

BUDGET SUMMIT 6/29 - DAVID

Panetta - Defense Savings

First year \$16 billion (0) 275 (0)

5 year savings

\$34 billion (BA) 358 (BA)

Packwood: We need to address entitlement as well as defense.

Panetta - No problem with cutting entitlements.

Gingrich: Realities are that planet will be dangerous in next decade. If we dismantle defense too quickly we may have to rebuild again. We cannot go along with too much of a shift from defense to domestic.

Sasser: Times have changed and we can cut defense. If you cut outlays by 15 billion in '91, personnel would be reduced by 135,000. Every year you lose 300,000 people through attrition. His proposal would also cut active divisions down to 15; fighter wings from 36 to 34, 14 battle groups (navy) down to 13; \$31 billion cut in overhead.

Domenici: Maybe should go to a separate defense budget so we can evaluate our defense needs over 5 years. There is no way to cut 34 billion (BA) or 16 billion (0) in '91 or the 350 total over 5 years. Attrition numbers do not make sense. Cannot get more than 9.6 billion (0) in '91.

Gephardt: We have a chance for perestroika here - you will need strike forces for hot spots, but that doesn't prevent us from making significant cuts. We have to stop thinking defense is not government spending. Liberals cannot say that anything that touches entitlements cannot be done.

Brady - Uncertainty what Soviet change will be.

Michel - Cheney cuts 6 billion - base closing - complaints.

Gray - He will not reevaluate on domestic side if we do not do so on defense side. Revenue increase to finance defense and foreign aid is not going to fly. Defense cuts should approach entitlement cuts.

Gingrich - We should reform defense peristroika should apply across the board, including domestic discretionary.

Darmen - Have DOD analyze specifics of Sasser plan. Cheney proposal presumed 25% force reduction, but saved \$200 billion less than Sasser. Sasser must therefore be doing things in other areas. We should keep on looking at merits. Consult others in Congress, such as Nunn, Murtha, etc.

Sasser - If DOD does analysis of Congress assumptions, then Congress should do analysis and know assumptions of DOD numbers. We do not trust DOD.

NON-DEFENSE DISCRETIONARY

Panetta - Mainly baseline revisions. \$2 billion would be achieved now in this area. \$11 billion over 5 years. Net - \$79 billion more than baseline is projected under House Budget Resolution. 1 billion in savings - could be gotten from function 150. Shift security assistance to DOD.

Need investments in several areas, some Presidential requests. Science and space, infrastructure, education and head start, health care, crimes and drugs.

Staff should determine what initiatives should be - options

Does not see this as an area for significant savings.

Darmen - Where is peristroika when there is no savings here. Supports Senate Budget Committee, but would save more in outyears. We may need more in Function 150, rather than less. Would we be better to just settle on a number for non-defense discretionary and then leave to appropriations to decide specifics.

Panetta - Before you can decide what that overall number is, you will have to decide priorities.

Domenici - We should help appropriations make decisions. Instinct is not to cut existing programs so there is usually no room for new initiatives. 1. Adjust baseline to eliminate one-shot programs (700 million; 10 billion) 2. Terminate some existing programs and use savings for new initiatives - freeze Israel-Egypt money 2 billion

'91, 22 billion 5 years. 2.7 billion '91, 32.2 - 5 years saved from baseline adjustments and program terminations

Byrd - grew up in hard times. There are areas where savings can be made. Look at 150 account. Some countries think they have an entitlement to U. S. dollars. Look at Israel-Egypt money. Need increases in areas cited by Panetta. Willing to explore a cap and likes allowing appropriations to work items out.

Domestic discretionary has dropped from 23% to budget in 1981 to 15% in 1990.

Commends President for being Leader, he bit bullet and we are going to have to bite bullet. But domestic has born more than its share over past several years.

We are not going to have enhanced recision in my lifetime, period - but there needs to be budget process reform.

Gephardt - staff should work on .

1. Credit Reform.
2. Enforcement of summit agreement. Look at how 87 and 89 was done.
3. Gramm-Rudman