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Statements of Administration Policy (SAPs), Fiscal Year 1995 [Binder] [4]

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## Clinton Presidential Records
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 10, 1995
(Senate Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

**S. 1087 -- DEPARTMENT OF DEFENSE**
**APPROPRIATIONS BILL, FY 1996**
(Sponsors: Hatfield (R), Oregon; Stevens (R), Alaska)

This Statement of Administration Policy provides the Administration's views on S. 1087, the Department of Defense Appropriations Bill, FY 1996, as reported by the Senate Appropriations Committee.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce FY 1996 discretionary spending by $5 billion in outlays below the FY 1995 enacted level. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities.

The Administration does not support the Committee's 602(b) allocations or the level of funding provided by the Committee bill, which is nearly $6.5 billion above the President's request. By providing increases for defense programs that are neither warranted nor justified, the bill would seriously undermine the President's goal of achieving a balanced budget while increasing investment programs essential to a higher standard of living for all Americans. As reflected in his budget, the President firmly believes that it is possible to maintain a strong defense without sacrificing critical investments. The Committee's allocation raises serious concerns about the overall priorities reflected in the appropriations process. For this reason and other concerns discussed below, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

While the Administration strongly opposes the overall spending level in the bill, the Senate version is an improvement over the House bill in several important areas. In particular, we appreciate the funding provided for the Technology Reinvestment Project and for the Nunn-Lugar Cooperative Threat Reduction program.

## Ballistic Missile Defense

The Committee bill would increase funding above the President's request for Ballistic Missile Defense (BMD) by $491 million -- including an additional $151 million for theater missile defense and $300 million for development of a national missile defense (NMD) system -- for a total funding level of over $3.4 billion. The Committee bill would also increase funding for the BMD-related space missile tracking system by $135 million. Such increases in funding are unnecessary and wasteful. The President's theater missile defense program is a balanced program that will provide a multi-level defense against tactical ballistic missiles in the near future. The President's program to develop technologies for a national missile defense system would provide the capability to deploy an NMD system rapidly, should a threat materialize in the future. However, at present, there is no need to accelerate the development of a national missile defense system.

The Committee bill would terminate valuable elements of our theater missile defense program, including systems designed to destroy ballistic missiles almost immediately after they are launched (Boost Phase Intercept) and systems designed to protect front-line troops from missiles and aircraft (MEADS). MEADS is not only a valuable defense system; it is also an important test of future trans-Atlantic defense cooperation. The Senate recognized this on August 2nd when it voted 98-1 to restore $35 million for MEADS to S. 1026. The Administration urges the Senate to restore funding for these programs to the requested levels.

## Unwarranted Increases

The Committee bill would add $2.7 billion to the President's request for procurement of Navy ships, while funding incrementally the third Seawolf attack submarine, the SSN-23. The Administration opposes incremental funding because it exposes the government to cost increases and schedule delays if follow-on appropriations fall short of need. Rather than providing such large increases for ships that are not now needed, the Administration urges the Senate to fund fully the SSN-23 and to appropriate funds for Navy ships according to the President's request.

The Committee bill would provide $1.3 billion in unrequested procurement funding for tactical fighter and attack aircraft that is not currently required. The bill would also unnecessarily increase funding for National Guard and Reserve Equipment by $777 million. Of this increase, $400 million is for unspecified tactical aircraft that are of a low priority.

## Technology Reinvestment Project

The Committee bill would provide only $238 million of the $500 million requested for the Technology Reinvestment Project (TRP), which is critical to harnessing leading-edge technology from the commercial sector for national defense. The Administration is encouraged that the Committee has provided $238 million to continue ongoing projects but strongly urges the Senate to appropriate the full $500 million requested for TRP.

## Cooperative Threat Reduction

The Administration appreciates the Committee's support for the Cooperative Threat Reduction "Nunn-Lugar" program, especially compared to the funding level recommended by the House Appropriations Committee. The Administration, however, opposes the Committee's harmful deletion of all funding for the Defense Enterprise Fund. The Fund is one of the only programs designed to dismantle the capability, within the countries of the former Soviet Union, to make new weapons of mass destruction, thereby relieving pressure to make more weapons and export them to rogue states.

## Additional Issues

The Administration supports the Committee's funding level for the B-2 program, which is an improvement over the House Committee-recommended level.

The Administration opposes the Committee's reductions in funding for the Defense environmental, energy management, and the Airborne Reconnaissance programs. The Committee bill would deny funding for the Department of Defense's Contributions for International Peacekeeping and Peace Enforcement Activities account, thereby undermining the Administration's efforts to meet United States' obligations to the U.N. responsibly and effectively.

The Committee's reductions in humanitarian assistance and disaster relief would severely restrict the ability of the Secretary of Defense and his regional commanders-in-chief (CINCs) to implement DoD's peacetime engagement strategy.

The Committee bill would direct the Secretary of Defense to issue loan guarantees in support of defense exports up to a contingent liability level of $15 billion. This provision is unnecessary, given the availability of existing financing authority and the substantial American share of the international military sales market.

The Administration objects to the bill's restrictions on the use of Defense funds to support the non-proliferation framework with North Korea. While no such assistance is requested or anticipated from defense funds, this provision would unduly restrain the President's ability to respond to unforeseen contingencies on the Korean Peninsula.

## Separation of Powers

Section 8074 of the Committee bill would require the approval of the Comptroller General, an agent of the Legislative Branch, before any reorganization of the regional headquarters and the basic camp structure of the Reserve Officer Training Corps (ROTC) could be implemented. Supreme Court decisions indicate that such a provision would violate the separation of powers doctrine of the Constitution.

## Prompt Payment of Invoices

A provision of the Committee-reported bill would require the Department of Defense to pay invoices in 24 days when all other agencies of Government are required to pay invoices in 30 days under the Prompt Pay Act (P.L. 97-177). This provision would increase Defense outlays by $750 million in FY 1996.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 18, 1995

Honorable Robert C. Byrd
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Byrd:

The purpose of this letter is to provide the Administration's view on H.R. 2126, the Department of Defense Appropriations Bill, FY 1996, as passed by the House and by the Senate. As you develop the conference version of the bill, your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the levels of funding assumed by the House and Senate versions of the Defense Appropriations bill, which are, respectively, $7.7 billion and $6.5 billion above the President's request. The funding levels provided for in this bill raise serious concerns about the overall priorities reflected in the appropriations process. The Administration must evaluate each bill both in terms of funding level provided and the share of total resources available for remaining priorities.

Both the House and Senate versions of the bill would seriously undermine the Administration's goal of providing a balanced budget while increasing investment programs essential to a higher standard of living for all Americans. As reflected in the FY 1996 Budget, the Administration firmly believes that it is possible to maintain a strong defense without sacrificing critical investments. The FY 1996 budget request for the Department of Defense meets U.S. national security needs by supporting a strong military capability and high levels of readiness. It funds our military forces at levels sufficient to meet the challenges of the post-Cold War Era and provides adequate funding for necessary modernization and development programs. Both the House and Senate versions of the bill would provide increases for defense programs that are neither warranted nor justified.

In addition, the House bill contains provisions that would diminish the President's constitutional authority to conduct our Nation's foreign affairs. Certain provisions would restrict the President's ability to conduct and finance contingency operations that are in the national interest. In particular, the limits imposed by sections 8100, 8102, and 8111 clearly infringe upon Presidential prerogatives and authorities. The Administration strongly urges the conferees to exclude these provisions.

For these reasons, the President's senior advisers would recommend that the President veto the bill if it were presented to him as passed by the House or as passed by the Senate.

The Administration believes that the following Presidential priorities need to be satisfactorily resolved:

- o Technology Reinvestment Project. The House would eliminate all funding for the Technology Reinvestment Project (TRP) while the Senate would provide $238 million of the $500 million request. The TRP is a critical program for harnessing leading-edge technology from the commercial sector for national defense. The Administration urges the conferees to provide appropriations at the requested level.

- o Cooperative Threat Reduction. The House has provided only $200 million of the $371 million requested for this program -- our most cost-effective way of reducing the threat of weapons of mass destruction in the former Soviet Union and preventing their proliferation. The Administration urges the conferees to appropriate at least $325 million, as proposed by the Senate, and to provide the funds free of restrictive language provisions.

- o SSN-23 Seawolf. Both the House and Senate versions of the bill would modify the President's plan for procuring attack submarines. The House has denied the request for $1.5 billion to complete the last Seawolf submarine (SSN-23), but has provided $1 billion for various submarine construction projects that would not procure a single ship. The Senate has supported the SSN-23 but would provide only incremental funding of $700 million. The Administration believes that the best way to protect the submarine industrial base would be to provide the requested $1.5 billion in full funding for the last Seawolf for FY 1996, as a bridge to the New Attack Submarine. The Administration urges the conferees to support the President's budget for the Seawolf.

Both the House and Senate versions of the bill would provide increases for programs that are neither warranted nor justified, including:

- Ballistic Missile Defense. The House has provided $450 million more than requested for a National Missile Defense (NMD) system. The Senate has provided $300 million more than requested. There is no need to accelerate the development of an NMD system, since the threat to the continental U.S. from ballistic missile attack remains remote.

- B-2 Bomber. By a close vote of 210 to 213, the House elected not to eliminate the $493 million for the B-2 bomber recommended by the Appropriations Committee. This constitutes a down-payment on additional B-2 bombers that we cannot afford, and which we do not need. The Administration commends the Senate for providing B-2 funding at the Administration's requested level and urges the conferees to adopt the Senate position.

- Navy Ships. The House has added nearly $1 billion to procure the LPD-17 Amphibious Transport Dock ship, which the Administration plans to buy in FY 1998. The Senate has added $2.7 billion for the LHD-7 Amphibious Assault Ship, which the Administration plans to buy in FY 2001, and for two more DDG-51 destroyers than the Administration has requested. Such large increases for ships are not needed now.

- Other Unwarranted Increases. The Senate has added unrequested procurement funding of $1.3 billion for tactical fighter and attack aircraft and $0.8 billion for National Guard and Reserve Equipment. The House has added unrequested procurement funding of $0.4 billion for tactical fighter and attack aircraft and $0.9 billion for National Guard and Reserve Equipment. To help reduce the total funding level of the bill, the conferees are urged to reduce sharply unneeded increases for tactical fighter and attack aircraft and for National Guard and Reserve Equipment.

The Administration also has the following additional concerns:

- Both the House and Senate versions of the bill would make unwise reductions in Defense environmental, energy management, disaster relief, and humanitarian assistance programs. The Administration urges the conferees to restore funds for these programs to the levels requested. The Administration urges the conferees to restore funding for the Contributions for International Peacekeeping and Peace Enforcement Activities account to the requested level in order to support our efforts to meet U.S. treaty obligations to the United Nations.

- The House bill would prohibit female service members or dependents stationed overseas from obtaining privately funded abortions in U.S. military medical facilities abroad. This would reverse the policy that has been in effect since 1979, except for the period 1988-1993. These U.S. facilities may provide the only accessible safe source for these medical services.

We look forward to working with the conferees to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Identical Letters Sent to Honorable Bob Livingston, Honorable David R. Obey, Honorable C.W. Bill Young, Honorable John P. Murtha, Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Ted Stevens, and Honorable Daniel K. Inouye

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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September 7,1995
(House Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

**H.R. 2126 -- DEPARTMENT OF DEFENSE**
**APPROPRIATIONS BILL, FY 1996**
(Sponsors: Livingston (R), Louisiana; Young (R), Florida)

This Statement of Administration Policy provides the Administration's views on H.R. 2126, the Department of Defense Appropriations Bill, FY 1996, as reported by the House Appropriations Committee.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce FY 1996 discretionary spending by $5 billion in outlays below the FY 1995 enacted level. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities.

The Administration does not support the Committee's 602(b) allocations or the level of funding provided by the Committee bill, which is $7.8 billion above the President's request. By providing increases for defense programs that are neither warranted nor justified, the bill would seriously undermine the President's goal of achieving a balanced budget while increasing investment programs essential to a higher standard of living for all Americans. As reflected in his budget, the President firmly believes that it is possible to maintain a strong defense without sacrificing critical investments. The Committee's allocation raises serious concerns about the overall priorities reflected in the appropriations process. For this reason and other concerns discussed in a "Statement of Administration Policy" of July 31, 1995, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 27, 1995
(House Rules)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

## DEPARTMENT OF DEFENSE APPROPRIATIONS BILL, FY 1996

(Sponsors: Livingston (R), Louisiana; Young (R), Florida)

This Statement of Administration Policy provides the Administration's views on the Department of Defense Appropriations Bill, FY 1996, as reported by the House Appropriations Committee.

The Administration does not support the Committee's 602(b) allocations, nor the level of funding in the Committee bill, which is $7.8 billion above the President's request. By providing increases for defense programs that are neither warranted nor justified, the bill would also seriously undermine the President's goal of providing a balanced budget while increasing investment programs essential to a higher standard of living for all Americans. As reflected in his Budget, the President firmly believes that we can maintain a strong defense without sacrificing critical investments. The Committee's allocation raises serious concerns about the overall priorities reflected in the appropriations process and the President will not support the bill unless those concerns are addressed.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities.

Infringements on the President's Authorities

The Committee bill contains provisions that would diminish the President's constitutional authority to conduct the Nation's foreign affairs. Sections 8102-8105 would impose restrictions on the President's ability to conduct and finance contingency operations that are essential to the national interest. In particular, the limits on contingency operations in section 8105 represent an unacceptable infringement on the President's prerogative as Commander-in-Chief. In addition, the requirement to submit supplemental requests to sustain contingency operations clearly constrains Presidential authority. Finally, denying funds for making assessed or voluntary payments to the United Nations (U.N.) would increase arrearages to the U.N., cause the U.S. violate its treaty obligations, and undermine U.S. international leadership.

Unwarranted Programs

The Committee bill would provide $7.8 billion in unrequested funding, mostly for weapons programs that either are not needed or are planned for procurement, more appropriately, in later years. These increases include $493 million for the B-2 bomber, $599 million for ballistic missile defense, and $908 million for National Guard and Reserve equipment. Also included in this $7.8 billion increase is a wide variety of low-priority spending proposals that do more to serve narrow special interests than they do to provide for a strong national defense.

Seawolf Submarine

The Committee bill would deny the President's request for $1.5 billion to complete the last Seawolf submarine (SSN-23), but would add $1.0 billion for various submarine-construction projects -- without procuring a single ship. The submarine-construction projects designed by the Committee would threaten preservation of the submarine industrial base, an important goal of the Administration's planned Seawolf program.

Technology Reinvestment Project

The Administration strongly opposes the Committee's termination of the Technology Reinvestment Project. This is a critical program for harnessing leading-edge technology from the commercial sector for national defense. The Administration urges the House to restore funding for this program.

Additional Concerns

The Administration opposes the Committee's termination of, or sharp reduction in funding for, other programs key to America's future. The bill would almost cut in half funding for the Nunn-Lugar program -- our most cost-effective way of reducing the threat of weapons of mass destruction in the former Soviet Union and preventing their proliferation. Finally, the bill would unwisely reduce funding for environmental, disaster relief, humanitarian, and energy management programs. The Administration urges the House to restore funding for these programs to the requested levels.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 20, 1995

Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the Department of Defense Appropriations Bill, FY 1996, as reported by the Subcommittee. Your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the Committee's 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The Administration does not support the level of funding in the Subcommittee bill, which is nearly $8 billion above the President's request.

The Subcommittee bill contains provisions that would diminish the President's constitutional authority to conduct the Nation's foreign affairs. In addition, by providing increases for defense programs that are neither warranted nor justified, the bill would also seriously undermine the President's goal of providing a balanced budget while increasing investment programs essential to a higher standard of living for all Americans.

Impact of Defense Increases on Non-Defense Investments

The Subcommittee's proposals would increase the defense budget by nearly $8 billion at the expense of investments needed to ensure our economic vitality in the next century. Under the caps on discretionary spending required by law, every dollar of the proposed increase in the Subcommittee bill must be paid for by reductions in programs important to the Administration. This raises serious concerns about the overall priorities reflected in the appropriations process.

## Infringements on the President's Authorities

The Subcommittee bill raises serious concerns about the Administration's ability to carry out foreign policy. In particular, sections 8103-8106 would impose restrictions on the President's ability to conduct and finance contingency operations that are essential to the national interest. Specifically, the limits on contingency operations in section 8105 represent an unacceptable infringement on the President's prerogative as Commander-in-Chief. In addition, the requirement to submit supplemental requests to sustain contingency operations clearly constrains Presidential authority. Finally, denying funds for making assessed or voluntary payments to the United Nations (U.N.) would adversely affect U.S.-U.N. relations.

Section 8094 of the Subcommittee bill would, through a funding prohibition, effectively abrogate the ABM Treaty -- a treaty that was duly ratified by the U.S. Senate in 1972 pursuant to Article II, Section 2, of the Constitution, and that has been observed by successive Democratic and Republican administrations ever since. If enacted, this provision would impose severe strain on U.S./Russian relations and would threaten continued Russian implementation of the START I Treaty and further Russian consideration of the START II Treaty -- two treaties that, combined, will eliminate strategic launchers carrying two-thirds of the nuclear warheads that confronted us during the Cold War.

## Unwarranted Programs

The Subcommittee bill would provide $7.8 billion in unrequested funding, mostly for weapons systems that are not needed and are not a high priority. These increases include $493 million for the B-2 bomber, $599 million for ballistic missile defense, $1.0 billion for enhanced submarine capability (without buying a single ship), and $908 million for National Guard and Reserve equipment. Also included in this $7.8 billion increase is a wide variety of low-priority spending proposals that do more to serve narrow special interests than they do to provide for a strong national defense.

## Technology Reinvestment Project

The Administration strongly opposes the Subcommittee's termination of the Technology Reinvestment Project. This is a critical program for harnessing leading-edge technology from the commercial sector for national defense.

## Additional Concerns

The Administration opposes the Subcommittee's termination of, or sharp reduction in funding for, other programs key to America's future. The bill would almost halve funding for the Nunn-Lugar program -- our most cost-effective way of reducing the threat of weapons of mass destruction in the former Soviet Union and preventing their proliferation. The Subcommittee bill also would put at risk the submarine industrial base by rejecting the $1.5 billion request for the third Seawolf attack submarine. Finally, the bill would unwisely reduce funding for environmental, disaster relief, humanitarian, and energy management programs. The Administration urges the Committee to restore funding for these programs to the requested levels.

We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Identical Letters Sent to Honorable Bob Livingston, Honorable David R. Obey, Honorable C.W. Bill Young, and Honorable John P. Murtha

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Divider Title: TREASURY/POSTAL

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 10, 1995

Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the Treasury, Postal Service, and General Government Appropriations Bill, FY 1996, as reported by the House Subcommittee. The Administration has serious objections to the legislation in its current form. Your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending in FY 1996 by cutting $5 billion in outlays from the FY 1995 enacted level. While the Administration supports reducing spending, we do not share the priorities reflected in the Subcommittee's mark or support the level of funding assumed by the Committee's 602(b) allocations.

Executive Office of the President

Based on the principle of comity between co-equal branches, the Executive Branch traditionally does not comment on the Legislative Branch appropriations bill, and the Congress traditionally pays appropriate regard to the President's request for the agencies within the Executive Office of the President. This comity avoids inappropriate interference by either branch in the details of the organization of the other, and permits each to organize its own leadership offices as it believes will best serve the country.

The Subcommittee bill clearly and inappropriately breaks with this longstanding practice consistently observed by both branches over many years. The Administration strongly objects and urges the Committee to revise the bill to return to previous practices.

The Administration objects particularly to the Subcommittee's elimination of the Council of Economic Advisers (CEA). Eliminating this small group of professional economists would deny Presidents their dedicated source of analysis of policy issues, based on the best available economic information.

Neither the National Economic Council, which coordinates economic policy-making among Executive Branch agencies, nor OMB, which is responsible for supporting the President on budget and management matters, would fill the unique role of the CEA.

Presidents have turned to the CEA for rigorous, objective, professional economic analysis and advice for almost fifty years. The CEA's mission within the Executive Office of the President is unique: it serves as a credible and tenacious voice for policies that facilitate the workings of the market and policies that emphasize the importance of incentives, efficiency, productivity, and long-term growth. Because the CEA, unlike other agencies, does not represent any particular constituent or industry interest group, it presents to the President more directly and clearly the general economic interests of the American people.

Federal Employees' Health Benefits Program

The Administration strongly opposes the provision of the Subcommittee bill that purports to prohibit OPM from incurring administrative costs in connection with any health plan under the Federal Employees' Health Benefits Program (FEHBP) that provides any benefits or coverage for abortions, except in cases where the life of the mother would be endangered if the fetus were carried to term. Currently, the decision to cover abortion is left up to each health plan participating in the FEHBP. Federal employees who wish to purchase health coverage that does not include abortion services have that choice.

The Subcommittee provision appears to be designed to preclude Federal employees and their families from purchasing health insurance coverage that covers abortions. While the President believes that abortion should be safe, legal, and rare, we strongly oppose provisions that are designed to restrict Federal employees and their dependents from choosing a health plan that includes coverage for abortion services.

Firearms Eligibility for Felons

The Administration strongly objects to the Subcommittee action that could lead to providing guns to previously convicted felons. A provision of the Subcommittee bill would allow Federal funds to be used to enable previous offenders to acquire firearms. The Administration believes that fighting violent crime is difficult enough without directing Federal funds to be used to rearm convicted felons.

Further, section 107 of the Department of the Treasury General Provisions would allow the Bureau of Alcohol, Tobacco and Firearms (ATF) to charge these felons for the "salaries and expenses necessary" to perform background checks to determine whether the felon is likely to be dangerous to public safety.

Allowing felons to reimburse ATF for the costs of personnel performing background checks would prevent those same personnel from devoting time to attacking the vicious cycle of firearms violence and the effects of bombings, such as the one experienced in Oklahoma City.

Even if ATF were allowed to contract out the investigative function of performing background checks, agency personnel would still be required to devote precious resources to reviewing the results of such investigations. We doubt that a cursory investigation done over the course of a few weeks would lead to a more informed decision about an applicant's character than the decision rendered by our judicial system. This diversion of personnel from the task of fighting violent crime to the task of helping arm convicted felons is the antithesis of a smart, tough policy for fighting crime.

Advisory Commission on Intergovernmental Relations

The Subcommittee has not provided funding for the Advisory Commission on Intergovernmental Relations (ACIR). The Administration urges the Committee to restore funding at the President's requested level of $1.4 million. This level of funding would allow ACIR to continue to play a vital role in conducting analyses of intergovernmental issues and fulfill its responsibilities under the "Unfunded Mandate Reform Act."

It is noted that the House, in action on the FY 1996 Legislative Branch Appropriations Bill, has approved $1.1 million for the Congressional Budget Office to carry out its new unfunded mandates responsibility while the Office of Management and Budget is directed to carry out its new responsibilities and those of the ACIR within existing resources.

Information Security Oversight Office

The Administration objects to the Subcommittee's failure to provide funding for the Information Security Oversight Office (ISOO). ISOO oversees the security classification program for Government and industry. The Administration believes that ISOO performs important functions in the area of security classification, including directing and instructing agencies and industry in classifying, safeguarding, and declassifying national security information. Continued funding for ISOO is particularly critical given the recent issuance of Executive Order 12958, which imposes specific responsibilities on ISOO. On May 2, 1995, the President transmitted a budget amendment to the Congress establishing ISOO as a separate entity within the National Archives and Records Administration. The Committee is urged to retain ISOO and to restore the requested $1.5 million for the Office in the budget of the National Archives and Records Administration.

Internal Revenue Service

The Administration objects to the Subcommittee's $130 million reduction to the request for IRS Returns Processing. Such a reduction would severely impair the statutorily-required mandate to process all returns. It would also increase implementation costs of this project in future years and significantly delay its major benefits, such as more timely response to taxpayer inquiries. Adequate funding of this investment is necessary in order to keep pace with technological advances and to enhance service to our customers, the taxpayers.

We are also concerned with the Subcommittee's recommendation for the Tax Law Enforcement compliance initiative. By stretching out implementation of this program while cutting base funding, there is a serious risk that the Revenue Initiative would not be maintained and that the tracking procedure designed to measure it would be seriously compromised.

The Subcommittee's overall reduction to these programs totals $400 million and would not only eliminate the increases requested in the FY 1996 Budget but would also cut deeply into the programs' base funding. These are productive, deficit-reducing programs that generate additional revenue without raising taxes, and they are a high priority for this Administration.

Additional Administration concerns with the bill as reported by the Subcommittee are contained in the enclosure. We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Enclosure

Identical Letters Sent to Honorable Bob Livingston,
Honorable David R. Obey, Honorable Jim Lightfoot,
and Honorable Steny H. Hoyer

Enclosure
(House Committee)

ADDITIONAL CONCERNS
TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
APPROPRIATIONS BILL, FY 1996
(AS REPORTED BY THE HOUSE SUBCOMMITTEE)

The Administration looks forward to working with the Congress later in the process in an effort to address the following concerns.

Violent Crime Reduction Trust Fund

The Administration objects to reductions in the level of funding from the Violent Crime Reduction Trust Fund requested for Treasury law enforcement bureaus. The Subcommittee's $14 million reduction to the President's request would leave a number of important Treasury priorities unfunded. The Administration urges full funding of the request.

The Administration would support a $14.5 million earmark for Operation Hard Line. This amount of funding, when combined with funds made available from the ONDCP Special Forfeiture Fund in FY 1995, would be sufficient to meet the immediate concerns of agent and inspector safety at the border and allow for the purchase of license plate readers and no more than two new additional X-ray machines.

Counter-drug Technology Assessment Center

The Subcommittee has provided $10 million of the $27 million needed for the Counter-drug Technology Assessment Center (CTAC). Such a severe reduction in funding would lead to a significant resource shortfall for ongoing projects. Resources would be insufficient to complete ongoing counter-drug research and development projects in FY 1996 as projected. Some of the projects that are scheduled for completion in FY 1996 include: a new generation of navigation, surveillance, and command system for use by law enforcement officers to detect and track illegal drug trafficking; a prototype system capable of detecting conversations in an urban environment; and a drug treatment evaluation project.

FLSA Section 640 Pay

The Administration urges the Committee to consider repeal of section 640 of the FY 1995 Treasury, Postal Service, and General Government appropriations bill. This section directs the Comptroller General to apply a six-year statute of limitations to claims for Fair Labor Standards Act overtime filed before June 30, 1994. This limitation period is three times longer than that applicable to claims filed by all other private and public sector employees. This provision will cost the Treasury Department hundreds of millions of dollars (current estimates approach $400 million) in windfall overtime pay for Federal criminal investigators.

Federal Labor Relations Authority/Merit Systems Protection Board

The Subcommittee's reductions to the requests for these agencies, which adjudicate employee and employment disputes, would result in unacceptable backlogs in a growing workload of cases stemming from Executive Branch downsizing and reorganization. The Subcommittee bill would provide inadequate resources for this continuing work, for development of a comprehensive proposal for the Subcommittee-directed merger of these agencies, and for other Federal employment dispute adjudication functions, including those involving allegations of discrimination.

Office of Personnel Management (OPM)

The Administration is deeply concerned by proposed actions to delay the privatization of the investigations program by requiring OPM to perform a number of studies and prohibiting a reduction-in-force until June 30, 1996. This would seriously jeopardize OPM's ability to privatize this function and would disrupt the President's plans, developed under the National Performance Review, to reinvent the OPM and divest it of programs that can be better performed by the private sector.

In addition, while endorsing the Subcommittee's support of the Presidential Management Intern Program, the Administration objects to the Subcommittee's earmark for the program and would prefer to permit the OPM Director to determine the resources necessary for continued program operations.

General Services Administration (GSA): Public Buildings Service

The Subcommittee mark would provide only partial funding for the construction of certain requested projects. GSA cannot proceed with a construction project without having full funding for the project. Partial funding would only delay the projects and is not an efficient use of the appropriation. The Administration recommends that funding for projects be provided in full.

U.S. Customs Service - Salaries and Expenses

Under the National Performance Review, the Administration is conducting a comprehensive border process re-engineering project in consort with all Federal agencies involved in maintaining the Nation's borders. The Administration supports a pilot initiative to study the effectiveness of unified port management through the designation of a single director but does not believe statutory language is necessary. Further, the Administration believes that designation of the port director by one agency -- the Customs Service -- is inappropriate. All agencies represented at the pilot southern and northern ports selected should be eligible to serve. The Administration recommends that the statutory language be removed and the report language amended to reflect a cooperative, inter-agency, unified port management pilot.

Federal Election Commission (FEC)

The Subcommittee mark is $2.5 million, or nine percent, below the President's request. This would reduce the agency below its FY 1995 enacted level. The Administration urges the Committee to restore funding to the President's requested level of $29.0 million. Funding for the FEC is crucial to the smooth operation of our Federal elections system.

Bureau of the Mint Revolving Fund

The Administration supports establishment of a Mint revolving fund. However, the Subcommittee's proposal raises the following technical concerns and suggestions for improving the proposal:

- o The proposal would change the long-standing treatment of seigniorage from being a means of financing to an offsetting collection. The Administration opposes this change because it would result in an artificial reduction in the deficit that would not change the Government's borrowing requirements. There is no substantive reason for this change, and the revolving fund should be created without it.

- o The proposal would be improved by the addition of a prohibition against cross-subsidization, which is necessary to ensure that both of the Mint's major product lines are self-sustaining.

- The Administration agrees that the Mint needs to be provided with short-term borrowing authority but believes that the authority should fund start-up costs. There is no need for borrowing authority for "existing liabilities and obligations" because Congress has already appropriated funds for this purpose, and the bill would transfer these funds to the Mint Revolving Fund.

- The proposal does not, but should include, "purchase of coinage metal" in its definition of Mint operations and programs.

- The legislation should include budget, financial reporting, and annual audit requirements -- integrated with government-wide requirements -- to ensure the continued efficiency and integrity of Mint operations under a revolving fund.

- The proposal should also include the activities of the Mint's West Point facility.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 24, 1995

Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 2020, the Treasury, Postal Service, and General Government Appropriations Bill, FY 1996, as passed by the House. As the Senate develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The House bill is $1.7 billion below the President's request.

For the reasons discussed below, I would join other senior White House officials, the Secretary of the Treasury, and the Director of the Office of Personnel Management in recommending that the President veto the bill if it were presented to him as it passed the House.

<u>Executive Office of the President</u>

Based on the principle of comity between co-equal branches, the Executive Branch traditionally does not comment on the Legislative Branch appropriations bill, and the Congress traditionally pays appropriate regard to the President's request for the agencies within the Executive Office of the President. This comity permits each branch to organize its own leadership offices as it believes will best serve the country.

The House-passed bill clearly and inappropriately breaks with this longstanding practice consistently observed by both branches over many years. The Administration strongly objects and urges the Senate to revise the bill to return to previous practices.

The Administration objects particularly to the House's elimination of the Council of Economic Advisers (CEA). Eliminating this small group of professional economists would deny Presidents their dedicated source of analysis of policy issues, based on the best available economic information. Neither the National Economic Council, which coordinates economic policy-making among Executive Branch agencies, nor OMB, which is responsible for supporting the President on budget and management matters, would fill the unique role of the CEA.

Presidents have turned to the CEA for rigorous, objective, professional economic analysis and advice for almost fifty years. The CEA's mission within the Executive Office of the President is unique: it serves as a credible and tenacious voice for policies that facilitate the workings of the market and policies that emphasize the importance of incentives, efficiency, productivity, and long-term growth. Because the CEA, unlike other agencies, does not represent any particular constituent or industry interest group, it presents to the President more directly and clearly the general economic interests of the American people.

The House-passed bill would underfund the President's request for the Office of National Drug Control Policy (ONDCP) and eliminate funding for the Special Forfeiture Fund. The ONDCP provides national leadership in the fight against drug abuse in America, develops the annual "National Drug Control Strategy," and coordinates the efforts of Federal agencies in the war on drugs. The Administration urges the Senate to provide funding for the ONDCP at the requested level.

Federal Employees' Health Benefits Program

The Administration strongly opposes the provision of the House-passed bill that purports to prohibit OPM from incurring administrative costs in connection with any health plan under the Federal Employees' Health Benefits Program (FEHBP) that provides any benefits or coverage for abortions, except in cases where the life of the mother would be endangered if the fetus were carried to term. Currently, the decision to cover abortion is left up to each health plan participating in the FEHBP. Federal employees who wish to purchase health coverage that does not include abortion services have that choice.

The House provision is clearly designed to preclude Federal employees and their families from purchasing health insurance coverage that covers abortions. While the President believes that abortion should be safe, legal, and rare, we strongly oppose provisions that are designed to restrict Federal employees and their dependents from choosing a health plan that includes coverage for abortion services.

Exchange Stabilization Fund

The Administration strongly opposes the provision of the House-passed bill that would restrict the operations of the Exchange Stabilization Fund (ESF). The ESF has been a vital tool of international economic and monetary policy since 1934, and has enjoyed bipartisan support for 60 years. It has enabled financial authorities to defend the dollar to avoid excess fluctuations in currency markets, and to protect the vital economic and security interests of the United States. The ESF has been used, most often by the last three administrations -- and more than fifty times in the last sixty years -- when such actions were deemed to be in the economic or security interest of the United States.

The provision of the House bill would restrict the ability of the Executive Branch to coordinate interventions with other nations to resist unwarranted appreciation of the dollar, to curb destructive fluctuations in currency markets, and to provide support to the reserves of countries that are borrowing from the International Monetary Fund.

Misguided efforts that arbitrarily limit the use of the ESF by this or any other administration pose a threat to the United States economy, and to our ability to maintain a stable dollar -- with all of the benefits that affords us.

Advisory Commission on Intergovernmental Relations

The House has not provided funding for the Advisory Commission on Intergovernmental Relations (ACIR). The Administration urges the Senate to restore funding at the President's requested level of $1.4 million. This level of funding would allow ACIR to continue to play a vital role in conducting analyses of intergovernmental issues and fulfill its responsibilities under the "Unfunded Mandate Reform Act."

Information Security Oversight Office

The Administration objects to the House's failure to provide funding for the Information Security Oversight Office (ISOO). ISOO oversees the security classification program for Government and industry. The Administration believes that ISOO performs important functions in the area of security classification, including directing and instructing agencies and industry in classifying, safeguarding, and declassifying national security information. Continued funding for ISOO is particularly critical given the recent issuance of Executive Order 12958, which imposes specific responsibilities on ISOO. On May 2, 1995, the President transmitted a budget amendment to the Congress establishing ISOO as a separate entity within the National Archives and Records Administration. The Senate is urged to retain ISOO and to restore the requested $1.5 million for the Office in the budget of the National Archives and Records Administration.

Internal Revenue Service

The Administration objects to the House's $130 million reduction to the request for IRS Returns Processing. Such a reduction would severely impair the statutory mandate to process all returns. Reductions in processing, administration, and management would severely hamper IRS's ability to improve taxpayer service, including taxpayer phone contact.

The Administration is also concerned with the House's $270 million reduction for the Tax Law Enforcement compliance initiative. Stretching out implementation of this program, while cutting base funding, could create serious risks to the Revenue Initiative Program, including compromising the tracking procedure. Similarly, given the reduced funding levels, retaining the transfer restriction provision for Tax Law Enforcement would reduce potential management flexibility to apply limited resources where most needed.

The House's overall reduction to these programs totals $400 million and would not only eliminate the increases requested in the FY 1996 Budget but would also cut deeply into the programs' base funding. These are productive, deficit-reducing programs that generate additional revenue without raising taxes, and they are a high priority for this Administration.

Additional Administration concerns with the bill as passed by the House are contained in the enclosure. We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin
Director

Enclosure

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Richard C. Shelby, and Honorable J. Robert Kerrey

Enclosure
(Senate Subcommittee)

ADDITIONAL CONCERNS
H.R. 2020 -- TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
APPROPRIATIONS BILL, FY 1996
(AS PASSED BY THE HOUSE)

The Administration looks forward to working with the Congress to address the following concerns.

Executive Office of the President

The Administration strongly objects to the decision by the House to abandon the long-standing practice of funding and organizing the Executive Office of the President according to the President's request. This unprecedented proposed organizational and funding realignment for the Executive Office of the President would undermine the President's ability to organize his staff in the manner that will serve him and the country most effectively. We specifically object to the piecemeal disaggregation of funding for offices of the Office of Management and Budget (OMB), which appears designed to limit this agency's ability to support the President's priorities. Such micro-management by Congress improperly infringes upon the President's ability to carry out the functions of his office.

Violent Crime Reduction Trust Fund

The Administration objects to reductions in the level of funding from the Violent Crime Reduction Trust Fund requested for Treasury law enforcement bureaus. The House's $14 million reduction to the President's request would leave a number of important Treasury priorities unfunded. The Administration urges full funding of the request.

The Administration would support a $14.5 million earmark for Operation Hard Line. This amount of funding, when combined with funds made available from the ONDCP Special Forfeiture Fund in FY 1995, would be sufficient to meet the immediate concerns of agent and inspector safety at the border and allow for the purchase of license plate readers and no more than two new additional X-ray machines.

Special Forfeiture Fund

The House has provided none of the President's $37 million request for the Special Forfeiture Fund. In the past, resources of the Fund have been used to augment drug treatment, border interdiction, and drug research initiatives. Instead, the House-passed bill would add $10 million to the Office of National Drug Control Policy (ONDCP) for the Counter-drug Technology Assessment Center, which has previously been funded from the Special Forfeiture Fund. By providing no funding for the Special Forfeiture Fund, the House would eliminate an important tool for directing resources to critically important counter-drug initiatives and significantly reduce the flexibility of the ONDCP Director in addressing emerging problems.

FLSA Section 640 Pay

The Administration urges the Senate to consider repeal of section 640 of the FY 1995 Treasury, Postal Service, and General Government appropriations bill. This section directs the Comptroller General to apply a six-year statute of limitations to claims for Fair Labor Standards Act overtime filed before June 30, 1994. This limitation period is three times longer than that applicable to claims filed by all other private and public sector employees. This provision would cost the Treasury Department hundreds of millions of dollars (current estimates approach $400 million) in windfall overtime pay for Federal criminal investigators.

Federal Labor Relations Authority/Merit Systems Protection Board

The House's reductions to the requests for these agencies, which adjudicate employee and employment disputes, would result in unacceptable backlogs in a growing workload of cases stemming from Executive Branch downsizing and reorganization. The House-passed bill would provide inadequate resources for this continuing work, for development of a comprehensive proposal for the merger of these agencies, and for other Federal employment dispute adjudication functions, including those involving allegations of discrimination.

Office of Personnel Management (OPM)

The Administration is deeply concerned by proposed actions to delay the privatization of the investigations program by requiring OPM to perform a number of studies and prohibiting a reduction-in-force until June 30, 1996. This would seriously jeopardize OPM's ability to privatize this function and would disrupt the President's plans, developed under the National Performance Review, to reinvent the OPM and divest it of programs that can be better performed by the private sector.

The Administration opposes the total elimination of funding for job information. At a time when Federal employees are losing their jobs, this system is vital to any job placement program.

## Employee Training

The Administration objects to the restrictions on the use of funds for employee training specified in section 628 of the House-passed bill. While the language appears to be intended to prevent inappropriate training activities, the Administration believes that the provision could have the unintended consequence of preventing a broad range of useful training.

## General Services Administration (GSA): Public Buildings Service

The House mark would provide only partial funding for the construction of certain requested projects. As a budget policy matter, the Administration recommends that funding for projects be provided in full. GSA cannot proceed with a construction project without having full funding for the project. Partial funding would only delay the projects and is not an efficient use of the appropriation.

## FTS 2000

The House passed bill eliminates language concerning the mandatory use of FTS 2000 by Federal agencies. In the FY 1996 Budget, the Administration has proposed retaining the provision to signal its continuing support for FTS 2000. The Administration is concerned that dropping the mandatory use provision could suggest reduced congressional support for the FTS 2000 program and would cause uncertainty for the vendors, which could raise prices.

## U.S. Customs Service - Salaries and Expenses

Under the National Performance Review, the Administration is conducting a comprehensive border process re-engineering project in concert with all Federal agencies involved in maintaining the Nation's borders. The Administration supports a pilot initiative to study the effectiveness of unified port management through the designation of a single director but does not believe statutory language is necessary. Further, the Administration believes that designation of the port director by one agency -- the Customs Service -- is inappropriate. All agencies represented at the pilot southern and northern ports selected should be eligible to serve. The Administration recommends that the statutory language of the House-passed bill be removed and the report language amended to reflect a cooperative, inter-agency, unified port management pilot.

Federal Election Commission (FEC)

The House mark is $2.5 million, or nine percent, below the President's request. This would reduce the agency below its FY 1995 enacted level. The Administration urges the Senate to restore funding to the President's requested level of $29.0 million. Funding for the FEC is crucial to the smooth operation of our Federal elections system.

Bureau of the Mint Revolving Fund

The Administration supports establishment of a Mint revolving fund. However, the House's proposal raises the following technical concerns and suggestions for improving the proposal:

- The proposal would change the long-standing treatment of seigniorage from being a means of financing to an offsetting collection. The Administration opposes this change because it would result in an artificial reduction in the deficit that would not change the Government's borrowing requirements. There is no substantive reason for this change, and the revolving fund should be created without it.

- The proposal would be improved by the addition of a prohibition against cross-subsidization, which is necessary to ensure that both of the Mint's major product lines are self-sustaining.

- The Administration agrees that the Mint needs to be provided with short-term borrowing authority but believes that the authority should fund start-up costs. There is no need for borrowing authority for "existing liabilities and obligations" because Congress has already appropriated funds for this purpose, and the bill would transfer these funds to the Mint Revolving Fund.

- The legislation should include budget, financial reporting, and annual audit requirements -- integrated with government-wide requirements -- to ensure the continued efficiency and integrity of Mint operations under a revolving fund.

- The proposal should also include the activities of the Mint's West Point facility.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 27, 1995

Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 2020, the Treasury, Postal Service, and General Government Appropriations Bill, FY 1996, as reported by the Senate Subcommittee. Your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The Subcommittee bill is $1.4 billion below the President's request.

The Administration is pleased that the Subcommittee has made substantial improvements to the bill as passed by the House. Notably, the Administration commends the Subcommittee for: removing the objectionable abortion prohibition in the Federal Employees' Health Benefits Program (FEHBP); restoring the President's Council of Economic Advisers (CEA); and continuing support for the Exchange Stabilization Fund (ESF), without the objectionable restrictions added by the House. Additional information on the Administration's views with respect to FEHBP, CEA, and ESF is provided in the enclosure.

Regrettably, the Senate Subcommittee bill would eliminate the Office of National Drug Control Policy. Because of this, the President has stated that he would not sign the bill in its current form. The Secretary of the Treasury has indicated that he would recommend to the President that he veto the bill based on the issues discussed below.

Office of National Drug Control Policy

The Administration regrets the Subcommittee's action in proposing to eliminate the Office of National Drug Control Policy (ONDCP). This action is unacceptable because it comes at a time when the Administration has recently achieved major successes in streamlining interdiction efforts and pursuing the dismantling of large drug trafficking organizations.

In addition, it would be highly undesirable to eliminate funding for ONDCP after it has established a successful track record in improving Federal programs in the areas of drug treatment and prevention. This decision to balance the budget by denying resources to ONDCP reflects an unfortunate and distorted sense of national priorities. We urge the Committee to support an amendment to restore funding to this office, which is so critical to our battle against drugs.

Internal Revenue Service

The Administration strongly opposes the Subcommittee's reduction for the Internal Revenue Service, which is an overall $805 million below the President's request and $203 million below the House. The cuts proposed in the Subcommittee bill would severely damage the ability of the IRS to function, degrade service to taxpayers, encourage disrespect for law and order, and reduce the collection of revenues needed to finance the operation of the Government, thereby adding to the deficit.

The Administration strongly objects to the Senate's $430 million reduction for the Tax Law Enforcement account. Eliminating last year's compliance initiative, while cutting base funding, would create serious risks to the levels of tax compliance in this country. At the very least, we would expect this action to result in the loss of $10 to $15 billion in additional revenue over the next five years, thwarting our joint effort to reduce the Federal deficit. Major compliance cuts would send a signal that ensuring voluntary compliance is no longer a priority and would reward tax cheats. Each percentage point change in tax compliance is worth an estimated $7 billion to $10 billion annually in additional revenue. This approach is not consistent with our efforts to balance the Federal budget early in the next century.

The Administration is also concerned with the Subcommittee's reductions to the IRS Information Systems account. While funding for Tax Systems Modernization at the House level of $720 million would be at a manageable level for FY 1996, the Subcommittee mark implies a $150 million reduction for the systems needed to maintain and operate the existing tax administration structure until the modernized systems are operational. The reductions to Tax Systems Modernization to date will necessitate keeping these systems operational longer than was originally envisioned, increasing maintenance and repair costs with no corresponding improvement in burden reduction or system capability.

Additional Administration concerns with the bill as reported by the Subcommittee are contained in the enclosure. We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin
Director

Enclosure

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Richard C. Shelby, and Honorable J. Robert Kerrey

Enclosure
(Senate Subcommittee)

## ADDITIONAL CONCERNS
## H.R. 2020 -- TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, FY 1996
## (AS PASSED BY THE HOUSE)

The Administration looks forward to working with the Congress to address the following concerns.

Council of Economic Advisers

The Administration is pleased that the Senate Subcommittee has recommended retaining the Council of Economic Advisers (CEA). Eliminating this small group of professional economists, as the House bill would do, would deny Presidents their dedicated source of analysis of policy issues, based on the best available economic information. Neither the National Economic Council, which coordinates economic policy-making among Executive Branch agencies, nor the Office of Management and Budget (OMB), which is responsible for supporting the President on budget and management matters, would fill the unique role of the CEA.

Presidents have turned to the CEA for rigorous, objective, professional economic analysis and advice for almost fifty years. The CEA's mission within the Executive Office of the President is unique: it serves as a credible and tenacious voice for policies that facilitate the workings of the market and policies that emphasize the importance of incentives, efficiency, productivity, and long-term growth. Because the CEA, unlike other agencies, does not represent any particular constituent or industry interest group, it presents to the President more directly and clearly the general economic interests of the American people.

Federal Employees' Health Benefits Program

The Administration strongly supports the Senate Subcommittee's deletion of Section 524 of the House-passed bill. This provision purports to prohibit OPM from incurring administrative costs in connection with any health plan under the Federal Employees' Health Benefits Program (FEHBP) that provides any benefits or coverage for abortions, except in cases where the life of the mother would be endangered if the fetus were carried to term. Currently, the decision to cover abortion is left up to each health plan participating in the FEHBP. Federal employees who wish to purchase health coverage that does not include abortion services have that choice.

The Administration is pleased that the Subcommittee has recommended retaining current practice in this regard. The objectionable House provision is clearly designed to preclude Federal employees and their families from purchasing health insurance coverage that covers abortions. While the President believes that abortion should be safe, legal, and rare, we strongly oppose provisions that are designed to restrict Federal employees and their dependents from choosing a health plan that includes coverage for abortion services.

Exchange Stabilization Fund

The Administration strongly supports Senate Subcommittee action that removes a provision of the House-passed bill that would restrict the operations of the Exchange Stabilization Fund (ESF). The ESF has been a vital tool of international economic and monetary policy since 1934, and has enjoyed bipartisan support for 60 years. It has enabled financial authorities to defend the dollar to avoid excess fluctuations in currency markets, and to protect the vital economic and security interests of the United States. The ESF has been used, most often by the last three administrations -- and more than fifty times in the last sixty years -- when such actions were deemed to be in the economic or security interest of the United States.

The provision of the House bill would restrict the ability of the Executive Branch to coordinate interventions with other nations to resist unwarranted appreciation of the dollar, to curb destructive fluctuations in currency markets, and to provide support to the reserves of countries that are borrowing from the International Monetary Fund. Misguided efforts that arbitrarily limit the use of the ESF by this or any other administration pose a threat to the United States economy, and to our ability to maintain a stable dollar -- with all of the benefits that affords us.

Information Security Oversight Office (ISOO)

The Administration is pleased that the Subcommittee has recognized the importance of the function performed by ISOO and has restored its funding. The Administration would appreciate working with the Congress later in the process to reconsider the Administration's proposal to place ISOO and its functions in the National Archives and Records Administration.

Advisory Commission on Intergovernmental Relations

The Subcommittee has not provided funding for the Advisory Commission on Intergovernmental Relations (ACIR). The Administration urges the Senate to restore funding at the President's requested level of $1.4 million. This level of funding would allow ACIR to continue to play a vital role in conducting analyses of intergovernmental issues and fulfill its responsibilities under the "Unfunded Mandate Reform Act."

Administrative Conference of the United States

The Administration urges the Committee to restore funding for the Administrative Conference of the United States (ACUS). The Conference is a non-partisan advisory agency that advises Congress and the Executive Branch on improving the fairness and efficiency of Federal programs.

Special Forfeiture Fund

The Subcommittee has provided none of the President's $37 million request for the Special Forfeiture Fund. In the past, resources of the Fund have been used to augment drug treatment, border interdiction, and drug research initiatives. By providing no funding for the Special Forfeiture Fund, the Senate would eliminate an important tool for directing resources to critically important counter-drug initiatives and the ability to address emerging problems.

FLSA Section 640 Pay

The Administration urges the Senate Committee to consider repeal of section 640 of the FY 1995 Treasury, Postal Service, and General Government appropriations bill. This section directs the Comptroller General to apply a six-year statute of limitations to claims for Fair Labor Standards Act overtime filed before June 30, 1994. This limitation period is three times longer than that applicable to claims filed by all other private and public sector employees. This provision would cost the Treasury Department hundreds of millions of dollars (current estimates approach $400 million) in windfall overtime pay for Federal criminal investigators.

Federal Labor Relations Authority/Merit Systems Protection Board

The Administration appreciates the Subcommittee's action in restoring resources to the Federal Labor Relations Authority and the Merit Systems Protection Board. This action will prevent unacceptable backlogs from developing.

Office of Personnel Management (OPM)

The Administration endorses the Subcommittee's action of deleting House language that would have delayed the privatization of the investigations program.

The Administration objects to the Subcommittee's reduction in the limitation on transfers from trust funds for the Administration of the Federal civilian retirement and health and life insurance programs. These resources are needed to assure that retirement benefits are paid accurately and on time.

General Services Administration (GSA): Policy and Oversight

The Subcommittee has not accepted the Administration's proposal, passed by the House, to create a separate appropriation account for GSA's policy and oversight activities. The establishment of this separate account is an important part of the Administration's effort to reduce government-wide administrative costs by strengthening GSA's policy and oversight role. Most of GSA's policy activities are currently distributed among the three Services and have traditionally received less attention and support than the operational functions of those Services. Creation of the separate appropriation for GSA's policy activities, coupled with the organizational separation of these activities from operational functions, is deemed essential to provide these activities with the resources and management attention necessary to increase their effectiveness. The Administration urges the Senate to concur with the House position on creating separate appropriation accounts for policy and operations.

GSA - Federal Buildings Fund

The Subcommittee has reduced funding for the Building Operations account by $50 million. This account funds security activities and will need to fund enhanced security measures in FY 1996. Therefore, full funding of the requested level will be necessary to fund these efforts.

Internal Revenue Service - Private Legal Counsel

The Administration believes that the highly sensitive issue of the use of private legal counsel should not be addressed in this bill. Recognizing the sensitivity of changes to the Tax System, particularly considerations involving privacy and the Taxpayer Bill of Rights, the Administration would recommend that the use of private legal counsel activities be removed from the bill language.

U.S. Mint Personnel and Procurement Exemptions

The Administration strongly disagrees with the Subcommittee's proposal to exempt the U.S. Mint from all provisions of law governing procurement or public contracts. The exemption exceeds what is necessary for the operation of the Mint under a revolving fund and is incompatible with the Administration's efforts to streamline and reform Federal procurement laws and regulations. The Subcommittee's proposal to exempt the Mint from all government personnel regulations, ceilings, and full-time-equivalent controls also is incompatible with the Administration's reinvention and workforce restructuring efforts.

Bureau of the Mint Revolving Fund

The Administration supports establishment of a Mint revolving fund. However, the proposal raises the following technical concerns and suggestions for improving the proposal:

- The proposal would change the long-standing treatment of seigniorage from being a means of financing to an offsetting collection. The Administration opposes this change because it would result in an artificial reduction in the deficit that would not change the Government's borrowing requirements. There is no substantive reason for this change, and the revolving fund should be created without it.

- The proposal would be improved by the addition of a prohibition against cross-subsidization, which is necessary to ensure that both of the Mint's major product lines are self-sustaining.

- The Administration agrees that the Mint needs to be provided with short-term borrowing authority but believes that the authority should fund start-up costs. There is no need for borrowing authority for "existing liabilities and obligations" because Congress has already appropriated funds for this purpose, and the bill would transfer these funds to the Mint Revolving Fund.

- The proposal does not, but should include, "purchase of coinage metal" in its definition of Mint operations and programs.

- The legislation should include budget, financial reporting, and annual audit requirements -- integrated with government-wide requirements -- to ensure the continued efficiency and integrity of Mint operations under a revolving fund.

- The proposal should also include the activities of the Mint's West Point facility.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

(P)

August 3, 1995
(Senate Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

## H.R. 2020 -- TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, FY 1996

(Sponsors: Hatfield (R), Oregon; Shelby (R), Alabama)

This Statement of Administration Policy provides the Administration's views on H.R. 2020, the Treasury, Postal Service, and General Government Appropriations Bill, FY 1996, as reported by the Senate Appropriations Committee.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The Committee bill is $1.8 billion below the President's request.

The Administration is pleased that the Committee has made substantial improvements to the bill as passed by the House. Notably, the Administration commends the Committee for removing the objectionable abortion prohibition in the Federal Employees' Health Benefits Program; for restoring the President's Council of Economic Advisers; and for continuing support for the Exchange Stabilization Fund, without the objectionable restrictions added by the House.

Regrettably, the Senate Committee bill would eliminate the Office of National Drug Control Policy. Because of this, the President has stated that he would not sign the bill in its current form. The Secretary of the Treasury has indicated that he would recommend to the President that he veto the bill based on the issues discussed below.

<u>Executive Office of the President/Office of National Drug Control Policy</u>

Based on the principle of comity between co-equal branches, the Executive Branch traditionally does not comment on Legislative Branch funding requests, and the Congress traditionally pays appropriate regard to the President's requests for the agencies within the Executive Office of the President. This comity permits each branch to organize its own policy offices as it believes will best serve the country. The Administration is concerned, therefore, that the Senate Committee bill recommends termination of the Office of National Drug Control Policy (ONDCP) and makes reductions to the President's requests for certain offices of the Executive Office of the President.

The Administration regrets the Committee's action in proposing to eliminate the ONDCP. This action is unacceptable because it comes at a time when the Administration has achieved major successes in streamlining interdiction efforts and pursuing the dismantling of large drug trafficking organizations.

In addition, it would be highly undesirable to eliminate funding for ONDCP after it has established a successful track record in improving Federal programs in the areas of drug treatment and prevention. The Administration urges the Senate to support an amendment to restore funding for this office, which is so critical to our battle against drugs.

Internal Revenue Service

The Administration strongly opposes the Committee's reduction in funding for the Internal Revenue Service, which is an overall $805 million below the President's request and $203 million below the House. The cuts proposed in the Committee bill would severely damage the ability of the IRS to function, degrade service to taxpayers, encourage disrespect for law and order, and reduce the collection of revenues needed to finance the operation of the Government, thereby adding to the deficit.

The Administration strongly objects to the Senate's $430 million reduction for the Tax Law Enforcement account. Eliminating last year's compliance initiative, while cutting base funding, would create serious risks to the levels of tax compliance in this country. At the very least, this action could be expected to result in the loss of $10 to $15 billion in additional revenue over the next five years, thwarting efforts to reduce the Federal deficit. Major compliance cuts would send a signal that ensuring voluntary compliance is no longer a priority and would reward tax cheats. Each percentage point change in tax compliance is worth an estimated $7 billion to $10 billion annually in additional revenue. The Committee's approach is not consistent with the efforts of the Administration and the Congress to balance the Federal budget.

The Administration is also concerned with the Committee's reductions to the IRS Information Systems account. While funding Tax Systems Modernization at the House mark of $720 million would be a manageable level for FY 1996, the Committee mark implies a $150 million reduction for the systems needed to maintain and operate the existing tax administration structure until the modernized systems are operational. The reductions to Tax Systems Modernization to date will necessitate keeping these systems operational longer than was originally envisioned, increasing maintenance and repair costs with no corresponding improvement in burden reduction or system capability.

Federal Employees' Health Benefits Program

The Administration strongly supports the Senate Committee's deletion of Section 524 of the House-passed bill. The Administration would strongly oppose an amendment to restore this provision of the House bill. The House provision purports to prohibit OPM from incurring administrative costs in connection with any health plan under the Federal Employees' Health Benefits Program (FEHBP) that provides any benefits or coverage for abortions, except in cases where the life of the mother would be endangered if the fetus were carried to term. Currently, the decision to cover abortion is left up to each health plan participating in the FEHBP. Federal employees who wish to purchase health coverage that does not include abortion services have that choice.

The Administration is pleased that the Committee has recommended retaining current practice in this regard. The objectionable House provision is clearly designed to preclude Federal employees and their families from purchasing health insurance coverage that covers abortions. While the President believes that abortion should be safe, legal, and rare, the Administration strongly opposes provisions that are designed to restrict Federal employees and their dependents from choosing a health plan that includes coverage for abortion services.

Exchange Stabilization Fund

The Administration strongly supports Senate Committee action that removes a provision of the House-passed bill that would restrict the operations of the Exchange Stabilization Fund (ESF). The ESF has been a vital tool of international economic and monetary policy since 1934, and it has enjoyed bipartisan support for 60 years. The ESF has enabled financial authorities to defend the dollar to avoid excess fluctuations in currency markets, and to protect the vital economic and security interests of the United States. The ESF has been used, most often by the last three administrations -- and more than fifty times in the last sixty years -- when such actions were deemed to be in the economic or security interest of the United States.

The provision of the House bill would restrict the ability of the Executive Branch to coordinate interventions with other nations to resist unwarranted appreciation of the dollar, to curb destructive fluctuations in currency markets, and to provide support to the reserves of countries that are borrowing from the International Monetary Fund. Misguided efforts that arbitrarily limit the use of the ESF by this or any other administration pose a threat to the United States economy, and to our ability to maintain a stable dollar -- with all of the benefits that affords us.

Employee Training

The Administration supports the Senate Committee's decision to remove the restrictions on the use of funds for employee training specified in section 628 of the House-passed bill. The Administration would strongly oppose an amendment to reinstate those restrictions.

The Administration believes that the provision could have the unintended consequence of preventing a broad range of useful training such as outplacement assistance and retraining for individuals who are being moved as part of an agency restructuring.

Additional Administration concerns with the bill as reported by the Committee are contained in the attachment.

Attachment

Attachment
(Senate Floor)

**ADDITIONAL CONCERNS**
**H.R. 2020 -- TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, FY 1996**
**(AS REPORTED BY THE SENATE APPROPRIATIONS COMMITTEE)**

The Administration looks forward to working with the Congress to address the following concerns.

Council of Economic Advisers

The Administration is pleased that the Senate Committee has recommended retaining the Council of Economic Advisers (CEA). Eliminating this small group of professional economists, as the House bill would do, would deny Presidents their dedicated source of analysis of policy issues, based on the best available economic information. Neither the National Economic Council, which coordinates economic policy-making among Executive Branch agencies, nor the Office of Management and Budget (OMB), which is responsible for supporting the President on budget and management matters, would fill the unique role of the CEA.

Presidents have turned to the CEA for rigorous, objective, professional economic analysis and advice for almost fifty years. The CEA's mission within the Executive Office of the President is unique: it serves as a credible and tenacious voice for policies that facilitate the workings of the market and policies that emphasize the importance of incentives, efficiency, productivity, and long-term growth. Because the CEA, unlike other agencies, does not represent any particular constituent or industry interest group, it presents to the President more directly and clearly the general economic interests of the American people.

Information Security Oversight Office (ISOO)

The Administration is pleased that the Committee has recognized the importance of the function performed by ISOO and has restored its funding. The Administration would appreciate working with the Congress to reconsider the Administration's proposal to place ISOO and its functions in the National Archives and Records Administration.

Advisory Commission on Intergovernmental Relations

The Committee has not provided funding for the Advisory Commission on Intergovernmental Relations (ACIR). The Administration urges the Senate to restore funding at the President's requested level of $1.4 million. This level of funding would allow ACIR to continue to play a vital role in conducting analyses of intergovernmental issues and fulfill its responsibilities under the "Unfunded Mandate Reform Act."

Administrative Conference of the United States

The Administration urges the Senate to restore funding for the Administrative Conference of the United States (ACUS). The Conference is a non-partisan advisory agency that advises Congress and the Executive Branch on improving the fairness and efficiency of Federal programs.

Special Forfeiture Fund

The Committee has provided none of the President's $37 million request for the Special Forfeiture Fund. In the past, resources of the Fund have been used to augment drug treatment, border interdiction, and drug research initiatives. By providing no funding for the Special Forfeiture Fund, the Senate would eliminate an important tool for directing resources to critically important counter-drug initiatives and the ability to address emerging problems.

FLSA Section 640 Pay

The Administration urges the Senate to consider repeal of section 640 of the FY 1995 Treasury, Postal Service, and General Government appropriations bill. This section directs the Comptroller General to apply a six-year statute of limitations to claims for Fair Labor Standards Act overtime filed before June 30, 1994. This limitation period is three times longer than that applicable to claims filed by all other private and public sector employees. This provision would cost the Treasury Department hundreds of millions of dollars (current estimates approach $400 million) in windfall overtime pay for Federal criminal investigators.

Federal Labor Relations Authority/Merit Systems Protection Board

The Administration appreciates the Committee's action in restoring resources to the Federal Labor Relations Authority and the Merit Systems Protection Board. This action will prevent unacceptable backlogs from developing.

Office of Personnel Management (OPM)

The Administration endorses the Committee's action of deleting language from the House bill that would have delayed the privatization of the investigations program.

The Administration is concerned by the Committee's action to delete language from the House bill that would permit OPM's Employment Service to accept reimbursements from agencies for providing them with services such as job listings and examinations. Reductions in Employment Service funding without such reimbursable authority would leave agencies without the help they need, particularly to provide information about potential jobs to their employees who have been adversely affected by Federal downsizing.

The Administration also objects to the Committee's reduction in the limitation on transfers from trust funds for the administration of the Federal civilian retirement and health and life insurance programs. These resources are needed to assure that retirement benefits are paid accurately and on time.

General Services Administration (GSA): Policy and Oversight

The Committee has not accepted the Administration's proposal, passed by the House, to create a separate appropriation account for GSA's policy and oversight activities. The establishment of this separate account is an important part of the Administration's effort to reduce government-wide administrative costs by strengthening GSA's policy and oversight role. Most of GSA's policy activities are currently distributed among the three Services and have traditionally received less attention and support than the operational functions of those Services. Creation of the separate appropriation for GSA's policy activities, coupled with the organizational separation of these activities from operational functions, is deemed essential to provide these activities with the resources and management attention necessary to increase their effectiveness. The Administration urges the Senate to concur with the House position on creating separate appropriation accounts for policy and operations.

GSA - Federal Buildings Fund

The Committee has reduced funding for the Building Operations account by $50 million. This account funds security activities and will need to fund enhanced security measures in FY 1996. Therefore, full funding of the requested level will be necessary to fund these efforts.

Internal Revenue Service - Private Legal Counsel

The Administration believes that the highly sensitive issue of the use of private legal counsel should not be addressed in this bill. Recognizing the sensitivity of changes to the Tax System, particularly considerations involving privacy and the Taxpayer Bill of Rights, the Administration would recommend that the use of private legal counsel activities be removed from the bill language.

## U.S. Mint Personnel and Procurement Exemptions

The Committee's proposal to exempt the Mint from all government personnel regulations, ceilings, and full-time-equivalent controls is excessive and incompatible with the Administration's reinvention and workforce restructuring efforts.

## Bureau of the Mint Revolving Fund

The Administration supports establishment of a Mint revolving fund. However, the proposal raises the following technical concerns and suggestions for improving the proposal:

- The proposal would change the long-standing treatment of seigniorage from being a means of financing to an offsetting collection. The Administration opposes this change because it would result in an artificial reduction in the deficit that would not change the Government's borrowing requirements. There is no substantive reason for this change, and the revolving fund should be created without it.

- The proposal would be improved by the addition of a prohibition against cross-subsidization, which is necessary to ensure that both of the Mint's major product lines are self-sustaining.

- The Administration agrees that the Mint needs to be provided with short-term borrowing authority but believes that the authority should fund start-up costs. There is no need for borrowing authority for "existing liabilities and obligations" because Congress has already appropriated funds for this purpose, and the bill would transfer these funds to the Mint Revolving Fund.

- The proposal does not, but should include, "purchase of coinage metal" in its definition of Mint operations and programs.

- The legislation should include budget, financial reporting, and annual audit requirements -- integrated with government-wide requirements -- to ensure the continued efficiency and integrity of Mint operations under a revolving fund.

- The proposal should also include the activities of the Mint's West Point facility.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 12, 1995

THE DIRECTOR

Honorable Robert C. Byrd
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Byrd:

The purpose of this letter is to provide the Administration's views on H.R. 2020, the Treasury, Postal Service, and General Government Appropriations Bill, FY 1996, as passed by the House and by the Senate. As you develop the conference version of the bill, your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Committees' allocations raise serious concerns about the overall priorities reflected in the appropriations process. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The House bill is $1.7 billion below the President's request, and the Senate bill is $1.8 billion below the request.

For the reasons discussed below, I would join other senior White House officials, the Secretary of the Treasury, and the Director of the Office of Personnel Management in recommending that the President veto the bill if it were presented to him as it passed the House or the Senate. However, the Administration believes that an acceptable bill could be developed in conference.

Federal Employees' Health Benefits Program

The Administration finds unacceptable the provision of the House-passed bill that purports to prohibit OPM from incurring administrative costs in connection with any health plan under the Federal Employees' Health Benefits Program (FEHBP) that provides any benefits or coverage for abortions, except in cases where the life of the mother would be endangered if the fetus were carried to term. The Senate-passed bill prohibits FEHBP coverage for abortions except in cases of rape, incest, or where the life of the mother would be endangered if the fetus were carried to term. Currently, the decision to cover abortion is left up to each health plan participating in the FEHBP. Federal employees who wish to purchase health coverage that does not include abortion services have that choice.

The House and Senate provisions are clearly designed to preclude Federal employees and their families from purchasing health insurance coverage that includes coverage for abortions. While the President believes that abortion should be safe, legal, and rare, the Administration strongly opposes provisions that are designed to restrict Federal employees and their dependents from choosing, and paying for, a health plan that includes coverage for abortion services.

Internal Revenue Service

The Administration strongly opposes the reduction in funding for the Internal Revenue Service contained in both the House and Senate versions of the bill, which are $602 and $803 million below the President's request, respectively. These cuts would severely damage the ability of the IRS to process tax returns and issue refunds in a timely manner and would impede, if not reduce, the collection of revenues needed to finance the operation of the Government, thereby adding to the deficit.

In particular, the Administration strongly objects to the Senate's $430 million reduction for the Tax Law Enforcement account. Eliminating last year's compliance initiative, while cutting base funding, would create serious risks to the levels of tax compliance in this country. Major reductions to the compliance initiative would send a signal that ensuring voluntary compliance is no longer a priority and would reward tax cheats. This action could result in the loss of as much as $10 to $15 billion in additional revenue over the next five years, thereby increasing the Federal deficit. The Senate's approach is inconsistent with the efforts of the Administration and the Congress to balance the Federal budget.

The Administration is also concerned with the Senate's reductions to the IRS Information Systems account. While funding Tax Systems Modernization at the House mark of $722 million would be an acceptable level for FY 1996, the Senate mark implies a $150 million reduction for the systems needed to maintain and operate the existing tax administration structure until the modernized systems are operational. The reductions to Tax Systems Modernization to date will necessitate keeping existing systems operational longer than was originally envisioned, increasing maintenance and repair costs with no corresponding improvement in burden reduction or system capability. The

Administration urges the conferees to allocate additional funding to the IRS for these much-needed improvements to systems operations.

Executive Office of the President

The House-passed bill would eliminate the Council of Economic Advisers (CEA). The Administration commends the Senate for restoring funding for this essential agency, which Presidents have turned to for rigorous, objective, professional economic analysis and advice for almost fifty years. Eliminating this small group of professional economists would deny Presidents their dedicated source of analysis of policy issues, based on the best available economic information. Neither the National Economic Council, which coordinates economic policy-making among Executive Branch agencies, nor OMB, which is responsible for supporting the President on budget and management matters, would fill the unique role of the CEA. The Administration urges the conferees to adopt the Senate position and provide funding for this indispensable agency.

The Administration appreciates the Senate's action to restore funding for the Office of National Drug Control Policy (ONDCP), although we encourage the conferees to increase funding for ONDCP internal operations to the requested level of $9.9 million. The President has said that he would veto the bill if it were presented to him in a form that eliminated ONDCP.

The Administration strongly opposes the requirement of the Senate-passed bill that would link ONDCP's obligation of funds to quarterly reporting to Congress on the implementation of the annual Drug Strategy by a new "Cabinet Council on Drug Strategy Implementation." This could have the unacceptable effect of denying funds to the Executive Branch agency responsible for leadership in the fight against drug abuse. ONDCP already reports extensively to Congress on its progress in implementing the Drug Strategy, and on special programs such as the High Intensity Drug Trafficking Area program. Further, the proposed creation of the "Cabinet Council" represents just one possible approach to improve the fight against drugs. The Administration prefers that full consideration be given to other possible options before a final course of action is taken.

Exchange Stabilization Fund

The Administration finds the provisions of the House-passed bill unacceptable and has major concern with the provisions of the Senate-passed bill that would restrict the operations of the

Exchange Stabilization Fund (ESF). The ESF has been a vital tool of U.S. international economic and monetary policy for every President since 1934 and has enjoyed bipartisan Congressional support throughout this period. It provides the means to stabilize exchange rates and to engage in monetary and financial operations that are essential to promoting vital U.S. economic and security interests. No resources have been lost as a result on any ESF operations.

The House-passed bill would prevent the use of the ESF for many important economic security purposes, including engaging in exchange market operations to stabilize foreign currencies and monetary operations to promote financial stability in other countries.

Provisions of the Senate-passed bill would preserve the authority of the Executive Branch to conduct exchange market operations and would exempt the Mexican program. In a number of situations, the conditions and limitations imposed by the Senate would reduce the capacity of the United States to act quickly and forcefully in dealing with today's dramatically larger and more powerful financial markets. They would weaken the ability of the United States to mobilize an effective multilateral response to financial emergencies, imposing limits on the United States that other major industrial countries do not face. While the Administration opposes any restrictions on the President's ability to use the ESF to protect our national interests in times of crisis, the Senate version, if modified pursuant to our recent discussions, is less objectionable.

Executive Political Appointees

The Administration strongly opposes the limit on the number of Executive Schedule, Senior Executive Service, and Schedule C non-career appointees contained in the Senate version of the bill. The number of people currently in positions covered by the provision of the Senate bill represents less than one-sixth of one percent of Federal civilian employment. The bill's arbitrary imposition of a limit of 2,000 such appointees would force a sudden reduction of one-third by January 1, 1996, and would seriously impair the President's ability to implement policy and manage the Executive Branch. To maintain accountability, the President must have the ability to appoint -- and remove -- managers in key positions. The Administration strongly urges the conferees to delete this provision, which represents an unprecedented incursion on the President's right to appoint people he selects for key positions.

Restriction on Not-For-Profit Organizations

The Administration opposes section 639 of the Senate-passed version of the bill, which provides that certain tax-exempt organizations that engage in "lobbying activities shall not be eligible for the receipt of Federal funds constituting an award, grant, or loan." The Administration strongly urges the conferees to delete this provision.

It is our understanding that the conferees may consider including similar, but much broader language than is contained in the House-passed version of the Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill. This provision, which would limit the ability of organizations to participate in administrative or judicial proceedings and appearances before State and local entities, is unacceptable to the Administration.

Additional Administration concerns with the House- and Senate-passed versions of the bill are contained in the enclosure. We look forward to working with the conferees to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Enclosure

Identical Letters Sent to Honorable Bob Livingston, Honorable David R. Obey, Honorable Jim Lightfoot, Honorable Steny H. Hoyer, Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Richard C. Shelby, and Honorable J. Robert Kerrey

Enclosure
(Conference)

**ADDITIONAL CONCERNS**
**H.R. 2020 -- TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, FY 1996**
**(AS PASSED BY THE HOUSE AND BY THE SENATE)**

Advisory Commission on Intergovernmental Relations

The Administration objects to the action of both the House and the Senate that would lead to elimination of the Advisory Commission on Intergovernmental Relations (ACIR). While the Senate provides partial funding for ACIR to fulfill its responsibilities under the "Unfunded Mandate Reform Act," full funding would allow ACIR to continue to play a vital role in conducting analyses of intergovernmental issues. The Administration urges the conferees to provide funding for the ACIR at the President's requested level of $1.4 million.

Information Security Oversight Office

The Administration objects to the House's failure to provide funding for the Information Security Oversight Office (ISOO). The Administration is pleased that the Senate has recognized the importance of the function performed by ISOO and has restored its funding at the requested level of $1.5 million.

ISOO oversees the security classification program for Government and industry. The Administration believes that ISOO performs important functions in the area of security classification, including directing and instructing agencies and industry in classifying, safeguarding, and declassifying national security information. Continued funding for ISOO is particularly critical given the recent issuance of Executive Order 12958, which imposes specific responsibilities on ISOO.

On May 2, 1995, the President transmitted a budget amendment to the Congress establishing ISOO as a separate entity within the National Archives and Records Administration (NARA). The Administration continues to believe that NARA is the appropriate organization in which to locate ISOO.

Employee Training

The Administration supports the Senate's decision to remove the restrictions on the use of funds for employee training specified in sections 528 and 629 of the House-passed bill. The Administration believes that the House provision could have the unintended consequence of preventing a broad range of useful training such as out-placement assistance and retraining for individuals who are being moved as part of an agency restructuring.

Administrative Conference of the United States

The Administration commends the Senate for restoring funding for the Administrative Conference of the United States (ACUS). The Conference is a non-partisan advisory agency that advises Congress and the Executive Branch on improving the fairness and efficiency of Federal programs. The Administration urges the conferees to adopt the Senate position.

Violent Crime Reduction Trust Fund

The Administration commends the Senate for increasing funding from the Violent Crime Reduction Trust Fund for Treasury law enforcement bureaus from the level contained in the House-passed bill. The House's $14 million reduction to the President's request would leave a number of important Treasury law enforcement priorities unfunded. The Administration urges adoption of the Senate position and funding levels.

Overtime Pay for Secret Service

The Administration is concerned over section 532 of the Senate-passed bill. This provision would allow the Secret Service to provide additional compensation for its agents who work scheduled overtime hours. This may be viewed as contrary to the 1995 Law Enforcement Availability Pay Act agreed to last year. This provision could undermine this agreement and lead other law enforcement agents to seek similar treatment and increase Federal law enforcement pay liability.

FLSA Section 640 Pay

The Administration urges the conferees to repeal section 640 of the FY 1995 Treasury, Postal Service, and General Government Appropriations Act. This section directs the Comptroller General to apply a six-year statute of limitations to claims for Fair Labor Standards Act overtime filed before June 30, 1994. This limitation period is three times longer than that applicable to claims filed by all other private and public sector employees. This provision would cost the Federal Government hundreds of millions of dollars in windfall overtime pay for Federal criminal investigators.

Federal Labor Relations Authority/Merit Systems Protection Board

The Administration appreciates the Senate's action in restoring resources to the Federal Labor Relations Authority and the Merit Systems Protection Board. The House's reductions to the requests for these agencies, which adjudicate employee and employment disputes, would result in unacceptable backlogs in a growing workload of cases stemming from Executive Branch downsizing and reorganization. The House-passed bill would provide inadequate resources for this continuing work and for other Federal employment dispute adjudication functions, including those involving allegations of discrimination. The Administration urges the conferees to adopt the Senate position for these agencies.

Office of Personnel Management (OPM)

The Administration endorses the Senate's action of deleting language from the House bill that would have delayed the privatization of the investigations program. However, the Administration is concerned by the Senate's action to delete language from the House bill that would permit OPM's Employment Service to accept reimbursements from agencies for providing them with services such as job listings and examinations. Reductions in Employment Service funding without such reimbursable authority would leave agencies without the help they need, particularly to provide information about potential jobs to their employees who have been adversely affected by Federal downsizing.

The Administration also objects to the Senate's reduction in the limitation on transfers from trust funds for the administration of the Federal civilian retirement and health and life insurance programs. These resources are needed to assure that retirement benefits are paid accurately and on time. The Administration urges the conferees to privatize the investigations program, to permit OPM's Employment Service to accept reimbursements for help provided to agencies, and to provide full funding for the limitation on transfers.

General Services Administration (GSA)

The House mark would provide only partial funding for the construction of certain requested projects. As a budget policy matter, the Administration recommends that funding for projects be provided in full. GSA cannot proceed with a construction project without having full funding for the project. Partial funding would only delay the projects and is not an efficient use of the appropriation.

The Senate has not accepted the Administration's proposal, passed by the House, to create a separate appropriation account for GSA's policy and oversight activities. The establishment of this separate account is an important part of the Administration's effort to reduce government-wide administrative costs by strengthening GSA's policy and oversight role. Most of GSA's policy activities are currently distributed among the three Services and have traditionally received less attention and support than the operational functions of those Services. Creation of the separate appropriation for GSA's policy activities, coupled with the organizational separation of these activities from operational functions, is deemed essential to provide these activities with the resources and management attention necessary to increase their effectiveness. The Administration urges the conferees to concur with the House position on creating separate appropriation accounts for policy and operations.

The Senate has also reduced funding for the Building Operations account by $50 million. This account funds security activities and will need to fund enhanced security measures in FY 1996. Therefore, full funding of the requested level will be necessary to fund these efforts.

The Senate, like the House, has reduced GSA's direct appropriations by $39 million to reflect the transfer of certain functions from the proposed Office of Policy and Oversight back to the Public Buildings Service (PBS). Unlike the House, however, the Senate has not restored these funds to the Federal Building Fund, which would leave the Fund with an overall shortfall of $89 million.

FTS 2000

The House-passed bill eliminates language concerning the mandatory use of FTS 2000 by Federal agencies. In the FY 1996 Budget, the Administration has proposed retaining the provision to signal its continuing support for FTS 2000. The Administration is concerned that dropping the mandatory use provision could suggest reduced congressional support for the FTS 2000 program and would cause uncertainty for the vendors, which could raise prices. The Administration supports the Senate version of the bill, which includes mandatory use of FTS 2000 language.

U.S. Customs Service - Salaries and Expenses

Under the National Performance Review, the Administration is conducting a comprehensive border process re-engineering project in concert with all Federal agencies involved in maintaining the Nation's borders. The Administration supports a pilot initiative to study the effectiveness of unified port management through the designation of a single director but does not believe statutory language is necessary. Further, the Administration believes that designation of the port director by one agency -- the Customs Service -- is inappropriate. All agencies represented at the pilot southern and northern ports selected should be eligible to serve. The Administration recommends that the statutory language of the House-passed bill be removed.

Federal Election Commission (FEC)

The House mark is $2.5 million, or nine percent, below the President's request. This would reduce the agency below its FY 1995 enacted level. The Administration urges the conferees to adopt the Senate level of funding for the FEC, which is almost $2 million above the House. Funding for the FEC is crucial to the smooth operation of our Federal elections system.

U.S. Mint Personnel and Procurement Exemptions

The Administration strongly disagrees with the provision of the Senate-passed bill that would exempt the U.S. Mint from all provisions of law governing procurement or public contracts. The exemption exceeds what is necessary for the operation of the Mint under a revolving fund and is incompatible with the Administration's efforts to streamline and reform Federal procurement laws and regulations.

Bureau of the Mint Revolving Fund

The Administration supports establishment of a Mint revolving fund. However, the Administration urges the conferees to consider the technical suggestions provided in earlier letters.

## Clinton Presidential Records
## Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: FOREIGN OPS

(F)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 22, 1995
(House Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

**H.R. 1868 -- FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS BILL, FY 1996**
(Sponsors: Livingston (R), Louisiana; Callahan (R), Alabama)

This Statement of Administration Policy provides the Administration's views on H.R. 1868, the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, as reported by the Appropriations Committee. While the Administration is quite concerned that the funding levels for some programs in the bill limit its ability to carry out an effective foreign policy, the Administration will not oppose H.R. 1868 at this time because we want to work with the Congress to improve the bill as it moves through the legislative process. But, we will have great difficulty supporting H.R. 1868 if improvements are not made.

The Administration commends the Appropriations Committee on two important aspects of its mark-up. First, the bill as reported by the Committee is substantially free of funding earmarks. This will give the Executive Branch much needed flexibility to use scarce foreign assistance funds to meet the complex foreign policy challenges of the current era. Second, the bill does not inappropriately legislate a consolidation of the Agency for International Development into the Department of State. Any such consolidation would seriously impair the ability of the United States to carry out its international policies and programs in an effective way. The Administration strongly urges the House to uphold these two positive aspects of the Committee bill.

At the same time, the Administration is deeply concerned over the large reductions in appropriations for some international affairs programs. The funds requested by the Administration for the programs funded through H.R. 1868 amount to less than one percent of the Federal budget, but they are critical to achieving security, economic, and humanitarian objectives abroad that are widely supported by Americans.

The Administration recognizes that the amounts included in the Committee bill are in great part determined by the congressional budget process. These budget constraints, however, should not needlessly undermine our legitimate leadership role in today's world. To this end, the Administration intends to work to provide additional funding for these programs in subsequent stages of the appropriations process.

Because of the large reductions the Committee has made in a number of programs, any further reductions on the floor of the House would be certain to impair severely the achievement of key foreign policy objectives. The Administration will strongly oppose any amendments that reduce still further the funding levels contained in this bill as well as amendments that infringe upon the President's prerogatives to conduct foreign policy.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 14, 1995

Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 1868, the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 1996, as reported by the Senate Subcommittee. As the Full Committee develops its version of the bill, your consideration of the Administration's views would be appreciated. In addition, the State Department will comment in a separate letter on several troublesome policy provisions. Because we have not yet seen the Subcommittee bill or report, these views are, necessarily, preliminary.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. While the Administration supports reducing spending, the amount provided by the Subcommittee falls short of what the Administration believes is needed to carry out a successful foreign policy, one that provides the American people the benefits that they deserve. Furthermore, we do not share all of the priorities reflected in the Subcommittee bill. We look forward to working with the Congress at subsequent stages of the appropriations process to assure that the bill provides the maximum possible support for U.S. foreign policy.

The Administration welcomes the funding increases that the Subcommittee has provided above amounts in the House version of the bill. A number of the increases are made for programs that the Administration regards as high priorities. Nevertheless, funding for certain priority programs falls short of what is needed even in a constrained budget environment. Additional funding is particularly needed for such programs as the Economic Support Fund, contributions to the International Development Association, foreign military financing, Agency for International Development operating expenses, and voluntary contributions to international organizations and programs and to peacekeeping operations. Further, the Subcommittee has made reductions to several programs, including the North American Development Bank, International Disaster Assistance, International Military Education and Training, and the Development Fund for Ireland, that the Administration believes should be restored. These adjustments, and others, are feasible within the framework of the funding plan that the Administration recently provided to the Subcommittee.

The Administration has serious concerns about other provisions of the Subcommittee bill. Unlike the House, the Senate Subcommittee bill provides a number of funding earmarks, particularly for assistance to the New Independent States of the former Soviet Union. Given the severe constraints on the amount of funds available, these earmarks would be particularly burdensome and would vitiate some of the benefit of the funds that are provided.

The Subcommittee bill also creates an omnibus economic assistance account combining a number of currently separate accounts. While the Administration has proposed consolidation of certain bilateral development assistance programs, we do not support this proposal. The Subcommittee's recommended new structure would combine programs for which different Executive Branch officials have management responsibility and accountability. However, the Administration, is willing to work further with the Congress on account structure.

To facilitate effective management, any new account structure should provide greater programmatic flexibility. It is therefore troublesome that the Subcommittee bill applies a rigid mathematical formula based on FY 1995 appropriations to the amounts to be available in FY 1996 for the components of the new account. The Subcommittee bill's formula would set amounts for each component based on the past rather than current foreign policy challenges. This approach ignores the fact that the deep congressional reduction in the aggregate funding for this account requires a different distribution of funds than the larger FY 1995 funding allowed. A similar mathematical formula is applied to the distribution of some of the funds for voluntary contributions to international organizations and programs and is equally undesirable. The Administration urges the Committee to remove these provisions.

Beyond funding, there are several aspects of the Subcommittee bill that the Administration strongly supports. The bill contains two provisions that will help significantly to further the peace process in the Middle East: authority for the drawdown of military goods and services for Jordan, and extension of the Middle East Peace Facilitation Act. Further, the bill would permit responsible international population programs to be carried out by non-governmental organizations. Finally, the bill would eliminate the budget account created by the House for children and disease programs that constitutes an unnecessary earmarking of funds for this purpose. The Administration urges the Committee to uphold these aspects of the Subcommittee bill.

Favorable Senate consideration of the concerns outlined here would help to ensure Administration support for the Foreign Operations Bill. We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Mitch McConnell, and Honorable Patrick J. Leahy

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

(F)

September 20, 1995
(Senate Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

## H.R. 1868 -- FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS BILL, FY 1996

(Sponsors: Hatfield (R), Oregon; McConnell (R), Kentucky)

This Statement of Administration Policy provides the Administration's views on H.R. 1868, the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 1996, as reported by the Senate Appropriations Committee.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. While the Administration supports reducing spending, the amount provided by the Committee falls short of what the Administration believes is needed to implement an effective foreign policy, one that advances the interests of the American people and protects U.S. economic and strategic interests abroad. In addition, the Administration does not share all of the priorities reflected in the Committee bill.

The Administration welcomes a number of actions taken by the Committee, including an increase in the overall funding level above the House level and increases in a number of individual programs that are of high priority to the Administration. The Administration also strongly supports the Committee's removal of some restrictions on funds for non-governmental organizations providing family planning services abroad, the inclusion of authority for the drawdown of military goods and services for Jordan, and the inclusion of the Middle East Peace Facilitation Act.

However, the Administration is deeply concerned about several language provisions contained in the Committee bill. The Committee's constraints on support for the Korea Energy Development Organization (KEDO) would frustrate major gains being made to support non-proliferation efforts in North Korea. If the

U.S. were to fail to provide funds to support implementation of the agreed framework, the North Koreans would be able to blame the U.S. for not abiding by its commitments. A resumption of the North Korean nuclear weapons program would ultimately cost hundreds of millions of dollars -- even billions of dollars -- more than the $22 million U.S. contribution to the KEDO.

Provisions of the Committee bill that would deny assistance to Russia because of its relationship with Iran and remove the waiver relating to the maintenance of territorial integrity would threaten a number of major U.S. objectives in Russia. The assistance to Russia, Ukraine, and the rest of the New Independent States is in the interest of the United States. These provisions are not appropriate levers to influence Russian actions. By conditioning or cutting off aid, these provisions would harm the very elements of reform that will bring about essential economic and democratic changes.

The Administration has a number of serious concerns about other provisions of the bill. With regard to resources, additional funding is particularly needed for such programs as the Economic Support Fund, contributions to the International Development Association, foreign military financing, Agency for International Development operating expenses and contributions to international organizations and programs and to voluntary peacekeeping operations. Further, the Committee has made reductions to several programs, including the North American Development Bank, International Disaster Assistance, International Military Education and Training, and the International Fund for Ireland, that the Administration believes should be restored. These adjustments, and others, are feasible within the framework of the funding plan that the Administration has provided to the Subcommittee.

The Administration is concerned that, unlike the House-passed bill, the Senate Committee bill provides a number of funding earmarks, including those on assistance to the New Independent States of the former Soviet Union, on international anti-crime programs, and on population funding. Given the severe constraints on the amount of funds available, these earmarks would be particularly burdensome and would vitiate some of the benefit of the funds that are provided.

The Committee bill would create an omnibus economic assistance account combining a number of currently separate accounts. The Administration has proposed account consolidation for certain bilateral development assistance programs but does not support this proposal. The most troublesome aspect of this proposal is that FY 1996 funding for the components of the account would be set according to a rigid formula that would not provide flexibility to respond to changing needs. A similar formula would be applied to the majority of the funds for voluntary contributions to international organizations and programs. The Administration is willing to work further with the Congress on account structure but urges the Senate not to adopt the Committee's approach.

Finally, Committee language requiring notifications for voluntary peacekeeping expenditures and language making it more difficult to waive the current prohibition on indirect aid to certain countries would further impair the Administration's ability to respond to rapidly developing events. The bill's restriction on counter-narcotics programs in Burma would seriously undermine U.S. efforts to attack the heart of the heroin production problem at a time when heroin addiction is of growing concern here at home. The Administration urges the Senate to remove this language from the bill.

The Administration would oppose any Floor amendments that would attempt to limit the President's ability to carry out foreign policy.

The Administration believes that it is possible to produce a mutually acceptable bill that will meet the most important foreign policy objectives, particularly if the Senate gives favorable consideration to the Administration's concerns discussed above.

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Divider Title: LEG/DC

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 6, 1995

Honorable Newt Gingrich
Speaker of the
House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

I am writing to urge that Congress not approve the appropriations bill for the legislative branch at this time.

The President recently noted that while Congress was behind schedule in passing most appropriations bills, it was moving quickly on the one bill that funds itself, its staff, and its operations.

The President also said that if Congress moved ahead on plans to send him that bill before any of the other 12 appropriations bills, he would veto it. Congress, he said, should not take care of its own business before addressing the people's business.

At this point, Congress is set to take final action on the appropriations bill for the legislative branch, but has made no significant progress in sending the President any other appropriations bills that he can sign. While the House has passed 12 appropriations bills and the Senate seven, Congress has not presented the President with a single appropriations bill, and several of the ones in progress are unacceptable to him.

To avoid a veto, Congress should first make substantial progress in presenting other appropriations bills that the President can sign before sending him this bill, and I am writing to urge that Congress not approve this bill at this time.

I look forward to continuing to work with you in the weeks and months ahead.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Identical letter sent to Honorable Richard A. Gephardt

# Clinton Presidential Records
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Divider Title: MIL. CONTRUCTION

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

June 13, 1995

Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman:

The purpose of this letter is to provide the Administration's views on the Military Construction Appropriations Bill, FY 1996, as reported by the Subcommittee. Your consideration of these views would be appreciated.

The Administration would support the bill as reported by the Subcommittee if it were modified to respond to the concerns discussed below. The Administration appreciates the Subcommittee's support of the request for the base closure and realignment program, the operation and maintenance portion of the family housing program, and requested construction projects. However, the Administration objects to the Subcommittee's adjustments that would:

- Provide $647 million in funding for 84 unrequested military and family housing construction projects. This funding is partially offset by reductions to requested projects. The total appropriation is $500 million more than requested for programs funded in this bill. With the nation facing serious budget constraints, such a spending increase is neither affordable nor militarily necessary.

- Provide only incremental funding for several military construction projects for which full funding was requested. The need to fund completion of these projects in FY 1997 would reduce funding available for other projects, including readiness and quality of life programs supported by the Administration and the Appropriations Committee.

The Administration urges the Committee to approve the transfer authority requested for Military Construction and Family Housing appropriations. This authority would increase the Department's ability to direct resources to emerging readiness and quality of life requirements.

We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Identical Letters Sent to Honorable Bob Livingston, Honorable David R. Obey, Honorable Barbara F. Vucanovich, and Honorable W.G. Hefner

(F)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 16, 1995
(House Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

**H.R. 1817 -- MILITARY CONSTRUCTION APPROPRIATIONS BILL, FY 1996**

(Sponsors: Livingston (R), Louisiana; Vucanovich (R), Nevada)

This Statement of Administration Policy expresses the Administration's views on H.R. 1817, the Military Construction Appropriations Bill, FY 1996, as reported by the House Appropriations Committee.

The Administration would support the bill as reported by the Committee if it were modified to respond to the concerns discussed below. The Administration appreciates the Committee's support of the request for the base closure and realignment program, the operation and maintenance portion of the family housing program, and requested construction projects. The Administration is particularly appreciative of the Committee's approval of funding for the family housing improvement program.

However, the Administration objects to the Committee's adjustments that would:

- Provide $647 million in funding for 84 unrequested military and family housing construction projects. This funding is partially offset by reductions to requested projects. The total appropriation is $500 million more than requested. With the nation facing serious budget constraints, such a spending increase is not affordable.

- Provide only incremental funding for several military construction projects for which full funding was requested. The need to fund completion of these projects in FY 1997 would reduce funding available for other projects, including readiness and quality of life programs supported by the Administration and the Appropriations Committee.

The Administration urges the Committee to approve the transfer authority requested for Military Construction and Family Housing appropriations. This authority would increase the Department's ability to direct resources to emerging readiness and quality of life requirements.

(F)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 15, 1995
(House Rules)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

## H.R. 1817 -- MILITARY CONSTRUCTION APPROPRIATIONS BILL, FY 1995
(Sponsors: Livingston (R), Louisiana; Vucanovich (R), Nevada)

This Statement of Administration Policy expresses the Administration's views on H.R. 1817, the Military Construction Appropriations Bill, FY 1996, as reported by the House Appropriations Committee.

The Administration would support the bill as reported by the Committee if it were modified to respond to the concerns discussed below. The Administration appreciates the Committee's support of the request for the base closure and realignment program, the operation and maintenance portion of the family housing program, and requested construction projects. However, the Administration objects to the Committee's adjustments that would:

- Provide $647 million in funding for 84 unrequested military and family housing construction projects. This funding is partially offset by reductions to requested projects. The total appropriation is $500 million more than requested for programs funded in this bill. With the nation facing serious budget constraints, such a spending increase is neither affordable nor militarily necessary.

- Provide only incremental funding for several military construction projects for which full funding was requested. The need to fund completion of these projects in FY 1997 would reduce funding available for other projects, including readiness and quality of life programs supported by the Administration and the Appropriations Committee.

The Administration urges the Committee to approve the transfer authority requested for Military Construction and Family Housing appropriations. This authority would increase the Department's ability to direct resources to emerging readiness and quality of life requirements.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 18, 1995

Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 1817, the Military Construction Appropriations Bill, FY 1996, as passed by the House. As the Senate develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The House bill is $479 million above the President's request.

The Administration appreciates the House's support of the request for the base realignment and closure program, the family housing program, and requested construction projects. The Administration particularly appreciates the House's approval of funding for the family housing improvement program.

However, the Administration strongly objects to $676 million in funding for 84 unrequested military and family housing construction projects. With the Nation facing serious budget constraints, such a spending increase is not affordable.

The Administration also objects to the following:

- The House provides only incremental funding for several military construction projects for which full funding was requested. The need to fund completion of these projects in FY 1997 would reduce funding available for other projects, including readiness and quality of life programs supported by the Administration and the Appropriations Committees.

- o The House-passed bill establishes a ceiling on the amount of BRAC II and III funds that can be spent on environmental cleanup. This action would severely limit the ability to close bases and transfer property to local reuse authorities, thereby delaying economic redevelopment in base closure communities.

The Administration urges the Senate to approve the transfer authority requested for Military Construction and Family Housing appropriations. This authority would increase the Department's ability to direct resources to emerging readiness and quality of life requirements.

We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Conrad Burns, and Honorable Harry Reid

(F)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 20, 1995
(Senate Floor)

# STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

**H.R. 1817 -- MILITARY CONSTRUCTION**
**APPROPRIATIONS BILL, FY 1996**
(Sponsors: Hatfield (R), Oregon; Burns (R), Montana)

This Statement of Administration Policy provides the Administration's views on H.R. 1817, the Military Construction Appropriations Bill, FY 1996, as reported by the Senate Appropriations Committee.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. The Committee bill is $461 million above the President's request.

The Administration appreciates the Senate Committee's support of the request for the base realignment and closure program, the family housing program, and requested construction projects. The Administration particularly appreciates the Committee's approval of funding for the family housing improvement program.

However, the Administration strongly objects to $648 million in funding for approximately 100 unrequested military and family housing construction projects. With the Nation facing serious budget constraints, such a spending increase is not affordable.

The Administration also objects to the following:

- The Committee would provide only incremental funding for several military construction projects for which full funding was requested. The need to fund completion of these projects in FY 1997 would reduce funding available for other projects, including readiness and quality of life programs supported by the Administration and the Appropriations Committees.

- The Committee bill would establish a ceiling on the amount of BRAC II and III funds that can be spent on environmental cleanup. This action would severely limit the ability to close bases and transfer property to local reuse authorities, thereby delaying economic redevelopment in base closure communities.

The Administration urges the Senate to approve the transfer authority requested for Military Construction and Family Housing appropriations. This authority would increase the Department's ability to direct resources to emerging readiness and quality of life requirements.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 14, 1995

Honorable Robert C. Byrd
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Byrd:

The purpose of this letter is to provide the Administration's views on H.R. 1817, the Military Construction Appropriations Bill, FY 1996, as passed by the House and by the Senate. As you develop the conference version of the bill, your consideration of the Administration's views would be appreciated.

The Administration is committed to balancing the Federal budget by FY 2005. The President's budget proposes to reduce discretionary spending for FY 1996 by $5 billion in outlays below the FY 1995 enacted level. The Administration does not support the level of funding assumed by the House or Senate Committee 602(b) allocations. The Administration must evaluate each bill both in terms of funding levels provided and the share of total resources available for remaining priorities. Both the House and Senate versions of this bill exceed the President's request by over $450 million.

The Administration has recognized the need for significant funding increases for military construction programs by proposing an overall increase of 22 percent over the FY 1995 enacted level. However, the Administration believes that further increases, as provided by both the House and the Senate, are unwarranted, particularly when other legislation is drastically cutting programs that are vitally important to a higher standard of living for all Americans. Because the Administration has serious concerns about the overall priorities reflected in the appropriations process, we believe that it is essential to reduce the total funding level provided in this bill.

Funding Priorities

The Administration appreciates the support of the House and Senate for funding the request for the base realignment and closure program, the family housing program, and requested construction projects. The Administration particularly appreciates the approval of funding for the family housing improvement program. The funding provided will enable the Department of Defense to improve the quality of life of our military members.

The Administration notes, however, that both the House and the Senate have provided approximately $650 million in funding for unrequested construction projects. Many of these projects are funded at the expense of high-priority requested projects, and a number of these unrequested projects are not included in the Defense Department's long-range plan. The Administration strongly urges the conferees to eliminate unrequested funding for low-priority programs.

Overseas Construction

The House version of the bill provides $65 million, as requested, for high-priority prepositioning projects at classified locations overseas. The Senate has recommended eliminating funding for these projects. Failure to pursue these projects would increase military response time to areas of particular importance to the U.S. and discourage further cooperation by affected countries. Prepositioning on land is a cost-effective way to permit our armed forces to react to threats quickly and with the necessary military capability. The conferees are urged to adopt the House position and to provide the funding requested for these projects.

Environmental Cleanup

The Administration objects to the House and Senate language that would limit funding for environmental cleanup at base realignment and closure sites. The Base Realignment and Closure (BRAC) accounts were created with a great deal of flexibility to permit DOD to allocate BRAC funds to the programs and locations with the greatest need at the moment. Constraining DOD's ability to apply BRAC funds to environmental cleanup could, if estimated requirements change, delay the transfer of base property to local redevelopment authorities, worsening the economic impact on the affected communities. The Administration urges the conferees to uphold the flexibility of the BRAC accounts and to support the affected communities by removing these artificial ceilings.

Chemical Demilitarization

The House version of the bill provides $95 million, as requested, for continued construction of two chemical demilitarization facilities at Pine Bluff, Arkansas, and Umatilla, Oregon. The Senate has recommended eliminating funding for these two projects in the belief that unobligated appropriations for construction of a chemical demilitarization facility at Anniston, Alabama, would be available for the projects. Contract award for the Anniston facility, however, is scheduled during FY 1996. To help maintain the construction schedule and prevent cost increases in the chemical demilitarization program, the conferees are urged to adopt the House position and to provide the funding requested for these two facilities.

The Administration believes that the suggested changes discussed above would result in a fiscally responsible bill that funds programs of national significance. We look forward to working with the conferees to address our mutual concerns.

Sincerely,

Alice M. Rivlin
Director

Identical Letters Sent to Honorable Bob Livingston, Honorable David R. Obey, Honorable Barbara F. Vucanovich, Honorable W.G. Hefner, Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Conrad Burns, and Honorable Harry Reid