Meeting between Mac Collins and senior citizens in Griffin Feb. 20, 1996

If you bear with me for just a few minutes, what I'd like to do--I'm Mac Collins--I'm your representative in your House of Representatatives in Washington. I'd like to say thank you to Beth. I know Beth has been very busy in the last few days since we got it on the calendar to schedule today to come through Griffin and come by this center, here. She's made a lot of phone calls and encouraged people to come by for the purpose of, so that I could meet you, you could meet me and also I could take questions from you and take comments from you and see just how things are going with you.

First of all, I have a couple of staff people with me from the Jonesboro District Office. Clark Reid--Clark is the staff director at all of our offices and then we have Jean Stoddard from the Jonesboro Office and Jean does a lot of PR work, case work, she travels through the district and has a regular routine where she meets with different folks who want to meet on a specific date, specific time, specific location so that she can receive input and requests from constituents. Ivan Taylor traveling with today, a local gentleman, he's always a delight to be around. He and Miss Betty have been very supportive of our efforts in the last few years and also many other members of Congress who have served this area in the past. They've been very helpful too. And that's helpful to us. I have with me also Dr. Dick **Feeno**, he's a gentleman from--what's that little--New York, that's it--New York! He's from Rochester, New York. Dr. Feeno was in Georgia back in the late 70's--1978. He's a professor of Political Science and he does some writings and came to Georgia and did some writings in 1978 on congressional districts. And he's back in Georgia travelling with me for a few days to rewrite those things that he wrote in '78--bring him up to modern day of the 1950's. That's right about the kind of politician I am, old line. I not one of these new modern type guys that seems to have all the answers and know everything that's going on--cause I don't. And I'll be the first one to tell you that.

I don't know how much you follow what's happening in Washington with the Congress, but beginning in January of 1995, there was a complete change in leadership in both the U.S. House and the U.S. Senate. Well with the change in the leadership, you had a change in the agenda of Congress. Not a change in the issues, but a change in the agenda and a change in the approach that we take to the agenda..

An example: in the 103rd Congress with began in 1993--it ended in the year 1994--every Congress is a two-year cycle, 103rd and the 104th, the next one will be 105th for 1997 and 1998. In the 103rd Congress in 1993, we dealt with the tax issue. But it was a different agenda because the way we dealt with it in the 103rd

Congress was to <u>increase</u> taxation. In the 104th Congress, we're still dealing with the tax issue, but we're on the other side of the agenda--we're dealing with tax <u>reduction</u>. So that's how when you have changes in leadership, you have changes in agenda. You go from one side of the issue to the other side of the issue because the majority controls the agenda.

I think and I've said this time and time again that the greatest challenge to this Congress, the 104th Congress, is deficit spending. We spend far more money than we take in. Example: on a daily basis, on an average day, we will spend over $4 billion dollars in operation of government. We actually spend $500 million more than we take in for that day's operation. Now how long could you last, in your budget, if you spent more than you took in? Of course we're a little different than a private person. I mean, it's a government entity, so we have powers in borrowing and powers single individuals wouldn't have. But still, we cannot continue to spend at a rate of $500 million dollars a day more than we take in.

That is the challenge. How do we get that down to zero deficit and still continue the operation of government? The greatest threat that we have to the continuation of our democracy, our form of government--the type of government we operate under--is the national debt. Spending money at a rate that exceeds what you take in every day has lead us to accumulate, as of this date, $4.9 trillion dollars--that's legal debt--and we've actually accumulated about another $80 billion dollars since we reached that by law $4.9 trillion dollars. And that's a threat to us.

When you go back and you look at the warnings that we have received from those who founded our government, our forefathers, and it even goes back farther than that. In fact, I heard the Chairman of Ways and Means Committee, Bill Archer from Texas, say that quoted Socartes--and I believe Socartes is a little older than maybe George Washington--but he said that "....a democracy is indefinite, because those who are governed under democracy will learn of the benefits that they can receive from its treasury and then they will tend to elect people who will enhance those benefits--which leads to the demise of democracy." In other words, they will elect people who will spend more and lead to the bankruptcy of the democracy. Basically that's where we're headed, but that's where we going because you have a Congress that's committed to preventing this country from going absolutely broke.

And why is it necessary to keep this country from going absolutely broke? It's because we have the best nation in the world, we have a nation of compassion, not only for ourselves, but for others. We have a nation that wants, through that compassion, to take care of its people and see that everyone has and sustains a quality of life.

In order to reach and prevent from going broke, we passed in the

Congress in both bodies--the House and the Senate--a Balanced Budget Act, a plan a seven-year plan. It's just like you would sit down and take your, what you know to be your income and you say, ok, for the next 30 days I'm going to spend this, this and this on certain items. Some things you have to spend 'em on because you know that there coming to your home, like your light bill, maybe your rent, or your telephone bill. You know those things are coming every month. So you plan yourself out as to what you're going to spend. How you're going to handle your money. Well that's what a Balanced Budget Act is. It's a seven-year plan to reach zero deficit and balance the budget.

Even with a seven-year plan, which we passed and we sent to the President, he vetoed that seven-year plan; and it was not really a surprise. What has have been more of a surprise to me is we had not sent him another balanced budget, because I think eventually we will get to a balanced budget and the President will agree with us on the balanced budget. But I wish we had already sent another one so we could be working on another one in case he turned that one down.

But to reach that balanced budget, what we had done is attempted to slow down the growth of government. Government has been growing in expenditures at about better than 4 1/2 or 5% a year. What we had proposed to do was slow that down to just a fraction under 3% a year. We actually are not cutting--as many would say--cutting the budget. We're reducing spending, reducing growth. But even with that plan, at the end of seven years, we <u>still</u> will have increased the national debt. And this figure may surprise you, but we will go from the current $4.9 trillion in debt, to $6 trillion of debt. Can you imagine the number of zeroes behind $1 trillion. I mean They just go on and on and on, they run off the tablet. But we will have accumulated $6 trillion dollars in debt.

Now let's suppose, because this is not a plan, this is not part of the plan. Let's suppose that we were going to begin to pay off that debt. If you borrow money, do you not have to pay it back? Eventually the government will have to pay its debt. Let's suppose we were going to pay $200 billion a year toward the principle--principle only, no interest, just principle. How long to you think it would take to retire that principle? $6 trillion, $200 billion a year (pause)--30 years. Now I don't think there are many of us in this room, including me, that will have a productive life for 37 additional years. I'm 51 and in seven years I'd be 58 and if I retired at 65 I would have seven productive years out of the 30 that it would take to retire that debt. So who does that mean it's going to fall on the shoulders of? The generation after me and the generations that follows them.

Now, we can address that debt, so we can address the fiscal affairs of this country one of two ways. We can get spending under control or we can increase taxation. Increasing taxation is a big "no no," and not the answer. It's control your spending. And that's what we're attempting to do.

How are we trying to control the spending? We've looked at many years of the government. In fact, I'd say what's happening in Washington today is a good example of our government at its best. Now this is confusing to you, I know, for that kind of a statement to come from me. But it is. Our government is operating at its best because we are fully debating and discussing every aspect of the government. We passed the Balanced Budget, we sent it to the President, he vetoed it. What does that make us do? Go back and work on it again. We sent him corporation bills, he vetoed them. What does that make us do? Work on them again. And every time we work on them, the media is good about telling you what's going on. Some media maybe slants it a little bit, but still, people are knowing and made aware of what's happening in Washington and their government.

But in order to get the spending under control, we have to look at areas of the government where we are mandated to spend money. It's just like you expect on a monthly routine your utility bills to come to your house. You know they're coming because you've turned on your lights every day, you use your telephone, you turn on your heat, your gas or whatever--you know a bill is coming. We know we have certain obligations that we must pay every month. What are some of them? You're right, in your budget? In the government? What is one thing that we must pay every month? Social security--it's got to be paid. It's an entitlement that monies that were taken out of payroll checks, continue to be taken out of payroll checks, and the money must be paid, mailed--it's an entitlement. Another entitlement is Medicare, another entitlement is Medicaid, another entitlement is AFDC benefits which include an array of different programs. Another entitlement is civil service. Do we have civil service retirees here? Do we have any government retirees? That's unusual. Military retirees? Do we have any military retirees? With those benefits, they're entitlements and they must be paid every month.

Now, that's why we must get them under control. In 15 years, there are five areas of government, five entitlements that must be paid, that will consume every tax dollar that comes into the federal government. We named them all--someone named the last one--Social Security, Medicare, Medicaid, retirement benefits--that's civil and military--and interest. Now if those five areas of government consume every tax dollar, then how do we run our court systems at the federal level, how do we run our Department of Defense, how do we run the Department of Agriculture? You could just go on down the list because all the money is consumed in certain areas. So we must address the areas of the entitlement and we must address them in a way that they don't be harmful, or will not be harmful to those who are entitled to those benefits.

Now those are some of the areas of government that we are working very strongly on. In the area of welfare and Medicaid, we have proposed block grants, those funds go directly back to the state level so that state legislatures, the governors, the state legislatures are a lot closer to you than the Washington bureaucracy or the Washington level of government. It's a whole lot easier for you to pick up the phone at night and get a hold of John Yates or Ted Edge, Bill Sanders, Steve Langford, because they represent you in your local, they represent you in Atlanta. Than is to try to catch up with me. I'm trying to represent 600,000 people and they're down to 35 on up to about 125,000. And the state's can do a much better job, at less cost, with less disruption in approach. And Georgia's already proven this to a great extent. Georgia's already addressed some of the problems in Medicaid and have already reduced some of the annual costs of the states, because states share the cost of the Medicaid. They've already addressed some of the problems of welfare--while we're trying to get people on the payrolls and off of welfare rolls if they're able-bodied. Not everybody will come off it--it's not possible.

We are looking at taxes. We have proposed, as I said earlier, to actually reduce taxes in some areas. Areas that we know from experience in the past will actually stimulate your economy and actually create additional revenue for all levels of government. Because that's where the revenue--the private sector is when the revenue of all areas of government come from. We have addressed Medicare--not completely to the satisfaction of 100% of the people. But yet we have to address it because if we want up going broke, we have no money to pay it out anyway. Or we'll have less money to have a lesser program.

So we must address Medicare. And how have we done that? And why should we do it? There are two areas of Medicare as you all know. One is Medicare part A, and part A is the hospital insurance side of Medicare. One hundred percent of the popuIuation that reaches the age 65 is eligible for Medicare. And a lot of disabled people under 65 are eligible for Medicare if they meet the criteria of the program. The other area of Medicare is completely optional--Medicare part B. Medicare part B is the physician payment for health care for seniors--completely optional. Not 100% of the population opts to enter Medicare part B--only about 95% of those eligible.

The reason we're addressing Medicare is the report that came out from the Board of Directors of the Hospital Insurance Trust Fund was delivered to the House of Representatives Ways and Means Committee last April. And this is a complete bipartisan group of people. It's not slanted one or the other. And to show you how bipartisan it is, three members of the President's cabinet actually serve on this Board of Directors. But they reported to Congress that beginning in 1996, Medicare part A trust fund, which is funded entirely by payroll taxes--no other payment, no other source of funding, just payroll taxes, Medicare part A trust fund--that the cash flow of the medicare part A trust fund would be negative beginning in the year 1996. In other words, we would pay out more than we take in--kind of like the full operation of government. So we began then to put together a plan to try to salvage medicare--at least for a 10-15 year span. And why would you not try to provide a plan for it forever? We must. But we're trying to plan up to the time that the World War II generation, which is my generation, reaches the age 65. The results of all this that we found out since and we found this out just about three weeks ago--is that the Medicare part A trust fund actually began to spend more in the year 1995 than it took in. And I believe the figure is somewhere around $35 billion dollars of red ink. We've paid out $35 billion more in 1995 than we actually took in through the payroll tax. A year earlier than had been predicted by the trustees at the trust fund. So we have to now go back and regroup then try to come up with--the President vetoed the first plan--another plan of saving Medicare.

But what did we do? I know you've heard through the media and you've read, and we have written on it several times and the Griffin Daily News is very good about reporting our column. We've written about, and you've heard it on the news, that actually the government will spend more per insured on Medicare year-by-year for the next seven years, because that's how long our plan was laid out for. In other words, we're spending today an average of $4,800 per person for health care benefits through insured under Medicare part A. And in the year 2002, that would increase every year to the point of $7,100 per year, per person. So there are actually increases in spending, but we're trying to reduce the growth of spending as I go back to my first comment about the whole budget. We're trying to reduce the growth of spending from about 10-1/2% for Medicare annually to 7%. Private sector health care is growing at an average of 4%. So we were getting some leeway in Medicare because we know we're dealing with an older population that have potential more health problems that the average health care population.

Well, in order to address the problem, members of the Congress, including me, met with a lot of people in our districts, just like we're meeting here today. We had a number of town hall meetings; and we asked people who are insured under Medicare, where do you see problems? We're doing things in Washington with a different associations as to where they see problems too. Over the years of problems we constantly were made aware of, were in the area of reimbursements or charges by, reimbursements to, hospitals and physicians. In fact, a lot of people have told me why don't you put cost controls on them, don't let them charge us so much. Well, that has a good ring to it, but the possibilities of that are very--well, it just won't happen because of the nature of our operation and its government. We're open and free enterprise in this country.

So what we did do, though, was look at the reimbursement schedules just dealing with Medicare. So that if you put cost controls on these, you're going across the whole health care spectrum. And we have consolidated three areas of reimbursements for physicians. We made one reimbursement schedule and slowed the growth of them. And in doing that, we save about $12 billion dollars over five years or seven years--twelve billion dollars over seven years. We also looked at the hospital reimbursements. And we reduced the growth of hospital reimbursements and by doing so, we save a little over $30 billion dollars in seven years. We have to be very careful in looking at those reimbursement reductions, though, because you have a lot of hospitals who provide service to the indigent who are not able to pay. And we don't want to harm those hospitals to the point where many have to close their doors. We want to make sure that you don't do that. But we also looked at how we reimburse hospitals in some other areas. We actually reimburse hospitals additional monies if they have accumulated bad debt. Not every hospital has accumulated bad debt, but a lot do--especially those in indigent areas. But the reimbursement for the bad debt was not incurred from Medicare, it was incurred from other services rendered. So we said we should no longer take out of Medicare part A trust fund--it only comes from payroll tax--reimbursements for bad debt. If you're going to do something like that, you ought to do it from another area of government, not from that trust fund that's in trouble. And that would save about $1 billion dollars. In Washington terms, that's not a whole lot of money, but it is a whole lot of money--it's 1,000 million dollars is what it is.

We also looked at teaching hospitals, and we have a teaching hospital in Atlanta called Emory University. And we actually reimbursed, again from Medicare part A trust fund, additional monies to hospitals who are teaching hospitals to help pay for the education of doctors. And we said this shouldn't come out of Medicare part A trust fund, that's in trouble. It comes from payroll taxes. So we deleted the increase in reimbursement from the trust fund and established a general fund, trust fund, for those reimbursements--saving of part A trust funds somewhere around $15 billion dollars over the next seven years. That's leaving the funds in the trust funds if its in trouble, but going to the general fund for help, which is in trouble, too. But, still is was better than deleting trust fund.

We also have some areas that we are increasing the revenue. In other words, we are increasing--any time the government increases any kind of revenues--it's a tax increase. But this one was an increase, but yet it wasn't an increase. If you noticed your Social Security check for December, the deductions for part B premium, for your part B Medicare, was one figure--about $46 a month. The deduction in your Social Security check in February should run somewhere around $41 or $42 a month. It came down. That's because the law was stated that beginning January 1, 1996, the percentage to figure the part B deduction from your Social

Security check would reduce from 31-1/2% to 25%. We had proposed to leave it at 31-1/2%, which meant that you would have had a level payment, as you had for the last two years. Because I know it goes up every year based on Cola's, based on inflation. That was a revenue increase because of the law. Had it been accepted prior to January 1, you would have never noticed the difference in your check. That generated about $30 billion dollars over seven years.

And we also have a provision in it that says that if you have an earned income, an annual income in your own Medicare part B, and your annual income is over $60,000 individual--I believe it's $115,000 a couple--then you would have a gradual increase in your part B deduction to a point that if your income was up around $125,000/$130,000, you would pay full 100% of part B premium. That generated about $7 billion dollars over seven years. So it affected a lot less number than the overall.

Then we also have what we call Medicare Plus. How many of you have read anything or know anything about Medicare Plus? Have you read anything on it? Medicare Plus are options--strictly options. No one mandated to accepted Medicare plus. Because 100% of the population eligible for Medicare, fee-for-service, as Medicare is today, was included in the calculations of continuing Medicare--100%, everyone. Everyone that's on Medicare today would remain on Medicare as long as they survived. But we have Medicare Plus which are options. A person insured under Medicare could opt into a plan like an HMO, a provider service organization plan, a medical savings account plan, or if they belong to an association or if they belonged to a union--and a union so desired to continue insuring them they cared contract to carry insurance through that association. The Congressional Budget Office estimated that 24% of the seniors who were insured under Medicare, current day Medicare, would opt for one of those plans. Because it would actually save them money; there would be no need to carry further with the supplemental insurance. And it wouldn't fit everyone. That's the reason it's an option. But if 24% would opt into Medicare Plus it would save the Medicare trust funds $18 billion dollars over seven years.

And when you take the savings in part A, the savings in part B, the savings in Medicare Plus, the additional revenues from the part B premiums that would be left level, (actually there will be some reduction) and the increase of the means testing on income for part B premiums, you add all that up, that's how you save money. And yet still have an increase in the amount of payment per insured that will be paid every year. Now that's kind of a walk-through of how the Medicare change came about of what we proposed. Plus proposal would have saved $270 billion dollars over seven years when you put all those numbers together. But when you go back and look at how we are actually trying to work with the administration of the President and compromise in a lot of areas, the actual savings is going to be somewhere around $168 billion dollars over seven years.

We'll stop there, and I'd like to hear from you.

Q. How big a cut .... limited income ....

A. There would not be any cut to you. No sir. There were no changes in the deductible portion that you currently pay under Medicare. No increase in copayments. And there would have been no change in the part B deduction from your Social Security check, had the President signed the original Medicare trust fund.

Q. .... by the time you deduct all that amount, what little you got coming in, you can't go out to the movies if you don't have the money, you can't do it.

A. That's right. We understand that and that's the reason we were being very careful to make sure that you're current budget was not disrupted by the change in Medicare, but yet we could change the budget of Medicare in order to make sure that you still continued to have that insurance. Medicare has been very beneficial to the seniors of this country to provide hospital insurance and physician's coverage for a number of years. I know that my Dad, who passed away about four years ago at the age of 86, benefitted greatly from Medicare, as I'm sure some of you may have benefitted from Medicare, having to go the doctor or the hospital occasionally. And it's up to us, it's our responsibility as Congress to make sure that the insurance stays in place, but that we get the spending apparatus under control so that the insurance is there and not put a heavy burden on you.

Another piece of information in the area of Medicare. You think we would have done this--I mean this just makes good business sense--but we have <u>never</u> tracked how much we pay per insured per provider. Now we know what we pay out overall because we have an overall sum and we have the number of participants and it's as easy to divide one into the other to find out how much you pay on an average. But we've never tracked how much we pay per provider per insured. And we're going to do that, and that alone will save some money.

We have never had any checks and balances in Medicare bills. How many of you have received a hospital bill or a doctor's bill and you look at it and you think it's excessive? Or you found something that might have been wrongfully billed to you by either the hospital or the doctor? Because there are very few checks and balances in this program. And one of the reasons there are very few checks and balances is that we're actually contract with a third payer to pay our bills for us at a cost plus contract. So there has really been no reason for checks and balances.

But the IRS has a little provision in the IRS codes that say that if you report someone who falsely submits their tax forms, and you are right, you share in the revenue that the government collects if it's above $1,000 for that wrongfully submitted tax form. Well, we put a provision in that would be very similar that says if you report to the Health Care Finance Administration where you have been wrongfully billed, and you're right, and the amount is over $1,000, you will received 10% of that savings. I doubt if we'd every pay a great deal of money out because I think that would be a deterrent for a wrongful billing. And there is a lot of waste in wrongful billing within the Medicare concept. But that's a good deterrent to make that those who are doing the billing, do it correctly. And so those are just of the other areas that we dealt with, with waste, fraud and abuse.

But when you score that according to the Congressional Budget Office, it scores very little because no one really knows. I read an article that was published, it was study that was published by Blue Cross/Blue Shield of Ohio, Cleveland, Ohio. And the guy was there before the committee that morning and he said that 25% of all health care billing is wasteful billing. That the health care industry has about 25% waste in it, is what he was saying. Not all health care providers have 25% waste. A lot of health care providers are very straight up, very forward, understand the problem in a willingness to help us correct a lot of those problems and they're are trying to work through their associations to make sure that other providers are straight up and very forward and honest.

I asked this guy with Blue Cross/Blue Shield--because they're one of the third party payors in a lot of places for Medicare--I said,' have you in your company, because you're part of the health care industry, reduced or corrected 25% waste that you contribute to?' And his answer was, 'absolutely not.' Because he hadn't been forced to. No one else was and he wasn't either. But in general, it's becoming very apparent to the health care industry that we have serious financial problems in the area of Medicare and Medicaid and that we must address those problems or the whole program is in trouble. That's the bottom line--the whole program is in trouble.

Q. .... the figure is that a number of seniors that are in nursing homes and Medicare is obviously paying for that. And if so, if the number is high enough, why not have one of the options nursing home insurance ..... Medicare options ....

A. That's a good question. I don't have the figures in mind as to how many, but there was a provision that would actually slow down some of the growth in spending in nursing home participation where you have skilled nursing care. Medicare doesn't pay all of nursing home, a 100 days is its maximum. Medicaid is the one that is really responsible there. But also in the Balanced Budget Act, was a provision in the tax code, if you go back to the tax codes here, that would allow people--it was an incentive for people--to purchase long-term care insurance and deduct the premium from their income. So that they would not be taxed on that premium cost. And also in a medical savings account, there was a provision that would allow people to, and also in a super IRA--an IRA--would allow people to take monies from those savings account and use for the purchase of long-term care insurance in order to try them. Those are just some of the other areas.

Q. ....

A. That's right. And another area that's not, it's part of government, it's part of the tax code and it's part of the Balanced Budget Act and the Tax Bill that we passed, would allow accelerated death benefits for someone who had terminal illness, so that they could access they're life insurance and use those funds to help with, not the health care, but with other bills that they sustained for their families and not bankrupt their family, waiting for them to die to be able to receive the benefits, which I thought was a very good measure, too.

Q. Under block grants, what about people who live in one state and go to hospital in another state?

A. You just asked me a stumper of a question.

Q. Years ago, I had this problem. I had a .... in North Carolina

A. Was that Medicare or Medicaid?

Q. Medicaid. .... North Carolina.

A. Well, what you would have is with the block grant back in the states, each state would contract with Medicaid for a certain amount of money and they would have to accept

Q. ....

A. But they would still have access to the Medicaid. Each state would have a contract as to how much they're going to pay their provider. Then if they chose to go there, they would be paid, they would be covered.

Q. ....

A. Well, I don't think those threats would exist under the type block grants that we're talking about. It's unusual for every governor, all 50 governors, and I say we're talking a lot of outside people, but all 50 governors actually got together just recently and agreed on the block grant approach. And they know that if by having unanimous consent from all, they must work together if we're going to attempt to do this. And one of the main reasons you're trying to do is, the program can be run better at the state level. The states have to put a ton of money into it themselves. There's a matching formula, it's not all federal money. It's about a 60/40 ratio--60 federal/40 state. And that can vary two or three percentage points. It's actually costing the states far more money than it should because of federal regulation. We should be able to reduce quite a bit of federal bureaucracy and save money there. There will be isolated cases--you can always have that as you just mentioned. I have not heard that question before--it's a good question and we'll foller up on it because I want to ask that question, too.

People that are eligible for the coverage, because Medicaid is health insurance for the poor--those who are not able to pay. And providers know that if they're going to accept Medicaid patients, they have to accept the Medicaid payment.

Q. I agree with you 100% on balancing the budget. You talked a lot about Medicare/Medicaid and all these things. My children and my grandchildren should not have to suffer, the future generations .... What I would like to ask you is if we're going to look at all these things, why not start at the top. If we're going to share the load, lets all carry equal shares of the load, ...

A. ..... and that's not been overlooked. The tax revisions that we are attempting to change, the biggest tax reduction would be in the area of families with dependent children that do not have an income if just one parent works that exceeds $75,000. If they make $75,001, they would not be eligible for the tax credit. If both parents work--I believe the figure was $110,000, $115,000, one of the two--then they would not be eligible for the credit. That keeps it into the area of families with moderate, middle class income to be able to have that relief.

The area of capital gains, which is often referred to as the higher income or rich man's tax credit. There will be a lot of people who have deep pockets, as I refer to, that will take advantage of a capital gains tax credit. But it also extends across all income levels. In fact, over 50% of the estimated reduction in government revenues would come, the advantage would be to families who earn less than $50,000/year. But the capital gains tax credit, the capital gains tax as it is today is a discouragement or a disincentive often times for the sale of assets. And if there is no sale of assets, no transfer of money, there is no tax liability. But if you encourage by having a reduction in the rate of taxation, only the gain of the sale of the assets, there is a tax liability because of the gain. I can still say 'a little something is better than nothing,' because that's what you have when you don't have a sale because of the high tax rate. With a little tax rate, you have a sale.

In the early 80's, taxes were changed and reduced drastically under what's called Reaganonomics. There's been a lot of criticism of Reaganonomics. But the results were that the revenues during doubled, the revenues to the federal government doubled, with a reduction in taxes, which included lower rates for all levels of income, and had the capital gains and an investment tax credit for purchases of equipment. The problem was, and this was the fault of all involved--whether it be the Republican controlled Senate, the Democrat controlled House, or the Republican controlled White House--all were at fault in my eyes. They did <u>not</u> control the growth of spending. They had plenty of money and they <u>spent</u> it. And they also spent money they didn't have and that's the reason we have the debt today. It created a lot of things. It created a lot of programs. In the 60's the Great Society was created. Today we are paying dear for it because they've been run away programs. Some good programs, Medicare and Medicaid were two of those programs. But the cost just ran away. And we've got to bring that cost under control or the program will go away because of lack of funds.

This is not an easy task. The Congress is not facing an easy task. And it's not easy to understand, because if it was easy, it would have already been done. That's the reason I wanted to meet with you just to talk to you about it--try to explain where I see where we are, where we're going and try to answer questions that you have concerning... You had a very good question about crossing the state line on Medicaid--that's a good one. I want to find out .. I want to get your name and address, too, so that we can call the committee, Commerce Committee, who deals with the Medicaid--that's under a different committee from mine. Let's see if we can find that answer. .... how that would be handled.

I'm supposed to go Kiwanis Club with a guy named Doug Holberg, Jr. So we've enjoyed being with you.

Q. ....

A. Good question. We have had continuing resolutions and a lot of the programs have been funded at 75% level and that's where you're running into some shortage of funding. Our payrolls have been funded--the programs themselves, some have been reduced. I think we'll have a balanced budget agreement within 60-90 days. I'm very optimistic about that. I don't think it will go to November. And the reason I don't think it will go to November is I don't think the President, nor the Congress, wants to make an issue at the November election about the budget. And the reason the President doesn't want to do that is a vast majority of the people, a high percentage, I'm talking about above 60-70% of the people want a balanced budget because they don't understand all of the ramifications of the balanced budget, all that goes into balancing the budget, but they know that they have to balance theirs. They know you can't spend more than you take in. And with the President knowing that, as soon as we get far enough along into the election cycle, of all of the primaries, like the one they had yesterday in New Hampshire, to where the President doesn't have any threat. He will be Democrat nominee, then I think he will sign a balanced budget agreement. And I think that will be in 60-90 days.

(Tape stops just as he gets pushed by woman running senior program and he says he'll go with her to complain if transportation is cut off.)