

/* A recent White House briefing on the budget follows. This includes specific mentions of budget plans as to AIDS. */

THE WHITE HOUSE

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PRESS BRIEFING
BY CHIEF OF STAFF MACK MCLARTY
AND OMB DIRECTOR LEON PANETTA

The Briefing Room

11:55 A.M. EST

MR. MCLARTY: As we move toward the holiday season and year end we felt this was probably the right day, as we all, I think, are moving toward Christmas shopping and other activities, to review both this year very briefly and look to '94, to announce to you a couple of staff changes in light of the '94 agenda. And yesterday, as most of you are aware, we completed the decision process and completed the budget process in large measure for Fiscal 1995 budget. And Director Panetta will be doing that after I make a few comments and take a couple of questions before I move to the Arkansas briefing, I think, with the President in a few moments, where I'm sure I will take more questions at that time.

The budget process has genuinely moved in a very effective manner. I have not been through a government budget process, but I have been through a number of budget processes in the private sector. And this process worked in a very similar way, with the Cabinet agencies submitting their request through Director Panetta and Bob Rubin from the National Economic Council and others appropriately involved. And I think it is fair to say that the process was orderly and very effective and went very smoothly and that we are right on track both in terms of the process and the time line for February 7th with our submission to the Congress.

The President, in this budget, as Leon will discuss with you, is sticking to his commitments for fiscal integrity, particularly with the deficit headed in the right direction, projected to be below \$200 billion by 1995, and also very committed to his national priorities.

Before I ask Leon to review that with you in more detail, let me quickly touch 1994 as we look forward to next year. As I think you would expect, we hope to build on 1993 -- and I'm not going to review 1993 in any great detail. That's been done with you on several occasions. I would say I think, however, very straightforwardly that the economic plan being adopted in 1993 is the foundation for our moving forward in 1994. Without that, I think we might still be slipping and sliding without a budget in place, and without some of the economic trend lines moving in the direction that they are.

As the President discussed during that debate and time period, the next logical step -- and it was consistent with the campaign -- was health care reform. The two are linked and he talked on several occasions about the deficit trend line being moved in a downward direction if we did things in the right way. And it appears we have. But it would go back up without meaningful health care reform. He also talked about health care in terms of competitiveness on national trade which, of course, has been a real centerpiece of our foreign policy efforts.

So that to say, in 1994 our health care reform initiative and legislation will be the centerpiece of our legislative agenda. Part of that will be addressing certain issues regarding welfare reform, which really began -- let me underscore to you -- with the earned income tax credit that was adopted in the budget.

A second major piece will be a continued emphasis on the economy and on job creation. We are obviously quite pleased about the 1.5 to 1.6 million jobs that have been created in the first year of this administration. We are pleased about the unemployment rate, but recognize there is much more yet to be done.

I would note that from a job creation standpoint, despite the restructuring that continues to take place in our economy and the real sluggishness that we see in particularly other economies in our world market, that there is

considerable job creation taking place, particularly in smaller and medium size businesses. And one reason we hope and feel that trend will continue -- and the economic indicators are moving in that direction -- is a stable, steady and a predictable environment. And Secretary Bentsen and others have spoken to that -- with low inflation, low interest rates, and a predictable landscape.

The third major area and priority, as all of you know, is personal security. That is clearly an item that has risen in terms of the emphasis and concern of the American public. And the President has spoken at that on a number of occasions -- crime, violence and all of the disturbing aspects that go with this area.

We're very pleased that the crime bill has now moved into conference, passing both the House and the Senate. And we look forward to conferencing that in a positive way and a successful way early next year, if at all possible, and moving forward, calling for more policemen on the streets, community policing, as well as, hopefully, tougher penalties.

I think we'll also see, in terms of the impact of personal security and crime and violence, the President talking a great deal about the values of this country. It's something that he has spoken about, as you know, very passionately on a number of occasions. And I think it also goes with some of the programs, frankly, in the economic plan that give every person an opportunity for an education and an opportunity to make a productive contribution to society.

We would hope the Education 2000 -- Goals 2000 -- also would be an early item on the legislative agenda.

So with that backdrop, let me quickly note a number of staff changes that I think most of you have been aware of as of this morning. We'll be putting out an official release if we have not done so already.

We will announce today that Harold Ickes will be joining the White House as Assistant to the President and Deputy Chief of Staff. In that capacity, Harold will have major responsibility for the efforts to enact the health security act next year.

As you know, Phil Leder -- who's to my right -- was named as Deputy Chief of Staff several weeks ago with the primary responsibility of a chief operating officer, if you

will, but coordinating really the management operations and policy development of the White House. I think from our standpoint, what we want to do, after what we felt was a productive 1993, was to build on our successes --some of the things we did right -- but also, frankly, try to achieve more evenness, more order, clearer accountability, authority and responsibility moving into '94. And Phil will have the primary responsibility for that, but will be shared with Harold who

will really have the public and political outreach of this administration, in terms of responsibility, again, with an emphasis on health care as I noted to you.

Additionally, in terms of the health care team, Ira Magaziner -- who most of you know and have visited with and posed questions to and probably will be doing that on a number of occasions next year -- will continue in his role as a major policy advisor, and really architect in many ways, of this health care plan. And I look forward personally to working with Ira as well as Harold. And the President has asked, and I have asked George Stephanopoulos in addition to his role as Senior Advisor to the President for Policy and Congressional Legislation, to take a particular role and emphasis on health care. And George looks forward to doing that with a real commitment and enthusiasm. In that role George will be working with Pat Griffin, who many of you know who was named earlier this week as Assistant to the President for Congressional Affairs, replacing Howard Paster.

I think that concludes my comments. I would just simply close by saying in terms of looking out in the future, not just '94 but beyond, I think all of us are struck perhaps from time to time with the complexity and difficulties of some of the challenges and problems. But at the same time, genuinely feel that this is a period of extraordinary opportunity, and we want to be as effective as we possibly can be in this White House to support this President and Vice President in that regard.

I'd be glad to take a couple of questions before I go to the Arkansas briefing.

Q Could you give us some sense -- as an Arkansan and longtime friend of the President -- of the role of Cliff Jackson who seems to have a particular antipathy toward the President and has been involved in a number of stories about him?

MR. MCLARTY: I have known Cliff, not well, over the years, but I do know him. He has not seen eye to eye with the President over the years, and has opposed him in some ways in a very vigorous manner, particularly in the last campaign. I don't know about any particular role. I'm just not simply familiar with it.

Q Do you know what the roots of his antipathy are, or do you have any sense it, how the President sees this, or --?

MR. MCLARTY: I think they perhaps were classmates, or at least spent some time together perhaps in college. I think Cliff has been active, I believe, in the Republican party, is I think conservative in his political philosophy. But I really don't have any specifics.

Q There's been a lot written about a Whitewater file that has now gone from the White House to the President's personal attorney. Justice Department is supposed to be looking for this. White House says, we haven't had any request yet for this. If the Justice Department or any other investigative agency asked the President and the First Lady for this file, will you turn it over to them?

MR. MCLARTY: Well, I'm not the White House counsel. The President, I think, just spoke to that. I think it's fair to say, without being specific on a narrow issue, that in -- we will cooperate with any official review or investigation in every way that we can.

Q Does that mean giving them -- excuse me, that doesn't seem to be an answer. Is that a yes or a no? Will you give them that file if they request it?

MR. MCLARTY: No, I think it is an answer, and a proper one from a chief of staff, not the general counsel of the White House. I think we will be fully cooperative with any official investigation. As far as the specific issues, I think those will be taken one at a time. But I think the attitude of being cooperative, we are on record with and will proceed forward with.

Q The First Lady said yesterday -- or strongly suggested yesterday -- that there's some sort of conspiracy either back in Arkansas or here in Washington to bring down the President every time he starts to move up in the polls,

or get things done. Do you believe there is any kind of conspiracy, either with Mr. Jackson or anyone else that is specifically going after the President? And if not, how can you explain this continual emergence of stories about his personal life?

MR. MCLARTY: Well, I don't know that I can fully explain any of the sometimes happenings on a number of subjects, whether they be about legislative processes or personal life or other aspects. I think, though, there are those who clearly oppose this President and his effort to change the direction of this country on a number of fronts. I don't think that's anything new in politics or to a sitting presidency. I think it's obvious from my comments --and I really appreciate all the specific questions about any staff changes in the '94 agenda -- that we're trying to stay very focused on our business. As far as any conspiracy or whatever, I can't really speak to that. I will say there are those people who clearly oppose this President and oppose him very strongly. And that may be a cause here, I just simply -- I've been focusing on what I discussed with you earlier today.

Q Have you been able to see any focus? Is there a -- is this a distraction?

MR. MCLARTY: We really have. No, I think, obviously, we're not -- we're mindful of issues that have been raised here and other issues, both current and prospective. I didn't really touch much on foreign policy because of the lateness of the hour here. But the Russia trip, the NATO trip, is going to be a very critical trip, and I think we have managed to stay very concentrated on our agenda. And I think the fact the budget process, which required a considerable amount of the President's time, the way it has moved in a very orderly and timely way is an indication of that, as are some of these other points that I tried to make earlier.

Q On the upcoming policy for this coming year, there seems to be a dispute or a lack of agreement between the President and Secretary Cisneros on urban policy. Mr. Cisneros -- Secretary Cisneros basically is saying that more attention should be paid to what the people in the inner city need as opposed to crime, which has become the big focus of the President. Does the President share that belief, or are we seeing some type of dispute in philosophy?

MR. MCLARTY: You're not seeing a dispute at all. In

fact, I visited with several of you yesterday on the very subject and I talked to Henry this morning, who called me on a number of matters. I think what you're seeing is the right type of approach taken and it really refers back to national priorities, as well as fiscal integrity. And that is whether it's a crime problem or an inner city problem or giving people -- every person in this country -- an opportunity to make a contribution, which I alluded to. I think you have to attack it in a number of ways in order to make progress and be somewhat successful. First, I think the President has talked about that broad approach. But part of that is tougher and better law enforcement, more policemen on the street, community policing, more effective policing -- the neighborhood approach has been particularly effective in a number of states. But at the same time, as Leon can and will review with you in some detail if you would like, the President's investment programs -- immunization, Head Start -- although he really wants to get to California, so I better not over-commit him this morning. Normally he would review it with you in some detail. But that's very important in terms of attacking this problem that you relate.

So, to answer your question, there's not a difference of opinion. Compatibility -- I think Secretary Cisneros, as Secretary of HUD, has certainly an advocacy position, is very concerned about these programs. But he and the President are not only together in terms of their approach and philosophy, but they are very compatible from a professional and personal standpoint.

Q Has the President spoken with President Yeltsin today?

MR. MCLARTY: He spoke to him this morning.

Q Could you tell us when and how the White House or officials here first became aware of allegations regarding the President's personal life, and spell out for us conversations he and others at the White House had regarding these stories and what to do about them? Because there's been an unwillingness so far over the last several days to provide that kind of real basic information and I think it's fueled suspicion in some quarters that there's something to hide.

MR. MCLARTY: Well, no, I don't think there's anything to hide. I think a lot of this just simply has been addressed and discussed at an earlier point in time in some

detail. As far as the actual time period, I think perhaps a couple of weeks ago. But I'd have to really, frankly, even reflect to recall when it first came up. I think, again, Bruce Lindsey, has put out a statement on this and has responded in a pretty full way. So I think we've said about what needs to be said here.

Q When does Harold Ickes start? And what took so long to get it settled?

MR. MCLARTY: Harold will start January 3, officially. He'll be having some discussions with Ira and others prior to that, as you would expect. And I think in terms of it becoming official, I think many people -- and I certainly can understand it -- have some pause and reflection when the decision point comes, the offer is made of whether you really want to make a major change in your life and move from a particular city where you have deep ties -- both from a personal and family standpoint -- and we're very pleased to have Harold aboard.

I need to take one more question and then --

Q Can I ask you a question on Attorney General Reno? There have been some stories that the White House is not totally satisfied with Attorney General Reno. Could you tell us --?

MR. MCLARTY: We're very proud to have Janet Reno as part of our Cabinet. She's a strong and effective attorney general.

Thank all of you very much for your attention.

Q Mack, you were the person who vetted Bobby Inman.

MR. MCLARTY: No, no. I'm -- no I did not -- I'm not --

Q No one in the White House wants to talk about that.

MR. MCLARTY: You keep trying to make me an attorney. I can't -- I'm not officially licensed to vet people.

Q Is it all right for Bobby Inman not to have paid Social Security taxes until he go this job? And what does that say to the rest of Americans who might think that maybe they don't have to pay Social Security taxes?

MR. MCLARTY: Well, I think Admiral Inman will comply with the law. This issue, as you know, was somewhat of an unknown issue until it came up, and I think the Senate committee will fully review that as well as other aspects of Admiral Inman's background and his ability to serve as a capable and effective Secretary of Defense. And we believe he will be confirmed, and we believe he will be a very capable and a strong leader of the Defense Department.

Thank all of you very much for your attention. The press release will be distributed to you. And I would be remiss if I did not wish you a happy holidays and thank you for your personal and professional courtesies, as well as your deep interest this morning and I'm sure next year. Thank you.

DIRECTOR PANETTA: Now we return to the interesting, or uninteresting issues of the budget and the economy.

Let me -- what I wanted to do was to basically kind of summarize some of the budget process to where it's at right now -- a little bit of what we went through, the President's decision, some of the main themes and then try to respond to some questions.

The President yesterday, as Mr. McLarty pointed out, completed the final decision-making process for the fiscal year 95 budget. I believe it was really one of the fairest and one of the most cooperative processes that we've seen by an administration in history, really, in terms of the process we went through on the budget. We had, initially, a two-hour overview meeting with the President on November 29. And then, after that, spent almost 15 hours meeting with every one of the Cabinet secretaries, as well as the key agency heads to discuss their budgets. He met with 21 departments and agency heads during that process. The meetings began on December 2, the concluded last Friday, December 17.

And as far -- as I mentioned, I think as far as we know, the meetings with department heads by a President were really unprecedented. Normally what has happened in the past is that Presidents only saw fit to meet with Cabinet members after some of the decisions had been made and only on appeals. President Clinton, however, felt it was essential that each department have the ability to present their case for their budget and then discuss the key issues with him before, not after, any final decisions were made.

Q You're talking about Cabinet-level departments now. You're not talking about departments within the Cabinet

agencies are you?

DIRECTOR PANETTA: Well, the EPA and the National Science. We had some other agencies that came before us.

In the meetings, the presentations -- generally the way it worked is I would make a presentation at the beginning of the meeting that summarized the budget for that department and then addressed the major issues that demanded presidential attention. And the secretary was then allowed the opportunity to speak to the budget and to those issues. There was usually a question period that followed and a discussion period that followed. And the meetings themselves were attended by White House staff, as well as some of the NEC -- National Economic Council -- representatives.

The President spent a total of about six hours, then, this week on Monday and Tuesday to go over the final issues that were consolidated from the sessions with the departments and then made the final decisions yesterday. OMB basically went over the broad and specific issues with him on both specific departments as well as government-wide issues. And so the formal part of this process involved about 23 hours of meetings with the President.

The process now is basically a technical one because the numbers now are basically presented back to the departments and agencies. They, in turn, translate those decisions into what are literally hundreds of thousands of numbers that feed into our budget. And then we ultimately scrub those numbers to make sure that they all fit together when we present the final budget on February 7.

There's a lot that happens between now and February 7 in the sense that we really do have to now work the numbers with the departments, make sure that they do all fit the decisions made by the President. So for that reason, I'm not going to discuss -- nor should I really discuss -- the specific numbers that are involved in the budget. We will present those, obviously, with our budget presentation on February 7. There is one number, however, that I think I can give you. We expect the deficit number, in fiscal year 1995, to be in the vicinity of \$190 billion. That compares with a projected deficit number, when we began this year, of \$302 billion for fiscal year 95.

Between what we've done with the strong deficit

reduction policies that have been enacted plus the economic progress, obviously, that's been made in 1993, the results of these policies are that we can bring the deficit down by \$110 billion, about \$110 billion in 1995. So we will be bringing the deficit below \$200 billion. And, as I said, we think it will be in the vicinity of \$190 billion in the FY 95 budget. And we believe that is a significant achievement with regards to sticking to the direction on deficit reduction that we established with the economic plan.

Obviously, it was very important to the President that he meet his commitment to fiscal discipline and that he also meet his commitment to try to expand and sustain the economic recovery that we're having in this country; and to also target those key investments that he has always felt were most important in terms of national priorities.

The budget, itself, meets the spending freeze that was enacted by the Congress -- part of the economic plan this year. And we are within the caps established by the budget plan. We also meet the target of reducing federal employees by 100,000 by the end of 1995. Obviously, it's a 252,000 target over the next five years. But we were required under the President's executive order to eliminate 100,000 federal employees by the end of '95. We meet that target.

In addition, in terms of the departments that we are working with, the budget literally cuts hundreds of programs below the '94 level. And there are hundreds of others that are essentially frozen at the '94 level. A majority of the departments -- nine of the 14 major departments -- will have smaller budgets in 1995 than they had in fiscal year 1994. And the same will be true for most of the smaller agencies as well. The President, at the same time, has committed that in meeting the caps and in meeting the requirements of what is a very tight budget that we would at the same time try to direct whatever resources we could to the key areas that he is concerned about for the nation's future. And let me address what some of those key investments are, at least the areas for those key investments.

/* The discussion includes AIDS funding. */

Obviously in health we will, in addition to health care reform, we have made very key investments in health research at the NIH -- National Institutes of Health, in AIDS research -- the Ryan White Act. We've also directed additional resources at childhood immunizations as well, as well as

women's health areas. Those are the key health areas and, as many of you who follow these issues know, these are some of the target areas that we had on our list last year -- or this year as we fought through the appropriations process.

In crime there will be major investment fulfilling the President's pledge to put 100,000 cops on the nation's streets. This basically follows on the crime bill that is currently before the Congress. But it is a significant increase with regards to law enforcement.

Thirdly, for jobs and job training, we have funded key initiatives for the major dislocated worker program, and additional resources for Job Corps. We've also continued our investments in the highway program and other infrastructure. There is some additional funds for small business development as well as for the community development bank initiative by the administration.

On the environmental side of economic issue, we have also made and fulfilled our pledge with regards to clean water funding as well as safe drinking water and some additional conservation -- energy conservation areas that are funded, again, above the '94 levels.

On the area of children, we continue our commitment that we have a very high priority on Head Start, on the WIC feeding program. National Service obviously gets funded at the level that they require to meet the President's goals. And on education initiatives, there is a major funding increase for Goals 2000, as well as Chapter One and school-to-work.

On technology, with the Vice President stressing that very strongly, as well as the President, we have made key investments in the National Institute for Standards and Technology -- the NIST program, on energy, on information highway, National Science Foundation research, and on the dual-use technology area that helps with our defense conversion efforts.

And on trade and international affairs, we've continued a very strong commitment not only with regards to assistance to the Soviet Union and to Eastern Europe, but also with regards to our commitments on NAFTA to make sure that we meet the commitments that we have there as well as elsewhere.

On defense, let me indicate to you that, again, this budget maintains a strong national defense for the country.

I can tell you that Secretary Aspin and I have resolved the issue with regards to the defense shortfall. As you know, we had estimated that because of increased inflation plus the pay raise enacted by the Congress, that there was a shortfall at the Defense Department. That shortfall has been re-estimated to be in the vicinity of \$30 billion over six years, between '94 and 1999. Obviously, we had to make the decision how we would try to address that shortfall given the very tight constraints that are imposed on all of the departments with regards to their discretionary spending. We've got a hard freeze imposed across the board. We're talking about a very tight budget here. The outcome was that we will provide some additional budget authority to the Defense Department to accommodate the pay raise. With regards to inflation, we will continue to review the inflation issue because that, as you know, continues to be one that changes from year to year. And so, essentially, with regards to the inflation issue, this is one that we will continue to review and we will not provide any additional resources for that purpose. Incidentally, this does not involved any additional outlays for

fiscal year 95, just the additional budget authority that we are providing. At the same time, I want to stress that we are committed to, again, fully funding the force structure that was contained in the bottom-up review and that is contained in the defense budget.

Those are some of the themes that I wanted to present to you. Obviously, the key thing is that we feel that the President is, in fact, staying on track with the economic plan that we set in place last year for continuing our commitments to fiscal discipline and to deficit reduction, as well as to the initiatives that the President feels are most important to the future. In order to meet these caps and to fund the investments, as I said, we had to get into a number of very tough decisions involving cuts across the board. But those decisions were made, they were made by the President. And for that reason, I feel very confident that this is a budget that we will be able to pass in this next Congress.

Q Leon, you said that nine of the 14 departments would have smaller budgets, but then listed 15 or 16 programmatic areas where there will be increases. Can you give us some examples of program areas that are subject areas that have been cut?

DIRECTOR PANETTA: Well, essentially, all of the non-

priority investment areas in the budget. That's right. I mean, essentially all of the other areas have either been frozen or cut below their '94 levels. We had to work within a cap. This was a zero sum game. This was not a question of being able to find any funds beyond the caps. So wherever we had to make investments -- wherever the President felt there were important investments to be made, we had to find those resources within other budgets.

Q Can you give us a sense at all as to how much money was redirected to the investment agenda?

Q Can we just follow up on that and get a specific -- can you give us some --

Q Let him ask his question. You're not getting --

Q We haven't finished the question.

Q No, it's on this question, really. Can you give us a sense of how much money was redirected to the President's original investment agenda, these priorities? Can you give us a ballpark to billion dollars estimate on that?

DIRECTOR PANETTA: All I can tell you is that the investments were increased about 18 percent. So you have to assume -- over the '94 levels on budget authority -- so you have to assume that other programs had to be reduced by that level.

Q You can't give a billion dollar figure on that?

DIRECTOR PANETTA: I can't really -- I mean, because we're really still working a lot of these numbers. But it's a very significant hit with regards to non-priority programs. This is a hard freeze and there are obviously areas where there are some departments that had to take deeper cuts in order to sustain investments with regards to other programs.

Q Could you give us some specifics of what those non-priority programs might be? Just -- you ticked off a bunch that --

DIRECTOR PANETTA: I'll just -- let me just give you one example, and I don't want to get into a lot of them because obviously these are issues that'll be presented fully in the budget. But obviously in an area like agriculture, where

they had to find the reduction of field offices by about 1200, this is an area that

obviously does incur some cuts. And in turn, with regards to the area of education, for example, because of investments in Goals 2000 as well as in Chapter One, they were able to get a small increase.

Q Mr. Panetta, could you tell us which of the five agencies are getting more money than in 1994?

DIRECTOR PANETTA: No.

Q Will welfare reform be included in the budget or was it on a separate track?

DIRECTOR PANETTA: On welfare reform, since obviously that's a program that still is being worked on within the administration, our goal on welfare reform is basically to fund it completely when the proposal is submitted to the Congress so that we don't anticipate that those decisions, frankly, are going to be made in time for the budget.

Q And could you give us an order of magnitude on the defense? How much of that was paid and how much was inflation?

DIRECTOR PANETTA: Of the \$30 billion, roughly about \$20 - \$21 billion involved inflation.

Q When you say smaller budgets for some agencies, I assume you mean fewer dollars not just less than the inflation rate. Is there anything you can put your finger on that the government --

DIRECTOR PANETTA: Well, when I say that now, I don't want to -- We are now in a new language form in budget. When we really talk about cuts, we are talking below the '94 level. I'm not talking below a base line.

Q Is there anything that you can put your finger on that the government will stop spending money on? Period. Zero.

DIRECTOR PANETTA: There are -- there will be programs that we will recommend for termination.

Q Yeah, like mohair. (Laughter.)

Q Can you name any?

Q Do you want to give any examples?

DIRECTOR PANETTA: There are a number of smaller programs at the Education Department that will be recommended for termination.

Q Secretary Cisneros wanted a doubling of spending for homelessness up to \$1.6 billion. If I understand you correctly, he not only didn't get that, but the spending on homelessness will actually decline. Is that fair?

DIRECTOR PANETTA: I think on the homeless issue, the Secretary made a very good argument for why we needed additional resources there, and we will try to provide some additional resources there.

Q As much as he wanted? He wanted a doubling.

DIRECTOR PANETTA: I think with regards to all of the secretaries and their requests, obviously they had to be modified based on the constrictions of the budget. So, it will not be as much as the Secretary wanted

Q But it will be more than the --

DIRECTOR PANETTA: But more than the guidance we had provided at the time.

Q Are you still planning on an investment package of about \$16 billion for 1995?

DIRECTOR PANETTA: I can't give you a number, but we are trying to get as close as we can to where we were last year.

Q Leon, is there any net savings from '94 that goes into this deficit reduction trust fund, or is all the savings going through more planning?

DIRECTOR PANETTA: Yeah, the deficit reduction trust fund -- obviously the savings enacted last year both from the tax bill as well as the entitlement savings -- just to remind you, we're looking at about \$250 billion on the tax side and close to \$100 billion on entitlement savings -- those continue to go into the trust fund.

Q The transit people are already saying that you're going to zero out the \$800 million they get in transit funds. Reagan and Bush tried that, and Congress didn't go along with it. What makes you think that Congress is going to go along with these programs that you've repeatedly tried to cut in --

DIRECTOR PANETTA: I think you'll find that the budget makes a strong commitment to ISTEA, the bill that passed with regards to both highways and mass transit. Obviously, there still are some areas for savings in the Transportation Department, but it's the same we had to do with every other department. But with regards to, specifically, the formulas provided by both the highway as well as the mass transit part of ISTEA, we have met those commitments.

Q But the operating subsidies for cities are gone?

DIRECTOR PANETTA The subsidy area -- I mean, again, without getting into particulars, almost every department had to take some reductions in some areas that were not priority areas.

Q And when you say things are final, there's no appeal now from the departments? This is it?

DIRECTOR PANETTA: That's correct.

Q Could you just explain when you were talking about the Pentagon and you said that you found some money for budget authority -- could you explain where that money will come from and is that coming from the across-the-board cuts that you're talking about?

DIRECTOR PANETTA: On budget authority, the reality is that we had some excess on budget authority for purposes of developing the 1995 budget, so that it was not as difficult a problem with regards to budget authority. But, nevertheless, when it came to looking at all of the departments, we had to make some decisions in order to accommodate that request.

Q Do you expect that cutting the work force by 100,000 next year is going to require extensive dismissals, or will it be handled some other way?

DIRECTOR PANETTA: Our hope is that we are going to be able to do it largely through attrition. A lot of that will depend on the ability to pass the proposal that will provide for buyout. The Pentagon was able to get that proposal adopted and, obviously, it assisted them. I have to tell you

that a large part of helping us meet the 100,000 is what's happening at the Defense Department. So, they were able to do it pretty much on the basis of using the buyout.

NASA, in their reductions, has a buyout provision that was approved at the last minute in the Congress. We tried to get broad buyout authority for the rest of the government. Unfortunately, that was opposed. We are going to come back and recommend that early this next year. If we can get that proposal, I think we can meet these targets without that. But, if we fail to get that proposal then it's going to be difficult to do it without --

Okay, thank you very much.

END12:35 P.M. EST