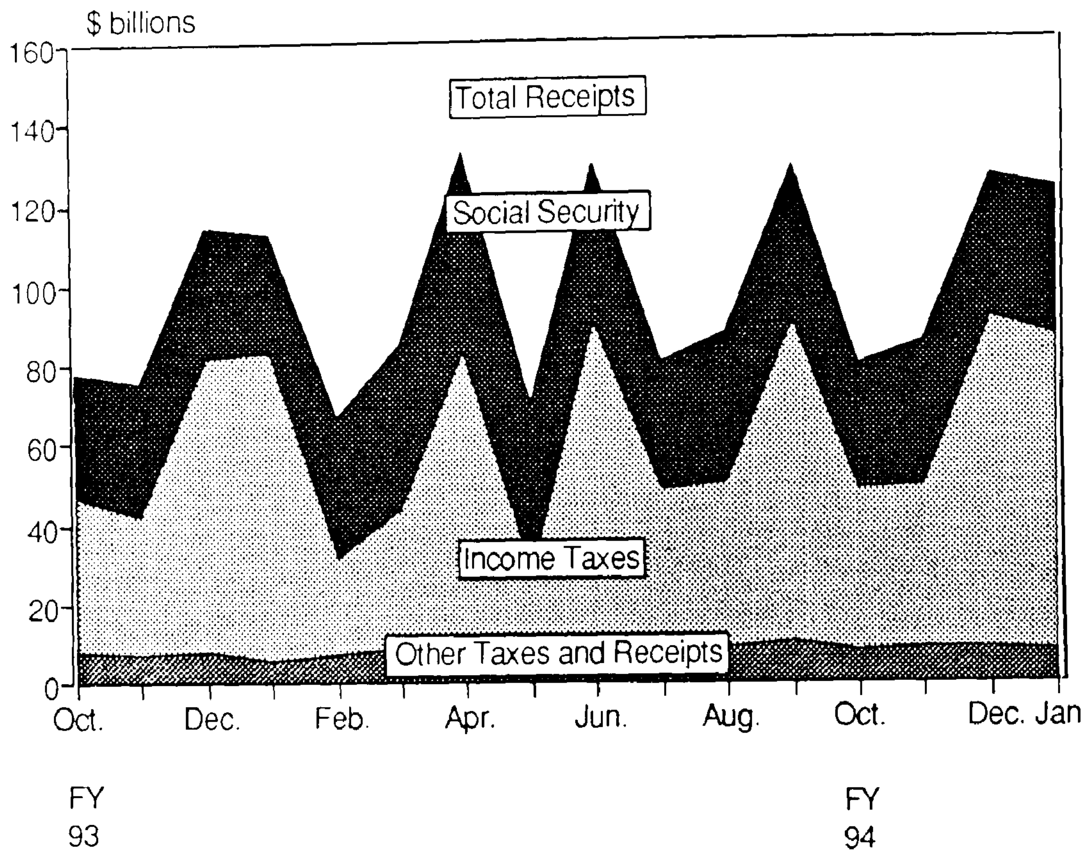
... No Transactions.

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

Figure 1. Monthly Receipts, Outlays, and Budget Deficit/Surplus of the U.S. Government, Fiscal Years 1993 and 1994



re 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1993 and 1994



ure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1993 and 1994

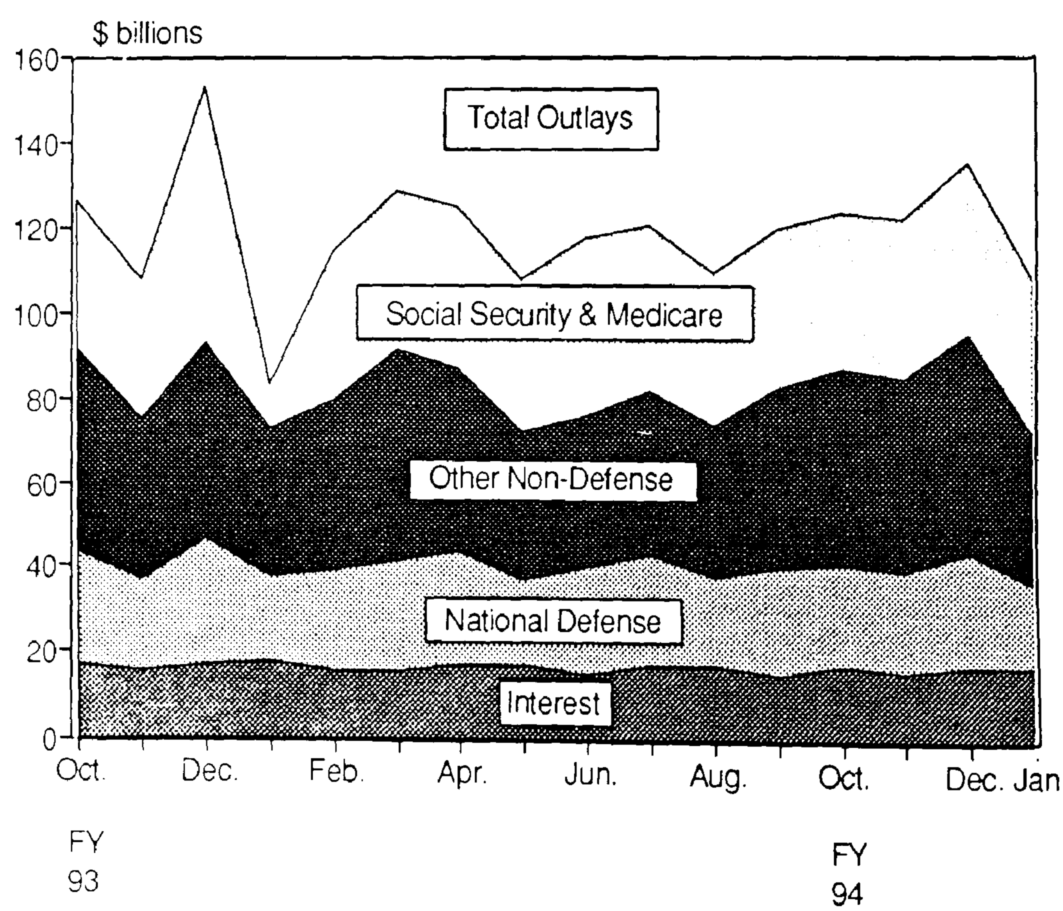


Table 3. Summary of Receipts and Outlays of the U.S. Government, January 1994 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	74,167	203,664	195,251	549,901
Corporation income taxes	3,916	36,521	29,736	130,719
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	28,571	101,476	91,875	336,179
Employment taxes and contributions (on-budget)	7,260	28,593	25,986	93,974
Unemployment insurance	794	4,872	4,393	27,041
Other retirement contributions	358	1,508	1,575	4,729
Excise taxes	4,011	17,111	15,073	54,550
Estate and gift taxes	1,105	4,580	3,828	12,749
Customs duties	1,526	6,506	6,018	19,198
Miscellaneous receipts	1,260	5,329	4,108	20,031
Total Receipts	**122,968**	**410,159**	**377,844**	**1,249,071**
(On-budget)	**94,397**	**308,683**	**285,969**	**912,892**
(Off-budget)	**28,571**	**101,476**	**91,875**	**336,179**
Budget Outlays				
Legislative Branch	212	1,000	829	2,755
The Judiciary	179	746	702	2,872
Executive Office of the President	20	73	75	193
Funds Appropriated to the President	673	6,386	6,621	11,383
Department of Agriculture	4,789	23,238	23,836	64,931
Department of Commerce	244	1,068	1,034	3,234
Department of Defense—Military	17,752	88,447	93,786	267,484
Department of Defense—Civil	2,509	10,123	9,946	30,980
Department of Education	1,102	8,799	10,576	28,738
Department of Energy	1,269	6,195	5,434	17,206
Department of Health and Human Services, except Social Security	21,710	101,130	90,691	316,615
Department of Health and Human Services, Social Security	24,591	100,599	95,098	314,663
Department of Housing and Urban Development	1,564	8,932	8,659	25,535
Department of the Interior	677	2,317	2,162	7,240
Department of Justice	822	3,249	3,771	10,817
Department of Labor	3,508	13,511	14,472	37,111
Department of State	407	2,315	2,165	5,785
Department of Transportation	2,498	12,642	11,218	36,687
Department of the Treasury:				
Interest on the Public Debt	17,899	110,509	110,224	298,505
Other	590	1,547	332	10,763
Department of Veterans Affairs	2,132	12,543	11,519	37,919
Environmental Protection Agency	456	1,850	1,898	6,539
General Services Administration	−658	−524	−241	1,048
National Aeronautics and Space Administration	1,015	4,500	4,773	14,183
Office of Personnel Management	3,249	12,542	11,991	38,101
Small Business Administration	−7	202	250	604
Other independent agencies:				
Resolution Trust Corporation	−74	1,235	−8,164	3,555
Other	1,262	4,263	5,592	11,617
Undistributed offsetting receipts:				
Interest	−122	−41,682	−39,847	−85,845
Other	−2,914	−11,154	−10,908	−37,389
Total outlays	**107,355**	**486,601**	**468,492**	**1,483,829**
(On-budget)	**83,164**	**402,440**	**388,697**	**1,202,953**
(Off-budget)	**24,192**	**84,161**	**79,795**	**280,876**
Surplus (+) or deficit (−)	**+15,613**	**−76,442**	**−90,648**	**−234,758**
(On-budget)	**+11,234**	**−93,758**	**−102,727**	**−290,061**
(Off-budget)	**+4,379**	**+17,315**	**+12,079**	**+55,303**

[1]These figures are based on the *FY 1995 Budget*, released by the Office of Management and Budget on February 7, 1994.

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

Table 4. Receipts of the U.S. Government, January 1994 and Other Periods

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts
Individual income taxes:									
Withheld	[1,2] 36,838			160,129			152,036		
Presidential Election Campaign Fund	1			1			1		
Other	[1] 37,798			47,297			47,474		
Total—Individual income taxes	**74,637**	**[3] 470**	**74,167**	**207,428**	**3,764**	**203,664**	**199,512**	**4,261**	**195,251**
Corporation income taxes	**4,761**	**844**	**3,916**	**40,849**	**4,328**	**36,521**	**34,293**	**4,557**	**29,736**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	[1] 26,950	......	26,950	92,841	......	92,841	85,256	......	85,256
Self-Employment Contributions Act taxes	[1] -1,143	......	−1,143	−1,143	......	−1,143	−2,270	......	−2,270
Deposits by States	(* *)	......	(* *)	−45	......	−45	−10	......	−10
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	25,806	......	25,806	91,653	......	91,653	82,976	......	82,976
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	[1] 2,888	......	2,888	9,947	......	9,947	9,141	......	9,141
Self-Employment Contributions Act taxes	[1] -123	......	−123	−123	......	−123	−241	......	−241
Receipts from railroad retirement account	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	(* *)	......	(* *)	−1	......	−1
Other	......	......	......	......	......	......	......	......	......
Total—FDI trust fund	2,764	......	2,764	9,824	......	9,824	8,899	......	8,899
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	[1] 7,188	......	7,188	27,614	......	27,614	25,244	......	25,244
Self-Employment Contributions Act taxes	[1] -323	......	−323	−323	......	−323	−521	......	−521
Receipts from Railroad Retirement Board	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	(* *)	......	(* *)	−3	......	−3
Total—FHI trust fund	6,865	......	6,865	27,291	......	27,291	24,719	......	24,719
Railroad retirement accounts:									
Rail industry pension fund	243	......	243	734	21	713	700	7	693
Railroad Social Security equivalent benefit	153	......	153	588	......	588	573	......	573
Total—Employment taxes and contributions	35,831	......	35,831	130,090	21	130,069	117,868	7	117,860
Unemployment insurance:									
State taxes deposited in Treasury	474	......	474	3,843	......	3,843	3,341	......	3,341
Federal Unemployment Tax Act taxes	314	......	314	1,023	10	1,014	1,021	21	1,000
Railroad unemployment taxes	6	......	6	14	......	14	24	......	24
Railroad debt repayment	(* *)	......	(* *)	1	......	1	28	......	28
Total—Unemployment insurance	794	......	794	4,881	10	4,872	4,414	21	4,393
Other retirement contributions:									
Federal employees retirement – employee contributions	352	......	352	1,480	......	1,480	1,543	......	1,543
Contributions for non-federal employees	6	......	6	28	......	28	32	......	32
Total—Other retirement contributions	358	......	358	1,508	......	1,508	1,575	......	1,575
Total—Social insurance taxes and contributions	**36,983**	......	**36,983**	**136,479**	**31**	**136,448**	**123,857**	**28**	**123,829**
Excise taxes:									
Miscellaneous excise taxes[4]	2,729	135	2,594	10,367	550	9,817	9,374	146	9,228
Airport and airway trust fund	148	7	141	1,492	10	1,483	−113	5	−118
Highway trust fund	1,389	169	1,220	5,690	84	5,607	5,850	99	5,751
Black lung disability trust fund	56	......	56	204	......	204	213	......	213
Total—Excise taxes	**4,323**	**312**	**4,011**	**17,755**	**643**	**17,111**	**15,324**	**251**	**15,073**
Estate and gift taxes	**1,133**	**28**	**1,105**	**4,702**	**122**	**4,580**	**3,921**	**93**	**3,828**
Customs duties	**1,582**	**56**	**1,526**	**6,809**	**304**	**6,506**	**6,268**	**251**	**6,018**
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	1,004	......	1,004	4,330	......	4,330	2,940	......	2,940
All other	256	(* *)	256	1,003	3	1,000	1,170	1	1,168
Total — Miscellaneous receipts	**1,261**	**(* *)**	**1,260**	**5,332**	**3**	**5,329**	**4,110**	**1**	**4,108**
Total — Receipts	**124,678**	**1,710**	**122,968**	**419,353**	**9,195**	**410,159**	**387,285**	**9,441**	**377,844**
Total — On-budget	**96,107**	**1,710**	**94,397**	**317,877**	**9,195**	**308,683**	**295,411**	**9,441**	**285,969**
Total — Off-budget	**28,571**	......	**28,571**	**101,476**	......	**101,476**	**91,875**	......	**91,875**

[1] In accordance with the provisions of the Social Security Act as amended, "Individual Income Taxes Withheld" have been decreased and "Federal Contributions Act Taxes" correspondingly increased by $1,330 million to correct estimates for the quarter ending December 31, 1992. "Individual Income Taxes Other" have been increased and "Self Employment Contributions Act Taxes" correspondingly decreased by $3,164 million to correct estimates for calendar year 1991 and prior.

[2] This amount has been adjusted by collections not reported in the current month by the Internal Revenue Service.

[3] This amount is partially estimated and will be adjusted pending further analysis of the accounting data.

[4] Includes amounts for the windfall profits tax pursuant to P.L. 96-223.

... No Transactions.

(* *) Less than $500,000.

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Legislative Branch:									
Senate	35	(* *)	35	139	(* *)	138	140	(* *)	140
House of Representatives	69	4	66	261	6	255	250	3	247
Joint items	6	......	6	26	......	26	25	......	25
Congressional Budget Office	2	......	2	7	......	7	7	......	7
Architect of the Capitol	13	(* *)	13	67	2	65	83	3	80
Library of Congress	22	......	22	268	......	268	107	......	107
Government Printing Office:									
Revolving fund (net)	23	......	23	58	......	58	17	......	17
General fund appropriations	9	......	9	32	......	32	35	......	35
General Accounting Office	32	......	32	135	......	135	152	......	152
United States Tax Court	2	......	2	10	......	10	12	......	12
Other Legislative Branch agencies	2	......	2	10	......	10	11	......	11
Proprietary receipts from the public	......	(* *)	(* *)	......	1	−1	......	2	−2
Intrabudgetary transactions	−1	......	−1	−4	......	−4	−3	......	−3
Total—Legislative Branch	**217**	**5**	**212**	**1,010**	**10**	**1,000**	**837**	**8**	**829**
The Judiciary:									
Supreme Court of the United States	3	......	3	9	......	9	7	......	7
Courts of Appeals, District Courts, and other judicial services	164	(* *)	164	699	1	698	687	(* *)	687
Other	12	......	12	40	......	40	9	......	9
Total—The Judiciary	**179**	**(* *)**	**179**	**747**	**1**	**746**	**702**	**(* *)**	**702**
Executive Office of the President:									
Compensation of the President and the White House Office	4	......	4	15	......	15	13	......	13
Office of Management and Budget	5	......	5	20	......	20	19	......	19
Other	11	......	11	39	......	39	43	......	43
Total—Executive Office of the President	**20**	**......**	**20**	**73**	**......**	**73**	**75**	**......**	**75**
Funds Appropriated to the President:									
International Security Assistance:									
Guaranty reserve fund	60	69	−9	255	158	98	320	164	156
Foreign military financing grants	223	......	223	2,601	......	2,601	2,697	......	2,697
Economic support fund	108	......	108	1,683	......	1,683	1,895	......	1,895
Military assistance	8	......	8	11	......	11	−6	......	−6
Peacekeeping Operations	5	......	5	24	......	24	14	......	14
Other	2	......	2	10	......	10	10	......	10
Proprietary receipts from the public	......	209	−209	......	233	−233	......	105	−105
Total—International Security Assistance	406	277	129	4,585	391	4,194	4,930	269	4,661
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association	160	......	160	354	......	354	367	......	367
International organizations and programs	2	......	2	116	......	116	144	......	144
Other	1	......	1	201	......	201	240	......	240
Total—Multilateral Assistance	164	......	164	671	......	671	751	......	751
Agency for International Development:									
Functional development assistance program	103	......	103	379	......	379	447	......	447
Sub-Saharan Africa development assistance	36	......	36	199	......	199	227	......	227
Operating expenses	45	......	45	174	......	174	144	......	144
Payment to the Foreign Service retirement and disability fund	44	......	44	44	......	44	......	......	......
Other	42	14	28	239	26	213	177	19	157
Proprietary receipts from the public	......	53	−53	......	199	−199	......	297	−297
Intrabudgetary transactions	......	......	......	......	......	......	......	......	......
Total—Agency for International Development	269	67	202	1,036	225	810	995	317	678
Peace Corps	17	......	17	78	......	78	64	......	64
Overseas Private Investment Corporation	6	8	−1	15	68	−53	36	81	−45
Other	6	(* *)	6	32	(* *)	32	28	1	27
Total—International Development Assistance	462	75	388	1,832	294	1,538	1,874	399	1,475
International Monetary Programs	−41	......	−41	323	......	323	644	......	644
Military Sales Programs:									
Special defense acquisition fund	13	(* *)	13	67	73	−6	93	75	18
Foreign military sales trust fund	1,015	......	1,015	4,361	......	4,361	4,054	......	4,054
Kuwait civil reconstruction trust fund	(* *)	......	(* *)	(* *)	......	(* *)	4	......	4
Proprietary receipts from the public	......	836	−836	......	4,029	−4,029	......	4,240	−4,240
Other	5	......	5	6	......	6	4	......	4
Total—Funds Appropriated to the President	**1,861**	**1,188**	**673**	**11,173**	**4,788**	**6,386**	**11,603**	**4,983**	**6,621**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued
[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Agriculture:									
Agricultural Research Service	52	......	52	227	......	227	255	......	255
Cooperative State Research Service	40	......	40	154	......	154	143	......	143
Extension Service	34	......	34	137	......	137	135	......	135
Animal and Plant Health Inspection Service	38	......	38	144	......	144	161	......	161
Food Safety and Inspection Service	36	......	36	151	......	151	157	......	157
Agricultural Marketing Service	92	......	92	326	1	325	409	1	408
Soil Conservation Service:									
Watershed and flood prevention operations	20	......	20	93	......	93	81	......	81
Conservation operations	45	......	45	181	......	181	181	......	181
Other	6	......	6	26	......	26	28	......	28
Agricultural Stabilization and Conservation Service:									
Conservation programs	14	......	14	1,787	......	1,787	1,712	......	1,712
Other	58	......	58	225	......	225	226	......	226
Farmers Home Administration:									
Credit accounts:									
Agricultural credit insurance fund	24	349	−325	323	827	−504	285	913	−628
Rural housing insurance fund	304	220	84	982	1,091	−110	1,004	1,050	−46
Other	......	......	......	(* *)	......	(* *)	(* *)	(* *)	(* *)
Salaries and expenses	52	......	52	195	......	195	206	......	206
Other	6	......	6	27	......	27	28	......	28
Total—Farmers Home Administration	386	569	−183	1,526	1,918	−392	1,523	1,964	−440
Foreign assistance programs	91	......	91	363	......	363	105	......	105
Rural Development Administration:									
Rural development insurance fund	32	71	−40	246	222	24	301	187	113
Rural water and waste disposal grants	23	......	23	107	......	107	85	......	85
Other	6	(* *)	5	23	1	22	24	1	23
Rural Electrification Administration	703	754	−51	878	1,449	−571	750	1,418	−668
Federal Crop Insurance Corporation	357	25	332	1,216	321	895	349	310	40
Commodity Credit Corporation:									
Price support and related programs	1,614	732	882	9,027	2,641	6,386	10,721	2,293	8,428
National Wool Act Program	1	......	1	2	......	2	4	......	4
Food and Nutrition Service:									
Food stamp program	2,166	......	2,166	8,531	......	8,531	8,129	......	8,129
State child nutrition programs	636	......	636	2,400	......	2,400	2,372	......	2,372
Women, infants and children programs	278	......	278	1,087	......	1,087	990	......	990
Other	91	......	91	233	......	233	239	......	239
Total—Food and Nutrition Service	3,172	......	3,172	12,251	......	12,251	11,730	......	11,730
Forest Service:									
National forest system	98	......	98	434	......	434	484	......	484
Forest service permanent appropriations	21	......	21	140	......	140	146	......	146
Other	68	......	68	406	......	406	487	......	487
Total—Forest Service	186	......	186	980	......	980	1,117	......	1,117
Other	74	4	70	234	11	222	208	12	196
Proprietary receipts from the public	......	131	−131	......	498	−498	......	384	−384
Intrabudgetary transactions	−1	......	−1	......	......	......	......	......	......
Total—Department of Agriculture	**7,076**	**2,287**	**4,789**	**30,302**	**7,064**	**23,238**	**30,405**	**6,569**	**23,836**
Department of Commerce:									
Economic Development Administration	22	2	20	96	7	88	86	10	76
Bureau of the Census	22	......	22	100	......	100	132	......	132
Promotion of Industry and Commerce	21	......	21	89	......	89	102	......	102
Science and Technology:									
National Oceanic and Atmospheric Administration	150	2	148	665	5	660	610	9	600
Patent and Trademark Office	8	......	8	24	......	24	31	......	31
National Institute of Standards and Technology	20	......	20	85	......	85	81	......	81
Other	7	3	4	34	12	22	30	12	18
Total—Science and Technology	184	4	180	808	17	791	752	22	731
Other	11	......	11	39	......	39	31	......	31
Proprietary receipts from the public	......	10	−10	......	40	−40	......	38	−38
Intrabudgetary transactions	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of Commerce	**260**	**16**	**244**	**1,132**	**64**	**1,068**	**1,103**	**69**	**1,034**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Military:									
Military personnel:									
Department of the Army	1,041	......	1,041	8,758	......	8,758	9,620	......	9,620
Department of the Navy	999	......	999	8,381	......	8,381	9,455	......	9,455
Department of the Air Force	539	......	539	6,057	......	6,057	7,252	......	7,252
Total—Military personnel	2,579	......	2,579	23,197	......	23,197	26,327	......	26,327
Operation and maintenance:									
Department of the Army	2,274	......	2,274	7,147	......	7,147	8,183	......	8,183
Department of the Navy	1,814	......	1,814	6,955	......	6,955	7,313	......	7,313
Department of the Air Force	2,951	......	2,951	8,374	......	8,374	7,636	......	7,636
Defense agencies	1,629	......	1,629	6,607	......	6,607	5,786	......	5,786
Total—Operation and maintenance	8,668	......	8,668	29,083	......	29,083	28,918	......	28,918
Procurement:									
Department of the Army	−192	......	−192	2,162	......	2,162	3,927	......	3,927
Department of the Navy	2,082	......	2,082	8,585	......	8,585	9,416	......	9,416
Department of the Air Force	1,773	......	1,773	7,856	......	7,856	8,571	......	8,571
Defense agencies	380	......	380	1,448	......	1,448	1,113	......	1,113
Total—Procurement	4,043	......	4,043	20,051	......	20,051	23,027	......	23,027
Research, development, test, and evaluation:									
Department of the Army	650	......	650	2,073	......	2,073	1,932	......	1,932
Department of the Navy	631	......	631	2,251	......	2,251	2,283	......	2,283
Department of the Air Force	800	......	800	4,579	......	4,579	4,595	......	4,595
Defense agencies	597	......	597	2,586	......	2,586	2,917	......	2,917
Total—Research, development, test and evaluation	2,678	......	2,678	11,489	......	11,489	11,728	......	11,728
Military construction:									
Department of the Army	101	......	101	359	......	359	339	......	339
Department of the Navy	100	......	100	190	......	190	333	......	333
Department of the Air Force	85	......	85	363	......	363	458	......	458
Defense agencies	129	......	129	685	......	685	523	......	523
Total—Military construction	415	......	415	1,597	......	1,597	1,653	......	1,653
Family housing:									
Department of the Army	118	......	118	374	......	374	418	......	418
Department of the Navy	72	......	72	234	......	234	253	......	253
Department of the Air Force	80	......	80	320	......	320	268	......	268
Defense agencies	6	3	3	29	10	20	28	2	25
Revolving and management funds:									
Department of the Army	−1	......	−1	−58	......	−58	67	......	67
Department of the Navy	88	......	88	231	......	231	1	......	1
Department of the Air Force	......	......	......	......	......	......	......	......	......
Defense agencies:									
Defense business operations fund	−963	......	−963	1,626	......	1,626	2,195	......	2,195
Other	−17	(* *)	−17	−30	1	−31	−13	1	−14
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	(* *)	(* *)
Department of the Navy	2	1	1	9	5	4	17	7	10
Department of the Air Force	(* *)	(* *)	(* *)	3	3	(* *)	12	13	−1
Defense agencies	2	......	2	106	......	106	−45	......	−45
Proprietary receipts from the public:									
Department of the Army	......	41	−41	......	186	−186	......	162	−162
Department of the Navy	......	37	−37	......	158	−158	......	271	−271
Department of the Air Force	......	18	−18	......	180	−180	......	166	−166
Defense agencies	......	−42	42	......	14	−14	......	75	−75
Intrabudgetary transactions:									
Department of the Army	109	......	109	245	......	245	104	......	104
Department of the Navy	12	......	12	551	......	551	832	......	832
Department of the Air Force	−8	......	−8	88	......	88	37	......	37
Defense agencies:									
Defense cooperation account	(* *)	......	(* *)	(* *)	......	(* *)	−13	......	−13
Voluntary separation incentive fund	......	......	......	......	......	......	−860	......	−860
Other	−73	......	−73	−137	......	−137	−435	......	−435
Offsetting governmental receipts:									
Department of the Army	......	......	......	......	3	−3	......	7	−7
Defense agencies:									
Defense cooperation account	......	(* *)	(* *)	......	(* *)	(* *)	......	25	−25
Total—Department of Defense—Military	**17,811**	**58**	**17,752**	**89,007**	**560**	**88,447**	**94,518**	**732**	**93,786**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Civil									
Corps of Engineers:									
Construction, general	75	......	75	345	......	345	367	......	367
Operation and maintenance, general	76	......	76	352	......	352	460	......	460
Other	153	......	153	606	......	606	672	......	672
Proprietary receipts from the public	......	12	−12	......	51	−51	......	58	−58
Total—Corps of Engineers	303	12	292	1,303	51	1,252	1,498	58	1,441
Military retirement:									
Payment to military retirement fund	......	......	......	11,908	......	11,908	12,273	......	12,273
Retired pay	......	......	......	......	......	......	......	......	......
Military retirement fund	2,200	......	2,200	8,788	......	8,788	8,425	......	8,425
Intrabudgetary transactions	......	......	......	−11,908	......	−11,908	−12,273	......	−12,273
Education benefits	10	......	10	59	......	59	64	......	64
Other	8	(* *)	8	28	1	27	21	1	20
Proprietary receipts from the public	......	1	−1	......	4	−4	......	3	−3
Total—Department of Defense—Civil	**2,522**	**13**	**2,509**	**10,179**	**56**	**10,123**	**10,009**	**62**	**9,946**
Department of Education:									
Office of Elementary and Secondary Education:									
Compensatory education for the disadvantaged	438	......	438	2,203	......	2,203	2,162	......	2,162
Impact aid	28	......	28	589	......	589	463	......	463
School improvement programs	113	......	113	476	......	476	526	......	526
Chicago litigation settlement	......	......	......	5	......	5	5	......	5
Indian education	7	......	7	24	......	24	23	......	23
Other	......	......	......	......	......	......	......	......	......
Total—Office of Elementary and Secondary Education	585	......	585	3,296	......	3,296	3,180	......	3,180
Office of Bilingual Education and Minority Languages Affairs	25	......	25	75	......	75	59	......	59
Office of Special Education and Rehabilitative Services:									
Special education	278	......	278	975	......	975	887	......	887
Rehabilitation services and disability research	201	......	201	761	......	761	668	......	668
Special institutions for persons with disabilities	14	......	14	45	......	45	46	......	46
Office of Vocational and Adult Education	121	......	121	431	......	431	493	......	493
Office of Postsecondary Education:									
College housing loans	......	2	−2	1	24	−23	(* *)	29	−29
Student financial assistance	949	......	949	2,912	......	2,912	3,037	......	3,037
Federal family education loans	[1]-1,238	......	−1,238	−246	......	−246	1,635	......	1,635
Higher education	101	......	101	271	......	271	293	......	293
Howard University	17	......	17	67	......	67	69	......	69
Other	−1	......	−1	4	......	4	4	......	4
Total—Office of Postsecondary Education	−174	2	−176	3,008	24	2,984	5,038	29	5,009
Office of Educational Research and Improvement	44	......	44	140	......	140	128	......	128
Departmental management	19	......	19	117	......	117	117	......	117
Proprietary receipts from the public	......	9	−9	......	26	−26	......	12	−12
Total—Department of Education	**1,113**	**11**	**1,102**	**8,849**	**50**	**8,799**	**10,617**	**41**	**10,576**
Department of Energy:									
Atomic energy defense activities	862	......	862	4,086	......	4,086	3,570	......	3,570
Energy programs:									
General science and research activities	97	......	97	452	......	452	474	......	474
Energy supply, R and D activities	265	......	265	1,028	......	1,028	882	......	882
Uranium supply and enrichment activities	9	......	9	201	......	201	361	......	361
Fossil energy research and development	26	......	26	133	......	133	130	......	130
Energy conservation	46	......	46	168	......	168	148	......	148
Strategic petroleum reserve	14	......	14	67	......	67	112	......	112
Nuclear waste disposal fund	15	......	15	92	......	92	105	......	105
Other	43	(* *)	43	138	1	138	74	1	73
Total—Energy programs	516	(* *)	516	2,279	1	2,279	2,285	1	2,285
Power Marketing Administration	142	121	21	619	444	174	649	424	225
Departmental administration	41	......	41	149	......	149	154	......	154
Proprietary receipts from the public	......	150	−150	......	298	−298	......	679	−679
Intrabudgetary transactions	8	......	8	−152	......	−152	−116	......	−116
Offsetting governmental receipts	......	28	−28	......	43	−43	......	5	−5
Total—Department of Energy	**1,568**	**299**	**1,269**	**6,981**	**786**	**6,195**	**6,543**	**1,110**	**5,434**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services, except Social Security:									
Public Health Service:									
Food and Drug Administration	44	(* *)	44	235	1	234	234	2	232
Health Resources and Services Administration	193	......	193	667	......	667	609	......	609
Indian Health Service	106	......	106	552	......	552	504	......	504
Centers for Disease Control	111	......	111	482	......	482	424	......	424
National Institutes of Health	639	......	639	3,324	......	3,324	2,913	......	2,913
Substance Abuse and Mental Health Services Administration	166	......	166	723	......	723	932	......	932
Agency for Health Care Policy and Research	8	......	8	26	......	26	10	......	10
Assistant secretary for health	−90	......	−90	−30	......	−30	211	......	211
Total—Public Health Service	1,179	(* *)	1,178	5,978	1	5,977	5,837	2	5,835
Health Care Financing Administration:									
Grants to States for Medicaid	6,097	......	6,097	27,205	......	27,205	24,108	......	24,108
Payments to health care trust funds	2,992	......	2,992	14,294	......	14,294	14,575	......	14,575
Federal hospital insurance trust fund:									
Benefit payments	7,112	......	7,112	31,597	......	31,597	27,812	......	27,812
Administrative expenses and construction	81	......	81	354	......	354	330	......	330
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FHI	......	......	......	......	......	......	......	......	......
Total—FHI trust fund	7,193	......	7,193	31,951	......	31,951	28,142	......	28,142
Federal supplementary medical insurance trust fund:									
Benefit payments	4,009	......	4,009	18,927	......	18,927	16,897	......	16,897
Administrative expenses and construction	161	......	161	577	......	577	393	......	393
Total—FSMI trust fund	4,170	......	4,170	19,504	......	19,504	17,289	......	17,289
Other	−23	......	−23	40	......	40	193	......	193
Total—Health Care Financing Administration	20,429	......	20,429	92,994	......	92,994	84,307	......	84,307
Social Security Administration:									
Payments to Social Security trust funds	1,559	......	1,559	2,564	......	2,564	3,062	......	3,062
Special benefits for disabled coal miners	64	......	64	263	......	263	268	......	268
Supplemental security income program	137	......	137	7,856	......	7,856	7,102	......	7,102
Total—Social Security Administration	1,760	......	1,760	10,683	......	10,683	10,432	......	10,432
Administration for children and families:									
Family support payments to States	1,421	......	1,421	5,497	......	5,497	5,156	......	5,156
Low income home energy assistance	226	......	226	1,030	......	1,030	625	......	625
Refugee and entrant assistance	42	......	42	135	......	135	115	......	115
Community Services Block Grant	38	......	38	121	......	121	140	......	140
Payments to States for afdc work programs	69	......	69	262	......	262	234	......	234
Interim assistance to States for legalization	6	......	6	579	......	579	41	......	41
Payments to States for child care assistance	67	......	67	259	......	259	87	......	87
Social services block grant	239	......	239	897	......	897	987	......	987
Children and families services programs	467	......	467	1,389	......	1,389	1,238	......	1,238
Payments to States for foster care and adoption assistance	195	......	195	950	......	950	731	......	731
Other	......	......	......	......	......	......	(* *)	......	(* *)
Total—Administration for children and families	2,771	......	2,771	11,119	......	11,119	9,353	......	9,353
Administration on aging	101	......	101	303	......	303	159	......	159
Office of the Secretary	21	......	21	84	......	84	63	......	63
Proprietary receipts from the public	......	1,559	−1,559	......	5,736	−5,736	......	4,883	−4,883
Intrabudgetary transactions:									
Quinquennial transfers to the general fund From FHI, FOASI, and FDI	......	......	......	......	......	......	......	......	......
Payments for health insurance for the aged:									
Federal hospital insurance trust fund	......	......	......	......	......	......	......	......	......
Federal supplementary medical insurance trust fund	−2,991	......	−2,991	−14,294	......	−14,294	−14,579	......	−14,579
Payments for tax and other credits:									
Federal hospital insurance trust fund	−1	......	−1	−1	......	−1	4	......	4
Other	......	......	......	......	......	......	......	......	......
Total—Department of Health and Human Services, except Social Security	**23,269**	**1,560**	**21,710**	**106,867**	**5,737**	**101,130**	**95,576**	**4,884**	**90,691**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Benefit payments	23,054	......	23,054	90,617	......	90,617	86,499	......	86,499
Administrative expenses and construction	43	......	43	507	......	507	644	......	644
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Interest expense on interfund borrowings	......	......	......	......	......	......	......	......	......
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FOASI	......	......	......	......	......	......	......	......	......
Total—FOASI trust fund	23,097	......	23,097	91,124	......	91,124	87,143	......	87,143
Federal disability insurance trust fund:									
Benefit payments	2,983	......	2,983	11,741	......	11,741	10,749	......	10,749
Administrative expenses and construction	71	......	71	294	......	294	271	......	271
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FDI	......	......	......	......	......	......	......	......	......
Total—FDI trust fund	3,054	......	3,054	12,035	......	12,035	11,020	......	11,020
Proprietary receipts from the public	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Intrabudgetary transactions[2]	-1,559	......	-1,559	-2,560	......	-2,560	-3,064	......	-3,064
Total—Department of Health and Human Services, Social Security(off-budget)	**24,592**	**(* *)**	**24,591**	**100,599**	**(* *)**	**100,599**	**95,099**	**(* *)**	**95,098**
Department of Housing and Urban Development:									
Housing programs:									
Public enterprise funds	18	14	4	60	42	18	26	23	3
Credit accounts:									
Federal housing administration fund	587	1,030	-443	2,270	2,364	-94	2,505	1,852	653
Housing for the elderly or handicapped fund	-5	57	-62	369	233	137	394	199	196
Other	36	(* *)	36	154	(* *)	154	80	(* *)	80
Rent supplement payments	4	......	4	18	......	18	19	......	19
Homeownership assistance	8	......	8	36	......	36	25	......	25
Rental housing assistance	54	......	54	216	......	216	222	......	222
Rental housing development grants	......	......	......	(* *)	......	(* *)	14	......	14
Low-rent public housing	33	......	33	360	......	360	368	......	368
Public housing grants	261	......	261	1,128	......	1,128	772	......	772
College housing grants	2	......	2	7	......	7	8	......	8
Lower income housing assistance	884	......	884	3,515	......	3,515	3,581	......	3,581
Section 8 contract renewals	277	......	277	1,088	......	1,088	709	......	709
Other	8	......	8	18	......	18	7	......	7
Total—Housing programs	2,169	1,102	1,067	9,237	2,639	6,599	8,728	2,074	6,655
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	6	(* *)	5	270	192	78	103	19	83
Payments for operation of low-income housing projects	161	......	161	802	......	802	710	......	710
Community Partnerships Against Crime	11	......	11	53	......	53	28	......	28
Total—Public and Indian Housing programs	178	(* *)	177	1,125	192	933	841	19	822
Government National Mortgage Association:									
Management and liquidating functions fund	......	4	-4	......	4	-4	......	2	-2
Guarantees of mortgage-backed securities	116	143	-27	415	539	-124	424	546	-122
Total—Government National Mortgage Association	116	147	-31	415	543	-128	424	548	-124
Community Planning and Development:									
Community Development Grants	275	......	275	1,196	......	1,196	1,117	......	1,117
Other	62	9	53	292	48	244	117	35	81
Total—Community Planning and Development	337	9	329	1,488	48	1,440	1,233	35	1,198
Management and Administration	38	......	38	164	......	164	188	......	188
Other	6	......	6	12	......	12	9	......	9
Proprietary receipts from the public	......	22	-22	(* *)	88	-88	......	85	-85
Offsetting governmental receipts	......	......	......	......	......	......	......	3	-3
Total—Department of Housing and Urban Development	**2,843**	**1,279**	**1,564**	**12,442**	**3,510**	**8,932**	**11,423**	**2,764**	**8,659**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of lands and resources	48	......	48	183	......	183	183	......	183
Fire protection	6	......	6	24	......	24	49	......	49
Other	25	......	25	106	......	106	76	......	76
Minerals Management Service	58	......	58	243	......	243	237	......	237
Office of Surface Mining Reclamation and Enforcement	25	......	25	102	......	102	103	......	103
Total—Land and minerals management	162	......	162	657	......	657	648	......	648
Water and science:									
Bureau of Reclamation:									
Construction program	19	......	19	86	......	86	90	......	90
Operation and maintenance	27	......	27	84	......	84	93	......	93
Other	36	11	25	169	75	94	171	51	121
Geological Survey	62	......	62	188	......	188	215	......	215
Bureau of Mines	17	2	15	63	9	54	65	9	57
Total—Water and science	162	14	148	590	84	506	635	59	576
Fish and wildlife and parks:									
United States Fish and Wildlife Service	89	......	89	367	......	367	387	......	387
National Biological Survey	14	......	14	36	......	36	......	......	......
National Park Service	136	......	136	489	......	489	519	......	519
Total—Fish and wildlife and parks	238	......	238	891	......	891	906	......	906
Bureau of Indian Affairs:									
Operation of Indian programs	192	......	192	511	......	511	459	......	459
Indian tribal funds	38	......	38	16	......	16	28	......	28
Other	20	2	18	159	3	155	95	4	91
Total—Bureau of Indian Affairs	250	2	248	686	3	683	581	4	577
Territorial and international affairs	26	......	26	148	......	148	143	......	143
Departmental offices	7	......	7	39	......	39	38	......	38
Proprietary receipts from the public	......	153	−153	......	584	−584	......	722	−722
Intrabudgetary transactions	−1	......	−1	−22	......	−22	−5	......	−5
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of the Interior	**845**	**168**	**677**	**2,988**	**671**	**2,317**	**2,947**	**785**	**2,162**
Department of Justice:									
Legal activities	172	......	172	751	......	751	1,154	......	1,154
Federal Bureau of Investigation	196	......	196	694	......	694	654	......	654
Drug Enforcement Administration	33	......	33	233	......	233	287	......	287
Immigration and Naturalization Service	132	......	132	467	......	467	486	......	486
Federal Prison System	163	10	153	720	39	682	712	30	682
Office of Justice Programs	65	......	65	288	......	288	321	......	321
Other	125	......	125	273	......	273	496	......	496
Intrabudgetary transactions	−1	......	−1	−3	......	−3	−180	......	−180
Offsetting governmental receipts	......	53	−53	......	135	−135	......	129	−129
Total—Department of Justice	**885**	**63**	**822**	**3,423**	**173**	**3,249**	**3,929**	**158**	**3,771**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	271	......	271	1,291	......	1,291	1,270	......	1,270
Community Service Employment for Older Americans	35	......	35	128	......	128	127	......	127
Federal unemployment benefits and allowances	7	......	7	49	......	49	55	......	55
State unemployment insurance and employment service operations	−32	......	−32	−43	......	−43	41	......	41
Payments to the unemployment trust fund	......	......	......	......	......	......	3,220	......	3,220
Advances to the unemployment trust fund and other funds	215	......	215	2,511	......	2,511	250	......	250

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Labor:—Continued									
Unemployment trust fund:									
Federal-State unemployment insurance:									
State unemployment benefits	2,801	......	2,801	10,382	......	10,382	11,954	......	11,954
State administrative expenses	286	......	286	1,146	......	1,146	1,124	......	1,124
Federal administrative expenses	−67	......	−67	45	......	45	40	......	40
Veterans employment and training	16	......	16	59	......	59	56	......	56
Repayment of advances from the general fund	......	......	......	......	......	......	......	......	......
Railroad unemployment insurance	6	......	6	23	......	23	23	......	23
Other	1	......	1	7	......	7	7	......	7
Total—Unemployment trust fund	3,044	......	3,044	11,662	......	11,662	13,203	......	13,203
Other	10	......	10	28	......	28	24	......	24
Total—Employment and Training Administration	3,551	......	3,551	15,626	......	15,626	18,190	......	18,190
Pension Benefit Guaranty Corporation	67	[3]49	18	540	33	507	256	369	−113
Employment Standards Administration:									
Salaries and expenses	23	......	23	75	......	75	74	......	74
Special benefits	8	......	8	−549	......	−549	−522	......	−522
Black lung disability trust fund	46	......	46	196	......	196	201	......	201
Other	9	......	9	46	......	46	45	......	45
Occupational Safety and Health Administration	27	......	27	93	......	93	88	......	88
Bureau of Labor Statistics	19	......	19	78	......	78	101	......	101
Other	29	......	29	142	......	142	127	......	127
Proprietary receipts from the public	......	(* *)	(* *)	......	1	−1	......	1	−1
Intrabudgetary transactions	−221	......	−221	−2,701	......	−2,701	−3,719	......	−3,719
Total—Department of Labor	**3,557**	**49**	**3,508**	**13,545**	**34**	**13,511**	**14,841**	**370**	**14,472**
Department of State:									
Administration of Foreign Affairs:									
Salaries and expenses	187	......	187	617	......	617	724	......	724
Acquisition and maintenance of buildings abroad	49	......	49	204	......	204	178	......	178
Payment to Foreign Service retirement and disability fund	......	......	......	125	......	125	119	......	119
Foreign Service retirement and disability fund	35	......	35	138	......	138	134	......	134
Other	12	......	12	46	......	46	36	......	36
Total—Administration of Foreign Affairs	283	......	283	1,130	......	1,130	1,191	......	1,191
International organizations and Conferences	116	......	116	1,093	......	1,093	832	......	832
Migration and refugee assistance	44	......	44	209	......	209	233	......	233
International narcotics control	9	......	9	39	......	39	42	......	42
Other	5	......	5	19	......	19	32	......	32
Proprietary receipts from the public	......	......	......	......	......	......	......	......	......
Intrabudgetary transactions	−51	......	−51	−176	......	−176	−165	......	−165
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of State	**407**	**......**	**407**	**2,315**	**......**	**2,315**	**2,165**	**......**	**2,165**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	1,232	......	1,232	6,095	......	6,095	5,300	......	5,300
Other	12	......	12	39	......	39	47	......	47
Other programs	17	......	17	103	......	103	71	......	71
Total—Federal Highway Administration	1,260	......	1,260	6,237	......	6,237	5,418	......	5,418
National Highway Traffic Safety Administration	19	......	19	87	......	87	80	......	80
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	105	......	105	319	......	319	262	......	262
Other	34	1	33	129	4	125	123	6	117
Total—Federal Railroad Administration	138	1	138	448	4	444	385	6	380

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Transportation:—Continued									
Federal Transit Administration:									
Formula grants	–525	......	–525	–268	......	–268	544	......	544
Discretionary grants	142	......	142	511	......	511	439	......	439
Other	463	......	463	1,337	......	1,337	129	......	129
Total—Federal Transit Administration	79	......	79	1,580	......	1,580	1,112	......	1,112
Federal Aviation Administration:									
Operations	120	......	120	683	......	683	628	......	628
Airport and airway trust fund:									
Grants-in-aid for airports	124	......	124	624	......	624	743	......	743
Facilities and equipment	252	......	252	707	......	707	599	......	599
Research, engineering and development	17	......	17	67	......	67	58	......	58
Operations	191	......	191	765	......	765	760	......	760
Total—Airport and airway trust fund	584	......	584	2,162	......	2,162	2,160	......	2,160
Other	(* *)	......	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Total—Federal Aviation Administration	704	......	704	2,845	(* *)	2,845	2,788	(* *)	2,788
Coast Guard:									
Operating expenses	145	......	145	814	......	814	822	......	822
Acquisition, construction, and improvements	34	......	34	97	......	97	77	......	77
Retired pay	38	......	38	152	......	152	149	......	149
Other	28	(* *)	28	55	2	53	56	2	54
Total—Coast Guard	245	(* *)	245	1,117	2	1,115	1,105	2	1,103
Maritime Administration	83	26	57	280	82	198	358	124	235
Other	–1	(* *)	–1	126	1	126	139	4	135
Proprietary receipts from the public	......	(* *)	(* *)	......	1	–1	......	1	–1
Intrabudgetary transactions	(* *)	......	(* *)	13	......	13	–3	......	–3
Offsetting governmental receipts	......	1	–1	......	2	–2	......	29	–29
Total—Department of Transportation	**2,528**	**30**	**2,498**	**12,733**	**91**	**12,642**	**11,383**	**165**	**11,218**
Department of the Treasury:									
Departmental offices:									
Exchange stabilization fund	–86	1	–87	–280	4	–283	–293	4	–297
Other	12	......	12	84	......	84	101	......	101
Financial Management Service:									
Salaries and expenses	22	......	22	70	......	70	75	......	75
Payment to the Resolution Funding Corporation	577	......	577	1,164	......	1,164	1,164	......	1,164
Claims, judgements, and relief acts	7	......	7	123	......	123	130	......	130
Other	16	......	16	56	......	56	76	......	76
Total—Financial Management Service	622	......	622	1,414	......	1,414	1,445	......	1,445
Federal Financing Bank	–114	......	–114	224	......	224	224	......	224
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	27	......	27	119	......	119	119	......	119
Internal revenue collections for Puerto Rico	21	......	21	78	......	78	75	......	75
United States Customs Service	149	......	149	594	......	594	574	......	574
Bureau of Engraving and Printing	22	......	22	–2	......	–2	13	......	13
United States Mint	–11	......	–11	–19	......	–19	37	......	37
Bureau of the Public Debt	18	......	18	91	......	91	93	......	93
Internal Revenue Service:									
Processing tax returns and assistance	112	......	112	454	......	454	513	......	513
Tax law enforcement	293	......	293	1,178	......	1,178	1,219	......	1,219
Information systems	74	......	74	311	......	311	378	......	378
Payment where earned income credit exceeds liability for tax	[4]218	......	218	252	......	252	251	......	251
Health insurance supplement to earned income credit	[4]13	......	13	20	......	20	17	......	17
Refunding internal revenue collections, interest	84	......	84	873	......	873	597	......	597
Other	13	......	13	49	......	49	39	(* *)	39
Total—Internal Revenue Service	807	......	807	3,137	......	3,137	3,014	(* *)	3,014

le 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued
[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
artment of the Treasury:—Continued									
nited States Secret Service	46	......	46	164	......	164	179	......	179
omptroller of the Currency	110	162	-52	201	176	26	123	90	33
ffice of Thrift Supervison	12	76	-63	65	80	-15	81	14	67
terest on the public debt									
Public issues (accrual basis)	17,384	......	17,384	68,813	......	68,813	69,292	......	69,292
Special issues (cash basis)	514	......	514	41,696	......	41,696	40,932	......	40,932
Total—Interest on the public debt	17,899	......	17,899	110,509	......	110,509	110,224	......	110,224
ther	4	......	4	21	......	21	19	......	19
roprietary receipts from the public	......	[5]-192	192	......	394	-394	......	538	-538
eceipts from off-budget federal entities	......	......	......	......	......	......	......	......	......
ıtrabudgetary transactions	-950	......	-950	-3,442	......	-3,442	-4,588	......	-4,588
ffsetting governmental receipts	......	52	-52	......	249	-249	......	238	-238
Total—Department of the Treasury	**18,588**	**99**	**18,489**	**112,957**	**902**	**112,056**	**111,439**	**883**	**110,556**
partment of Veterans Affairs:									
eterans Health Administration:									
Medical care	1,465	......	1,465	4,919	......	4,919	4,497	......	4,497
Other	55	21	35	232	91	141	235	85	150
'eterans Benefits Administration:									
Public enterprise funds									
Guaranty and indemnity fund	305	58	247	535	253	282	202	128	74
Loan guaranty revolving fund	115	37	78	509	156	353	639	181	458
Other	14	11	3	214	119	95	165	147	18
Compensation and pensions	61	......	61	5,615	......	5,615	5,477	......	5,477
Readjustment benefits	66	......	66	389	......	389	314	......	314
Post-Vietnam era veterans education account	3	......	3	30	......	30	38	......	38
Insurance funds:									
National service life	98	......	98	383	......	383	315	......	315
United States government life	1	......	1	6	......	6	6	......	6
Veterans special life	16	3	13	45	91	-46	40	85	-45
Other	-1	......	-1	-19	......	-19	-13	......	-13
Total—Veterans Benefits Administration	678	109	569	7,708	619	7,089	7,182	540	6,643
Construction	46	......	46	216	(* *)	216	188	(* *)	188
Departmental administration	100	......	100	532	......	532	379	......	379
Proprietary receipts from the public:									
National service life	......	29	-29	......	118	-118	......	135	-135
United States government life	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Other	......	54	-54	......	229	-229	......	198	-198
Intrabudgetary transactions	(* *)	......	(* *)	-8	......	-8	-6	......	-6
Total—Department of Veterans Affairs	**2,344**	**213**	**2,132**	**13,600**	**1,057**	**12,543**	**12,476**	**957**	**11,519**
ıvironmental Protection Agency:									
Program and research operations	63	......	63	266	......	266	302	......	302
Abatement, control, and compliance	123	......	123	409	......	409	425	......	425
Water infrastructure financing	191	......	191	693	......	693	682	......	682
Hazardous substance superfund	72	......	72	417	......	417	439	......	439
Other	272	(* *)	272	383	2	381	129	15	114
Proprietary receipts from the public	......	15	-15	......	62	-62	......	62	-62
Intrabudgetary transactions	-250	......	-250	-250	......	-250	......	......	......
Offsetting governmental receipts	......	(* *)	(* *)	......	3	-3	......	3	-3
Total—Environmental Protection Agency	**471**	**15**	**456**	**1,917**	**67**	**1,850**	**1,977**	**80**	**1,898**
eneral Services Administration:									
Real property activities	-638	......	-638	-513	......	-513	-182	......	-182
Personal property activities	4	......	4	-86	......	-86	-50	......	-50
Information Resources Management Service	24	......	24	71	......	71	-15	......	-15
Federal property resources activities	2	......	2	9	......	9	7	......	7
General activities	-49	......	-49	-3	......	-3	(* *)	......	(* *)
Proprietary receipts from the public	......	1	-1	......	2	-2	......	1	-1
Total—General Services Administration	**-657**	**1**	**-658**	**-522**	**2**	**-524**	**-240**	**1**	**-241**

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
National Aeronautics and Space Administration:									
Research and development	454	......	454	2,218	......	2,218	2,311	......	2,311
Space flight, control, and data communications	400	......	400	1,627	......	1,627	1,753	......	1,753
Construction of facilities	38	......	38	152	......	152	200	......	200
Research and program management	122	......	122	498	......	498	505	......	505
Other	1	......	1	5	......	5	5	......	5
Total—National Aeronautics and Space Administration	**1,015**	......	**1,015**	**4,500**	......	**4,500**	**4,773**	......	**4,773**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	372	......	372	1,245	......	1,245	1,165	......	1,165
Payment to civil service retirement and disability fund	......	......	......	......	......	......	......	......	......
Civil service retirement and disability fund	2,979	......	2,979	11,873	......	11,873	11,297	......	11,297
Employees health benefits fund	1,198	1,252	−54	4,882	5,134	−252	4,651	4,819	−169
Employees life insurance fund	114	165	−51	453	813	−359	430	775	−345
Retired employees health benefits fund	1	1	(* *)	3	3	(* *)	3	3	(* *)
Other	7	......	7	47	......	47	57	......	57
Intrabudgetary transactions:									
Civil service retirement and disability fund:									
General fund contributions	......	......	......	......	......	......	......	......	......
Other	−3	......	−3	−11	......	−11	−15	......	−15
Total—Office of Personnel Management	**4,668**	**1,418**	**3,249**	**18,492**	**5,949**	**12,542**	**17,588**	**5,597**	**11,991**
Small Business Administration:									
Public enterprise funds:									
Business loan fund	10	33	−23	224	153	71	301	264	37
Disaster loan fund	(* *)	26	−26	80	114	−34	204	166	38
Other	1	1	(* *)	10	5	6	20	6	15
Other	42	(* *)	42	159	(* *)	159	161	(* *)	161
Total—Small Business Administration	**53**	**60**	**−7**	**474**	**272**	**202**	**686**	**436**	**250**
Other independent agencies:									
Action	15	......	15	40	......	40	73	......	73
Board for International Broadcasting	17	......	17	67	......	67	83	......	83
Corporation for Public Broadcasting	......	......	......	275	......	275	319	......	319
District of Columbia:									
Federal payment	......	......	......	698	......	698	698	......	698
Other	3	......	3	6	12	−6	2	24	−22
Equal Employment Opportunity Commission	23	(* *)	23	79	(* *)	79	72	(* *)	72
Export-Import Bank of the United States	33	190	−157	340	1,094	−754	366	864	−498
Federal Communications Commission	10	2	8	40	12	29	43	11	32
Federal Deposit Insurance Corporation:									
Bank insurance fund	192	644	−452	992	2,896	−1,904	3,895	4,928	−1,033
Savings association insurance fund	−3	21	−25	6	23	−17	−9	18	−27
FSLIC resolution fund	35	128	−93	857	1,082	−225	763	582	181
Affordable housing and bank enterprise	−1	......	−1	(* *)	......	(* *)	......	......	......
Federal Emergency Management Agency:									
Public enterprise funds	11	31	−20	209	97	112	98	146	−48
Disaster relief	250	......	250	715	......	715	689	......	689
Emergency management planning and assistance	22	......	22	87	......	87	60	......	60
Other	37	......	37	85	......	85	100	......	100
Federal Trade Commission	8	......	8	30	......	30	29	......	29
Interstate Commerce Commission	5	......	5	14	......	14	14	......	14
Legal Services Corporation	33	......	33	130	......	130	118	......	118
National Archives and Records Administration	27	(* *)	27	67	(* *)	67	86	(* *)	86
National Credit Union Administration:									
Credit union share insurance fund	−6	155	−161	9	182	−173	57	288	−231
Central liquidity facility	4	4	......	30	30	......	46	46	......
Other	−4	43	−47	3	44	−41	1	43	−42

le 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
r independent agencies:—Continued									
tional Endowment for the Arts	14	......	14	63	......	63	62	......	62
tional Endowment for the Humanities	12	......	12	51	......	51	48	......	48
tional Labor Relations Board	18	......	18	59	......	59	58	......	58
tional Science Foundation	186	......	186	786	......	786	742	......	742
iclear Regulatory Commission	50	32	18	166	151	15	144	189	-45
nama Canal Commission	51	50	2	176	186	-10	166	175	-9
istal Service									
Public enterprise funds (off-budget)	3,948	[6]3,754	194	16,358	16,764	-406	16,166	16,617	-452
Payment to the Postal Service fund	23	......	23	85	......	85	100	......	100
ailroad Retirement Board									
Federal windfall subsidy	23	......	23	92	......	92	98	......	98
Federal payments to the railroad retirement accounts	13	......	13	25	......	25	30	......	30
Regional rail transportation protective account	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Rail industry pension fund									
Advances from FOASDI fund	-91	......	-91	-359	......	-359	-348	......	-348
OASDI certifications	92	......	92	359	......	359	351	......	351
Administrative expenses	7	......	7	26	......	26	26	......	26
Interest on refunds of taxes	......	......	......	18	......	18	5	......	5
Supplemental annuity pension fund	247	......	247	966	......	966	951	......	951
Other	1	......	1	3	......	3	4	......	4
Intrabudgetary transactions:									
Social Security equivalent benefit account	397	......	397	1,568	......	1,568	1,554	......	1,554
Payments from other funds to the railroad retirement trust funds	......	......	......	......	......	......	......	......	......
Other	-13	......	-13	-25	......	-25	-30	......	-30
Total—Railroad Retirement Board	675	......	675	2,673	......	2,673	2,641	......	2,641
esolution Trust Corporation	903	977	-74	6,121	4,886	1,235	7,480	15,645	-8,164
ecurities and Exchange Commission	10	......	10	47	......	47	31	......	31
mithsonian Institution	20	......	20	87	......	87	129	......	129
ennessee Valley Authority	692	480	212	3,220	2,634	586	2,907	2,075	832
nited States Information Agency	108	......	108	360	(* *)	360	347	(* *)	347
ther	477	204	273	1,012	450	562	524	68	456
Total—Other independent agencies	**7,903**	**6,715**	**1,188**	**36,042**	**30,543**	**5,499**	**39,147**	**41,720**	**-2,573**
listributed offsetting receipts:									
ther interest	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
mployer share, employee retirement:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
The Judiciary:									
Judicial survivors annuity fund	......	......	......	......	......	......	......	......	......
Department of Defense—Civil:									
Military retirement fund	-1,053	......	-1,053	-4,245	......	-4,245	-4,393	......	-4,393
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund:									
Federal employer contributions	-159	......	-159	-634	......	-634	-605	......	-605
Postal Service employer contributions	-37	......	-37	-146	......	-146	-152	......	-152
Payments for military service credits	......	......	......	......	......	......	......	......	......
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	-519	......	-519	-1,794	......	-1,794	-1,696	......	-1,696
Payments for military service credits	......	......	......	......	......	......	......	......	......
Federal disability insurance trust fund:									
Federal employer contributions	-56	......	-56	-194	......	-194	-181	......	-181
Payments for military service credits	......	......	......	......	......	......	......	......	......
Department of State:									
Foreign Service retirement and disability fund	-9	......	-9	-34	......	-34	-35	......	-35
Office of Personnel Management:									
Civil service retirement and disability fund	-770	......	-770	-3,167	......	-3,167	-3,094	......	-3,094
Independent agencies:									
Court of veterans appeals retirement fund	......	......	......	......	......	......	......	......	......
Total—Employer share, employee retirement	-2,601	......	-2,601	-10,214	......	-10,214	-10,156	......	-10,156

Table 5. Outlays of the U.S. Government, January 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Undistributed offsetting receipts:—Continued									
Interest received by trust funds:									
The Judiciary:									
Judicial survivors annuity fund	......	......	......	−4	......	−4	−4	......	−4
Department of Defense—Civil:									
Corps of Engineers	−4	......	−4	−5	......	−5	−4	......	−4
Military retirement fund	81	......	81	−4,844	......	−4,844	−4,603	......	−4,603
Education benefits fund	−1	......	−1	−18	......	−18	−19	......	−19
Soldiers' and airmen's home permanent fund	4	......	4	−4	......	−4	−8	......	−8
Other	(* *)	......	(* *)	(* *)	......	(* *)	......	......	......
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund	−20	......	−20	−5,269	......	−5,269	−5,210	......	−5,210
Federal supplementary medical insurance trust fund	−13	......	−13	−1,015	......	−1,015	−881	......	−881
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund	−17	......	−17	−13,678	......	−13,678	−12,475	......	−12,475
Federal disability insurance trust fund	−2	......	−2	−366	......	−366	−499	......	−499
Department of Labor:									
Unemployment trust fund	−7	......	−7	−1,264	......	−1,264	−1,327	......	−1,327
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	−280	......	−280	−267	......	−267
Department of Transportation:									
Highway trust fund	−6	......	−6	−707	......	−707	−746	......	−746
Airport and airway trust fund	−2	......	−2	−418	......	−418	−554	......	−554
Oil spill liability trust fund	(* *)	......	(* *)	−2	......	−2	−3	......	−3
Department of Veterans Affairs:									
National service life insurance fund	(* *)	......	(* *)	−537	......	−537	−538	......	−538
United States government life Insurance Fund	(* *)	......	(* *)	−5	......	−5	−5	......	−5
Environmental Protection Agency	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
National Aeronautics and Space Administration	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Office of Personnel Management:									
Civil service retirement and disability fund	−2	......	−2	−12,910	......	−12,910	−12,388	......	−12,388
Independent agencies:									
Railroad Retirement Board	−133	......	−133	−320	......	−320	−373	......	−373
Other	−1	......	−1	−4	......	−4	−4	......	−4
Other	(* *)	......	(* *)	−31	......	−31	61	......	61
Total—Interest received by trust funds	−122	......	−122	−41,682	......	−41,682	−39,847	......	−39,847
Rents and royalties on the outer continental shelf lands	......	313	−313	......	940	−940	......	752	−752
Sale of major assets	......	......	......	......	......	......	......	......	......
Total—Undistributed offsetting receipts	**−2,723**	**313**	**−3,036**	**−51,896**	**940**	**−52,836**	**−50,003**	**752**	**−50,755**
Total outlays	**123,216**	**15,861**	**107,355**	**549,929**	**63,328**	**486,601**	**541,617**	**73,126**	**468,492**
Total on-budget	**95,271**	**12,107**	**83,164**	**449,004**	**46,563**	**402,440**	**445,204**	**56,508**	**388,697**
Total off-budget	**27,945**	**3,754**	**24,192**	**100,925**	**16,764**	**84,161**	**96,413**	**16,618**	**79,795**
Total surplus (+) or deficit			**+15,613**			**−76,442**			**−90,648**
Total on-budget			**+11,234**			**−93,758**			**−102,727**
Total off-budget			**+4,379**			**+17,315**			**+12,079**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	14,104	13,908
Receipts from off-budget federal entities	......	......
Intrabudgetary transactions	86,826	89,095
Governmental receipts	585	627
Total receipts offset against outlays	101,515	103,630

[1]Includes $2,000 million in receipts from the Student Loan Marketing Association in prepayment of Federal Financing Bank loans.

[2]Includes FICA and SECA tax credits, non-contributory military service credits, special benefits for the aged, and credit for unnegotiated OASI benefit checks.

[3]Includes a decrease in net outlays of $25 million for amortization of zero coupon bonds.

[4]This amount is partially estimated and will be adjusted pending further analysis of the accounting data.

[5]Includes $383 million of unclassified January payroll charges.

[6]The Postal Service accounting is composed of thirteen 28-day accounting periods. To conform with the MTS calendar-month reporting basis utilized by all other Federal agencies, the MTS reflects USPS results through 1/7 and estimates for $1,495 million through 1/31.

... No Transactions.

(* *) Less than $500,000

Note: Details may not add to totals due to rounding

Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, January 1994 and Other Periods

[$ millions]

Assets and Liabilities Directly Related to Budget Off-budget Activity	Net Transactions (–) denotes net reduction of either liability or asset accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Liability accounts:						
Borrowing from the public:						
Public debt securities, issued under general Financing authorities:						
Obligations of the United States, issued by:						
United States Treasury	–9,379	114,819	102,580	4,396,489	4,520,687	4,511,308
Federal Financing Bank	......	......	......	15,000	15,000	15,000
Total, public debt securities	–9,379	114,819	102,580	4,411,489	4,535,687	4,526,308
Plus premium on public debt securities	–8	33	–20	1,373	1,414	1,406
Less discount on public debt securities	–617	–6,534	–579	86,397	80,480	79,864
Total public debt securities net of Premium and discount	–8,771	121,385	103,139	4,326,466	4,456,622	4,447,852
Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C)	–98	1,832	435	24,682	26,613	26,514
Total federal securities	–8,869	123,217	103,575	4,351,149	4,483,235	4,474,366
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	–2,029	34,743	30,246	1,116,740	1,153,512	1,151,483
Less discount on federal securities held as investments of government accounts	–93	–6,129	–189	12,709	6,672	6,579
Net federal securities held as investments of government accounts	–1,936	40,872	30,435	1,104,032	1,146,840	1,144,904
Total borrowing from the public	–6,933	82,345	73,140	3,247,117	3,336,395	3,329,462
Accrued interest payable to the public	4,691	4,036	6,966	43,819	43,163	47,854
Allocations of special drawing rights	35	–185	–446	6,950	6,730	6,765
Deposit funds	70	–1,268	–154	5,975	4,637	4,707
Miscellaneous liability accounts (includes checks Outstanding etc.)	–1,561	–4,078	–3,667	2,928	410	–1,150
Total liability accounts	**–3,698**	**80,850**	**75,838**	**3,306,788**	**3,391,335**	**3,387,638**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash[1]:						
Federal Reserve account	6,732	4,252	–15,014	17,289	14,809	21,541
Tax and loan note accounts	1,358	1,054	2,551	35,217	34,914	36,271
Balance	8,090	5,306	–12,463	52,506	49,723	57,812
Special drawing rights:						
Total holdings	47	–133	–3,565	9,203	9,023	9,070
SDR certificates issued to Federal Reserve banks	......	......	2,000	–8,018	–8,018	–8,018
Balance	47	–133	–1,565	1,185	1,005	1,052
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments	......	......	12,063	31,762	31,762	31,762
Maintenance of value adjustments	126	–1,001	–1,797	5,864	4,737	4,863
Letter of credit issued to IMF	–1	78	–9,079	–25,514	–25,435	–25,436
Dollar deposits with the IMF	53	45	–27	–98	–106	–53
Receivable/Payable (–) for interim maintenance of value adjustments	–85	678	1,153	90	853	768
Balance	93	–200	2,313	12,103	11,811	11,904
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	3,251	3,305	–175	22,414	22,468	25,719
Total cash and monetary assets	11,480	8,279	–11,890	88,208	85,007	96,487
Net activity, guaranteed loan financing	–497	–1,947	–1,170	–6,320	–7,769	–8,266
Net activity, direct loan financing	175	1,023	1,027	6,862	7,710	7,885
Miscellaneous asset accounts	800	–2,727	–2,679	–636	–4,164	–3,363
Total asset accounts	**11,958**	**4,629**	**–14,713**	**88,114**	**80,785**	**92,743**
Excess of liabilities (+) or assets (–)	**–15,656**	**+76,221**	**+90,551**	**+3,218,674**	**+3,310,551**	**+3,294,895**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	43	221	97	......	178	221
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (–))	**–15,613**	**+76,442**	**+90,648**	**+3,218,674**	**+3,310,729**	**+3,295,116**

[1]Major sources of information used to determine Treasury's operating cash income include the Daily Balance Wires from Federal Reserve Banks reporting from the Bureau of Public Debt, electronic transfers through the Treasury Financial Communication System and reconciling wires from Internal Revenue Centers. Operating cash is presented on a modified cash basis, deposits are reflected as received and withdrawals are reflected as processed.

... No Transactions.

(* *) Less than $500,000

Note: Details may not add to totals due to rounding

Table 6. Schedule A—Analysis of Change in Excess of Liabilities of the U.S. Government, January 1994 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year to Date	
		This Year	Prior Year
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period	3,310,551	3,218,965	2,964,066
Adjustments during current fiscal year for changes in composition of unified budget:			
Reclassification of the Disaster Assistance Liquidating Account, FEMA, to a budgetary status	......	......	(* *)
Revisions by federal agencies to the prior budget results	......	−291	101
Reclassification of Thrift Savings Plan Clearing Accounts to a non-budgetary status	......	......	(* *)
Reclassification of Deposit in Transit Differences (Suspense) Clearing Accounts to a budgetary status	......	......	174
Excess of liabilities beginning of period (current basis)	3,310,551	3,218,674	2,964,341
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	−15,613	76,442	90,648
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	−15,613	76,442	90,648
Total-on-budget (Table 2)	−11,234	93,758	102,727
Total-off-budget (Table 2)	−4,379	−17,315	−12,079
Transactions not applied to current year's surplus or deficit:			
Seigniorage	−43	−221	−97
Total-transactions not applied to current year's Surplus or deficit	−43	−221	−97
Excess of liabilities close of period	**3,294,895**	**3,294,895**	**3,054,892**

Table 6. Schedule B—Securities isued by Federal Agencies Under Special Financing Authorities, January 1994 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of either Liability accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank of the United States	......	......	......	(* *)	(* *)	(* *)
Federal Deposit Insurance Corporation:						
Bank insurance fund	......	......	......	93	93	93
FSLIC resolution fund	−145	−145	−194	943	943	797
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family housing mortgages	(* *)	(* *)	(* *)	7	6	6
Department of Housing and Urban Development:						
Federal Housing Administration	−175	−133	−71	213	255	80
Department of the Interior:						
Bureau of Land Management	......	......	......	13	13	13
Department of Transportation:						
Coast Guard:						
Family housing mortgages	......	......	......	(* *)	(* *)	(* *)
Obligations not guaranteed by the United States, issued by:						
Legislative Branch:						
Architect of the Capitol	1	5	5	176	180	182
Independent agencies:						
Farm Credit System Financial Assistance Corporation	......	......	......	1,261	1,261	1,261
National Archives and Records Administration	......	......	......	302	302	302
Tennessee Valley Authority	220	2,105	695	21,675	23,560	23,780
Total, agency securities	**−98**	**1,832**	**435**	**24,682**	**26,613**	**26,514**

... No Transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, January 1994 and Other Periods

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:						
Funds Appropriated to the President:						
International Security Assistance:						
Guaranty reserve fund	......	......	......	348	348	348
Agency for International Development:						
Housing and other credit guaranty programs	......	......	......	125	125	125
Overseas Private Investment Corporation	8	8	......	8	8	16
Department of Agriculture:						
Foreign assistance programs	......	......	31	193	193	193
Commodity Credit Corporation	966	−12,284	−2,749	24,745	11,495	12,461
Farmers Home Administration:						
Agriculture credit insurance fund	......	−2,385	103	5,771	3,386	3,386
Self-help housing land development fund	......	......	(* *)	1	1	1
Rural housing insurance fund	......	......	108	2,910	2,910	2,910
Rural Development Administration:						
Rural development insurance fund	......	−10	14	1,680	1,670	1,670
Rural development loan fund	......	......	1	5	5	5
Federal Crop Insurance Corporation:						
Federal crop insurance corporation fund	−113	−113	......	113	113	......
Rural Electrification Administration:						
Rural communication development fund	......	31	......	25	55	55
Rural electrification and telephone revolving fund	......	242	55	8,099	8,341	8,341
Rural Telephone Bank	−24	−9	(* *)	802	818	794
Department of Commerce:						
Federal ship financing fund, NOAA	......	......	−2	......	......	......
Department of Education:						
Guaranteed student loans	......	......	......	2,058	2,058	2,058
College housing and academic facilities fund	......	13	......	154	168	168
College housing loans	......	......	......	460	460	460
Department of Energy:						
Isotope production and distribution fund	......	......	2	13	13	13
Bonneville power administration fund	100	158	200	2,332	2,390	2,490
Department of Housing and Urban Development:						
Housing programs:						
Housing for the ederly and handicapped	......	−475	185	8,959	8,484	8,484
Public and Indian housing:						
Low-rent public housing	......	......	......	110	110	110
Department of the Interior:						
Bureau of Reclamation Loans	6	6	2	5	5	11
Bureau of Mines, Helium Fund	......	......	......	252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans	......	(* *)	1	17	17	17
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of Transportation:						
Federal Railroad Administration:						
Railroad rehabilitation and improvement financing funds	......	......	8	8	8	8
Settlements of railroad litigation	......	......	......	−39	−39	−39
Amtrak corridor improvement loans	......	......	1	2	2	2
Regional rail reorganization program	......	......	......	39	39	39
Federal Aviation Administration:						
Aircraft purchase loan guarantee program	......	(* *)	(* *)	(* *)	(* *)	(* *)
Department of the Treasury:						
Federal Financing Bank revolving fund	−3,005	−4,147	−13,363	114,329	113,187	110,182
Department of Veterans Affairs:						
Loan guaranty revolving fund	......	......	−678	860	860	860
Guaranty and indemnity fund	......	......	8	83	83	83
Direct loan revolving fund	......	......	(* *)	1	1	1
Vocational rehabilitation revolving fund	......	1	(* *)	2	3	3
Environmental Protection Agency:						
Abatement, control, and compliance loan program	......	(* *)	1	12	12	12
Small Business Administration:						
Business loan and revolving fund	......	......	......	3,203	3,203	3,203

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, January 1994 and Other Periods—Continued

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing for the Treasury:—Continued						
Other independent agencies:						
Export-Import Bank of the United States	......	811	28	386	1,197	1,197
Federal Emergency Management Agency:						
National insurance development fund	......	125	7	42	167	167
Pennsylvania Avenue Development Corporation:						
Land aquisition and development fund	......	......	3	76	76	76
Railroad Retirement Board:						
Railroad retirement account	......	......	......	2,128	2,128	2,128
Social Security equivalent benefit account	263	979	996	2,690	3,405	3,668
Smithsonian Institution:						
John F. Kennedy Center parking facilities	......	......	......	20	20	20
Tennessee Valley Authority	......	......	......	150	150	150
Total agency borrowing from the Treasury financed through public debt securities issued	**−1,799**	**−17,047**	**−15,037**	**183,196**	**167,948**	**166,149**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military sales	−32	−70	−72	4,083	4,045	4,013
Department of Agriculture:						
Rural Electrification Administration	−68	−143	−106	22,252	22,177	22,110
Farmers Home Administration:						
Agriculture credit insurance fund	......	......	......	8,908	8,908	8,908
Rural housing insurance fund	......	......	......	26,036	26,036	26,036
Rural development insurance fund	......	......	......	3,675	3,675	3,675
Department of Defense:						
Department of the Navy	......	......	......	1,624	1,624	1,624
Defense agencies	−49	−49	−48	−96	−96	−145
Department of Education:						
Student Loan Marketing Association	−2,000	−2,030	−30	4,790	4,760	2,760
Department of Health and Human Services, Except Social Security:						
Medical facilities guarantee and loan fund	......	(* *)	−1	85	84	84
Department of Housing and Urban Development:						
Low rent housing loans and other expenses	......	−54	−52	1,801	1,747	1,747
Community Development Grants	−1	−15	−27	131	117	116
Department of Interior:						
Territorial and international affairs	−1	−1	−28	23	23	22
Department of Transportation:						
Federal Railroad Administration	......	−1	−1	17	16	16
Department of the Treasury:						
Financial Management Service	......	−30	−51	30	......	......
General Services Administration:						
Federal buildings fund	20	81	411	1,436	1,497	1,518
Small Business Administration:						
Business loan and investment fund	−7	−27	−40	670	650	643
Independent agencies:						
Export-Import Bank of the United States	......	−485	−490	5,795	5,309	5,309
Federal Deposit Insurance Corporation:						
Bank insurance fund	......	......	−3,160	......	......	......
Pennsylvania Avenue Development Corporation	8	35	16	150	176	184
Postal Service	......	......	537	9,732	9,732	9,732
Resolution Trust Corporation	−449	−1,595	−9,552	31,688	30,542	30,093
Tennessee Valley Authority	−250	−250	−670	6,325	6,325	6,075
Washington Metropolitan Transit Authority	−177	488	......	177	842	665
Total borrowing from the Federal Financing Bank	**−3,005**	**−4,147**	**−13,363**	**129,332**	**128,190**	**125,185**

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase of agency financial assets, by the acquisition of agency debt securities, and by direct loans on behalf of an agency. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to agencies in lieu of agencies borrowing directly through Treasury or issuing their own securities.

... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, January 1994 and Other Periods

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Federal funds:						
Department of Agriculture	−1	2	(* *)	......	3	2
Department of Commerce	(* *)	1	3	10	12	12
Department of Defense—Military:						
Defense cooperation account	−4	−4	−1,996	9	9	5
Department of Energy	40	189	97	4,081	4,229	4,269
Department of Housing and Urban Development:						
Housing programs:						
Federal housing administration fund:						
Public debt securities	−185	−305	−422	5,214	5,094	4,909
Government National Mortgage Association:						
Management and liquidating functions fund:						
Public debt securities	4	5	2	9	9	13
Agency securities	......	......	......	20	20	20
Guarantees of mortgage-backed securities:						
Public debt securities	32	124	105	3,221	3,313	3,345
Agency securities	......	1	(* *)	1	2	2
Other	......	−28	5	191	163	163
Department of the Interior:						
Public debt securities	51	208	176	2,508	2,666	2,716
Department of Labor	−42	−6,602	−76	16,590	10,030	9,988
Department of Transportation	9	37	34	881	909	918
Department of the Treasury	47	−20	1,773	5,773	5,706	5,753
Department of Veterans Affairs:						
Canteen service revolving fund	......	3	−2	38	41	41
Veterans reopened insurance fund	−1	15	17	518	534	533
Servicemen's group life insurance fund	......	−109	−25	150	41	41
Independent agencies:						
Export-Import Bank of the United States	264	805	392	76	618	881
Federal Deposit Insurance Corporation:						
Bank insurance fund	446	1,978	−2,095	4,325	5,857	6,303
Savings association insurance fund	25	18	27	1,283	1,277	1,302
FSLIC resolution fund:						
Public debt securities	−51	690	311	828	1,569	1,518
Federal Emergency Management Agency:						
National flood insurance fund	......	−71	−90	71	......	......
National Credit Union Administration	207	213	272	2,764	2,771	2,978
Postal Service	−223	851	537	3,027	4,100	3,877
Tennessee Valley Authority	−273	1,297	−465	3,452	5,022	4,749
Other	83	85	13	853	855	938
Other	73	−89	86	2,715	2,554	2,627
Total public debt securities	498	−708	−1,318	58,589	57,382	57,880
Total agency securities	......	1	(* *)	21	22	22
Total Federal funds	**498**	**−707**	**−1,318**	**58,610**	**57,404**	**57,902**
Trust funds:						
Legislative Branch:						
Library of Congress	(* *)	4	4	1	5	5
United States Tax Court	......	(* *)	(* *)	4	5	5
Other	1	1	(* *)	27	27	28
The Judiciary:						
Judicial retirement funds	......	20	9	212	233	233
Department of Agriculture	(* *)	179	−1	5	184	184
Department of Commerce	(* *)	(* *)	(* *)	......	(* *)	(* *)
Department of Defense—Military:						
Voluntary separation incentive fund	−5	−49	875	844	801	796
Other	(* *)	6	1	151	157	157
Department of Defense—Civil:						
Military retirement fund	−1,119	12,021	11,965	96,690	109,830	108,711
Other	−15	−7	161	1,213	1,221	1,206

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, January 1994 and Other Periods—Continued

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Trust Funds—Continued						
Department of Health and Human Services, except Social Security:						
Federal hospital insurance trust fund:						
Public debt securities	−836	1,890	2,797	126,078	128,804	127,969
Federal supplementary medical insurance trust fund	−667	927	2,572	23,268	24,862	24,195
Other	10	40	19	659	690	699
Department of Health and Human Services, Social Security:						
Federal old-age and survivors insurance trust fund:						
Public debt securities	4,735	18,561	12,915	355,510	369,335	374,070
Federal disability insurance trust fund	−181	−1,408	−1,294	10,237	9,010	8,829
Department of the Interior:						
Public debt securities	−84	34	−130	184	302	219
Department of Justice	......	82	90	......	82	82
Department of Labor:						
Unemployment trust fund	−2,102	−2,832	−4,299	36,607	35,877	33,775
Other	−9	−38	−38	53	25	15
Department of State:						
Foreign Service retirement and disability fund	296	301	289	6,662	6,667	6,963
Other	(* *)	12	12	38	50	50
Department of Transportation:						
Highway trust fund	−604	−914	638	22,004	21,694	21,090
Airport and airway trust fund	−417	−252	−1,809	12,672	12,837	12,420
Other	−4	−4	69	1,675	1,676	1,671
Department of the Treasury	21	−56	−34	209	132	153
Department of Veterans Affairs:						
General post fund, national homes	......	(* *)	4	39	38	38
National service life insurance:						
Public debt securities	−47	271	362	11,666	11,984	11,937
United States government life insurance Fund	2	−1	(* *)	125	122	124
Veterans special life insurance fund	−10	37	45	1,462	1,508	1,499
Environmental Protection Agency	133	207	79	5,477	5,551	5,683
National Aeronautics and Space Administration	......	(* *)	(* *)	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	−1,862	5,768	5,796	311,705	319,335	317,473
Employees health benefits fund	55	305	125	6,794	7,044	7,099
Employees life insurance fund	52	372	345	13,688	14,008	14,060
Retired employees health benefits fund	(* *)	(* *)	(* *)	1	1	1
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	(* *)	(* *)	(* *)	52	52	52
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	17	16	17
Railroad Retirement Board	35	−127	−5	11,961	11,799	11,834
Other	94	98	(* *)	125	129	222
Total public debt securities	−2,527	35,450	31,564	1,058,131	1,096,108	1,093,581
Total trust funds	**−2,527**	**35,450**	**31,564**	**1,058,131**	**1,096,108**	**1,093,581**
Grand total	**−2,029**	**34,743**	**30,246**	**1,116,740**	**1,153,512**	**1,151,483**

... No Transactions
(* *) Less than $500,000.

Note: Investments are in public debt securities unless otherwise noted.
Note: Details may not add to totals due to rounding.

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1994

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Receipts:														
Individual income taxes	37,680	37,634	54,183	74,167									203,664	195,251
Corporation income taxes	2,158	2,208	28,239	3,916									36,521	29,736
Social insurance taxes and contributions:														
Employment taxes and contributions	29,440	31,525	33,273	35,831									130,069	117,860
Unemployment insurance	1,046	2,773	259	794									4,872	4,393
Other retirement contributions	343	385	423	358									1,508	1,575
Excise taxes	3,597	4,808	4,695	4,011									17,111	15,073
Estate and gift taxes	990	1,305	1,179	1,105									4,580	3,828
Customs duties	1,708	1,688	1,584	1,526									6,506	6,018
Miscellaneous receipts	1,706	781	1,582	1,260									5,329	4,108
Total—Receipts this year	**78,668**	**83,107**	**125,416**	**122,968**									**410,159**	......
(On-budget)	**55,864**	**58,700**	**99,721**	**94,397**									**308,683**	......
(Off-budget)	**22,804**	**24,407**	**25,694**	**28,571**									**101,476**	......
Total—Receipts prior year	*76,824*	*74,625*	*113,683*	*112,712*									......	*377,844*
(On budget)	*55,048*	*51,211*	*89,586*	*90,124*									......	*285,969*
(Off budget)	*21,776*	*23,414*	*24,096*	*22,589*									......	*91,875*
Outlays														
Legislative Branch	378	206	204	212									1,000	829
The Judiciary	158	219	190	179									746	702
Executive Office of the President	20	18	16	20									73	75
Funds Appropriated to the President:														
International Security Assistance	3,302	397	366	129									4,194	4,661
International Development Assistance	557	351	242	388									1,538	1,475
Other	133	348	17	156									655	484
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation	900	2,263	2,614	974									6,750	8,537
Other	3,993	4,886	3,794	3,815									16,488	15,299
Department of Commerce	264	277	282	244									1,068	1,034
Department of Defense:														
Military:														
Military personnel	6,634	5,357	8,626	2,579									23,197	26,327
Operation and maintenance	6,413	7,049	6,953	8,668									29,083	28,918
Procurement	5,131	5,132	5,746	4,043									20,051	23,027
Research, development, test, and evaluation	2,987	2,875	2,949	2,678									11,489	11,728
Military construction	404	388	390	415									1,597	1,653
Family housing	226	208	241	273									948	964
Revolving and management funds	1,568	816	275	−892									1,767	2,249
Defense cooperation account	(* *)	(* *)	(* *)	(* *)									(* *)	−38
Other	−217	−27	572	−12									316	−1,040
Total Military	23,147	21,796	25,752	17,752									88,447	93,786
Civil	2,550	2,515	2,550	2,509									10,123	9,946
Department of Education	1,805	3,356	2,535	1,102									8,799	10,576
Department of Energy	1,710	1,723	1,492	1,269									6,195	5,434
Department of Health and Human Services, except Social Security:														
Public Health Service	1,467	1,700	1,633	1,178									5,977	5,835
Health Care Financing Administration:														
Grants to States for Medicaid	7,394	6,626	7,088	6,097									27,205	24,108
Federal hospital ins. trust fund	7,432	8,006	9,319	7,193									31,951	28,142
Federal supp. med. ins. trust fund	4,650	4,838	5,846	4,170									19,504	17,289
Other	3,783	3,801	3,782	2,968									14,334	14,768
Social Security Administration	2,970	2,061	3,892	1,760									10,683	10,432
Administration for children and families	2,797	2,723	2,828	2,771									11,119	9,353
Other	−5,060	−5,060	−5,094	−4,429									−19,643	−19,236
Department of Health and Human Services, Social Security:														
Federal old-age and survivors ins. trust fund	22,546	22,554	22,927	23,097									91,124	87,143
Federal disability ins. trust fund	2,992	2,998	2,991	3,054									12,035	11,020
Other	−977	−7	−17	−1,559									−2,560	−3,064

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1994—Continued

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Outlays—Continued														
Department of Housing and Urban Development	2,645	2,415	2,309	1,564									8,932	8,659
Department of the Interior	527	600	514	677									2,317	2,162
Department of Justice	749	905	773	822									3,249	3,771
Department of Labor:														
Unemployment trust fund	2,710	2,762	3,146	3,044									11,662	13,203
Other	652	61	673	463									1,849	1,268
Department of State	843	586	478	407									2,315	2,165
Department of Transportation:														
Highway trust fund	1,774	1,601	1,516	1,243									6,134	5,347
Other	1,377	1,651	2,224	1,255									6,508	5,871
Department of the Treasury:														
Interest on the public debt	17,638	22,260	52,712	17,899									110,509	110,224
Other	−102	75	983	590									1,547	332
Department of Veterans Affairs:														
Compensation and pensions	1,400	1,406	2,748	61									5,615	5,477
National service life	66	57	75	68									266	180
United States government life	2	1	2	1									6	6
Other	1,338	1,705	1,613	2,001									6,657	5,856
Environmental Protection Agency	430	506	458	456									1,850	1,898
General Services Administration	239	−489	384	−658									−524	−241
National Aeronautics and Space Administration	1,079	1,214	1,191	1,015									4,500	4,773
Office of Personnel Management	3,335	2,879	3,079	3,249									12,542	11,991
Small Business Administration	14	146	49	−7									202	250
Independent agencies:														
Fed. Deposit Ins. Corp.:														
Bank insurance funds	52	−182	−1,322	−452									−1,904	−1,033
Savings association fund	−5	4	8	−25									−17	−27
FSLIC resolution fund	(* *)	8	−140	−93									−225	181
Postal Service:														
Public enterprise funds (off-budget)	−509	−237	146	194									−406	−452
Payment to the Postal Service fund	61	......	......	23									85	100
Resolution Trust Corporation	7	−1,169	2,471	−74									1,235	−8,164
Tennessee Valley Authority	106	168	101	212									586	832
Other independent agencies	1,705	2,048	991	1,402									6,146	5,990
Undistributed offsetting receipts:														
Employer share, employee retirement	−2,572	−2,449	−2,592	−2,601									−10,214	−10,156
Interest received by trust funds	−359	−5,173	−36,027	−122									−41,682	−39,847
Rents and royalties on outer continental shelf lands	−21	−461	−145	−313									−940	−752
Other	(* *)	(* *)	(* *)	(* *)									(* *)	(* *)
Totals this year:														
Total outlays	**124,090**	**121,488**	**133,667**	**107,355**									**486,601**	......
(On-budget)	**100,568**	**96,724**	**121,985**	**83,164**									**402,440**	......
(Off-budget)	**23,523**	**24,764**	**11,683**	**24,192**									**84,161**	......
Total-surplus (+) or deficit (−)	**−45,422**	**−38,381**	**−8,252**	**+15,613**									**−76,442**	......
(On-budget)	**−44,704**	**−38,024**	**−22,263**	**+11,234**									**−93,758**	......
(Off-budget)	**−719**	**−357**	**+14,012**	**+4,379**									**+17,315**	......
Total borrowing from the public	**4,255**	**71,028**	**13,995**	**−6,933**									**82,345**	**73,140**
Total-outlays prior year	*125,616*	*107,351*	*152,629*	*82,896*									......	*468,492*
(On-budget)	*103,775*	*83,432*	*116,568*	*84,921*									......	*388,697*
(Off-budget)	*21,841*	*23,919*	*36,061*	*−2,025*									......	*79,795*
Total-surplus (+) or deficit (−) prior year	*−48,792*	*−32,726*	*−38,947*	*+29,817*									......	*−90,648*
(On-budget)	*−48,727*	*−32,221*	*−26,982*	*+5,202*									......	*−102,727*
(Off-budget)	*−65*	*−505*	*−11,965*	*+24,614*									......	*+12,079*

... No transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of January 31, 1994

[$ millions]

Classification	This Month			Fiscal Year to Date			Securities held as Investments Current Fiscal Year		
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	Beginning of This Year	Beginning of This Month	Close of This Month
Trust receipts, outlays, and investments held:									
Airport	143	584	-441	1,901	2,162	-261	12,672	12,837	12,420
Black lung disability	56	46	10	205	196	9	......	......	......
Federal disability insurance	2,898	3,054	-156	10,536	12,035	-1,498	10,237	9,010	8,829
Federal employees life and health	......	-89	89	......	-473	473	20,484	21,054	21,161
Federal employees retirement	1,183	3,015	-1,832	18,098	12,015	6,083	318,583	326,239	324,673
Federal hospital insurance	7,166	7,193	-27	33,612	31,951	1,661	126,078	128,804	127,969
Federal old-age and survivors insurance	27,826	23,097	4,729	109,531	91,124	18,407	355,510	369,335	374,070
Federal supplementary medical insurance	4,424	4,170	254	20,614	19,504	1,110	23,268	24,862	24,195
Highways	1,226	1,395	-169	6,313	6,712	-399	22,004	21,694	21,090
Military advances	836	1,015	-179	4,029	4,361	-332	......	......	......
Railroad retirement	541	652	-111	1,648	2,581	-933	11,961	11,799	11,834
Military retirement	971	2,200	-1,229	20,996	8,788	12,208	96,690	109,830	108,711
Unemployment	1,021	3,044	-2,024	8,830	11,662	-2,832	36,607	35,877	33,775
Veterans life insurance	30	111	-82	660	344	316	13,253	13,615	13,560
All other trust	557	224	332	1,630	1,132	497	10,784	11,153	11,295
Total trust fund receipts and outlays and investments held from Table 6-D	**48,878**	**49,713**	**-835**	**238,604**	**204,095**	**34,509**	**1,058,131**	**1,096,108**	**1,093,581**
Less: Interfund transactions	7,820	7,820	......	83,896	83,896	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	41,058	41,893	-835	154,708	120,200	34,509			
Total Federal fund receipts and outlays	**84,146**	**67,699**	**16,447**	**265,566**	**376,517**	**-110,951**			
Less: Interfund transactions	-224	-224	......	29	29	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	84,370	67,923	16,447	265,537	376,488	-110,951			
Less: offsetting proprietary receipts	2,460	2,460	......	10,087	10,087	......			
Net budget receipts & outlays	**122,968**	**107,355**	**15,613**	**410,159**	**486,601**	**-76,442**			

...... No transactions

Note: Interfund receipts and outlays are transactions between Federal funds and trust funds such as Federal payments and contributions, and interest and profits on investments in Federal securities. They have no net effect on overall budget receipts and outlays since the receipts side of such transactions is offset against bugdet outlays. In this table, Interfund receipts are shown as an adjustment to arrive at total receipts and outlays of trust funds respectively.

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

Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, January 1994 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	74,167	203,664	195,251
Corporation income taxes	3,916	36,521	29,736
Social insurance taxes and contributions:			
Employment taxes and contributions	35,831	130,069	117,860
Unemployment insurance	794	4,872	4,393
Other retirement contributions	358	1,508	1,575
Excise taxes	4,011	17,111	15,073
Estate and gift taxes	1,105	4,580	3,828
Customs	1,526	6,506	6,018
Miscellaneous	1,260	5,329	4,108
Total	**122,968**	**410,159**	**377,844**
NET OUTLAYS			
National defense	18,861	92,941	97,653
International affairs	1,103	8,347	8,481
General science, space, and technology	1,299	5,737	5,988
Energy	465	1,784	1,677
Natural resources and environment	1,447	7,710	8,055
Agriculture	1,122	7,874	9,014
Commerce and housing credit	−1,124	−981	−8,388
Transportation	2,503	12,599	11,238
Community and Regional Development	906	3,506	3,104
Education, training, employment and social services	2,693	15,832	16,721
Health	7,665	34,562	31,460
Medicare	9,858	45,881	40,719
Income security	16,196	70,073	66,974
Social Security	26,151	103,163	98,160
Veterans benefits and services	2,151	12,637	11,610
Administration of justice	1,210	4,770	4,855
General government	669	4,334	5,070
Interest	17,095	66,986	67,010
Undistributed offsetting receipts	−2,914	−11,154	−10,908
Total	**107,355**	**486,601**	**468,492**

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

Explanatory Notes

1. Flow of Data Into Monthly Treasury Statement

The Monthly Treasury Statement (MTS) is assembled from data in the central accounting system. The major sources of data include monthly accounting reports by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. These reports detail accounting transactions affecting receipts and outlays of the Federal Government and off-budget Federal entities, and their related effect on the assets and liabilities of the U.S. Government. Information is presented in the *MTS* on a modified cash basis.

2. Notes on Receipts

Receipts included in the report are classified into the following major categories: (1) budget receipts and (2) offsetting collections (also called applicable receipts). Budget receipts are collections from the public that result from the exercise of the Government's sovereign or governmental powers, excluding receipts offset against outlays. These collections, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections are from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) offsetting collections credited to appropriations or fund accounts, and (2) offsetting receipts (i.e., amounts deposited in receipt accounts). Collections credited to appropriation or fund accounts normally can be used without appropriation action by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without being appropriated. They are subdivided into two categories: (1) proprietary receipts—these collections are from the public and they are offset against outlays by agency and by function, and (2) intragovernmental funds—these are payments into receipt accounts from Governmental appropriation or funds accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts. The transactions may be intrabudgetary when the payment and receipt both occur within the budget or from receipts from off-budget Federal entities in those cases where payment is made by a Federal entity whose budget authority and outlays are excluded from the budget totals.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions, where the payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions, where the payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions, where the payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, by subfunction, or by agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by off-budget Federal entities) as employers into employees retirement funds, (2) interest received by trust funds, (3) rents and royalties on the Outer Continental Shelf lands, and (4) other interest (i.e., interest collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

3. Notes on Outlays

Outlays are generally accounted for on the basis of checks issued, electronic funds transferred, or cash payments made. Certain outlays do not require issuance of cash or checks. An example is charges made against appropriations for that part of employees' salaries withheld for taxes or savings bond allotments — these are counted as payments to the employee and credits for whatever purpose the money was withheld. Outlays are stated net of offsetting collections (including receipts of revolving and management funds) and of refunds. Interest on the public debt (public issues) is recognized on the accrual basis. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of accounting and are divided into two components. The portion of the credit activities that involve a cost to the Government (mainly subsidies) is included within the budget program accounts. The remaining portion of the credit activities are in non-budget financing accounts. Outlays of off-budget Federal entities are excluded by law from budget totals. However, they are shown separately and combined with the on-budget outlays to display total Federal outlays.

4. Processing

The data on payments and collections are reported by account symbol into the central accounting system. In turn, the data are extracted from this system for use in the preparation of the *MTS*.

There are two major checks which are conducted to assure the consistency of the data reported:

1. Verification of payment data. The monthly payment activity reported by Federal entities on their Statements of Transactions is compared to the payment activity of Federal entities as reported by disbursing officers.
2. Verification of collection data. Reported collections appearing on Statements of Transactions are compared to deposits as reported by Federal Reserve banks.

5. Other Sources of Information About Federal Government Financial Activities

- *A Glossary of Terms Used in the Federal Budget Process, March 1981* (Available from the U.S. General Accounting Office, Gaithersburg, Md. 20760). This glossary provides a basic reference document of standardized definitions of terms used by the Federal Government in the budgetmaking process.

- *Daily Treasury Statement* (Available from GPO, Washington, D.C. 20402, on a subscription basis only). *The Daily Treasury Statement* is published each working day of the Federal Government and provides data on the cash and debt operations of the Treasury.

- *Monthly Statement of the Public Debt of the United States* (Available from GPO, Washington, D.C. 20402 on a subscription basis only). This publication provides detailed information concerning the public debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, by subscription or single copy). Quarterly. Contains a mix of narrative, tables, and charts on Treasury issues, Federal financial operations, international statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 —* (Available from GPO, Washington, D.C. 20402). This publication is a single volume which provides budget information and contains:

  -Appendix, The Budget of the United States Government, FY 19 —
  -The United States Budget in Brief, FY 19 —
  -Special Analyses
  -Historical Tables
  -Management of the United States Government
  -Major Policy Initiatives

- *United States Government Annual Report and Appendix* (Available from Financial Management Service, U.S. Department of the Treasury, Washington, D.C. 20227). This annual report represents budgetary results at the summary level. The appendix presents the individual receipt and appropriation accounts at the detail level.

Scheduled Release

The release date for the February 1994 Statement will be 2:00 pm EST March 21, 1994.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 783-3238. The subscription price is $27.00 per year (domestic), $33.73 per year (foreign).
No single copies are sold.

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
February 23, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $17,005 million of 2-year notes, Series AD-1996, to be issued February 28, 1994 and to mature February 29, 1996 were accepted today (CUSIP: 912827N99).

The interest rate on the notes will be 4 5/8%. All competitive tenders at yields lower than 4.66% were accepted in full. Tenders at 4.66% were allotted 98%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 4.66%, with an equivalent price of 99.934. The median yield was 4.63%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 4.58%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$42,888,236	$17,004,936

The $17,005 million of accepted tenders includes $796 million of noncompetitive tenders and $16,209 million of competitive tenders from the public.

In addition, $1,509 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $413 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

LB-662

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 24, 1994

Summary Testimony of Treasury Secretary Lloyd Bentsen
Senate Committee on Banking, Housing and Urban Affairs
Washington D.C.

LB-663

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 24, 1994

Summary Testimony of Treasury Secretary Lloyd Bentsen
Senate Committee on Banking, Housing and Urban Affairs
Washington D.C.

Mr. Chairman, members of the Committee, with me today are Oversight Board members: Alan Greenspan, Chairman of the Federal Reserve Board; Roger Altman, RTC Interim CEO; Jonathan Fiechter, Acting Director of the Office of Thrift Supervision; and Andrew Hove, Acting Chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Dietra Ford, Executive Director of the Oversight Board.

I have a longer version for the record, which I'll summarize today. But before I begin, thank you, Mr. Chairman and the other members, for your bi-partisan efforts last session to obtain funding for RTC to finish its job.

Let me tell you something you don't hear very often: we're not here to ask for more money. The funding provided through the RTC Completion Act should be sufficient.

In fact, they tell me this is the first time the Oversight Board has been before you that it won't be asking for additional funding -- and I'm glad to have that honor!

I'm also happy to report that few S&Ls are failing. And 99 percent of private-sector thrifts are well or adequately capitalized.

Let me review some numbers. Since RTC was created in 1989, it's taken over 743 failed institutions -- and it's closed or sold 680 of them.

In the process, it protected nearly 23 million deposit accounts, with average balances of $9,000. RTC made good on the government's guarantee of deposit insurance to millions of Americans nationwide.

I might add, it did this without disruption. A lot of the customers didn't even know RTC had taken control of their S&L.

The RTC also undertook the greatest liquidation in history -- so far disposing of $393 billion in assets for about 90 percent of their book value.

RTC sold -- since its inception -- nearly 80,000 units as affordable housing. So, at least tens of thousands of lower-income families have benefited as this problem is being resolved.

Crime is at the top of our agenda these days. We talk about violent crimes -- well, this scandal had criminals. White-collar criminals.

More than 1,500 persons were charged with major crimes involving S&Ls. Nearly 1,250 were convicted. Of those sentenced, more than 75 percent went to prison. And RTC has pursued civil recoveries from wrong-doers, with all involved agencies collecting nearly $2 billion.

Mr. Chairman, when this Administration took office, the total cost of resolving the S&L problem was estimated at between $100 and $160 billion.

When I testified last March, we thought as much as $45 billion in additional funding would be needed. That was on top of the nearly $87 billion already appropriated.

A lot of people agreed with us. The Congressional Budget Office estimated $50 billion. The General Accounting Office had us around that level. So did both the House and Senate Budget Committees.

As RTC funding legislation moved through Congress last year, constantly improving economic conditions resulted in record earnings for the S&L and banking industries. By mid-November, after lengthy deliberations in both Houses, the funding bill provided $18.3 billion.

That brought the total amount provided by Congress for the clean-up to $105 billion, a figure on the low end of the estimate when this Administration took office.

I know the results could have been different -- easily.

Depositors could have lost their savings. Losses to the government could have been far greater. Resolution of the problem could have taken much longer.

But to the credit of a great number of people, including many of you sitting here today, the problem is near resolution.

I'd like to give some credit for that to the management of RTC.

And I think we better credit the economy.

Deficit reduction has helped interest rates fall. And we've taken steps to increase the availability of credit, and tackling unnecessary regulations and reporting requirements that discouraged lenders from making loans to small businesses.

And we'll continue to propose changes that'll result in greater credit availability and efficiencies in the banking industry. This is why we want to solve a number of issues, including passage of the community development financial institutions legislation, which includes a balanced reduction in regulatory burden.

I'll be before this Committee next week with specifics on the Administration's proposal to reform and simplify the regulatory structure for depository institutions.

Our proposal not only will eliminate unnecessary regulatory expenses, which could result in the availability of greater credit -- but as importantly, it can help avoid new crises by putting a stop to inconsistent and confused regulation. We'll talk more next week.

But the point I want to make on deficit reduction is that the market responded. The economy responded.

Housing starts and home sales are up. And that's good news when you're RTC and you're trying to sell real estate.

And lower interest rates and increased credit activity have brought about increased earnings for all types of financial institutions. Many S&LS that may have been at risk are now making profits.

But you and I know -- we can't predict what will happen between now and 1995 when RTC goes out of business. Nobody foresaw floods and earthquakes -- and they can have economic consequences.

We're not done yet. Through 1995, RTC must continue to protect depositors. It must dispose of some very hard to sell assets. It must ensure its operations are run effectively. It must work toward an orderly transition of its responsibilities to the FDIC. And it must never lose sight of its mandates to provide affordable housing and maximize minority participation, including implementation of provisions of the RTC Completion Act.

I've urged RTC to work aggressively on the issue of minority participation. It's imperative that minority- and women-owned businesses have an ample opportunity to win contracts, to purchase assets, and to acquire failed thrifts.

In fact, RTC is taking special care to meet requirements of the Completion Act to provide preferences to minority institutions, while applying the least-cost test.

Let me be more specific on some of those things I mentioned.

RTC has begun resolving 63 insolvent institutions now operating in conservatorship, which have about 2.3 million deposit accounts.

Some additional institutions may be transferred this year. If so, RTC will make good on the government's guarantee to these insured depositors -- and any others who may yet fall under its jurisdiction.

Insofar as the remaining inventory of nearly $64 billion assets, these are mostly hard-to-sell land, other real property, and non-performing mortgages.

While the improved economy helps sales, the potential losses to the taxpayers could be reduced if these assets are managed and sold efficiently.

RTC is working on improving its marketing and sales strategies and is seeking creative, yet sound, techniques to maximize returns.

To fulfill its remaining mission, RTC will benefit from good managers.

Jack Ryan, of OTS, was appointed Deputy CEO. Ellen Kulka of OTS, has been appointed General Counsel. And Tom Horton has been promoted to Acting Senior Vice President for Asset Management and Sales.

And I can tell you today that the Administration expects to submit its nomination for a permanent Chief Executive Officer shortly.

I thank Roger Altman for his service as Interim CEO. His term expires the end of March, and we hope by then to have our nominee before you. In line with the RTC Completion Act, Jack Ryan will serve as the Interim CEO between the time Mr. Altman's term expires and the permanent CEO is confirmed.

The Oversight Board will also make some appointments to the Audit Committee, which will be in operation soon.

I've asked Frank Raines, vice chairman of Fannie Mae, to chair that one. And to serve as members, we've asked Jonathan Fiechter, of OTS; and Robert Larson, vice chairman of the Taubman Company, and a former member of the Oversight Board. Mr. Larson has also been re-nominated to serve on the Oversight Board, and I hope you'll be able to approve his nomination soon.

RTC will close down on December 31, 1995 -- one year earlier than originally thought. And planning for this is well underway.

I expect the new management to work with the people at the FDIC, in a cooperative way, to carry out the transition of RTC to FDIC.

This past year, the Oversight Board has also strengthened our staff reviews. We want to ensure improvements continue, and so we're scrutinizing some things.

For instance, our staff has been monitoring RTC's efforts to improve its contracting systems and oversight. A review is being conducted to make sure policies are applied uniformally to all contractors, and that contract oversight procedures provide effective review of performance.

Another example: the staff has focused on RTC's Financial Operating Plan -- its operating budget and all its borrowing activity.

And our advisory boards are taking hard looks at the policies governing asset sales. Late last year, Ira Hall of IBM USA was named chairperson of the National Advisory Board -- bringing considerable financial and private-sector expertise to the process.

These boards meet regularly at sites nationwide to discuss progress and hear testimony from witnesses. RTC listens to their advice -- they've been instrumental in advancing affordable housing opportunities.

Our advisory board structure will change this year. The Completion Act created a new Affordable Housing Advisory Board -- to replace the National Housing Advisory Board. The new board will be made up of nine members, including the Secretary of HUD.

They'll be providing advice on affordable housing programs and how to merge RTC programs with FDIC programs after the shut down. We're looking forward to working with them.

Now, last year at this hearing, I announced 10 goals insofar as improving or reforming RTC management.

Things like putting in place a system to ensure prompt follow-up on findings of the Inspector General and General Accounting Office; strengthening the contracting system and oversight of its private sector contractors; and appointing a Chief Financial Officer.

The RTC Completion Act mandated and expanded on these reforms, and RTC is moving to meet the standards Congress set.

I'm pleased with the results. In a minute, I'd like Roger Altman to discuss them with you -- one by one.

I hope you especially note what we've done on opportunities for minority and women-owned businesses and in strengthening our internal accounting and administrative control systems.

I personally believe these programs are an important part of RTC's duties and that this is an area it must continue to focus attention on to ensure legislative mandates are attained.

Mr. Chairman, let me end on this. I believe RTC has made significant progress in the past year in achieving its mandates ... and in addressing the concerns raised by Congress, by GAO, and by the Oversight Board.

There have been many problems, but the organization has been relatively free from partisan conflict. Republicans and Democrats alike have been committed to fulfilling the government's obligations to protect depositors at the least cost to the taxpayer.

In 1994, we'll keep working at it.

And looking to 1995, well, I believe RTC will be more than happy to be out of business.

We'll all be happy!

Thank you, and let me turn this over to Mr. Altman.

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
February 24, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $11,021 million of 5-year notes, Series K-1999, to be issued February 28, 1994 and to mature February 28, 1999 were accepted today (CUSIP: 912827P22).

The interest rate on the notes will be 5 1/2%. All competitive tenders at yields lower than 5.61% were accepted in full. Tenders at 5.61% were allotted 94%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 5.61%, with an equivalent price of 99.526. The median yield was 5.60%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.55%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$31,437,721	$11,021,186

The $11,021 million of accepted tenders includes $516 million of noncompetitive tenders and $10,505 million of competitive tenders from the public.

In addition, $530 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $350 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 24, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
PRE G-7 PRESS CONFERENCE

This Saturday, Chairman Greenspan and I will attend the meeting of G-7 finance ministers and central bank governors in Frankfurt, Germany.

It's been a year since I attended my first G-7 meeting. We've seen a lot since then. Our recovery has taken hold, and a number of other G-7 countries also are recovering. The international community has come forward to support the historic transformation taking place in Russia.

The meetings this weekend will assess the progress achieved over the past year and consider the unfinished agenda ahead of us. Clearly, our first priority remains broadening and extending the economic recovery throughout not only the G-7 economies but also throughout the world economy.

In the United States, we have laid the basis for that recovery with our solid growth, our declining budget deficit and the lowest inflation and interest rates in more than 20 years. However, the situation in continental Europe and in Japan is not as good. Some useful steps have been taken, but more needs to be done. We will want to discuss that with our partners. In particular I'm anxious to learn how Japan intends to create the growth led by domestic demand needed to cut its external surplus. That surplus clearly is acting as a drag on the world economy.

Beyond that, we want to hear about Europe's effort to reduce the staggering burden of rising unemployment by lowering interest rates and making structural economic reforms.

LB-665

(MORE)

We also will meet with the new Russian economic team -- Finance Minister Dubinin, Economic Minister Shokhin, and Central Bank Governor Gerashchenko. We want to discuss ways that international support can help their efforts to stabilize and reform the Russian economy. The managing director of the International Monetary Fund, as well as the managing director of the World Bank, will join us for part of our talks to review the efforts of the international institutions.

Let me say that Russia has made progress in liberalizing and privatizing its economy -- we've seen that over the past year -- but we want to see them bring inflation under control. That's a very cruel tax on the Russian people. We will urge Russia to strengthen its stabilization efforts, so it can obtain additional IMF financial support. And we will urge them to take advantage of World Bank support for structural reform and social programs.

Finally, we will continue our recent practice of holding informal discussions. The chairman of the meeting, German Finance Minister Waigel, will meet with you afterwards to let you know what did and didn't happen. However, we won't be issuing any formal G-7 communiques.

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TESTIMONY

OF

ROGER C. ALTMAN

INTERIM CHIEF EXECUTIVE OFFICER

OF THE

RESOLUTION TRUST CORPORATION

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
OF THE
UNITED STATES SENATE

10:00 A.M.

FEBRUARY 24, 1994

ROOM 534 DIRKSEN SENATE OFFICE BUILDING

Good morning, Mr. Chairman and Members of the Committee. This is the final time I will appear before Congress in my RTC capacity. Under the terms of the Vacancy Act, my appointment expires on March 30, 1994.

It is the intention of the Administration to nominate a permanent CEO for this agency as soon as possible. As the Chairman knows, we are quite far down the road in that selection process, and it won't take much longer. Once a nomination is forwarded to you, we hope that this Committee will act expeditiously. The RTC needs a full time chief executive, as I've said many times.

Last year, we chose a fine candidate, Stanley Tate, and we regret that he withdrew his nomination, 4 1/2 months after it was announced, and after Congress recessed for the remainder of 1993. He withdrew on his own, not at our urging, and he would have done a good job.

Let me also thank the Chairman and Members of the Committee for your efforts to secure funding for the RTC. With your help, the RTC Completion Act was enacted last December. That will make it possible for the RTC to complete its mission, close its doors and bring the S&L cleanup to a close.

Here at the outset, I'd also like to note the RTC's activities in response to the earthquake in California. Foreclosures in the affected area have been delayed, and staff and loan services have been directed to help homeowners avoid delinquencies on mortgages held by the RTC. We also have searched our inventory for properties that can be made available to FEMA for shelter. So far, we have notified FEMA of 54 multifamily units and 47 single-family residences that can be made available. Additional suitable properties will be directed to FEMA as they are identified. There also is a temporary moratorium on new sales of properties in the earthquake area until full assessments of damages are made and the potential for such properties as shelter is evaluated.

Let me turn now to a status report on the RTC. As you know, we are now in the last lap of this thrift clean-up, which everyone hopes will never happen again.

The S&L collapse required the biggest financial rescue in recent history. Including monies spent by the FSLIC in 1988, the thrift cleanup is expected to cost the American taxpayer approximately $150 billion. Putting this into perspective, at present budget levels,this is equivalent to 9 years of AFDC payments or 45 years of Head Start. At a time when we all struggle to finance federal support of vital activities--from national security to education--these are sobering comparisons. We must strive to ensure that such a fiasco is never repeated.

Mr. Chairman, when we inherited responsibility for this agency, it was not in a sound condition. During the 1991 and 1992 period, it had been run with only one goal: resolve institutions and sell the related assets as fast as possible and close its doors as soon as possible. There was little interest or attention either to the internal soundness of the organization or to opportunities for women and minorities which could be created by its operations.

In addition, the RTC became one of the largest contracting organizations of all time, yet its contracting procedures were poor. It was charged with auditing major contractors, but had inadequate audit follow-up systems. It was selling assets in huge blocks, denying local investors a shot at local properties they knew best. Despite being larger than almost any American bank or securities firm, it had no full time chief financial officer; nor a permanent general counsel; nor a business plan of any kind. Typifying this rush, a whole series of RTC offices were closed in 1992, in effect, at the height of the agency's activities. This contributed to severe staff turnover and weakened efforts in certain crucial areas, like the pursuit of those with liability in thrift failures. And, these weaknesses had turned the RTC into an object of much controversy.

We determined, Mr. Chairman, to concentrate on repairing the organization, not just shoveling assets out the front door. This didn't require us to postpone the RTC's closing date. Indeed, the agency will be out of business one year earlier than foreseen in the original RTC statute. But, when Secretary Bentsen first testified on the RTC before this Committee, almost exactly one year ago, he outlined management reforms to which we committed ourselves. Most of these reforms were subsequently incorporated in the 21 management reforms required by the RTC Completion Act. As indicated below, the reforms originally called for by Secretary Bentsen have largely been completed. RTC's progress to date on all 21 reforms prescribed by the recently enacted RTC Completion Act is summarized in Exhibit 1. Let me point out a few areas which we particularly emphasized.

Management Reforms

1. <u>Strengthened Contracting Procedures</u>

The agency's contract award procedures had often been violated in the past and our first action here was to mandate compliance. Every RTC contractor and employee was advised that contracts could only be secured through proper channels, which include only Warranted Contracting Officers and Managing Agents for conservatorship institutions.

Some of these compliance problems reflected weak organizing principles. Contracts were often let by the same employees responsible for overseeing them. Obviously, in the event of a compliance problem, the employee had little incentive to draw attention to it. To correct this, the Office of Contracts has been re-organized into two separate units, one for contract solicitation and awards and another for contract administration.

Background investigation procedures for prospective contractors have also been beefed up; training sessions have been conducted for contracting staff on improved contract oversight; a monthly reporting system has been developed to monitor progress in promoting competition by RTC offices; and the scope of contracting oversight has been substantially expanded, along with more stringent contract controls. Contractor Oversight staffing has more than doubled, from (118 to 265) and reviews of nearly 500 outstanding contracts were initiated in 1993.

Contracting Performance Compliance Reviews are performed on a regular basis, and contracting procedures are again being reviewed as part of the 21 management reforms found in the RTC Completion Act.

2. **Audit Follow-up**

A new reporting system has been implemented to ensure that management responds to the concerns expressed by auditors. The system now tracks and updates the status of all Inspector General, GAO, and internal RTC findings and recommendations, including corrective actions.

Procedures and time requirements for resolving audit findings are also in place. Management responsibility is assigned and certifications are required attesting to the completion of planned management actions. I am pleased to say that the RTC is current in following up on almost all GAO and OIG findings and is placing increased emphasis on responding to internal RTC reviews.

3. **Comprehensive Business Plan**

The RTC has completed a comprehensive Business Plan and copies have been sent to this Committee. It is a highly detailed and, in my view, an impressive piece of work. The Business Plan is intended to be a living document, and it will be updated as circumstances warrant.

4. **A True Chief Financial Officer**

A Chief Financial Officer has been on board since June 1993. Ms. Donna Cunninghame has taken that helm very ably, as reflected in the improvement in internal controls at RTC.

5. **Expand opportunities for minorities and women**

Mr. Chairman, one of our highest priorities has been to increase participation for minorities and women in RTC activities, particularly contracting of all kinds and asset sales. I am very pleased by the record we have built in this area.

Our first step was to elevate, in 1993, the Minority and Women's Program (MWP) to the Divisional level, and require that its head report to the CEO and serve on the Executive Committee.

Then, we insisted that the MWP program be involved fully in the contracting process. It now participates in virtually every phase of contract operations, including pre-solicitation, solicitation, evaluation, selection, contract administration, and post-award activity.

We have taken action to expand the number of minority- and women-owned businesses (MWOBs) receiving RTC contract solicitations. Source Selection Plans developed by the contracting offices are reviewed to ensure equitable inclusion of MWOBs. An MWOB database has been developed which centralizes the listing of certified firms. It has significantly improved the process of developing source lists and there are now more than 1,100 certified MWOBs in the database.

During the proposal evaluation phase of the contracting process, MWP reviews joint venture proposals and subcontracting plans submitted by prime contractors to determine if they meet eligibility requirements.

To further improve contracting opportunities, the Division actively participates in Technical Evaluation Panels (TEPs) for contracts over $50,000. And, it maintains effective communication with the Contracting Officers and Contract Oversight Managers to assure MWOB participation in smaller cases where fees are estimated to be below $50,000. The MWP Division also has increased efforts to encourage SAMDA contractors to utilize MWOBs as subcontractors.

Let's look at the record. First, on a cumulative basis since inception, the RTC has awarded 126,939 non-legal contracts nationwide, with 41,267 or 33 percent being awarded to MWOBs (**Exhibit 2**). Of the $3.7 billion awarded in non-legal fees, $786 million (21 percent) has been awarded to MWOBs. Non-minority women received fees of $399 million, or 11 percent of total fees. Ethnic minorities received $387 million, or 10 percent of fees.

Now, let's look at last year. In 1993, RTC paid non-legal fees of $500 million, with MWOBs receiving $155 million (31 percent). Non-minority women were awarded fees of $54 million (11 percent). Ethnic minorities received $101 million in fees (20 percent).

Our commitment to maximizing opportunities for minorities and women is reflected in these rising totals. The proportion of non-legal contracts awarded to MWOBs rose from 35 percent in 1992 to 43 percent in 1993. Over the same period, the proportion of fees going to MWOBs rose from 22 to 31 percent.

The RTC also has continued efforts to encourage the use of minority- and women-owned law firms (MWOLFs) as outside counsel. And, there have been significantly increased levels of MWOLF participation. As of December 31, 1993, 1,083 MWOLFs were on the RTC Legal Information System (RLIS), including 450 women-owned firms. MWOLFs represented 35 percent of all law firms on this system. Last year, MWOLFs received $53.8 million or 13 percent of all legal fees from the RTC, a big increase over the $37.6 million paid in 1992. Minority-owned law firms received $35.7 million in 1993, way above the $23.1 million of 1992. Women-owned law firms received $18.1 million in fees in 1993, up from the $14.5 million received in 1992.

And, in 1993, 24 percent of all legal fees were billed by minority and women attorneys in non-MWOLFs.

Beyond contracting, MWP also worked to improve asset acquisition opportunities for minorities, women and small investors. During 1993, it participated in the Small Investor Program (SIP), and the Judgments, Deficiencies, and Charge-Offs (JDCs) initiative, which had MWOB equity or MWOB subcontracting participation in about 80 percent of its bidders. MWP also participated in activities to support the Affordable Housing Disposition Program.

On the resolution side, RTC will implement the provision of the RTC Completion Act relating to acquisition of institutions or branches in predominantly minority neighborhoods. Our interim rule defines the term "predominantly minority neighborhood" as any postal zip code area in which 50 percent or more of the residents are minorities, unless the RTC has determined that other reasonably reliable and readily accessible data indicate more accurate neighborhood boundaries.

There will be a directive to implement this provision. It probably will define an institution in a predominantly minority neighborhood as one whose home office is located in such a neighborhood if deposits are taken and operations are directed from that office, or one that has 50 percent or more of its offices in predominantly minority neighborhoods. The directive will also spell out bidding procedures for institutions or branches in such neighborhoods. These are likely to include a provision that, in bidding for institutions or branches in such a neighborhood, if a minority bidder has bid within 10 percent of the high bid (which has been made by a majority bidder), both the high majority bidder and the high minority bidder shall have an opportunity to submit one more best and final bid (which can be no lower than the high bid). This is within the spirit of the requirement in the Act that minority bidders receive a meaningful preference while still maximizing return to the taxpayer. Finally, minority bidders for institutions or branches in predominantly minority neighborhoods will be offered interim capital assistance, will have an option to purchase RTC assets at market values, and may be able to occupy branch offices owned by the failed institutions and located within a predominantly minority neighborhood on a rent-free basis for 5 years.

6. **Improve RTC's professional liability section (PLS)**

PLS has been a particularly troubled area of RTC operations. There have been complaints that the RTC was unfairly pursuing former S&L directors who had no real role in the organization. There also have been criticisms at the other end of the spectrum, i.e. that the RTC was not sufficiently zealous in its pursuit of the "real crooks." As GAO recognized in its mid-1993 report on this program, the primary problems have involved inadequate staffing levels and an overall lack of experienced attorneys. The temporary nature of this agency has made recruiting efforts more difficult. But, we have worked hard to increase the size and training of PLS staff. Currently, there are 83 attorneys on staff, the largest total in the history of the program. Additional PLS managerial positions were recently authorized to improve oversight in this area.

Senior RTC and FDIC officials also are planning an accelerated merger of the RTC PLS unit with its counterpart in the FDIC. This recognizes that the FDIC is a source of experienced attorneys in this highly specialized area. Such a merger would help restore a needed sense of stability to the program.

Let me briefly review the record of recoveries in this area. As of the end of 1993, RTC PLS had obtained over $744 million in settlements and judgments, with total collections amounting to just over $680 million. Legal fees and expenses through December 1993 totaled $259 million. Since a substantial portion of these expenses have been incurred in connection with matters that have not yet been resolved, the ratio of recoveries to expenses will continue to improve in the future. In 1993, for example, recoveries exceeded $348 million, over 50 per cent of the total for the entire history of the program.

PLS has also been a leader in utilizing the services of MWOLFs. During a six month period in 1993, for example, the headquarters Legal Services Committee studied MWOLF hiring performance by the various Legal Division departments in the Washington office. The headquarters PLS unit, which oversees the largest and most complex matters in the program, made 60 percent of its total referrals during this period to MWOLFs, with some 39 percent of total fees budgeted for these referrals allocated to these MWOLFs.

Finally, the effective prosecution of PLS claims continues to be one of the RTC's highest priorities. Both the GAO and the OIG, investigating charges that the program had been weakened by political influence and management efforts to undermine its effectiveness, found no evidence that such forces were at work.

7. Improved management information systems

Systems has been another troubled area. One weakness in RTC's management information systems has been the accuracy of the data contained in these systems. RTC has instituted a corporate-wide data quality program that focuses on the verification of the data in all of RTC's systems with an initial focus on RTC's 17 major information systems. To date, data quality programs for seven of these systems have been developed, with the remaining ten underway.

Another weakness has been that RTC management information systems have inadequately met the business needs of the RTC. To address this problem, the RTC has created system user groups to better identify its requirements, has allocated resources to better connect the user groups with the builders of systems, and has established an Information Resources Management Steering Committee to better communicate and coordinate information management issues.

Finally, in light of the limited remaining life of the RTC, emphasis has shifted from systems development and enhancement to the consolidation of resources and maintenance of the main application systems with a view toward the eventual transition of systems to the FDIC.

8. Appoint an audit committee

As discussed in Secretary Bentsen's testimony, an audit committee is in the process of being formed, and is expected to begin its work shortly. It was necessary to await passage of the Completion Act before this could be finalized.

9. Establish an RTC/FDIC Transition Task Force

The RTC and FDIC developed a joint Consolidation Coordinating Committee that met throughout the year. The recently-enacted RTC Completion Act mandates an RTC/FDIC Transition Task Force that will assume the functions of this Committee. Current RTC transition planning activity is discussed at the end of this statement.

The Operations and Financial Report

Depositor Protection and Resolutions Activity

Since its inception in August 1989, the RTC has resolved 680 institutions, more than 90 percent of those taken over (**Exhibit 3**). Resolution of these failed thrifts provided protection for 23 million deposit accounts, with $204 billion in deposits and an average balance of about

$9,000. Although the final cost will not be known until the last asset is sold, the current estimate is that these resolutions will cost the American taxpayer $81 billion.

The remaining 63 institutions continue to operate under conservatorship and held $18 billion in deposits at the end of 1993. Enactment of the RTC Completion Act has now made it possible to resume resolutions. As a result, the RTC is in the process of marketing these remaining conservatorships. Resolution of these thrifts will occur by the summer of 1994 and is expected to cost $9 billion to $11 billion.

The RTC is also responsible for resolving any institutions that fail through a date before July 1, 1995. That deadline will be determined by the Chairperson of the Oversight Board. How many additional thrift failures may occur will depend on many factors including the course of the economy. In the current favorable climate of low interest rates and low inflation, the number of failures is likely to be small. Any which do occur should be able to be resolved expeditiously. Any authorized funds not needed for resolutions will not be used.

Asset Sales in 1993

In early 1993, we shifted the RTC's overall strategy from one of "speed at all cost" in regard to resolutions and asset sales to a greater emphasis on ensuring that proper contracting procedures are followed, that internal controls are tightened, and that small investors have greater opportunities to compete for assets controlled by the RTC. As a result of these policy changes, the original 1993 sales goals were scaled back. The 1993 goals were lowered from book value sales and principal collections of $70 billion, with expected cash proceeds of $55 billion, to book value sales and collections of $56 billion, with expected proceeds of $42 billion.

We actually exceeded those targets. Book value sales and principal collections totaled $63 billion, and cash proceeds totaled $48 billion. Cash proceeds represented 76 percent of book value reductions. This recovery rate was below previous years because the RTC's inventory is increasingly dominated by poorer-quality assets.

Exhibits 4-8 provide historical perspective for these 1993 results.

From inception through December 1993, the staggering sum of $457 billion in book value of assets have come under RTC control, as shown in **Exhibit 4**. The RTC has disposed of $393 billion (book value), or 86 percent of the total, through sales or other collections. This left $63 billion of book value assets under RTC management as of the end of 1993. As shown in **Exhibit 5**, assets under RTC management at any one time peaked at $186 billion at the end of May 1990 and reached their lowest level, $63 billion, at the end of December 1993.

Through December 1993, the RTC disposed of 93 percent of all securities received, 92 percent of 1-4 family mortgages, 78 percent of other mortgages, 87 percent of other loans, 81 percent of real estate, and 62 percent of other assets (**Exhibit 6**).

Proceeds reached $353 billion on the $393 billion in book value reductions through the end of December, or an average 90 percent of book value. Different types of assets received very different recovery rates of return. Securities, for instance, received on average 98 percent of their book value while real estate received on average 56 percent of its original book value (**Exhibit 7**).

Recovery rates have declined over time as the better quality assets were sold off. Cash proceeds of sales and principal collections represented 97 percent of book value reductions in 1989-90, 93 percent in 1991, 85 percent in 1992 and 76 percent in 1993 (**Exhibit 8**).

Remaining Asset Inventory

Assets remaining under RTC management totaled $63 billion as of December 31, 1993. Seventy-one percent of this inventory represents hard-to-sell assets--delinquent loans, performing commercial mortgages, real estate, subsidiaries and other assets (**Exhibit 9**).

Projected 1994 Asset Sales

As detailed in our business plan, at book value amounts, projected sales and principal collections for 1994 total $43 billion. Cash proceeds from these sales and principal collections are expected to total $29 billion. The projected recovery rate in 1994 is 66 percent, lower than the 76 percent experienced in 1993 because of the growing proportion of lower quality assets in RTC's inventory.

The asset disposition strategies that will be employed by RTC to achieve these goals are discussed later in this statement. In implementing these strategies, a major role will be played by the Small Investor Program.

Small Investor Program

The Small Investor Program (SIP) was established in April 1993 to ensure that assets are available for sale individually to small investors with moderate levels of capital. SIP offices have been established in the RTC's Washington, D.C. headquarters and in each of the RTC's field offices.

Under the SIP, individual offerings of real estate properties have been emphasized. Auctions and sealed bid sales have become more frequent and geographically focused. Smaller loan pools are being offered to allow buyers to purchase smaller, more geographically segmented groups of loans. Minimum deposits on loan sales have also been lowered to increase the participation of small investors.

The small investor, as defined by the RTC, is an individual or group of investors with the capacity to purchase:

- Real estate assets valued up to $5 million;
- Loan pools up to $10 million (book value);
- Subsidiaries valued from $5 thousand to $30 million; or
- Equity investments from $4 to $9 million in joint venture transactions.

The RTC has aggressively expanded its outreach program to attract small investor participation in virtually all of the agency's asset offerings. The SIP has sponsored "How To Buy" seminars with all major real estate and loan offerings to ensure that local and regional investors are informed of RTC purchasing and investment opportunities. More than 16,000 investors have participated in these seminars so far.

SIP has worked with the Department of Asset Marketing to expand the investor database for direct mail marketing of RTC sales initiatives based on an investor's stated interest in asset type and geographic location. At the end of December, more than 4,000 investors had completed the RTC Investor Profile and were registered in the Small Investor Database. Of those, 969 investors identified themselves as minorities and 799 investors indicated that they were women or from women-owned firms.

Three national initiatives have been sponsored by the SIP, including:

- the nonperforming loan auction of August 24-25, 1993;
- the S-series; and
- and the judgments, deficiencies, charge-offs, and small balance assets (JDCs) program.

The nonperforming loan auction held in August 1993 achieved the highest collection ever for an RTC nonperforming loan auction. The auction resulted in the sale of 306 loan packages, composed of 11,200 loans, for $335 million. There were 155 registered bidders compared with 103 for the March 1993 auction. More importantly, one-third of the winners were new buyers who had not participated in a prior RTC national nonperforming loan auction. The new bidders at that auction: (a) were for the most part smaller companies (with a net worth of $2 million or less or with five or fewer employees); (b) had a much higher preference for small loan pools--those under $1 million, and; (c) were more interested in buying geographically focused loan packages--located in their own state or a bordering state. In addition, 14 percent of the registered bidders surveyed identified their firms as either minority- or woman-owned.

Affordable Housing

The RTC's Affordable Housing Disposition (AHD) Program has made it possible for many low-and moderate-income families to acquire housing. From inception through December 31, 1993, the Program sold over 77,500 units for a total $1.17 billion. This includes 20,500 1-4 family properties (containing 24,200 units) sold to low- and moderate-income households as well as nonprofit agencies and public agencies that rent and resell the units to low-income families. It also includes 575 multifamily properties (containing 53,300 units) sold to entities that rent at least 35 percent of the units in each property to low- and very-low income households at restricted rents for the remaining useful life of the property. Recoveries under the AHD Program, since inception, have averaged 73 percent of appraised value. As of the end of 1993, the AHD program had about 4,000 single-family and 386 multifamily properties remaining in its inventory.

Most AHD single-family properties have been sold through the 235 affordable housing sales events targeted to first-time homebuyers held in 32 states. The RTC also uses a network of 66 community-based nonprofit housing organizations to provide an array of marketing strategies to reach low-income families and minorities that are often by-passed by traditional marketing methods. Approximately 40 percent of buyers at recent sales events were minorities and 74 percent were first-time homebuyers. The average annual income of households purchasing in the program was about $23,800, representing 61 percent of national median family income.

With respect to the multi-family housing program, these properties are currently marketed first to public agencies, next to nonprofit organizations, and then to all other interested buyers. This is in contrast to the program's earlier strategy of offering multi-family properties on a competitive sealed bid basis. Nonprofit and public agencies are now eligible for low down payment financing. Buyers are evaluated, in part, on the degree to which they can provide support services for their low-income residents. The RTC has sold 175 multifamily properties to nonprofit and public agencies and provided $82 million of seller financing to these types of organizations. In addition, 325 nonprofit and public agencies have purchased over 1,500 single family properties which are rented or resold to low-income households.

Plans are currently underway for unifying the RTC's and FDIC's Affordable Housing Disposition Programs as required by the RTC Completion Act. A joint working group has been convened to develop this plan which is expected to be completed by mid-April 1994 and implemented by mid-August 1994. The RTC is currently working with the Federal Home Loan Banks and the Department of Housing and Urban Development to implement the RTC Completion Act provision which expands the Housing Opportunity Hotline.

Other Asset Sales Strategies

The RTC has undertaken significant changes in its asset sales strategies beyond the Small Investor and Affordable Housing Programs.

The RTC continues, where appropriate, to pursue bulk or portfolio sales, securitization, and Joint Venture Initiatives. When choosing the best disposition strategy, the RTC considers the following factors: asset characteristics, recovery experience, current market conditions, and the volume of assets to be sold.

Portfolio Sales: In portfolio sales, RTC bundles large quantities of lower quality assets, generally nonperforming commercial mortgages. This permits the RTC to sell a large quantity of assets quickly and shift management and maintenance costs to the private sector. There is, however, a restricted number of large investors with the resources necessary for this type of transaction.

Auctions: Auctions are used to sell smaller assets of all types and quality with a regional geographic focus. The primary advantage of auctions is quick sale and hence reduced holding costs. A disadvantage is that only a limited volume of assets can be disposed of through this method. The RTC is holding open-cry auctions more frequently. These are used to sell a wide variety of real estate and most types of smaller balance nonperforming loans. Smaller, geographically focused, local events are being planned instead of large national initiatives.

Individual Asset Sales: Individual asset sales are best suited to real property or very complex assets with limited marketability. Individual real estate properties are offered through real estate brokers as well as in auctions and sealed bids. As required by the RTC Completion Act, real estate is being marketed on an individual property basis for at least 120 days before being placed in a multi-asset sales initiative.

Securitization: Securitization is a sales technique whereby securities are issued, backed by assets. Securitization is RTC's primary method for selling performing residential mortgage loans. More recently, RTC has also securitized sub-performing and nonperforming loans. The primary benefits of securitization are quick disposition of assets and superior prices compared to whole loan sales. In addition, securitization requires minimal RTC staffing, and the securities are attractive to a very broad investor base. From 1991 when the securitization program began through December 1993, the RTC had completed 67 securitized performing mortgage loan transactions disposing of $36.5 billion in book value assets. RTC's securitization program has been studied by the Congressional Budget Office, which stated in a report in July 1992 that "securitization may be the option most consistent with the RTC's conflicting objectives."

Other Matters

"Whistleblowing" and Complaints

In September of last year, the Senate Banking Committee held oversight hearings where a variety of allegations were made, including retaliation against whistleblowers. We strongly support protection for whistleblowers.

I have taken several actions to address the allegations made by the individuals who testified before the Committee. I issued a memorandum on October 4, 1993 to all RTC employees strongly reiterating the RTC's policy prohibiting retaliation against whistleblowers. I also established an Employee Ombudsman program to, among other things, augment the efforts of the Inspector General in gathering all types of employee allegations. The Employee Ombudsman reports directly to me on a weekly basis on the activities of the office. The Employee Ombudsman Program appears to be well received by RTC personnel. As of February 15, the program had received 116 inquiries, 96 inquiries had been closed and 20 were still pending. Additionally, the Office of the Inspector General has revised its internal procedures for handling employee allegations of retaliation against whistleblowers by encouraging employees to step forward and by protecting the identity of such employees.

As a means of supplementing the information revealed at the September hearings, we have had conversations in person and by telephone with six of the individuals who testified before the Committee. Two additional individuals were contacted, but declined interviews. During these interviews we solicited comments, feedback and suggestions from the individuals on how best to remedy the problems raised in their testimony. Some of these interviews were insightful and have been useful in our efforts to remedy some of the management problems at the RTC.

I want to underscore how seriously we have taken these allegations. Hundreds of hours have been spent working to understand and resolve them. Our work on the allegations raised by the people who testified, and others complaining of unfair treatment, continues. We have given this a very high priority and I believe that we have made significant progress in this regard.

Transition to the FDIC

The RTC Completion Act requires the RTC to terminate on December 31, 1995. The Act also requires the RTC and the FDIC to establish an interagency transition task force to facilitate the transfer of assets, personnel and operations from the RTC to the FDIC or the FSLIC Resolution Fund in a coordinated manner. It must recommend which of the management, resolution and asset disposition systems, and which of the management reforms of the RTC should be preserved for the FDIC. It is required to submit its recommendations to the Senate and House Banking Committees in January and July of 1995. These will serve as a basis for decisions by the Secretary of the Treasury to transfer systems and personal property used to operate the systems to the FDIC.

The RTC contingent of this joint group is John E. Ryan, Deputy Chief Executive Officer and Ellen B. Kulka, General Counsel. The FDIC contingent is John F. Bovenzi, Director of Depositor and Asset Services and Dennis F. Geer, Deputy Chief Operating Officer. This joint committee has begun its work and now meets once a week.

This concludes my prepared statement. I would be happy to answer any questions.

Exhibit 1

Status Report
RTC Completion Act
Management Reforms Section 3(a)

ORGANIZATIONAL CHANGES

OBJECTIVE:

Create a division of Minority and Women's Programs whose head is a vice president and serves on the RTC's Executive Committee (Reform 4)

STATUS:

CEO resolution 93-CEO-21 created the position of Vice President of Minority and Women's Programs on April 13, 1993.

Johnnie Booker was appointed as Vice President of MWP on April 13, 1993 via CEO resolution 93-CEO-22.

CEO resolution 93-CEO-23 dated April 13, 1993 appointed the Vice President of MWP to the RTC Executive Committee.

CEO resolution 94-CEO-29 dated January 13, 1994 provided a position description for the Vice President for MWP.

OBJECTIVE:

Appoint a Chief Financial Officer reporting directly to the CEO with no operating responsibilities other than as CFO as determined appropriate by the Oversight Board. (Reform 5)

STATUS:

Interim CEO Altman signed 93-CEO-24 creating the position of CFO on July 13, 1993.

CEO resolution 93-CEO-25 appointed Donna Cunninghame as the RTC's Chief Financial Officer on July 13, 1993.

CEO resolution 93-CEO-26 dated July 13, 1993 delegated specific authorities to the CFO.

Corporate accounting, financial management, and control functions and appropriate Headquarters and field organizations have been assigned to the Chief Financial Officer.

OBJECTIVE:

Appoint an Assistant General Counsel for Professional Liability within the Legal Division and Report to Congress semiannually (on April 30 and October 31 of each year) on litigation. (Reform 10)

STATUS:

Thomas Hindes has been selected to fill the position of Assistant General Counsel for Professional Liability.

Reports on RTC litigation will be included in RTC's Semi-annual Report to Congress on an on-going basis.

OBJECTIVE:

Appoint a Vice President for Minority and Women's Programs, a Chief Financial Officer, an Assistant General Counsel for Professional Liability, a General Counsel, and a Deputy Chief Executive Officer. Failure to make these appointments constitutes failure to comply with requirements necessary for securing funding in excess of $10 billion. (Reform 13)

STATUS:

Johnnie Booker holds the position of Vice President for Minority and Women's Programs (see Reform 4).

Donna Cunninghame holds the position of Chief Financial Officer (see Reform 5).

Thomas Hindes holds the position of Assistant General Counsel for Professional Liability (see Reform 10).

Ellen Kulka was appointed as General Counsel effective January 17, 1994.

John (Jack) Ryan was appointed as Deputy Chief Executive Officer effective January 4, 1994. CEO resolution 94-CEO-29 dated January 13, 1994 created the position of Deputy CEO, consistent with the RTC Completion Act.

OBJECTIVE:

Create Client Responsiveness Units in each RTC regional office reporting to the Corporation's Ombudsman. (Reform 21)

STATUS:

Client Responsiveness units have been established at each RTC field office, including Atlanta, California, Dallas, Denver, Kansas City, and Valley Forge.

All field Vice Presidents have been contacted to assure adequate staffing of the program in each field office to assist the public.

A directive will be issued clarifying the role and responsibilities of each unit and emphasizing that all RTC field offices must maintain Client Responsiveness departments at their respective sites.

ASSET DISPOSITION

OBJECTIVE:

Promulgate a regulation implementing a 120-day waiting period before selling real property assets on other than an individual basis and requiring that portfolio sales or sales in connection with any multi-asset sales initiative made after the 120-day waiting period be justified in writing. (Reform 2)

STATUS:

A policy was established on April 15, 1993 (through memo 93-AMSD-0037) implementing these provisions. The regulation required by the Completion Act is being drafted.

OBJECTIVE:

Require a qualified person or entity to prepare a written management and disposition plan on an asset-by-asset basis or provide a written determination that a bulk transfer would maximize net recovery with opportunity for broad participation by MWOBs for nonperforming real estate loans with a book value of at least $1 million and real property with a book value of at least $400,000. (Reform 3)

STATUS:

A directive is in process modifying current policy to comply with this requirement.

A regulation will be promulgated to define "asset" and "qualified person or entity".

CONTRACTING

OBJECTIVE:

Modify contracting procedures for MWOBs by: 1) reviewing and revising procedures for reviewing and qualifying applicants for Basic Ordering Agreements to ensure that MWOBs and small businesses are not inadvertently excluded; 2) reviewing existing lists of eligible contractors to ensure maximum participation by MWOBs; and 3) promulgating a regulation to implement the new requirement providing for maximum participation by MWOBs in lists of eligible contractors. (Reform 6)

STATUS:

All solicitations for new contracts and renewals of existing contracts undergo, on a continual basis, an extensive review to identify any inadvertent exclusionary language. More explicit direction is forthcoming in the Contracting Policy and Procedures Manual (CPPM) revision due in March 1994.

For each solicitation, lists are reviewed to include MWOB contractors, and MWP staff input is solicited.

A draft Interim Final Rule (which would amend the current MWOB Interim Rule) is being amended to include the requirement of maximum participation by MWOBs in lists of eligible contractors.

OBJECTIVE:

With regard to contracting systems and contractor oversight: 1) maintain procedures and uniform standards for entering into contracts with private contractors and overseeing the performance of contractors and subcontractors; 2) review contract oversight to ensure that sufficient resources are available; 3) maintain uniform procurement guidelines for procurement of basic goods and administrative services; (Reform 7)

STATUS:

These procedures and standards have been reviewed and strengthened and are included in the CPPM Version 5 distributed on July 21, 1993 and again in Version 6 on December 15, 1993.

The Office of Contractor Oversight and Surveillance evaluated their staffing needs, increased staffing from 118 to 265, and conducted extensive training during 1993.

Uniform procurement guidelines are maintained in the CPPM and version 7.0 of the CPPM is being updated to fulfill any other provisions required by the Act. Version 7 is expected to be published in March 1994.

The CPPM sets forth the policies and procedures necessary for RTC contracting. The Warranted Contracting Officer program was implemented to ensure that only appropriate and knowledgeable staff are involved in the contracting process.

Requirements for Warranted Contracting Officers for non-legal contracts were published in the Federal Register in January 1994.

OBJECTIVE:

Establish guidelines for achieving a reasonably even distribution of contracts among subgroups of Minority and Women-Owned Businesses

STATUS:

The Draft Interim Rule on the Minority and Women-Owned Business and Law Firm Program also sets forth the requirement for the RTC to establish guidelines to achieve a reasonably even distribution in contracting among minority subgroups.

The CPPM is being revised to incorporate this provision of the Completion Act to establish guidelines for achieving reasonable parity.

OBJECTIVE:

Establish reasonable goals for MWOB subcontracting and prohibit any contracts, with certain exceptions, of $500,000 or more unless the contract has a subcontract with an MWOB and compensates it commensurately. (Reform 18)

STATUS:

The Draft Interim Rule on the Minority and Women-Owned Business and Law Firm Program has been updated to require subcontracting of work to minority and women owned firms for all awards with total estimated fees equal to or greater than $500,000.

The CPPM is also being updated to reflect this requirement.

OBJECTIVE:

Promulgate a regulation to provide sanctions for violations of MWOB subcontracting and joint venture requirements. (Reform 16)

STATUS:

The Draft Interim Rule on the Minority and Women-Owned Business and Law Firm Program has been updated to outline sanctions for non-compliance with subcontracting requirements. Remedial action could result in contract suspension, exclusion or termination.

Contracting documents are being revised to incorporate reference to these sanctions.

OBJECTIVE:

Apply competitive bidding procedures in awarding contracts that are no less stringent than those currently in effect. (Reform 19)

STATUS:

The Office of Contract Policy and Major Dispute Resolution was created in December 1993. Among its duties is to assure that any change in contracting procedures do not result in any diminution in the competitive bidding process.

INTERNAL CONTROLS

OBJECTIVE:

The Oversight Board is directed to establish and maintain an Audit Committee to monitor RTC's internal controls, monitor audit findings and recommendations, maintain a close working relationship with the IG and GAO, report on findings and recommendations of the Committee, and monitor financial operations. (Reform 8)

STATUS:

An audit committee is in the process of being formed and is expected to commence its work shortly.

OBJECTIVE:

Respond to problems identified in audits or certify to the Oversight Board that no action is necessary or appropriate. (Reform 9)

STATUS:

Circular (1250.2), Management Decision Process and Audit Followup, which prescribes procedures and time requirements for resolving audit findings, recommendations, and corrective actions was issued on July 20, 1993.

A management reporting system to track and update the status of all IG, GAO, and internal audit report findings was implemented on June 30, 1993.

Status and management reports have been produced which identify aging open issues to alert senior management since October 21, 1993.

Procedures have been established in the audit follow up circular to require certifications from responsible program managers attesting to the completion of planned corrective actions.

Scheduled evaluations and subsequent reviews will verify effectiveness of completed corrective actions.

Reports have been provided and meetings held with GAO, IG, and the Oversight Board, beginning in late 1993 and continuing on an on-going basis.

The audit follow up circular requires management to certify the rational and legal basis for not implementing an audit recommendation or an agreed upon corrective action. RTC will provide the Board with a copy of such certification statements.

OBJECTIVE:

Maintain effective internal controls against fraud, waste, and abuse. (Reform 12)

STATUS:

Circular 1250.1, Internal Control Systems established RTC's internal control program and requires managers to:

- Identify activities or functions (Assessable Units) subject to risk.

- Conduct an assessment and rate the susceptibility of the function or activity to risk (Vulnerability Assessment).

- Schedule high risk functions for annual examination (Management Control Plan).

- Conduct detailed examination (Internal Control Review) of function to determine if internal controls and procedures are current, adequate, and cost effective.

- Develop and implement corrective actions to resolve deficiencies and strengthen controls.

Field offices have redesigned and enhanced their internal control programs to provide preemptive review of high risk areas and evaluation of implemented corrective actions for effectiveness.

Headquarters organizations conduct reviews of field offices and financial service centers operations for compliance with Corporate policies and procedures, and for effectiveness of internal control activities.

Specialized program initiatives such as the Loan Servicer Oversight Program have been implemented to address specific management and internal control concerns.

RESOLUTIONS

OBJECTIVE:

Subject to the least cost test, give a preference to offers from MWOBs in considering offers to acquire institutions or their branches, located in predominantly minority neighborhoods and give a first priority to the disposition of the performing assets to such acquirers and define by regulation a predominantly minority neighborhood. (Reform 17)

STATUS:

An interim rule defining "predominantly minority neighborhood" was approved by the CEO on February 15, 1994 and will be published in the Federal Register. The rule generally defines predominantly minority neighborhood as a postal zip code area with more than 50 percent minority population unless the RTC has determined that other reasonably reliable and readily accessible data indicate more accurate neighborhood boundaries.

Although not yet finalized, a directive is currently being developed to implement the minority preference in resolutions. As currently contemplated, the directive will establish procedures to:

- Define institutions in predominantly minority neighborhoods as institutions headquartered in predominantly minority neighborhoods or with 50 percent or more of its offices in predominantly minority neighborhoods;

- Provide that in the event a minority bidder is within 10 percent of a high majority bid for an institution or branches in a predominantly minority neighborhood that both shall submit best and final bids;

- Provide minority bidders for institutions and branches in predominantly minority neighborhoods with interim capital assistance, rent free offices for five years, and earning assets at market prices.

MANAGEMENT

OBJECTIVE:

Establish and maintain a comprehensive Business Plan. (Reform 1)

STATUS:

An RTC Business Plan was transmitted to the House and Senate Banking Committees on December 15, 1993. It will be updated as circumstances warrant.

OBJECTIVE:

Include in the annual report to Congress an itemization of the expenditures of funds provided by the RTC Completion Act and a list of the salaries and other compensation paid to directors and senior executive officers at RTC-controlled institutions. (Reform 14)

STATUS:

This information will be included in RTC's annual report to Congress, with the first such report expected June 30, 1994.

OBJECTIVE:

Modify existing RTC procedures for using outside counsel so that in-house counsel would be preferred, and limiting the use of outside counsel to those instances where it would provide the most practicable, efficient and cost effective resolution to the action and only under a negotiated fee, contingent fee, or competitively bid fee arrangement. (Reform 20)

STATUS:

RTC is currently revising the Legal Services Committee's procedures for retention of outside counsel to comply with this provision. The revision will apply to Washington and all field offices.

OBJECTIVE:

Maintain an effective Management Information System. (Reform 11)

STATUS:

Information resources support has been prioritized to meet key goals and functions by evaluating existing systems to confirm that all essential corporate management information needs have been met and will continue to be met.

The Department of Information Resources Management (DIRM) has established and maintains an on-going communication with RTC client offices regarding the effectiveness and qualify of RTC's major automated information systems to ensure they meet management's information requirements.

DIRM continues to work with system users to enhance information systems to adequately support business needs. Enhancements are approved through the existing management and committee structure and are implemented with the interaction of system users and management.

DIRM continue to enforce its requirement that cost/benefit analyses be conducted and approved prior to initiation of new systems development and any enhancement activities. A directive outlining policies and procedures related to cost/benefit analyses is being developed.

As a major component of an ongoing effort to improve data quality, a corporate-wide Data Quality Program was implemented through a directive issued on November 11, 1993.

Individual Data Quality Action Plans are being developed to assess the quality of data in each of RTC's 18 primary automated information systems and establish initiatives to improve data where needed. To date, 10 Data Quality Plans have been completed and 8 are under development.

Information Resources Management (IRM) field reviews have been conducted in all six RTC field offices. These reviews help management assess the quality and effectiveness of IRM operations.

EXHIBIT 2

Summary of MWOB Non-Legal Contracting
Inception through December 31, 1993

Ethnic/Gender Identity	Awards	%	Estimated Fee Value (in millions)	%
All Contracts	126,939	100.0%	$3,735.8	100.0%
Non-Minority Men	85,672	67.3%	$2,949.6	79.1%
MWOB	41,267	32.6%	$786.2	20.8%
Non-Minority Women	27,391	21.7%	$399.1	10.6%
All Minority	13,876	10.9%	$387.1	10.1%

EXHIBIT 2

Summary of MWOB Non-Legal Contracting
Calendar Year 1993

Ethnic/Gender Identity	Awards	%	Estimated Fee Value (in millions)	%
All Contracts	22,986	100.0%	$500.3	100.0%
Non-Minority Men	12,997	56.5%	$345.2	69.0%
MWOB	9,989	43.4%	$155.1	30.9%
Non-Minority Women	6,617	28.8%	$53.8	10.6%
All Minority	3,372	14.6%	$101.3	20.3%

EXHIBIT 3

Through February 7, 1994, RTC took over 743 thrifts, closed 680.

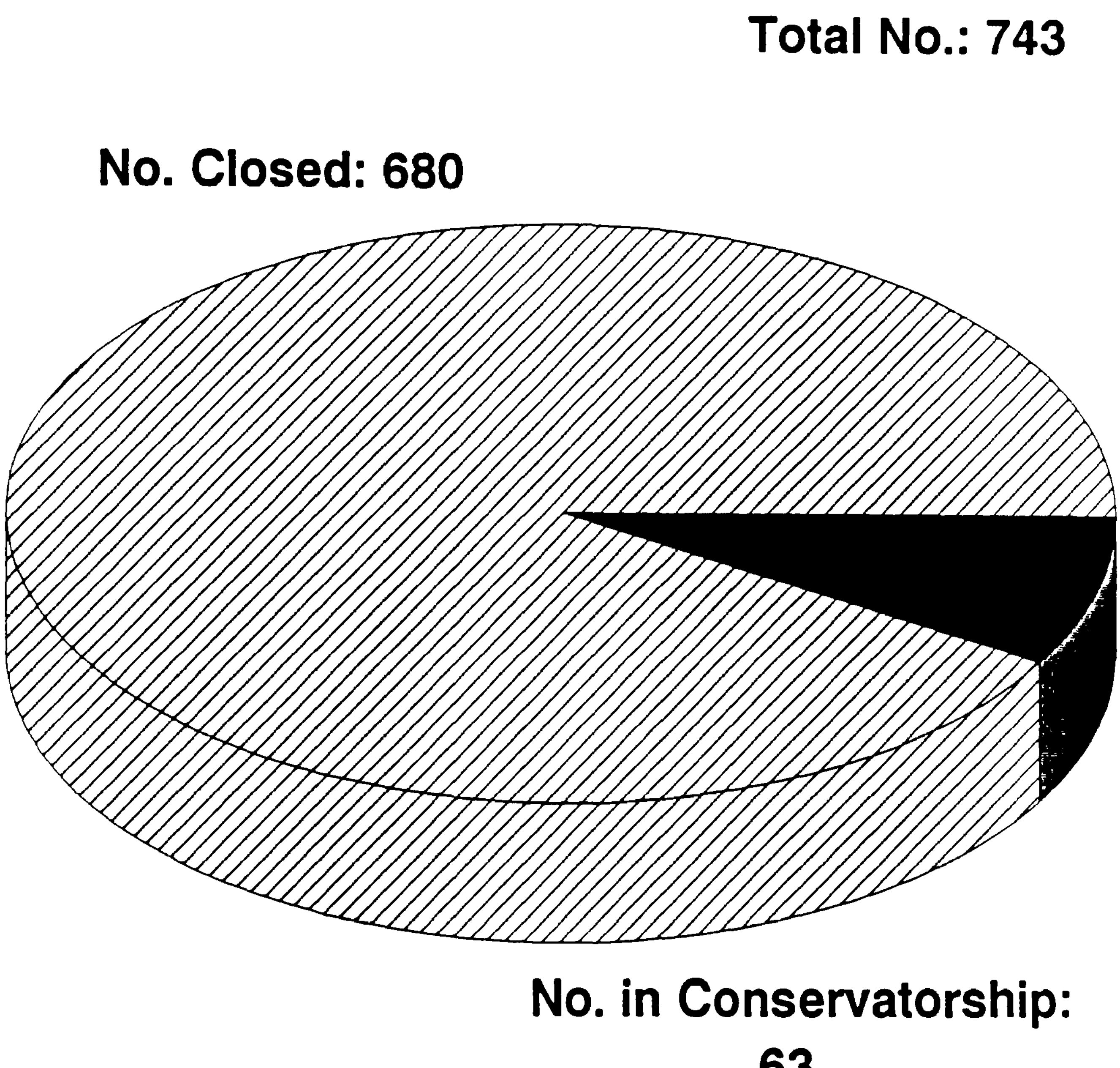
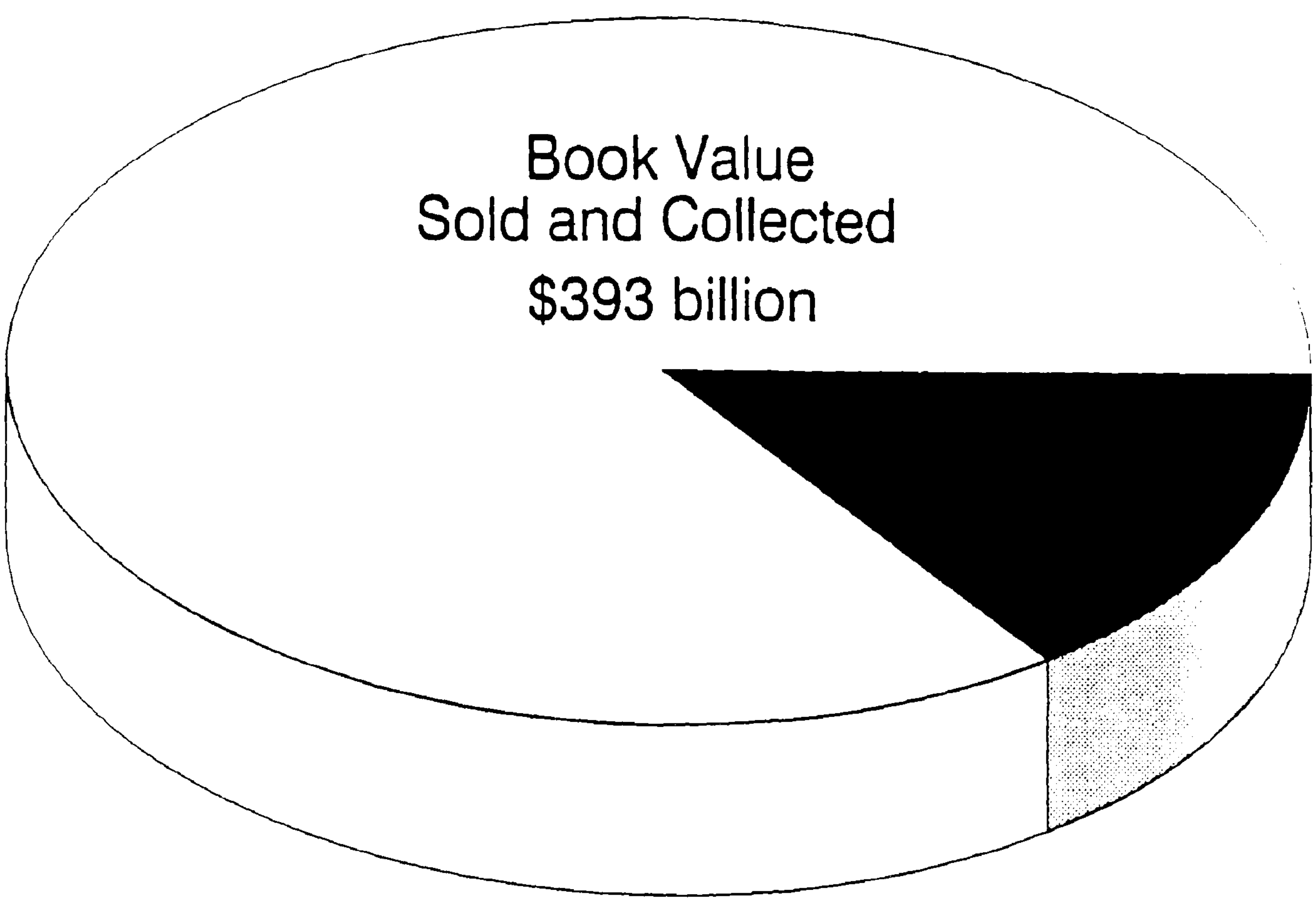


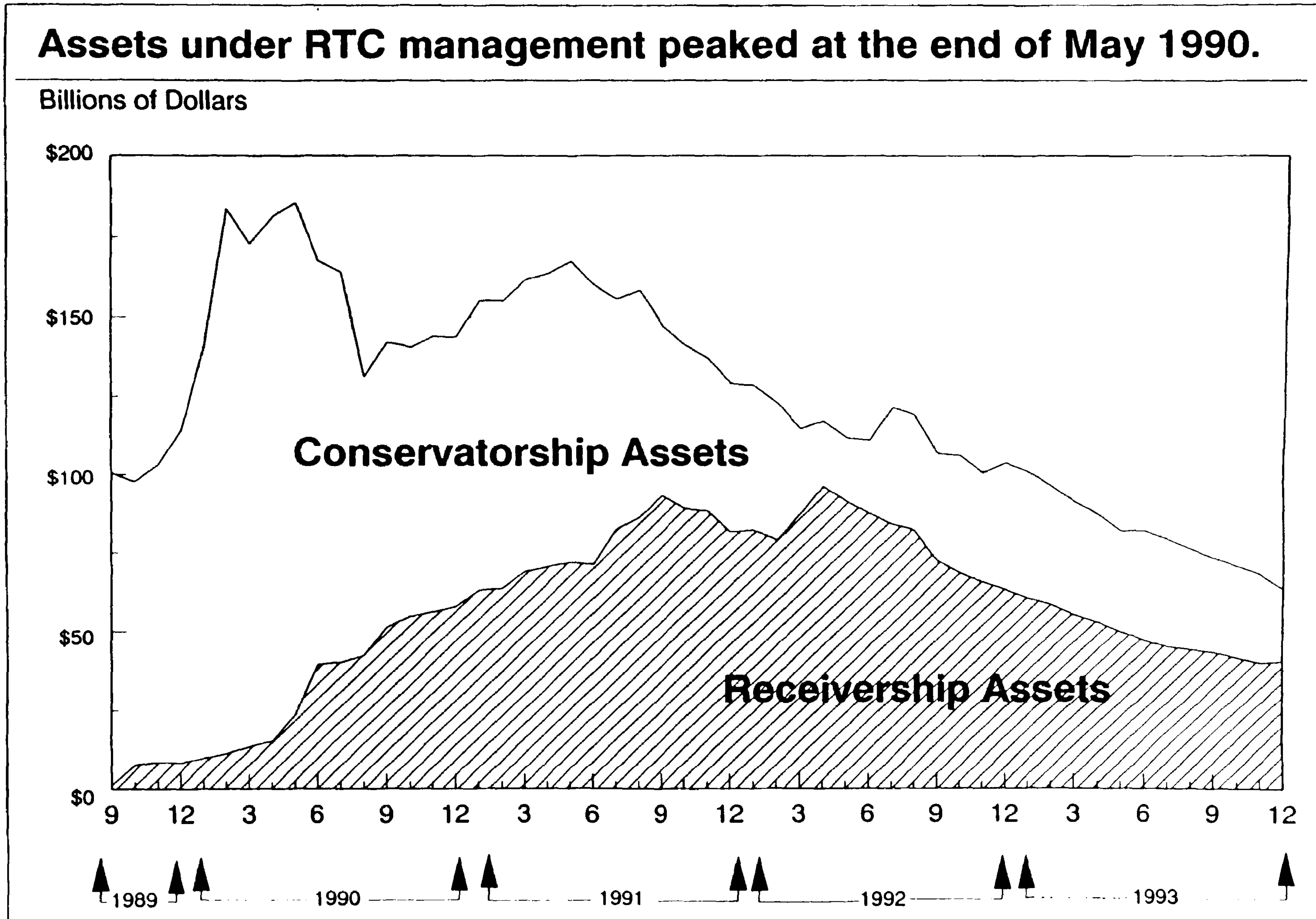
EXHIBIT 4

Through 1993, the RTC had disposed of more than three-fourths of the assets that have come under its control.



Book Value of Assets: $457 Billion

EXHIBIT 5



Assets under RTC management peaked at the end of May 1990.
Billions of Dollars
$200
$150
$100
$50
$0
Conservatorship Assets
Receivership Assets
9
12
3
6
9
12
3
6
9
12
3
6
9
12
3
6
9
12
1989
1990
1991
1992
1993

EXHIBIT 6

As of December 31, 1993, the RTC had disposed of 93% of its securities, 92% of home mortgages, and 81% of real estate owned.

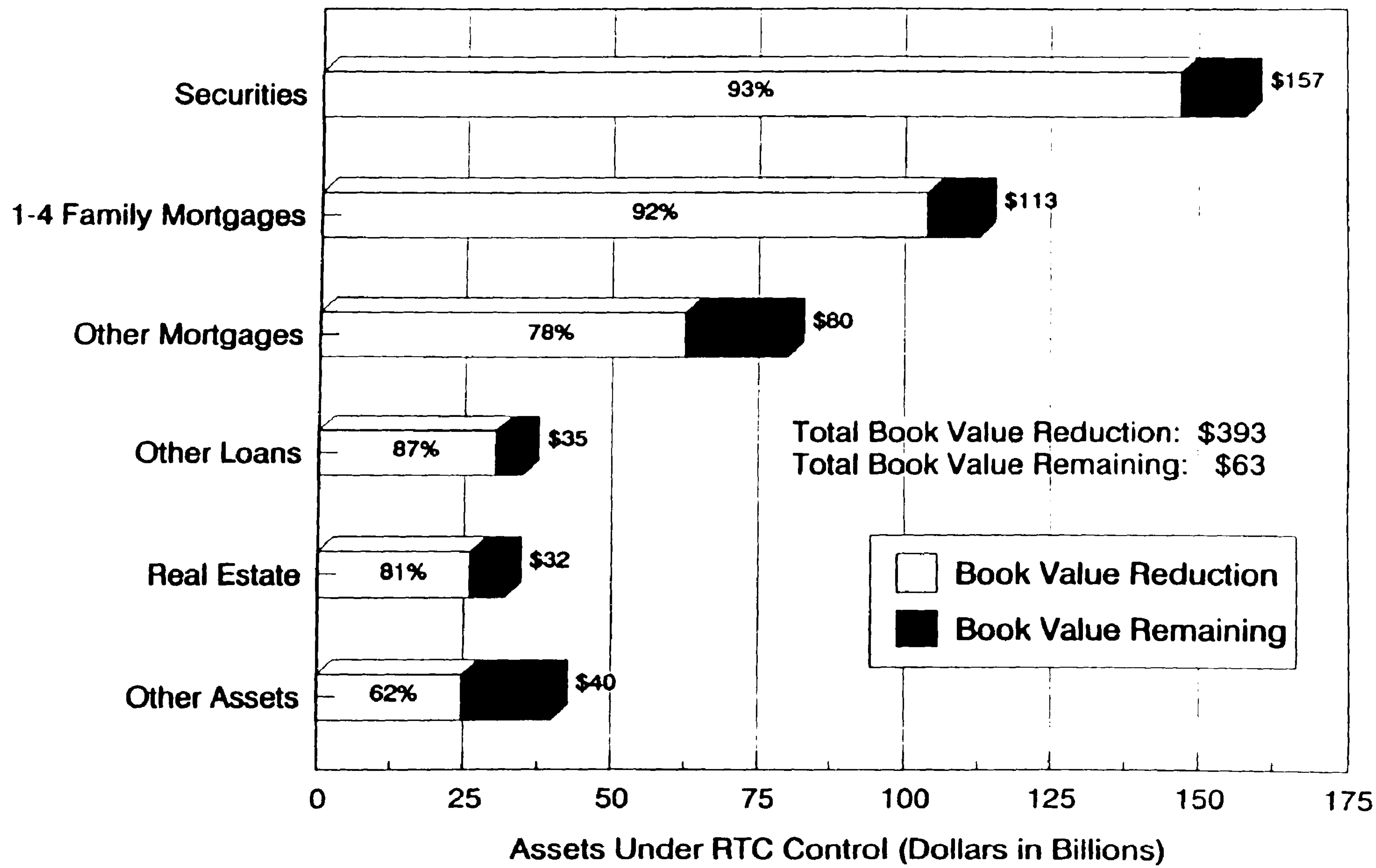


EXHIBIT 7

Through 1993, recoveries from sales and collections have averaged 90% of original book value.

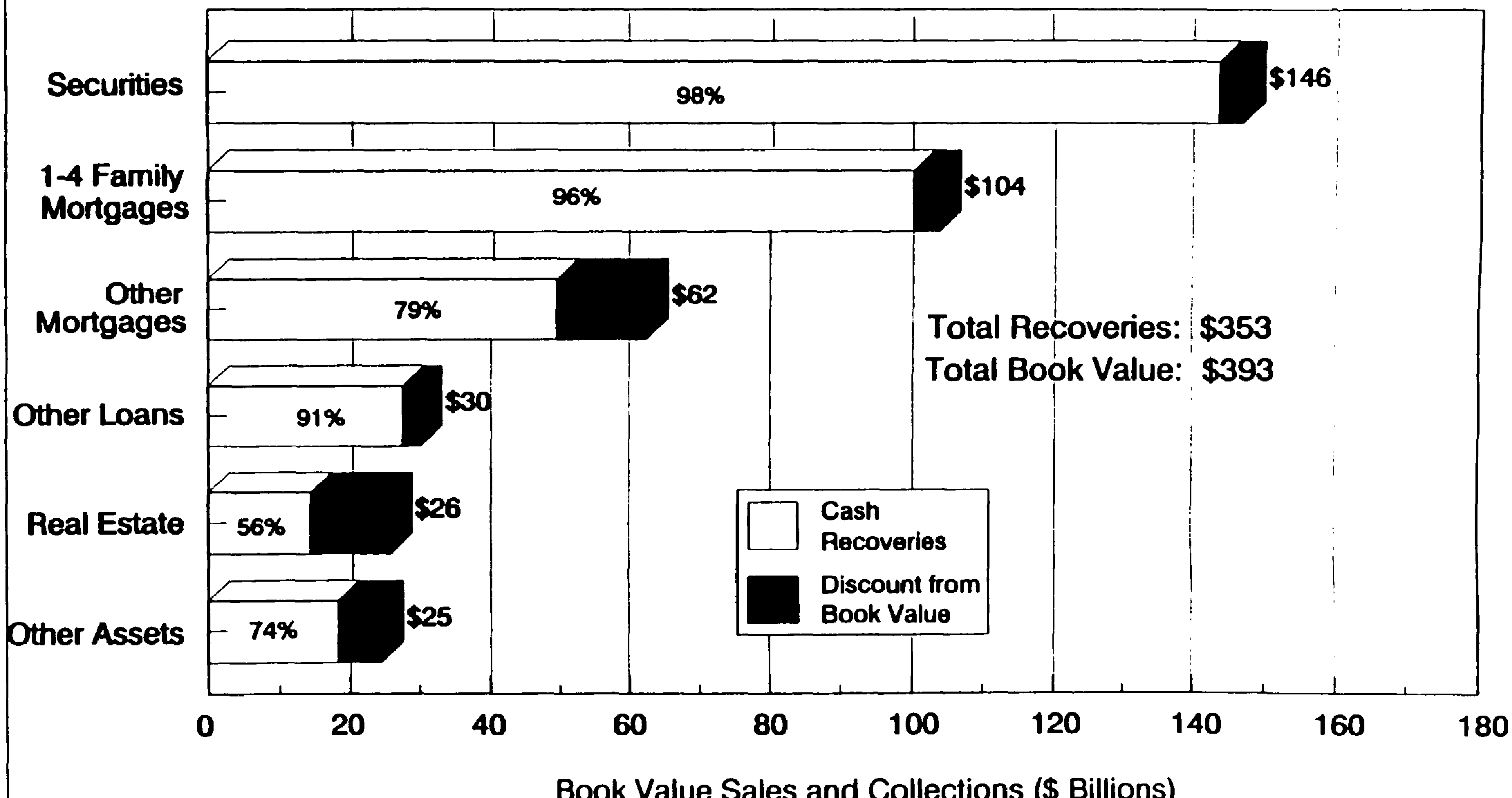
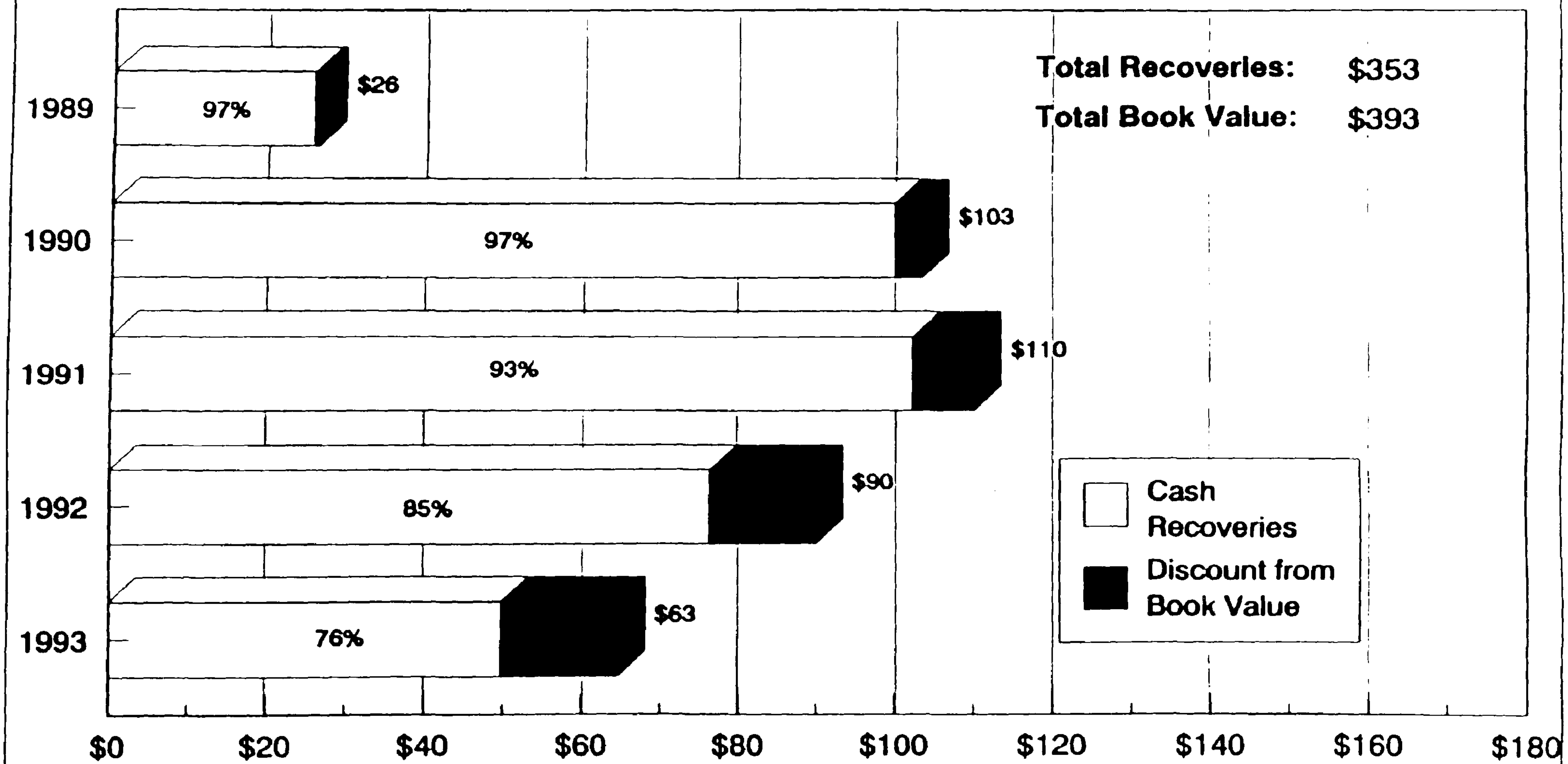


EXHIBIT 8

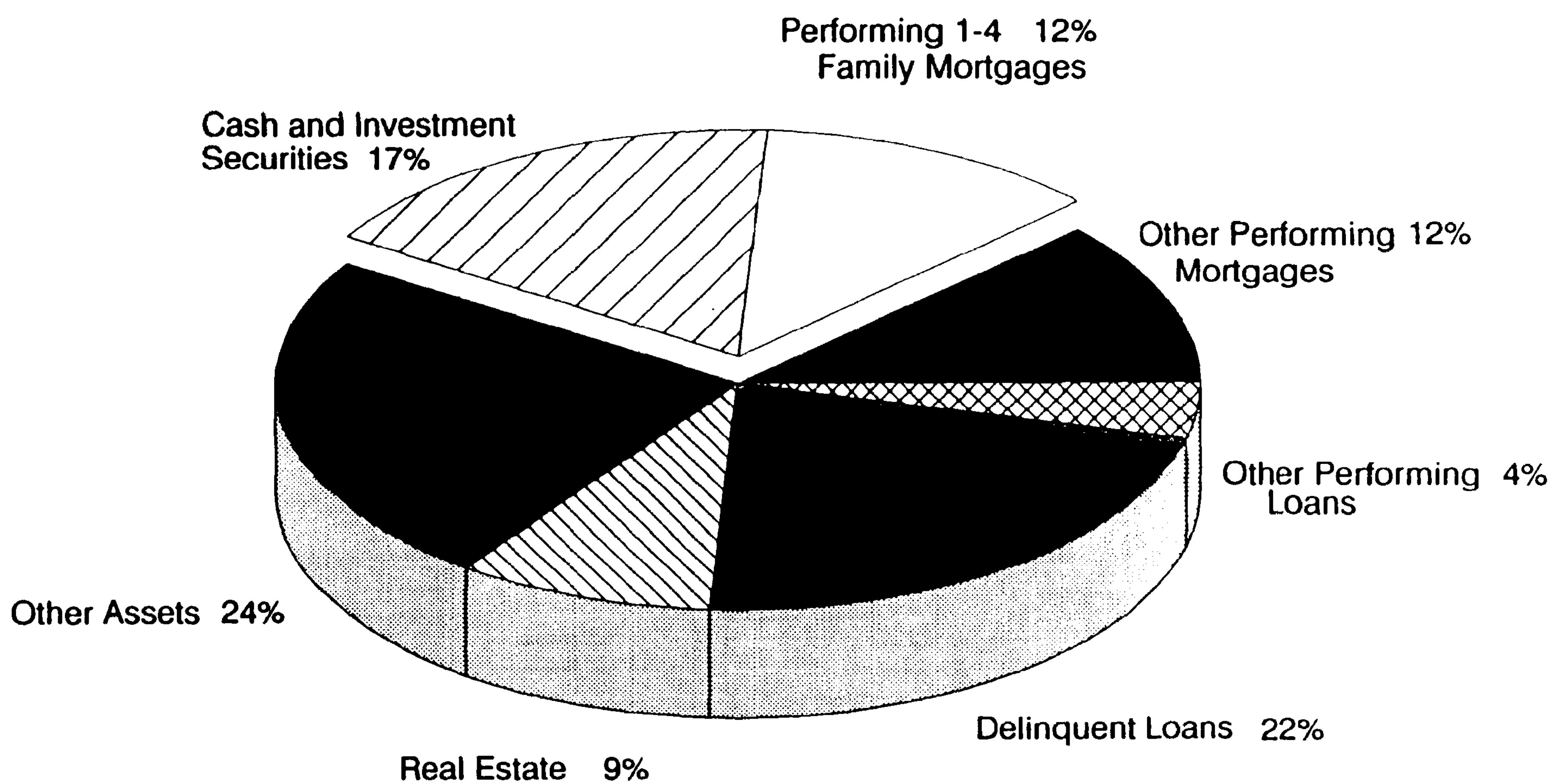
As the composition of RTC's inventory has changed, recovery rates have dropped from 97% in 1989 and 1990 to 76% in 1993.



Note: Dollar amounts are net of all putbacks recorded to date.

EXHIBIT 9

Hard-to-sell assets represented 71% of all assets under RTC control as of December 31, 1993.



Hard-to-Sell Assets: $45 billion
Total Assets: $63 billion

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
February 25, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $16,500 million of 52-week Treasury bills to be issued March 10, 1994. This offering will provide about $1,675 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,829 million. In addition to the maturing 52-week bills, there are $24,979 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $9,341 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,807 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $985 million of the maturing 52-week issue.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

LB-667

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED MARCH 10, 1994

February 25, 1994

<u>Offering Amount</u>	$16,500 million
<u>Description of Offering</u>:	
Term and type of security .	364-day bill
CUSIP number	912794 Q8 0
Auction date	March 3, 1994
Issue date	March 10, 1994
Maturity date	March 9, 1995
Original issue date	March 10, 1994
Maturing amount.	$14,829 million
Minimum bid amount	$10,000
Multiples	$1,000
<u>Submission of Bids</u>:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids.
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position are $2 billion or greater. (3) Net long position must be reported one half-hour prior to the closing time for receipt of competitive bids.
<u>Maximum Recognized Bid at a Single Yield</u> . . .	35% of public offering
<u>Maximum Award</u>	35% of public offering
<u>Receipt of Tenders</u>:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Standard time on auction day.
Competitive tenders	Prior to 1:00 p.m. Eastern Standard time on auction day.
<u>Payment Terms</u>	Full payment with tender or by charge to a funds account at a Federal Reserve bank on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
FEBRUARY 26, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

Good evening. I would like to thank Minister Waigel for a very constructive meeting. It's good to be back in Germany.

Let me start with our discussions on the world economy.

There was a general sense that the worst of the recent downturn is behind us. There are encouraging signs in most of the industrial countries. We have begun to lay the basis for sustained recovery.

Inflation has receded. Long-term interest rates have come down in all G-7 countries. There has been some progress on the structural side. Credible programs to reduce budget deficits have been put in place where necessary. And the successful conclusion of the Uruguay Round has strengthened the multilateral trading system.

It was generally agreed, however, that more needs to be done. Unemployment remains unacceptably high. We need to create more demand to create more jobs.

For these reasons, we continued to urge Japan to live up to its commitment to put in place a substantial and effective program to strengthen domestic demand, reduce its large trade surplus and open its markets. This is in the interest of all of Japan's trading partners. And, given the progress Europe has made on inflation, we believe the authorities should take advantage of any opportunities to reduce interest rates further.

We started making these points about this time last year. The strategy was right then and it remains valid today. We have seen some movement, but we need to see more if we are to succeed in generating sufficient growth in employment.

Now, let me turn to Russia.

(MORE)

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Russian Finance Minister Dubinin assured us that his Government was committed to continue the process of economic reform. He told us about his Government's deliberations on how to stabilize inflation over the course of 1994. And, he told us about his budget preparations.

I am encouraged by the fact that Russia's economic team is pressing to carry on with reform. As I see it, the privatization is impressive, but the stabilization effort is disappointing. We urged them to strengthen their efforts to bring inflation under control. That is essential in creating a market economy, and in raising the investment needed to modernize the country.

We told the Russians that a strong stabilization program is needed to trigger more support from the IMF. And we encouraged them to take advantage of World Bank loans that will support structural reform and help address social problems. We also heard from senior officials of the IMF and World Bank about their efforts to provide support for Russia's transformation. We want these institutions to be sure that reforms are moving before they lend, so their financial support will be used effectively. But we also want them to do all it can to understand the political realities of reform, to help make it possible for Russia to meet the IMF's conditions and gain access to IMF support.

I would happy to take a few questions.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
February 28, 1994

BENTSEN ANNOUNCES SHOTGUN RECLASSIFICATION AND BRADY LAW IMPLEMENTATION

Treasury Secretary Lloyd Bentsen Monday announced the reclassification of several semiautomatic shotguns into the same category as machineguns.

The shift to the "destructive device" classification will require that the approximately 18,000 weapons in existence be registered with the Bureau of Alcohol, Tobacco and Firearms. In addition, it imposes a new annual tax of $1,000 on manufacturers, requires an additional $500 annual license tax from dealers who wish to sell the weapons, and imposes a $200 transfer tax on future sales.

"These aren't sporting weapons," said Bentsen in remarks prepared for delivery at the Third District police station in the District of Columbia. "These are destructive devices, pure and simple. They were designed for combat and have no sporting use or purpose."

The weapons involved in the reclassification are sold under the names USAS-12, Striker, and Street Sweeper. In addition to registering the weapons with ATF, owners must be fingerprinted and photographed, and obtain a certification from a law enforcement officer that their possession of the weapon does not violate the law.

Bentsen also announced that the new Brady Law, requiring a five-day waiting period for a handgun purchase, along with a background check, is now in effect. He praised ATF for its efforts to implement the statute, named after former presidential Press Secretary James Brady. Notification of the statue's provisions and forms related to administration of the law were sent to the 284,000 firearms dealers in the country.

Bentsen also praised officers of the Third District for an innovative program to remove guns from Washington's streets.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as prepared for delivery
February 28, 1994

Remarks of Treasury Secretary Lloyd Bentsen
Third District Police Station
Washington, D.C.

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
THIRD DISTRICT POLICE STATION
WASHINGTON, D.C.
FEBRUARY 28, 1994

Good afternoon. I want to talk about something very important to the Treasury Department -- getting guns off the street. There are plenty of them out there, too many of them out there.

Inspector Collins and Lt. Hobson gave me an excellent briefing a few minutes ago about the new, innovative program here in the Third District to take guns off the streets. I had the opportunity to meet the officers involved in this dangerous work. I want to compliment all of you on. You've had some remarkable successes, such as blocking a would-be murderer from reaching a weapon and using it. In a very real sense, your efforts are saving lives.

Before I talk about the Brady Bill and one other issue, there is something else I want to say. In the past year, the Treasury Department has lost seven of its own in the line of duty -- four from ATF near Waco and three from Customs in a helicopter crash. Here in the District, you buried Officer Jason White, a victim of handgun violence, the day after I gave my first speech of the year on crime. As we look forward, every step we take to remove guns from the street, to reduce the flow of drugs, to combat crime, honors their memory, and protects citizens and officers everywhere.

That's what we're doing today. I want to make two announcements related to gun control.

First, I want to announce that as of today, in every state and territory that doesn't already have something similar on the books, anyone who wants to buy a handgun from a dealer has to wait five days to take delivery and must undergo a check to make sure they're not a felon. The Brady Bill has finally become the Brady Law. It's the most far-reaching firearms law in a quarter of a century, and it's going to do something about keeping guns off the streets.

Here in the District, you can't sell guns, but you and and I know there are guns out on the streets. They come in from other jurisdictions. Let me give you a case of how the Brady Law will help. There was a man from Martinsburg, West Virginia, who had a long list of felony drug convictions. He bought 25 guns in Martinsburg, went up to Philadelphia where he traded them for drugs. And then he brought the drugs back to Martinsburg. Fortunately, he went to jail. But those guns were out on the streets in Philadelphia. They were used in armed drug crimes and assaults. They could just as well have been here, in Washington.

John Magaw and his team at ATF have done a tremendous job in getting ready for the Brady Law. It was no easy task to develop the regulations, work with the 284,000 firearms dealers, the law enforcement agencies, and the common carriers. I want to commend John and his team for that effort.

This bill is also a tribute to the hard work and courage of Jim and Sarah Brady.

There is one other thing I want to talk about this afternoon, and that's these 12 gauge semiautomatic shotguns you see on the table here. I use the word shotgun advisedly. Frankly, wretched excess might be better.

One of these is called the U-S-A-S-12. The others go by the names Striker and Street Sweeper.

Let me tell you a little bit about these guns. I'm a sportsman. I use shotguns. This isn't exactly what I'd take on a duck hunt -- unless I wanted to have shredded duck szechuan, and do the shredding on the spot.

These aren't sporting weapons. You don't lead a target with this, you fill people full of lead with it. You know what kind of things they say in their advertising literature? Let me quote from a magazine ad I saw: "Why try clean-ups with inadequate equipment. Buy the machine designed to clean thoroughly on the first pass." Clean what? Ducks? More like innocent bystanders, more like police officers.

I have consulted with the ATF and reached a decision about these weapons.

Effective tomorrow morning, these weapons will be classified just as we classify machineguns. These are destructive devices, pure and simple. These are for combat. They have no sporting use or purpose.

The manufacturers are being informed of this action at this hour. It doesn't mean they can't keep making them, but we will require that they pay a special annual tax to manufacture this weapon, that dealers pay a special annual tax to sell them, and that any future sale carry a \$200 transfer tax.

We will also require that anyone who owns one of these register it with the ATF within 30 days of being notified of the new classification, be fingerprinted and have their picture taken, and obtain a certification from a local law enforcement officer that their possession of the weapon does not violate the law. By the way, having an unregistered weapon like this means a fine of up to $250,000, 10 years in jail, or both.

These weapons are already flatly banned by the states of California and New Jersey, and the Striker is banned in Virginia. I have gone as far as the existing law allows me in declaring them to be destructive devices. It's a start, another step like our proposal to raise gun dealer license fees and review Federal Firearms license applicants. Let me add that Senator Feinstein's amendment to the crime bill would ban these and other assault weapons, and we endorse that amendment.

There are over 200 million guns in the United States. There are law abiding gun owners and sportsmen who use weapons in legitimate settings and legitimate circumstances. But there are guns that have no purpose or legitimate use in our society, in the hands of people who have no business having them. We intend to see that these people are denied access to guns, and that these weapons are taken off the streets.

The officers of the Third District are doing that here, gun by gun, corner by corner, block by block. They're doing their part. And the Clinton Administration will do its part -- with 100,000 more officers out on patrol, with more prosecutors for gang cases, with an effective new Brady Law, and legislation to further strengthen our efforts against violence in America.

Thank you very much.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

BACKGROUND ON SHOTGUN CLASSIFICATION

- On May 11, 1993, Handgun Control, Inc., petitioned the Secretary to classify the USAS-12, the Striker-12/Streetsweeper, and the Mossberg Bullpup as destructive devices under the National Firearms Act (NFA).

- On September 13, 1993, former Director Higgins, ATF, asked for a review of the 3 shotguns to determine whether they should be reclassified as destructive devices. A working group was assembled to perform the review.

- Section 5845(f)(2) of the NFA, classifies certain weapons as "destructive devices" which are subject to the registration and tax provisions of the NFA. Section 5845(f)(2) includes within the definition of "destructive device" shotguns with a bore of more than one-half in diameter which are not generally recognized as particularly suitable for sporting purposes.

- On February 9, 1994, the Associate Director, Compliance Operations, recommended that the USAS-12 and the Striker-12/Streetsweeper be classified as destructive devices, since both weapons have a bore of more than one-half inch in diameter and are not generally recognized as particularly suitable for sporting purposes. The Director, ATF, agreed with the recommendation and advised Compliance to publish ATF rulings classifying the two shotguns as destructive devices.

- The Associate Director did not recommend that the Mossberg Bullpup be classified as a destructive device, since the physical features of the weapon do not indicate that it is a nonsporting weapon.

- The Striker-12/Streetsweeper was initially evaluated by ATF in 1984 in connection with a request to import the weapon under the Gun Control Act of 1968, as amended. The shotgun was denied importation on the basis that it is not generally recognized as particularly suitable for or readily adaptable to sporting purposes, as is required for importation under 18 U.S.C. § 925(d)(3).

- The USAS-12 was initially evaluated by ATF in 1988 in connection with a request to import the weapon under the Gun Control Act of 1968, as amended. The shotgun was denied importation on the basis that it is not generally recognized as particularly suitable for or readily adaptable to sporting purposes, as is required for importation under 18 U.S.C. § 925(d)(3). ATF's determination that the USAS-12 is not a "sporting" firearm was upheld in Gilbert Equip. Co. v. Higgins, 709 F. Supp. 1071 (S.D. Ala. 1989), aff'd without op., 894 F.2d 412 (11th Cir. 1990). The court held that there was a rational basis for ATF's decision that the USAS-12 was designed primarily for military and law enforcement use and is not suitable for sporting purposes.

- The Gilbert case and ATF's decisions interpreting the importation standards of section 925(d)(3) are relevant to the classification of the USAS-12 and the Striker-12/Streetsweeper as destructives devices under the NFA since the "sporting purposes" standards of the two statutory schemes are virtually identical.

TIMING OF THE DECISION

- The manufacturers of the USAS-12 and Striker-12/Streetsweeper began manufacturing the shotguns in the United States in 1988. Approximately 18,000 firearms have been manufactured to date.

- ATF was aware that the shotguns were being manufactured in the United States, since the manufacturers were required to be licensed under the Gun Control Act of 1968, as amended.

- It was not until the petition was filed by Handgun Control, Inc. that ATF considered whether the shotguns should be classified as destructive devices under the NFA.

COMPARISON WITH OTHER SHOTGUNS

- In determining whether a shotgun is "generally recognized as particularly suitable for sporting purposes" within the meaning of either section 925(d)(3) of the Gun Control Act or the destructive definition of the NFA, ATF evaluates the physical features of the shotgun. In making this determination, ATF evaluates the weight, size, bulk, designed magazine capacity, configuration, and other characteristics.

- In classifying the USAS-12 and Striker-12/Streetsweeper as nonsporting shotguns which are "destructive devices," ATF considered whether any other shotguns might arguably fit within the statutory definition. ATF determined that there are no other shotguns in production in the United States at this time whose design characteristics would require such a classification.

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

BRIEFING PAPER FROM THE OFFICE OF THE ASSISTANT SECRETARY (ENFORCEMENT) DEPARTMENT OF THE TREASURY

Brady Implementation

* After seven years of hearings and debate in the Congress, the Brady Handgun Violence Prevention Act was passed and promptly signed into law by President Clinton on November 30, 1993. It is the most significant gun law curtailing criminal access to handguns since the 1968 Gun Control Act.

* Each year nearly **7.5 million firearms** are sold at retail in the United States, nearly **half of them are handguns**.

* Until February 28, 1994, the effective date of the Brady Act, those guns have been sold primarily on the honor system. Although the purchaser had to sign a statement attesting to the fact that s/he was not legally prohibited from purchasing a firearm, there was no nationwide system to permit law enforcement to verify that statement.

* On February 28, 1994, every retail sale of a handgun will be preceded by a background check. Honest, law abiding citizens will continue to be able to purchase firearms. Criminals will not be able to buy a handgun without law enforcement first having an opportunity to prevent such sale.

* According to a Justice Department survey of prison inmates, nearly 30 percent had purchased their firearms from a licensed gun dealer.

* States that have had statewide systems of background checks tell us that they reject between 2 and 6 percent of the purchase requests they receive.

* Brady stops convicted criminals from arming themselves out of the yellow pages, and it does far more:

    - Gun runners have traditionally gone from states where the police check on buyers to states where law enforcement does not do background checks. Under Brady, there will be no such states.
    - Under Brady, law enforcement can learn that a violent criminal suspect is shopping for a new handgun.
    - Under Brady, law enforcement will know if a buyer is going from store to store to buy one handgun at a time to avoid filing the multiple sales report -- a possible indicator of illegal street sales.

Title I: 5-Day Waiting Period and Background Check -- Effective on February 28, 1994

* The mechanics of Brady are as follows: a handgun purchaser must fill out a form stating that s/he intends to purchase a handgun and is not in one of the prohibited categories. The gun dealer must transmit the form to the Chief Law Enforcement Officer within 24 hours. Law enforcement is required to make a "reasonable effort to ascertain within 5 business days whether receipt or possession would be in violation of the law." If law enforcement has not informed the dealer that the sale cannot go forward within five working days, the sale may be completed.

* Regulations for implementing the 5-day waiting period and background check for the purchase of *handguns* were developed by the Treasury, through the Bureau of Alcohol, Tobacco, and Firearms. The regulations were printed in the Federal Register on February 14, two weeks before the deadline, to ensure that all affected parties had adequate opportunity to learn and understand their new responsibilities. There is a 90-day comment period, after which final regulations will be issued.

* In addition to the regulations, several informational mass mailings have been sent to the 284,000 current Federal Firearms Licensees (FFLs) and to thousands of state and local law enforcement offices around the country. Each FFL in Brady states received two mailings, one addressed to all FFLs "subject to the waiting period provision of the Brady laws," and the other specific to each Brady state. All other FFLs received a letter addressed to those "not subject to the waiting provisions of the Brady laws." State and local law enforcement officials received detailed instructions outlining their Brady obligations. ATF has conducted numerous meetings with state and local law enforcement officials to advise them of their responsibilities and to tailor the implementation process to the needs of each state.

* The Justice Department has held several meetings and conferences concerning the information to be accessed in the background checks required by Brady. The Attorney General has designated the National Crime Information Center (NCIC) as the national system to be used in the criminal history background check.

* The law allows for several alternatives to the Brady background check (commonly referred to as State exemptions). ATF has analyzed state laws and regulations to determine which states meet the following alternative criteria:

  - if there is a State system in place which requires a permit to purchase a handgun. The permit cannot be issued more than 5 years earlier and must have been issued following an adequate background check; or

  - if the state already has in place a background check system comparable to the Brady background check.

Thirty-four states and territories will be required to implement Brady. (See attached list.) Of the states which will be required to implement Brady as of February 28, four are considering new legislation which would qualify them as alternative states. They include Colorado, North Carolina, Utah and Washington.

* In addition, certain transactions may be exempt from Brady: (1) ATF determines that remote geographic location combined with a lack of telecommunications facilities makes the check impractical; or (2) if the purchaser has received a waiver from law enforcement due to threat(s) against the lives of the purchaser or his/her family.

* The burden of implementing the background check rests on the local "Chief Law Enforcement Officer". This will vary from jurisdiction to jurisdiction. Chief Law Enforcement Officer is statutorily defined as "chief of police, or sheriff, or equivalent officer, or their designee" -- a definition we interpret to allow state and local governments the flexibility to develop the most effective and efficient background check system which is appropriate for their geographic and jurisdictional areas.

* The law neither provides for, nor prohibits, law enforcement offices from defraying their costs with some type of user fee. ATF has provided to the states model fee structures utilized in states that are successfully implementing alternatives to Brady.

* The 5-day waiting period will sunset in 5 years, at which time a new automated "Instant Check" system is to be in place. The Department of Justice is responsible for developing the automated data system to be accessed in the Instant Check. This system will be used for the purchase of all firearms, not just handguns.

* Treasury and Justice are working closely together on all aspects of Brady implementation. Both Departments have designated Brady coordinators.

<u>Titles II and III: Other Provisions</u>
<u>ATF has sent out notification and is implementing the following provisions:</u>

* Multiple sales reports of firearms purchases are now required to be disseminated to state and/or local law enforcement.

* Common carriers are prohibited from labeling as firearms packages or other containers of firearms.

* Common carriers are required to obtain written receipt for imports or interstate deliveries of firearms.

* It is now a federal felony to steal a firearm from a licensee (dealer, manufacturer or importer).

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, D.C. 20226

LIST OF STATES SUBJECT TO THE FEDERAL FIVE DAY WAITING PERIOD OR STATES HAVING ALTERNATIVE SYSTEMS AS DEFINED IN THE LAW

As of 2-23-94

STATES WHICH MUST COMPLY WITH THE FEDERAL 5-DAY WAITING PERIOD

Alabama
Alaska
Arizona
Arkansas
Colorado *
Georgia **
Idaho
Kansas
Kentucky
Louisiana
Maine
Marianas Islands
Minnesota
Mississippi **
Montana
Nevada
New Hampshire
New Mexico
North Carolina *
North Dakota **
Ohio
Oklahoma
Pennsylvania **
Puerto Rico
Rhode Island
South Carolina
South Dakota **
Tennessee
Texas
Utah *
Vermont
Washington State *
West Virginia
Wyoming

* Legislation pending to qualify as an "alternate state".

** In these States, the Federal 5-day waiting period does not apply to transfers of handguns to persons holding valid permits/licenses to carry handguns issued within 5 years of the proposed purchase.

STATES WHICH MEET ONE OF THE ALTERNATIVES TO THE FEDERAL 5-DAY WAITING PERIOD

California	--	Permit or other approval type system
Connecticut	--	Permit or other approval type system
Delaware	--	"Instant check"
Florida	--	"Instant check"
Guam	--	Permit or other approval type system
Hawaii	--	Permit or other approval-type system
Illinois	--	Permit and "instant check"
Indiana	--	Permit or other approval-type system
Iowa	--	Permit or other approval-type system
Maryland	--	Permit or other approval-type system
Massachusetts	--	Permit or other approval-type system
Michigan	--	Permit or other approval-type system
Missouri	--	Permit or other approval-type system
Nebraska	--	Permit or other approval-type system
New Jersey	--	Permit or other approval-type system
New York	--	Permit or other approval-type system
Oregon	--	Permit or other approval-type system
Wisconsin	--	"Instant check"
Virginia	--	"Instant check"
Virgin Islands	--	Permit or other approval type system

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

TREASURY CRIME CONTROL INITIATIVE SUMMARY

- **Guns in the U.S.** There are an estimated 200 million firearms in civilian hands in the U.S. Nearly 4 million new firearms enter the marketplace annually. Each year an estimated 639,000 Americans will be confronted by a criminal armed with a handgun. Between 130,000 and 270,000 firearms are taken to school every day by juveniles.

- **Brady Bill** (signed into law on November 30, 1933). The Treasury Department, through the Bureau of Alcohol, Tobacco and Firearms (ATF), is responsible for drafting and implementing the Federal regulations by February 29, 1994, for the 5-day waiting period to purchase a gun. Justice is responsible for developing the computerized criminal information network for the "Instant Check".

In support of the President's anti-crime commitment. Treasury supports the following initiatives:

- **Federal Firearms License (FFL) Reform.** Federal law requires that all persons who engage in the business of selling firearms be licensed by ATF. At present there are 284,000 FFL holders in the U.S.; over 70 percent of those are not "engaged in the business" as required by law. We strongly support Senator Simon's FFL reform package included in the Senate Crime Bill, which would:

  -- require the submission of photos and fingerprints with an FFL application;
  -- require FFLs to notify promptly ATF and local authorities of firearms thefts;
  -- impose additional recordkeeping requirements for FFLs and greater penalties for non-compliance; and
  -- require FFLs to comply with local business ordinances.

In addition, Treasury proposes to :

-- increase FFL fee to $600 per year by 1995;
-- increase the penalty from a misdemeanor to a felony for willful falsification of FFL records; and
-- provide ATF the authority to immediately revoke a license upon the felony conviction of the licensee.

Treasury supports other Senate-passed Crime Bill legislation:

-- a ban on the manufacture, sale and possession of semi-automatic assault weapons;
-- prohibitions on large capacity ammunition cartridges;
-- a ban on cop-killer bullets which are designed to pierce bullet proof vests; and
-- a prohibition on the transfer or sale of handguns to juveniles.

In addition, there are numerous administrative and enforcement initiatives which will be undertaken and/or expanded subject to availability of funding from the crime bill.

- **New York City Demonstration Project.** ATF, in conjunction with the New York City Police Department, has developed a pilot firearms dealer licensing project which was designed to deny FFLs to dealers who intended to use their license for criminal purposes, thereby limiting the number of illegal firearms in the city. Since the program began, 90 percent of the FFL applications have either been withdrawn or denied. Previously, 90 percent were granted. For most firearms sold on the black market in New York City, the black market price is four times that of the state of origin. We propose to expand this project to other cities with serious gun violence problems.

- **Intelligence.** Treasury proposes to expand our firearms trace capability to assist Federal, State and local law enforcement in their criminal investigations. We plan to expand a pilot project currently in Washington, DC, called Operation Ceasefire. Ceasefire utilizes new technology to identify projectiles found at crime scenes, and has provided valuable information to law enforcement linking otherwise unconnected cases.

- **Law Enforcement.** Treasury proposes to expand law enforcement programs, such as "Achilles" which targets armed career criminals; and Project Uptown which focuses on crime infested public housing. In addition, ATF will study the illegal gun markets in the 10 major counties where 23 percent of the nation's felony crimes are reported.

- **Explosives.** Explosives are currently sold over the counter without a background check. Treasury is developing legislative changes which will, in part, include the issuance of permits to buy explosives.

- **Prevention:**

  - **G.R.E.A.T.** With the leadership of Senator DeConcini, ATF has developed the Gang Resistance Education and Training (G.R.E.A.T.) program, a year-round, school based program designed to help children become responsible members of society, resist negative pressures, learn how to resolve conflicts and understand how gangs and drugs negatively impact the quality of their lives. G.R.E.A.T. is underway in 12 cities; Treasury supports the Senate Crime Bill provision to add 50 new cities.

  - **Project Outreach.** Recognizing that poverty, unemployment, and community disillusionment contribute to the nation's crime crisis, Treasury law enforcement agents and other employees volunteer their time to reduce the demand for drugs, teach CPR, tutor children, and other endeavors to improve their communities.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 28, 1994

**STATEMENT BY THE HONORABLE JEFFREY R. SHAFER
TREASURY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS
TO THE GLOBAL LEGISLATORS ORGANIZATION
FOR A BALANCED ENVIRONMENT (GLOBE)**

Thank you for inviting me to participate on this distinguished panel. I'm glad GLOBE has made the International Financial Institutions (IFIs) an important part of its agenda.

Over the past few years, the world has learned a great deal about the need for development to be based on the principle of environmental sustainability -- development must conserve the natural resource base upon which future generations depend. The increased international understanding of sustainable development issues that led to the Rio Summit and the international environmental conventions has also sharpened attention, appropriately, on the role of the IFIs.

The United States has been a leader in addressing the environmental and social performance of the IFIs, especially the multilateral development banks (MDBs). U.S. government agencies review every MDB project for compliance with the Bank's policies, including environmental policies, and for the sustainability of the project. We do not support projects with significant environmental impacts if an adequate environmental impact assessment has not been available to the public well in advance of Board consideration of the project.

These actions reflect the fact that poverty reduction and environmental protection are central to the Administration's development agenda. We believe that increased attention to environmental and social sustainability will lead to greater economic and social benefits for borrowers. We also believe constructive criticism brings fresh ideas, which is good for any institution.

Together, the MDBs are lending about $45 billion annually to developing countries for such essential activities as poverty reduction, improved agricultural

(MORE)

production, transportation, electric power, natural resource conservation, and economic policy reform. It is essential, given the scale of resources involved, that these institutions work in partnership with their borrowers to incorporate environmental considerations into national development agendas and individual projects.

The good news, of course, is that the IFIs are responding rapidly to this challenge. The World Bank, in particular, has made great strides over the past few years, establishing strong policies on environmental assessment, agriculture, water resources management, energy efficiency and the power sector, forestry, indigenous peoples and resettlement. The IMF also has become more aware of the consequences of its programs on poverty and the environment, and works with the World Bank to address the social and environmental concerns associated with Enhanced Structural Adjustment Facility programs.

In addition to the environmental policy reforms discussed above, the World Bank has taken a hard look at the quality of its projects in a study known as the Wapenhans Report. The Bank has made several important changes in the way it does business to address the shortcomings identified by the Wapenhans Report. The action plan initiated by the Bank in July 1993 established a comprehensive process for improving the quality of projects during the design stage, and strengthening the Bank's role in project performance management.

The Bank has established a more open policy on information disclosure to increase accountability and public input. And the Bank is creating an Independent Inspection Panel to investigate complaints from local people who feel that they have been adversely affected by a project supported by the Bank.

The United States believe these changes will reshape the Bank's programming and improve the quality of its projects. We continue to encourage the World Bank to fully implement its new policies. We are pushing for similar changes to be adopted by the regional development banks in their ongoing replenishment exercises.

There is more that remains to be done, make no mistake. The Banks need to move more aggressively to implement the environmentally sound policies they have been putting in place. They need to incorporate environment as a central component of their macroeconomic policy dialogue with borrowers. Public consultation in the development of projects and policies needs to be strengthened and expanded.

The United States will continue to push for strong action in these areas in each of the MDBs. As all of you know, however, the IFIs are multilateral institutions. Consensus among governments will be required for further progress. That is why the efforts of international organizations like GLOBE are so important.

GLOBE member governments should send a clear signal to the IFIs that full implementation of environmental policies is of the highest priority. This signal will be strengthened if GLOBE member governments make it a point to systematically review MDB projects for compliance with environmental policies. In addition, GLOBE member governments should strongly encourage the MDBs to provide environmental leadership in their policy discussions with borrowing governments. This is especially important in key sectors such as agriculture, energy and transportation.

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AUCTION RESULTS
PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
February 28, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,743 million of 13-week bills to be issued March 3, 1994 and to mature June 2, 1994 were accepted today (CUSIP: 912794K86).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.38%	3.45%	99.146
High	3.40%	3.48%	99.141
Average	3.40%	3.48%	99.141

$400,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 20%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$58,643,683	$12,743,255
Type		
Competitive	$53,924,761	$8,024,333
Noncompetitive	1,224,213	1,224,213
Subtotal, Public	$55,148,974	$9,248,546
Federal Reserve	3,081,330	3,081,330
Foreign Official Institutions	413,379	413,379
TOTALS	$58,643,683	$12,743,255

An additional $114,521 thousand of bills will be issued to foreign official institutions for new cash.

LB-672

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
February 28, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,742 million of 26-week bills to be issued March 3, 1994 and to mature September 1, 1994 were accepted today (CUSIP: 912794M92).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.60%	3.72%	98.180
High	3.61%	3.73%	98.175
Average	3.61%	3.73%	98.175

$400,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 44%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$52,665,493	$12,741,796
Type		
Competitive	$47,643,776	$7,720,079
Noncompetitive	913,996	913,996
Subtotal, Public	$48,557,772	$8,634,075
Federal Reserve	3,050,000	3,050,000
Foreign Official Institutions	1,057,721	1,057,721
TOTALS	$52,665,493	$12,741,796

An additional $293,079 thousand of bills will be issued to foreign official institutions for new cash.

LB-673

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 1, 1994

SUMMARY TESTIMONY OF TREASURY SECRETARY LLOYD BENTSEN
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WASHINGTON D.C.

LB-674

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 1, 1994

SUMMARY TESTIMONY OF TREASURY SECRETARY LLOYD BENTSEN SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS WASHINGTON D.C.

Mr. Chairman, members of the Committee.

I've appeared before you to discuss many issues, but few are as important as bank regulatory consolidation. And from my experience in the Senate, I appreciate that few will be as challenging for you to resolve.

But I also realize the importance of addressing this matter now, rather than waiting until it has to be dealt with, in the face of other urgent problems.

First, let me express appreciation to Chairman Riegle and Senator D'Amato for inviting the Administration to formulate and present our proposal. I greatly appreciate your bipartisan spirit. And I know it's the desire of all members of this Committee, as well as the Administration, to work together on this one.

I have a longer statement for the record, but let me summarize.

Here's where we are today. Four different agencies regulating depository institutions.

The Office of Thrift Supervision and the Office of the Comptroller of the Currency -- both under Treasury. The Federal Reserve. And FDIC.

These aren't nice clean boxes on an organizational chart. 70 percent of the nation's commercial bank assets are held by organizations regulated not by one organization -- but by two. And almost half are regulated by three or four.

LB-674

Let me show you something. This was put out by the Federal Reserve of New York. It uses four colors, 12 columns, 17 rows, and 31 footnotes to explain to a customer which regulator handles what. Good luck! I'm giving this one to Arlen Specter and Bob Dole.

Under the Consolidation Act of 1994, we'll combine supervisory and regulatory functions of the four into a single Federal Banking Commission.

You'll recognize a lot of our proposal. It incorporates many of the elements of bills introduced in Congress -- in particular, the bill introduced by you, Mr. Chairman, and Senator D'Amato; and in the House by Chairman Gonzalez and 12 other members of the Banking Committee.

Our plan also builds upon many bipartisan proposals that have emerged over the past 45 years. Do you know that the first commission calling for regulatory reform -- the Hoover Commission -- came out my very first term in Congress?

We've seen several since. We saw it in the Grace Commission under President Reagan. We saw it with President Bush.

And like your Congressional proposals, ours attacks redundancy and waste by realigning regulators according to their core functions of regulator, central bank, and deposit insurer.

The core functions of the Federal Reserve as the central banker and FDIC as deposit insurer won't be disturbed.

Nothing in our proposal will affect the Federal Reserve's independence, deprive it of needed information, or hamper the performance of its essential functions.

It will continue to conduct monetary policy, administer the payments system, and provide liquidity through the discount window. These are all important components of our plan that have been misunderstood. I'll say more about that later.

Let me say something about state-charted banks regulated by the states -- that's something else that has been misunderstood.

They'll continue to play their important role. The dual banking system will not be weakened by this. I used to be the Chairman of the Board of Directors of a community bank in Texas. And if I thought the dual system would be weakened, I wouldn't be here.

Nothing in the Act gives the federal government any additional authority over them. Nothing prevents a institution from seeking a state, rather than a federal charter. And our proposal provides the opportunity for state supervisors to take on more of the responsibilities for their banks.

To be blunt, I see critics of our proposal confusing the state dual-banking system with having a choice between different federal regulators. Our plan preserves the dual system, while eliminating a confusing federal regulatory structure that as Treasury Secretary, I find redundant and wasteful.

What we're seeing is a situation that enables banks to shop for the most lenient federal regulators.

As Senators, you should worry about a system where the more faithfully an agency implements laws you enact, the more likely the institution it regulates will look for a more lenient regulator.

That, right there, is a key reason to consolidate.

I was before you last week, talking about our worst financial crisis since World War II. One lesson we better have learned is that our regulatory system did not adequately anticipate or resolve that S&L crisis.

And in the months and years ahead, I don't want to have to appear before you, as my predecessor did, to ask you to take costly measures to contain some other crisis. It's better to fix the roof, while the sun is shining.

I ask that we take action now, while we can, so that none of us will be forced to act with a gun to our heads.

We need a federal regulator that can focus on the banking industry -- full time. An agency that'll keep the industry healthy. That'll promote a safe and sound system.

Over the past 20 years, the percentage of financial institution assets in banks and thrifts has shrunk. It's gone from 62 percent to just 36 percent -- the lowest level in history. That's a tremendous loss.

I'll tell you who that impacts. Small businesses on Main Street. The big fellows can get their money on Wall Street. But the small business people -- the job creators in this economy -- they visit their local bank.

There will be a lot of benefits from this. Let me take you through seven of them in some detail.

One, we can do a better job of regulating.

Almost three-quarters of a trillion dollars in assets are in holding companies that control a national bank, a state non-member bank, and a thrift. That means they have four regulators.

The Fed does the holding company; OCC, the national bank; FDIC, the non-member bank; and OTS, the thrift.

And what happens? We have a situation where each regulator relies on the others for parts of the institution they're not responsible for.

Incredibly, there are thousands of cases where our system has layered on separate regulators for the holding company, even though that agency regulates none of the entities that actually make the loans. None.

It's fragmented. We don't get a complete picture. And we can do better than that.

Two, consolidation will eliminate inconsistent and duplicative regulation.

Four agencies. Four sets of rules. Four sets of inspectors. Bankers often see different regulators apply different rules to similar situations, and sometimes they see them apply the same rules differently.

And under our plan, there no longer will be a need to coordinate policies and regulations among different agencies. It has sometimes literally taken an Act of Congress to get the agencies to coordinate.

Three, we'll see more accountability.

Today, when complaints arise in the industry, the various agencies can side-step accountability. All they have to do is point their fingers at each other.

I'll illustrate. In the mid 1980s, the warning signs were clear that banks had over invested in commercial real estate loans, but the regulators could not agree on a unified strategy to address the problem.

And under our plan, Americans who pay the regulators' salaries but can't afford banking lawyers to guide them through the maze, will know where to go when they have a problem: the Federal Banking Commission. Period.

Four, it'll eliminate potential conflicts when agencies perform dual roles.

Look at the Federal Reserve -- as regulator and central bank. The two functions compete for the time and energy of policy-makers, and you know that bank regulation takes a back seat to monetary policy.

Or look at the FDIC. As an insurer, it has incentives to resist innovations even if those innovations may be exactly the changes banks need to maintain their long-term health and be responsive to evolving customer needs.

Five, consolidation works better and costs less.

OMB says our plan reduces government spending between $150 and $200 million a year -- 15 to 20 percent of today's costs.

Direct savings to the banking industry -- and ultimately the consumer -- will be substantially greater.

I can't tell you whether the savings in the private sector will be 5 percent or 25 percent. But based on a 1992 study chaired by Federal Reserve Board Governor John LaWare, each 5 percent reduction in regulatory burden that this reform achieves will save the industry $1 billion.

Six, a single regulator will be responsive to the concerns of community banks.

In the present system, most small banks are regulated by either the Fed or FDIC, and like I've said, they have other jobs, other priorities.

Under our plan, small banks will have a regulator solely dedicated to responding to supervisory concerns. They'll be in all 50 states, and if they're not responsive, I'm sure they'll hear from members of this Committee and the rest of Congress.

Seven, a consolidated agency will assess fees and expenses more equitably among institutions.

Like OCC, OTS, and FDIC, the Commission will not require any taxpayer funds. It will recover all its costs through non-appropriated means. The Administration's proposal incorporates a funding method for the Commission that's fair to both national and state banks and institutions of all sizes. That's not the case now.

I know a number of state-chartered community banks have worried that the Commission might impose heavy fees on them. Many of those bankers feel they're already contributing to federal supervision costs through a portion of their FDIC premiums, and they pay fees to their state supervisors.

Well, we heard their concerns. We agree. They make sense.

So, I'm happy to present a plan that calls for no fees to be paid to the new Commission by state banks for the first $1 billion in assets.

That means 7,500 state-chartered banks -- more than 90 percent of all state banks -- will have no fees assessed by the Commission. Larger state banks will pay half the rates, reflecting the role of the state supervisors.

You know, a lot of people of both parties have endorsed this proposal -- including several former regulators, including Peter Grace, including some of your former colleagues. But there have been some critics, in particular members of the Federal Reserve.

They agree consolidation is needed. But they have a different idea of how to do it.

I have a great respect for the Fed and for its role in monetary policy and financial systems. This proposal not only assures that the Fed has the authority it needs, it improves the Fed's involvement in supervising major banks -- but within a much more workable and efficient framework.

They have their own proposal. They think two full-scale regulators would be better than one. I'm not persuaded.

Two are not necessary. The Federal government is not Noah's Ark. We don't have -- or need -- two Securities and Exchange Commissions. Or two Food and Drug Administrations. Or two central banks. We don't need two sets of rules and interpreters, or two sets of examinations.

It's also a mistake to believe that competition among bank agencies is needed to promote financial product innovation. Innovation is not initiated by bank regulatory agencies. It comes from the marketplace.

And it's the non-bank financial services providers that dominate the industry, and our current unresponsive, inefficient system is killing the banks' ability to compete with them.

Some critics argue against full consolidation on the grounds that it eliminates checks and balances.

Congressional oversight of the regulators is a check and balance. So are the courts. And the state bank system. And the press. And the marketplace. And the new Commission's Board that I'll discuss in a minute. We don't need two federal regulators to serve as a check and balance for every bank.

Nevertheless, we believe that the Fed should play a meaningful role of participation in bank supervision.

There is a legitimate concern that I know some of you have expressed about very large banks -- that they really warrant special attention.

We've heard those concerns. We agree.

So our proposal provides a back-up system between the Commission and the Fed for the top 20 banks. If either agency sees a serious problem, it can act to correct it in any of the 20 largest institutions. Those 20 make up 35 percent of total bank and thrift assets.

In addition, the Fed will be able to select, each year, 10 of those top 20 for joint examination. Those 10 could make up 25 percent of total system assets.

And, for any of the 10 that have historically been supervised by the Fed, the Fed can take the lead role in the joint exams. But there will be just one exam per institution. Just one.

Today, the Fed directly supervises and examines only 7 percent of all FDIC-insured depository institutions, only 15 percent of the nation's bank and thrift assets, only five of the 20 largest institutions, and only 12 of the 52 U.S. banks with assets of more than $10 billion.

For information concerning the remaining 93 percent, including most of the large organizations, the Fed relies on reports prepared by OCC, by OTS, or by FDIC.

Now, some say the Fed needs bank supervisory powers to guard against systemic risks -- crises that effect the financial system -- like the stock market crash in October 1987.

I'm a Depression kid. I understand the failure of banks. But not every disturbance is a systemic risk.

And in these times, possessing supervisory capabilities is unlikely to improve the ability of the Fed to anticipate shocks.

The financial market encompasses far more than what the Fed supervises. It's the stock market, the bond market, the commodities market, the insurance industry.

Our proposal won't affect the Fed's ability to react to a systemic shock. It will continue to regulate the payments system and be actively involved in the supervision of the largest banks. The Fed's done just fine in the past and it will in the future.

The monetary policy-makers at the Fed don't conduct bank exams themselves. They get information they need from examination reports, just as they will under our plan.

The Fed does say that some involvement in some statistical cross-section of banking is useful to them.

Fine. Our proposal provides an opportunity for the Fed to participate in exams of just such a cross-section -- in a way that doesn't duplicate or overlap with the Commission.

These banks all across the country could compose up to 5 percent of total system assets. Between their participation in exams of the largest banks and the cross section, the Fed would actually be involved in banks with 30 percent of system assets, compared to 15 percent now. So, the Fed will have better information, without all the overlapping and confusion of today's structure.

And this Commission will have a Board -- and the Fed will have a seat on it.

The Treasury will also have a seat. And there will be three others, appointed by the President and confirmed by the Senate. Both parties will be represented. And one member will have experience in supervising state-chartered institutions. This Board will bring balance and judgement to the job of regulation.

And the new Commission will have access to a range of views on policy matters. It will have advisory councils for community banks -- both state and national -- for thrifts, consumer issues, and small businesses.

I look around the world. I've dealt with many finance ministers. In fact, I just got back from Germany over the weekend for a meeting with the G-7.

I spoke at length with the top officials from the Bundesbank, and they told me they have no examination responsibilities. Nor do they want them.

I have to tell you -- no other country has a regulatory system anywhere near as confused as ours. No other country.

It's a serious disadvantage in today's competitive world for our nation, to have our banks, that serve our economy, hobbled by our regulators.

I've heard enough stories. Like the bank in California that had more regulators in one day then they had employees -- so many that customers couldn't find a place to park.

Let's stop tripping over each other. This plan provides each bank -- one examination, one application, and one report to their board of directors. It'll leave the bankers time to make loans, instead of spending all day filing multiple regulatory reports.

The need to restructure has been around a long time. I want to read you something. The banking regulatory system is "a crazy quilt of conflicting powers and jurisdictions, of overlapping authorities and gaps in authority."

That's from a Fed annual report -- of 1938.

The need has grown more urgent over the past several decades as distinctions between depository institutions have blurred and the regulatory system has grown more costly, more complex, less efficient, less responsible.

I talked today about all the advantages of our proposal. You're probably thinking -- what are the disadvantages? It's hard to find them.

But, nevertheless, when you make improvements, someone will protest the way it'll be done -- they'll resist change.

But here, and with other areas of government that need to be made more efficient, we have to join together to counter that resistance.

You know, the OCC and OTS are bureaus of the Treasury -- and they supervise 62 percent of bank and thrift assets. I'm prepared to give up that authority, and put them into the new Federal Banking Commission. I'm ready to fix the system -- the right way.

In this time of economic stability, when bank profits remain at all-time highs, we have a window of opportunity open: to take bold action to improve the system; to make it work better and cost less; to promote a safer, sounder banking system; and to promote a more efficient system.

For all those reasons, I urge this Committee and this Congress to move quickly on the Consolidation Act, and I look forward to working with members on both sides of the aisle.

I'm here to answer your questions.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

STATEMENT OF

THE HONORABLE LLOYD BENTSEN

SECRETARY OF THE TREASURY

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

OF THE

UNITED STATES SENATE

MARCH 1, 1994

LB-675

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STATEMENT OF THE
HONORABLE LLOYD BENTSEN

I. INTRODUCTION

Mr. Chairman and members of the Committee, I want to thank you for the opportunity to appear before you today to present the Administration's proposal to consolidate the federal banking agencies. I want to express our appreciation to the Chairman and Senator D'Amato for inviting the Administration to formulate this proposal, which will meaningfully reform the way we supervise our Nation's banking and thrift industries. In the past year, I have had the privilege of appearing before the members of this Committee -- my former colleagues -- to discuss a wide variety of matters, but in the end, I think few of those discussions could be more important than the matter we will address today. From my own experience here in the Senate, I also appreciate that despite the resounding logic of the Administration's plan, there will be some controversy regarding certain aspects of the proposal that will be challenging for you to resolve.

Consolidation of the federal banking agencies presents a unique opportunity to rebuild a part of America's economic infrastructure that has become badly outmoded, and to make government more effective and efficient in a way that is meaningful to all Americans. The current federal bank regulatory structure is senselessly convoluted, places a serious drag on the Nation's banking industry and the economy in general, has failed to effectively protect the stability of the banking system, and ill serves the financial services needs of the American people.

If that were not reason enough for reform, the present system also has another, insidious impact that should especially concern you. The current regulatory scheme enables banking organizations to shop for the most lenient regulator. Thus, the more faithfully an agency implements the laws enacted by Congress, the more likely the institutions it regulates will look for another regulator. You should not tolerate a regulatory system whose structure inevitably saps the effectiveness of the laws you pass.

Today, four different federal agencies regulate and supervise depository institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). The Office of the Comptroller of the Currency (OCC) charters, regulates and supervises national banks. The Board of Governors of the Federal Reserve System and the Federal Reserve Banks (referred to collectively as the Federal Reserve) regulate and supervise bank holding companies and state-chartered banks that are members of the Federal Reserve System. The Federal Reserve, as well as the OCC, also has certain responsibilities for regulating and supervising foreign banks' U.S. operations and U.S. banks' foreign operations. The FDIC, in addition to insuring deposits, regulates and supervises state-chartered banks that are not members of the Federal Reserve System.[1] The Office of Thrift Supervision (OTS) charters, regulates

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[1] The FDIC also has back-up enforcement authority to stop unsafe practices at any FDIC-insured institution if the institution's primary Federal regulator fails to do so.

and supervises Federal savings associations, and regulates and supervises savings and loan holding companies and state-chartered savings associations. (See Appendix A for a depiction of the current Federal regulatory structure.)[2]

Trapped in this maze of bureaucracies, most banking organizations are subject to redundant demands, overlapping supervision and often inconsistent regulation by two, three, or even all four of the Federal regulatory agencies.[3] The system was aptly described in a 1973 staff report to the House Committee on Banking and Currency as a "patchwork structure of regulation consisting of a battery of contradictory agencies which have often reduced supervision of financial institutions to

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[2] A more comprehensive chart published by the Federal Reserve Bank of New York, entitled "Depository Institutions and Their Regulators," uses 12 columns, 17 lines, and 31 footnotes to explain which regulator handles what.

[3] As Chairman Riegle has observed, "no thoughtful person would ever design such a system from scratch." Instead, the structure arose over time as the Federal Government, in response to crises and changing needs, established new agencies and expanded existing agencies' responsibilities without ever significantly rationalizing and simplifying the overall structure. For example, Congress created the OCC in 1863 to provide a system of federally chartered banks that would help the Union to finance the Civil War. It established the Federal Reserve System in 1913 to stabilize the economy after a series of banking panics. It created the FDIC in 1933, after the banking system collapsed during the Great Depression. The following year, it extended federal regulation and deposit insurance to the thrift industry through the Federal Home Loan Bank Board, which became the OTS in 1989, and the now-defunct Federal Savings and Loan Insurance Corporation. It instituted holding company regulation in 1956 for banks and in 1968 for savings associations. It applied federal regulation to foreign banks in 1978.

the lowest common denominator among their conflicting positions."[4] In the two decades since that report appeared, these problems have grown worse. Today, over 70 percent of the Nation's commercial bank assets are held by organizations that are supervised and regulated by at least two different Federal banking agencies and almost one half are supervised and regulated by three or four agencies.

Given its duplication, waste and confusion, this system would be ripe for reform even if it had a strong record of preserving bank safety. But it does not. Our country has just emerged from its worst financial crisis since The Great Depression. One of the lessons of that crisis is that our bank regulatory system is cumbersome and antiquated. It did not adequately anticipate or help resolve the recent crisis.

Under the Regulatory Consolidation Act of 1994 (Consolidation Act) proposed by the Administration, bank and thrift resources that are now dedicated to coping with inconsistent and redundant regulation under the current scheme can be redirected to productive uses, such as meeting the needs of customers and the demands of global competition. In addition, the regulatory system proposed by the Administration will be more effective than the current patchwork of regulators in protecting the safety and soundness of the banking system.

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[4] Staff Report of the Subcommittee on Domestic Finance of the House Committee on Banking and Currency, Financial Institutions: Reform and the Public Interest 5 (Comm. Print 1975).

On its face, consolidating Federal agency functions appears to be an obvious thing to do. But as a former Senator, I know how challenging this issue is for you. Congress has grappled with the issue of banking agency consolidation for years. I appreciate that there are those who argue to you that the status quo should not be disturbed; that any change affecting certain regulatory functions will risk various unfortunate results. I understand your concern about the consequences of change, and I do not dismiss the claims you are hearing. I say we need to examine them.

An astonishingly diverse array of observers agree that our current bank regulatory system is "broken." If we fail to fix it now, the next financial crisis we face will again reveal its flaws. And who suffers then? Our banking industry, our economy, and potentially, the taxpayers. You have the chance to help prevent that result.

I am sure you have many questions about the Administration's proposal. Under Secretary Newman and I are here to explain the proposal and answer your questions. I am confident that once we probe the concerns you have heard expressed about our proposal, you will conclude that the real risk lies not in change, but in missing this opportunity to affect badly needed reform.

II. THE ADMINISTRATION'S PROPOSAL

The Consolidation Act will combine the regulatory and supervisory functions of the OCC, the Federal Reserve, the FDIC, and the OTS into a new independent agency, the Federal Banking Commission (FBC). The proposal incorporates many of the highly constructive elements of the well-considered bills introduced in the Senate and House, in particular, S. 1633, introduced by you, Mr. Chairman, and Senator D'Amato, and H.R. 1214, sponsored by Chairman Gonzalez and 12 other members of the House Banking Committee. The Administration's plan also builds upon the many previous proposals for regulatory consolidation that have emerged over the past 45 years.[5] Like the Congressional proposals, the Consolidation Act will attack redundancy and waste in government by realigning the banking and thrift regulators according to their core functions of bank regulator, central bank, and deposit insurer.

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[5] Virtually every study of our Federal banking regulatory system since 1949 has recognized the need for major consolidation. Proponents of consolidation have included a task force of the Commission on Organization of the Executive Branch of Government, commonly known as the Hoover Commission (1949); the Commission on Money and Credit (1961); House Banking Committee Chairman Wright Patman (1965); the Hunt Commission (1971); the House Banking Committee's Study of Financial Institutions in the Nation's Economy (1975); Senate Banking Committee Chairman Proxmire (1975); the Private Survey on Cost Control, commonly known as the Grace Commission (1983); Vice President Bush's Task Group on Regulation of Financial Services (1984); and the Bush Administration (1991).

A. The Core Functions of Regulator, Central Bank, and Deposit Insurer Will Remain Intact at Separate Agencies.

Under the Consolidation Act, the banking regulatory system will consist of a strong and stable three-part structure based upon core agency functions that complement each other. The Federal Banking Commission will regulate and supervise all federally-insured banks and thrifts, all bank and thrift holding companies, U.S. banks' foreign operations, and foreign banks' U.S. operations. The FBC also will charter national banks and Federal savings associations. The FBC thus will carry out all the functions currently exercised by the OCC and OTS, as well as the FDIC's functions as primary Federal overseer of state nonmember banks and the Federal Reserve's functions as primary Federal overseer of bank holding companies, state member banks, and foreign banks. (See Appendix B for a depiction of the proposed Federal regulatory structure.) The core functions of the Federal Reserve and FDIC will not be disturbed. This is an important component of the Administration's plan that has been much misunderstood.

Nothing in the Administration's proposal will affect the Federal Reserve's independence, deprive it of needed information, or hamper the performance of its essential functions. The Federal Reserve, as the Nation's central bank, will continue to conduct monetary policy, administer the payments system, set bank reserve requirements, and provide liquidity through the discount window. It will retain full rulemaking and other authority necessary to carry out those responsibilities.

It will still participate in market oversight of government securities dealers and brokers as part of its responsibilities for open market operations. In addition, it will participate in FBC examinations of certain banking organizations that the Federal Reserve concludes it needs to examine because of the relationship of those operations to the Federal Reserve's monetary policy, payments system and discount window functions. This includes examinations of national banks that the Fed does not presently have an opportunity to inspect.

The Federal Reserve's participation in examinations will be meaningful. From the Nation's 20 largest banking organizations, the Federal Reserve will select annually for joint examinations up to 10 banking organizations (whose subsidiary insured depository institutions could, in the aggregate, hold up to 25 percent of the total assets of all FDIC-insured depository institutions). The Federal Reserve and the FBC will jointly examine those banking organizations. Federal Reserve staff will be actively involved in planning the scope, timing, and their role in the joint examinations. Federal Reserve examiners will also participate in meetings between FBC examiners and senior management as well as the board of directors of banking organizations when examination findings are discussed and transmitted.

Generally, joint examinations will be conducted under the direction of the relevant FBC examiner-in-charge. However, the Federal Reserve could elect to lead the examinations of banking organizations (with up to 10 percent of the total assets of all FDIC-insured depository institutions) that have a majority of their assets in state member banks.

The Federal Reserve could also join in examining an array of smaller state member banks, with up to 5 percent of the total assets of FDIC-insured depository institutions.

In addition to authorizing the Federal Reserve to examine a cross-section of both large and small banking organizations jointly with the FBC, the Consolidation Act gives the Federal Reserve back-up enforcement authority to correct actual or potential safety and soundness problems at the Nation's 20 largest banking organizations. The Federal Reserve will be able to initiate back-up enforcement action against any such institution by submitting in writing to the FBC a recommendation that it take enforcement action against the particular institution. If, in the judgment of the Federal Reserve, the FBC fails to take appropriate action, the Federal Reserve could institute its own enforcement action if the Board of Governors determines either that (1) the institution is in an unsafe or unsound condition or, (2) the institution's current practices, if allowed to continue, will likely render the institution unsafe or unsound. This back-up enforcement authority would be reinforced by the Federal Reserve's seat on the FBC board, which would inextricably link the two agencies and give the Federal Reserve a continuing role in all the FBC's activities.

The FDIC will continue to insure deposits at all federally-insured banks and thrifts. It will continue to grant, suspend, and terminate deposit insurance. It will be able to conduct its own special examinations of insured institutions where necessary to protect the deposit insurance fund and take "back-up" enforcement action to stop unsafe practices if the FBC will not do so. It also will retain its current roles as deposit insurer overseeing activities of state banks and thrifts that could pose risks to the insurance funds and carrying out the prompt corrective action statute (e.g., helping determine whether a critically undercapitalized institution should remain open), and will retain responsibility for resolving bank and thrift failures at the least cost to the insurance funds.

The Federal Reserve and the FDIC will have full access to bank and thrift supervisory information so they will be able to make independent judgments on matters bearing on their core functions. The FBC will be required to provide the Federal Reserve and the FDIC with timely and accurate information on the condition of the banking and thrift industries and on individual depository institutions.

In essence, the Administration's proposal creates a three part structure of banking industry oversight. Like the legs of a sturdy three-legged stool, each agency will have important, independent functions and strengths, and each will complement the others to create a stable, effective regulatory structure. The new regulatory structure will oversee the safety and soundness of the banking industry and guard against risks to the banking system far more effectively than the current mixup of regulators.

B. States Will Continue to Regulate State-Chartered Banks, Thereby Preserving the Dual Banking System.

The dual banking system will not be weakened by establishment of the FBC. I would not be here before you if I thought the Administration's proposal would have that result. In fact, rather than harm the dual banking system, state banks and state regulators will both benefit under the Consolidation Act. They will have to deal with only one Federal agency to resolve supervisory issues and may benefit from the broader perspectives and reduced entrenchment of interests that a single regulator system will provide. In particular, state regulators will have the opportunity to play an enhanced role in the supervision of their state-chartered institutions.

Concerns that the dual banking system would be undermined because the FBC would have a tendency to regulate state banks in the same manner as national banks and not fully preserve their statutory differences, misunderstand the Administration's proposal and mistake the powers of the FBC.

The Consolidation Act does not try to displace the states as primary regulators of the banks they charter. Nothing in the Consolidation Act will give the Federal government any additional authority over state-chartered banks or state bank regulators,[6] and nothing will prevent an institution from seeking a state, rather than a Federal, charter.

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[6] The FDIC will retain its authority to restrict activities by insured state-chartered institutions that may present unacceptable risks to the Federal deposit insurance fund.

Under the Administration's plan, the FBC will certify state banking departments that have demonstrated the ability to conduct satisfactory examinations.[7] The FBC will place increased reliance on examinations by certified states. In particular, the FBC will not duplicate examinations of well-capitalized state-chartered institutions with less than $250 million in assets.[8] Thousands of state-chartered institutions will fall into this category.

Even if the FBC wanted to discriminate against state-chartered institutions, it simply could not do so. Under the Administration's proposal, it is not possible for the FBC to regulate state banks in the same manner as national banks, and to homogenize their powers, as some have asserted. Nothing in the Administration's proposal authorizes the FBC to override state law to limit state bank powers. The closest thing to that type of authority is the ability of the FDIC today to limit activities of state banks that are not permissible for national banks if the FDIC believes the activity presents risk to the insurance fund.[9] This is a deposit insurance-related power that would remain with the FDIC under the Administration's proposal. Nor will the FBC have the ability to re-interpret state law to override existing state precedents or to construe state law one way when state authorities say it means something else. In

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[7] At present, the Federal Reserve and the FDIC each accept examination results from 35 state banking agencies.

[8] Periodic Federal examinations would still be required for larger banks and small state-chartered banks that are in weaker condition.

[9] 12 U.S.C. § 1831a.

short, nothing in the Consolidation Act would enable the FBC to take the sort of action that critics of the Administration's proposal regard as threatening to the dual banking system.

To be blunt, I see critics of the Administration's proposal confusing the "dual banking system" with having a choice between different Federal regulators. The Administration's plan will preserve the former, but eliminate the latter. Arguments that preservation of the dual banking system requires a choice between two or more Federal regulators are really arguments for retaining the ability for institutions to arbitrage Federal supervision. We need to face the fact that having multiple Federal regulators preserves the risk that the regulators will engage in "competition in laxity" to preserve their "share of the market." This does not promote safety and soundness and, in fact, is a key reason to consolidate the agencies. Allowing institutions to seek the most lenient regulator also undermines the legislative process. The banking agency that most faithfully enforces laws passed by Congress loses its market share to the agencies that "go easy" on the institutions they regulate.

The Administration's plan will give institutions a meaningful choice between having a state or a Federal charter and consequently a choice between having a state or Federal agency as a primary regulator. But institutions should not, and under the Consolidation Act will not, have the opportunity to play one Federal regulator off against another.

C. The FBC Structure Will Provide an Appropriate Balance Between Independence and Accountability.

The board of the FBC will have five members: the Secretary of the Treasury (or the Secretary's designee); a member of the Board of Governors of the Federal Reserve, designated by the Federal Reserve and acting as its representative; and three members appointed by the President and confirmed by the Senate. One of the three appointed members will be specifically appointed and confirmed as Chairperson of the Commission, and will serve a four-year term (both as a member and as Chairperson) expiring on the last day of March following a Presidential election. The two other appointed members will serve staggered five-year terms. One of these two members must be from another political party. The three appointed members could be removed from office only for cause. Of the three appointed members, one must be experienced in supervising state-chartered institutions. The Commission will select its own Vice-Chairperson.

The FBC will be an independent agency, unlike the present OCC and the OTS, which are bureaus of the Treasury Department. Thus, although the Treasury Department will be represented on the FBC board, the Treasury Department will actually give up supervisory authority over the banking system. The Administration believes this governing structure will properly balance the need for independence in regulatory action with responsibility to the electorate through a continuing Executive Branch role.

The five-member board will provide the right balance between, on the one hand, ensuring the FBC will be receptive to diverse perspectives, and on the other hand, having a board of manageable size that can function smoothly and allow individual board members to be held accountable for their decisions.

III. THE NEED FOR BANKING AGENCY CONSOLIDATION

Mr. Chairman, members of the Committee, in the months and years ahead, I do not want to have to appear before you, as my predecessor did, to ask you to take drastic and costly measures in order to contain a banking or thrift crisis. Rather, I want us to take action now, while we have such a good opportunity, so that none of us will be forced to act with a gun to our heads. You have heard that changing the status quo entails risks. The greater risk however, is to do nothing and continue with a dilapidated regulatory system that is ill-designed to prevent future banking crises and ill-equipped to cope with crises when they occur.

We need a federal regulator that can focus on our Nation's banking industry. We need a full-time banking regulator that will have the responsibility and authority to keep this vital part of our financial system healthy. The FDIC's focus should be on deposit insurance, not the myriad of other regulatory issues concerning the banking industry, and the Federal Reserve's focus is necessarily and should be foremost on monetary policy.

Regulatory consolidation is an important and necessary step in rebuilding the infrastructure of the American economy. Every American deserves a place to save, to borrow, and to invest. A healthy banking system performs these functions and is a critical component to a robust economy. Overlapping and inconsistent regulation has imposed excessive regulatory costs and burdens on the banking industry. The excess costs are passed on -- in some form -- to customers. The excess burdens stifle innovation, repress economic growth and, over the past two decades, have contributed to a significant shrinkage of the industry.

Over the past twenty years, the percentage of our Nation's credit market assets that are managed by depository institutions has shrunk from 62 percent to just 36 percent, the lowest level in history. This transformation may have limited consequences for Fortune 500 companies that can tap the Wall Street and international credit markets. But when the source of financial products and services moves from Main Street to Wall Street, there are important consequences for most Americans.

For most people, the ability to go to college, to start a business, or to buy a home depends on whether they can get a loan. As one banker quoted in Martin Mayer's classic book, The Bankers, starkly put it, the actions of banks "determine who will succeed and who will fail."[10] If the banking industry continues its decline, where will these opportunities come from?

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[10] M. Mayer, The Bankers, p. 24 (1974).

For savers, this trend of declining market share means more reliance on investments in place of federally insured deposits and a relative contraction of the Federal deposit insurance safety net. For borrowers, this trend means reduced credit availability, particularly for small and medium-sized businesses. It also means more standardized credit terms. At present, when a bank wants to offer a new product or service to its customers, it often must weave through multiple regulators to obtain the necessary approvals. This increases the cost of new products and services and stifles innovation. Banks now must devote resources to regulatory compliance that they could otherwise apply to meeting customer needs and reducing costs.

Small businesses also suffer as the role of banks vis-à-vis other financial services providers continues to shrink. Small businesses are the principal source of new jobs for Americans. In fact, from 1988 through 1990, small businesses created all of the net new jobs in the economy. But these businesses are heavily dependent on the banking industry for credit. Absent the major structural reforms set forth in the Consolidation Act, the regulatory burdens created by the duplication, waste and confusion of having four banking agencies will further sap the vitality of the Nation's economy and narrow the opportunities the banking system can provide to emerging businesses and the American people.

The purpose of the Administration's plan is not to shuffle responsibilities from one Federal bureaucracy to another. I would not waste your time or mine on any such proposal. Rather, the Consolidation Act seeks to establish a regulatory system that will efficiently oversee the banking industry's safety and soundness and support the vital role banks play in the domestic and global economies.

IV. BENEFITS OF THE CONSOLIDATION PROPOSAL

The Administration's proposal for consolidating the Federal banking agencies has many undeniable benefits. It will improve the quality of the regulation and supervision of our banking system and eliminate inconsistent interpretations of the same laws and rules. It will increase the accountability for regulating financial institutions, providing a focal point for Administration, Congressional, and public concerns. The Consolidation Act also will eliminate the potential conflicts of interest inherent in the present system and ultimately reduce government and industry expenses, benefitting banks, thrifts, consumers, and the economy as a whole.

A. Consolidation Will Improve the Supervision of the Financial Services Industry.

Today, because each banking agency is responsible for supervising just a part of the financial services industry, the supervision of most banking organizations, including virtually all of our Nation's largest organizations, is conducted by more than one Federal agency. Each agency examines and supervises just a part of the typical banking organization. For example, a holding company that controls a national bank, a state nonmember bank and a thrift, is regulated by all four of the Federal banking agencies. The Federal Reserve supervises the holding company, the OCC supervises the national bank, the FDIC supervises the state nonmember bank, and the OTS supervises the thrift. As of September 1993, there were 28 holding companies with $743 billion in assets in exactly this position. In these and similar instances, each regulator relies upon the other regulators for information regarding the parts of the banking organization for which it is not responsible. Incredibly, there are literally thousands of cases where our current system requires a separate bank holding company regulator that does not regulate any of the holding company's subsidiary banks or thrifts.

This fragmented approach to supervising and examining a banking organization ignores the modern realities of how banking organizations operate and hinders the agencies from obtaining a complete and accurate picture of what is really happening. Transactions between related entities that are supervised by different regulators can escape adequate scrutiny since no one agency sees -- much less understands -- the organization as a whole. Supervision is particularly difficult when the responsibility is divided between three or four agencies.

Like the classic Indian fable of the three blind men and the elephant, each of the Federal banking agencies examines only a part of any large banking organization and only a fraction of the overall banking industry. The blind man who felt the elephant's leg thought he was standing beside a tree, the man who felt the trunk thought he was holding a snake, and the man who touched the tail thought it was a rope. Under today's bank regulatory system, any one regulator may see only a limited piece of a dynamic, integrated banking organization, when a larger perspective is crucial both for effective supervision of the particular organization and for an understanding of broader industry conditions and trends.[11] No one can credibly argue that the current, segregated approach to regulation is the most effective way to guard against risk to individual banking organizations or the banking system as a whole.

Under the Consolidation Act, banks and their holding companies and other affiliates will be supervised as a unit, eliminating inefficiencies and potential blind spots in supervisory oversight, and providing the FBC with multi-dimensional perspectives on individual banking organizations and the banking industry.

B. Consolidation Will Eliminate Inconsistent Regulation.

The Administration's proposal will eliminate inconsistencies in bank regulation. Since banks and thrifts will no longer suffer or benefit from the different application of enforcement standards or other policies of the separate agencies, consolidation will end the practice of "regulator shopping," where institutions change the character of their charters to come under the jurisdiction of a more lenient federal regulator. Charter decisions will be made on their merits. Today, regulators are sometimes inhibited from taking the most appropriate action by the knowledge that the

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[11] Although the Federal Reserve supervises bank holding companies, it does not supervise most of the banking subsidiaries of such organizations. Accordingly, it often does not directly acquire any information about the banks owned by the holding companies under its supervision.

action could prompt an institution to switch charters to obtain a more lenient federal regulator. Of course, as already discussed, the Consolidation Act preserves the dual banking system and consequently will not prevent an institution from choosing between having a state or federal agency as its primary regulator.

Beyond the problem of federal regulator shopping, the multiplicity of regulators creates countless headaches, particularly for banking organizations that must reconcile inconsistent regulatory decisions, substantive standards, and procedural requirements applied to their subsidiary organizations by different regulators. The agencies sometimes apply different rules to similar situations and sometimes apply the same rules differently. The Consolidation Act will provide a comprehensive and coordinated mechanism for enforcing applicable laws and regulations.

In addition, since banking regulations will be consolidated into one agency, there will be no need to coordinate policies and regulations among different agencies. These efforts at coordination can take months, indeed, years, and involve hundreds of people in complex negotiations. In the end, the efforts frequently fail. In recent years, it has sometimes literally taken an Act of Congress to get the agencies to coordinate.

With consolidation, the long delays inherent in the interagency coordination process will disappear, allowing more rapid resolution of significant policy questions. The quality of regulatory decisions and rulemaking also will likely improve because agencies with different (and sometimes competing) agendas will no longer have to negotiate and settle for compromise positions.

C. A Consolidated Agency Will Be More Accountable to Congress, the Public, and the Industry.

Consolidation of the Federal banking agencies will increase the accountability of the regulators to the public. Today, when complaints arise in the industry, the various agencies can side-step public and political accountability by pointing fingers at each other. And any regulator who assumes responsibility has only limited ability to influence the overall structure and effectiveness of the Federal supervisory system. With a consolidated agency, the Congress, the public, and the industry will know where to direct their questions and concerns and from whom to expect action.

The structural flaws of the current system are not theoretical. In the mid 1980s, the warning signs were clear that banks had overinvested in commercial real estate loans, but the regulators could not agree on a unified strategy to address the problem. As we all know, this failure to take responsibility and act led to enormous financial losses.

The government and industry will not be the only ones to benefit from a single, accountable agency. The public and public interest groups, which cannot afford banking lawyers to guide them through the existing regulatory maze, will be able to go straight to the FBC with their comments and complaints. Few consumers now know which Federal agency they should contact if they have a problem with their bank or thrift. Institutions such as the Federal Financial Institutions Examination Council have been unable to address the day-to-day concerns of consumers. Even basic Community Reinvestment Act information has not been available in one place because each agency has a different method for compiling and storing the information. A single regulator will eliminate these problems.

D. Consolidation Will Eliminate Potential Conflicts Presented When Agencies Perform Dual Roles.

The Administration's proposal addresses the inherent conflicts of interest and focus that can arise when an agency has more than one core function. Under the current structure, the Federal Reserve Board, as the central bank, and the FDIC, as the insurer of bank deposits, both face such potential conflicts when they wear their bank supervisory hats.

The Federal Reserve's primary mission is to oversee monetary policy, but it also has bank supervisory duties. There are at least three ways in which monetary policy and supervisory functions may conflict: (1) bank examinations may conflict with counter-cyclical monetary policy; (2) the two functions compete for the time and energy of policy-makers, with bank regulation always taking a back seat to monetary policy; and (3) implementation of both functions by the same agency may involve conflicts of interest with the result that the goals of one are subverted to those of the other.[12] This combination presents potential conflicts.

As former Federal Reserve Board Vice-Chairman J. L. Robertson stated, "in appraising the soundness of loans or investments, bank examiners should never be obliged to switch from rose-colored glasses to black ones, and back and forth again, in an effort to implement the monetary policy of the moment."[13] Banks and the businesses they deal with need consistent direction and advice -- not policies that will be tugged by macro-economic cycles. Regulatory and supervisory policy should be a matter of safety and soundness.

The FDIC's primary role is to insure bank deposits, so it also has potential conflicts when it supervises banks. The FDIC, as insurer, has incentives to resist banking innovations if the insurance fund is solvent. These innovations, however, may be exactly the changes banks need to pursue to be responsive to

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[12] Peterson, "Conflicts Between Monetary Policy and Bank Supervision," 1 Issues in Bank Regulation, 25, 26 (1977).

[13] Remarks of J.L. Robertson Before the 72nd Annual Convention of the Tennessee Bankers Association (May 16, 1962), as reprinted in Federal Bank Commission Act, Hearings Before the Senate Committee on Banking, Housing and Urban Affairs, 94th Cong., 1st Sess., 20 (1975). Federal Reserve Board Vice-Chairman Robertson further stated that "[t]he overriding reason . . . for seeking to have supervisory powers vested elsewhere than the Federal Reserve is my deep-seated conviction that bank examiners should always be free to call the pitches as they see them. They should be insulated from any possible temptation of the monetary authority to use supervisory powers to implement monetary policy. . . ." Robertson, "Federal Regulation of Banking: A Plea for Unification," 31 Law & Contemp. Probs. 673, 692 (1966).

evolving customer needs and to ensure a healthy future. On the other hand, if the insurance fund nears insolvency, the insurer has incentives to forbear.

In the 1980's, the Federal Home Loan Bank Board (FHLBB) was saddled with conflicting mandates similar to those the FDIC and Federal Reserve have today. Like the FDIC, the FHLBB was responsible for both supervising the thrift industry and protecting the thrift insurance fund. The FHLBB thrift examiners were employed by the regional Federal Home Loan Banks. These banks were run by presidents and boards of directors who were in turn appointed by the local thrift industry. The conflicting insurance functions along with the structure of the thrift examination staff produced an institutional bias in favor of forbearance and loose regulatory control. This eventually led to the massive thrift crisis in the 1980s.[14]

Agencies that are forced to wear two hats still have only one head. Conflicts of responsibilities and focus are inherent in these situations. By realigning bank and thrift regulators according to their core functions, the Consolidation Act will eliminate these potential conflicts.

E. Consolidation Will Reduce Government and Industry Expenses.

The Consolidation Act is an important component of the Administration's overall agenda of reinventing government -- creating a government that works better

[14] The FHLBB was replaced by the OTS in 1989.

and costs less. Under the current system, each of the four Federal banking agencies has its own team of examiners, its own bureaucracy, and its own regulations. Consolidation will streamline government by eliminating this overlap.

We estimate that the administrative cost savings to the government from agency consolidation will run somewhere between $150 and $200 million a year, after initial transition costs and even apart from any fundamental changes in the examination process. Direct savings to the banking industry will be substantially greater. Banks will be able to turn from form-filing to lending, as they will have only one regulator to deal with instead of two, three or four, and only one set of examinations and compliance reports to complete instead of many. Current trends in the financial services industry make the reduction of compliance costs imperative. Competition from other providers of financial services is shrinking profit margins in banking, making it increasingly important for banks and thrifts to minimize expenses.

In 1992, the Federal Financial Institutions Examination Council, chaired by Governor John LaWare of the Federal Reserve Board, estimated that the cost of complying with banking regulations may be as high as 14 percent of banks' non-interest expenses. Given bank and thrift non-interest expenses of $156 billion in 1992, that means the cost of complying with banking regulations may be as high as $22 billion annually. These costs are passed on -- in one way or another -- to customers.

If the Administration's reorganization proposal reduces this burden by only 5 percent, it will result in savings of over $1 billion per year to the industry.

These are cost savings that eventually can be translated into loans to businesses and homeowners and benefits to consumers.

F. A Single Regulator Will Be Responsive to the Concerns of Community Banks.

Since a large proportion of the Nation's banking assets are held by a relatively small number of banking institutions, small banks, particularly state-chartered banks, have expressed concern that a single Federal regulator would concentrate on the issues important to large banks. I believe the Federal Banking Commission will actually be more responsive to concerns of small institutions than the present regulatory regime.

The FBC will be dedicated to bank supervision. In the present system, most small banks are regulated by either the Federal Reserve or the FDIC, both of which have other, potentially conflicting, and at least distracting, core functions. Under the Consolidation Act, the FBC will focus solely on bank supervision and not have any conflicting responsibilities. As a result, small banks will have a regulator that is solely dedicated to responding to supervisory concerns.

The FBC will supervise banks in all 50 states and the District of Columbia. As the sole agency accountable for banking matters, it will have to be responsive to concerns of the full range of banks and thrifts -- otherwise I am sure the FBC will hear from the members of this Committee and the rest of Congress.

G. A Consolidated Agency Will Assess Fees and Expenses Equitably Among Institutions.

Like the OCC, OTS, and FDIC, the FBC will not require any taxpayer funds. It will recover all its costs through non-appropriated means. The Administration's proposal incorporates a funding method for the FBC that is equitable to both national and state banks and institutions of all sizes.

The current funding system is based largely on assessments levied on institutions to pay for the cost of their supervision and regulation. The current system, however, does not always allocate the costs fairly.

All institutions currently pay for FDIC supervision through deposit insurance premiums. A rough estimate is that approximately 1 basis point of the deposit insurance charge currently goes for FDIC supervision expenses. But because the FDIC directly supervises only state non-member banks, national and state member banks bear far more than their fair share of the FDIC's examination costs.

Holding companies and state member banks are inspected without charge by the Federal Reserve. Taxpayers pay indirectly for these costs, which the Administration recently estimated at about $311 million annually, since this amount represents monies that are not turned over to the Treasury by the Federal Reserve.

National banks and thrifts pay assessments to the OCC and OTS to cover the costs of their examinations. State banks pay varying amounts to their state regulators, but these charges are typically less than federal assessments.

Under the Consolidation Act, the FBC will be funded from three sources. The FDIC will earmark a small portion -- 1 basis point -- of the deposit insurance premiums that it collects from all depository institutions to pay for federal supervision -- essentially the same amount it uses for supervision today -- but the money would be provided to the FBC. Deposit insurance premiums would not rise; indeed, they are projected to fall sharply, as the Bank Insurance Fund approaches its statutory target of 1.25 percent of reserves to insured deposits. We anticipate, in fact, that with the likely decrease in deposit insurance premiums for banks, the combined deposit insurance premium and supervision charge will be less than the insurance premium banks pay today.

For a transition period, the Federal Reserve will make annual payments to the FBC in an amount equal to the Federal Reserve's savings from transferring supervisory functions to the FBC. This payment would begin to phase out in the sixth year after consolidation and would be fully phased out after the fourteenth year.

The rest of the FBC's funds will be generated by fees levied on the institutions it examines. Assessments would be based on asset size. National banks and thrifts will pay fees on the full amount of their assets. State-charted banks will pay no fees on their first $1 billion in assets, and fees on assets of more than $1 billion will be at no more than half of the rate for national banks of comparable size.

All assessments will be set pursuant to standard notice and comment procedures to solicit industry input, and, along with all FBC expenditures, will be subject to periodic review by the General Accounting Office, Congress, and FBC board members.

V. RESPONSE TO CONCERNS ABOUT THE ADMINISTRATION'S PROPOSAL

Change is always unsettling, even change for the better. We all know this is particularly true in Washington, when responsibilities are proposed to be shifted from one bureaucracy to another. Critics of the Administration's proposal, which include certain members of the Federal Reserve, have raised a number of concerns respecting those aspects of the Consolidation Act that will reduce the Federal Reserve's bank supervisory and regulatory functions. In fact, the Federal Reserve Board has even published a counter-proposal. But virtually everyone agrees that consolidation of some form is needed.

The arguments opposing the Administration's plan all assert that the Federal Reserve must retain a large role in banking regulation and supervision. Several of these arguments rely on intimidating invocations of terms such as "systemic risk," or the "payments system." When probed, however, none of the arguments is persuasive. We have carefully crafted the Administration's proposal to take account of the Federal Reserve's legitimate needs and concerns.

A. One Federal Regulator Is Better Than Two.

Critics contend that we need more than one Federal banking agency in order to promote "competition" in the bank regulation and supervision arenas and to preserve "the healthy process of dynamic tension in bank rule making." This argument sounds very strange to me. Its logic would require any really important Federal regulatory responsibility to be split between at least two agencies. Thus, we should have two Securities and Exchange Commissions, or three Food and Drug Administrations. Fortunately for the taxpayers, the Federal government is not Noah's Ark -- two of everything is not necessary, or sensible.

The argument for maintaining multiple banking regulators also fails as a practical matter. To the extent multiple regulators have different viewpoints, banking organizations can express their regulatory preferences by switching their charters so they come under the jurisdiction of their preferred regulator. However, it is difficult to see any advantage or reason to continue or encourage this type of regulatory arbitrage. The more lenient regulator always wins, whether or not its views best promote safety and soundness or other public policy goals such as fair lending.

It also is a mistake to believe competition among bank agencies is needed to promote financial product innovation. Innovation is not initiated by bank regulatory agencies. It comes from the marketplace, not a government desk. It is the non-bank financial services providers, which dominate the industry, as well as foreign banks, that now instigate change by responding to and anticipating customer needs. State banking industries also serve as testing grounds for new ideas.

Some critics further argue against full consolidation on the grounds that it would eliminate important checks and balances on supervisory powers. This argument is predicated upon a fundamental misunderstanding of what governmental checks and balances are all about. Regulatory power is not restrained by creating additional agencies to perform duplicate functions. Rather, an agency acts responsibly because it is subject to Congressional oversight, the courts, the press, and market pressures -- particularly from the nonbank financial services sector and foreign bank regulators. National banks and thrifts also will retain their ability to convert to state charters in order to switch their primary regulator.

Moreover, as mentioned above, the FBC will be governed by a five member board that will include a representative of the Federal Reserve. The Consolidation Act also will require a political mix on the FBC board. This diverse governing body will not be of one mind on every issue and to suggest that Commission members will not express their views when they disagree with each other is to say that FBC members will behave differently from members of every other government commission and board. In addition, the FDIC will retain authority to conduct back-up examinations when it deems necessary. The staff of the Federal Reserve will participate in FBC bank examinations, communicate freely with FBC examiners, and take back-up enforcement action when needed. In other words, the structure of the FBC, and its relationship with the FDIC and the Federal Reserve, will provide plenty of balance.

B. The Administration's Proposal Provides an Appropriate Role for the Federal Reserve.

I know each of you have heard voices saying that the Administration's proposal would improvidently remove the Federal Reserve from the bank supervisory business which, in turn, would cause untold harm to our economic system and increase the risk of systemic financial crises. This is not true.

The Federal Reserve, and others, have articulated a number of needs -- this consolidation proposal meets those needs. The Federal Reserve is concerned about its access to the bank supervisory process, which it believes it needs to conduct monetary policy and control systemic risk. It also has sought assurances that it will retain the powers necessary to manage the discount window and payments system. This proposal satisfies all of these concerns, providing the Federal Reserve with sufficient bank supervisory capabilities and preserving all of its core, central bank powers and responsibilities. Let me assure you, this Administration would do nothing to put any part of our financial system in jeopardy.

1. The Federal Reserve Will Have Ample Bank Supervisory Powers to Perform its Central Bank Functions.

Opponents of full consolidation argue that the integrity of our monetary policy and the stability of the financial system depend on the Federal Reserve maintaining a role in banking supervision. The Administration's proposal fully addresses this concern and actually expands the scope of the Federal Reserve's supervisory authority in banks most related to these functions.

Today, the Federal Reserve directly supervises only 7 percent of all FDIC-insured depository institutions, and only 15 percent of the Nation's bank and thrift assets. Most of the banks under its supervision are small, with an average size of less than $45 million in assets. The Federal Reserve supervises only 12 of the 52 U.S. banks with assets of more than $10 billion, and only 5 of the 20 largest institutions. For information concerning the remaining 93 percent of the depository institutions, including most of the largest organizations, the Federal Reserve relies on reports prepared by the other banking agencies -- namely the OCC, OTS and FDIC.

Some contend that it is unrealistic and unduly hopeful to believe that the knowledge and expertise that the Federal Reserve needs to do its job properly can be gained from studying exam reports prepared by another agency. However, this is exactly what the Federal Reserve does today. Review of Federal Reserve supervisory practices at the largest national bank holding companies reveals that the Federal Reserve relies heavily, indeed, almost entirely, on the examination reports prepared by the OCC for information regarding national banks and their subsidiaries. The Federal Reserve does not audit, or otherwise probe behind the conclusions of the OCC reports. The OCC's conclusions regarding the national banks are adopted wholesale and often incorporated into the Federal Reserve's annual bank holding company reports. If the Federal Reserve can rely on the examination reports prepared by the OCC and the other federal banking agencies for the bulk of the information it obtains regarding the banking industry, it is hard to see why it cannot rely on the more comprehensive reports that will be prepared by the FBC.[15] The contention that sound monetary policy rests on the Federal Reserve's continued direct supervision over a small subset of the banking industry simply is not credible.[16]

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[15] In addition to receiving FBC examination reports, the Administration's proposal will enable the Federal Reserve to participate actively in FBC examinations of key institutions. Considering that the Federal Reserve currently examines only 6 of the Nation's 25 largest banks, the Consolidation Act will significantly expand the Federal Reserve's information-gathering capacity. The Federal Reserve will also have a representative on the FBC board, and will be able to consult with FBC examiners, many of whom will undoubtedly be drawn from the Federal Reserve's present bank examiner ranks. It will be unlawful for the FBC to withhold information, at any level, from the Federal Reserve.

[16] Even if the Federal Reserve's powers were expanded to include responsibility for all bank supervision, it could not obtain by itself the information necessary to formulate monetary policy. Banks hold only 36 percent of the Nation's credit market assets. Relying solely upon banks to take the pulse of the financial services sector is an anachronism that the Federal Reserve had to abandon long ago as the market shares of non-bank competitors have grown. In addition, sound monetary policy depends on information from the non-financial sectors of the economy and the Federal Reserve obtains most of this information from others -- such as the Departments of Commerce and Labor. While it supplements this data with its own surveys, the Federal Reserve does not take the position that it needs to duplicate the data-gathering operations of the
(continued...)

Moreover, much of the Federal Reserve's supervisory activities in connection with bank holding companies with national bank subsidiaries are duplicative of the work already performed by the OCC and the states. This duplication results from the way modern banking organizations are structured and operated, and the different supervisory approaches taken by the Federal Reserve and the OCC.

Most banking organizations are structured along functional lines rather than according to charter type. For example, a banking organization may engage in securities trading through its bank and nonbank subsidiaries. Since the activities of these various entities often are highly integrated, a proper examination of most modern banking organizations must encompass the bank's interactions with its non-bank affiliates, not just banking operations or nonbanking operations taken in isolation. For this reason, the OCC looks at the holding company nonbank subsidiaries in connection with its examination of national banks. The Federal Reserve frequently repeats part of the process, however, when it looks at the same subsidiaries in connection with its inspection of holding company nonbanking entities.

Similarly, since the procedures and controls of the banking and nonbanking subsidiaries often are the same, it is not necessary to examine them twice

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[16](...continued)
other agencies. It can work the same way for the banking sector.

-- first for the bank subsidiaries and then for the nonbank subsidiaries. Nonetheless, under the current system, this is exactly what happens. The OCC examines the procedures and controls of the national bank subsidiaries and the Federal Reserve inspects the same procedures and controls in connection with its review of the holding company's nonbank subsidiaries.

The Administration's plan satisfies the needs articulated by the Federal Reserve for a significant supervisory role and, at the same time, dramatically reduces the duplication and eliminates the inconsistency inherent in the current supervisory system. By allowing the Federal Reserve to participate in, and even direct, joint examinations, the Consolidation Act will give the Federal Reserve a "hands-on" role involving up to 30 percent of the Nation's bank and thrift assets -- double the amount under its present direct supervision.[17]

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[17] It is worth noting that some contend the Federal Reserve does not need any "hands-on" supervisory experience to monitor the Nation's economy. At present, the Federal Reserve's monetary policy-makers do not conduct bank examinations nor do they sit down with Federal Reserve bank examiners and discuss the conditions of particular banks. They get the banking information they need to formulate monetary policy from examination reports. "Divorcing the Federal Reserve from bank supervision would in no way diminish its ability to keep abreast of banking developments . . . [and] would enable the Federal Reserve Board to devote its time and attention exclusively to its most valued function -- the formulation and implementation of monetary policy." Federal Reserve Board Vice-Chairman Robertson supra note 13, at 692.

The experiences of other countries' central banks do not support the contention that effective monetary policy requires direct bank supervisory authority. While comparisons of the bank regulatory and monetary policy apparatus in other countries (continued...)

I do not accept the assertion that the changes proposed to the Federal Reserve's bank regulatory responsibilities and the redefinition of its bank supervisory authority will so reduce the Federal Reserve's "clout" that it will become incapable of implementing monetary policy. While any reform of the banking system must inevitably shift responsibilities, the Federal Reserve will lose only a fraction of its powers and responsibilities and will gain others. It will retain all of its core functions and powers, including the formation of monetary policy, open market operations, establishment of bank reserve requirements, management of the payments system, and operation of the discount window. It will only lose its rulemaking authority over state member banks and bank holding companies. Given that all state member banks hold only 15 percent of the Nation's bank and thrift assets, it is difficult to see how the Federal Reserve could be rendered ineffectual by the loss of direct control over these institutions. No banker would ever ignore the local Federal Reserve district bank President, let alone the Federal Reserve Board in Washington.

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[17](...continued)
is difficult, the diversity of systems certainly indicates that there is no "right" way to accomplish these tasks. Only four of the twelve Basle Committee countries conduct banking regulation and supervision mainly through their central bank. Even in those cases -- and in many of the other countries where banking regulation has been lodged in the central bank -- the bank itself is responsible to or overseen by a government entity, typically the Finance Ministry. The United States is unique among developed countries in having <u>both</u> fully insulated its central bank from ongoing national executive control <u>and</u> having assigned it a major role in bank regulation and supervision. For a more detailed discussion of the role of other central banks in bank regulation and supervision, see Appendix C.

2. The Federal Reserve Will Retain Full Authority to Manage the Payments System and Operate the Discount Window.

Under the Consolidation Act, the Federal Reserve will continue to have complete, independent authority to regulate and supervise the payments system. Notwithstanding, certain critics oppose agency consolidation on the basis that it could impair the Federal Reserve's ability to manage the payments system. Few challenge this argument because few understand what the "payments system" is, or what the Federal Reserve does in connection with it. Let us look at what is really going on.

The Federal Reserve basically performs four different functions in relation to the payments system. First, it is responsible for insuring sufficient currency is in circulation. When depository institutions need more currency, such as during the holiday shopping season, they can order currency from the Federal Reserve Banks and branches. These banks and branches also retire currency when the need for cash declines and depository institutions return excess currency in exchange for credit to their accounts. Thus, for these purposes, the Federal Reserve serves as a cashier. It does not need to supervise banks or their holding companies to perform this function.

The second component of the Federal Reserve's role in the payments system concerns check-processing services. The Federal Reserve has complete authority to regulate all aspects of the check-processing system, including the receipt, payment, collection, and clearing of checks. Its authority in this regard is complete. This too requires no further regulatory powers over banks.

It is important to note that the Federal Reserve competes with private check clearing services in the processing of checks. Clearing centers process checks by crediting the accounts of institutions receiving payments, and debiting the accounts of paying institutions. The success of these competitors is further evidence that the Federal Reserve does not need bank supervisory powers to perform these check-processing services.

The third Federal Reserve function in the payments system involves electronic funds transfer services. Federal Reserve offices transfer large dollar payments between different institutions, or an institution and the U.S. Treasury or other government agency, through the "Fedwire" system. Such transfers take only a few minutes and are guaranteed final once the receiving institution receives notice of a credit to its account. Fedwire competes with other electronic fund transfer services, such as the Clearing House Interbank Payments System ("CHIPS") and the Society for Worldwide Interbank Financial Telecommunications ("SWIFT"). As with check clearing centers, the existence of private electronic funds transfer services, like CHIPS and SWIFT, demonstrates that there is no essential link between bank supervision and operation of the Fedwire system.

The final role of the Federal Reserve in the payments system concerns its net settlement services. The Federal Reserve Banks provide these services to private participants in the payments system (e.g., check clearinghouses and wire transfer systems) that process a large volume of transactions among their member institutions. The Federal Reserve Banks perform net settlement by posting net debit and net credit entries generated by these private organizations to the accounts of individual institutions. Essentially, this is an extensive, sophisticated computer system that keeps track of the flow of funds between institutions. This function too does not depend on any bank supervisory powers the Federal Reserve may or may not have.

The Federal Reserve does not need bank supervisory powers in order to perform any of its responsibilities in connection with the payments system. This is obvious, since today the Federal Reserve directly supervises only 15 percent of the Nation's bank and thrift assets and only approximately 970 out of 13,500 depository institutions. No evidence suggests that the Federal Reserve conducts any "hands-on" supervisory examination of individual banking institutions not under its primary supervision in regards to the payments system.

Some also have asked whether the Federal Reserve needs bank supervisory powers to operate the "discount window." Like the Federal Reserve's oversight of the payments system, its management of the discount window (where Federal Reserve Banks make short-term, secured loans to financial institutions), does not depend upon the Federal Reserve's bank supervisory jurisdiction. As noted above, the Federal Reserve does not examine the vast majority of institutions that borrow from the discount window, and no evidence indicates the Federal Reserve conducts any "hands-on" supervision of individual institutions with respect to their use of the discount window. Under the Consolidation Act, the Federal Reserve will coordinate with FBC regulators to assess the financial condition of all banks, much as it coordinates with the OCC, OTS and FDIC today. Moreover, the Federal Reserve lends only on a fully secured basis, and traditionally, accepts only the highest quality collateral, e.g., government securities. It does not take knowledge about banking to evaluate the quality of readily marketable government securities. And it does not take the skills of an entire bank examination agency to be a fully-secured lender.

3. The Federal Reserve Will Have Abundant Bank Supervisory Powers to Guard Against "Systemic Risk."

The term "systemic risk" pops up in virtually every statement made by opponents of the Administration's consolidation proposal. Like the "payments system," few understand what systemic risk is, and fewer still know the Federal Reserve's connection with it.

Systemic risk refers to the likelihood of a sudden, unexpected, and widespread collapse of confidence in the financial system, with a potentially large effect on the economy in general. Systemic risk can be triggered by a wide variety of events and originate either inside or outside the banking system. One recent example of a systemic event occurred in October 1987, when the Dow Jones stock market index dropped almost 600 points in a single day.[18] What made this a potential "systemic" crisis was the possibility of contagion, or other spill-over effect. Virtually every aspect of the financial system was affected by the 1987 stock market break. This system includes banks and thrifts, insurance companies, investment banks, finance companies, pension funds, mutual funds, and various government sponsored agencies, as well as the markets where financial instruments trade, such as the stock markets, markets for public and private debt, futures exchanges, international markets, and over-the-counter markets.

Consolidation opponents try to raise the specter of impending financial crisis by stating that any reduction in the Federal Reserve's banking regulatory responsibilities would decrease its ability to anticipate and cope with potential systemic financial problems. This is simply not correct.

The financial market encompasses far more than the state-chartered member banks that the Federal Reserve directly supervises today. As previously noted, it includes stock markets, bond markets, commodities markets, the insurance industry, and many other components. Today, the Federal Reserve is the principal supervisory authority for only a small fraction of the overall market. The SEC, OTS, OCC, FDIC, Department of the Treasury, and additional federal agencies, together with state bank and insurance regulators and the supervisory authorities in other

[18] The failure of Drexel Burnham Lambert in 1990 arguably constituted a systemic crisis, albeit a much less significant event than the 1987 stock market drop.

countries, are all responsible for overseeing portions of this market.[19] The Federal Reserve does not have, and has not argued that it needs or wants supervisory authority over these other institutions or markets to deal with systemic risk. Recent events suggest that this arrangement works well. Thus, it appears that the Federal Reserve is satisfied that these other supervisory authorities and the information they collect and supply are sufficient for it to contain systemic risk. It is difficult to understand why the Federal Reserve would be unable to cooperate with the FBC to obtain whatever information it needs about the banking industry.

The consolidation proposal also will not affect the Federal Reserve's ability to react to a systemic shock. The Federal Reserve responses to systemic crises by supplying liquidity through open market operations, discount window lending or some combination of the two. In the case of open market operations, the Federal Reserve relies on the market to allocate the new liquidity. No Federal Reserve bank supervisory capability is required. The effectiveness of this approach has been

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[19] The Federal Reserve is by no means the only agency involved in crisis management. Other government agencies can and do play a role in containing systemic problems. For example, by virtue of the deposit guarantee it conveys, the FDIC bolsters public confidence in the banking system's ability to pay insured depositors. The OCC contains systemic risk when it removes uncertainty in financial markets by quickly, consistently, and uniformly dealing with troubled and failing national banks. The Working Group on Financial Markets, comprised of representatives from the Treasury Department, the Federal Reserve, the SEC, and the Commodities Futures Trading Commission, also monitors financial market activities and addresses systemic risk issues.

demonstrated in a number of recent cases, such as the failure of Drexel Burnham Lambert in 1990 and the stock market break in 1987.

Not every financial market disturbance constitutes a systemic risk. In fact, in the post-Depression era, truly systemic events have been relatively rare. Furthermore, the possession of bank supervisory capabilities would not likely help the Federal Reserve to anticipate the type of market shocks that trigger systemic events, such as extreme stock or commodity price movements or regional recessions. In any event, as discussed above, the Federal Reserve will continue to have significant bank supervisory powers under the Administration's plan.

No one wishes to impair the means for dealing with a systemic crisis. But the Administration's proposal raises no such issue. The Consolidation Act does not reduce the Federal Reserve's ability to monitor and anticipate systemic risk nor to react to a systemic problem and play its role along with other agencies.

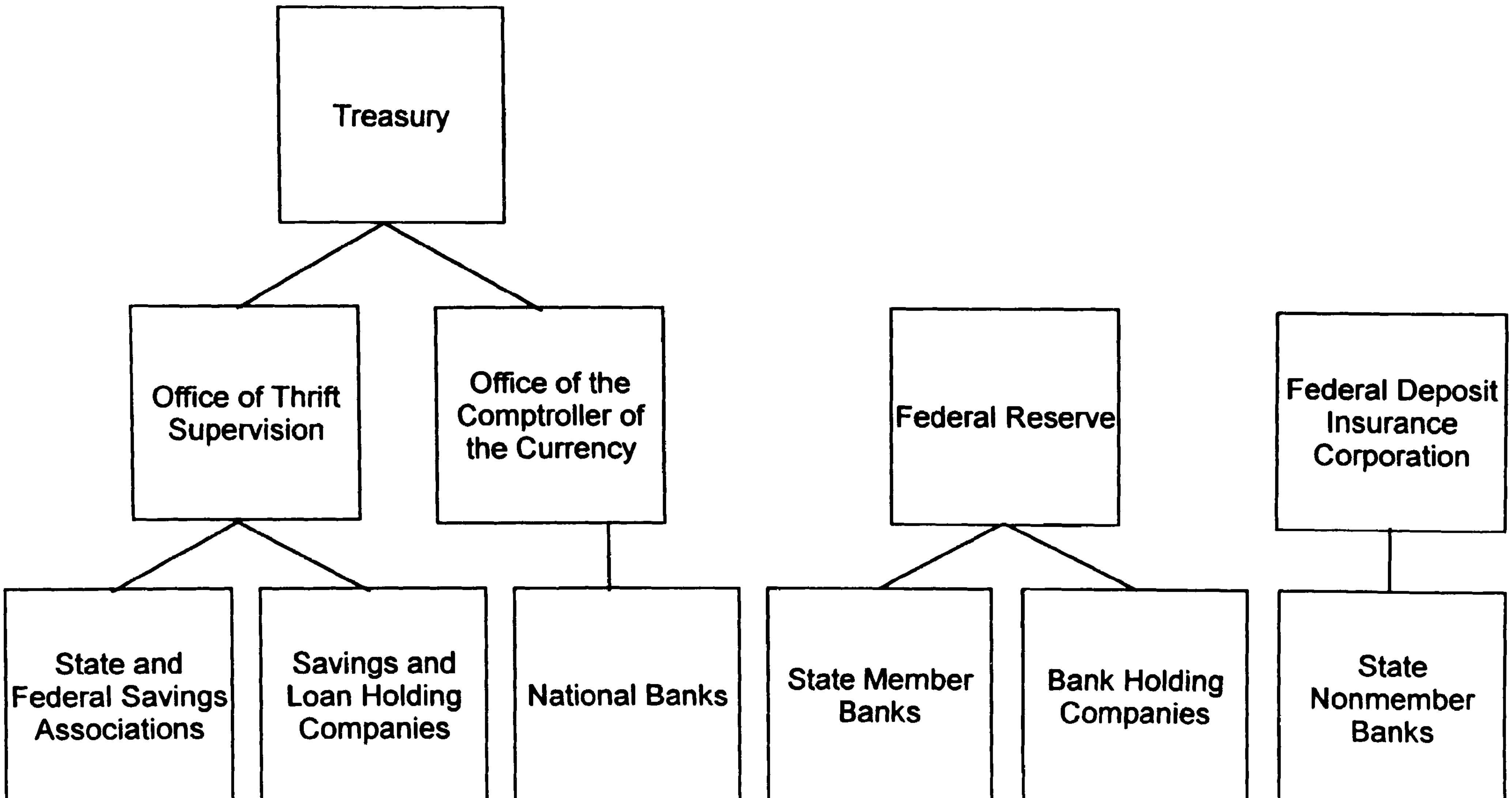
VI. CONCLUSION

The need to restructure the Federal banking and thrift regulatory system has grown more urgent over the past several decades, as distinctions among depository institutions have blurred and the regulatory system has grown more costly and complex, and less efficient and responsible. In this time of economic stability, when bank profits remain at all-time highs, we have an opportunity to take bold, comprehensive action to improve the system.

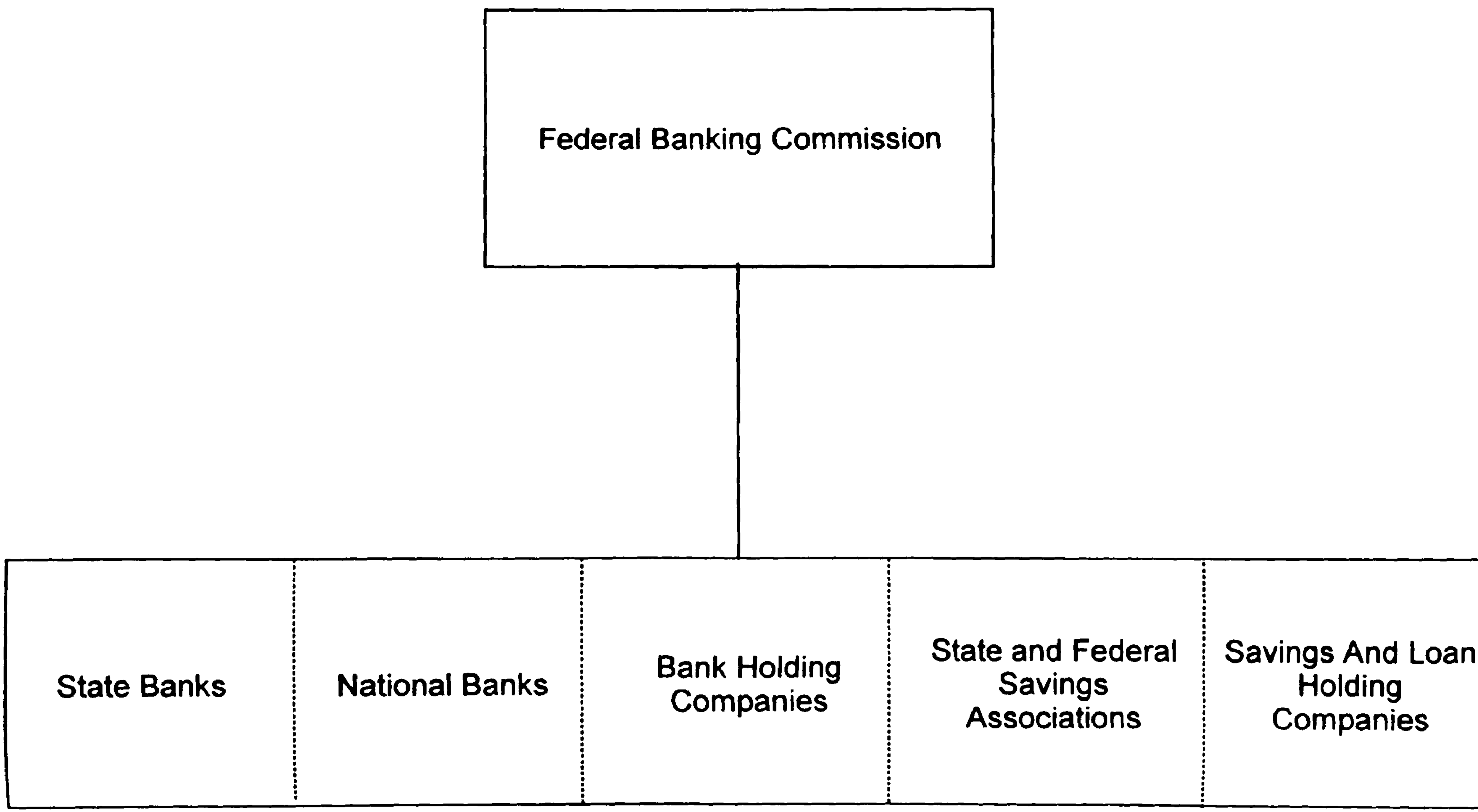
Reforming our Nation's regulatory structure is one of the most significant steps that could be taken to reduce the regulatory burdens on insured depository institutions and help assure their continued success. The Administration's proposal is the best way to accomplish this reform. It will allow banking institutions to compete more effectively and it will promote better service to consumers. It will create a regulatory structure that is more effective than the current hodgepodge of agencies in overseeing the safety and soundness of individual banking organizations and safeguarding the stability of the banking system as a whole. The Consolidation Act also will advance the overall agenda of reinventing government by streamlining the bureaucracy, reducing costs, and improving service. For all these reasons I urge this Committee and the Congress to move quickly on the Consolidation Act, and I, the rest of the Treasury Department, and other members of the Administration, look forward to working with you.

That completes my formal statement. I would be pleased to answer any questions you have.

Appendix A: The Current Federal Structure for Supervising FDIC-Insured Depository Institutions and Their Holding Companies



Appendix B: The Proposed Federal Structure for Supervising FDIC-Insured Depository Institutions and Their Holding Companies



APPENDIX C

Bank Supervision Responsibilities in the Non-U.S. Member Countries of the Basle Committee on Banking Supervision

Belgium

Bank supervision is the responsibility of the Banking and Finance Commission, an autonomous commission.

Monetary policy is the responsibility of the National Bank of Belgium, the central bank.

Canada

Bank supervision is the responsibility of an independent agency, the Office of the Superintendent of Financial Institutions (OSFI). The Superintendent is appointed by the Finance Minister and confirmed by the Cabinet for a seven-year term. Governmental policy regarding financial institutions is determined by the Finance Department.

Monetary policy is the responsibility of the central bank, the Bank of Canada. The Prime Minister appoints the Bank's Board of Directors, which selects the Governor. The Governor is confirmed by the Cabinet and serves a seven-year term which does not coincide with that of the Government.

France

Bank supervision is the responsibility of the Banking Commission, which is chaired by the Governor of the Bank of France (central bank) and includes a high ranking Finance Ministry official as Vice Chairman. At present, the Banking Commission's staff is drawn from the Bank of France, although 1993 legislation gives the Commission authority to recruit from other sources as well. Overall regulatory policy is established by the Committee for Banking Regulation, which is chaired by the Finance Minister. The 1993 legislation strengthening the central bank's independence also deleted the designation of the Governor of the Bank of France as Vice Chairman (although continuing the Governor as a Committee member).

Under the recent legislation, monetary policy is now the responsibility of the Bank of France, which must aim to assure price stability "within the government's general economic policy framework." A nine-member Monetary Policy Council (with six independent members named by the government) makes the necessary decisions; the Finance Minister may participate in the Council's meetings but not in its decisions.

Germany

Bank supervision is the responsibility of the Federal Banking Supervisory Office (FBSO), an agency of the Finance Ministry. The FBSO is headed by a President, who is nominated by the German Chancellor and appointed for an unspecified term by the German President. Certain regulatory changes proposed by the FBSO must have the concurrence of the central bank (Bundesbank). The FBSO also depends in part on the central bank for data collection and monitoring of compliance with banking regulations (e.g., foreign exchange).

Monetary policy is the responsibility of the Bundesbank, the central bank, with sole authority to formulate and implement monetary policy. The President of the Bundesbank is nominated by the German Chancellor and appointed by the German President for an eight-year term, which does not coincide with the term of the Government.

Italy

Bank supervision is the responsibility of the Bank of Italy. The Bank of Italy is a public institution whose shareholders are public financial institutions. The Governor is appointed for an unspecified term, generally for life, by the Bank's Senior Council, whose members are nominated by the shareholders. The Prime Minister and the Treasury Minister must approve the nomination of the Governor. The Treasury Ministry has the responsibility for inspecting the Bank of Italy.

Monetary Policy is the responsibility of the Bank of Italy. The Bank sets the monetary and credit targets and official interest rates within the guidelines of the Inter-Ministerial Economic Planning Committee (CIPE). CIPE is chaired by the Prime Minister and includes Ministers of the Treasury, Budget, and Finance. CIPE sets macroeconomic policy such as GDP growth and inflation targets.

Japan

Responsibility for bank supervision is shared by the Ministry of Finance (MOF) and the Bank of Japan. Licensing, regulation and supervision are the direct, primary responsibility of the Ministry of Finance. The MOF Banking Bureau plays the most significant role, although the International Finance Bureau of the MOF supervises bank's foreign exchange and international operations. Banks are also supervised to some degree by the Bank of Japan, which has entered into broad supervisory agreements with all individual banks and many other financial institutions as a condition of access to bank credit services and payment facilities.

Japan (continued)

Monetary policy is the responsibility of the Bank of Japan. While nominally independent, Bank of Japan policy is heavily influenced by the MOF, which has a non-voting seat on its board. The Governor of the Bank of Japan is appointed for a five-year term by the Cabinet, reflecting the consensus of the Prime Minister and the leadership of the ruling party. His term does not coincide with that of the Government.

Luxembourg

Bank supervision is the responsibility of the Institut Monetaire Luxembourgeois, which is an autonomous authority; however, some staff members of the Institut are appointed by the Ministry of International Finance, which also has some involvement in bank supervision matters.

Luxembourg's monetary policy is the responsibility of the Ministry of International Finance, which works closely with the Belgian Ministry of Finance and the Belgian Central Bank. Luxembourg has no central bank.

Netherlands

The central bank, De Nederlandsche Bank, is responsible for both the supervision of the banking system and monetary policy. The management of the Bank is overseen by a Governing Board, consisting of a President, a Secretary, and four other members, who are appointed by the Minister of Finance for a period of seven years. The government exerts its influence over the Bank's administration through its Supervisory Board, which consists of twelve members, all appointed by the Ministry of Finance.

Sweden

The Financial Supervisory Authority, which is subordinate to the Ministry of Finance, is responsible for the licensing and supervision of banks (and insurance, securities, and other credit companies). The authority is directed by a Board comprised of six government-appointed members and a Director-General, who serves as Chairman.

The Sveriges Riksbank, the central bank, is responsible for monetary policy. The Bank is independent of the government, reporting to the Swedish parliament.

Switzerland

Bank supervision is the responsibility of the independent Federal Banking Commission. The Commission members, including the President, are appointed by the Cabinet of the Executive Branch (Federal Council) for four-year terms. The President can be reappointed. The Commission works part-time, and its work is carried out by a secretariat administratively under the Finance Ministry.

Monetary policy is the responsibility of the independent central bank, the Swiss National Bank. The Bank's Governing Board meets periodically with the Government to coordinate major policy decisions. The President of the Governing Board is nominated by the private sector National Bank Council and appointed to a six-year term by the Federal Council.

United Kingdom

H.M. Treasury is responsible for establishing the overall legislative framework for the operation and implementation of all facets of the financial services sector, including banking, securities and building societies. In addition, H.M. Treasury is responsible for establishing monetary policy. Meanwhile, the Bank of England plays a role in implementing monetary policy and supervises the banking industry. Responsibility for supervising the securities industry rests with the Securities and Investments Board and/or one of the recognized Self-Regulatory Organizations.

Bank supervision is the responsibility of the Bank of England (central bank). The Governor is appointed by the Prime Minister for a five-year term that does not coincide with that of the Government.

Monetary policy is the responsibility of the Treasury. Decisions to change the base interest rate are made by the Chancellor of the Exchequer (Finance Minister) in consultation with the Prime Minister and with the advice of the Governor of the Bank of England. The Bank of England carries out monetary policy for the government.

Primary Responsibility for Bank Supervision and Monetary Policy in Non-U.S. Member Countries of the Basle Committee on Banking Supervision

	FINANCE MINISTRY	CENTRAL BANK*	OTHER
Bank Supervision	Germany (a) Luxembourg Japan (a) Sweden	France (b) Italy Netherlands United Kingdom	Belgium (c) Canada (c) Switzerland (c)
Monetary Policy	Luxembourg United Kingdom	France Belgium Canada Germany Japan Netherlands Sweden Switzerland	Italy (Committee)

(a) Some involvement of Central Bank
(b) Significant involvement of Ministry of Finance
(c) Independent Authorities

*In no case is bank supervision the responsibility of an <u>independent</u> central bank.

DEPARTMENT OF THE TREASURY
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Highlights of the Administration's Regulatory Consolidation Proposal

- **The dual banking system will be preserved -- and enhanced.** The Administration's plan will establish a system for certifying state banking departments and placing increased reliance on the examinations they conduct. In particular, the Federal Banking Commission (FBC) will not repeat certified states' examinations of small, well-capitalized state banks. (See p. 7.)

- **State banking concerns will be heard on the FBC board.** The plan will require that one of the independent members of the FBC board be experienced in regulating state-chartered depository institutions. (See p. 7.)

- **The Board of Governors of the Federal Reserve System (Fed) will have a significant role in examining both small and large institutions.** The Fed be able to participate in joint examinations of 10 of the nation's top 20 banking organizations, and could lead the examinations for a portion of those top 20 organizations. In addition the Fed could also participate in joint examinations of a cross-section of the smaller state member banks. (See pp. 13-14.)

- **The FBC will have a meaningful process for institutions to appeal supervisory decisions without fear of retribution.** The Administration's plan specifically provides for a disciplined internal appeals process for review of material supervisory decisions. The review is required to be conducted by an agency official who was not involved in and does not report to the official who made the supervisory decision in question. (See p. 8.)

- **Community banks, consumers, small businesses, and thrifts will be able to make their concerns heard by the FBC through the FBC's advisory councils.** The Administration's proposal calls for four advisory councils to facilitate communications with community banks, consumers, small businesses, and thrifts. These councils provide a direct forum to bring concerns to the attention of the FBC.

- **The Government and the banking industry will save money as a result of consolidation.** The Administration estimates that the administrative cost savings to the government from agency consolidation will run somewhere between $150 to $200 million per year, after initial transition costs and even apart from any fundamental changes in the examination process. Moreover, a 1992 Federal Financial Institutions Examination Council study, headed by Fed Governor John LaWare, suggested industry regulatory compliance costs were substantial, exceeding 14 percent of non-interest expense per year. Using 1992 cost figures for banks and thrifts, this methodology suggests that each 5 percent reduction in regulatory burden achieved by regulatory consolidation would save the industry $1 billion annually. (See p. 11.)

- **The funding structure for the FBC will treat all sizes and types of institutions fairly.** First, when collecting deposit insurance premiums, the Federal Deposit Insurance Corporation (FDIC) will collect on behalf of the FBC 1 cent per $100 of domestic deposits, which approximates what the FDIC currently spends from the deposit insurance fund to cover the cost of supervision.

  Second, for a period after consolidation, the Fed will make payments to the FBC reflecting what the Fed will save from transferring supervisory functions to the FBC. These payments will be phased out over time.

  Third, the FBC is also authorized to impose fees on the institutions it regulates. The FBC will recover most of its remaining costs through asset-based supervision fees. **State banks will pay no FBC supervision fee on their first $1 billion in assets, and any fee on assets of more than $1 billion will be at no more than half the rate charged to comparable national banks.** (See p. 12.)

Benefits of the Administration's Regulatory Consolidation Proposal

The Administration proposes to create a new agency, the Federal Banking Commission, to supervise the banking and thrift industries, consolidating supervisory functions of the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), and the Board of Governors of the Federal Reserve System. The Administration's proposal will:

Improve the effectiveness and efficiency of bank supervision by eliminating inconsistencies and redundancies in the current system of supervision and regulation and by eliminating time-consuming inter-agency rulemakings. Banks will have one source to look to for answers. Rule changes could be accomplished quickly. Depository institutions and their holding companies will be regulated as integrated organizations, not as isolated pieces.

Benefit consumers, businesses, and the economy by enabling banks and thrifts to redirect the resources now consumed trying to work through the current regulatory maze toward more productive uses such as lower costs to consumers and increased lending activity. Overlapping and inconsistent bank regulation detracts from customer service, often ignores consumer needs, stifles innovation, and is a drag on economic growth and opportunity.

Save money for the government and the banking industry by eliminating redundant functions and improving the focus and consistency of regulation. The Office of Management and Budget estimates that the government cost savings that will result from agency consolidation will run from between $150 to $200 million per year, after initial transition costs. A 1992 Federal Financial Institutions Examination Council study, headed by John LaWare, suggests industry regulatory compliance costs amount to as much as 14 percent of non-interest expense per year. Using 1992 cost figures for banks and thrifts, this methodology suggests that each five percent reduction of regulatory burden achieved by regulatory consolidation would save the industry $1 billion annually.

Increase accountability by clearly defining responsibilities and providing a focal point for Administration, Congressional, industry, and public concerns regarding regulatory policy. Not only will there be a clearly identified, efficient decision-maker, but the decision-maker also will be clearly accountable for its actions. Under the current system, all decisions must be laboriously negotiated among the four regulators making quick, decisive action difficult, if not impossible. And when something goes wrong, no one assumes responsibility.

Increase consistency in enforcement and corrective actions. No bank or thrift will suffer, or benefit, from the differential application of enforcement standards or closure policies of different agencies.

Eliminate potential tensions presented by the dual roles of the Fed and the FDIC by moving supervisory responsibilities from the Federal Reserve and the FDIC. The Federal Banking Commission will be responsible solely for supervision and regulation and will not be distracted by the potentially competing objectives of directing monetary policy or protecting the deposit insurance fund. As we saw in the 1980's, banking problems develop slowly, but once embedded in the banking system, cannot be rooted out without substantial cost.

Fix a flawed regulatory system now before another crisis again reveals its flaws. Changing the status quo, particularly an agency bureaucracy, raises questions. The real risk, however, is continuing with a regulatory system that is ill-designed to prevent future banking crises and ill-equipped to deal with crises when they do occur.

The Administration's regulatory consolidation proposal preserves the vital roles of the Federal Reserve Board, the Federal Deposit Insurance Corporation and the dual banking system. The Administration's proposal will:

Preserve the independence of the Federal Reserve Board to conduct monetary policy and help prevent and respond to systemic crises in the financial sector. The Fed, as the Nation's central bank, will continue to conduct monetary policy, administer the payments system and provide liquidity through the discount window. Under the Administration's plan, the Fed will retain full rulemaking and other authority necessary to carry out those responsibilities. It will have an opportunity to participate significantly in examinations of both large and small banking organizations. In fact, the Administration's proposal will allow the Fed to better focus on its core functions.

Preserve the role of the Federal Deposit Insurance Corporation as the deposit insurer for all federally insured banks and savings associations. The

FDIC will also retain its "back-up" enforcement authority and its ability to limit activities of state institutions that pose unacceptable risks to the insurance fund, and will continue to be responsible for resolving banks and thrifts at the lowest cost to the deposit insurance fund.

Preserve and enhance the dual banking system. States will continue to be the primary regulators of banks that they charter. Current law allowing federal regulators to rely on state examinations in alternate years will remain in place. A system will be established for the FBC to certify state banking departments. Examinations of small, adequately capitalized state banks conducted by certified state agencies will not be repeated by the FBC. It is likely that almost 60 percent of all state banks will be examined only by state regulators. As under current law, the FDIC will be the only federal agency with authority to restrict the activities of state banks. The Administration's proposal will give both state and federally chartered institutions the benefits of broader perspective and more openness to diversity and innovation.

Questions and Answers on the Administration's Regulatory Consolidation Proposal

Consolidation of the Four Federal Regulatory Agencies

Why is the Administration proposing regulatory consolidation?

- **Long-term economic benefit.** Regulatory consolidation is one facet of President Clinton's efforts to build a stable environment for long-term economic growth. The Administration believes regulatory consolidation will help prevent the credit crunches and savings and loan crises of the future.

- **Simplify the system.** The current federal regulatory structure is needlessly tangled, disjointed, and convoluted. Four different federal agencies regulate FDIC-insured depository institutions. The Administration's plan would provide much needed reform.

- **Save money for the Government and the banking industry.** The Office of Management and Budget estimates that the government cost savings that will result from agency consolidation will run from between $150 to $200 million per year, after initial transition costs. A 1992 Federal Financial Institutions Examination Council study, headed by Federal Reserve Board Governor John LaWare, suggests industry regulatory compliance costs were substantial, exceeding 14 percent of non-interest expense per year. Using 1992 cost figures for banks and thrifts, this methodology suggests that each five percent reduction of regulatory burden achieved by regulatory consolidation would save the industry $1 billion annually.

- **Increase accountability and consistency.** A single regulator will enhance accountability by providing a focal point for Administration, Congressional, and public concerns regarding banking policy. Banking organizations will be regulated as a whole; not as separate pieces. Moreover, a single agency will facilitate decision-making and promote consistency in regulatory interpretation and development.

- **Improve competitiveness of the industry.** Dealing with one federal banking regulator will drastically reduce the banking industry's regulatory burden. Resources formerly used by banks to meet duplicative examination requirements can be redirected to meet the needs of their customers. This regulatory streamlining is necessary to allow banks to operate more efficiently and compete more effectively against non-bank entities.

Why not just consolidate the OCC and the OTS?

- **Consolidating just the OCC and the OTS wouldn't meet most of the goals above.** Three different federal regulators would continue to supervise the banking industry, with all of the attendant problems. Little efficiency would be gained by combining only one bank regulator with the thrift regulator, whose institutions are generally specialized in home mortgage lending.

This proposal isn't new. Why should it be done now?

- **Unique opportunity to act.** While the industry is stable and the nation's economy is strong, there is a critical opportunity to fix the current flawed regulatory system before another crisis again reveals that the system is ill-designed to prevent future banking crises and ill-equipped to deal with crises when they do occur.

- **Stability of the industry.** The bank and thrift industries are in better financial condition than they have been for many years and can easily handle any changes resulting from regulatory consolidation. Although some disruption may initially occur, the proposal will, over the long run, strengthen the ability of banks and thrifts to compete by increasing efficiencies and reducing overlapping regulation and supervision.

- **Good government.** The proposal is an important example of Vice President Gore's efforts to make government work better.

- **Unprecedented support.** We now have a rare opportunity to implement truly historic and sensible restructuring since the Administration and leadership of both the Senate and House Banking Committees are, for the first time, in accord on the pivotal issues presented by regulatory consolidation.

Consolidation and the Banking Industry

What will the Administration's plan mean for the banking industry?

- **Reduced regulatory burden.** The Administration's plan will reduce the regulatory burden on banks and thrifts by reducing duplication and inconsistency. Almost half of bank and thrift assets are held by companies which are now regulated by three or four federal banking agencies. This often results in duplicative regulation and conflicting advice.

- **Greater consistency.** The Administration's proposal will bring consistent, coordinated regulation to banks and bank holding companies. Banks will have one set of rules and one place to look to for answers. Rule changes could be accomplished quickly. Banks and their holding companies will be regulated as integrated business units.

- **Lower costs.** Dealing with regulatory overlap and inconsistency is expensive and wasteful. In no other area of the federal responsibility do we have such a high degree of duplication. There are almost five times as many staff working on federal bank supervision than work for the SEC. Banks and thrifts largely pay for their costs.

- **Greater accountability.** The banking industry will have a single federal agency charged with and accountable for ensuring the long-term vitality of the banking industry. Too often, under the current system, too many regulators means nobody is accountable. And any regulator who assumes accountability has only limited ability to influence the overall structure and effectiveness of the federal supervisory system. The Administration believes that the structural flaws of the current regulatory system are perhaps the single most important reason why federal banking law and regulation have failed to keep pace with market developments.

  The new Federal Banking Commission's will put supervision and regulation of the banking industry first. It will have no distractions, no competing missions.

Consolidation and the Dual Banking System

Will the Administration's plan undermine or eliminate the dual banking system?

- **The dual banking system will be preserved -- and enhanced.** Under the Administration's plan, current law allowing state examinations to alternate with federal exams will remain in place. In addition, state banking regulators in certified states will be given enhanced authority over the institutions they charter. The FBC will certify state banking departments that have demonstrated the ability to conduct satisfactory examinations. It will rely on examinations conducted by certified state agencies of state chartered banks that have less than $250 million in assets and are well-capitalized.

- **As under current law, the FDIC will be the only federal agency that has the authority to restrict the activities of state-chartered banks.** Under the Administration's proposal, the FBC would not homogenize the attributes of federal and state institutions. Nothing in the Administration's legislation authorizes the FBC to override state law to limit state bank powers.

- **The FBC would have no reason to discriminate against state-chartered institutions.** The Administration understands the concerns of those who fear that a national charter might be the preferred charter under our consolidation proposal. We believe, however, that a federal regulator responsible for <u>both</u> state and federally-chartered institutions and for <u>both</u> banks and thrifts would gain broader perspectives and would be less entrenched, and more open to diversity and innovation, than one with more limited scope. Any effort to disadvantage state-chartered institutions would be senseless since it would be challenged by members of Congress and regulators from 50 states.

- **The FBC board and advisory councils will provide additional avenues for the views of state banks to be heard.** The Administration's legislation proposes that one of the independent members of the FBC board must be experienced in supervising state-chartered depository institutions. In addition, the FBC will establish a Community Depository Institution Advisory Council, with membership reflecting the fact that state-chartered institutions are a majority of all depository institutions.

Will the Administration's proposal create a "monolithic" regulator?

- **The result of the Administration's proposal will not be monolithic by any stretch of the imagination.**

- **The FDIC will remain integrally involved in banking.** The FDIC will continue to insure deposits at all federally insured banks and savings associations. It will resolve failed or failing institutions. It will continue to grant, suspend or terminate deposit insurance and to determine which activities of state-chartered institutions present excessive risks to the federal deposit insurance funds. It could conduct special examinations of insured institutions to protect the deposit insurance fund. It could take "back-up" enforcement action to stop risky practices at such institutions if the Federal Banking Commission failed to do so. And it will help determine whether a critically undercapitalized institution should remain open.

- **The Fed will remain integrally involved in banking.** The Federal Reserve, as the nation's central bank, will continue to conduct monetary policy, administer the payment system, and provide liquidity through the discount window. Under the Administration's plan, the Fed will retain full rulemaking and other authority necessary to carry out those responsibilities. It will also have an opportunity to participate significantly in examinations of both large and small banking organizations. In fact, the Administration's proposal will allow the Fed to better focus on its core functions. It will remain fully independent.

- **Both the FDIC and the Fed will have access to all supervisory information of the new Federal Banking Commission.**

- **Fifty-one state banking commissioners will provide important checks and balances on the federal regulator.** States will continue as the primary regulator of institutions they charter.

- **The structure of the FBC board and advisory committees will ensure that a diversity of views are heard by the FBC.** The FBC will have advisory committees for community banks, thrifts, consumer issues, and small business.

- **The FBC will have a meaningful process for institutions to appeal supervisory decisions without fear of retribution.** The Administration's legislation specifically provides for a disciplined internal review process for material supervisory decisions by an agency official who was not involved in and does not report to the official who made the decision being questioned.

- **And, of course, Congress and the courts will continue to oversee the entire system.**

Won't a single regulator replicate the failings of the Federal Home Loan Bank Board that led to the thrift crisis of the 1980s?

- **No, the Federal Banking Commission will not have the conflicting mandates that afflicted the Bank Board.** The Federal Home Loan Bank Board was saddled with conflicting mandates: promoting the thrift industry, supervising thrifts, and running the deposit insurance fund. Many blame the inherent conflicts in these responsibilities for the problems witnessed in the savings and loan crisis.

- **The Administration's plan will eliminate any potential conflicts by reorganizing the banking agencies around their core functions.** The FDIC will focus on the protection of the deposit insurance fund. Similarly, the Fed will focus on conducting monetary policy, managing the discount window, and monitoring the payment system.

Consolidation and the Business Community

- **A system that meets the economy's needs.** The Administration's plan will create a modern, consistent, and responsible regulatory system. This is essential to getting our economy back on track. Our economy can't afford the system that brought us the S&L crisis, hundreds of bank failures and the credit crunch. America's businesses need a stable banking environment that rewards sound management and hard work.

- **A system that supports business.** Even though bank failures are declining rapidly, businesses are suffering from the fact that federal banking policy has been adrift. Banking companies are consolidating, branches are closing, and businessmen are finding their long-standing lending relationships suddenly cut off. Small businesses are getting hit especially hard, since they depend heavily on the banking sector for credit. America's business community is looking ahead to an increasingly competitive marketplace. It needs a financial regulatory system that can keep pace.

- **A system in which the concerns of small business have a voice.** One of the advisory committees of the FBC will be focused on small business. This will give small businesses a direct forum to bring their needs and concerns to the attention of the FBC.

- **Greater stability.** The current regulatory system doesn't give business the banking environment it needs. Over the last 10 years, the banking industry has oscillated between periods when it would extend credit to anybody and periods in which credit was virtually impossible to get. Inefficient, ineffective, and ill-advised regulatory policies can be devastating to businesses.

- **Greater accountability.** Under the current system, nobody in Washington is fully accountable for failing to do what needs to be done. Four different regulators share responsibility. And no one regulator can speak for or negotiate for the others, so business interests have nobody to turn to -- only four directions to turn in -- when they attempt to pursue a financial institutions policy that supports the economy.

- **A system that makes sense.** The Administration's proposal will keep things simple: one deposit insurer; one central bank; one bank regulator. The whole world will know who's responsible for getting things right, and who's accountable when things go wrong.

Consolidation and Consumers

What will the Administration's plan mean for consumers?

- **A responsive regulator.** The Administration's plan will provide a regulatory system that can be truly responsive to consumer interests. Consumers need a safe place to keep their money and a stable source of credit. The current regulatory system has not responded adequately to consumer's concerns in this area.

  With occasional and generally minor exceptions, the federal banking agencies have historically downplayed and frequently just ignored consumer protection concerns. The agencies have failed to take a proactive stance on consumer protection issues, forcing consumer interests to take their concerns to Congress. Frequently, the results of this dynamic have been statutes that meet consumer needs poorly while nonetheless saddling banks with excessive burdens.

- **A regulatory system consumers can understand.** The Administration's plan will provide a system that consumers can understand and in which their complaints will be addressed. In the complex system we have now, consumers have no idea how to complain or who to complain to when something goes wrong. Nobody takes responsibility for protecting consumer interests. Nobody is accountable when those interests go unprotected. Nobody can define, articulate, and implement a coherent, long-term view of the banking industry's responsibilities to consumers.

- **A regulatory system in which consumers will have a voice.** One of the advisory committees that the FBC will establish will be for consumer issues. This will provide consumers with a direct forum in which to raise their concerns with the FBC.

Cost Savings of Consolidation

How much will be saved by regulatory consolidation?

- **Significant government savings will result from agency consolidation.** The Administration anticipates significant long-term savings by eliminating unnecessary duplication of managerial, policy, and administrative staff and redundant supervision by multiple regulators, and by consolidating the examinations of holding companies with individual institutions. The OCC, OTS, FDIC and Federal Reserve collectively spend approximately $1.1 billion annually and employ roughly 12,500 full-time staff to conduct the bank and thrift supervision and regulation functions the FBC will carry out under the Administration's proposal. The Administration estimates that the administrative cost savings to the government from agency consolidation will run somewhere between $150 to $200 million per year, after initial transition costs and even apart from any fundamental changes in the examination process.

- **The banking industry should see significant savings from agency consolidation.** The Administration's proposal will reduce the amount banks pay to comply with current excessive and redundant regulations and supervisory practices. Specifically, banking companies will have one agency to deal with for rules, regulations and examinations instead of the two, three, and even four federal agencies they must deal with today. Firm estimates of these savings are very hard to come by, but the Administration believes they will be substantial.

For example, a 1992 Federal Financial Institutions Examination Council study, headed by Federal Reserve Board Governor John LaWare, stated industry regulatory compliance costs amounted to as much as 14 percent of non-interest expense per year. Using 1992 cost figures for banks and thrifts, this methodology suggests that each 5 percent reduction of regulatory burden achieved by regulatory consolidation would save the industry $1 billion annually.

Funding the New Federal Banking Commission

How would the new Federal Banking Commission be funded?

- **The FBC will receive no appropriated funds.** It will recover its operating costs through a four-part financing structure that combines several components to form an overall approach that is fair to institutions of all sizes and different charter types.

- **The first component of the FBC's funding will be a fee, collected by the FDIC, that approximates what the FDIC currently spends from the Bank Insurance Fund to cover the cost of supervision.** The FDIC, when collecting insurance premiums, will collect the on behalf of the FBC. The fee will amount to 1 cent per $100 of domestic deposits. Deposit insurance premiums will not increase.

- **Second, for a period after consolidation, the Fed will make payments to the FBC in an amount equal to the Fed's savings from transferring supervisory functions to the FBC.** The payments will be at the full amount of the savings for the first five years after consolidation, and will then be phased out over nine years.

- **The FBC also is authorized to impose fees institutions or entities it regulates.** The FBC will recover most of its remaining costs through asset-based supervision fees. State banks will pay no FBC supervision fee on their first $1 billion in assets, and any fee on assets of more than $1 billion will be at no more than half the rate charged to comparable national banks. The fee structure will also take into account the extent to which large institutions are, per dollar of assets, cheaper to supervise than small institutions.

- **The Commission will also be authorized to collect processing fees** from any person, not just institutions and entities regulated by the Commission, in connection with applications, filings, notices, requests, or similar submissions made to the Commission. These fees will be designed to recover the Commission's cost of processing such submissions.

Consolidation and the Federal Reserve System

How will the Administration's plan affect the Federal Reserve System?

- **The Administration's proposal will not affect the Fed's independence.**

- **The Federal Reserve's core responsibilities and authority will remain intact.** It will continue to conduct monetary policy, administer the payment system, and will provide liquidity through the discount window. In addition, it will have authority to monitor the payment system.

- **The Fed will have a significant role in bank supervision.** Under the Administration's plan, the Fed could annually select for joint examinations up to 10 of the top 20 banking organizations, with aggregate assets not exceeding 25 percent of total industry assets. The FBC and the Fed would then jointly examine these organizations. The Fed's role would be meaningful. In each joint exam, examiners from the Fed would participate in planning the scope and timing of, and their role in, the examinations, subject to the overall direction and management of the FBC's examiner-in-charge. Fed examiners could also participate in any meetings between FBC examiners and the senior management and board of directors of the organization being examined, when examination findings are transmitted.

  In addition, from the banking organizations that it selects from the top twenty group for joint examinations with the FBC, the Fed could elect to take the lead in examinations of banking organizations in the group (with aggregate assets not exceeding 10 percent of total industry assets), that have a majority of their assets in state member banks.

  The Fed could also jointly examine a cross-section of smaller state member banks, with up to 5 percent of total industry assets.

- **The Fed will also have back-up enforcement authority to correct actual or potential safety and soundness problems at the 20 largest banking organizations.** In order to initiate back-up enforcement action against such an organization, the Fed would recommend in writing to the FBC that the FBC take enforcement action against the organization. The FBC could resolve the matter by taking the recommended action or by providing the Fed with an acceptable written plan for responding to the Fed's concerns. If the FBC did neither, however, the Fed could then take the recommended enforcement action itself, if a majority of the Fed board determined that the organization is, or is in danger of becoming, in unsafe or unsound condition.

- **The Fed will have access to all information in the Federal Banking Commission's possession about the overall state of the banking industry and the condition of the largest banks.**

- **The Fed would also have a seat on the FBC's five-member board.**

Will the Administration's plan undermine the Fed's ability to respond to systemic crises?

- **No. The Fed doesn't need to have a direct role in bank supervision to handle systemic crises.**

  - **Banks no longer dominate the financial sector.** Banks hold only about a third of financial institution assets. And banks' share of financial institution assets has been dropping for two generations. The Fed, therefore, must focus on markets rather than banks.

  - **Many of the recent crises in financial markets were not triggered by banks.** The Fed was able to handle the 1987 stock market crash, the Penn Central Railroad bankruptcy and the Ohio thrift crisis of the early '80s without a direct supervisory role in any of those industries.

  - **Recent statutory changes enacted in FDICIA have further reduced the likelihood banks will trigger a crisis.** Regulators must now close a bank before its capital is dissipated, and limit the ability of healthy banks to lend to weak ones.

  - **The Fed uses discount window lending, not banking regulation, to battle crises.** When people lose confidence in the markets or a key participant, the Fed must provide liquidity quickly. Today, it supervises only a small portion of the banks that come to the discount window, and so the Fed relies on the opinions of the banks' primary regulators. There is no reason why this cannot work for all banks. Under the Administration's plan, the Fed will have full control over discount window lending.

Will the Administration's plan undermine the Fed's ability to conduct monetary policy?

- **No. The Fed doesn't need to be the primary bank regulator or supervisor to conduct monetary policy, either.**

    - **Even under the current system, the Fed only supervises 15 percent of combined bank and thrift assets.** Only 12 of the 52 biggest banks with assets of more than $10 billion are supervised by the Fed. As of the 3rd quarter 1993, the average size of all state member banks supervised by the Fed was $730 million. Two-thirds of these banks were very small, with less than $100 million in assets. Sound monetary policy clearly does not depend on continued primary Fed oversight of these banks.

    - **The Fed routinely relies on other agencies -- such as the Departments of Commerce and Labor -- for information needed to conduct monetary policy.** The Administration's plan would simply extend this to banking, as well. In fact, by virtue of its seat on the Federal Banking Commission, which will supervise 100% of the banking and thrift industries, the Fed will have better and more comprehensive access to banking data than to other types of data -- better access to banking data, in fact, than it enjoys today.

    - **Many central banks in other countries don't supervise banks.** The United States is the only developed nation whose central bank is insulated from executive control and has a major direct role in supervision. The central banks in Germany, Japan, Belgium, Canada, Sweden, and Switzerland have no, or only limited, direct involvement in bank supervision. In the European Community, central banks rely upon information from bank supervisors in 11 different countries.

- **The objectives of supervision and monetary policy are often at odds.** Banks and the businesses they deal with need consistent direction and advice.

Administration's Proposal vs. Federal Reserve Board's Proposal

What's the difference between the Administration's plan and the Federal Reserve Board's plan?

- **Both the Administration and the Federal Reserve agree that the current federal bank regulatory system needs revamping.** We differ, however, on how to accomplish that, and whether to fix it once and for all or to approach the problem in a piecemeal fashion.

- **The Administration's proposal would reorganize the federal banking agencies around three core functions: (1) deposit insurance; (2) central banking, and (3) supervision and regulation.** The FDIC would continue to insure deposits at banks and thrifts. The Fed would continue to conduct monetary policy, administer the payment system and respond to systemic crises in the financial sector. All of the current supervisory functions of the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation and the Federal Reserve Board would be combined in a new independent agency in the Executive branch, the Federal Banking Commission.

- **The Fed's plan would reorganize bank supervision around no clear lines.** Under the Fed's plan, the Fed would supervise all state-chartered member banks, state-chartered non-member banks, all depository institutions (including national banks and thrifts) in bank holding companies with a lead state bank, and bank holding companies and their non-bank subsidiaries big enough to pose any threat of systemic risk. The OCC and the OTS would be merged into one agency responsible for supervising national banks, federally-chartered thrifts, and all banks in bank holding companies with a lead national bank. The FDIC would continue to insure deposits at banks and thrifts.

- **The Fed's proposal is complex, inefficient, and does little to increase accountability.** It would result in <u>increasing</u> amounts of overlap and duplication because both the Fed and the new agency would supervise and therefore have to become expert in all facets of the industry -- thrifts, national banks, state banks, bank-holding companies, non-bank subsidiaries, etc. The plan would perpetuate the need for time-consuming interagency negotiations between multiple regulators that make flexible and responsive policies difficult to achieve.

- **The Fed's proposal would greatly expand the Fed's jurisdiction -- from supervising only 15 percent of combined bank and thrift assets to over 37 percent of assets even though bank supervision would continue to be a secondary matter for the Fed.** The Fed's proposal would continue a system in which institutions can switch their federal regulator in an attempt to avoid compliance with regulations or laws regarding safety and soundness, fair lending or the basis of who is most lax.

Consolidation and Politicization

Will the Administration's plan politicize bank supervision?

- Absolutely not. The new Federal Banking Commission will be governed by a five-member board consisting of a Chairman appointed by the President and confirmed by the Senate; the Secretary of the Treasury or his designee; a member of the Federal Reserve Board; two other appointed members appointed by the President and confirmed by the Senate to staggered terms. Members of both major political parties will be represented on the Commission.

- Currently, bank supervision is conducted by the OCC, the OTS, the FDIC, and the Federal Reserve Board. Members of the FDIC board, the Federal Reserve Board, and the heads of the OCC and the OTS are <u>all</u> selected by the President.

- The new FBC would in no way expand the number of politically appointed supervisors. Under the current system, both the OCC and the OTS -- which between them supervise 62 percent of all insured depository institution assets -- are bureaus of the Treasury Department. The Comptroller of the Currency and the Director of the OTS can be removed without cause. The new FBC will be independent of the Treasury, and its appointed members could be removed only for cause. The Treasury would give up supervisory authority over the banking system.

- Compare the structure of the proposed FBC board to that of the current FDIC board: the difference is that the FBC board would have one *less* Treasury representative, and, in place of the second Treasury seat, would include instead a representative of the Federal Reserve Board.

DEPARTMENT OF THE TREASURY
WASHINGTON

1994 PRIORITIES FOR

TAX REGULATIONS AND OTHER ADMINISTRATIVE GUIDANCE

The Honorable Leslie B. Samuels
Assistant Secretary (Tax Policy)
U.S. Department of the Treasury

The Honorable Margaret M. Richardson
Commissioner
Internal Revenue Service

The Treasury Office of Tax Policy and the Internal Revenue Service are aware that there are many areas in which taxpayers seek guidance about the Internal Revenue Code. In allocating our resources and developing a list of priorities, we have carefully considered the needs of taxpayers as expressed in correspondence and other comments we have received.

The 1994 Guidance Priorities which we are releasing today is a listing of specifically identified areas in which regulations and other administrative guidance realistically can be completed by year-end. It should not be viewed as an exclusive list of the guidance that may be published in 1994. Other areas currently under study may ultimately result in published guidance, depending on the availability of staff resources. Moreover, the Internal Revenue Service and the Office of Tax Policy intend to respond to developments and needs that may arise throughout the year.

In approaching any regulation, ruling or other guidance, we will endeavor to provide clear and relatively simple rules that do not attempt to address every conceivable situation. We believe that this approach most effectively achieves our goal of providing helpful guidance to taxpayers without burdening them with undue complexity. In so doing, it should also promote greater compliance by taxpayers.

We also know that the success of our published guidance can only be fully realized if we have the benefit of the insight, experience and cooperation of the taxpayers who apply the rules in the ordinary course of their business dealings. Consequently, we reaffirm our invitation to the public to provide us with comments and suggestions as we write tax guidance.

Additional copies of the 1994 Guidance Priorities can be obtained by calling Treasury's Office of Public Affairs (202) 622-2960 or IRS Public Affairs (202) 622-4040.

February 1994

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF TAX POLICY
and
INTERNAL REVENUE SERVICE

1994 GUIDANCE PRIORITIES

Alternative Minimum Tax

1. Proposed regulations under section 55 on the computation of adjusted gross income for AMT purposes.

Bankruptcy, Workout, and Related Issues

A. Section 108

1. Final regulations under section 108(e)(8) on when stock issued in exchange for debt satisfies the nominal-or-token and the ratio tests.

B. Section 382

1. Final regulations under section 382(b)(3) on allocating income to pre- and post-change periods based on a closing of the books.

2. Final regulations on what indebtedness qualifies under section 382(1)(5)(E) when stock is transferred to creditors.

3. Final regulations under section 382(1)(6) on applying section 382 in certain insolvency transactions.

4. Final regulations revising the option attribution rules under section 382.

C. Other

1. Final regulations under section 1398 relating to the use of passive activity loss carryovers by bankruptcy estates of individuals.

Consolidated Returns

1. Proposed regulations revising the rules for intercompany transactions and distributions in consolidated groups.

2. Final regulations revising the investment adjustment rules for consolidated groups.

Corporations and Their Shareholders

1. Proposed regulations under section 305(c) relating to the treatment of callable preferred stock.

2. Final regulations under section 338, including the consistency rules.

3. Proposed regulations on the basis of stock in triangular reorganizations.

4. Guidance under section 1202 relating to the 50% exclusion for gain from certain small business stock.

5. Revenue ruling regarding Yoc Heating following a qualified purchase of target stock.

Employee Benefits

A. Employee Benefits and Executive Compensation

1. Additional guidance on the disallowance under section 162(m) of deductions for executive compensation exceeding one million dollars.

2. Final regulations under section 401(a)(17) regarding the $150,000 limit on compensation taken into account for qualified plans.

3. Amendments to regulations under section 401(k) and (m) to reflect publication of final nondiscrimination regulations under section 401(a)(4) and related provisions.

4. Proposed guidance relating to cash balance plans.

5. Final regulations under section 404A relating to deductions for certain foreign deferred compensation plans.

6. Revenue ruling addressing issues relating to transfers of qualified plan benefits from money purchase to profit-sharing plans.

7. Update of procedures governing applications for pension plan benefit waivers under section 412(c)(8).

8. Update of procedures governing applications for pension plan funding waivers under section 412.

9. Revenue ruling on insurance contract plans under section 412(i).

10. Final regulations under section 414(r) regarding separate line of business requirements for qualified plans.

11. Notice requesting public comments on joint and survivor annuity spousal consent rules.

B. Employment Taxes and Wage Reporting

1. Guidance on electronic filing issues relating to W-4 withholding forms submitted to employers.

2. Proposed regulations under section 83 relating to withholding on transfers of property as compensation for services.

3. Proposed regulations under section 3121(v) addressing the application of employment taxes to nonqualified deferred compensation.

4. Final regulations providing guidance and a safe harbor regarding the determination of work hours subject to the section 3221 railroad retirement supplemental annuity tax.

5. Final regulations updating regulatory provisions under section 3231 relating to the Railroad Retirement Tax Act.

6. Guidance with respect to the application of FICA tax to employee tips.

7. Proposed regulations on W-2 reporting obligations of employers that cease operations.

Excise Taxes

1. Final regulations under section 4081 on the imposition of the diesel fuel tax.

2. Proposed regulations under section 4081 on conforming amendments to the gasoline tax regulations to reflect the OBRA '93 changes to the diesel fuel tax.

3. Final regulations under section 4221 on the treatment of exported vaccines for purposes of the vaccine excise tax.

Exempt Organizations

1. Final regulations under section 514(c)(9)(E) (the "fractions rule") on real estate investments held by qualified tax-exempt entities through partnerships.

2. Guidance under section 514 on the treatment of short sales.

3. Proposed regulations under section 4955 on the political expenditures of exempt organizations and related sanctions.

Financial Institutions

1. Guidance under section 475 and related provisions on mark-to-market accounting for securities dealers.

2. Final regulations under section 597 on the treatment of federal financial assistance paid to insolvent financial institutions.

3. Guidance on the interaction of sections 706 and 4982 with respect to master fund - feeder fund arrangements of regulated investment companies.

4. Final regulations on the application of section 7507 to financial institutions that receive federal financial assistance.

5. Guidance on whether a regulated investment company may deduct section 12b-1 fees as trade or business expenses when computing its investment company taxable income.

6. Modification of Rev. Rul. 53-216 and Rev. Rul. 64-278 with respect to lenders' accounting for points income on the loan liquidation method and the composite method.

Financial Products

1. Final regulations under section 246(c) on certain issues relating to the dividends received deduction.

2. Final regulations regarding the timing and character of hedging transactions.

3. Proposed regulations under section 1258 on selected conversion transaction issues.

4. Final regulations on original issue discount under section 1271 et seq.

5. Proposed regulations under section 1275 on debt instruments with contingent payments.

General Tax Issues

1. Proposed regulations and other guidance relating to the disallowance of lobbying expenses under section 162(e).

2. Temporary regulations under section 170 relating to the substantiation requirements for certain charitable contributions, including those made by payroll deduction.

3. Temporary regulations on the election to apply section 197 to intangibles acquired after July 25, 1991.

4. Proposed regulations relating to the section 274 disallowance of deductions for club dues and spousal travel expenses.

5. Final regulations under section 1254 setting forth rules for determining gain from the disposition of interests in oil, gas, geothermal, or other mineral properties.

Gifts, Estates, and Trusts

1. Proposed regulations amending section 1.671-4 relating to the reporting requirements of grantor trusts.

2. Final regulations under sections 2056 and 2523 relating to the marital deduction and the qualified terminable interest property election.

3. Final regulations under chapter 13 on the generation skipping transfer tax.

4. Final regulations under section 7520 regarding the valuation of annuities, life or term interests, and remainder interests.

Insurance Companies and Products

1. Proposed regulations relating to section 338(h)(10) and insurance companies.

2. Final regulations under section 809 clarifying the composition of the equity base.

3. Revenue ruling regarding the application of section 351 upon a transfer of an insurance business to a subsidiary.

4. Revenue ruling under section 807(f) on reserve strengthening and weakening.

International Issues

A. Foreign Tax Credit

1. Proposed regulations under section 902, including guidance for the "pooling" method added by the Tax Reform Act of 1986.

2. Final regulations under sections 905(c) and 6689 on notification requirements, necessary adjustments, and the civil penalty relating to foreign tax redeterminations.

3. Proposed regulations under section 904(i) limiting the use of deconsolidations of corporations to avoid foreign tax credit limitations.

B. Subpart F/Deferral

1. Final regulations under section 954 regarding the definition of a controlled foreign corporation, foreign base company income, and foreign personal holding company income.

2. Guidance under section 1296 concerning the characterization of income received by a foreign bank or securities dealer not licensed to do business as a bank or securities dealer in the United States.

C. Inbound Transactions

1. Proposed revisions to regulations under section 1441 regarding withholding rules on fixed and determinable annual or periodical income.

2. Guidance on whether a nonresident alien student or trainee needs to obtain a certificate of compliance with income tax laws under section 6851.

D. Outbound Transactions

1. Regulations under section 338 relating to international consistency rules.

2. Final regulations under section 367(e) involving certain corporate distributions to foreign corporations.

3. Regulations under section 936 concerning the computation of combined taxable income.

4. Guidance on changing elections under section 936 as a result of OBRA '93 changes to section 936.

5. Final regulations under section 6038 to modify the information required on Form 5471.

E. Sourcing and Expense Allocation

1. Final regulations under section 864(e) on the allocation of interest expense.

2. Proposed regulations under section 864(e) relating to interest equivalents, hedging, and integrated financial transactions.

3. Proposed regulations under section 865 providing guidance on the source of gain and loss on the disposition of personal property.

F. Treaty

1. Guidance under section 894 concerning agency and permanent establishments.

G. Other

1. Revision of the section 482 cost-sharing regulations to incorporate the "commensurate with income" standard.

2. Guidance under section 482 on a safe harbor for small taxpayers.

3. Regulations under section 482 on intercompany transfer pricing methods.

4. Final regulations under section 985 implementing the dollar approximate separate transactions method (DASTM) for qualified business units operating in a hyperinflationary environment.

5. Proposed regulations under section 6503(k) concerning designated summonses.

6. Proposed regulations under section 6662(e) on substantial or gross valuation misstatement penalties relating to section 482 adjustments.

7. Proposed regulations under section 7701(l) relating to conduit arrangements in multiple-party financing transactions.

Partnerships

1. Final regulations under section 704(c) on the remedial allocation method and securities aggregation.

2. Proposed regulations under section 737 on the recognition of precontribution gain in certain partnership distributions.

3. Guidance on the definition of liability under section 752 in the context of securities transactions.

4. Final regulations under section 761 dealing with election out procedures for natural gas partnerships subject to a gas balancing agreement.

5. Revenue ruling on a partnership paydown of nonrecourse debt under section 752.

Passive Activity Losses

1. Final regulations under section 469 on the definition of an activity.

2. Proposed regulations providing guidance under section 469(c)(7) on rules for taxpayers in real property businesses.

Subchapter S

1. Final regulations under section 1363(d) on the merger of a C corporation into an S corporation.

2. Final regulations under section 1374 on the built-in gain or loss rules.

3. Revenue procedure providing automatic inadvertent termination relief under section 1362(f) to an S corporation when the income beneficiary fails to elect timely to be a qualified subchapter S trust.

Tax Accounting

1. Final regulations under section 168(i)(4) on the use of general

asset accounts.

2. Final regulations under section 174 on research and experimental expenditures.

3. Proposed regulations concerning the section 179A deduction for qualified clean fuel vehicles and qualified clean fuel vehicle refueling property and the section 30 credit for qualified electric vehicles.

4. Final regulations relating to treatment of distribution costs under section 263A.

5. Final regulations under section 263A(f) relating to the requirement to capitalize interest with respect to certain property produced by a taxpayer.

6. Final regulations concerning when a modification of a debt instrument is an exchange under section 1001.

7. Final regulations under sections 1031 and 453 coordinating the deferred like-kind exchange provisions with the installment sale provisions.

8. Additional guidance on Indopco.

9. Guidance on the treatment of environmental clean-up expenditures.

10. Revenue procedure relating to accounting method changes necessary to comply with the section 263A final regulations.

11. Revenue procedure under section 461(g) on the purchaser's treatment of points paid by the seller in connection with the purchase of a principal residence.

12. Revenue procedure providing guidance under section 1016 on adjusting basis for property for which the taxpayer claimed no depreciation or the incorrect amount of depreciation.

Tax Administration

1. Temporary regulations and a revenue procedure relating to the establishment of a TIN matching program to allow a payor to check whether a name/TIN combination provided by a payee matches a name/TIN combination on file with the Service.

2. Proposed regulations under section 3505 dealing with the maximum liability of third parties paying or providing for wages.

3. Temporary regulations under section 6103(l)(14) on the use of tax return information by the U.S. Customs Service.

4. Final regulations under section 6050H on reporting for mortgage interest.

5. Final regulations under section 6159 dealing with the payment of past due taxes in installments.

6. Proposed regulations under section 6311 dealing with the payment of taxes by check or money order.

7. Temporary regulations relating to the electronic payment of tax.

8. Proposed regulations under section 6323 dealing with the proper place for filing a notice of a lien for certain personal property.

9. Final regulations under section 6331 dealing with circumstances under which the IRS is prohibited from making a levy because it is uneconomical.

10. Final regulations under section 6334 dealing with property that is exempt from levy.

11. Final regulations under section 6343 dealing with the release of a levy and the return of property levied upon.

12. Final regulations under section 6695(b) to permit the use of facsimile signatures by preparers of Form 1042.

13. Proposed regulations under section 6867 dealing with the presumption of jeopardy in cases of "illegal activity" cash.

14. Proposed regulations under section 7425 dealing with the treatment of excess expenses incurred in connection with a redemption of real property.

15. Final regulations under section 7426 dealing with wrongful levy actions where levies are served on other government agencies.

16. Final regulations under section 7430 on the exhaustion of administrative remedies.

17. Final regulations under section 7430 on the awarding of reasonable administrative costs incurred in connection with a proceeding before the IRS.

18. Proposed regulations under section 7514 providing for the use of an alternate seal of office by IRS offices.

19. Proposed regulations under section 7609 dealing with the extension of statutes of limitations in John Doe summons disputes.

20. Revenue procedure on how to apply the resolution of issues under exam to other returns of CEP taxpayers that have not yet been examined.

21. Finalize revisions to Circular 230.

Tax Credits

1. Final regulations under section 42 on carryover allocations and other rules concerning the low-income housing credit.

2. Final regulations under section 42 on the order in which housing credit dollar amounts are allocated from a state's housing credit ceiling under section 42(h)(3) and the determination of which states qualify to receive credit from a national pool of credit under section 42(h)(3)(D).

3. Revenue procedure under section 42 on how a taxpayer whose building received an allocation of low-income housing credits before 1990 elects to satisfy the 200-percent rent restriction for its deep-rent skewed project.

4. Revenue procedure under section 42 on how a taxpayer whose building received an allocation of low-income housing credits before 1990 elects to determine rent under the number-of-bedrooms method.

5. Revenue ruling under section 45 clarifying what constitutes a qualified facility for electricity produced from certain renewable resources.

Tax-exempt Bonds

1. Proposed regulations under section 141 to define and clarify the private business use test, the private security or payment test, and the private loan financing test.

2. Technical corrections with respect to final arbitrage regulations.

February 1994

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

March 1, 1994

MARY ELLEN WITHROW
TREASURER OF THE UNITED STATES

Mary Ellen Withrow was confirmed unanimously by the Senate to be the 40th Treasurer of the United States on February 10, and sworn into office March 1, 1994.

She is the first person to have held the post of treasurer at all three levels of government -- local, state and national. She was elected Treasurer of her native Marion County, Ohio, in 1976 and 1980. She was elected as Ohio State treasurer in 1982 and re-elected in 1986 and 1990.

As Treasurer of the United States, Withrow is responsible for the operations of both the U.S. Mint and the Bureau of Engraving and Printing.

During her tenure as Ohio's Treasurer, Withrow's innovative programs, management efficiencies and record earnings for Ohio earned her nationwide recognition. In March 1992 she received the Donald L. Scantlebury Memorial Award from the Treasury's Joint Financial Management Improvement Program for financial excellence and improvement in government. She was named the nation's Most Valuable State Public Official by City & State Newspaper in 1990.

She is past president of the National Association of State Treasurers, and past president of the National Association of State Auditors, Comptrollers and Treasurers. She also is a member of the Anthony Commission on Public Finance, a panel addressing state and local government financing.

Withrow, who began her career in public service in 1969 as the first woman elected to the Elgin Local School Board in Marion County, is a member of the board of directors of Women Executives in State Government, an inductee into the Ohio Women's Hall of Fame and a recipient of a Women Executives in State Government fellowship to Harvard University.

Withrow was born Oct. 2, 1930, in Marion County, Ohio. She and her husband, Norman, have four daughters and four grandchildren.

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LB-676

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
March 1, 1994

WITHROW TAKES OATH AS 40TH TREASURER OF THE UNITED STATES

Mary Ellen Withrow of Marion, Ohio, was sworn in Tuesday as the 40th Treasurer of the United States. Vice President Al Gore administered the oath of office to Withrow in the Treasury Department's historic Cash Room.

Treasury Secretary Lloyd Bentsen praised Withrow, saying, "Mary Ellen Withrow has first-rate qualifications for this important position. Her background in financial management and administration is well-respected."

Withrow, 63, served as Ohio's treasurer from 1983 until taking office as the nation's treasurer. Prior to that, she served as Marion County (Ohio) treasurer, and she is the first person in the nation's history to hold that position at each level of government -- local, state and national.

As treasurer, Withrow will oversee the operations of the U.S. Mint, which manufactures coins and medals, and the Bureau of Engraving and Printing, which prints paper money and postage and revenue stamps.

Because U.S. currency is countersigned by the Secretary of the Treasury and by the Treasurer, newly printed notes will soon carry Bentsen's signature for the first time since he took office. In the absence of a treasurer, the Bureau of Engraving and Printing was required to continue printing notes with the signatures of Bentsen's and Withrow's predecessors. The new notes are expected to enter circulation later in the month.

Withrow, a recipient of an award for excellence in financial management from the Treasury Department's Joint Financial Management Improvement Program, earned Ohio more than $2 billion in investment income during her tenure. She created a variety of plans to improve Ohio's economy and strengthen the state's business climate. She also initiated a technical assistance program for the government of Poland, and led a delegation offering technical help to officials of three cities in the former Soviet Union.

Withrow and her husband, Norman, have four daughters and four grandchildren.

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LB-677

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
March 1, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,200 million, to be issued March 10, 1994. This offering will provide about $225 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of $24,979 million. In addition to the maturing 13-week and 26-week bills, there are $14,829 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $9,688 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,391 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $2,406 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

LB-678

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED MARCH 10, 1994

March 1, 1994

Offering Amount	$12,600 million	$12,600 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 K 94	912794 N2 6
Auction date	March 7, 1994	March 7, 1994
Issue date	March 10, 1994	March 10, 1994
Maturity date	June 9, 1994	September 8, 1994
Original issue date	December 9, 1993	March 10, 1994
Currently outstanding	$13,496 million	---
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids.

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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