Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	Contact list for Arctic Research Commission (partial) (1 page)	07/1994	P6/b(6)

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Gaynor McCown (Subject Files)
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FOLDER TITLE:
[Small Agency Review - Session 10, March 20, 1995] [Binder]

2011-0255-S
rc227

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

SMALL AGENCY REVIEW

SESSION 10

March 20, 1995

Small Agency Review
Index
March 20,1995

General Government & Finance

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Health & Personnel

Tab N ----Office of Government Ethics

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Divider Title: **A**

THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD

DESCRIPTION: TDPOB is responsible for reviewing and evaluating the overall strategies, policies, and goals of the Resolution Trust Corporation (RTC) and to approve, prior to implementation, RTC financial plans, budgets, and periodic financing requests. TDPOB is also responsible for directing the activities of the Resolution Funding Corporation (REFCORP), which was established to provide financing to the RTC.

FY 1996 BUDGET PROPOSAL: There is no separate budget or FTE figures for TDPOB. TDPOB has projected expenses for FY 1996 of $1.403 million. This is a decrease of $3.943 from FY 1995 levels. TDPOB plans to cease staff operations after the first quarter of FY 1996.

AGENCY PROPOSAL: The RTC is required by statue to terminate on December 31, 1995. TDPOB plans to terminate its staff operations during 1996, however, the statutory members of the Board will be responsible for overseeing activities of REFCORP until 2030, and the Chairman of the Oversight Board, or his delegate, will continue to serve as a member of the Affordable Housing Advisory Board until 1998.

DECISION OPTIONS:
A. Allow TDPOB to terminate staff operations in FY 1996 as planned.

ADVISORY GROUP RECOMMENDATION:
A. Allow TDPOB to terminate staff operations in FY 1996 as planned.

RATIONALE: Termination of staff operations at TDPOB will coincide with RTC termination. Other than to complete statutory reporting and close-out requirements, there will no longer be a TDPOB staff operations after December 31, 1995.

STEERING COMMITTEE RECOMMENDATION:

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THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD

OPTION PAPER

The Thrift Depositor Protection Oversight Board's ("Oversight Board") principal statutory duties are to review and evaluate overall strategies, policies and goals of the Resolution Trust Corporation ("RTC") and to approve, prior to implementation, RTC financial plans, budgets and periodic financing requests. The RTC was created in 1989 to close or sell the failed thrift institutions that arose out of the massive financial crisis of the savings and loan industry and to sell the remaining assets of those failed institutions. The Oversight Board is also responsible for directing the activities of the Resolution Funding Corporation ("REFCORP"), which was established to provide financing for the RTC. At the direction of the Oversight Board, the REFCORP has created and issued obligations totalling $30 billion to help finance RTC operations. The Oversight Board also provides staff and technical support for six Regional Advisory Boards, the National Advisory Board, and the Affordable Housing Advisory Board. The Oversight Board has seven members as follows: the Secretary of the Treasury, who serves as Chairman; the Chairman of the Board of Governors of the Federal Reserve System; the Chairman of the Federal Deposit Insurance Corporation (FDIC"); the Director of the Office of Thrift Supervision ("OTS"); the Chief Executive Officer of the RTC; and two independent members.

The RTC is required by statute to terminate on December 31, 1995. In that regard, the Oversight Board will terminate staff operations during 1996. In the months following the closure of the RTC, the Oversight Board staff will be required to complete various statutory reports. The Oversight Board will continue, however, to be responsible for overseeing the activities of REFCORP until 2030, and the Chairman of the Oversight Board or his delegate will continue to serve as a member of the Affordable Housing Advisory Board until 1998.

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Digital Records Marker

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Divider Title: **B**

MARTIN LUTHER KING, JR. FEDERAL HOLIDAY COMMISSION

DESCRIPTION: Created in August 1994, the Commission encourages appropriate King holiday ceremonies and activities. The Commission markets the holiday through print and electronic media and the distribution of information packets and reports to the President and Congress. The Commission creates holiday observance guidelines. The Commission also sponsors conferences, workshops, seminars, and symposiums on a variety of issues. In August 1994, the Commission's mandate was expanded to include community service initiatives. In addition, the Commission was legislatively linked to the Corporation for National Service through its grant approval process for community service activities related to the King holiday.

FY 1996 BUDGET PROPOSAL: Projected FY 1996 budget authority is $350,000, an increase of $50,000 over FY 1995 levels. Projected FY 1996 FTE is 4, and increase of 1 FTE over FY 1995 levels.

AGENCY PROPOSAL: No change proposed. While the Commission acknowledges that it was never intended to be a permanent Federal agency, the Executive Director states that it is not in the national interest to terminate or privatize at this time. The Executive Director argues that the Commission should remain a Federal entity because it is cost effective and a national asset enjoying strong bipartisan support.

DECISION OPTIONS:

A. No change. Continue funding at FY 1996 levels.
B. Terminate Commission.

ADVISORY GROUP RECOMMENDATION: **B (NPR)**

RATIONALE: The Martin Luther King holiday is now celebrated in 49 states. The Commission has successfully accomplished its mission and should be commended for a job well done.

STEERING COMMITTEE RECOMMENDATION:

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Chairperson
Coretta Scott King

Vice Chairperson
Cong. Ralph Regula

Treasurer
Christine King Farris

Secretary
Cong. Alan Wheat

Commissioners

Don Alexander
Hon. Bruce Babbitt
Leonard Burchman
Joan Brown Campbell
Dr. Benjamin F. Chavis, Jr.
Hon. Henry Cisneros
John Cox
Sen. John C. Danforth
William Darnell
Rev. Richard Deats
Sen. Robert J. Dole
Hon. Mike Espy
Cong. Gary Franks
Keith Geiger
Dr. Robert Henderson
Hon. Alexis Herman
Jesse Hill, Jr.
Sen. Ernest F. Hollings
David Jory
Hon. Sharon Pratt Kelly
Jack Kemp
Sen. Edward M. Kennedy
Richard Kimberly
Dexter King
Rev. Joseph Lowery
Sister Catherine McNamee, CSJ
Dr. Carole Miller
W. Stewart Minton
Cong. Thomas Sawyer
Jack Sheinkman
David J. Stern
Paul Tagliabue
Jose Velez

Maynard I. Wishner
Stevie Wonder

Executive Director
Lloyd Davis

Washington Office
451 7th St., SW
Suite 5182
Washington, DC 20410
202-708-1006
FAX 708-2053

New York Office
One World Trade Center
Suite 68 South
New York, NY 10048-0682
212-435-8000
FAX 435-4032

March 1, 1995

The National Performance Review Steering Committee
750 17th Street, N.W.
Suite 200
Washington, D.C. 20006

Attn: Laurie Lyons

Dear Committee Members:

This letter is in response to your request for information on the Martin Luther King, Jr. Federal Holiday Commission. This information is being offered without the opportunity to have them reviewed and endorsed by the officers and members of the King Federal Holiday Commission.

As you know, members of the Commission include 4 representatives of the President, 8 members of the United States Congress, 3 members of the King family (one of whom is our Chairperson, Mrs. Coretta Scott King), 2 representatives of The King Center in Atlanta, and the Chief Executive Officer of the Corporation for National Service. These 18 Commissioners choose 23 additional Commissioners-at-large representing diverse interests groups, bringing the total to 41 members. This letter will be shared with the Commission's Operations Committee which will meet in Washington on March 16, 1995 and with the full Commission at its March 30th meeting.

The "King Holiday and Service Act of 1994," signed by President Clinton at a White House ceremony on August 23, 1994, extends the King Federal Holiday Commission through September 30, 1999. The legislation authorizes funding for the Commission in the amount of $300,000 for FY 1995 and provides for an additional $50,000 each subsequent year capping out at $500,000 in 1999. The legislation additionally authorizes the Corporation for National Service to encourage and support service opportunities across the nation in conjunction with the King Holiday and expands the mission of the King Federal Holiday Commission to promote community service, interracial cooperation and anti-youth violence initiatives. The legislation defines community service opportunities as those reflecting the life and teachings of Martin Luther King, Jr such as "cooperation and understanding among racial and ethnic groups, nonviolent conflict resolution, equal economic and educational opportunities, and social justice."

449 AUBURN AVENUE, N.E. • ATLANTA, GEORGIA 30312 • (404) 730-3155 • FAX (404) 730-3160

The "King Holiday and Service Act of 1994" passed in the United States House of Representatives without a single registered vote of opposition and in the United States Senate with only four opposing votes. Over the years, the King Federal Holiday Commission has received words of appreciation, encouragement and support from the President, leaders of the Congress, governors, mayors and heads of many private and civic organizations.

Background

The King Federal Holiday Commission was established in 1984 to encourage appropriate celebrations throughout the United States for the first observance of the Federal legal holiday honoring Martin Luther King, Jr. on January 20, 1986. During that 2 year period, the Commission advised and assisted federal, state, and local governments and private organizations in planning observances of the holiday. Realizing that the institutionalization of a holiday could not be accomplished overnight, the Commission was reauthorized in 1986 and again in 1989. The 1989 extension, under President George Bush, authorized Federal appropriations to support the Commission for the first time and passed in the Senate 90-7.

Since its original charter, the Commission has brought the King Federal Holiday from a concept to a reality and provided it with substance, form, imagery, and focus. When the Commission began its work in 1984, only 17 states observed Dr. King's birthday in some manner. Today, 49 states recognize the King Federal Holiday, as do all United States territories and the District of Columbia. At least 100 nations around the world observe the King holiday in some manner. New Hampshire does not have a Martin Luther King, Jr. State Holiday.

Work of the Commission

The King Federal Holiday Commission's annual report, submitted to the President and the Congress, thoroughly documents the growing acceptance of the King Holiday and the important work of the King Federal Holiday Commission. The Commission is concerned, however, that far too many Americans still view the King Holiday as a holiday for only African-Americans and is working to change this perception through the promotion of all-inclusive King Holiday activities. The Commission also seeks to increase business/corporate support and involvement in the King Federal Holiday. We are aware that 90 percent of U.S. Corporations encourage their employees to engage in volunteer programs. Members of the Commission believe that by designating the King Holiday as a day for national service, many more Americans and business organizations will have the opportunity to support the holiday--through service. According to the latest Bureau of National Affairs survey, 24% of the work force celebrates the holiday.

Over the years, the King Federal Holiday Commission has distributed thousands of informational packages, posters and other educational materials to help localities and organizations develop their own holiday activities and events. The Commission has helped reinvigorate the pride that Americans of all races take in our society's movement toward full equality before the law. The Commission also sponsors a number of youth programs including The Annual "I Have A Dream" National Youth Assembly which has attracted more than 10,000 youth and Youth Against Violence Symposiums which, to date, have involved over 60,000 youth. Symposiums were most recently held in San Juan, Puerto Rico, and in St. Thomas and St. Croix, U.S. Virgin Islands.

More than 6 million Americans have signed the Commission's "Living the Dream Pledge" and another 40,000 its "Youth Against Violence Pledge," both of which encourage signers to embrace Dr. King's life, teachings, example of service, patriotism and nonviolence.

The Commission maintains an active Speakers Bureau and functions as a clearinghouse for appropriate information and ideas for King Holiday activities. The Commission operates through National Committees on Education, Religion, Business/Industry, Labor, Colleges and Universities, Military, Youth, Law Enforcement, Libraries, Hispanics, Native Americans, etc.

The King Federal Holiday Commission works with governors and mayors in establishing state and local King Holiday Commissions and Committees. It provides technical support and leadership to these public bodies as well as to a vast network of private organizations. The Commission's work is year around and presently operates with 9 federal employees, two paid out of the Commission's budget and 7 on loan from various federal agencies. The Commission maintains two offices, one in Atlanta and one in Washington, D.C. at a minimal total cost to the Commission of $12,000.

The Future of the Commission

Members of the King Federal Holiday Commission are presently reviewing the Five Year Strategic Plan (copy enclosed) to carry the Commission through its expiration date of September 30, 1999. The Strategic Plan sets forth the mission and supporting goals, objectives, time-tables and accountability for programs and activities. The mission of the King Federal Holiday Commission is totally unique in the history of past and present Federal agencies. It accomplishes much with very little and uses the $300,000 provided it by the Congress with efficiency and effectiveness. Its fiscal procedures adhere to generally accepted accounting principles (GAAP).

The President of the United States and the Congress have, through their support of the "King Holiday and Service Act of 1994," clearly endorsed the essential worth of the King Federal Holiday Commission, its mission and objectives and its modest annual appropriations. The Commission has completed an organizational analysis which will address issues of efficiency, consumer services, and economy. Among the matters being looked at by the Commissioners are the need for two offices, staffing, improved performance, etc.

The Commission established a 501(3)(c) tax exempt nonprofit corporation (The Martin Luther King, Jr. Federal Holiday Corporation) through which it raises an average of $60,000 a year to augment its Federal dollars.

The King Federal Holiday Commission was never intended to be a permanent Federal Agency, and it therefore seeks to eventually end its dependency on the Federal government for funding. However, it would not be in the national interest to terminate or even to privatize the King Federal Holiday Commission at this time. The Commission remains cost-effective and a national asset enjoying strong bipartisan support.

Appeal

There is healing and reconciliation to be found in Martin Luther King, Jr.'s legacy, in the holiday which honors him, and in the movement which he led. The King Holiday challenges every person to seek answers to today's social problems through the practical application of the nonviolence philosophy and teachings of Martin Luther King, Jr. It challenges every person to continue the struggle to eliminate the evils of poverty, racism, violence and war, and to take action to move American society closer to that nonviolent "Beloved Community" envisioned by Dr. King. The King Holiday is a powerful tool for fulfilling Dr. King's dream, and it has, under the leadership of the King Federal Holiday Commission, become a national "teach-in" on the values of love, tolerance and nonviolence. No other day of the year provides a better opportunity for education in Dr. King's beliefs and methods and for creative nonviolent actions on behalf of the causes for which he gave his life. No other day of the year calls upon peoples everywhere to open their hearts and to offer their hands to help family, neighbors and strangers alike; to unite people from diverse cultural, religious and ethnic backgrounds to address critical social ills and needs. The "King Holiday and Service Act of 1994" provides the King Federal Holiday and the King Federal Holiday Commission with a new challenge and a great opportunity in a nation and world increasingly inundated with drugs, violence and poverty.

Service, interracial cooperation, nonviolence. What a remarkable purpose for a Federal holiday and mission for the Federal Commission responsible for its growth and institutionalization. Dr. King once said: "Every man must decide whether he will walk in the light of creative altruism or the darkness of destructive selfishness. This is the judgment. Life's most persistent and urgent question is, What are you doing for others?"

Sincerely,

Lloyd Davis
Executive Director

THE MARTIN LUTHER KING, JR. FEDERAL HOLIDAY COMMISSION
FY-96 BUDGET JUSTIFICATION

SUBMITTED TO THE U.S. CONGRESS
Commerce, Justice, State, The Judiciary and Related Agencies Committee

House Subcommittee on Appropriations

INTRODUCTION

The Martin Luther King, Jr. Federal Holiday Commission, created by Public Law 98-399 on August 27, 1984, was extended through fiscal year 1999 last August by P.L. 103-304. With the new legislation, the Commission's mandate was expanded to include community service initiatives and legislatively linked to the Corporation for National Service through its grant approval of community service activities related to the King holiday. The legislation also added interracial cooperation and youth against violence initiatives to the original mission of promoting the holiday as an occasion to reflect on the principles of racial equality and nonviolent social change as espoused by Dr. King. Other original goals carried forward include encouraging appropriate King holiday ceremonies and activities and coordinating efforts with Americans of diverse backgrounds and with government and private organizations. The Commission markets the holiday through print and electronic media and the distribution of information packets and reports to the President and Congress; functions as a clearing house of information; sponsors planning, education and information conferences, workshops, seminars and special events; distributes holiday observance guidelines; conducts "Youth Against Violence" Symposiums; and "I Have A Dream" National Youth Assemblies.

The Commission has drafted a "Five Year Strategic Plan" which sets forth its mission, goals, objectives, time-tables and accountability for programs and activities through September 30, 1999. The plan was shared with 30 state King holiday commission/committee representatives and Federal Commissioners at our National Planning Retreat last September. The Committee finalizing the plan is currently reviewing the recommendations and will present the recommended final plan at the March 30, 1995 Commission meeting. A copy of the draft plan is enclosed for your review as is a copy of the 1994 Report to the President and the Congress. The report is a useful reference to obtain details of some of the activities the Commission undertakes such as the "Youth Against Violence Symposiums" and the"I Have A Dream" National Youth Assembly.

The Commission maintains two offices, one in Washington, DC because it is the seat of the federal government and many national organizations maintain offices there. The second office is in Atlanta because of its historic significance and its proximity to the home of its chair, Mrs. Coretta Scott King. The Washington office space is in the HUD building and is provided at no cost to the Commission. The Atlanta office is also provided free with a blanket agreement for maintenance, utilities and cleaning services.

The Commission currently has two paid employees, well below the statutory ceiling of six, (an Executive Director and a staff of five). The Commission has six federal loan staff from the Departments of HUD, USDA, Justice, Defense, and Treasury. The Executive Director, Lloyd Davis, is a HUD employee. Effective January 17, 1996 all the loan personnel currently on board will be required to return to their agencies because they will have reached the statutory maximum period of time (365 days) for the detail of a federal employee to the Commission. This 75% turnover in staff is expected to have a very negative impact on the operations of the Commission. Additionally, with the across the board reduction in the number of federal employees, it will be very difficult to secure replacement loan personnel.

The Commission has contracted with Arthur Andersen to audit both the Commission and Corporation financial records. The audit has been completed but a final report has not been issued to date. A copy of the audit findings along with the final "Five Year Strategic Plan" mentioned earlier will be published in the 1995 Report to the President and the Congress to be distributed in April.

Additionally, the Commission has contracted with an independent certified public accountant (CPA) to assist with the development and implementation of software programming that will meet the latest Congressional mandate to follow generally accepted accounting principles (GAAP). The development and implementation of the software and procedures are in place and the accountant will continue to review the monthly reports to ensure their compliance and accuracy.

The enclosed $350,000 budget reflects the legislatively authorized amount for FY-96 and is in keeping with the President's proposed budget submitted to the Congress by the Office of Management and Budget. The FY-96 budget reflects OMB'S object classification codes and, in this document, are shown in square brackets for ease of reference.

The Commission reviewed and approved the budget during a Commission meeting last year.

ITEMIZED EXPENDITURES:

Personnel Services $130,000 [11.1]. Salaries for three staff members represents **37.14 %** of the budget. The Director of Operations and the Executive Assistant work out of the Atlanta office under the supervision of the Executive Director. An Executive Officer to manage the Washington, DC office has been added. This addition to the budget is in response to the 365 day limitation for detailing federal staff to the Commission mentioned earlier in the narrative. In the past the Commission relied on long term details to fill the Executive Officer slot. The hiring of a paid Executive Officer will help to stabilize the Washington, DC office operations by ensuring continuity through at least one staff person.

Personnel Benefits $35,000 [12.1]. Represents **10%** of the budget and is part of compensation package for federal employees such as the employer share of health care, life insurance, social security and retirement.

Travel $71,000 [21.0]. Represents **20.28%** of the budget.

The Commission voted to pay the Executive Director a subsistence of $24,000 per year to cover living expenses while away from his official duty station (Washington, DC). The amount is in keeping with federal guidelines for long term details.

As authorized in the legislation, $12,000 has been allocated to pay travel expenses of Commissioners performing official duties.

Of the $24,000 allocated for staff travel, half of it is for administrative activities such as the quarterly Commission meetings, Congressional hearings, meetings with state and local commissions, promotion of community service, speaking engagements, planning retreats, site visits, negotiating site arrangements for programs, youth assemblies, colleges and university programs, youth against violence symposiums, etc. The remaining $12,000 is allocated for staff support to hold various programmatic and specific holiday activities at various sites around the nation. This helps to raise the visibility of holiday activities and plants the seeds for local sponsorship and proper institutionalization of holiday.

The $11,000 set aside for programs is for invitational travel for speakers, presenters, trainers, etc. These costs include the travel of committee chairs and members who volunteer their time to work on holiday events and programs.

This past year, 1,300 youth attended the National "I Have A Dream" Youth Assembly in Little Rock, Arkansas. Over the years, this activity has been praised by the President and members of the Congress. The Commission's Youth Against Violence symposium was conducted for the first time at a detention center and in Spanish at the Bayamon Regional Detention Center in San Juan, Puerto Rico. One hundred and twenty (120) youth from the ages of 14-19 participated in what will be a series of symposiums presented throughout the Commonwealth. Puerto Rico is experiencing a major wave of crime and violence among its youth. Symposiums were also conducted in St. Thomas and St. Croix, Virgin Islands with more than 3,000 youth participating. The Commission is planning symposiums to be held in Los Angeles, CA this April and on Indian Reservations in the Southwest this fall.

To date more than 10,000 youth have participated in the Commission sponsored Youth Assemblies and more than 50,000 in Youth Against Violence symposiums. Five million youth have signed the Commission's "Living the Dream" pledge cards and another 100,000 its Youth Against Violence pledge cards.

The Commission distributed more than 100,000 Freedom Trail Holiday Guides for the 1995 King Holiday observances.

Communications, Utilities, & Misc. $32,000 [23.3]. Represents **9.14%** of the budget.

The $16,000 allocated for postage is minimal in light of the community service campaign launched this year. Five public service announcements featuring Tony Bennett, Lauren Hutton, Edward James Olmos and George Foreman along with a print ad campaign promoting community service raised the Commission's visibility and the public request for materials. Over 13,000 redesigned Holiday posters were distributed nationally. The posters carry the image of Dr. King emerging from the United States flag in the shape of the 48 contiguous states with the theme: "On the King Holiday - Help Somebody! and the sub-theme "Every American Can Make A Difference." Thousands of copies of the Commission's Community Service brochures, Youth Against Violence Symposium brochures and pledge cards, adult pledge cards, and excerpts from Dr. King's writings such as "What Is Your Life's Blueprint" (very popular with schools) and "The Drum Major Instinct" (emphasizes service) were distributed. In addition, nearly 5,000 of the 1994 annual Reports to the President & Congress were mailed to governors, mayors, state and city King Holiday commissions and committees, schools and other local supporters of the holiday. The annual reports are designed to also serve as a manual and guide to holiday activities at the grass roots level.

The Commission has received more than 5 million "Living the Dream" pledge cards and thousands of "Youth Against Violence" pledge cards.

Telephone, copier rental and express mail are all self-explanatory and amount to slightly more than 3% of the budget. Telephones and express mail come under federal contracts negotiated by the General Services Administration. Express mail is competitive with the U.S. Postal Service next day delivery and express mail is used primarily to transmit negotiable instruments such as checks and airline tickets for invitational and commissioner travel. It is also used to ship materials to sites where we are holding a conference, assembly, symposium, etc. Automated Data Processing (ADP) cost relates to a contract with a technician to service and maintain the Commission's computer system (hardware and software).

Printing and Reproduction, $25,000 [24.0]. These costs (**7.14%** of budget) include layout and design of reports, brochures, event programs and newsletters. All printing is processed through the U.S. Government Printing Office which advertises the jobs to its vendors and secures very competitive bids. See enclosures for sample of materials printed for the Commission.

Other Services, $37,000 [25.2]. These costs represent **10.57%** of the budget. The office service contract is for the Atlanta office's custodial services, maintenance, utilities, and security. The audit is by a nationally recognized firm such as Arthur Andersen & Co. and covers both the Commission and Corporation finances. It provides third party assurances to the Commissioners, the Congress, the President and the public of the financial integrity of the Commission/Corporation activities. With the Congressional requirement that the Commission follow the generally accepted accounting principles (GAAP) the Commissioners voted to include the federal transactions as part of the annual audit. The news-clipping service is essential for national coverage of the holiday activities. The compiled information is used in the annual report to the President and Congress.

Purchase of Goods & Services from other Gov. Agencies (NFC), $4,000 [25.3]. The service charges paid to the USDA National Finance Center (NFC) to process bills through the Treasury. The Forest Service (USDA) provides the Commission with pro-bono technical financial support which keeps the cost low (**1.14%** of budget).

Supplies and Materials, $16,000 [26.0]. These expenditures are 4.57% of the budget. Given the uniqueness of the Commission's work, this incorporates costs which are not normally associated with a federal agency. For example, posters are mailed in tubes to prevent them from being damaged. The "Making of the King Holiday" awards cost $241 each (awarded to eight recipients from around the nation). Certificates of appreciation for substantive pro-bono services are placed in wooden frames for presentation to individuals. Certificates of completion are given to youth attending the National "I Have A Dream" Youth Assemblies and the "Youth Against Violence" Symposiums and are presented in a wood grain cardboard frame. Pocket folders are used for materials distributed to a variety of commission sponsored programs, holiday events and briefings. National directories of the governors, mayors, federal agencies, news media, and other associations each cost, on average, $225 per year and are critical to the networking required of the Commission.

THE MARTIN LUTHER KING, JR. FEDERAL HOLIDAY COMMISSION

FY 1996 Budget

INCOME

Federal Appropriation	$350,000
TOTAL	$350,000

EXPENDITURES BY OBJECT CLASSIFICATION

Code and Category		Obligation
11.1 Personnel Services		$130,000
Operations Director	$62,000	
Executive Officer	$35,000	
Special Asst.	$28,000	
Salary Increases	$ 5,000	
12.1 Personnel Benefits		35,000
21.0 Travel		71,000
Ex. Dir. Subsistence	$24,000	
Commissioners	12,000	
Staff	24,000	
Programs (Youth Assembly Planning Conf., Awards, Retreat, etc.	11,000	
23.3 Communications, Utilities, & Misc.		32,000
Postage	$16,000	
Telephones	6,000	
Copier Rental	2,000	
ADP	5,000	
Express Mail	3,000	
24.0 Printing and Reproduction		25,000
Newsletter	7,500	
Report to Pres. & Cong.	7,500	
Other (Letterhead, programs invitations, etc.	10,000	
25.2 Other Services		37,000
Office Service Contract	15,000	
Audit	16,000	
Newsclipping Service	6,000	
25.3 Purchase of Goods & Services from other Gov. Agencies (NFC)		4,000
26.0 Supplies & Materials		16,000
TOTAL		$350,000

the number of poor people in such grantee or contractor's service area as enumerated in the 1990 census.

(b) None of the funds appropriated under this Act to the Legal Services Corporation shall be expended for any purpose prohibited or limited by or contrary to any of the provisions of—

(1) section 607 of Public Law 101–515, and that all funds appropriated for the Legal Services Corporation shall be subject to the same terms and conditions as set forth in section 607 of Public Law 101–515, except that the funding formulas and provisos 15, 20 and 22 shall not apply, and all references to "1991" in section 607 of Public Law 101–515 shall be deemed to be ["1995"] *"1996"*, unless subparagraph (2) applies; and

(2) authorizing legislation for fiscal year [1995] *1996* for the Legal Services Corporation that is enacted into law. *(Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1995.)*

MARINE MAMMAL COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the Marine Mammal Commission as authorized by title II of Public Law 92–522, as amended, [$1,384,000] *$1,425,000*. *(Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 95–2200–0–1–302	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations	1,289	1,384	1,425
Financing:			
25.00 Unobligated balance expiring	1		
40.00 Budget authority (appropriation)	1,290	1,384	1,425
Relation of obligations to outlays:			
71.00 Total obligations	1,289	1,384	1,425
72.40 Obligated balance, start of year: Unpaid obligations, Treasury balance	280	241	249
74.40 Obligated balance, end of year: Unpaid obligations, Treasury balance	–241	–249	–256
77.00 Adjustments in expired accounts	–7		
90.00 Outlays	1,321	1,376	1,418

The Commission recommends national and international marine mammal policies; develops scientific and management programs; reviews the status of marine mammal populations; recommends to the Secretaries of Commerce, Interior, and State steps to conserve marine mammals domestically and internationally; and manages a research program.

Object Classification (in thousands of dollars)

Identification code 95–2200–0–1–302	1994 actual	1995 est.	1996 est.
Personnel compensation:			
11.1 Full-time permanent	582	612	637
11.3 Other than full-time permanent	75	100	105
11.9 Total personnel compensation	657	712	742
12.1 Civilian personnel benefits	118	122	125
21.0 Travel and transportation of persons	56	65	65
23.1 Rental payments to GSA	106	109	106
23.3 Communications, utilities, and miscellaneous charges	47	48	53
24.0 Printing and reproduction	19	20	20
25.2 Other services	212	234	236
25.3 Purchases of goods and services from Government accounts	47	40	42
26.0 Supplies and materials	19	24	26
31.0 Equipment	8	10	10
99.9 Total obligations	1,289	1,384	1,425

Personnel Summary

Identification code 95–2200–0–1–302	1994 actual	1995 est.	1996 est.
1001 Total compensable workyears: Full-time equivalent employment	10	12	12

MARTIN LUTHER KING, JR. FEDERAL HOLIDAY COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the Martin Luther King, Jr. Federal Holiday Commission, as authorized by Public Law 98–399, as amended, [$300,000] *$350,000*. *(Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 76–0600–0–1–808	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations	499	300	350
Financing:			
40.00 Budget authority (appropriation)	500	300	350
Relation of obligations to outlays:			
71.00 Total obligations	499	300	350
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance		150	110
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	–150	–110	–120
90.00 Outlays	349	340	340

The Martin Luther King, Jr. Federal Holiday Commission, created by Public Law 98–399 on August 27, 1984, was extended through 1999 last August by P.L. 103–304. With the new legislation, the Commission's mandate was expanded to include community service initiatives and legislatively linked to the Corporation for National Service through its grant approval of community service activities related to the King holiday. The legislation also added interracial cooperation and youth against violence initiatives to the original mission of promoting the holiday as an occasion to reflect on the principles of racial equality and nonviolent social change as espoused by Dr. King. Other original goals carried forward include encouraging appropriate King holiday ceremonies and activities and coordinating efforts with Americans of diverse backgrounds and with government and private organizations. The commission markets the holiday through print and electronic media; the distribution of information packets and reports to the President and Congress; functions as a clearinghouse of information; sponsors planning, education and information conferences, workshops, seminars and special events; distributes holiday observance guidelines; conducts youth against violence symposiums; and "I Have A Dream" National Youth Assemblies.

Object Classification (in thousands of dollars)

Identification code 76–0600–0–1–808	1994 actual	1995 est.	1996 est.
Personnel compensation:			
11.1 Full-time permanent	135	110	130
11.8 Special personal services payments	30		
11.9 Total personnel compensation	165	110	130
12.1 Civilian personnel benefits	20	25	35
21.0 Travel and transportation of persons	69	70	71
22.0 Transportation of things	5		
23.2 Rental payments to others	1	5	
23.3 Communications, utilities, and miscellaneous charges	28	27	32
24.0 Printing and reproduction	51	21	25
25.2 Other services	77	29	37

General and special funds—Continued

SALARIES AND EXPENSES—Continued

Object Classification (in thousands of dollars)—Continued

Identification code 76–0600–0–1–808		1994 actual	1995 est.	1996 est.
25.3	Purchases of goods and services from Government accounts	15	1	4
26.0	Supplies and materials	16	12	16
31.0	Equipment	52		
99.9	Total obligations	499	300	350

Personnel Summary

Identification code 76–0600–0–1–808		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	2	3	4

MERIT SYSTEMS PROTECTION BOARD

Federal Funds

General and special funds:

SALARIES AND EXPENSES

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses to carry out functions of the Merit Systems Protection Board pursuant to Reorganization Plan Numbered 2 of 1978 and the Civil Service Reform Act of 1978, including services as authorized by 5 U.S.C. 3109, rental of conference rooms in the District of Columbia and elsewhere, hire of passenger motor vehicles, and direct procurement of survey printing, $24,549,000, together with not to exceed [$2,250,000] *$2,430,000* for administrative expenses to adjudicate retirement appeals to be transferred from the Civil Service Retirement and Disability Fund in amounts determined by the Merit Systems Protection Board. *(Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 41–0100–0–1–805		1994 actual	1995 est.	1996 est.
	Program by activities:			
	Direct program:			
00.01	Adjudication	18.537	18.608	18.633
00.02	Merit system studies	1.989	1.901	1.920
00.03	Management support	4.089	4.040	3.996
00.91	Total direct program	24.615	24.549	24.549
01.01	Reimbursable program	2.004	2.250	2.430
10.00	Total obligations	26.619	26.799	26.979
	Financing:			
25.00	Unobligated balance expiring	59		
39.00	Budget authority (gross)	26.678	26.799	26.979
	Budget authority:			
	Current:			
40.00	Appropriation	24.674	24.549	24.549
	Permanent:			
68.00	Spending authority from offsetting collections	2.004	2.250	2.430
	Relation of obligations to outlays:			
71.00	Total obligations	26.619	26.799	26.979
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	653	65	1.718
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	–65	–1.718	–2.209
77.00	Adjustments in expired accounts	–367		
87.00	Outlays (gross)	26.840	25.146	26.488
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	–2.004	–2.250	–2.430
89.00	Budget authority (net)	24.674	24.549	24.549
90.00	Outlays (net)	24.836	22.896	24.058

The Merit Systems Protection Board performs the adjudicatory functions necessary to maintain the civil service system. These include hearing appeals on adverse actions, reduction-in-force actions, and retirement. The Board will report to the President on whether merit systems are sufficiently free from prohibited personnel practices to protect the public interest.

Board workloads are reflected in the following table:

PRODUCTION COUNT

	1994 actual	1995 est.	1996 est.
Retirement (legal-disability)	2.409	2[illegible]	2.5[illegible]
Adverse action appeals	4.454	4[illegible]	4.6[illegible]
Reduction-in-force appeals	1.900	1[illegible]	1.9[illegible]
Other	3.200	3.200	3.2[illegible]

Object Classification (in thousands of dollars)

Identification code 41–0100–0–1–805		1994 actual	1995 est.	1996 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	15.493	1[illegible]	14.9[illegible]
11.3	Other than full-time permanent	1.117	1[illegible]	1.0[illegible]
11.5	Other personnel compensation	328	198	[illegible]
11.9	Total personnel compensation	16.938	16.[illegible]	16.2[illegible]
12.1	Civilian personnel benefits	2.813	2.767	2.7[illegible]
13.0	Benefits for former personnel	179		
21.0	Travel and transportation of persons	474	552	[illegible]
22.0	Transportation of things	46	83	[illegible]
23.1	Rental payments to GSA	2.188	2.169	2.[illegible]
23.3	Communications, utilities, and miscellaneous charges	438	475	[illegible]
24.0	Printing and reproduction	48	122	[illegible]
25.2	Other services	1.165	1.177	1.[illegible]
26.0	Supplies and materials	186	295	[illegible]
31.0	Equipment	140	633	[illegible]
99.0	Subtotal, direct obligations	24.615	24.549	24.5[illegible]
99.0	Reimbursable obligations	2.004	2.250	2.[illegible]
99.9	Total obligations	26.619	26.799	26.[illegible]

Personnel Summary

Identification code 41–0100–0–1–805		1994 actual	1995 est.	1996 est.
	Direct:			
1001	Total compensable workyears: Full-time equivalent employment	271	253	[illegible]
	Reimbursable:			
2001	Total compensable workyears: Full-time equivalent employment	30	33	[illegible]

MORRIS K. UDALL SCHOLARSHIP AND EXCELLENCE IN NATIONAL ENVIRONMENTA[L] POLICY FOUNDATION

General and special funds:

[FEDERAL PAYMENT TO MORRIS K. UDALL SCHOLARSHIP AND EXCELLENCE IN NATIONAL ENVIRONMENTAL POLICY FOUNDATION

[For payment by the Secretary of the Treasury to the Morris [K.] Udall Scholarship and Excellence in National Environmental Tr[ust] Fund, to be available for purposes as authorized by the Morris [K.] Udall Scholarship and Excellence in National Environmental a[nd] Native American Public Policy Act of 1992 (P.L. 102-25[9]), $10,000,000, to remain available until expended.] *(Treasury, Postal Service and General Government Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 95–0900–0–1–502		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations (object class 25.3)		10.000	
	Financing:			
40.00	Budget authority (appropriation)		10.000	

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Divider Title: C

JOHN F. KENNEDY
ASSASSINATION RECORDS REVIEW BOARD

DESCRIPTION: The John F. Kennedy Assassination Records Review Board, mandated in The President John F. Kennedy Assassination Records Collection Act of 1992, was established in April 1994. The Board is charged with locating and securing all records which relate to the assassination of President Kennedy. Records include those of at least fifteen Federal agencies, previous official investigations, Presidential libraries holdings, and many smaller governmental and private repositories throughout the country. The purpose of the Board is to ensure the efficient, timely, and full disclosure of these records to the American public.

FY 1996 BUDGET PROPOSAL: Proposed FY 96 budget authority is $2.418 million; an increase of $268,000 from the FY 95 budget. Proposed FY 96 FTE is 31; an increase of 7 FTE from FY 95.

AGENCY PROPOSAL: No changes recommended. Scheduled by law to complete its work no later than September 30, 1997, the Board argues that a premature termination would have a disastrous effect on public confidence and would fuel speculation about Government motives and compound the very issues that gave rise to the legislation in the first place.

DECISION OPTIONS:

A. No change. Follow FY 96 budget recommendation.

B. Terminate funding.

ADVISORY GROUP RECOMMENDATION: A.

RATIONALE: We support the Board's goal of completing its work by releasing all possible records to the National Archives and terminating by September 30, 1997.

STEERING COMMITTEE RECOMMENDATION:

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Assassination Records Review Board

600 E Street NW ■ Second Floor ■ Washington, DC 20530

MEMORANDUM

March 5, 1995

TO: NPR Phase II Steering Committee

FROM: John R. Tunheim JRT
Chair

David G. Marwell DGM
Executive Director

SUBJECT: Options Paper

Overview

The Assassination Records Review Board (ARRB) was conceived of as an alternative to ineffective and insufficient past efforts to clarify widely held troubling questions about the assassination of President Kennedy and the motives and actions of the US institutions and personnel. Demand for the complete opening of all records relevant to these questions has clogged agency Freedom of Information offices and is a symptom of a widespread lack of confidence in what our government does and says. As a result of this demand, and in an effort to create a responsible, cost-effective, and efficient system for the release of these records, the Congress passed The President John F. Kennedy Assassination Records Collection Act of 1992 ("the Act"), which mandated the creation of the ARRB.

The ARRB was given the mandate to oversee the identification and public release of records related to the assassination of President John F. Kennedy. The five-member Board was appointed by President Clinton, confirmed by the United States Senate, and sworn in on April 11, 1994. By law, the ARRB will complete its work no later than September 30, 1997.

The Board, consisting of five distinguished citizens representing the legal, historical, and archival professions, serving in a part-time capacity, is currently supported by a senior staff consisting of an executive director, a general counsel, a chief of review and analysis, an administrative officer, and a press and public affairs officer. In addition to the senior staff, the Board currently employs eight analysts, two administrative support personnel, and a part-time computer specialist. The Board has either made offers to or plans to hire the following additional personnel: three investigators, two administrative support personnel, and ten analysts.

Mission and Goals

The Senate report of The President John F. Kennedy Assassination Records Collection Act of 1992 states that "the underlying principles" guiding the legislation were "efficiency and cost effectiveness" as well as independence and public confidence.

The Review Board will ensure that all assassination records are identified, secured, and, to the extent possible, released to the JFK Collection at the National Archives. The structure established by the Act will achieve Congress' cost effectiveness goal by eliminating the need for the processing of Freedom of Information Act requests and the costly litigation that often accompanies them. In addition, with the Act's stated presumption that all assassination records will be publicly disclosed, the cost of federal agencies keeping hundreds of thousands of documents unnecessarily classified will be eliminated.

The Review Board was created because of the reluctance of federal agencies to release records relating to the assassination in a timely manner. The Board will provide an independent and enforceable mechanism for disclosure under uniform standards for review.

Beyond the Review Board achieving its prescribed goals of efficiency and cost effectiveness, it has a far more important non-economic benefit. The disturbing phenomenon of public mistrust in our government began to increase considerably after the assassination of President Kennedy and the widely held perception that the government has kept important facts from the American people about the motives and actions of its institutions and personnel. A poll in late 1994 showed the percentage of Americans who "trust the government in Washington" has dropped from 76 percent in 1964, shortly after the death of President Kennedy, to 19 percent today. As the President stated in the draft Executive Order on Classified National Security Information, "Our democratic principles require that the American people be informed concerning the activities of their Government." The Assassination Records Review Board has not only the opportunity to make public records that may clarify the facts surrounding the assassination, but also, along the way, the opportunity to reverse this trend of mistrust and to redefine the meaning of, and the need for, secrecy in government. In this sense, the Review Board can be an important agent in the reinvention of government.

Assessment of Key Functions

The Review Board is a key element in a larger process of agency record review and release established by the Act. All federal agencies are required to identify records in their possession that may relate to the assassination and to determine whether these records may be disclosed immediately or whether disclosure should be postponed. The Review Board evaluates all agency decisions to postpone the release of records. Once the Board has completed its review of agency recommendations for postponement, all records, including those that have postponed release dates, will be transferred to the National Archives to be housed in the John F. Kennedy Assassination Record Group. The Act requires that all assassination records must be released by 2017, with the exception of records certified for continued postponement by the President.

Furthermore, the Board has been given the responsibility and broad powers to identify and secure any additional assassination records held by federal, state, and local governments.

Option 1: Termination

A premature termination of the ARRB would have a disastrous effect on public confidence. Such an action would fuel speculation about government motives and compound the very issues that gave rise to the legislation in the first place. Rather than clarifying and settling troubling issues, a termination of the ARRB would amplify and aggravate them. To achieve the goals of the Act, there is no alternative to the ARRB, which was itself conceived of as an alternative to unsatisfactory mechanisms in the past.

The conditions that gave rise to the ARRB still exist, and the mandate that we have been given is arguably more timely and important than it was at the time the legislation was passed in 1992. In the short life of the ARRB, the competing interests of the public's right to know about the activities of its government on the one hand, and the legitimate requirements of the government to protect sensitive information on the other, have presented themselves in clear and compelling ways. The Board's responsibility to balance these interests is as complex as it is important.

Option 2: Restructuring

As an agency with a daunting mission and limited time and resources, the ARRB has devoted significant energy to creating an efficient, effective, and productive organization. Nearing the end of a start-up phase that has been devoted to conceiving of and implementing a structure that is capable of meeting our responsibilities within the time and resource limits imposed on us, it is difficult to address the subject of restructuring. Having just invented ourselves after a process of careful planning and analysis, we see no advantage or appeal in any other approach or structure.

grants from the Fund for the promotion of scholarly, cultural, and artistic activities between Japan and the United States. The Commission is authorized to make expenditures from the appropriated income of the fund and, in an amount not to exceed 5 percent annually of the principal of the fund, to pay the expenses of the Commission and to make grants in support of Japanese studies in American universities, policy-oriented research, faculty and other professional exchange programs, public affairs programs, and other cultural and educational activities, primarily in the United States.

Object Classification (in thousands of dollars)

Identification code 95–8025–0–7–154		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	196	206	213
11.3	Other than full-time permanent	10	12	14
11.5	Other personnel compensation	10	2	2
11.9	Total personnel compensation	216	220	229
12.1	Civilian personnel benefits	49	55	57
21.0	Travel and transportation of persons	28	21	22
23.1	Rental payments to GSA	29	33	34
23.3	Communications, utilities, and miscellaneous charges	9	8	9
24.0	Printing and reproduction	2	7	2
25.2	Other services	23	15	16
25.3	Purchases of goods and services from Government accounts	33	49	49
26.0	Supplies and materials	4	4	4
31.0	Equipment		5	
41.0	Grants, subsidies, and contributions	1,345	1,444	1,441
99.0	Subtotal, direct obligations	1,738	1,861	1,863
99.9	Total obligations	2,191	2,122	2,124

Personnel Summary

Identification code 95–8025–0–7–154		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	5	6	6

JOHN F. KENNEDY ASSASSINATION RECORDS REVIEW BOARD

Federal Funds

General and special funds:

JOHN F. KENNEDY ASSASSINATION RECORDS REVIEW BOARD

For necessary expenses to carry out the John F. Kennedy Assassination Records Collection Act of 1992, **[**$2,150,000**]** *$2,418,000*, to remain available until expended, *as authorized by P.L. 102–526*. *(Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 48–1001–0–1–808		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations		2,150	2,418
	Financing:			
40.00	Budget authority (appropriation)		2,150	2,418
	Relation of obligations to outlays:			
71.00	Total obligations		2,150	2,418
90.00	Outlays		2,150	2,418

The John F. Kennedy Assassination Records Review Board was established to oversee an effort of enormous scope within a three year period. The Board is charged with locating and securing all records which relate to the assassination of President Kennedy. These records include those of at least fifteen Federal agencies, previous official investigations, the Presidential libraries, and many smaller governmental and private repositories throughout the country.

The purpose of the Board is to ensure the efficient, timely and full disclosure of these records to the American public. This effort is seen as perhaps the last opportunity to c up the many lingering doubts and questions surrounding the assassination of President Kennedy.

Object Classification (in thousands of dollars)

Identification code 48–1001–0–1–808		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent		988	1,349
11.3	Other than full-time permanent		100	104
11.5	Other personnel compensation		20	20
11.9	Total personnel compensation		1,108	1,473
12.1	Civilian personnel benefits		205	278
21.0	Travel and transportation of persons		105	105
23.1	Rental payments to GSA		238	285
23.3	Communications, utilities, and miscellaneous charges		60	60
24.0	Printing and reproduction		65	50
25.2	Other services		25	25
25.3	Purchases of goods and services from Government accounts		136	40
26.0	Supplies and materials		42	45
31.0	Equipment		166	57
99.9	Total obligations		2,150	2,418

Personnel Summary

Identification code 48–1001–0–1–808		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment		24	31

JOINT FEDERAL-STATE COMMISSION ON POLICIES AND PROGRAMS AFFECTING ALASKA NATIVES

Federal Funds

General and special funds:

SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 48–1950–0–1–452		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations	119		
	Financing:			
17.00	Recovery of prior year obligations		11	
21.40	Unobligated balance available, start of year: Treasury balance	–19	–11	
24.40	Unobligated balance available, end of year: Treasury balance	11		
68.00	Budget authority (gross): Spending authority from offsetting collections	111		
	Relation of obligations to outlays:			
71.00	Total obligations	119		
	Obligated balance, start of year:			
72.10	Receivables from other government accounts		–11	
72.40	Unpaid obligations: Treasury balance	19		
	Obligated balance, end of year:			
74.10	Receivables from other government accounts	11		
74.40	Unpaid obligations: Treasury balance			
78.00	Adjustments in unexpired accounts		11	
87.00	Outlays (gross)	149		
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	–111		
89.00	Budget authority (net)			
90.00	Outlays (net)	38		

The Joint Federal-State Commission on Policies and Programs Affecting Alaska Natives was established by Public

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Divider Title: **D**

FARM CREDIT ADMINISTRATION

DESCRIPTION: The Farm Credit Administration (FCA) is an independent financial regulatory agency that oversees and audits Farm Credit System (FCS) lending institutions in order to help ensure the availability of credit to farms and other agricultural enterprises. The sector of the economy that FCA-regulated lending institutions service is characterized by short-term cyclical fluctuations. In the aftermath of a financial crisis in the agricultural economy in the mid-1980s, Congress made the FCA an "arm's-length" regulator. In a 1994 GAO study, the FCA was cited favorably for the quality of its examinations and enforcement actions.

FY 1996 BUDGET PROPOSAL: The FCA budget is not appropriated by Congress but is funded within Congressionally-proscibed limits by tapping the FCS-member institutions. Gross outlays requested for FY 96 are $40.370 million, as compared with $41.065 million in FY 95. However, the annual net effect of the FCA on the Federal deficit is near zero because of the offsetting collections from the FCS. Personnel will decrease marginally to 390 FTEs in FY 96 from 404 FTEs in FY 95. (There were 425 FTEs in FY 94.)

AGENCY PROPOSAL: The agency proposes no major changes for REGO II and suggests that FCS-member institutions and the Agriculture Committees would resist transferring the oversight of this specialized segment of the banking market to another Federal financial regulatory body. FCA reports that it has reduced staffing levels by one-third since the late 1980s.

DECISION OPTIONS:

A. No change.
B. Recommend legislation to abolish the FCA and assign this regulatory function to another financial regulatory entity (e.g., FDIC).
C. Terminate the FCA along with the Farm Credit System Insurance Corporation.

ADVISORY GROUP RECOMMENDATION: A.

RATIONALE: The service provided by the FCA , financial examination of Federally-chartered specialized farm lending institutions, is a Federal responsibility. Folding this operation into the FDIC or other body would result in no appreciable cost or FTE savings and tend to negatively affect the current close linkage between the FCA and its client organizations. As the Administration and Congress reduce USDA programs in the outyears, an independent FCA might play a positive role in easing market dislocations.

STEERING COMMITTEE RECOMMENDATION:

Farm Credit Administration

1501 Farm Credit Drive
McLean, Virginia 22102-5090
(703) 883-4000

February 17, 1995

Messrs. Voskhul, Friedman, and Nikolaus
Desk Officers
The National Performance Review
750 17th Street, N.W.
Suite 200
Washington, D.C. 20006

Dear Sirs:

I am writing in response to your memorandum of February 8, 1995, to heads of small and independent agencies on the subject of Congressional appropriations committee hearings.

As you know, the Farm Credit Administration (FCA) is an independent, non-appropriated fund agency that finances its operations by assessing the lending institutions of the Farm Credit System that it regulates. Although FCA is funded through the private sector and not through Federal tax dollars, Congress places annual limitations on the amount that FCA can spend through the appropriations hearing process. In effect, the FCA relies on "user fees" rather than public tax dollars to fund its mission.

FCA is scheduled for appropriations hearings as follows. On February 21, 1995, at 1:00 p.m. FCA is scheduled to appear before the House Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies, and on March 1, 1995, at 10:00 a.m. FCA is scheduled to appear before the Senate Subcommittee on Agriculture, Rural Development, and Related Agencies. You have requested that FCA transmit its report on Phase Two of Reinventing Government so that the report can be considered in determining the Administration's position on FCA's appropriation. The report is enclosed.

Sincerely,

Dorothy L. Nichols

Dorothy L. Nichols
Chief Operating Officer

Enclosure

NATIONAL PERFORMANCE REVIEW -- SECOND PHASE
THE FARM CREDIT ADMINISTRATION TEAM REPORT
OPTIONS PAPER

Background:

The Farm Credit Administration (FCA) is an independent, non-appropriated fund, regulatory agency in the Executive Branch of the U.S. Government. Although Congress sets annual limits on the amount that FCA may spend, its expenses are paid for privately, through assessments on the Farm Credit System (FCS or System) that it regulates.

The System is a single sector government-sponsored enterprise (GSE) created by Congress to ensure competitive credit to agriculture in both good and bad economic times. It is a private system, cooperatively owned and controlled by the farmers and ranchers who are its member-borrowers. Profits are returned to members who are local users of the System.

FCS borrows money on Wall Street at rates that, historically, closely track Treasuries. In the last few years, the FCS has borrowed an average of about $165 billion, mostly in notes maturing in 90 days or less, and it currently holds about $65 billion in assets. Because agricultural markets tend to be hit harder in tight money cycles, the existence of the FCS stabilizes funding for agriculture.

The mission of FCA is to ensure that the System continues to provide a dependable flow of competitively priced credit from the nation's capital markets to rural America. It oversees the safety and soundness of the cooperatively-owned Farm Credit banks and associations that make up the System, ensures that they accomplish the public purpose for which they are chartered, and protects the interests of borrowers, stockholders, investors, and the public.

FCA endorses the principles of the National Performance Review. Vice President Gore has asked each agency to participate in rethinking what the federal government should do and how it should do it. The Vice President has asked each agency to review everything it does and to ask itself three questions. The FCA's responses to those questions are provided below.

Question 1:

If your agency were eliminated, how would the goals or programs of your agency be undertaken -- by other agencies, by states or localities, by the private sector, or not at all?

If FCA were eliminated, its program -- overseeing the safety and soundness of the Farm Credit System -- could not be undertaken by state government or the private sector. As a GSE, the System must be subject to Federal oversight. It is the combination of GSE status and effective Federal examination and regulation that maintain the System's low cost access to the financial markets. If that funding source were impaired, the System and its owner-borrowers -- over 600,000 farmers and ranchers -- would face substantially higher borrowing costs and a less stable source of funds.

As an agricultural credit cooperative, the System is unique in its corporate structure and funding mechanisms. It also faces unique challenges. System institutions are especially vulnerable to poor economic conditions because their loan portfolios are not diversified and are subject to the cyclical nature of the agricultural economy. FCA has demonstrated its effectiveness as a specialized regulator with established expertise in issues of importance to cooperatively organized creditors. Although, arguably, another Federal financial regulatory agency could perform the regulatory function that the FCA now performs, it could not do so more effectively than FCA and it could not do so at all without importing much of the expertise that FCA currently possesses. Moreover, as explained in response to Question 3, regulation by another federal entity is not an alternative that FCA's primary customers, the System institutions, would support.

Question 2:

If there are goals or programs of national importance that will remain undone and require a federal role in order to be accomplished, should they be done differently than they are being done today in order to enhance service to customers?

It is FCA's view that the Agency's program, which is a single purpose program, is one of national importance and necessarily requires federal oversight. The need for federal oversight is not always apparent in a favorable economic climate. However, System institutions, like other lending institutions, are always vulnerable to the potential risk of loan losses, interest rate fluctuation, unfavorable economic conditions, and poor management. The System's need for an independent safety and soundness regulator became apparent in the mid-1980's, when the agricultural economy encountered a period of depression that plunged the System into financial crisis. Congress responded by providing $1.26 billion in direct financial assistance to the System. Congress also amended the Farm Credit Act of 1971 to strengthen FCA, making it an "arm's-length" regulator and providing it with enhanced regulatory and enforcement powers.

As the General Accounting Office (GAO) noted, it was a formidable task for FCA to establish itself as an "arm's-length" regulator during the financial crisis of the mid-1980s. However, by October 1989, Moody's Sovereign Credit Reports noted that, in its new incarnation as an "arm's-length" regulator, the FCA had vigorously pursued its safety and soundness mandate and that "[t]his strengthened supervision of the FCS enhances FCS debtholder protection." Moody's accorded the System debt a triple "A" (Aaa) rating.

In a 1994 GAO Report, one of a series of reports on Federal financial regulators, FCA got the highest marks. GAO specifically noted the individualized examinations and monitoring FCA accorded each institution and FCA's strong and timely enforcement actions. The System has regained its financial health and, by 1994, the receiving banks had placed in trust funds to repay the $1.26 billion provided by Congress. FCA believes that the benefits of effective Federal oversight are clear and, because the costs are absorbed by the System itself, a bargain as well. At the same time, FCA believes that the services it provides to the System institutions, which are its primary customers, can almost always be improved upon by carefully monitoring their changing needs and by reviewing and improving agency management. FCA has a track record that demonstrates its ability to review and revise operations to maintain efficiency. Recent Agency initiatives include:

***Reducing staff by one-third from the peak levels required in the late 1980s

***Reviewing all regulations to minimize their burden while maintaining needed safety and soundness measures

***Designing a new exam strategy that tailors the examination to the risks presented by the institution being examined

***Implementing a new financial management system

***Streamlining data processing and retrieval systems to make maximum use of available technology

***Developing a 5-year Strategic Plan whose three objectives are to minimize risk to the System, reduce FCA's regulatory burden on the System, and work better while costing the System less.

FCA considers reinvention a continuing task. As noted above, although Congress limits what FCA can spend, the Agency relies upon and remains accountable to the institutions it regulates for its funding. Those institutions constantly challenge FCA to become a more cost-effective operation. Operating in a market-driven economy, System institutions must monitor their own management techniques and justify expenses, and FCA strives to respond in kind.

<u>Question 3</u>:

How do your customers . . . feel about the possible eliminations or changes?

FCA's customers are the System institutions, the farmers and ranchers who are its member-borrowers, investors, and the public. The institutions that comprise the FCS view the Agency as highly effective. In response to a detailed survey recently conducted by the Office of Inspector General on the FCA's performance of its examination, supervision, and regulation functions, FCS institutions responded favorably to approximately 89% of the questions asked.

It is apparent that our customers would not welcome changes in the current regulatory framework. The Farm Credit Council, which represents the System and serves as its national trade association, adopted the following resolution at its annual meeting in 1994: "The Farm Credit Council favors continued independent status for FCA and will oppose initiatives that would serve to diminish its independence in agency operations or to politicize its operations." The Council recognizes that effective federal regulation is vital to the continued well being of the Farm Credit System and to the farmers and ranchers who rely on the credit supply the System provides. The System, which funds the FCA's operations, strongly supports the FCA's continuation in that oversight role.

FARM CREDIT ADMINISTRATION

Federal Funds

Public enterprise funds:

LIMITATION ON ADMINISTRATIVE EXPENSES

Not to exceed [$40,420,000] *$39,900,000* (from assessments collected from farm credit institutions and from the Federal Agricultural Mortgage Corporation) shall be obligated during the current fiscal year for administrative expenses as authorized under 12 U.S.C. 2249. *(Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 78–4131–0–3–351		1994 actual	1995 est.	1996 est.
	Program by activities:			
00.01	Direct program	37,570	40,420	39,900
00.02	Reimbursable program	408	597	470
00.03	Refunds to Clients	4,282		
10.00	Total obligations	42,260	41,017	40,370
	Financing:			
17.00	Recovery of prior year obligations	-783	-4,282	
	Unobligated balance available, start of year:			
	U.S. Securities:			
21.91	Par value	-4,399		-500
21.92	Unrealized discounts	8		
	Unobligated balance available, end of year:			
	U.S. Securities:			
24.91	Par value		500	500
24.92	Unrealized discounts			
68.00	Budget authority (gross): Spending authority from offsetting collections	37,085	37,235	40,370
	Relation of obligations to outlays:			
71.00	Total obligations	42,260	41,017	40,370
	Obligated balance, start of year:			
72.10	Receivables from other government accounts	-99		-48
72.40	Unpaid obligations: Treasury balance	286	997	997
	U.S. Securities:			
72.91	Par value	7,671	13,040	8,758
72.92	Unrealized discounts	-16	-35	-35
	Obligated balance, end of year:			
74.10	Receivables from other government accounts		48	48
74.40	Unpaid obligations: Treasury balance	-997	-997	-997
	U.S. Securities:			
74.91	Par value	-13,040	-8,758	-8,758
74.92	Unrealized discounts	35	35	35
78.00	Adjustments in unexpired accounts	-783	-4,282	
87.00	Outlays (gross)	35,317	41,065	40,370
	Adjustments to gross budget authority and outlays:			
	Offsetting collections from:			
88.00	Federal sources	-799	-956	-970
88.40	Non-Federal sources	-36,286	-36,279	-39,400
88.90	Total, offsetting collections	-37,085	-37,235	-40,370
89.00	Budget authority (net)			
90.00	Outlays (net)	-1,768	3,830	

The Farm Credit Administration (FCA) is an independent Federal agency that examines and regulates the Farm Credit System for safety and soundness. The Farm Credit System is a cooperative agricultural credit system of farm credit banks and associations that lends to farmers, ranchers, and their cooperatives. Beginning in 1990, the FCA also performs annual examinations of the Federal Agriculture Mortgage Corporation.

In 1994, the Farm Credit System was comprised of 9 Farm Credit Banks, the National Bank for Cooperatives, 2 regional banks for cooperatives, and approximately 247 associations and other institutions and service corporations.

Effective January 1, 1995 the National Bank for Cooperatives, one regional Bank for Cooperatives and a Farm Credit Bank merged to form an agricultural credit bank called CoBank, ACB.

Assessments based upon estimated administrative expenses are collected from institutions in the Farm Credit System and the Federal Agricultural Mortgage Corporation and are available for administrative expenses. Obligations are incurred within fiscal year budgets approved by the Farm Credit Administration Board and limitations set in annual appropriations acts.

Balance Sheet (in thousands of dollars)

Identification code 78–4131–0–3–351		1993 actual	1994 actual	1995 est.	1996 est.
	ASSETS:				
	Federal assets:				
1101	Fund balances with Treasury	238	997	997	99
	Investments in US securities:				
1102	Treasury securities, par	12,020	13,040	9,258	9,25
1103	Treasury securities, unamortized discount(–)/premium(+)	-24	-35	-35	-3
1106	Receivables, net	99		48	4
1107	Advances and prepayments	13			
	Non-Federal assets:				
1206	Receivables, net	7,371	290	242	24
1207	Advances and prepayments	1,144	1,131	1,131	1,13
1803	Other Federal assets: Property, plant and equipment, net		523	714	53
1999	Total assets	20,861	15,946	12,355	12,16
	LIABILITIES:				
2101	Federal liabilities: Accounts payable	222	56	56	5
2201	Non-Federal liabilities: Accounts payable	14,090	8,861	8,861	8,86
2999	Total liabilities	14,312	8,917	8,917	8,91
	NET POSITION:				
3100	Appropriated capital	6,549	7,029	3,438	3,24
3999	Total net position	6,549	7,029	3,438	3,24
4999	Total liabilities and net position	20,861	15,946	12,355	12,16

Object Classification (in thousands of dollars)

Identification code 78–4131–0–3–351		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	25,564	26,160	26,73
11.3	Other than full-time permanent	251	67	6
11.5	Other personnel compensation	116	109	9
11.9	Total personnel compensation	25,931	26,336	26,89
12.1	Civilian personnel benefits	5,975	5,812	5,82
13.0	Benefits for former personnel	513	383	26
21.0	Travel and transportation of persons	2,036	2,396	2,34
22.0	Transportation of things	109	98	6
23.3	Communications, utilities, and miscellaneous charges	668	687	74
24.0	Printing and reproduction	109	141	15
25.2	Other services	1,467	3,730	2,85
26.0	Supplies and materials	365	696	69
31.0	Equipment	805	738	53
44.0	Refunds	4,282		
99.9	Total obligations	42,260	41,017	40,37

Personnel Summary

Identification code 78–4131–0–3–351		1994 actual	1995 est.	1996 est.
	Total compensable workyears:			
5001	Full-time equivalent employment	425	404	39
5005	Full-time equivalent of overtime and holiday hours	1	1	

FARM CREDIT SYSTEM ASSISTANCE BOARD

REVOLVING FUND FOR ADMINISTRATIVE EXPENSES

Program and Financing (in thousands of dollars)

Identification code 78–4132–0–3–351	1994 actual	1995 est.	1996 est.
Financing:			
17.00 Recovery of prior year obligations	–11		
21.40 Unobligated balance available, start of year: Treasury balance	–33	–44	
24.40 Unobligated balance available, end of year: Treasury balance	44		
25.00 Unobligated balance expiring		44	
39.00 Budget authority			
Relation of obligations to outlays:			
71.00 Total obligations			
78.00 Adjustments in unexpired accounts	–11		
90.00 Outlays	–11		

The Assistance Board was created by the Agricultural Credit Act of 1987 and was Federally chartered in January 1988. Authority for the Board expired in December 1992, after authority for the Farm Credit System Financial Assistance Corporation to issue debt expired. The Assistance Board was responsible for certifying system institutions to receive assistance under authorized circumstances. Some Assistance Board authorities were transferred to the Farm Credit Insurance Corporation. Administrative costs of the Board were paid through the Farm Credit System Financial Assistance Fund. At the end of fiscal year 1995, no outlay activity will have occurred for two years. At that time all unexpended balances will be cancelled and returned to the general fund of the Treasury.

FARM CREDIT SYSTEM FINANCIAL ASSISTANCE CORPORATION

FINANCIAL ASSISTANCE CORPORATION ASSISTANCE FUND

Program and Financing (in thousands of dollars)

Identification code 78–4134–0–3–351	1994 actual	1995 est.	1996 est.
Program by activities:			
00.02 Interest expenses	116,570	116,570	116,570
10.00 Total obligations (object class 43.0)	116,570	116,570	116,570
Financing:			
21.91 Unobligated balance available, start of year: U.S. Securities: Par value	–103,141	–251,559	–323,484
24.91 Unobligated balance available, end of year: U.S. Securities: Par value	251,559	323,484	390,998
68.00 Budget authority (gross): Spending authority from offsetting collections	264,988	188,495	184,084
Relation of obligations to outlays:			
71.00 Total obligations	116,570	116,570	116,570
87.00 Outlays (gross)	116,570	116,570	116,570
Adjustments to gross budget authority and outlays:			
Offsetting collections from			
88.00 Federal sources	–68,831	–63,300	–42,166
88.40 Non-Federal sources	–196,157	–125,195	–141,918
88.90 Total, offsetting collections	–264,988	–188,495	–184,084
89.00 Budget authority (net)			
90.00 Outlays (net)	–148,418	–71,925	–67,514

Status of Direct Loans (in thousands of dollars)

Identification code 78–4134–0–3–351	1994 actual	1995 est.	1996 est.
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	1,182,174	1,058,316	1,010,285
1251 Repayments: Repayments and prepayments	–123,858	–48,031	–40,680
1264 Write-offs for default: Other adjustments, net			
1290 Outstanding, end of year	1,058,316	1,010,285	969,605

The Farm Credit System Financial Assistance Corporation (FAC) was created by the Agricultural Credit Act of 1987 to provide funds to Farm Credit System institutions experiencing financial difficulties. The FAC was re-classified from a Government-sponsored enterprise to a federal entity beginning in FY 1993, when most of the private capital in FAC, provided by the Farm Credit System, was rebated from the FAC Trust Fund, pursuant to the 1989 Reconciliation and Agriculture Appropriations Acts. Authority for FAC to issue obligations and provide assistance expired in 1992, after $1.26 billion in FAC debt had been issued.

Except for debt issued for Capital Preservation cash-outs, the U.S. Treasury pays all the interest on 15-year, uncollateralized FAC obligations in the first five years, and up to half the interest in the second five years. The system is responsible for a greater share of the interest payment in the second five years if retained earnings exceed five percent of assets. FAC estimates that the system will pay 70 percent of the interest expense for fiscal year 1995 and 80 percent of the fiscal year 1996 expense. The Farm Credit System is required to eventually reimburse Treasury for th payments, and will redeem FAC debt upon maturity or call. In 1992, legislation was enacted that accelerated the repayment by system institutions of certain FAC obligations, and system institutions are voluntarily making advance repayments of capital infusions from FAC. During fiscal year 1994, voluntary payments from Louisville, Spokane, and Omaha totalled $91 million. FAC also expects a payment of $14 million, in fiscal year 1995, for debts of the liquidated Jackson bank.

Proceeds of FAC debt issuances were paid into, and amounts for assistance and other expenses were paid from, the FAC Assistance Fund. The FAC Trust Fund holds and rebates the private capital contributed by the Farm Credit System. Remaining amounts in the Trust Fund are available to cover System defaults on FAC principal and interest payments.

Trust Funds

FINANCIAL ASSISTANCE CORPORATION TRUST FUND

Program and Financing (in thousands of dollars)

Identification code 78–8202–0–7–351	1994 actual	1995 est.	1996 est.
Financing:			
21.41 Unobligated balance available, start of year: U.S. Securities: Par value	–85,450	–85,450	–90,406
24.41 Unobligated balance available, end of year: U.S. Securities: Par value	85,450	90,406	95,649
60.27 Budget authority (appropriation) (trust fund, indefinite)		4,956	5,244
Relation of obligations to outlays:			
71.00 Total obligations			
90.00 Outlays			

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Divider Title: **E**

FARM CREDIT SYSTEM FINANCIAL ASSISTANCE CORPORATION

DESCRIPTION: The Farm Credit System Financial Assistance Corporation (FAC) was created by the Agricultural Credit Act of 1987 to provide funds to Farm Credit System (FCS) institutions experiencing financial difficulties. The FAC was reclassified from a Government-sponsored organization to a federal entity in FY 93, when most of the private capital in FAC, provided by the Farm Credit System, was rebated from the FAC Trust fund pursuant to legislation. Authority for FAC to issue obligations and provide assistance expired in 1992, after $1.26 billion in FAC debt had been issued.

FY 1996 BUDGET PROPOSAL: The FY 96 budget requests no Federal funding or FTEs for this activity as the FAC, at this point, is limited to collecting outstanding debt. These collection activities are actually administered by the FCS Funding Corporation, a non-Federal entity.

AGENCY PROPOSAL: The agency submitted no proposal for REGO II.

DECISION OPTIONS:

A. No change.
B. Recommend legislation to assign receipt of obligations due to FAC to another entity.
C. Terminate the FAC along with the FCA and the Farm Credit System Insurance Corporation.

ADVISORY GROUP RECOMMENDATION: A

RATIONALE: The sole function of the FAC at this time is to receive funds loaned by the Federal Government in response to the farm crisis of the 1980s. There are currently no FTEs charged to the Federal government associated with this activity. Should another downturn be experienced in the farm sector of the economy that is deemed to require Federal intervention, it would be possible to re-activate the FAC as a Federal funding mechanism. There are no manifest advantages of transferring this function to another entity.

STEERING COMMITTEE RECOMMENDATION:

Farm Credit System Assistance Board

Revolving Fund for Administrative Expenses

Program and Financing (in thousands of dollars)

Identification code 78–4132–0–3–351	1994 actual	1995 est.	1996 est.
Financing:			
17.00 Recovery of prior year obligations	-11		
21.40 Unobligated balance available, start of year: Treasury balance	-33	-44	
24.40 Unobligated balance available, end of year: Treasury balance	44		
25.00 Unobligated balance expiring		44	
39.00 Budget authority			
Relation of obligations to outlays:			
71.00 Total obligations			
78.00 Adjustments in unexpired accounts	-11		
90.00 Outlays	-11		

The Assistance Board was created by the Agricultural Credit Act of 1987 and was Federally chartered in January 1988. Authority for the Board expired in December 1992, after authority for the Farm Credit System Financial Assistance Corporation to issue debt expired. The Assistance Board was responsible for certifying system institutions to receive assistance under authorized circumstances. Some Assistance Board authorities were transferred to the Farm Credit Insurance Corporation. Administrative costs of the Board were paid through the Farm Credit System Financial Assistance Fund. At the end of fiscal year 1995, no outlay activity will have occurred for two years. At that time all unexpended balances will be cancelled and returned to the general fund of the Treasury.

FARM CREDIT SYSTEM FINANCIAL ASSISTANCE CORPORATION

Financial Assistance Corporation Assistance Fund

Program and Financing (in thousands of dollars)

Identification code 78–4134–0–3–351	1994 actual	1995 est.	1996 est.
Program by activities:			
00.02 Interest expenses	116,570	116,570	116,570
10.00 Total obligations (object class 43.0)	116,570	116,570	116,570
Financing:			
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68.00 Budget authority (gross): Spending authority from offsetting collections	264,988	188,495	184,084
Relation of obligations to outlays:			
71.00 Total obligations	116,570	116,570	116,570
87.00 Outlays (gross)	116,570	116,570	116,570
Adjustments to gross budget authority and outlays:			
Offsetting collections from:			
88.00 Federal sources	-68,831	-63,300	-42,166
88.40 Non-Federal sources	-196,157	-125,195	-141,918
88.90 Total, offsetting collections	-264,988	-188,495	-184,084
89.00 Budget authority (net)			
90.00 Outlays (net)	-148,418	-71,925	-67,514

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Cumulative balance of direct loans outstanding:			
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The Farm Credit System Financial Assistance Corporation (FAC) was created by the Agricultural Credit Act of 1987 to provide funds to Farm Credit System institutions experiencing financial difficulties. The FAC was re-classified from a Government-sponsored enterprise to a federal entity beginning in FY 1993, when most of the private capital in FAC, provided by the Farm Credit System, was rebated from the FAC Trust Fund, pursuant to the 1989 Reconciliation and Agriculture Appropriations Acts. Authority for FAC to issue obligations and provide assistance expired in 1992, after $1.26 billion in FAC debt had been issued.

Except for debt issued for Capital Preservation cash-outs, the U.S. Treasury pays all the interest on 15-year, uncollateralized FAC obligations in the first five years, and up to half the interest in the second five years. The system is responsible for a greater share of the interest payment in the second five years if retained earnings exceed five percent of assets. FAC estimates that the system will pay 70 percent of the interest expense for fiscal year 1995 and 80 percent of the fiscal year 1996 expense. The Farm Credit System is required to eventually reimburse Treasury for these payments, and will redeem FAC debt upon maturity or call. In 1992, legislation was enacted that accelerated the repayment by system institutions of certain FAC obligations, and system institutions are voluntarily making advance repayments of capital infusions from FAC. During fiscal year 1994, voluntary payments from Louisville, Spokane, and Omaha totalled $91 million. FAC also expects a payment of $14 million, in fiscal year 1995, for debts of the liquidated Jackson bank.

Proceeds of FAC debt issuances were paid into, and amounts for assistance and other expenses were paid from, the FAC Assistance Fund. The FAC Trust Fund holds and rebates the private capital contributed by the Farm Credit System. Remaining amounts in the Trust Fund are available to cover System defaults on FAC principal and interest payments.

Trust Funds

Financial Assistance Corporation Trust Fund

Program and Financing (in thousands of dollars)

Identification code 78–8202–0–7–351	1994 actual	1995 est.	1996 est.
Financing:			
21.41 Unobligated balance available, start of year: U.S. Securities: Par value	-85,450	-85,450	-90,406
24.41 Unobligated balance available, end of year: U.S. Securities: Par value	85,450	90,406	95,649
60.27 Budget authority (appropriation) (trust fund, indefinite)		4,956	5,244
Relation of obligations to outlays:			
71.00 Total obligations			
90.00 Outlays			

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Divider Title: **F**

FARM CREDIT SYSTEM INSURANCE CORPORATION

DESCRIPTION: The Farm Credit System Insurance Corporation was created in 1987 to prevent future taxpayer bailouts of the Farm Credit System (FCS). It is funded by premiums collected from (private) FCS institutions, and helps promote investor confidence and lowers borrowing costs to farmers, ranchers and other customers of the FCS. The Corporation protects investors in FCS obligations and taxpayers by acting to ensure the timely repayment of principal and interest on debt instruments issued on behalf of the System. The three primary functions of the Corporation are insurance fund management, risk management, and receivership/conservatorship operations.

FY 1996 BUDGET PROPOSAL: The Corporation's FY 96 administrative budget request is $3.346 million and 23 FTEs. Current law would require, as of January 1, 1996, the Corporation to be governed by a new Board of Directors independent from the Farm Credit Administration (FCA). Implementation of this provision would result in significant increases from the FY 95 levels of $1.8 million in budget authority and 10 FTEs. The President's budget has proposed a more cost-effective management structure that will ensure appropriate independence from and coordination with the System's regulator, the FCA. This proposal would save $1.1 million and 12 FTEs. This would result in a total of 11 FTEs, just 1 additional FTE above the current services level.

AGENCY PROPOSAL: The agency's submission essentially expands on the benefits of adopting the re-structuring proposal outlined in the FY 96 budget and presents arguments against fundamentally changing the nature of the Corporation.

DECISION OPTIONS:

A. Terminate the Farm Credit System Insurance Corporation along with the FCA and allow the private sector to serve this function.
B. Transfer this insurance function to another governmental entity (FDIC or a state or local body).
C. Continue to pursue the reforms proposed in the FY 96 budget.

ADVISORY GROUP RECOMMENDATION: C

RATIONALE: The proposal contained in the FY 96 budget represents an improvement over the requirements contained in current law and should be pursued. The sector of the economy that borrows from Farm Credit System institutions is subject to adverse cycles as evidenced by the farm crisis of the 1980s. Underpinning the need for the Corporation (and the closely associated regulatory entity, the FCA) is the belief that it is in the public interest to operate a single purpose system to help guard against the periodic disruptions experienced by farming-related organizations. While arguments can be made in favor of eliminating the insurance and oversight roles played by, respectively, the Corporation and the FCA, these organizations have been effective in helping alleviate past farm credit problems and there is good reason to believe that they will act to reduce such market disruptions in the future.

STEERING COMMITTEE RECOMMENDATION:

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Tab F

Farm Credit System Insurance Corporation

March 8, 1995

Mr. Gerald Nikolaus
Small Agency Review Team
National Performance Review
750 17th Street N.W., Suite 200
Washington, D.C. 20006

Dear Mr. Nikolaus:

Enclosed please find the Corporation's Options Paper prepared in response to Phase II of the National Performance Review (NPR). The Options Paper provides an overview of the Corporation's mission, goals and key functions. Also included is a discussion of restructuring alternatives that were considered as part of the Decision Tree analysis and our recommendations regarding those alternatives.

Please feel free to contact me if I may be of further assistance regarding this effort at (703) 883-4380.

Sincerely,

Mary A. Creedon

Mary A. Creedon
Chief Operating Officer

Enclosure

McLean, Virginia 22102-0826
703/883-4380

THE FARM CREDIT SYSTEM INSURANCE CORPORATION

Overview

The Farm Credit System Insurance Corporation (Corporation) is an independent, non-appropriated, U.S. Government controlled corporation. The Corporation became operational on January 1, 1993. Its structure and programs were developed to emphasize efficient use of resources. The Corporation is managed by a Board of Directors consisting of the same individuals as the Farm Credit Administration (FCA) Board of Directors. The Corporation has three primary functional responsibilities: Insurance Fund Management, Risk Management and Receivership/Conservatorship Operations. The Corporation has a total authorized staff of 10 FTEs. Like other Federal financial institution insurers, the Corporation's expenses are paid for privately through insurance premium assessments on Farm Credit System (System) banks. The Corporation's budget for fiscal 1995 is $1.85 million. In 1994, the Corporation had a favorable budget impact as net receipts to the Insurance Fund lowered the deficit by approximately $120 million.

The Farm Credit System is a nationwide cooperative group of banks and affiliated associations which serve borrowers and related entities in the agricultural sector. The System has a mandate to provide farmers and ranchers continuous access to funding. The single industry lending scope of the System results in higher levels of product and regional risk than are common among other lenders with broader lending authorities. Because the loan portfolios are not widely diversified, System institutions are subject to the cyclical nature of the agricultural economy. Unlike commercial banks which finance the majority of their operations with deposits, the System, having no similar authority, borrows money collectively through the sale of bonds and notes to investors.

Mission and Goals

The Corporation's purpose is to protect investors in insured Farm Credit System obligations and taxpayers through sound administration of the Farm Credit Insurance Fund (Insurance Fund). By ensuring the timely repayment of principal and interest on insured notes, bonds, and other obligations issued on behalf of the System to investors, the Corporation helps to promote investor confidence and lower borrowing costs for the farmers, ranchers, and other System borrowers. In addition, the Corporation has statutory responsibility to act as conservator or receiver for troubled System institutions. The Corporation may also provide financial assistance to System institutions if it is determined that doing so will provide the most effective option for resolving a troubled institution. The Insurance Fund also protects Treasury and taxpayers from liability which may arise from the obligations issued by the Farm Credit System Financial Assistance Corporation during the 1980s, which mature by 2005.

The Corporation has embraced the central themes of the National Performance Review from the outset. In the Corporation's enabling legislation, Congress mandated a streamlined structure by directing the Corporation to minimize duplication of effort and contain costs by relying on the FCA for examination and other support services. The Corporation's efforts in this area were recognized in a recent General Accounting Office study which found that the Corporation had put in place procedures to coordinate activities with the FCA and prevent duplication of effort.

The Corporation's practice is to minimize fixed costs by outsourcing for services whenever appropriate. The Corporation has set up contractual arrangements through which additional personnel and a wide variety of specialized expertise could be obtained on an as-needed basis. These contracts do not require the payment of retainers and therefore are an efficient way for the Corporation to maintain program capabilities, especially for receivership and conservatorship operations, while keeping overhead cost low during periods of limited or no activity.

There are several groups that are "customers" of the Corporation. The primary customers are the insured bondholders who benefit from lower levels of risk as a result of the insurance coverage. The System is also a customer. While there are numerous factors which contribute to the System's cost of debt, the Insurance Fund has been one factor contributing to current low spread levels between System and corresponding maturity Treasury obligations. System borrowers are also customers as lower funding costs allow System banks and associations to offer lower cost loans.

There is qualitative evidence that the Corporation is accomplishing its mission of adding confidence and stability to the funding market. This lowers the cost of funds to the System and its borrowers. The Farm Credit System Funding Corporation (Funding Corporation) and Standard and Poor's Ratings Service (Standard and Poor's), whose views may be reflective of those held by the System and the bondholders, were recently polled regarding the value of the Corporation. The Funding Corporation, the private issuer of System obligations, stated its belief that the Corporation was indispensable to the System's continued access to low cost funds.

Similarly, Standard and Poor's stated that investors in System debt take great comfort in recognizing that an insurance fund exists which has the unique role of ensuring timely payments of principal and interest to investors. The fact that the Corporation is a Federal corporation with independent responsibility to manage the Insurance Fund strengthens investor confidence in the System's agency status. It should be noted that System debt is currently rated triple "A" by both major ratings services. This high level of investor confidence has allowed the System access to a stable source of funds at rates which closely mirror Treasury issues of similar duration.

Assessment of Key Functions

As noted earlier, the Corporation has one primary purpose - to protect investors in insured Farm System obligations and taxpayers through sound administration of the Insurance Fund. The three functional areas of the Corporation, Risk Management, Insurance Fund Management and Conservatorship/Receivership Operations are integral to the accomplishment of the mission. Included as Attachment 1 is a listing of the Corporation's major accomplishments to date.

Recommended Changes in Programs

Board Structure:

Beginning January 1, 1996, current law requires the Corporation to be governed by a full-time three member Board of Directors independent of the Farm Credit Administration Board. The Corporation has submitted a budget for fiscal year 1996 that reflects the estimated cost and staff levels for implementing the current law. The Corporation projects that implementation would require an increase in FTE authorization from 10 in 1995 to 23 in 1996, with a corresponding increase in budget from $1.8 million to $3.3 million.

The Administration proposes to amend current law to provide a Board of Directors structure that will be cost-effective, ensure coordination with FCA and have adequate authority and resources to carry out its mission. The proposed alternative Board structure would reduce the projected FTE authorization to 12 and the budget to $2.2 million; therefore resulting in savings of 11 FTEs and $1.1 million in 1996. The change to a more independent Board structure may require that the law be amended to empower the Corporation to develop the regulations necessary to accomplish its mission.

REVISION OF BOARD STRUCTURE
($ in millions)

[redacted]					
Budget Outlays	$3.3	$2.2	$2.3	$2.4	$11
FTE Changes	23	11*	12	12	12
*Implementation of additional positions funded for less than full year.					

Changes Considered But Not Recommended

Termination of the FCSIC:
Since the farm crisis of the 1980s, the System and its primary regulator, the Farm Credit Administration (FCA), have made significant strides towards avoiding a reoccurrence of the types of stresses which threatened the continued viability of the System. However, these efforts, whether voluntary or imposed by the regulator, by their nature tend to focus on past activities rather than future risks and on the health of individual institutions rather than on the health of the System as a whole. This is especially problematic in the System where the member banks generate the majority of their funds through collective borrowing from investors.

The Corporation has developed, and is continuing to develop through the formulation of risk modeling tools, a proactive program to effectively monitor the Systemwide risks that impact bondholders, System institutions, members and the public. The accumulation by incremental installments of a pool of available funds that can be used to deal quickly with losses in times of adversity is a basic concept of insurance theory. A review of losses suffered by Federal financial institution insurers indicates that in many cases early action can result in lower resolution costs and that problems can arise if an attempt is made to tap institution's capital in times of financial stress. Therefore, it seems more prudent to collect relatively small premiums from the members of a group in advance during periods of financial health than to bet on the ability to collect large amounts from those same members during times of financial crisis.

TERMINATION OF THE INSURANCE PROGRAM
($ in millions)

[redacted]		
Governmental Receipts	$134	($458) Foregone net receipts resulting from elimination of the insurance program.

Privatization:
A review of this option suggests that it would be difficult to implement due to the nature of the risks present in the System. In a recent study dealing with development of an Insurance Risk Model for the Corporation, a research team from the University of Illinois Graduate School of Agricultural Finance evaluated the types and nature of the risks present in the System. Their research indicates that, due to limited lending authorities, System portfolios contain higher geographical and product concentrations than non-System institutions. These concentrations result in a risk profile which is contrary to that normally acceptable to private insurers. Also, the number of insured entities is very small.

While it may be possible to obtain private insurance coverage, initial research indicates that the cost of such coverage would exceed the current price and may result in lower confidence among investors. Even if the insurance function could be privatized, the Corporation's statutory responsibility to act as the Federal conservator or receiver for troubled or failed System institutions would remain.

Transfer to State or Local Control:
This alternative would be difficult to implement as System institutions have multi-state, national and international lending authorities. As mentioned earlier, the portfolios of System banks contain a high degree of product and geographic concentration risk due to the limited scope of lending authorities. The existing Federal insurance program tends to lower the degree of product and geographic concentration risks by combining the risks associated with the individual bank portfolios.

Treating the System as a combined entity diversifies both the product and regional concentration risks present in the individual portfolios. It is also consistent with the collective borrowing liability which exists among the banks. It is unlikely that State sponsored programs would be able to achieve this same level of diversification.

State deposit insurance programs have historically shown an inability to deal with the magnitude of risks present in the System ($53 billion of bonds currently outstanding). System funds are borrowed on a collective basis with all System banks sharing in the liability for their repayment. It is unclear how a particular state or local entity would establish jurisdiction and control over individual institutions or the System as a whole. The exercise of powers by various state agencies would likely lead to conflicts of jurisdiction and possibly conflicts of interest in times of financial stress.

ATTACHMENT 1

Accomplishments

•Reduction in the Ratio of Managers to Staff
In 1993, the Board amended the Corporation's bylaws to create a more streamlined organizational structure. The bylaw amendments eliminated the Chief Executive Officer position; this reduced a layer of management and eliminated a one-on-one reporting relationship. The bylaw amendments also delegated additional authority to the Chief Operating Officer who now reports directly to the Board.

- **Work Force Reduction**
In approving fiscal year 1994 and 1995 budgets the Board eliminated one full-time staff equivalent position. This reduction from 11 to 10 positions represents a 9% decrease in the total number of employees.

- **Use of Contract Services**
The Corporation's philosophy is to minimize operating costs through the outsourcing of services whenever appropriate. The Corporation has set up contractual arrangements through which additional personnel and a wide variety of specialized expertise can be obtained on an as-needed basis. These contracts do not require the payment of retainers and therefore are an efficient way for the Corporation to maintain program capabilities while keeping overhead costs low during periods of limited activity.

- **Reducing Overcontrol and Inefficiencies**
To ensure that there is an effective system of internal controls, the Corporation has an Internal Control and Audit Policy which requires annual financial audits and periodic operational audits of the Corporation's programs by an independent accounting firm. Corporation staff are reviewing current procedures to identify any unnecessary "red tape" which could adversely affect program efficiency.

- **Annual Operating Costs as a Percentage of FCSIC Assets**
The annual operating costs of the Corporation are approximately 0.2% of assets. This compares favorably with other private sector Treasury mutual bond funds and the System's overhead costs which are approximately 0.5% and 1.3% respectively.

•Growth in Fund
As of December 31, 1994, the Insurance Corporation's assets have grown to $755 million.

•5-year Strategic Plan and Performance Measures
The Corporation has developed a 5-year strategic plan which includes specific goals, performance measures and objective evaluation criteria. A progress report is presented to the Board at quarterly meetings.

- **Development of Risk Monitoring Models**
The Corporation has developed, or is in the process of developing, several computer based risk monitoring tools. These include a Cost Test Model to evaluate resolution alternatives for troubled institutions and a Secure Base Model that will assist the Corporation in determining the appropriate level for the Insurance Fund. The Secure Base Model is being developed in partnership with a private sector firm. The Corporation is also evaluating the potential for offering the use of these models to other agencies.

•Richmond Production Credit Association in Receivership Payout
In 1993, the Corporation conducted its first payout of a failed System institution. As a follow-up to the successful completion of the payment, the Corporation's independent auditors performed an evaluation of the policies, procedures and methods used.

•Sharing of Management Information Services (MIS)
The Corporation has entered into an MIS resources sharing partnership with the FCA. This arrangement increases efficiency and controls costs by avoiding duplication of hardware, software and support personnel.

FARM CREDIT SYSTEM INSURANCE CORPORATION

Federal Funds

Public enterprise funds:

FARM CREDIT SYSTEM INSURANCE FUND

dollars)

	tual	1995 est.	1996 est.
Program by activities:			
00.01 Administrative operating expense	1,259	1,853	3,346
10.00 Total obligations	1,259	1,853	3,346
Financing:			
Unobligated balance available, start of year:			
21.90 Treasury balance	-82	-37	-50
U.S. Securities:			
21.91 Par value	-637,216	-759,026	-878,388
21.92 Unrealized discounts	163	2,641	2,867
Unobligated balance available, end of year:			
24.90 Treasury balance	37	50	50
U.S. Securities:			
24.91 Par value	759,026	878,388	1,004,061
24.92 Unrealized discounts	-2,641	-2,867	-2,867
68.00 Budget authority (gross): Spending authority from offsetting collections	120,546	121,002	129,019
Relation of obligations to outlays:			
71.00 Total obligations	1,259	1,853	3,346
87.00 Outlays (gross)	1,259	1,853	3,346
Adjustments to gross budget authority and outlays:			
Offsetting collections from:			
88.00 Federal sources	-46,503	-47,002	-55,019
88.40 Non-Federal sources	-74,043	-74,000	-74,000
88.90 Total, offsetting collections	-120,546	-121,002	-129,019
89.00 Budget authority (net)			
90.00 Outlays (net)	-119,287	-119,149	-125,673

Summary of Budget Authority and Outlays

(in thousands of dollars)

Enacted/requested:	1994 actual	1995 est.	1996 est.
Budget Authority			
Outlays	-119,287	-119,149	-125,673
Legislative proposal, subject to PAYGO:			
Budget Authority			
Outlays			-1,132
Total:			
Budget Authority			
Outlays	-119,287	-119,149	-126,805

The Farm Credit System Insurance Corporation was established to ensure the timely payment of principal and interest on Farm Credit System obligations. Its Board of Directors is the Farm Credit Administration Board. The Insurance Corporation collects insurance premiums from insured System banks based on the level of accruing and non-accruing loans outstanding in each bank's loan portfolio. Annual premium collections will continue until the reserve fund equals 2 percent of outstanding System obligations, or an amount determined by its Board of Directors to be actuarially sound to maintain in the Fund, taking into account the risk of insuring outstanding obligations of the System.

The Insurance Fund is available for payment on System obligations if an insured System bank defaults on its primary liability. The Insurance Fund is also available to ensure the timely retirement of certain eligible borrower stock, pay the operating costs of the Insurance Corporation and to satisfy defaults by System banks on obligations issued by the Farm Credit System Financial Assistance Corporation after amounts in the Financial Assistance Corporation Trust Fund are exhausted. The Insurance Corporation can exerc its authority to make loans, purchase System bank assets or securities, provide other financial assistance, and otherwise act to reduce its exposure to losses.

Statement of Operations (

Identification code 78-4171-0-3-351	19[illegible]	[illegible]	[illegible]	[illegible]
0101 Revenue	114,684	118,787	127,761	134,802
0102 Expense	-13,892	40,077	-11,210	-13,358
0109 Net income or loss (-)	100,792	158,864	116,551	121,444

Balance Sheet (in thousands of dollars)

Identification code 78-4171-0-3-351	1993 actual	1994 actual	1995 est.	1996 est.
ASSETS:				
Federal assets:				
Investments in US securities:				
1102 Treasury securities, par	637,216	759,020	878,388	1,004,061
1103 Treasury securities, unamortized premium	36,909	30,961	37,190	42,476
Non-Federal assets:				
Receivables, net:				
1206 Accrued interest receivable	10,914	12,485	13,102	13,615
1206 Premium receivable	55,576	55,561	55,500	55,500
1801 Other Federal assets: Cash and other monetary assets	82	44	50	50
1999 Total assets	740,697	858,071	984,230	1,115,702
LIABILITIES:				
2104 Federal liabilities: Resources payable to Treasury	175,194	133,806	143,180	153,209
2201 Non-Federal liabilities: Accounts payable	94			
2999 Total liabilities	175,288	133,806	143,180	153,209
NET POSITION:				
3100 Appropriated capital	565,409	724,265	841,050	962,493
3999 Total net position	565,409	724,265	841,050	962,493
4999 Total liabilities and net position	740,697	858,071	984,230	1,115,702

Object Classification (in thousands of dollars)

Identification code 78-4171-0-3-351	1994 actual	1995 est.	1996 est.
Personnel compensation:			
11.1 Full-time permanent	699	794	1,499
11.5 Other personnel compensation	2	8	15
11.9 Total personnel compensation	701	802	1,514
12.1 Civilian personnel benefits	143	137	488
21.0 Travel and transportation of persons	21	66	135
22.0 Transportation of things			30
23.2 Rental payments to others	66	84	142
23.3 Communications, utilities, and miscellaneous charges	16	16	26
24.0 Printing and reproduction	16	31	35
25.2 Other services	282	685	821
26.0 Supplies and materials	2	14	24
31.0 Equipment	12	18	131
42.0 Insurance claims and indemnities			
99.9 Total obligations	1,259	1,853	3,346

Personnel Summary

Identification code 78-4171-0-3-351	1994 actual	1995 est.	1996 est.
5001 Total compensable workyears: Full-time equivalent employment	10	10	23

FARM CREDIT SYSTEM INSURANCE FUND

(Legislative proposal, subject to PAYGO)

Program and Financing (in thousands of dollars)

Identification code 78–4171–4–3–351		1994 actual	1995 est.	1996 est.
	Program by activities:			
00.01	Administrative operating expense			-1.132
10.00	Total obligations			-1.132
	Financing:			
21.40	Unobligated balance available, start of year: Treasury balance			
24.40	Unobligated balance available, end of year: Treasury balance			1.132
39.00	Budget authority			
	Relation of obligations to outlays:			
71.00	Total obligations			-1.132
90.00	Outlays			-1.132

Beginning January 1, 1996, current law requires the Corporation to be governed by a full-time three member Board of Directors independent of the Farm Credit Administration Board. The fiscal year 1996 budget reflects the Corporation's estimated cost and staff levels for implementing the current law. The Administration proposes to amend current law to provide a Board of Directors structure for the Corporation that will be cost effective, ensure appropriate coordination with the System's regulator, the Farm Credit Administration, and have adequate authority and resources to carry out its mission. This proposal would also require a lower level of FTEs to implement.

Statement of Operations (in thousands of dollars)

Identification code 78–4171–4–3–351		1993 actual	1994 actual	1995 est.	1996 est.
0101	Revenue				
0102	Expense				1.132
0109	Net income or loss (–)				1.132

Balance Sheet (in thousands of dollars)

Identification code 78–4171–4–3–351		1993 actual	1994 actual	1995 est.	1996 est.
	NET POSITION:				
3100	Appropriated capital				1.132
3999	Total net position				1.132
4999	Total liabilities and net position				1 132

Object Classification (in thousands of dollars)

Identification code 78–4171–4–3–351		1994 actual	1995 est.	1996 est.
11 1	Personnel compensation: Full-time permanent			-593
12.1	Civilian personnel benefits			-309
21.0	Travel and transportation of persons			-51
22.0	Transportation of things			-30
23.2	Rental payments to others			-21
23 3	Communications, utilities, and miscellaneous charges			3
25.2	Other services			-69
26 0	Supplies and materials			-3
31.0	Equipment			-59
99.9	Total obligations			-1.132

Personnel Summary

Identification code 78–4171–4–3–351		1994 actual	1995 est.	1996 est.
5001	Total compensable workyears: Full-time equivalent employment			-12

FEDERAL COMMUNICATIONS COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the Federal Communications Commission, as authorized by law, including uniforms and allowances ı - for, as authorized by 5 U.S.C. 5901–02; not to exceed $600,000 for land and structures; not to exceed $500,000 for improvement and care of grounds and repair to buildings; not to exceed $4,000 for official reception and representation expenses; purchase (not to exceed sixteen) and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C. 3109; [$185,232,000] *$223,600,000*, of which not to exceed $300,000 shall remain available until September 30, [1996] *1997*, for research and policy studies: *Provided*, That $116,400,000 of offsetting collections shall be assessed and collec pursuant to section 9 of title I of the Communications Act of 1934, as amended, and shall be retained and used for necessary expenses in this appropriation, and shall remain available until expe *Provided further*, That the sum herein appropriated shall be reduced as such offsetting collections are received during fiscal year [1995] *1996* so as to result in a final fiscal year [1995] *1996* appropriation estimated at [$68,832,000] *$107,200,000*: *Provided further*, That any offsetting collections received in excess of $116,400,000 in fiscal year [1995] *1996* shall remain available until expended, but shall not be available for obligation until October 1, [1995] *1996*[: *Provided further*, That of the budgetary resources available in fiscal year 1995 in this account, $197,000 are permanently canceled: *Provided further*, That amounts available for procurement and procurement-related expenses in this account are reduced by such amount: *Provided further*, That as used herein, "procurement" includes all stages of the process of acquiring property or services, beginning with the process of determining a need for a product or services and ending with contract completion and closeout, as specified in 41 U.S.C. 403(2): *Provided further*, That none of the funds appropriated by this Act shall be used to repeal, to retroactively apply changes in, or to continue a reexamination of, the policies of the Federal Communications Commission with respect to comparative licensing, distress sales tax certificates granted under 26 U.S.C. 1071, to expand minority ownership of broadcasting licenses, including those established in the Statement of Policy on Minority Ownership of Broadcasting Facilities, 68 F.C.C. 2d 979 and 69 F.C.C. 2d 1591, as amended 52 R.R. 2d 1313 (1982) and Mid-Florida Television Corp., 69 F.C.C. 2d (Rev. Bd. 1978), which were effective prior to September 12, 1986, other than to close MM Docket No. 86–484 with a reinstatement of prior policy and a lifting of suspension of any sales, licenses, applications, or proceedings, which were suspended pending the conclusion of the inquiry: *Provided further*, That none of the funds appropriated to the Federal Communications Commission by this Act may be used to diminish the number of VHF channel assignments reserved for noncommercial educational television stations in the Television Table of Assignments (section 73.606 of title 47, Code of Federal Regulations): *Provided further*, That none of the funds appropriated by this Act may be used to repeal, to retroactively apply changes in, or to begin or continue a reexamination of the rules and the policies established to administer such rules of the Federal Communications Commission as set forth at section 73.3555(d) of title 47 of the Code of Federal Regulations, other than to amend policies with respect to waivers of the portion of section 73.3555(d) that concerns cross-ownership of a daily newspaper and an AM or FM radio broadcast station]. *(Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 27–0100–0–1–376		1994 actual	1995 est.	1996 est.
	Program by activities:			
	Direct program:			
00.01	Executive direction and support	20.507	24 499	30.029
00.02	Legal services	5.339	7 516	9.204
00 03	Authorization of service	37.282	36.620	44.217
00.04	Policy and rulemaking	6.974		7.059
00.05	Enforcement	30.968	924	10.705
00.06	International	2.003		1.113
00 07	Public information services	3.847		4.873
00.91	Total direct program	106.920	69.559	107.200

Clinton Presidential Records
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Divider Title: G

FEDERAL ENERGY REGULATORY COMMISSION

DESCRIPTION: The Federal Energy Regulatory Commission is an independent regulatory agency within the Department of Energy. It is charged with regulating certain inter- and intra-state aspects of the natural gas, oil pipleline, hydropower, and electric industries. Such regulation includes issuing licenses and certificates for construction of facilities, approving rates, and inspecting dams.

FY 1996 BUDGET PROPOSAL: The proposed FY 1996 program funding is $151.6 million -- down from the FY 1995 level of $165.8 million. The proposed FY 1996 FTE is 1,456 -- the FY 1995 is 1,466.

AGENCY PROPOSAL: The agency proposes that it continue with its present functions as a federal agency. It proposes continuing to try to introduce competition into the market sectors it oversees and to continue trying to reduce the regulatory burden that it imposes.

DECISION OPTIONS:

A. No change. Continue funding at FY 1996 levels and continue with regulatory reform efforts and use of the customer feedback survey results to improve FERC outcomes.

B. Terminate the agency and devolve the functions to the states.

ADVISORY GROUP RECOMMENDATION: A.

RATIONALE: The Federal government has a role in regulating natural monopolies with activities that cross state boundaries. Oversight and regulation of these industries should be conducted by an independent agency and not by a line agency of the Department of Energy.

STEERING COMMITTEE RECOMMENDATION:

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National Performance Review
Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission is an independent regulatory agency within the Department of Energy. Its function is to oversee America's natural gas industry, electric utilities, hydroelectric projects and oil pipeline transportation system.

In the past two years, we have made dramatic progress in promoting competition where it can work in the natural gas industry. We are working to do the same in the electric industry. Some sectors in both industries remain natural monopolies and require continuing federal regulation. For these sectors, we are reforming our regulatory approach: reducing regulations and reporting requirements, streamlining proceedings and making our own operations more efficient. The results are clear. Our budget submission for this year reflects a nine percent reduction in funding, even though many of the issues we face are more complex than ever before (see attached budget). Over the past two years we have reduced our staff (FTEs) by 41.

If the Commission were eliminated, how would its programs be undertaken?

Our programs are of national importance. Most are inherently governmental, can only be performed at the Federal level and are best performed by an independent agency.

National importance. Natural gas supplies about 25 percent of the Nation's total energy needs through pipelines that have substantial monopoly power. The last decade shows that competitive gas markets bring large benefits but that they thrive only when pipeline monopoly power is controlled. The electric industry is now in transition to a competitive generation sector that may in time save the Nation many billions of dollars. This transition requires controlling the monopoly power that utilities have over interstate transmission. Hydropower projects require balancing many competing uses of our public waterways. The issues are contentious and very important to many parts of the public.

States cannot do our job. We generally consider only the interstate aspects of the industries we regulate. States cannot do this work because of the Constitutional ban on restricting interstate commerce. They should not do it because each state would be tempted to take actions to help its own citizens at the expense of those in other states.

Private industry cannot do our job. The companies under our jurisdiction would have little reason to mitigate their own market power and might be subject to antitrust laws if they tried. While we now let companies contract (and pay) for their own environmental reviews, public oversight remains a necessary part of that process.

Other Federal agencies might do our work but would need to emulate our approaches. Our independence helps assure all parties that they will receive a fair hearing. Our history of resolving most key issues by consensus helps ensure that our policies are broadly accepted.

Should programs be done differently to enhance service to customers?

Yes. We are committed to:

- reducing regulation where possible,
- reducing reporting requirements while improving public access to information that is reported, and
- cutting our overhead expenses.

We also constantly re-examine existing regulations in light of the changes our initiatives have brought. Both gas and electric restructuring changes the purpose and nature of regulation, and we are working to ensure that our regulations do not lag behind.

Natural Gas and Oil Pipelines. The transition to a fully competitive commodity market for natural gas is now complete. As a result, we have eliminated our programs that regulated gas producers and the resale price of gas for pipelines. We have given jurisdiction over natural gas gathering back to the states. We have also streamlined our oil pipeline regulation to give companies more choices while continuing to protect the public.

Our natural gas regulations now focus only on interstate gas transportation, and we are working to streamline that program. In the construction stage, companies may now contract and pay for environmental reviews. In our rate regulation, we have requested comments on how we can use market-based approaches and other incentive programs. We are looking for better solutions than the past offers. The key tests will be: will an alternative work better than traditional approaches? And, will it provide the same or better protection to captive customers?

Electricity. The key issue in electricity is the transition to a competitive generation market. Our biggest job now is to ensure that the transmission system is open and cannot be used to exercise market power over competing generators. We are adapting more traditional transmission regulations to ensure comparability (third parties must receive access to the grid on the same terms as traditional electric utilities), to treat stranded costs responsibly (our gas experience shows how important this is) and to reform pricing methods.

Hydropower. We have had a recent bulge in casework because many licenses issued years ago came up for renewal in 1993. Partly in response to this bulge, we have streamlined our processes: we developed much better prefiling consultation with applicants, encouraged settlements wherever possible, and let companies contract and pay for environmental reviews. In the future, we need to develop better methods of monitoring projects for compliance with the terms of their licenses.

How do customers feel about possible eliminations or changes?

We rely on an extensive system of public notice and comment, as well as formal litigation, to keep us in close touch with our customers. This system has worked well for both our immediate customers (those we regulate and their customers) and the American public. For instance, it has helped us reach near-consensus, even on major changes in industry structure affecting the vital interests of many parties.

For the NPR, we asked for direct customer feedback, starting with industry groups that represent most of our direct customers (see copies attached). Some highlights:

- Respondents say our role is essential. As one wrote: "With the current changes in transactions, technology and structure all within the realm of interstate commerce, if we hadn't had FERC we would have had to invent it."

- Several believe that we could turn specific parts of our work over to the states. But they do not agree on which parts. Most agree that we and the states should cooperate more closely, and most see that we have made real progress toward greater cooperation over the last few years. We are committed to nurturing that cooperation in the years ahead.

- Several suggest that we take too long to litigate cases. We have tried to improve in this area by promoting settlements and alternative dispute resolution and will continue to do so.

- Several say we could do a better job of making information available to the public. We have already made major efforts to provide better, more timely access by using new information technology. We agree we need to continue making improvements.

- Several parties' comments included policy recommendations. Different groups advocated different approaches or outcomes for the same policy issue. That is the nature of the disputes we resolve.

The Commission enjoys a solid reputation for fairness. Now we must keep that reputation while trying to be less obtrusive where possible. It is in the nature of our work that we must often make decisions that some of our customers disagree with. They simply must know that we have made such decisions as fairly as we possibly could.

40.78	Percentage reduction pursuant to P.L. 103–332		–16	
43.00	Appropriation (total)	8.901	8.233	8.219
	Relation of obligations to outlays:			
71.00	Total obligations	8.928	9.194	8.219
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	3.279	2.915	3.743
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	–2.915	–3.743	–3.740
78.00	Adjustments in unexpired accounts	–152		
90.00	Outlays	9.140	8.366	8.222

This program serves as the Department's focal point and interagency point-of-contact for emergency preparedness, policy planning, and response activities to help mitigate the adverse impacts on the Nation that may result from an energy emergency.

Object Classification (in thousands of dollars)

Identification code 89–0234–0–1–274		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	4.006	4.181	4.255
11.3	Other than full-time permanent	49	70	71
11.5	Other personnel compensation	185	105	107
11.9	Total personnel compensation	4.240	4.356	4.433
12.1	Civilian personnel benefits	594	685	697
13.0	Benefits for former personnel	61		
21.0	Travel and transportation of persons	209	315	315
22.0	Transportation of things	2	19	19
23.1	Rental payments to GSA	489	561	561
23.2	Rental payments to others		2	2
23.3	Communications, utilities, and miscellaneous charges	29	131	131
24.0	Printing and reproduction	22	45	45
25.2	Other services	3.239	3.029	1.965
26.0	Supplies and materials	43	51	51
99.9	Total obligations	8.928	9.194	8.219

Personnel Summary

Identification code 89–0234–0–1–274		1994 actual	1995 est.	1996 est.
	Total compensable workyears:			
1001	Full-time equivalent employment	65	67	66
1005	Full-time equivalent of overtime and holiday hours	1	1	1

Economic Regulation

For necessary expenses in carrying out the activities of the Economic Regulatory Administration and the Office of Hearings and Appeals, [$12,437,000] *$10,500,000*, to remain available until expended. *(Department of the Interior and Related Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 89–0217–0–1–276		1994 actual	1995 est.	1996 est.
	Program by activities:			
00.01	Economic regulation	6.168	6.840	4.250
00.02	Hearings and appeals	6.163	7.888	6.800
10.00	Total obligations	12.331	14.728	11.050
	Financing:			
17.00	Recovery of prior year obligations	–34		
21.40	Unobligated balance available, start of year: Treasury balance	–8.511	–2.865	–550
24.40	Unobligated balance available, end of year: Treasury balance	2.865	550	
25.00	Unobligated balance expiring	6.343		
39.00	Budget authority	12.994	12.413	10.500
	Budget authority:			
40.00	Appropriation	12.994	12.437	10.500
40.78	Percentage reduction pursuant to P.L. 103–332		–24	
43.00	Appropriation (total)	12.994	12.413	10.500
	Relation of obligations to outlays:			
71.00	Total obligations	12.331	14.728	11.050
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	2.798	2.083	4.196
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	–2.083	–4.196	–3.446
78.00	Adjustments in unexpired accounts	–34		
90.00	Outlays	13.011	12.615	11.800

Compliance.—This program, administered by the Office of General Counsel, is responsible for resolving all remaining enforcement actions to ensure that oil companies complied with petroleum regulations in effect prior to decontrol of oil in January 1981.

Hearings and appeals.—The Office of Hearings and Appeals issues all final orders of an adjudicatory nature other than those over which the Federal Energy Regulatory Commission or the Board of Contract Appeals has jurisdiction. It decides appeals of petroleum enforcement actions and adverse Freedom of Information Act and Privacy Act determinations, examines requests for exception relief, and administers refund proceedings involving funds obtained as a result of petroleum enforcement actions. This office is also responsible for (a) conducting hearings and issuing initial agency decisions on "whistleblower" complaints made under the DOE Contractor Employee Protection Program, (b) issuing final agency decisions on appeals of disputed "Payment-Equal-to-Taxes" determinations made under the Nuclear Waste Policy Act of 1982, as amended, and (c) conducting personnel security administrative review hearings, and performing administrative reviews of initial determinations.

Object Classification (in thousands of dollars)

Identification code 89–0217–0–1–276		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	6.256	6.142	4.780
11.3	Other than full-time permanent	1.003	974	990
11.5	Other personnel compensation	199	218	155
11.9	Total personnel compensation	7.458	7.334	5.925
12.1	Civilian personnel benefits	1.270	1.302	1.206
13.0	Benefits for former personnel	91		
21.0	Travel and transportation of persons	105	208	173
22.0	Transportation of things	3	2	2
23.1	Rental payments to GSA	1.084	1.635	1.374
23.3	Communications, utilities, and miscellaneous charges	109	86	58
24.0	Printing and reproduction	264	757	747
25.2	Other services	1.857	3.134	1.227
26.0	Supplies and materials	90	270	338
99.9	Total obligations	12.331	14.728	11.050

Personnel Summary

Identification code 89–0217–0–1–276		1994 actual	1995 est.	1996 est.
	Total compensable workyears:			
1001	Full-time equivalent employment	135	130	110
1005	Full-time equivalent of overtime and holiday hours	1		

Federal Energy Regulatory Commission

Salaries and Expenses

For necessary expenses of the Federal Energy Regulatory Commission to carry out the provisions of the Department of Energy Organization Act (42 U.S.C. 7101, et seq.), including services as authorized by 5 U.S.C. 3109, including the hire of passenger motor vehicles; official reception and representation expenses (not to exceed $3,000); [$166,173,000] *$136,567,000*, to remain available until expended: *Provided*, That notwithstanding any other provision of law, not to exceed [$166,173,000] *$136,567,000* of revenues from fees and annual charges, and other services and collections in fiscal year [1995] *1996* shall be retained and used for necessary expenses in this account, and shall remain available until expended: *Provided further*, That

General and special funds—Continued

FEDERAL ENERGY REGULATORY COMMISSION—Continued

SALARIES AND EXPENSES—Continued

the sum herein appropriated *from the General Fund* shall be reduced as revenues are received during fiscal year [1995] *1996* so as to result in a final fiscal year [1995] *1996* appropriation *from the General Fund* estimated at not more than $0. *(Energy and Water Development Appropriations Act, 1995.)*

Unavailable Collections (in thousands of dollars)

Identification code 89–0212–0–1–276	1994 actual	1995 est.	1996 est.
Balance, start of year:			
01.99 Balance, start of year			12.799
Receipts:			
02.01 Fees and Recoveries, Federal Energy Regulatory Commissions, Energy		12.799	39.322
04.00 Total: Balances and collections		12.799	52.121
07.99 Total balance, end of year		12.799	52.121

Program and Financing (in thousands of dollars)

Identification code 89–0212–0–1–276	1994 actual	1995 est.	1996 est.
Program by activities:			
00.02 Hydropower regulation	60.951	57.400	49.967
00.03 Electric power regulation	32.398	35.541	34.246
00.04 Natural Gas and Oil Regulation	68.941	72.812	67.354
10.00 Total obligations	162.290	165.753	151.567
Financing:			
17.00 Recovery of prior year obligations	-1.127		
21.40 Unobligated balance available, start of year: Treasury balance	-26.290	-30.502	-30.922
24.40 Unobligated balance available, end of year: Treasury balance	30.502	30.922	15.922
68.00 Budget authority (gross): Spending authority from offsetting collections	165.375	166.173	136.567
Relation of obligations to outlays:			
71.00 Total obligations	162.290	165.753	151.567
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance	23.406	36.659	36.359
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	-36.659	-36.359	-46.918
78.00 Adjustments in unexpired accounts	-1.127		
87.00 Outlays (gross)	147.910	166.053	141.008
Adjustments to gross budget authority and outlays:			
88.40 Offsetting collections from: Non-Federal sources	-165.375	-166.173	-136.567
89.00 Budget authority (net)			
90.00 Outlays (net)	-17.465	-120	4.441

The Federal Energy Regulatory Commission (FERC) is charged with regulating certain interstate aspects of the natural gas, oil pipeline, hydropower, and electric industries. Such regulation includes issuing licenses and certificates for construction of facilities, approving rates, inspecting dams, implementing compliance and enforcement activities, and providing other services to regulated businesses. In FY 1996, these businesses will pay fees and charges sufficient to fully offset the Commission's cost of providing licenses, inspections, and other services.

Natural gas and oil.—The Commission regulates 150 natural gas pipeline companies, and 130 common carrier oil pipeline companies, including the Trans-Alaska Pipeline System (TAPS). Responsibilities include: issuing certificates of public convenience and necessity for natural gas pipelines, determining rates for the transportation of natural gas in interstate commerce and rates for the transportation of oil by pipeline; and establishing applicable tariff provisions to carry out the Commission's responsibilities under the Natural Gas Act and the Natural Gas Policy Act. With the implementation of Order No. 636, the Commission is continuing to fine tune the restructured operations of the natural gas pipeline companies to ensure the smooth operation of the industry. Pipeline filings to implement such fine tuning are presenting inc[illegible]ingly difficult and complex issues.

Hydropower.—The Commission issues preliminary permits, exemptions, and licenses, including relicenses, for non-federal hydroelectric projects, enforces their terms and conditions, and performs dam safety inspections. The Commission regulates more than 1,600 hydroelectric projects which supply about 10 percent of the electric energy generated in the United States. The Commission also performs investigations to determine the amount of headwater benefits that are [illegible]ived from Federally-owned and FERC-licensed headwater improvements and returned more than $12 million in revenues to the U.S. Treasury in FY 1994.

Electric power.—The Commission is responsible determining rates for the interstate sale or transmission of wholesale electric energy for more than 200 electric utilities and for overseeing electric utility corporate transactions. The Commission approves rates for all Federal power marketing agencies except TVA. Implementing the Energy Policy Act of 1992 will result in many changes in the electric power industry to meet increasing generating capacity needs of the 1990's, primarily through nontraditional sources in response to economic forces in the marketplace. The Commission also certifies cogenerators, small power producers, and exempt wholesale generators.

Object Classification (in thousands of dollars)

Identification code 89–0212–0–1–276	1994 actual	1995 est.	1996 est.
Personnel compensation:			
11.1 Full-time permanent	80.962	82.877	85.521
11.3 Other than full-time permanent	1.647	1.669	1.714
11.5 Other personnel compensation	1.256	1.239	1.277
11.8 Special personal services payments	8		
11.9 Total personnel compensation	83.873	85.785	88.512
12.1 Civilian personnel benefits	15.382	16.180	16.801
13.0 Benefits for former personnel	932	348	156
21.0 Travel and transportation of persons	2.145	2.581	2.579
22.0 Transportation of things	20	20	20
23.1 Rental payments to GSA	10.500	9.727	17.200
23.2 Rental payments to others	265	264	264
23.3 Communications, utilities, and miscellaneous charges	3.448	3.455	2.697
24.0 Printing and reproduction	1.810	1.845	1.878
25.1 Advisory and assistance services	17.695	12.008	4.000
25.2 Other services	18.538	25.326	12.915
25.3 Purchases of goods and services from Government accounts	788	701	725
26.0 Supplies and materials	1.631	1.581	1.516
31.0 Equipment	5.133	5.818	2.195
41.0 Grants, subsidies, and contributions	125	89	84
42.0 Insurance claims and indemnities	5	25	25
99.9 Total obligations	162.290	165.753	151.567

Personnel Summary

Identification code 89–0212–0–1–276	1994 actual	1995 est.	1996 est.
Total compensable workyears:			
1001 Full-time equivalent employment	1.434	1.463	1.453
1005 Full-time equivalent of overtime and holiday hours	3	3	3

GEOTHERMAL RESOURCES DEVELOPMENT FUND

Program and Financing (in thousands of dollars)

Identification code 89–0206–0–1–271	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations	14		
Financing:			
21.40 Unobligated balance available, start of year: Treasury balance	-5.068	-554	-554

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TENNESSEE VALLEY AUTHORITY

<u>DESCRIPTION</u>: TVA is a Government-owned corporation created in 1933. TVA is responsible for the unified development of the Tennessee river basin, a watershed of 41,000 square miles comprising parts of seven states. TVA operates a massive power generation and transmission system, which accounts for approximately 97% of its budget. This power system incorporates 3 nuclear generating units, 11 coal-fired plants and 29 hydroelectric dams. In addition, TVA manages programs in water management (i.e., flood control, management of a navigation system, watershed protection and improvement, water condition monitoring), economic development (i.e., strategic planning, business infrastructure development, workforce development), land management (i.e., management of shorelines, 160 public recreation areas and various cultural resources), and environmental research (i.e., development and implementation of technologies and strategies to prevent or reduce air and agricultural pollution, and to improve waste management).

<u>FY 1996 BUDGET PROPOSAL</u>: The proposed FY96 current appropriation is $140.473 million, $2.4 million less than in FY95. The FY96 budget also proposes $5.777 billion in net spending authority from offsetting collections and $611 million in indefinite borrowing authority. Total proposed FTE for FY96 is 16,440, 169 fewer than in FY95.

<u>AGENCY PROPOSAL</u>: The agency - designated a reinvention laboratory - proposes that it continue to implement an extensive program of reinvention (see attached Agency Option Paper). TVA opposes privatization, which has been proposed by Congressman Klug (HR 313).

<u>DECISION OPTIONS</u>:

A No change; continue funding at FY96 levels and continue with current reinvention efforts

B Privatize TVA's power generation and transmission facilities (its electric utility component) and transfer its remaining functions to other Federal, State and local agencies (HR 313)

C Commission an independent study of privatization, outsourcing and/or devolution of TVA's utility and other functions; the study would be overseen by a panel of experts in relevant fields

<u>ADVISORY GROUP RECOMMENDATION</u>: C

<u>RATIONALE</u>: Whether or not the Federal government should own and operate an electric utility in the Tennessee Valley is a question deserving careful consideration. The question is exceptionally complex, involving macroeconomic as well as microeconomic issues. Given TVA's dominant role in the Tennessee Valley region, and the fact that its operations weave together the provision so many important services (e.g., environmental protection, recreation, flood control), the study and evaluation of alternatives such as privatization, outsourcing and/or devolution will require substantial resources. Careful oversight of such a study by a panel of informed experts is advised.

<u>STEERING COMMITTEE RECOMMENDATION</u>:

National Performance Review Option Paper
Tennessee Valley Authority

TVA'S MISSION

TVA was established as a federal agency by the U. S. Congress in 1933 to control flooding, improve navigation, replenish the soil, promote improved agricultural practices, and produce electric power for the Tennessee Valley region at the lowest feasible price. For more than 60 years TVA has been a model of sustainable development and integrated resource planning in an area that covers Tennessee and parts of Alabama, Georgia, Kentucky, Mississippi, North Carolina, and Virginia, and through this process TVA has greatly improved the quality of life in these regions.

TVA's power program, which accounts for 97.4% of the agency's budget ($5.4 billion in FY 1994), is supported through ratepayers in the Tennessee Valley. Only 2.6% of the budget ($142 million in FY 1994) is derived from Congressional appropriations.

While its impact to the U.S. Treasury is minimal, TVA has considerable impact and makes significant contributions to the nation in land management, water management, and environmental research. If Congressional appropriations were eliminated, necessary programs, such as the stewardship of vast resources and the safety and security of 48 dams, would have to be undertaken by other agencies.

However, this approach would lose the benefit derived through integrated resource management, and many of the programs still would have to be funded. Cost savings through this process will be minimal, if any, and the residents of the Tennessee Valley would lose many of the quality of life gains that have been made in the last years.

TVA AS A REINVENTION LABORATORY

Today, TVA is a revitalized agency. It has improved almost every aspect of the way it is organized and has become more competitive as a federal agency and as an electric utility. TVA has in effect been "reinventing" itself by focusing on customer needs, empowering employees, fostering excellence, improving products and services, and helping communities help themselves.

In April 1994, Vice President Al Gore designated TVA as a Government Reinvention Laboratory. A member of the National Performance Review Team said TVA "is already demonstrating the kind of management we want to have emulated through the federal government."

The laboratory designation encompasses all of TVA's efforts to reinvent itself by improving business practices and increasing productivity. Through this designation, TVA has been given the opportunity to test business and operating practices that make the agency more efficient. This enables TVA to use the best business practices to more efficiently use federal and ratepayer dollars.

EXAMPLES OF REINVENTION

TVA is on the cutting edge of innovation, quality improvement and doing the things that others now are talking about undertaking. The following are some examples of where TVA continues to reinvent government:

- TVA has set a goal of completing a decade of stable rates and has achieved seven years of stable rates.
- Since 1988 TVA has reduced its workforce from 34,000 to 16,900 without eliminating important services.
- TVA has reduced its layers of management from 11 to 7.
- TVA Board reduced the number of managers with the title vice president or above from 64 to 39.
- In Congressionally appropriated programs, TVA reduced its manager to employee ratio to 1:22. The national average ratio is 1:12.
- In December 1994, TVA announced plans to end its 28-year commitment to the nuclear construction program and will not complete the final three units under construction in the United States.
- TVA also committed to capping its debt below the $30 billion Congressional limit and to looking for ways to reduce its debt.
- Public input into TVA's strategies is an important and vital element in the decisions made by the agency. To that end, this past year TVA actively sought information from its key customers for the following critical issues:
  - Long-term energy strategy -- TVA held public meetings in Tennessee, Kentucky, Alabama, and Mississippi for Energy Vision 2020 to gather input on TVA's Integrated Resource Plan, a comprehensive long-term energy strategy.
  - TVA study of the way it manages 11,000 miles of shoreline around TVA lakes.
  - Timber harvesting and other issues at Land Between the Lakes.

- TVA's "Sound River Management" pilot has been acknowledged by the Office of Management and Budget as "exemplar," a recognition received by only 10 of more than 50 pilot projects. This pilot program focuses on using indicators to set goals and report performance on how well TVA manages its multipurpose river system for numerous and sometimes conflicting operating priorities.

- TVA's programs often become national models. This past year, Water Quality 2000, a cooperative effort of 70 national organizations, recognized TVA's Clean Water Initiative as a national model for watershed management. TVA's method for improving water quality calls for the use of interdisciplinary teams, a voluntary cooperative effort, which now are working to assist in the clean up of six of the Valley's 12 watersheds.

- In the nuclear programs, TVA has examined its business programs, and as a result was able to reduce the annual budget preparation cycle time from 14 weeks to about 6 weeks. Also, regular monthly reports were reduced from 45 to 8, and the number of procurement-related approvals was cut by 80%.

- Also in the nuclear programs, materials, equipment and contract services account for nearly 20% of this organization's operating costs. Teams looked at ways of cutting costs by reducing processing/handling costs, lowering inventories, and improving procurement. To date, the team has developed a program to reduce inventory by $1.6 million and eliminated separate quality control checks that could save TVA $150,000 to $700,000 annually.

- TVA has saved its contractors more than $18 million to date for umbrella insurance coverage, a savings which is directly passed on to TVA through its contracts.

- TVA also has improved the process for reimbursing expenses of employees who are transferred. A process improvement team found ways to reduce the number of forms by 42% and cycle time for reimbursement from 40 days to 5 days.

- In 1993, TVA tripled its contracts and spending with small, minority, and woman-owned businesses in the Tennessee Valley and plans to take steps to further increase the number of contracts and spending with these groups.

TVA'S GOALS

In September 1993, the TVA Board set the following goals for the agency:

- To put employees first, recognizing that TVA's core strength is its workforce.
- To establish TVA's environmental leadership.
- To reaffirm TVA's commitment to maintaining competitive rates by not raising additional revenue through rate increases for the next four years.

For FY 1995, TVA employees continue to help the agency find ways of working toward these goals through the following:

- To support putting employees first:
  - Recordable accidents equal to or less than 1.05 per 100 employees.
  - Increasing the combined representation of women, minorities and targeted disabled by ensuring that 40% of all new hires will be from these groups.
- To support establishing TVA's environmental leadership:
  - For this year, TVA is focusing on the health of the river and will require desired improvement of dissolved-oxygen levels below four more dams in FY 1995 (for a total of 11).
  - Also, TVA will meet 100 percent of clean-water initiatives in targeted areas where Resource Group programs and river cleanups are being conducted.
- To support TVA's commitment to maintaining competitive rates:
  - No rate increase through FY 1996.
  - Achieve Adjusted Operating Income greater than $454 million.

SCOPE OF TVA

TVA's success grows from the national recognition that integrated management of natural resources, electrification, and economic prosperity are all interrelated. Within its approach to integrated resource management, TVA is responsible for the following:

- Management of the nation's fifth-largest river system which includes the 652-mile Tennessee river flowing from Knoxville, Tennessee, to Paducah, Kentucky.

- Stewardship of about 250,000 acres along more than 11,000 miles of shoreline.

- Navigation of the river system that allows for the transportation of more than 48 million tons of cargo every year.

- Operation of 48 dams that impound 600,000 acres of water.

- Flood control which prevented an estimated $1 billion or more in flood damages across the Valley in 1994.

- Operation of the Environmental Research Center in Muscle Shoals, Alabama, which conducts research to find innovative solutions to nation's most pressing environmental problems.

- Providing electricity to more than 8 million residents in a seven-state region. In FY 1994, TVA sold 123 billion kilowatt-hours of electricity -- more than enough power for three cities the size of New York.

TENNESSEE VALLEY AUTHORITY

Federal Funds

Public enterprise funds:

TENNESSEE VALLEY AUTHORITY FUND

For the purpose of carrying out the provisions of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. ch. 12A), including purchase, hire, maintenance, and operation of aircraft, and purchase and hire of passenger motor vehicles, [$142,873,000] *$140,473,000*, to remain available until expended. *(Energy and Water Development Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 64–4110–0–3–999		1994 actual	1995 est.	1996 est.
	Program by activities:			
	Operating expenses:			
00.01	Stewardship	76.813	58.307	56.964
00.02	Water and land	6.188	13.945	8.891
00.03	Land Between The Lakes	4.685	6.716	9.470
00.04	Economic development	18.033	20.818	20.818
00.05	Environmental Research	23.337	37.277	34.082
00.06	Power Program: Power supply and use	5.441.274	4.554.000	4.705.000
00.07	General services	70.256	57.554	56.333
00.91	Total operating expenses	5.640.586	4 748.617	4 891.558
	Capital investment:			
01.01	Stewardship	11.043	10.953	15.417
01.02	Land Between The Lakes	33		
01.03	Water and Land	1.832	1.959	2.031
01.06	Power Program: Power supply and use	1.187.575	1.940.000	1.520.000
01.20	Defeasance Trust	443.735	280.906	99.742
01.91	Total capital investment	1.644.218	2.233.818	1.637.190
10.00	Total obligations	7 284.804	6.982.435	6.528.748
	Financing:			
21.90	Unobligated balance available, start of year: Treasury balance	-11.006	-18.748	-18.748
24.90	Unobligated balance available, end of year: Treasury balance	18.748	18.748	18.748
27.00	Capital transfer to general fund			
39.00	Budget authority (gross)	7.292.546	6.982.435	6.528.748
	Budget authority:			
	Current:			
40.00	Appropriation	140 473	142.873	140 473
	Permanent:			
67.15	Authority to borrow (indefinite) (Public Law 96–97)	1.053.064	1 053.000	611.000
68.00	Spending authority from offsetting collections	6.161.918	5.851.895	5.841.608
68.27	Capital transfer to general fund	–62.909	–65 333	–64 333
68.90	Spending authority from offsetting collections (total)	6.099.009	5 786 562	5 777.275
	Relation of obligations to outlays:			
71.00	Total obligations	7 284.804	6.982.435	6.528.748
	Obligated balance, start of year			
72.47	Authority to borrow	3 272.171	3.000.643	5.823.482
72.90	Treasury balance	313.975	100.769	100.000
72.91	U.S. Securities: Par value	3.452.057	3.953.821	1 241.624
	Obligated balance, end of year:			
74.47	Authority to borrow	-3.000.643	–5 823.482	–5 904 712
74.90	Treasury balance	–100 769	–100.000	–100.000
74.91	U.S. Securities: Par value	-3.953.821	–1.241.624	–1 219 867
87.00	Outlays (gross)	7.267.774	6 872.562	6 469.275
	Adjustments to gross budget authority and outlays:			
	Offsetting collections from:			
88.00	Federal sources	–287 322	–295.603	–303 489
88.40	Non-Federal sources	–5 770 422	–5.362.801	–5 452.029
88.90	Total, offsetting collections	–6.057.744	–5.658.404	–5 755 518
89.00	Budget authority (net)	1.234.802	1 324.031	773.230
90.00	Outlays (net)	1.210.030	1.214 158	713 757

Note.—Authority to borrow available to the Tennessee Valley Authority continues to be available on a permanent indefinite basis. This authority is limited only in that the amount of borrowing outstanding at any time cannot exceed $30 billion.

Status of Direct Loans (in thousands of dollars)

Identification code 64–4110–0–3–999		1994 actual	1995 est.
	POWER PROGRAM		
	Position with respect to appropriations act limitation on obligations:		
1111	Limitation on direct loans		
1131	Direct loan obligations not subject to limitation	54.952	75.713
1150	Total direct loan obligations	54.952	75.713
	Cumulative balance of direct loans outstanding:		
1210	Outstanding, start of year	166.355	155.901
1231	Disbursements: Direct loan disbursements	54.952	75.713
1251	Repayments: Repayments and prepayments	–63.701	–67.430
1263	Write-offs for default: Direct loans	–1.705	–1.500
1290	Outstanding, end of year	155.901	162.684
	FEDERAL FINANCING BANK DIRECT LOANS		
	Cumulative balance of direct loans outstanding:		
1210	Outstanding, start of year	138	138
1290	Outstanding, end of year	138	138

Status of Guaranteed Loans (in thousands of dollars)

Identification code 64–4110–0–3–999		1994 actual	1995 est.
	Cumulative balance of guaranteed loans outstanding:		
2210	Outstanding, start of year	652	277
2231	Disbursements of new guaranteed loans	525	400
2251	Repayments and prepayments	–900	–677
2290	Outstanding, end of year	277	
	Memorandum:		
2299	Guaranteed amount of guaranteed loans outstanding, end of year	277	

The Tennessee Valley Authority (TVA) was created in as a Government-owned corporation for the unified de ment of a river basin comprised of parts of seven S Its program in 1996 will be financed from three sourc appropriations by the Congress; (2) proceeds available current power operations and borrowings against power revenues; and (3) proceeds available from non activities.

The following table provides detailed information o grams financed by power proceeds and borrowings an grams financed by appropriations and nonpower proceed

POWER PROGRAM

	Power proceeds and borro	
	1994 Actual	*1995 est.*
Program by activities:		
Operating expenses:		
Power program. Power supply and use (total operating expenses)	5.441.274	4 554 000
Capital investment:		
Power program: Power supply and use (total capital investment)	1.187 575	1.940.000
Total obligations	6.628.849	6 494 000
Budget authority (gross)	6.628.849	6.494.000
Budget Authority:		
Permanent:		
Authority to borrow	1.053.064	1 053.000
Spending authority from offsetting collections (new)	5.638.382	5 506.000
Capital transfer to general fund	–62.597	–65 000
Spending authority from offsetting collections (total)	5.575.795	5.441.000
Relation of obligations to outlays:		
Total obligations	6 628.849	6.494 000
Obligated balance, start of year.		
Authority to borrow	3 941.813	3 995.786
Obligated balance, end of year	–3.995.786	–4 113.786

Outlays (gross)	6.574.876	6.376.00	6 135.000
Adjustments to budget authority and outlays			
Deductions for offsetting collections:			
Federal funds	(287.010)	(295.270)	303.156)
Non-federal sources	-5.288.775	-5.145.730	-5 310.844
Total, offsetting collections	-5.575.785	-5.441.000	-5.614.000
Budget Authority (net)	1.053.064	1.053.000	611.000
Outlays (net)	999.091	935.000	521.000

Budget program-stewardship.—TVA responsibilities in this area include maintaining a system of dams, reservoirs, and navigation facilities; refurbishing outmoded public facilities and other structures; performing adequate routine and cyclic maintenance; and maintaining and managing over 300,000 acres of public land and 11,000 miles of shoreline efficiently and in an environmentally sound manner. TVA operates and develops the navigation channel from Paducah, KY, to Knoxville, TN; operates a system of multipurpose reservoirs to retain excessive seasonal runoff and regulate discharges at flow rates that can be accommodated by downstream channels and reservoirs, resulting in the reduction of flood crests along the Tennessee River and its tributaries and also the lower Ohio and Mississippi Rivers; performs dam safety modifications and maintenance activities in a manner consistent with Federal dam safety guidelines and to ensure that the waterway system is in a safe operating condition; operates dewatering areas associated with TVA's reservoir system; protects public lands and waters under TVA trust; manages Land Between The Lakes, a 170,000 acre area in western Kentucky and Tennessee situated between TVA's Kentucky Reservoir and the Corps of Engineer's Barkley Reservoir; and performs environmental cleanup.

Water and land.—This program is designed to aid further the proper use, conservation, and development of the natural resources of region TVA serves. TVA operates a regional air quality monitoring network; monitors and seeks to improve water quality; obtains and provides information for sound floodplain management; supports environmental education and promotes the wise use of the forest resources of the region.

Land Between The Lakes.—TVA provides outdoor recreation and environmental education opportunities for the public at this facility.

Economic Development.—This program's mission is to achieve a competitive regional economy by strengthening local communities, upgrading the Valley's human and natural resources, and supporting a more innovative private sector.

Environmental Research Center.—This program conducts research aimed at developing Technologies that will solve environmental issues facing the region.

Power program: Power supply and use.—TVA is the sole supplier of electric power to an area of 80,000 square miles in the seven Tennessee Valley States. Income from power operations, net of interest charges and depreciation, and other operating expenses is estimated at $82,000 thousand in 1996.

Power generating facilities are financed from power proceeds and borrowings.

APPROPRIATIONS AND NONPOWER PROCEEDS

	1994 actual	1995 est.	1996 est.
Program by activities:			
Operating expenses:			
1 Stewardship	76.813	58.307	56.964
2 Water and land	6.188	13.945	8.891
3 Land Between The Lakes	4 685	5.716	9 470
4 Economic development	18.033	20.818	20.818
5 Environmental research	23.337	37.277	34.082
5 General services	70 256	57.554	56.333
Total operating expenses	199.312	194 617	136.558

Capital investment:			
1. Stewardship	11.043	10.953	15.417
2. Water and land	1.832	1.959	2.031
3. Land Between The Lakes	33	0	0
Total capital investment	12.908	12.912	17.448
Total obligations	212.220	207.529	204
Unobligated balance available, start of year: Fund balance	-11.006	-18.748	-18.748
Unobligated balance available, end of year: Fund balance	18.748	18.748	18.748
Budget authority (gross)	219.962	207.529	204.006
Budget authority:			
Current: appropriation	140.473	142.873	140.473
Permanent:			
Spending authority from offsetting collections (new)	79.801	64.989	63.866
Capital transfer to general fund	-312	-333	-333
Spending authority for offsetting collections (total)	79.489	64.656	63.533
Relation of obligations to outlays:			
Total obligations	212.220	207.529	204
Obligated balance, start of year: Fund balance	163.086	126.143	118.016
Obligated balance, end of year: Fund balance	-126.143	-118.016	-87
Outlays (gross)	249.163	215.656	234.533
Adjustments to budget authority and outlays:			
Deductions for offsetting collections:			
Federal funds	-312	-333	-333
Non-federal sources	-79.177	-64.323	-63.200
Total, offsetting collections	-79.489	-64.656	-63.533
Budget authority (net)	140.473	142.873	140.473
Outlays (net)	169.674	151.000	171.000

DEFEASANCE TRUST

	1994 actual	1995 est.	1996 est.
Program by activities:			
Capital investment	443.735	280.906	99.742
Total obligations	443.735	280.906	99.742
Budget authority (gross)	443.735	280.906	99.742
Relation of obligations to outlays:			
Total obligations	443.735	280.906	99.742
Outlays (gross)	443.735	280.906	99.742
Adjustments to budget authority and outlays:			
Deductions for offsetting collections	-402.470	-152.748	-77 985
Budget authority (net)	41.265	128.158	21.757
Outlays (net)	41.265	128.158	21.757
Budget authority			
Permanent:			
Spending authority from offsetting collections (total)	443.735	280.906	99.742

General services.—Operating costs for general service activities include reimbursable services furnished at the request and expense of other agencies.

Financing.—Amounts estimated to become available in 1996 are to be derived from (1) the requested appropriation of $140.473 thousand; (2) nonpower revenues and receipts of $140,473 thousand; and (3) power revenues and receipts of $63,533 thousand; and (3) power revenues and receipts of $5,614,000 thousand. A summary of the application of appropriations follows:

APPLICATION OF APPROPRIATIONS

[In thousands of dollars]

	1994 actual	1995 est.	1996 est.
Operations:			
1 Stewardship	75 388	56.577	54.864
2. Water and land	6.188	13.945	8 891
3 Land Between The Lakes	4 685	3.751	5.170
4 Economic development	18.033	20.818	20.818
5. Environmental research	23.337	34.670	32.282
5 General services			
Total operations	127.631	129.961	123.025
Capital investment:			
1 Stewardship	10.977	10.953	15 417

Public enterprise funds—Continued

TENNESSEE VALLEY AUTHORITY FUND—Continued

APPLICATION OF APPROPRIATIONS—Continued

[In thousands of dollars]

	1994 actual	1995 est.	1996 est.
2. Water and land	1.832	1.959	2.031
3. Land Between the Lakes	33	0	0
Total capital investment	12.842	12.912	17.448
Total appropriations	140.473	142.873	140.473
Sequestration			
Unobligated balance brought forward	24	274	0
Unobligated balance carried forward	–274	0	0
Obligations, appropriated funds	140.223	143.147	140.473

Operating results and financial conditions.—Only the power program and fertilizer introduction are intended to be self-supporting; the net expense of nonpower programs is covered largely by appropriation funding. Payments to the Treasury from power proceeds in 1996 are estimated at $64,000 thousand—$44,000 thousand as a dividend (return on the appropriation investment in the power program) and $20,000 thousand as a reduction in the appropriation investment in the power program. Outstanding borrowings for the power program are expected to increase by $585,000 thousand during 1996.

Total assets are estimated to increase by $58,000 thousand during 1996. The estimate of liabilities at September 30, 1996, is $22,000 thousand less than the estimate at September 30, 1995. Total Government equity at September 30, 1995, is estimated to be $80,000 thousand greater than that at September 1995. This change includes the requested appropriation for 1996 and the net income from power operations, less payments to the Treasury and the net expense of nonpower programs.

Statement of Operations (in thousands of dollars)

Identification code 64–4110–0–3–999	1993 actual	1994 actual	1995 est.	1996 est.
0101 Revenue	5.182.000	5.524.000	5.441.000	5.614.000
0102 Expense	– 4 848.000	– 5.309.000	– 5.589.000	– 5 696.000
0109 Net income or loss (–)	334.000	215.000	– 148.000	– 82.000

Balance Sheet (in thousands of dollars)

Identification code 64–4110–0–3–999	1993 actual	1994 actual	1995 est.	1996 est.
ASSETS:				
Federal assets:				
1101 Fund balances with Treasury	290.575	151.812	150.000	150.000
Investments in US securities.				
1106 Receivables, net	40.830	58.541	40.000	40.000
1107 Advances and prepayments	15	15	15	15
Non-Federal assets:				
1201 Investments in non-Federal securities, net	123.220	150.048	150.000	150.000
1206 Receivables, net	860.903	740.396	750.000	750.000
1207 Advances and prepayments	753	2.425	1 000	1.000
Net value of assets related to pre–1992 direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross	257.430	278.880	260.000	250.000
1603 Allowance for estimated uncollectible loans and interest (–)	–5 553	–5 265	–5.000	–5 000
1699 Value of assets related to direct loans	251 877	273.615	255.000	255.000
Other Federal assets:				
1801 Cash and other monetary assets	4.531.148	6.089.780	6.000.000	
1802 Inventories and related properties	445.935	347.473	250.000	
1803 Property, plant and equipment, net	28.795.770	28.976.473	29.578.473	
1999 Total assets	35.351.026	36.790.578	37.174.488	
LIABILITIES:				
Federal liabilities:				
2101 Accounts payable	96.055	50.873	60.000	
2102 Interest payable	117.723	76.105	75.000	
2104 Resources payable to Treasury	9.475	7.343	7	
Non-Federal liabilities:				
2201 Accounts payable	690.285	719.102	700	
2202 Interest payable	284.598	347.198	350	
2203 Debt	25.899.972	25.864.478	25.796.179	
2207 Other	3.258.222	4.636.425	5.155.686	
2999 Total liabilities	30.356.330	31.701.524	32.143.865	
NET POSITION:				
3200 Invested capital	668.315	648.315	628.315	
3300 Cumulative results of operations	4.326.381	4.440.739	4 402.308	
3999 Total net position	4.994.696	5.089.054	5.030.623	
4999 Total liabilities and net position	35.351.026	36.790.578	37 174.488	

Note.—Not included in these figures are the following undelivered orders (in thousands of

	1993 actual	1994 actual	1995 est.
Coal	– 2.890.867	2.253.154	2 000.000
Nuclear fuel	12.388	– 2.651	0
Materials and supplies	1.665	0	0
Total	– 2.867.814	2.250.503	2.000.000

Object Classification (in thousands of dollars)

Identification code 64–4110–0–3–999	1994 actual	1995 est.
Personnel compensation		
11.1 Full-time permanent	820.294	786.253
11.3 Other than full-time permanent	24.413	23.400
11.5 Other personnel compensation	131.834	126.362
11.9 Total personnel compensation	976.541	935 015
12.1 Civilian personnel benefits	260.772	249 950
21.0 Travel and transportation of persons	27.134	25.008
22.0 Transportation of things	173.872	166.656
23.1 Rental payments to GSA	3	3
23.2 Rental payments to others	98 789	94 689
24.0 Printing and reproduction	1 530	1 467
25.1 Advisory and assistance services	859.931	824 244
25.2 Other services	1.198.828	1.149.077
26.0 Supplies and materials	1.165.729	1.117.300
31.0 Equipment	216.655	207.664
32.0 Land and structures	5.471	5.244
33.0 Investments and loans	222.840	213 592
41.0 Grants, subsidies, and contributions	248 218	237.917
42.0 Insurance claims and indemnities	25.862	24.789
43.0 Interest and dividends	1.802.629	1.727.820
99.9 Total obligations	7.284.804	6 982.435

Personnel Summary

Identification code 64–4110–0–3–999	1994 actual	1995 est.
Total compensable workyears:		
1001 Full-time equivalent employment	18.621	16.609
1005 Full-time equivalent of overtime and holiday hours	1 499	1.319

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Tennessee Valley Authority Power Privatization Act of 1994 (Introduce in the House)

HR 313 IH

104th CONGRESS

1st Session

H. R. 313

To direct the President to develop a plan for transferring all real property, facilities, and equipment of the Tennes Valley Authority to public and private entities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

January 4, 1995

Mr. **Klug** introduced the following bill; which was referred to the Committee on Transportation and Infrastructur

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A BILL

To direct the President to develop a plan for transferring all real property, facilities, and equipment of the Tennes Valley Authority to public and private entities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Tennessee Valley Authority Power Privatization Act of 1994'.

SEC. 2. SENSE OF CONGRESS.

It is the sense of Congress that--

(1) the power generation and transmission facilities of the Tennessee Valley Authority should be privatized; and

(2) the transfer of all property of the Tennessee Valley Authority remaining after such privatization should be made to other Federal, State, and local agencies in an orderly and expeditious manner.

SEC. 3. PURPOSES.

The purposes of this Act are--

(1) to achieve the intention of Congress set forth in section 2 by requiring the President to develop a plan--

(A) for the sale of the power generating and transmission facilities and equipment of the Tennessee Valley Authority to the private sector in groupings that will introduce competition i the generation and sale of electric power;

(B) for the transfer of the National Fertilizer and Environmental Research Center to a public o private entity which will carry out the functions of such Center;

(C) for the transfer to other governmental entities of all property of the Tennessee Valley Authority remaining after the sales and transfers described in subparagraphs (A) and (B); and

(D) for the orderly termination of the Tennessee Valley Authority after the completion of such sales and transfers; and

(2) to provide a method for reducing the national debt through the use of the income derived from su sales and transfers.

SEC. 4. TVA PRIVATIZATION PLAN.

(a) In General: Not later than September 30, 1994, the President shall develop and transmit to Congress a for transferring, by sale or otherwise, of all real property, facilities, and equipment of the Tennessee Valle Authority to appropriate public and private entities.

(b) Contents: The plan to be developed under subsection (a) shall include, at a minimum, recommendatio (including legislative recommendations) of the President concerning each of the following:

(1) Transfer of power facilities and equipment: Transfer by sale of the power generation and transmission facilities and equipment of the Tennessee Valley Authority, including real property us connection with such facilities and equipment, for the purpose of maximizing proceeds from such s Such transfers may provide for the sale of generating equipment and facilities to persons other than persons to whom transmission facilities are sold. Such transfers shall be subject to the following conditions: Former customers of power from the Tennessee Valley Authority will continue to be se and reliability of service will be ensured by establishing control areas in cooperation with surround control areas. Such transfers may provide, to the extent practicable, for the grouping of facilities uti different sources of power (including coal-fired, nuclear, and hydroelectric generating facilities) an provide for access to the transmission grids of the Tennessee Valley Authority by such groupings t ensure availability of power from different sources and to enhance competition. All outstanding lo associated with such facilities and equipment shall be assumed by the purchasers.

(2) Transfer of national fertilizer and environmental research center facilities and equipment: Trans sale of real property, facilities, and equipment used by the National Fertilizer and Environmental Research Center of the Tennessee Valley Authority to a public or private entity which agrees to co to carry out the functions of the Center for at least 5 years after assuming ownership. If such sale c

be arranged, such transfer may be by donation to an appropriate entity subject to agreement that the functions of the Center will be continued for at least 10 years.

(3) Transfer of jurisdictional authority over real property: Transfer to appropriate governmental departments and agencies, including the National Park Service, of jurisdictional authority over real property which is controlled by the Tennessee Valley Authority and which is not transferred under paragraphs (1) and (2).

(4) Transfer of certain functions: Transfer to appropriate Federal departments and agencies of functior of the Tennessee Valley Authority which are not related to power generation.

(5) Termination of tva: Termination of the Tennessee Valley Authority after the transfers under paragraphs (1), (2), (3), and (4) have been made.

(c) Additional Requirements: The plan developed under subsection (a) shall include--

(1) a step-by-step procedure to carry out the sales and transfers described in subsection (b);

(2) a timetable for implementation of each step of the plan;

(3) an estimate of the amount of anticipated net proceeds from the sale of assets of the Tennessee Val Authority; and

(4) an estimate of the cost of implementing the plan.

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FACT SHEET

THE IMPACT OF TVA PRIVATIZATION

- **Eight million TVA customers would pay more for electricity.**

  TVA power rates are not subsidized by the federal government, but privatization woul affect rates by forcing major changes in TVA's capital structure. Private owners demand a higher return on their investment than bondholders, and ratepayers would bear most of th costs of creating equity and maintaining its value. In 1994, a privatized TVA would hav needed more than a billion extra dollars to earn the same level for investors as the averag private utility -- the equivalent of a 19% rate increase for TVA's customers.

IF TVA WERE PRIVATIZED . . .

- **Taxpayers could be saddled with debt.**

  TVA's debt is about $26 billion, of which less than $3 billion is owed to the federa Treasury. The rest is owed to private bondholders, who by contract are entitled to the fu value of their investment. Selling off individual TVA assets would have to generate a minimur of $26 billion, plus nearly $1 billion which represents the federal government's origina investment in TVA's power plants. Otherwise the federal government might be *adding* to it debt.

  Could TVA's assets collectively sell for $27 billion? Not likely. Although many TVA asse (such as its transmission system) would be considered attractive investments, there are ver few companies willing to buy nuclear plants. And TVA nuclear plants account for nearly two thirds of the total book value of all TVA assets.

- **Tennessee would lose nearly $100 million in state revenues.**

  Out of its gross revenue, TVA now pays 5% ($250 million in 1994) to state and local governments in tax equivalent payments. Tennessee's share of the $250 million in 1994 was $156 million. Under privatization, TVA would be obligated to pay property taxes that amount t only about one-third of the current tax equivalent payments to Tennessee.

- **The people of the Tennessee Valley would lose $3 billion they paid for TVA assets.**

  TVA customers paid for most of TVA's power system, and revenues from the power system are repaying the federal government for the money invested decades ago on TVA's system, as well as every penny of TVA's current debt. Privatizing TVA would be giving away the ratepayers $3 billion investment.

- **TVA's Triple A bond rating would suffer.**

  A key determinant in bond ratings is the stability of the company. Federal ownership represents stability to the rating agencies. Privatization almost certainly would lead to a decline in TVA's bond ratings and dramatically increased borrowing costs, which would mean increased costs for TVA customers.

- **How would rates change if TVA were privatized?**

Changing TVA's mix of capital would increase costs. The owners of TVA equity would demand a higher return for their investment than bondholders are getting.

How much would costs rise? Right now 86% of TVA's total capitalization is debt, while the average investor-owned utility company has 52% debt, 6% preferred stock and 42% common stock. Privatizing TVA would result in a similar capitalization ratio or else it wouldn't be considered a valuable investment. The costs for adding equity and reducing debt would be over $1 billion -- the equivalent of a 19% rate increase.

This conservative estimate doesn't even account for the additional rate hike for residential customers who would undoubtedly lose TVA's special low rates for hydroelectric power.

> *In summary, TVA's primary focus would change; its top goal would be to keep investors happy, and low rates would become a less important measure of TVA's success.*

- **Wouldn't a privatized TVA be more efficient?**

The competitive market already forces TVA to stay efficient throughout its operations. Consider these facts:

- Of the nation's top 100 largest utilities, TVA ranks 29th in revenue per kilowatt hour sold.
- Since 1988, TVA has reduced its payroll by 50%.
- TVA's Bull Run Fossil Plant is the most efficient steam electric plant in the nation.

As TVA enters its eighth consecutive year without a rate increase, it is clearly an efficient utility. The extra financial pressure to satisfy investors almost certainly would impact rates.

> *Selling TVA as a whole entity could lead to rate increases large enough to wipe out TVA's competitive advantages. Is it any wonder why TVA's competitors might favor privatization?*

- **Why can't TVA just auction off its assets and help reduce the national debt?**

TVA's total net investment (book value of all assets) is approximately $30 billion. About 97% of this total investment consists of power program facilities, including:

Nuclear plants	$20.2 billion
Steam plants	3.9 billion
Transmission lines	2.7 billion

TVA also has a $1.4 billion net investment in hydro facilities -- about $700 million of this is allocated to the power program.

These assets should not be auctioned off at firesale prices. If sold, the price would need to be high enough to pay off TVA's bondholders, who have contractual rights to the face value of their bonds plus interest. It's simply not reasonable to expect that buyers could be found for most of TVA's nuclear assets at a reasonable price.

Both the Administration and Congress are considering proposals to sell several regional power marketing agencies. Unlike PMA's, TVA owns power generation plants as well as transmission facilities, and is responsible for meeting all the baseload capacity needs of the TVA region.

> *Selling TVA's assets piecemeal would leave the federal government stuck with non-producing assets and significant debt.*

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Divider Title: **I**

ARCTIC RESEARCH COMMISSION

<u>DESCRIPTION</u>: ARC guides the Interagency Arctic Research and Policy Committee, advises the President and Congress on needs and opportunities in the Arctic, serves as a liaison between various organizations in Alaska, and promotes and supports international cooperation in Arctic research. ARC sponsors occasional workshops on topics related to the arctic region.

<u>FY 1996 BUDGET PROPOSAL</u>: Proposed FY96 budget authority is $500,000, $70,000 less than FY95. Proposed FY96 FTE is 2.5, no change from FY95. *[Funds are provided under the Polar Programs line item in the budget of the National Science Foundation.]*

<u>AGENCY PROPOSAL</u>: ARC indicates that its promotion and support of international arctic research activities can be undertaken by the Polar Research Board of the National Research Council and the State Department. ARC does not address whether its coordinative, advisory and liaison functions can be undertaken by other entities. ARC suggests that its work can be enhanced if it receives substantial appropriations that it can distribute to other Federal agencies for "cost sharing plans for their Arctic plans." ARC estimates that it would require one additional FTE to administer such funds.

<u>DECISION OPTIONS</u>:

A. Terminate the Commission.
B. No change; follow the FY96 budget recommendation.
C. Increase ARC's budget so that it serves as a distributor of Arctic research funds to Federal agencies.

<u>ADVISORY GROUP RECOMMENDATION</u>: A

<u>RATIONALE</u>: ARC neither produces nor funds Arctic research. It publishes no research journal. It is, in effect, an internal lobbying organization and intermediary for issues pertaining to the Arctic region. ARC is not responsible for developing and implementing public policy *per se*; that responsibility falls to various Federal agencies having explicit functional missions (e.g., EPA, Interior, NOAA). There is no reason why direction for research and policy initiatives cannot originate with traditional policy-directing organizations (e.g., NSF, White House policy advisors, departments), or with the Interagency Arctic Research and Policy Commission. Indeed, the role played by ARC in influencing policy on Arctic issues, if deemed appropriate for the Federal government, suggests that other independent issue- or region-oriented internal policy lobbying groups should be formed in the executive branch. Such a notion is difficult to justify. Research in this field is effectively promoted and publicized by the Arctic Research Consortium of the U.S., which comprises over 20 universities and other organizations (including Federal agencies with jurisdiction in the Arctic).

<u>STEERING COMMITTEE RECOMMENDATION</u>:

NATIONAL PERFORMANCE REVIEW
RESPONSE BY THE
ARCTIC RESEARCH COMMISSION

Preamble: The Arctic Research Commission operates under the mandates established by the Arctic Research and Policy Act of 1984 (as amended in 1990, hereafter ARPA). Under the provisions of the act the Commission plays four major roles in the Federal System. These are:

- The Commission guides the Interagency Arctic Research and Policy Committee (IARPC).
- The Commission advises the Office of the President and the Congress on research needs and opportunities in the Arctic and on the progress of IARPC in implementing the National Arctic Research Plan.
- The Commission carries on an active liaison program between federal agencies and agencies, institutions and organizations in the state of Alaska.
- The Commission promotes and supports international cooperation in Arctic research.

The overall goal of the Commission is to support an Arctic Research Program that meets the needs of the nation and its citizens in the most cost effective and efficient way possible. The Commission Has Been Highly Effective in Bringing Agency Programs Together and in Eliminating Overlap and Conflicting Mandates. It has been able to bring important issues before the national decision making system and in provoking dialog across agency boundaries. The Commission is, in our opinion, a useful and effective agency operating in an important role at very little cost. The role of the Commission is not easily translated into the customer oriented paradigm of the NPR. In addition, the Commission is so small (2.5 FTE) that a full blown program of surveys as carried out by other, larger agencies has not been possible. The following are answers to the particular questions proposed in the Vice President's memorandum.

1. *If the Arctic Research Commission were eliminated, how would the goals and programs of your agency be undertaken -- by other agencies, by states or localities, by the private sector, or not at all?*

If the Commission were eliminated at least three of the four mandates under the ARPA would go unfulfilled. The opportunity for the IARPC system to bring order and cross agency cooperation would be severely diminished if not destroyed. Without the Commission's statutory reporting responsibility to the Office of the President and to the Congress it would be very difficult for the IARPC planning process to impose order and discipline on the many and varied imperatives of the several IARPC agencies. The Commission has a difficult enough time in this role but the absence of the Commission would, in our opinion, remove the possibility of effective, multi-agency planning. Even the current system is only just beginning to have the effects envisaged by the ARPA a decade ago.

During recent efforts the Commission has fostered new initiatives in, for example, the study of contaminants in the Arctic focussing on releases from the former Soviet Union. We have actively sought to expand our understanding of the methods for addressing oil spills in ice infested waters (this was a major effort before the Komi oil spill). The Commission has been the most important factor in bringing together the academic research establishment and the Navy's submarine force in the current five-year agreement to take civilian scientists to the Arctic in Navy nuclear submarines. None of these accomplishments would have been achieved without active pursuit by the Commission.

By the same token, the elimination of the Commission would close the communication link between the IARPC system and the Office of the President and the Congress. It is in the interests of these two important and powerful entities to have these communications links open and active. This is the Commission's most important mandate.

Although individual agencies communicate with their counterparts in the State of Alaska, the Commission is the communications point for state agencies to bring their needs concerns and opportunities before the IARPC system and have then considered by the broad spectrum of federal capabilities. The Commission is spending an increasing amount of time and effort in communicating with state agencies, municipalities such as the rural boroughs in Alaska and with organizations representing special needs, particularly among the indigenous peoples of the Arctic. There is an astonishing lack of understanding of the federal system by many of these entities and the Commission's active and even aggressive outreach is essential if the federal government is going to be effective in serving the citizens of the Arctic. Without the Commission, this system would fall back on *ad hoc* solutions and lose the opportunity to find more effective and efficient research solutions for their needs and problems.

The role of the Commission in the promotion and support of international Arctic Research activities is one in which the Commission is only one of several players. The Arctic Research Commission was instrumental in the formation of the International Arctic Research Committee and in the promotion of US participation in IASC. Similarly the Commission plays a continuing role in the support of the Arctic Environmental Protection Strategy, the lead initiative in the Presidential Decision Directive on Arctic policy. The Commission sits on the Arctic Policy Working Group and meets with the State Department to formulate international Arctic Policy. It brings many advantages to this forum but they are in some ways duplicated by other agencies including IARPC. Perhaps the Commission's State of Alaska liaison role is the most important not performed by others in this group. Direct contact between the Commission and international Arctic Research programs is common, useful and effective, especially with counterpart Commissions abroad. Nevertheless, the Commission shares these duties with the Polar Research Board (PRB) of the National Research Council and the Commission staff has the opportunity to pick and choose its arena of participation in consultation with the PRB. This leads, in our opinion, to an effective response to international liaison but it does not represent a major thrust by the Commission. If eliminated, the PRB, the State Department and other agencies would, no doubt, pick up these tasks. There would, however, be very little savings as the work must be done by whomever and we all work together to eliminate duplication (and to conserve our travel funds) under the current system.

2. *If there are goals or programs of national importance that will remain undone and require a federal role in order to be accomplished, would they be done differently than they are being done today in order to enhance service to the customers?*

Here I can offer a bold suggestion which, in fact, was considered but rejected in the original formulation of the Commission a decade ago. The greatest difficulty faced by the Commission in coordinating and integrating federal Arctic programs is the lack of sufficient incentives to induce full and enthusiastic participation in the planning process by the IARPC agencies. The commitment to the Arctic and sometimes to research by these various agencies varies from the strong commitment of agencies like the National Science Foundation, the lead agency in IARPC, to the general reluctance of some agencies to discuss their programs or even to allow the Arctic emphasis of some programs to be included in the plan. In other cases, the commitment is translated from Arctic to Polar to Antarctic whenever the watchful eye of the Commission wavers or blinks. The Commission has several tools to promote the IARPC planning process, principally the opportunity to meet and discuss participation with the agencies and to encourage their participation and to find collaborators and partners within IARPC, the state of Alaska and international organizations (the bully pulpit to quote Teddy Roosevelt). The Commission is also charged with communicating to the Office of the President and to the Congress about the effectiveness of the plan and about ways to improve Arctic research. The latter can be viewed as the application of "the stick." Unfortunately, the Commission has no "carrot" to use to complement the "stick." When the Arctic Research and Policy Act was first considered there was a discussion of the possibility that a relatively substantial budget might be allocated to the Commission and that agencies would apply to the Commission for cost sharing funds for their Arctic plans. It was not intended that non-federal entities could apply for these funds, only that these funds be used as inducements to agencies to supplement their own efforts in the Arctic. In the end the Congress apparently considered it inappropriate for a Commission of Presidential appointees to, in effect, take on appropriation powers and the proposition died. Nevertheless, if such a system were brought into being the positive powers of the Commission to re-enforce research interests in the Arctic would be vastly enhanced and the National Arctic Research Plan would flower. The administrative burden for the Commission would be very small, only a maximum of fourteen proposals from the IARPC agencies would have to be considered and acted on and the current staff could take on this additional task with, perhaps, one more staff person and one more annual meeting. Since the NPR is seeking creative suggestions I offer this one on behalf of the Commission.

3. *How do your customers (not just interest groups) feel about the possible eliminations or changes? This would build on your ongoing efforts to get customer input about the services they want, and how to improve satisfaction with the service we provide. Throughout the review we have to continue to put customers first and to deliver on our published customer service standards.*

This question is posed in a way that is hard for the Commission to answer. In effect, our customers are "interest groups" as we deal with agencies, organizations and institutions dedicated wholly or in part to research in the Arctic. Our service to the public at large is indirect. The citizens whose lives may be affected by radionuclide contamination from the former Soviet Union or who find the price of halibut or pollock soaring in the grocery store due to failures in the Bering Sea fishery have no idea that the Arctic Research Commission is hard at work on their behalf in promoting research activities to understand these potential problems and avoid or ameliorate them. As a result, average citizens would probably be surprised to learn that there was an Arctic Research Commission much less that it had been eliminated. The only contact point with what I perceive to be customers in the sense that the question poses is with the native people of Arctic Alaska. Our activities among this community have increased rapidly during the past year and the outreach of the Commission to villages, boroughs, native associations and the like has received an overwhelmingly positive response. Were the Commission to be eliminated the native communities and organizations would mourn our passing and accept it as another in a long line of failed promises.

SUMMARY The Arctic Research Commission carries out its mandate from the Arctic Research and Policy Act. It acts primarily with agencies within the federal system and with entities in the State of Alaska in other nations. Its four roles are described above. Without the Commission the three principal roles would go unfulfilled and the nation and its citizens would be worse off. The Commission's role in international coordination would probably be picked up by other operations at little or no savings. Although citizens know little of the Commission's work on their behalf, native groups in the Arctic would certainly regret the loss of the Commission and would not find a suitable replacement. The commissions role in the IARPC planning process could be strengthened if it had more positive means of inducing coordinated planning. In the federal system this means money. All in all, the Arctic Research Commission is so small, has done so much to promote research activities in the Arctic important to the national well being, and costs so little to operate that its elimination would not be cost effective in the long run even though it would arouse little public notice. The small size of the Commission similarly indicates that restructuring or partial reductions of function are not possible, primarily due to the indivisibility of the few people employed by the Commission.

ARCTIC RESEARCH COMMISSION
OPTION TABLES

OPTIONS 1 & 2 - Termination or Restructuring of Major Programs (or entire agency)

-- Pros, compared with the status quo: Since the Arctic Research Commission only includes the activities of one full time professional (the Executive Director) one half time professional (the Alaska Office Director) and one staff support officer we could not continue to function under a partial reduction. The Commissioners are only paid during their brief service at quarterly Commission Meetings. There is very little probability that the Executive Director's position could be reduced to half time and preserve an effective office. The elimination of the Alaska Office would destroy the State of Alaska liaison function and, of course, the removal of the staff support officer would paralyze the rest of the Commission's functions. I can see no pros in making reductions except for the savings of $500,000 in the elimination of the entire Commission. **Please Note** - The Commission has just reduced its annual budget request from $570,000 in FY 1995 to $500,000 in FY 1996. This represents a streamlining under the new Executive Director and further budget reductions would be very difficult to sustain.

-- Cons, compared with the status quo: The Commission would cease to exist and most of its functions would go unfilled.

	FY 1996 Program Budget	Est. Results FY 1996	Est. Results FY 1997	Est. Levels FY 2000	5 Year Cum.
Disc. Budget Authority	$500,000	0	0	0	2,500,000
Disc. Budget Outlays	$500,000	0	0	0	2,500,000
Mand. Outlays	n/a	n/a	n/a	n/a	n/a
Gov. Receipts	$0	0	0	0	0
FTE Changes	2.5	-2.5	-2.5	-2.5	-2.5

ATTACHMENTS

2. Programs, functions, etc. not being considered.

We have endeavored to described the functions of the Arctic Research Commission within the federal system. The Commission is so small that it occupies the federal system's equivalent of the atom of the Pythagoreans. Atom in Greek means literally "it cannot be subdivided". I dare say that we could be reduced to only 2.0 FTEs if we closed the Alaska liaison function but the effect on the effectiveness of the Commission would be terminal. It is unfortunate but true that, in the case of a micro-agency like the Commission, the decision must be a simple binary yes-or-no. Either we have a Commission or we don't. The Congress has enacted the Arctic Research and Policy Act which says that we do and the Commission has, we believe, proven its value over the decade of its existence. The Commission has not included any subdivisions of its activities for reduction as the only savings possible is the elimination of the Commission which we strongly recommend against. Our attempt to reduce our impact on the budget is reflected in the reduction of our FY 1996 budget request by 14%. Further reductions threaten all of the functions of the Commission with failure.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	Contact list for Arctic Research Commission (partial) (1 page)	07/1994	P6/b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Gaynor McCown (Subject Files)
OA/Box Number: 7328

FOLDER TITLE:

[Small Agency Review - Session 10, March 20, 1995] [Binder]

2011-0255-S
rc227

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

ARCTIC RESEARCH COMMISSION

Dr. Donald D. O'Dowd, Chairman
[redacted] P6/(b)(6) [001]

Mr. James O. Campbell
[redacted] P6/(b)(6)

Mr. Ben C. Gerwick, Jr.
University of California Berkeley
[redacted] P6/(b)(6)

Mr. Clifford J. Groh, Sr.
Groh, Eggers and Price
2550 Denali Street, 17th Floor
Anchorage, AK 99503
907-272-6474 Fax: 907-272-4517

Mr. Charles H. Johnson
Bering Straits Native Corporation
P. O. Box 924 (Belmont Point)
Nome, AK 99762
907-443-5592 Fax: 907-443-2985

Mr. George B. Newton, Jr.
System Planning Corporation
1500 Wilson Boulevard, #1115
Arlington, VA 22209
703-351-8361 Fax: 703-527-6037

Dr. Luis M. Proenza
Vice President for Research and
Dean of the Graduate School
Purdue University
West Lafayette, IN 47906
317-494-2604 Fax: 317-494-0136

Dr. Neal F. Lane (Ex-Officio)
Director, National Science Foundation
4201 Wilson Boulevard
Arlington, VA 22230
703-306-1000 Fax: 703-306-1039

General and special funds—Continued

SALARIES AND EXPENSES—Continued

Such reports usually serve as a basis for resolving the disputes.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a new emergency dispute procedure covering disputes between a publicly funded and operated commuter carrier and its employees. The 1981 Act requires the Board to appoint the public members of factfinding panels on Conrail.

Boards/panels created:	*1994 actual*	*1995 est.*	*1996 est.*
Emergency (sec. 160)	1	3	2
Emergency (sec. 159a)	2	4	2
Factfinding Panels	0	1	1
Arbitration Boards	5	15	15
Arbitration Panels (PL 102–29)	1	1	0
Airline SBA Panels	127	125	125
ICC–LPP Panels	7	16	16

Arbitration under sections 3 and 7 of the RLA.—Railroad employee grievances resulting from disputes over the interpretation or application of collective bargaining contracts may be brought for settlement to the National Railroad Adjustment Board (NRAB). The divisions of the Board are composed of an equal number of carrier and union representatives compensated by the party or parties they represent. Public Law 89–456 provides for the adjustment of disputes involving grievances resulting from interpretation or application of bargaining agreements in the railroad industry otherwise referable to the NRAB.

Administrative direction and support for the public law boards, special boards of adjustment, and the NRAB are provided by Federal employees who are compensated by the National Mediation Board.

	1994 actual	*1995 est.*	*1996 est.*
Public law boards caseload:			
Pending, start of year	7,445	6,898	6,198
Received during year	3,092	2,800	2,500
Closed during year	[1] 3,639	3,500	3,400
Pending, end of year	6,898	6,198	5,298
Special boards of adjustment caseload:			
Pending, start of year	1,602	1,328	1,228
Received during year	1,058	1,000	900
Closed during year	[2] 1,332	1,100	1,000
Pending, end of year	1,328	1,228	1,128
Number of boards convened:			
Special boards of adjustment	79	80	80
Public law boards	405	410	410
NRAB caseload:			
Pending, start of year	1,851	2,036	1,936
Received during year	1,168	800	800
Closed during year	[3] 983	900	850
Pending, end of year	2,036	1,936	1,886

[1] Includes 773 cases withdrawn or decided by the parties.
[2] Includes 70 cases withdrawn or decided by the parties.
[3] Includes 849 awards of referees, 6 awards by NRAB members; and 128 cases withdrawn.

Object Classification (in thousands of dollars)

Identification code 95–2400–0–1–505		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	3,207	3,500	3,704
11.5	Other personnel compensation	4	41	37
11.8	Special personal services payments	1,895	2,206	2,292
11.9	Total personnel compensation	5,106	5,747	6,033
12.1	Civilian personnel benefits	597	696	728
13.0	Benefits for former personnel	9	5	5
21.0	Travel and transportation of persons	504	572	592
22.0	Transportation of things	13	14	10
23.1	Rental payments to GSA	697	708	726
23.3	Communications, utilities, and miscellaneous charges	124	164	177
24.0	Printing and reproduction	52	56	56
25.1	Advisory and assistance services	75	95	120
25.2	Other services	286	258	268
25.3	Purchases of goods and services from Government accounts	221	76	63
26.0	Supplies and materials	72	74	84
31.0	Equipment	203	54	71
99.9	Total obligations	7,959	8,519	[illegible]

Personnel Summary

Identification code 95–2400–0–1–505		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	52	58	[illegible]

NATIONAL SCIENCE FOUNDATION

Federal Funds

General and special funds:

RESEARCH AND RELATED ACTIVITIES

For necessary expenses in carrying out the purposes of the Natio Science Foundation Act of 1950, as amended (42 U.S.C. 1861–18 and the Act to establish a National Medal of Science (42 U.S 1880–1881)[,]; services as authorized by 5 U.S.C. 3109; maintena and operation of aircraft and purchase of flight services for support; acquisition of aircraft; [$2,280,000,000] *$2,454,000,000* which not to exceed [$225,430,000] *$235,000,000* shall remain av able until expended for Polar research and operations support, for reimbursement to other Federal agencies for operational science support and logistical and other related activities for United States Antarctic program; the balance to remain availa until September 30, [1996] *1997*: *Provided*, That receipts for entific support services and materials furnished by the National search Centers and other National Science Foundation supported search facilities may be credited to this appropriation: *Provided ther*, That to the extent that the amount appropriated is the total amount authorized to be appropriated for included prog activities, all amounts, including floors and ceilings, s in authorizing Act for those program activities or their subactivi shall be reduced proportionally: *Provided further*, That [amounts propriated in prior fiscal years for the United States Polar Programs, the United States Antarctic Logistical Support Activi and the Critical Technologies Institute shall be transferred to merged with this appropriation and remain available until expenc *amounts made available under this heading may be used to sup ment the amounts available for construction under the heac "Major Research Equipment"*.

[Of the amounts made available under Public Law 103– $35,000,000 are rescinded.]

Further, for the foregoing purposes related to the national de only (polar operations support), $62,600,000, to become availabl October 1, 1996, and remain available until expended. (Departm of Veterans Affairs and Housing and Urban Development, and I pendent Agencies Appropriations Act, 1995.)

Program and Financing (in thousands of dollars)

Identification code 49–0100–0–1–999		1994 actual	1995 est.	19[illegible]
	Program by activities:			
	Direct program:			
00.01	Biological sciences	287,879	300,955	[illegible]
00.02	Computer and information science and engineering	239,525	259,558	[illegible]
00.03	Engineering	296,726	319,882	[illegible]
00.05	Geosciences	404,159	419,505	[illegible]
00.06	Mathematical and physical sciences	617,880	645,590	
00.07	Social, behavioral and economic sciences	98,210	113,801	
00.09	U.S. Polar Research Program	158,377	159,006	
00.10	U.S. Antarctic Logistical Support Activities	64,100	62,600	
00.11	Critical Technologies Institute	1,500	2,000	
00.12	Major Research Equipment	17,043	....	......
00.91	Subtotal, direct program	2,185,399	2,282,897	2.[illegible]
01.01	Reimbursable program	153,829	175,000	
10.00	Total obligations	2,339,228	2,457,897	2[illegible]
	Financing:			
17.00	Recovery of prior year obligations	–2,428	....	......
21.40	Unobligated balance available, start of year: Treasury balance	–5,528	–37,897	......
24.40	Unobligated balance available, end of year: Treasury balance	37,897	....	......
25.00	Unobligated balance expiring	360	....	......

39.00	Budget authority (gross)	2,369,529	2,420,000	2,629,000
	Budget authority:			
	Current:			
40.00	Appropriation	2,215,700	2,280,000	2,454,000
40.36	Unobligated balance rescinded		-35,000	
43.00	Appropriation (total)	2,215,700	2,245,000	2,454,000
	Permanent:			
68.00	Spending authority from offsetting collections	153,829	175,000	175,000
	Relation of obligations to outlays:			
71.00	Total obligations	2,339,228	2,457,897	2,629,000
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	1,653,769	1,836,873	2,100,965
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	-1,836,873	-2,100,965	-2,322,954
77.00	Adjustments in expired accounts	-5,633		
78.00	Adjustments in unexpired accounts	-2,428		
87.00	Outlays (gross)	2,148,063	2,193,805	2,407,011
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	-153,829	-175,000	-175,000
89.00	Budget authority (net)	2,215,700	2,245,000	2,454,000
90.00	Outlays (net)	1,994,234	2,018,805	2,232,011

The Research and Related Activities appropriation addresses Foundation goals to enable the United States to uphold world leadership in all aspects of science and engineering, and to promote the discovery, integration, dissemination and employment of new knowledge in service to society. Research activities will contribute to the achievement of these goals through expansion of the knowledge base; integration of research and education; stimulation of knowledge transfer among academia and the public and private sectors; and bringing the perspectives of many disciplines to bear on complex problems important to the nation.

The major research program activities of the Foundation are:

Biological sciences.—This activity supports research in cellular and molecular biology, neural sciences, and environmental biology.

Computer and information sciences and engineering.—Research is directed at "information processing" in the broadest sense of the term, ranging from fundamental theory to systems engineering.

Engineering.—Research supported by this activity aims to increase U.S. engineering capability and strength, and focus that capability and strength on areas which are relevant to national problems and long-term needs. This activity also includes small business innovation research.

Geosciences.—This research advances knowledge of the properties and dynamics of the planet Earth.

Mathematical and physical sciences.—Research in this activity is directed at increasing understanding of natural laws and phenomena. It includes research in mathematics, astronomy, physics, chemistry, and materials science.

Social, behavioral and economic sciences.—This activity supports research in behavioral, social, economic, and cognitive sciences, facilitates international scientific cooperation, and funds science resources studies.

U.S. Polar Research Programs.—This activity supports Arctic and Antarctic research and operational science support and other related activities for the United States Polar Research Programs. Funding for this activity was provided through the United States Polar Research Appropriation in FY 1994.

U.S. Antarctic Logistical Support Activities.—This activity provides necessary expenses for reimbursing Federal agencies for logistical and other related activities for the United States Antarctic Logistical Support Activities. Funding for this activity was provided through the United States Antarctic Logistical Support Activities Appropriation in FY 1994.

Major Research Equipment.—This activity supports the construction and procurement of unique national research platforms and major research equipment. This activity is funded through the Major Research Equipment Appropriation beginning in FY 1995.

Critical Technologies Institute.—This activity supports a federally-funded research and development center that provides analytical support to the Executive Branch. Funding for this activity was provided through the Critical Technologies Institute Appropriations in FY 1994.

Object Classification (in thousands of dollars)

Identification code 49–0100–0–1–999		1994 actual	1995 est.	1996 est.
21.0	Travel and transportation of persons	2,102	5,000	5,000
24.0	Printing and reproduction	449	450	450
25.1	Advisory and assistance services	2,337	2,300	2
25.2	Other services	17,025	16,000	15
25.3	Purchases of goods and services from Government accounts	63,648	62,600	62,600
25.5	Research and development contracts	135,539	140,000	145,000
26.0	Supplies and materials	42	100	100
31.0	Equipment	235	300	300
41.0	Grants, subsidies, and contributions	1,964,020	2,056,147	2,223,250
91.0	Unvouchered	2		
99.0	Subtotal, direct obligations	2,185,399	2,282,897	2,454,000
99.9	Total obligations	2,339,228	2,457,897	2,629,000

Academic Research Infrastructure

For necessary expenses in carrying out an academic research infrastructure program pursuant to the purposes of the National Science Foundation Act of 1950, as amended (42 U.S.C. 1861–1875), including services as authorized by 5 U.S.C. 3109 and rental of conference rooms in the District of Columbia, [$250,000,000] *$100,000,000*, to remain available until September 30, [1996: *Provided*, That $131,867,000 of the funds under this heading are available for obligation for the period September 1, 1995 through August 31, 1996: *Provided further*, That the funds made available in the preceding proviso shall be rescinded on July 15, 1995, unless the President requests at least $250,000,000 in the fiscal year 1996 budget request for the National Science Foundation for academic research infrastructure activities] *1997. (Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 49–0150–0–1–251		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations	105,377	250,243	100,000
	Financing:			
21.40	Unobligated balance available, start of year: Treasury balance	-620	-243	
24.40	Unobligated balance available, end of year: Treasury balance	243		
40.00	Budget authority (appropriation)	105,000	250,000	100,000
	Relation of obligations to outlays:			
71.00	Total obligations	105,377	250,243	100,000
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	90,505	164,732	299,239
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	-164,732	-299,239	-248,013
77.00	Adjustments in expired accounts	-263		
90.00	Outlays	30,887	115,736	151,226

Summary of Budget Authority and Outlays

(in thousands of dollars)

Enacted/requested:	*1994 actual*	*1995 est.*	*1996 est.*
Budget Authority	105,000	250,000	100,000

General and special funds—Continued

ACADEMIC RESEARCH INFRASTRUCTURE—Continued

Summary of Budget Authority and Outlays—Continued

(in thousands of dollars)

	1994 actual	1995 est.	1996 est.
Outlays	30,887	115,736	151,226
Rescission proposal:			
Budget Authority		-131,867	
Outlays			-39,560
Total:			
Budget Authority	105,000	118,133	100,000
Outlays	30,887	115,736	111,666

The goal of the Academic Research Infrastructure program is to improve the research infrastructure by funding, on a cost-sharing basis, the development and acquisition of major instruments, and the repair and renovation of academic research facilities. The program will support the acquisition of the major modern scientific instruments for our nation's laboratories and advance the nation's research and research training efforts. This also provides competitively awarded grants for the repair, renovation, or, in exceptional cases, replacement of facilities used for research and research training at academic and other non-profit institutions.

Object Classification (in thousands of dollars)

Identification code 49–0150–0–1–251		1994 actual	1995 est.	1996 est.
21.0	Travel and transportation of persons	59	60	60
24.0	Printing and reproduction	30	30	30
25.1	Advisory and assistance services	90	90	90
25.2	Other services	40	40	40
31.0	Equipment	11	10	10
41.0	Grants, subsidies, and contributions	105,147	250,013	99,770
99.9	Total obligations	105,377	250,243	100,000

MAJOR RESEARCH EQUIPMENT

For necessary expenses in carrying out major construction [and procurement] projects pursuant to the purposes of the National Science Foundation Act of 1950, as amended, [$126,000,000] *$70,000,000*, to remain available until expended. *(Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 49–0551–0–1–251		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations (object class 25.2)		126,000	70,000
	Financing:			
40.00	Budget authority (appropriation)		126,000	70,000
	Relation of obligations to outlays:			
71.00	Total obligations		126,000	70,000
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance			113,400
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance		-113,400	-126,000
90.00	Outlays		12,600	57,400

The Major Research Equipment activity will support the construction and procurement of unique national research platforms and major research equipment. This activity was funded through the Research and Related Activities account in FY 1994. Performance is measured against established construction schedules and milestones.

SALARIES AND EXPENSES

For necessary salaries and expenses in carrying out the pu of the National Science Foundation Act of 1950, as a led (4 U.S.C. 1861–1875); services authorized by 5 U.S.C. 3109; hire c passenger motor vehicles; not to exceed $9,000 for official ptio and representation expenses; uniforms or allowances therefor, as au thorized by law (5 U.S.C. 5901–5902); rental of conference room in the District of Columbia; reimbursement of the General Service Administration for security guard services; [$123,966,00 *$127,310,000*: *Provided*, That contracts may be entered into unde salaries and expenses in fiscal year [1995] *1996* for maintenanc and operation of facilities, and for other services, to be provide during the next fiscal year. *(Departments of Veterans Affairs ar Housing and Urban Development, and Independent Agencies Appr priations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 49–0180–0–1–251		1994 actual	1995 est.	1996 es
	Program by activities:			
10.00	Total obligations	121,734	128	132.
	Financing:			
25.00	Unobligated balance expiring	10		
39.00	Budget authority (gross)	121,744	128,966	132.
	Budget authority:			
	Current:			
40.00	Appropriation	118,300	123,966	127.
	Permanent:			
68.00	Spending authority from offsetting collections	3,444	5,000	5.
	Relation of obligations to outlays:			
71.00	Total obligations	121,734	128,966	132.
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	13,876	16,824	12.
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	-16,824	-12,397	-12
77.00	Adjustments in expired accounts	-126		
87.00	Outlays	118,660	133,393	131
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	-3,444	-5,000	-
89.00	Budget authority (net)	118,300	123,966	12
90.00	Outlays (net)	115,216	128,393	12

This account provides for funds to develop, manage, a coordinate NSF programs.

Object Classification (in thousands of dollars)

Identification code 49–0180–0–1–251		1994 actual	1995 est.	1996
	Personnel compensation:			
11.1	Full-time permanent	59,883	62,136	6
11.3	Other than full-time permanent	7,245	7,513	
11.5	Other personnel compensation	1,267	1,420	
11.8	Special personal services payments	113	150	
11.9	Total personnel compensation	68,508	71,219	7
12.1	Civilian personnel benefits	12,594	13,261	1
13.0	Benefits for former personnel	100	150	
21.0	Travel and transportation of persons	2,991	3,490	
22.0	Transportation of things	266	280	
23.1	Rental payments to GSA	15,690	15,780	1
23.3	Communications, utilities and miscellaneous charges	3,598	3,600	
24.0	Printing and reproduction	553	580	
25.1	Advisory and assistance services	227	230	
25.2	Other services	9,044	9,860	
25.3	Purchases of goods and services from Government accounts	400	400	
26.0	Supplies and materials	756	980	
31.0	Equipment	3,557	4,127	
91.0	Unvouchered	6	9	
99.0	Subtotal, direct obligations	118,290	123,966	1
99.9	Total obligations	121,734	128,966	1

Personnel Summary

Identification code 49–0180–0–1–251	1994 actual	1995 est.	1996 est.
Total compensable workyears:			
1001 Full-time equivalent employment	1.165	1.221	1.221
1005 Full-time equivalent of overtime and holiday hours	5	5	5

NATIONAL SCIENCE FOUNDATION HEADQUARTERS RELOCATION

For necessary support of the relocation of the National Science Foundation, $5,200,000: *Provided*, That these funds shall be used to reimburse the General Services Administration for services and related acquisitions in support of relocating the National Science Foundation. *(Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 49–0550–0–1–251	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations (object class 25.2)	5.200	5.200	5.200
Financing:			
40.00 Budget authority (appropriation)	5.200	5.200	5.200
Relation of obligations to outlays:			
71.00 Total obligations	5.200	5.200	5.200
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance		344	260
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	–344	–260	–260
90.00 Outlays	4.856	5.284	5.200

This account provides for reimbursement to the General Services Administration (GSA) for expenses incurred by GSA pursuant to the relocation of the National Science Foundation.

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, [$4,380,000] *$4,490,000*, to remain available until September 30, [1996] *1997*. *(Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 49–0300–0–1–251	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations	3.915	4.462	4.490
Financing:			
21.40 Unobligated balance available, start of year: Treasury balance		–82	
24.40 Unobligated balance available, end of year: Treasury balance	82		
40.00 Budget authority (appropriation)	3.997	4.380	4.490
Relation of obligations to outlays:			
71.00 Total obligations	3.915	4.462	4.490
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance	1.000	861	1.065
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	–861	–1.065	–1.117
77.00 Adjustments in expired accounts	–1		
90.00 Outlays	4.052	4.258	4.438

This appropriation provides agencywide audit and investigative functions to identify and correct management and administrative deficiencies which create conditions for existing or potential instances of fraud, waste, and mismanagement consistent with the Inspector General Act of 1978, Public Law 95–452, as amended by Public Law 100–504.

Object Classification (in thousands of dollars)

Identification code 49–0300–0–1–251	1994 actual	1995 est.	1996 est.
Personnel compensation:			
11.1 Full-time permanent	2.288	2.522	2.637
11.3 Other than full-time permanent	55	40	40
11.5 Other personnel compensation	56	60	60
11.9 Total personnel compensation	2.399	2.622	2.737
12.1 Civilian personnel benefits	486	530	553
21.0 Travel and transportation of persons	108	110	125
25.1 Advisory and assistance services	873	1.103	987
25.2 Other services	28	35	35
26.0 Supplies and materials	16	20	20
31.0 Equipment	5	42	33
99.9 Total obligations	3.915	4.462	4.490

Personnel Summary

Identification code 49–0300–0–1–251	1994 actual	1995 est.	1996 est.
1001 Total compensable workyears: Full-time equivalent employment	42	46	46

EDUCATION AND HUMAN RESOURCES

For necessary expenses in carrying out science and engineering education and human resources programs and activities pursuant to the purposes of the National Science Foundation Act of 1950, as amended (42 U.S.C. 1861–1875), including services as authorized by 5 U.S.C. 3109 and rental of conference rooms in the District of Columbia, [$605,974,000] ***$599,000,000***, to remain available until September 30, [1996] *1997*: *Provided*, That to the extent that the amount of this appropriation is less than the total amount authorized to be appropriated for included program activities, all amounts, including floors and ceilings, specified in the authorizing Act for those program activities or their subactivities shall be reduced proportionally. *(Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 49–0106–0–1–251	1994 actual	1995 est.	1996 est.
Program by activities:			
Direct program:			
00.01 Educational system reform	80.312	96.800	95.350
00.02 EPSCoR	31.051	36.929	35.910
00.03 Elementary, secondary, and informal education	198.681	198.841	194.150
00.04 Undergraduate education	78.513	88.328	83.430
00.05 Graduate education	59.206	66.799	66.790
00.06 Human resource development	74.582	76.874	74.800
00.07 Research, evaluation and communications	46.688	49.460	48.570
00.91 Total direct program	569.033	614.031	599.000
01.01 Reimbursable program	10.341	16.000	16.000
10.00 Total obligations	579.374	630.031	615.000
Financing:			
17.00 Recovery of prior year obligations	–623		
21.40 Unobligated balance available, start of year: Treasury balance	–7.077	–8.057	
24.40 Unobligated balance available, end of year: Treasury balance	8.057		
25.00 Unobligated balance expiring	210		
39.00 Budget authority (gross)	579.941	621.974	615.000
Budget authority:			
Current:			
40.00 Appropriation	569.600	605.974	599.000
Permanent:			
68.00 Spending authority from offsetting collections	10.341	16.000	16.000
Relation of obligations to outlays:			
71.00 Total obligations	579.374	630.031	615.000
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance	689.836	805.268	889.047
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	–805.268	–889.047	–921.738
77.00 Adjustments in expired accounts	–2.643		

General and special funds—Continued

Education and Human Resources—Continued

Program and Financing (in thousands of dollars)—Continued

Identification code 49–0106–0–1–251	1994 actual	1995 est.	1996 est.
78.00 Adjustments in unexpired accounts	–623		
87.00 Outlays (gross)	460,676	546,252	582,309
Adjustments to gross budget authority and outlays:			
88.00 Offsetting collections from: Federal sources	–10,341	–16,000	–16,000
89.00 Budget authority (net)	569,600	605,974	599,000
90.00 Outlays (net)	450,335	530,252	566,309

Education and Human Resources (EHR) activities provide a comprehensive set of programs across all levels of education in science, mathematics and technology. These programs will further NSF's goal of achieving excellence in U.S. science, mathematics, engineering, and technology education at all levels. These efforts also address the participation of groups underrepresented in science and engineering. At the precollege level, EHR provides for new instructional material and techniques, and enrichment activities for teachers and students. Undergraduate initiatives support curriculum improvement (including laboratory instruction), faculty enhancement, and advanced technological education. (The latter is also supported at the pre-college level.) Graduate level support is directed primarily to research fellowships and traineeships. Human resources activities focus on women, persons with disabilities, minorities, and minority institutions. Emphasis is given to systemic reform through components that address urban, rural, and state-wide efforts in precollege education, and the Experimental Program to Stimulate Competitive Research (EPSCoR), which seeks to broaden the participation of States and regions in science and engineering. Education research, evaluation and dissemination activities are supported across the science and mathematics education spectrum.

Object Classification (in thousands of dollars)

Identification code 49–0106–0–1–251	1994 actual	1995 est.	1996 est.
21.0 Travel and transportation of persons	2,980	4,000	3,800
24.0 Printing and reproduction	288	400	390
25.1 Advisory and assistance services	466	1,000	1,000
25.2 Other services	7,578	7,000	5,600
25.3 Purchases of goods and services from Government accounts	59	100	100
25.5 Research and development contracts	13,108	13,000	13,000
26.0 Supplies and materials	38	50	50
31.0 Equipment	39	40	50
41.0 Grants, subsidies, and contributions	544,477	588,441	574,010
99.0 Subtotal, direct obligations	569,033	614,031	599,000
99.9 Total obligations	579,374	630,031	615,000

Trust Funds

Donations

Program and Financing (in thousands of dollars)

Identification code 49–8960–0–7–251	1994 actual	1995 est.	1996 est.
Program by activities:			
00.01 Ocean drilling programs	16,447	18,000	18,000
00.02 Gifts and donations	161	500	500
00.04 U.S. Japan scientific and technological program	1,458	3,000	3,000
00.05 NATO Fellowships	1,283	2,251	2,000
00.06 Gemini Telescope	16,518	15,000	15,000
10.00 Total obligations	35,867	38,751	38,500
Financing:			
17.00 Recovery of prior year obligations	–275		
21.40 Unobligated balance available, start of year: Treasury balance	–6,616	–7,751	
24.40 Unobligated balance available, end of year: Treasury balance	7,751		
60.27 Budget authority (appropriation) (trust fund, indefinite)	36,727	31	3[illegible]
Relation of obligations to outlays:			
71.00 Total obligations	35,867	38,751	[illegible]
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance	13,275	6,442	
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	–6,442		
78.00 Adjustments in unexpired accounts	–275		
90.00 Outlays	42,425	45,193	[illegible]

Activities funded are:

U.S. dollars which are advanced from foreign governme[nts] as contributions to the cost of the international partic[ipation] in major projects, including ocean drilling under the Natio[nal] Science Foundation ocean drilling programs.

Gifts and donations are used for costs associated with me[et]ings for visiting foreign scientists and certain special fu[nc]tions of the National Science Board. These funds are [not] otherwise available.

Agreements between the United States and foreign co[un]tries are to promote cooperative efforts in basic re[sea]rch [be]tween these countries. Principal activities supported inclu[de] cooperative research, joint seminars, exchange of senior [sci]entists, and short-term research development visits.

Object Classification (in thousands of dollars)

Identification code 49–8960–0–7–251	1994 actual	1995 est.	1996 est.
21.0 Travel and transportation of persons	29	50	
24.0 Printing and reproduction	79	100	
25.5 Research and development contracts	16,121	18,000	[illegible]
26.0 Supplies and materials	21	25	
31.0 Equipment	2	10	
41.0 Grants, subsidies, and contributions	19,615	20,566	[illegible]
99.9 Total obligations	35,867	38,751	[illegible]

NATIONAL TRANSPORTATION SAFETY BOA[RD]

Federal Funds

General and special funds:

Salaries and Expenses

For necessary expenses of the National Transportation Sa[fety] Board, including hire of passenger motor vehicles and aircraft; s[erv]ices as authorized by 5 U.S.C. 3109, but at rates for individ[uals] not to exceed the per diem rate equivalent to the rate for a [GS-]18; uniforms, or allowances therefor, as authorized by law (5 U[.S.C.] 5901–5902), [$37,392,000] *$38,774,000*, of which not to exceed $1[...] may be used for official reception and representation expenses. *[(De]partment of Transportation and Related Agencies Appropriations [Act,] 1995.)*

Program and Financing (in thousands of dollars)

Identification code 95–0310–0–1–407	1994 actual	1995 est.	1996 est.
Program by activities:			
00.01 Policy and direction	5,688	5,879	
00.02 Aviation safety	12,781	12,859	
00.03 Surface transportation safety	9,677	9,782	
00.04 Research and engineering	5,337	5,411	
00.05 Administration	2,676	2,680	
00.06 Administrative law judges	946	781	
10.00 Total obligations	37,105	37,392	
Financing:			
40.00 Budget authority (appropriation)	37,105	37,392	

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Divider Title: **J**

NUCLEAR REGULATORY COMMISSION

DESCRIPTION: The Nuclear Regulatory Commission is an independent agency charged with regulating commercial uses of radioactive materials and ensuring uniform nationwide application of safety and safeguards standards and protection of the public health and safety. Its major program activities are: Reactors (safety, research and regulation); Nuclear Materials and Nuclear Waste; and Management and Support.

FY 1996 BUDGET PROPOSAL: The proposed FY 1996 appropriation is $520.3 million -- essentially unchanged from the FY 1995 level of $520.5 million. The proposed FY 1996 FTE level is 3,185 -- the FY 1995 level is 3,218.

AGENCY PROPOSAL: The agency proposes that it continue with its current functions as a federal agency. It also proposes continuing with ongoing programs related to NPR Phase 2 regulatory reform and with devolution to the states (where possible) of regulation of medical applications of radioactive materials. The NRC strongly objects to reduced spending targets on the grounds that these targets are imposed without regard to the agency's tasks and will not reduce the deficit since the NRC recovers its costs through fees.

DECISION OPTIONS:

A. Retain agency and functions, support reinvention efforts; but reduce funding over the next 5 years.
B. Retain agency and functions, support reinvention efforts and accept agency proposed funding levels for the next 5 years.
C. Follow FY 96 Budget. Retain agency while directing greater reinvention efforts as listed in the option paper. Complete a study of NRC's future with the full participation of private and governmental customers. Topics should include greater devolution of more activities to the state governments and deregulation,
D. Terminate the agency and devolve core functions to the states or assign them to DOE.

ADVISORY GROUP RECOMMENDATION: C

RATIONALE: The Federal government has a role in nuclear safety. Oversight and regulation of the nuclear industry should be conducted by an independent agency separate from one (such as DOE) whose mission is to develop nuclear applications.

STEERING COMMITTEE RECOMMENDATION:

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NRC SUMMARY

NPR PHASE II

1. Does the nation need an independent Federal nuclear regulatory agency?

   Yes, history has taught us that this potentially dangerous technology needs strong Federal regulation. The experiences with Three Mile Island and Chernobyl have shown that the consequences of an accident at a nuclear power plant can be great. Also, the Nuclear Regulatory Commission was created as an independent agency in recognition that regulation should be separate from the development and promotion of nuclear activities. The prior experience with the Atomic Energy Commission taught this lesson and it still holds today.

   In addition to historical experience, logic dictates the Federal regulation of nuclear power plants. The regulation of reactor safety and safeguards at the state level would not be feasible or efficient for a variety of reasons. Reactor regulation needs to be consistent and standardized for safety as well as efficiency.

   Vice President Gore and Russian Prime Minister Chernomyrdin recently signed the "Joint Principles of Nuclear Safety" which states in part, "Realizing that the safe use of nuclear energy depends upon... a legal foundation which defines the activities of a strong and independent regulatory authority"; (underlining added for emphasis).

   Reactor regulation represents 85% of NRC resources including the reactor fuel cycle and high level waste disposal programs.

2. Could the non-reactor aspects of NRC's mission be terminated or devolved to states?

   Yes, but this must be accomplished on a voluntary basis, otherwise the devolution would fall into the category of unfunded mandates. A significant portion of the regulation of nuclear byproduct materials and of low-level waste management is currently performed by states. There is a potential to do more.

   The NRC, through its Agreement States Program, has discontinued its regulatory authority over byproduct, source, and certain nuclear materials in twenty-nine states. Seven additional states have expressed an interest in joining this voluntary program. In addition, several states have agreements with the NRC for performing low-level waste disposal site inspections. We will continue to support and assist states interested in joining our Agreement State Programs.

NRC may consider termination or reduction of regulation of medical uses of byproduct materials with respect to patient safety. The responsibility for this regulation would fall to the states, who in any event currently regulate non-Atomic Energy Act medical uses of radiation. A National Academy of Sciences study is underway to look at the issues involved in the regulation of medical uses.

While state assumption of authority for implementing these programs may grow, a continuing NRC role to establish standards and policy will be necessary to ensure proper oversight as well as adequate and consistent levels of public health and safety and preservation of interstate commerce.

3. <u>Why is an "independent commission" needed to regulate nuclear power? Could this be handled as part of an existing Executive Branch Department or Agency?</u>

An independent agency is needed for the reasons discussed in 1 above. It is very useful that this agency be run by a commission, not by a single administrator. An independent commission provides non-partisan technical and policy oversight as well as stability, continuity and predictability. The five NRC commissioners fill staggered 5 year terms and no more than three may be of the same political party. This minimizes regulatory perturbations and costs, and provides the continuity, stability, and predictability needed for the industry to make economic decisions about nuclear power. An independent commission also enhances the public's confidence that balanced decisions are being made to enhance public health and safety rather than a political agenda. As a comparative example, a single administrator executive agency would have experienced three Presidential changes in the past 10 years with potentially three different agency administrators with different regulatory philosophies.

4. <u>How will NRC accommodate the 3/5/7/9 percent reductions through the year 2000?</u>

The NRC has not fully considered options to accommodate the outyear reductions currently projected in the President's Budget. During the upcoming budget review cycle, the NRC will be considering ways to take reductions without impacting important public health and safety missions. But there is no guarantee that this review will accommodate the 3/5/7/9% reduction targets imposed by OMB.

NRC strongly objects to being subjected to such arbitrary ceilings to accomplish deficit reduction. NRC's budget levels should be based on both program merit and the contribution to public health and safety. NRC does not contribute to the Federal deficit because 100% of the NRC budget is offset by fees paid by those we regulate. Therefore, broad-based across-the-board reductions to reduce the deficit should not be applied to NRC.

The NRC budget and FTE have declined since FY 1994. We will continue to implement cost reduction initiatives that do not adversely impact public health and safety. Cost saving initiatives under consideration are discussed later in this paper.

5. <u>Is NRC participating in the effort to reform regulation, streamline operations and improve customer service?</u>

The NRC has recognized for several years that there is room for improvement in our performance, and so we have already launched initiatives which can reduce the cost of regulation while maintaining the protection of public health and safety. The steps we have taken over the past few years are clearly in line with the Administration's and Congress's objectives to improve efficiency by reducing unnecessary regulatory burden and improving NRC's internal processes. To that end, the NRC has conducted self-assessments as well as encouraged active participation by the public and industry as we pursue regulatory reform. Customer feedback has been an important aspect of evaluating our regulatory programs. We have conducted surveys of our licensees, held annual regulatory information exchange workshops, expanded our use of public workshops, and instituted an enhanced participatory rulemaking.

The two most important regulatory improvements to streamline NRC's reactor licensing program are our regulations on: 1) the license renewal process to help the nation reap the full benefit of industry investment through the renewal of 40 year operating licenses up to an additional 20 years, and 2) early site permits, standard design certification, and combined construction permits and operating licenses for future nuclear power reactors. The purpose of both these major agency initiatives is to resolve safety issues while providing current and future reactor licensees a streamlined and stable licensing process for making major investment decisions.

In the past, the NRC has used probabilistic risk assessment (PRA) in the regulatory process with caution. As methods of analysis have evolved and become more standardized and data bases have become more reliable, the NRC continues to expand its use of risk assessments as a means to ensure that the NRC and industry are focused on the most safety significant issues. We are relying substantially on PRA in revising our regulations; in assessing the safety importance of operating reactor events; in individual plant examinations, in which all commercial reactor licensees are performing PRAs in order to identify any severe accident vulnerabilities needing attention; and in review of advanced reactor designs. Significant progress has been made in the use of risk assessment for review and approval of both generic and individual licensing amendments.

We have implemented an improvement to our review of licensing changes which has reduced industry costs by $277 million with the prospect of substantially more savings for the future. Essentially, we place a higher priority on review of changes which reduce or eliminate costly requirements which have a small effect on safety.

In partnership with the National Treasury Employees Union, we have reviewed our organizational structure in the agency's major offices, and identified ways to eliminate a layer of management. Our supervisor to employee ratio has been improved by 20%. Over the past few years we have combined two of our five regional offices, and closed the Uranium Recovery Field Office in Denver.

The NRC has also been able to tighten financial operations, allowing us to increase the effectiveness and efficiency of program financing. For example, we are providing closer scrutiny of the need for planned projects, and more expeditious closeout of completed contracts. Our financial management efforts have contributed to the agency's ability to propose a $12.7 million rescission in our fiscal year 1994 appropriation and to absorb a $20 million reduction to our FY 1995 budget request.

Furthermore, the NRC staff is conducting a comprehensive review of NRC regulations and programs in the spirit of NPR Phase II. Results of the review of obsolete or overly burdensome regulations will be available by June 1 as requested by the President. A longer term effort to explore further delegations, regulatory reform, streamlining and re-engineering is also underway as described later in this paper.

I. OVERVIEW

Organization and Functions

The NRC is headed by five Commissioners appointed by the President and confirmed by the Senate for 5-year terms. One of them is designated by the President to be the Chairman, serving as the principal executive officer and official spokesperson of the Commission. The staff, headed by the Executive Director for Operations, carries out the policies and decisions made by the Commission.

About two-thirds of the agency is located in Rockville, Maryland, with the remainder in four regional offices. The primary headquarters offices include Nuclear Reactor Regulation, Nuclear Regulatory Research, Nuclear Materials Safety & Safeguards, and Analysis and Evaluation of Operational Data.

Budget Authority and License Fees

The NRC's total appropriated budget authority for FY 1995 is $525.6 million, including $22 million from the Nuclear Waste Fund. The authorized FY 1995 staffing level is 3,218 full-time equivalents.

II. MISSION AND GOALS

1. Reactor Safety & Safeguards: The mission of the Reactor Safety and Safeguards Program is to ensure adequate protection of the public health and safety from the operation of nuclear reactors in the United States. The goals of the Reactor Safety and Safeguards Program are 1) to ensure the safety of the currently operating nuclear reactors, 2) to safely extend reactor operating licenses, and 3) to provide a stable and predictable licensing process for future nuclear reactors.

   In 1994, 109 operating nuclear reactors in 33 States generated approximately one-fifth of the nation's electricity. The NRC and its licensees share a common responsibility to protect the public health and safety. Federal regulations and the NRC regulatory program are important elements in the protection of the public.

   Early in the next century, the licensed nuclear generating capacity could begin to decrease as reactors begin to reach their 40-year terms. Extending reactor operating licenses beyond their current 40-year terms offers significant economic benefits when compared to the construction of new reactors. The savings to the nation would be equivalent to about 18 billion barrels of oil, or 100 trillion cubic feet of natural gas, and would save $100 to $300 billion in electric utility capital expenditures.

   The NRC has revised its regulations to make the licensing process for future nuclear power reactors more stable and predictable. The changes should substantially improve the entire licensing process, with the goal that future nuclear power plants would use standard reactor designs already certified by the NRC and would be located at preapproved sites. There are currently four future light-water reactor designs under NRC review.

2. Fuel Cycle Safety & Safeguards: The mission of fuel cycle safety and safeguards regulation is to protect worker and public health and safety, and the environment and to protect the common defense and security from misuse of special nuclear materials (SNM) created under Federal auspices. Concentrated SNM can be used to make nuclear explosives. NRC coordinates with Federal intelligence agencies for threat evaluation against U.S. nuclear sites and assessments of foreign physical protection capabilities for export/import licensing. In addition, we participate in international agreements, support the International Atomic Energy Agency, and support the development of safeguards programs in the republics of the former Soviet Union.

3. High-Level Waste: The mission of the NRC in high-level waste is to regulate the transportation, storage, and disposal of spent nuclear fuel, and to license interim storage of spent nuclear fuel. The Department of Energy (DOE) has the responsibility for developing and operating the actual disposal site, and the NRC provides regulatory oversight. DOE is currently characterizing the Yucca Mountain, Nevada, site with the goal of submitting a construction license application by 2001. NRC is reviewing DOE activities and developing regulatory guidance to support the review of this unique license application. NRC will also license transportation canisters and transportation and disposal of spent nuclear fuel.

4. Nuclear Materials Safety: The mission of the Nuclear Materials Safety program is to ensure protection of public health and safety and the environment in the use and transportation of nuclear materials. This includes licensing, inspection, and related regulatory activities for approximately 6600 medical, academic, industrial and commercial users of radioactive materials in 21 States and at Federal facilities in Agreement States. Twenty-nine states have assumed responsibility for licensing and inspection of approximately 15,000 materials users under the NRC Agreement States Program.

5. Facility Decommissioning/Low-Level Waste: NRC regulates the disposal of commercial low-level radioactive waste (LLW), extraction of uranium from ores and disposal of the resulting waste, and the decommissioning of licensed nuclear facilities. The goal of this program area is to ensure that decommissioning and radioactive waste disposal from these facilities is carried out in a manner that protects the public health and safety and the environment. NRC accomplishes this goal through licensing,

inspection, enforcement, and standards development. Most, if not all, regulation of commercial LLW disposal facilities will be conducted by the Agreement States.

III. ASSESSMENT OF KEY FUNCTIONS

1. Reactor Safety and Safeguards

A. The regulation of reactor safety and safeguards is a critical function for the Nuclear Regulatory Commission. A strong Federal oversight is essential for this potentially dangerous technology. This need has been clearly recognized by the Congress, the public and even the regulated community.

B. The regulation of reactor safety and safeguards at the state or local level is not feasible nor would it be efficient. The 109 operating commercial nuclear power plants are located in 33 States. A State-based program would require 33 somewhat duplicative State programs. The regulation of reactor safety and safeguards is a complex technical matter requiring experts in engineering and science to address a range of issues. The nuclear power industry also needs the stability and predictability provided by a single national oversight agency.

C. The NRC cooperates with states on matters related to reactor safety and safeguards, especially in the area of emergency planning. Based on (a) and (b) above, the NRC does not believe the states should play a significant role in the regulation of reactor safety and safeguards. The Congress agrees.

D. The NRC for some years has recognized that there is room for improvement in our regulatory programs that can reduce the cost of regulation. The following is a discussion of our ongoing efforts.

NRC Regulatory Improvement Activities: In May 1994, the NRC established the "Continuing Program for Regulatory Improvement" which consists of three NRC initiatives to reduce unnecessary regulatory burden. The Marginal to Safety Program is the agency's continuing effort to eliminate or modify regulations that are marginal to safety and impose a substantial regulatory burden on licensees. Licensees wishing to petition for rule changes that reduce unnecessary regulatory burden will have the option of using an expedited rulemaking process in return for providing a complete regulatory analysis. The Regulatory Review Group (RRG) effort was a review conducted by senior-level staff of selected power reactor regulations and related processes, programs, and practices with special attention placed on the feasibility of substituting both risk and performance-based requirements and guidance for those that are more prescriptive. The RRG identified 66 areas with significant potential for relief of burden with little or no adverse safety impact, of which approximately 26 have been implemented to date. The Cost Beneficial Licensing Action (CBLA) program makes available to licensees a higher review priority for licensing changes that reduce or eliminate requirements that have an incrementally small effect on safety, but are a high economic burden. As of December 29, 1994, licensees had submitted 141 CBLAs to the staff; 41 have been approved thus far, for a cost savings (based on licensees' estimates) of over $277 million.

In addition to the Continuing Program for Regulatory Improvement, the Technical Specification Improvement Program can save licensee and NRC resources by relocating 30% to 40% of existing license requirements to licensee-controlled documents. This allows licensees to implement changes to these requirements using an approved NRC method without the need for prior NRC staff approval. Savings for completed conversions are estimated to be between $150K and $1M per unit per year.

2. Fuel Cycle Safety & Safeguards

A. The regulation of the fuel cycle is a critical agency function. A strong Federal oversight is essential for this potentially dangerous technology. This need has been clearly recognized by the Congress, the public, and even the regulated community.

Without the safeguards mission, there would be no assurance of an adequate level of protection of the public health and safety from theft or diversion of SNM at fuel fabrication facilities. The NRC's contribution to nonproliferation in the international arena would be diminished.

B. Regulation of fuel cycle safety and safeguards is best performed at the Federal level in order to utilize effectively specialized expertise in fuel cycle industrial operations, in radiation protection in operations with fuel materials, and, especially against uncontrolled nuclear reactions. The industry consists of a relatively small number of plants distributed in a few states. The fuel fabrication industry has expressed a desire for uniform and consistent regulation that would be more difficult to achieve at the state level.

In addition, protection of the common defense and security, threat assessment, and interaction with the International Atomic Energy Agency and international safeguards community are inherently Federal functions.

C. We currently have underway a number of regulatory initiatives that should improve performance, cut costs, and streamline the regulations. The simplification of regulations will reduce industry compliance costs. Increased flexibility to allow industry to make well-founded changes without prior NRC approval will also reduce costs. Regulations that are obsolete or have little safety/safeguards benefit will be eliminated.

3. High-Level Waste

A. Spent nuclear fuel is generated nationally at commercial power reactors and at DOE facilities. The safe disposal of spent nuclear fuel or high level waste from reprocessing is a substantial public health and safety issue. Congressional action has recognized the strong national need to construct a safe disposal site for spent nuclear fuel in a timely manner. NRC also has the responsibility to approve the multi-purpose canisters for shipping and storage of spent reactor fuel and an interim storage facility for such fuel.

B. The regulatory oversight and licensing of the high-level waste program cannot be done at the state or local level. Congress passed the Nuclear Waste Policy Act, which gave lead responsibility for developing the repository to one Federal agency (DOE) and regulatory responsibility to another Federal agency (NRC).

C. The DOE is attempting to implement a new Program Approach designed to streamline the overall process and hopefully be more economical to implement. Over the next year, the NRC will evaluate the DOE approach to determine if it can be implemented while protecting the public health and safety. The NRC is investigating options to reduce overall costs and improve performance and will continue this process over the next year. Over the last several years, the NRC has reduced the total staffing level dedicated to high-level waste issues.

4. Nuclear Materials Safety:

A. Protection of the public health and safety and the environment through the regulation of materials users is a critical agency function. Standards and criteria for this function are managed at the Federal level. These programs are implemented at both the Federal and state level. NRC continually receives feedback from its customers on how it carries out its mission through workshops, comments on rulemaking, and professional and technical meetings.

B. Key aspects of the mission are essential at the Federal level. These pertain largely to standard-setting and policy functions designed to ensure: 1) an adequate level of public health and safety throughout the United States in certain critical areas; and 2) preservation of interstate commerce. Reasonably uniform standards are needed to ensure commercial activities can operate across state lines and material such as pharmaceuticals can be used nationally. However, licensing and inspection of materials users could be devolved to the state level to a greater degree than at present.

C. The mechanism exists for greater involvement of states in this mission area through the Agreement State Program. At present, 29 States have assumed the responsibility for licensing, inspection and related regulatory functions for materials users within their jurisdiction. Four additional states (Pennsylvania, Massachusetts, Ohio, Oklahoma) have formally expressed interest in becoming Agreement States. Three additional states have informally inquired about the process. NRC will support additional states interested in assuming this function.

D. The agency has several programs underway intended to either cut costs in the materials area, improve performance or streamline the agency. These include:

<u>Business Process Reengineering:</u> NRC has initiated a Business Process Reengineering (BPR) Project whose goal is to improve the speed of the current materials licensing process by an order of magnitude while maintaining or improving public safety. The use of modern information technology is a fundamental part of the new process, which is expected to reduce the resources needed for licensing.

<u>Regulatory Impact Survey</u>: NRC is conducting a Regulatory Impact Survey for materials licensees to determine the efficacy of NRC regulation and its impact on licensees' operations. NRC's analysis of the results of the survey will be used in the BPR Project to guide the redesign of materials licensing and inspection.

<u>National Academy of Sciences Review</u>: NRC has contracted with the Institute of Medicine (IOM), National Academy of Sciences, to conduct an independent review of the NRC's medical use regulatory program as directed by the Commission. The IOM is expected to address state/Federal responsibilities as part of its recommendations.

5. <u>Decommissioning/Low-Level Waste</u>

A. Regulation of uranium mill tailings management, LLW disposal, and decommissioning is critical to ensuring protection of the public health and safety and the environment. Congress and members of the public have encouraged heavy NRC involvement to ensure that radioactive waste disposal and decommissioning are conducted safely and in a timely manner.

B. These programs have been conducted at both the Federal and the state level through NRC's Agreement State program. A Federal role is required primarily for standard-setting and to regulate other Federal agencies. States have demonstrated the ability to regulate LLW disposal, decommissioning, and uranium recovery.

C. NRC could submit legislation to transfer NRC regulatory responsibility for LLW, uranium recovery, and some decommissioning activities to the States, but if this devolution is not voluntary, it could be seen as an unfunded mandate.

D. NRC is already streamlining its programs for radioactive waste management by paring the LLW program down to the legal minimum. In the decommissioning program, NRC is enhancing its coordination role with state and local agencies to avoid duplicative and burdensome administrative costs. NRC is also preparing final regulations to establish radiological criteria for decommissioning. While generally these regulations will require cleanup to unrestricted release levels, they also may substantially reduce the burden on certain licensees by permitting restricted release and thus by allowing higher levels of radioactive contamination to stay on site without posing an excessive risk to members of the public. NRC is also cooperating with EPA to eliminate unnecessary duplicative regulation of radionuclide emissions to the environment.

IV. OPTIONS TO TERMINATE, PRIVATIZE, OR RESTRUCTURE PROGRAMS

1. Reactor Safety and Safeguards

A. Privatization: The NRC has worked with the private sector in developing its regulatory program. For example, the NRC has established a relationship with the Institute of Nuclear Power Operations which provides some self-regulation of nuclear power plants. INPO is an organization sponsored by the nuclear utility industry whose mission is to promote the highest levels of safety and reliability in the operation of nuclear electric generating plants. INPO dedicates most of its efforts to improvement of industry training and to establishing best practices in overall plant operations.

INPO and the NRC consult on the availability of technical information of mutual interest and to promote a free flow of such information. We try to avoid unnecessary duplication of activities, while providing a means to identify those areas where independent activities may be warranted. NRC recognizes INPO's activities to the extent that these activities help meet NRC's responsibilities and lessen the burden of duplicative oversight activities.

NRC will continue to explore options to recognize private sector efforts which can minimize duplicate effort by NRC.

B. Consolidation of Resources: The NRC is evaluating the consolidation of the reactor inspection and licensing activities from the regional offices to the headquarters office for non-power reactor licensed facilities. This consolidation could save about 15 to 20 percent in technical personnel effort and 30 to 50 percent in supervisory effort.

The NRC is currently considering the consolidation of the physical security functions in a single location. The need for efficient operation of the agency has caused a reevaluation of the distribution of specialist resources between the regional offices and headquarters.

C. Reducing the Burden of Licensing of Individual Operators: The NRC is considering revisions to the manner in which the NRC administers the nuclear reactor operator licensing program to reduce the level of direct NRC involvement in this area. Potential savings are \$3M - \$4M per year.

D. Reactor Safety Research: NRC is evaluating its Reactor Safety Research Program to prioritize the expected safety payoff from ongoing and planned efforts. While significant uncertainty exists for some technical issues, we will be exploring alternatives which could rely more heavily on industry contributions.

E. Simplification of Regulations: Efforts to simplify regulations to reduce unnecessary industry compliance cost will continue. Obsolete and marginal to safety regulations with little safety benefit will be eliminated.

2. Fuel Cycle Safety & Safeguards

A. Simplification of Regulations: Efforts to simplify regulations to reduce unnecessary industry compliance cost will continue. It is further intended that obsolete and marginal to safety regulations with little safety benefit will ultimately be eliminated.

3. High-Level Waste

A. DOE has implemented a new Program Approach to expedite the licensing and construction of a high-level waste repository. This is expected to result in a more efficient and less costly process. The NRC is modifying its oversight program, consistent with the mandate to protect the public health and safety, to be consistent with the DOE changes. However, the effectiveness of the program changes will need to be monitored over the next several years.

4. Nuclear Materials Safety

A. Terminate or Reduce NRC Regulation of Medical Activities. NRC could terminate, or drastically reduce, regulation of patient safety. As mentioned above, the NAS study will be providing a critical assessment of the current framework for medical use regulation. To implement an option to terminate regulation with respect to patient safety, NRC may need legislation to amend the

Atomic Energy Act to exclude medical regulation from the scope of the agency's responsibilities and authority. The responsibility for such regulation would fall to the medical profession and the States, who currently regulate medical uses not covered by the Atomic Energy Act.

B. Restructure the Regional Materials Program. The Business Process Reengineering (BPR) effort underway is intended to make fundamental and substantial change in how NRC currently licenses the use of byproduct material. Greater use of automation in the licensing process is a fundamental part of BPR, as currently envisioned. This is expected to result in resource savings through improved efficiency. However, using state-of-the-art computing hardware and software, BPR could allow for electronic filing and issuance of licenses and thereby eliminate the need for a regionalized licensing program. This could result in additional efficiencies by combining the functions of licensing policy and licensing practice.

5. Decommissioning/Low-Level Waste

A. NRC is currently evaluating options to terminate or reduce the LLW program at the Federal level. The NRC staff is developing an evaluation of options for the LLW program for Commission consideration in Mid-1995. NRC would need legislation in order to implement any option to terminate or reduce the LLW program at the Federal level.

General and special funds—Continued

PAYMENT TO THE NEIGHBORHOOD REINVESTMENT CORPORATION—Continued

BUDGET ACTIVITY—Continued

[In thousands of dollars]

	1994 actual	1995 est.	1996 est.
Total corporate obligations	$33.705	$42.195	$58.095
Sources of financing:			
1. Federal appropriation	$31.715	$39.065	$55.000
2. Reimbursements for services provided	744	1.499	1.010
3. Other sources	1.436	1.490	1.785
Unused balance, start of year	251	441	300
Net obligations incurred	33.705	42.195	58.095
Unused balance, end of year	441	300	0
Obligated balances, start of year	4.485	3.945	4.100
Obligated balances, end of year	3.945	4.100	4.300
Net corporate outlay	$34.245	$42.040	$57.895

Statement of Operations (in thousands of dollars)

Identification code 82–1300–0–1–451		1993 actual	1994 actual	1995 est.	1996 est.
0111	Revenue	30.648	33.720	42.054	57.795
0112	Expense	–30.899	–33.290	–41.754	–57.795
0119	Net income or loss (–)	–251	430	300	....
0199	Total income or loss	–251	430	300	....

Balance Sheet (in thousands of dollars)

Identification code 82–1300–0–1–451		1993 actual	1994 actual	1995 est.	1996 est.
	ASSETS:				
	Non-Federal assets:				
1206	Receivables, net	231	267	270	280
1207	Advances and prepayments	172	294	300	310
1601	Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable: Direct loans, gross	1.000	1.000	1.000	1.000
	Other Federal assets:				
1801	Cash and other monetary assets	3.333	2.831	3.080	3.035
1803	Property, plant and equipment, net	541	775	900	1.025
1999	Total assets	5.277	5.167	5.550	5.650
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	112	398	....	....
	Non-Federal liabilities:				
2201	Accounts payable	1.356	1.329	1.350	1.360
2207	Other	3.017	2.218	2.678	2.768
2999	Total liabilities	4.485	3.945	4.028	4.128
	NET POSITION:				
3300	Cumulative results of operations	792	1.222	1.522	1.522
3999	Total net position	792	1.222	1.522	1.522
4999	Total liabilities and net position	5.277	5.167	5.550	5.650

Object Classification of Corporation Obligations (in thousands of dollars)

	1994 actual	1995 est.	1996 est.
Salaries and benefits	$12.058	$14.000	$15.146
Occupancy	1.522	1.535	1.751
Professional services	1.254	1.914	2.063
Travel and transportation of persons	1.517	1.859	2.065
Conferences and workshops	459	693	800
Grants and grant commitments	14.225	19.785	33.250
Other operating costs	2.670	2.709	3.020
Total obligations	$33.705	$42.495	$58.095

Personnel Summary

Non-Federal employees: Total compensable workyears:			
Full-time equivalent employment	204	226	23
Full-time equivalent of overtime and holiday hours	7	7	

NUCLEAR REGULATORY COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses of the Commission in carrying out th purposes of the Energy Reorganization Act of 1974, as amende and the Atomic Energy Act of 1954, as amended, including the em ployment of aliens; services authorized by section 3109 of title United States Code; publication and dissemination of atomic informa tion; purchase, repair, and cleaning of uniforms, official representa tion expenses (not to exceed $20,000); reimbursements to the Gener Services Administration for security guard services; hire of passeng motor vehicles and aircraft, [$520,501,000] *$520,300,000*, to remai available until expended, of which $22,000,000 shall be derived fro the Nuclear Waste Fund: *Provided*, That from this appropriatio transfer of sums may be made to other agencies of the Governme for the performance of the work for which this appropriation is mad and in such cases the sums so transferred may be merged wi the appropriation to which transferred: *Provided further*, That mo eys received by the Commission for the cooperative nuclear safe research program, services rendered to foreign governments ar international organizations, and the material and information acce authorization programs, including criminal history checks under se tion 149 of the Atomic Energy Act of 1954, as amended, may retained and used for salaries and expenses associated with tho activities, notwithstanding [the provisions of section 3302 of tit 31, United States Code] *31 U.S.C. 3302*, and shall remain availab until expended: *Provided further*, That revenues from licensing fee inspection services, and other services and collections estimated [$498,501,000] *$498,300,000* in fiscal year [1995] *1996* shall be r tained and used for necessary salaries and expenses in this accou notwithstanding [the provisions of section 3302 of title 31, Unit States Code] *31 U.S.C. 3302*, and shall remain available until e pended: *Provided further*, That the sum herein appropriated sh be reduced by the amount of revenues received during fiscal ye [1995] *1996* from licensing fees, inspection services and other ser ices and collections, excluding those moneys received for the cooper tive nuclear safety research program, services rendered to forei governments and international organizations, and the material a information access authorization programs, so as to result in a fi fiscal year [1995] *1996* appropriation estimated at not more th $22,000,000. *(Energy and Water Development Appropriations A 1995.)*

Program and Financing (in thousands of dollars)

Identification code 31–0200–0–1–276		1994 actual	1995 est.	1996 e
	Program by activities:			
	Direct program:			
00.01	Reactor	279.896	296.291	262.
00.02	Nuclear Materials and Nuclear Waste	88.611	99.298	90.
00.03	Management and Support	169.215	175.908	166
00.91	Total direct program	537.722	571.497	520.
01.01	Reimbursable program	3.534	20.128	13.
10.00	Total obligations	541.256	591.625	533.
	Financing:			
17.00	Recovery of prior year obligations	–13.535	....	....
21.40	Unobligated balance available, start of year: Treasury balance	–53.056	–58.124	....
24.40	Unobligated balance available, end of year: Treasury balance	58.124	....	....
39.00	Budget authority (gross)	532.789	533.501	533
	Budget authority:			
	Current:			
40.00	Appropriation	7.924	....	....

	Appropriation (special fund, definite):			
40.20	Appropriation (special fund, definite)	494.776	498.501	498.300
40.20	Appropriation (special fund, definite)	22.000	22.000	22.000
42.00	Transferred from other accounts	5.500		
43.00	Appropriation (total)	530.200	520.501	520.300
	Permanent:			
68.00	Spending authority from offsetting collections	2.589	13.000	13.390
	Relation of obligations to outlays:			
71.00	Total obligations	541.256	591.625	533.690
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	196.672	180.679	224.030
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	-180.679	-224.030	-223.980
78.00	Adjustments in unexpired accounts	-13.535		
87.00	Outlays (gross)	543.714	548.274	533.740
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	-2.589	-13.000	-13.390
89.00	Budget authority (net)	530.200	520.501	520.300
90.00	Outlays (net)	541.125	535.274	520.350

Reactor Program.—This program encompasses all NRC inspection, oversight, and licensing of reactor facilities and designs, as required by the Atomic Energy Act of 1954, as amended; all reactor regulatory research as required by the Energy Reorganization Act of 1974 (Section 205 of Public Law 95–209); and all other functions associated with reactors including evaluation of safety concerns, assessment of operational events and experience, technical training for NRC staff, independent review and legal advice to the Commission on safety issues, adjudicatory reviews, investigations of wrongdoing by reactor licensees, reactor enforcement policy, and actions to protect the public health and safety.

Nuclear Materials and Nuclear Waste Programs.—This program encompasses all NRC public health and safety, safeguards, research activities, operational data analysis, technical training, adjudicatory reviews, investigations, enforcement, and independent safety and legal advice related to the licensing, inspection and environmental reviews for fuel cycle facilities, the transportation of nuclear materials, the safe interim storage of spent fuel, nuclear materials users, the safe management and disposal of low-level and high-level radioactive wastes, and uranium recovery and related remedial actions. This program also includes safeguards reviews for all licensing activities involving the export of special nuclear material, the integrated agency effort to oversee decontamination and decommissioning of facilities and sites associated with NRC-licensed activities, and the use of the Licensing Support System (LSS) for the submittal and management of documents in the high-level waste repository licensing proceeding.

Management and Support Program.—This program encompasses NRC central policy direction, resources management, and all administrative and logistical support. In addition, this program administers NRC's responsibilities with State, local government, Indian tribes, foreign countries and international organizations.

In FY 1996, a legislative proposal will be submitted to Congress which will extend the NRC user fees, that would otherwise have expired at the end of FY 1998, through FY 2000.

Object Classification (in thousands of dollars)

Identification code 31–0200–0–1–276		1994 actual	1995 est.	1996 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	205.297	239.551	202.697
11.3	Other than full-time permanent	4.580	5.346	4.524
11.5	Other personnel compensation	5.733	6.683	5.655
11.8	Special personal services payments	519	605	512
11.9	Total personnel compensation	216.129	252.185	213.388
12.1	Civilian personnel benefits	47.723	60.749	55.629
13.0	Benefits for former personnel	496		
21.0	Travel and transportation of persons	15.396	16.508	16.321
22.0	Transportation of things	1.688	643	593
23.1	Rental payments to GSA	21.178	18.343	19.932
23.3	Communications, utilities, and miscellaneous charges	2.977	8.828	8.607
24.0	Printing and reproduction	1.843	1.993	2.025
25.1	Advisory and assistance services	4.422	315	324
25.2	Other services	76.045	98.123	89.520
25.3	Purchases of goods and services from Government accounts	121.448	101.288	101.992
25.4	Operation of GOCOs	654		
25.5	Research and development contracts	2.326		
26.0	Supplies and materials	3.238	3.662	3.573
31.0	Equipment	19.869	7.500	7
32.0	Land and structures	933		
41.0	Grants, subsidies, and contributions	1.311	1.260	1.199
42.0	Insurance claims and indemnities	40	100	100
43.0	Interest and dividends	6		
99.0	Subtotal, direct obligations	537.722	571.497	520.300
99.0	Reimbursable obligations	3.534	20.128	13.390
99.9	Total obligations	541.256	591.625	533.690

Personnel Summary

Identification code 31–0200–0–1–276		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	3.240	3.174	3.141

OFFICE OF INSPECTOR GENERAL

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, including services authorized by section 3109 of title 5, United States Code, [$5,080,000] *$5,500,000*, to remain available until expended; and in addition, an amount not to exceed 5 percent of this sum may be transferred from Salaries and Expenses, Nuclear Regulatory Commission: *Provided*, That notice of such transfers shall be given to the Committees on Appropriations of the House and Senate: *Provided further*, That from this appropriation, transfers of sums may be made to other agencies of the Government for the performance of the work for which this appropriation is made, and in such cases the sums so transferred may be merged with the appropriation to which transferred: *Provided further*, That revenues from licensing fees, inspection services, and other services and collections shall be retained and used for necessary salaries and expenses in this account, notwithstanding [the provisions of section 3302 of title 31, United States Code] *31 U.S.C. 3302*, and shall remain available until expended: *Provided further*, That the sum herein appropriated shall be reduced by the amount of revenues received during fiscal year [1995] *1996* from licensing fees, inspection services, and other services and collections, so as to result in a final fiscal year [1994] *1996* appropriation estimated at not more than $0. *(Energy and Water Development Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
	Program by activities:			
00.01	Inspector General	4.835	5.525	5.500
01.01	Reimbursable program	13		
10.00	Total obligations	4.848	5.525	5.500
	Financing:			
17.00	Recovery of prior year obligations	-126		
21.40	Unobligated balance available, start of year: Treasury balance	-354	-445	
24.40	Unobligated balance available, end of year: Treasury balance	445		
39.00	Budget authority (gross)	4.813	5.080	5.500
	Budget authority:			
	Current:			
40.20	Appropriation (special fund, definite)	4.800	5.080	5.500

General and special funds—Continued

OFFICE OF INSPECTOR GENERAL—Continued

(INCLUDING TRANSFER OF FUNDS)—Continued

Program and Financing (in thousands of dollars)—Continued

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
	Permanent:			
68.00	Spending authority from offsetting collections	13		
	Relation of obligations to outlays:			
71.00	Total obligations	4,848	5,525	5,500
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	697	1,442	1,943
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	–1,442	–1,943	–2,027
78.00	Adjustments in unexpired accounts	–126		
87.00	Outlays (gross)	3,977	5,024	5,416
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	–13		
89.00	Budget authority (net)	4,800	5,080	5,500
90.00	Outlays (net)	3,964	5,024	5,416

The Inspector General Act Amendments of 1988 established a statutory Office of the Inspector General within the NRC that provides the Commission and Congress with an independent review and appraisal of the integrity of NRC programs and operations. The function of the Office of the Inspector General is to conduct and supervise audits and investigations relating to all facets of agency programs and operations.

Object Classification (in thousands of dollars)

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	2,754	3,292	3,209
11.3	Other than full-time permanent	219	235	229
11.5	Other personnel compensation	287	313	306
11.8	Special personal services payments	16	79	76
11.9	Total personnel compensation	3,276	3,919	3,820
12.1	Civilian personnel benefits	653	718	715
21.0	Travel and transportation of persons	181	235	235
25.2	Other services	725	325	395
25.3	Purchases of goods and services from Government accounts		328	335
99.0	Subtotal, direct obligations	4,835	5,525	5,500
99.0	Reimbursable obligations	13		
99.9	Total obligations	4,848	5,525	5,500

Personnel Summary

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	46	44	44

NUCLEAR WASTE TECHNICAL REVIEW BOARD

Federal Funds

General and special funds:

SALARIES AND EXPENSES

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses of the Nuclear Waste Technical Review Board, as authorized by Public Law 100–203, section 5051, [$2,664,000] *$2,970,000*, to be transferred from the Nuclear Waste Fund and to remain available until expended. *(Energy and Water Development Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 48–0500–0–1–271		1994 actual	1995 est.	1996
	Program by activities:			
10.00	Total obligations	2,650	3,373	
	Financing:			
17.00	Recovery of prior year obligations	–50		
21.40	Unobligated balance available, start of year: Treasury balance	–1,672	–1,232	
24.40	Unobligated balance available, end of year: Treasury balance	1,232	523	
40.20	Budget authority (appropriation) (special fund, definite)	2,160	2,664	
	Relation of obligations to outlays:			
71.00	Total obligations	2,650	3,373	
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	210	176	
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	–176	–675	
78.00	Adjustments in unexpired accounts	–50		
90.00	Outlays	2,634	2,874	

The Nuclear Waste Technical Review Board is directe evaluate the technical and scientific validity of the activi of the Department of Energy's nuclear waste disposal prog undertaken after the enactment of the Nuclear Waste P Amendments Act of 1987. The Board must report its find not less than two times a year to the Congress and Secretary of Energy.

Object Classification (in thousands of dollars)

Identification code 48–0500–0–1–271		1994 actual	1995 est.	19
	Personnel compensation:			
11.1	Full-time permanent	1,249	1,445	
11.3	Other than full-time permanent	313	558	
11.5	Other personnel compensation	24	30	
11.8	Special personal services payments	2	10	
11.9	Total personnel compensation	1,588	2,043	
12.1	Civilian personnel benefits	260	331	
21.0	Travel and transportation of persons	252	334	
23.1	Rental payments to GSA	225	232	
23.3	Communications, utilities, and miscellaneous charges	46	51	
24.0	Printing and reproduction	13	33	
25.1	Advisory and assistance services	58	30	
25.2	Other services	123	129	
25.3	Purchases of goods and services from Government accounts	47	56	
26.0	Supplies and materials	33	44	
31.0	Equipment	5	20	
99.9	Total obligations	2,650	3,373	

Personnel Summary

Identification code 48–0500–0–1–271		1994 actual	1995 est.	
1001	Total compensable workyears: Full-time equivalent employment	19	27	

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For expenses necessary for the Occupational Safety and H Review Commission (29 U.S.C. 661), [$7,595,000] *$8,127,000* *partments of Labor, Health and Human Services, and Educ and Related Agencies Appropriations Act, 1995.)*

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Divider Title: **K**

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

<u>DESCRIPTION</u>: DNFSB is responsible for evaluating the content and implementation of the standards relating to the design, construction, operation, and decommissioning of defense nuclear facilities of the Department of Energy. In addition, DNFSB has jurisdiction over facilities involved with the assembly, disassembly, and testing of nuclear weapons. DNFSB is also responsible for investigating any event or practice at a defense nuclear facility which has or may adversely affect public health and safety.

<u>FY 1996 BUDGET PROPOSAL</u>: The proposed FY 1996 appropriation is $18.5 million, an increase of $567,000 over FY 1995 levels. The proposed FY 1996 FTE is 149, one less than FY 1995.

<u>AGENCY PROPOSAL</u>: DNFSB argues that it has a Federal role. DNFSB argues that nuclear weapon design, development, testing, and maintenance is a responsibility that should be reserved for the Federal government. Because of the technical talent required for their operations and the need for consistent safety standards, DNFSB argues that devolving its health and safety oversight responsibilities to the states with defense nuclear facilities would be ill-advised. DNFSB argues that its recommendation-oriented mission is more efficient and cost effective than the Nuclear Regulatory Commission's (NRC) commercial regulatory program. DNFSB argues that a conversion to a regulatory agency would be very expensive and would not be accompanied by commensurate safety benefits.

<u>DECISION OPTIONS</u>:
A. No change. Continue funding at FY 1996 levels.
B. Terminate DNFSB. Transfer oversight functions to an office within the Department of Energy.
C. Terminate DNFSB. Transfer DNFSB functions to NRC. Task NRC with completing a comprehensive review of commercial and defense nuclear regulations.

<u>ADVISORY GROUP RECOMMENDATION</u>: C.

<u>RATIONALE</u>: The Federal government has a role in nuclear safety. Oversight and regulation of the nuclear industry must be conducted by an independent agency separate from the Department of Energy. Because of similarities in the commercial and defense nuclear industries, DNFSB's oversight missions can be transferred to NRC. After the complete transfer of DNFSB's functions to NRC, a better and more substantive nuclear regulatory reform effort can be undertaken. The experience and recommendation-oriented approach of the DNFSC staff should aid in the development of a richer NRC approach to regulatory reform.

<u>STEERING COMMITTEE RECOMMENDATION</u>:

Defense Nuclear Facilities Safety Board
NPR Phase II -- Options Paper
February 24, 1995

Overview

The Defense Nuclear Facilities Safety Board (Board) is an executive branch agency composed of five (5) full-time Members, appointed by the President, with the advice and consent of the Senate. By statute, the Board Members must be "respected experts in the field of nuclear safety with a demonstrated competence and knowledge relevant to the independent investigative and oversight functions of the Board." Congress created the Board to provide expert advice and recommendations to the Secretary of Energy regarding public health and safety at Department of Energy (DOE) defense nuclear facilities throughout the United States.

Since starting operations in October 1989, the Board has made 31 formal sets of health and safety Recommendations to the Secretary of Energy, totaling 139 specific Recommendations. The Secretary of Energy has responded to and accepted the first 30 sets of these Recommendations, and is currently reviewing the most recent set of Board Recommendations, as provided by statute.

The Board's original legislation authorized a work force of 100 full-time employees (FTE's), but that number increased to 150 when Public Law 102-190 significantly expanded the Board's safety oversight responsibilities over the assembly, disassembly, and testing of nuclear weapons. The President's budget request in support of Board operations for FY 1996 includes $18,500,000 in new budget authority and 149 FTEs.

Mission and Goals

The Board reviews a wide range of safety-related activities throughout the life cycle of DOE's defense nuclear facilities. Based on its reviews, the Board makes recommendations to the Secretary of Energy that it considers necessary to adequately protect public health and safety. The Board also assesses safety management and personnel effectiveness both within DOE and the various Operation and Management (O&M) contractor organizations. If the Board determines that an imminent or severe threat to public health or safety exists, it makes its recommendations directly to the President, as well as to the Secretaries of Energy and Defense.

The Board is the only independent, technical organization with public health and safety oversight responsibility over the DOE defense nuclear operations. As thousands of nuclear weapons are dismantled and many sites and facilities are being shutdown throughout the complex, important and more complex safety issues have arisen. To address these issues, the Board has assembled a talented staff with extensive backgrounds in science and engineering. Two full-time site representatives are stationed at the Pantex site to oversee the safe disassembly of nuclear weapons and one site representative is stationed at the Hanford site to monitor waste characterization and stabilization. The Board's accomplishments are, in large part, due to the significant contributions from its highly-qualified staff. Both the Congress as well as senior management of the Department of Energy have publicly endorsed the positive contributions made by the Board in ensuring public health and safety.

Within the broad context depicted above, the Board plans to place high priority focus in FY 1996 on several complex-wide safety issues. These include the need to:

- Oversee the safe dismantlement and safe storage of nuclear weapons and weapons components;
- Oversee the development and implementation of nuclear safety-related standards; assess their adequacy; and confirm compliance;
- Closely monitor DOE's upgrading of technical capabilities and expertise to ensure safety;
- Ensure that DOE provides prompt, long-term and safe processing, packaging and storage of plutonium;
- Instill continued improvement in the safe conduct of operations by DOE and its contractors including developing and implementing comprehensive safety standards;
- Actively pursue DOE's program for resolving ongoing nuclear safety issues associated with corrosion and storage of spent fuel;
- Ensure that DOE pursues excellence in the radiation protection program to protect workers and the public from nuclear radiation;
- Oversee the safe handling and disposition of nuclear waste materials and the control of releases to the environment; and
- Insist on DOE's adoption of a systems approach to projects and programs to achieve cost effective nuclear safety.

Examples of Significant Safety Contributions

During the Fall of 1994, the U.S. Government acquired highly enriched uranium from Kazakhstan, under the name "Project Sapphire." This acquisition required safe storage of the nuclear material at the Y-12 complex in Oak Ridge, Tennessee. The Secretary of Energy asked the Board to perform a special safety review of the storage of this material. The Board completed its review on a rapid response basis and thereby provided increased assurance to the public that the U.S. Government is able to safely store the nuclear material. In a broader context, the Board's action greatly assisted the U.S. Government in meeting its nonproliferation objectives.

The Board has made significant contributions to operational safety at numerous DOE defense nuclear facilities. For example, under Board pressure and oversight, DOE has conducted Operational Readiness Reviews (ORRs) to protect public health and safety at several facilities before nuclear operations were resumed following shutdown for safety reasons. These facilities included the HB-Line plutonium processing operation at Savannah River, and restart of plutonium operations at Buildings 559 and 707 at Rocky Flats. The Board then recommended that an improved order for ORRs be developed and implemented throughout the complex. The Secretary of Energy acknowledged the importance of, and implemented, each of these health and safety recommendations.

The Board discovered nuclear weapons components (pits) stored in drums at Rocky Flats, Colorado in areas exposed to significant amounts of water. This situation presented a previously unrecognized health and safety risk. After notification by the Board, the DOE Assistant Secretary of Defense Programs took immediate corrective action.

The Board questioned DOE's technical analysis of hazards resulting from potential aircraft mishaps at the Amarillo, Texas weapons disassembly facility (Pantex). Responding to the Board's health and safety concerns, officials from the Department, the Federal Aviation Administration, the Air Force, and the City of Amarillo are actively attempting to reduce the number of aircraft flying over the facility.

The Board conducted a complex-wide study of the potential safety problems of radioactive materials left in production lines and spent fuel basins. The Board's findings were provided to DOE, together with a Recommendation for expeditious remedial action. The Board has held a number of public meetings on the situation and is working with DOE to devise a remedial action plan.

The K-East Basins, where spent fuel is corroding in basins that were not intended for long-term storage, have received considerable Board attention. In part, DOE's sluggish performance to remediate the situation prompted the Board to issue Recommendation 94-1, urging DOE to accelerate the program to place the deteriorating fuel (as well as other special nuclear material) in a stable configuration for interim storage.

Far-reaching safety concerns such as the remediation of the Department's high level radioactive waste from years of weapons production have received considerable Board attention. In particular, the existing high level radioactive waste storage tanks continue to be a source of several safety concerns at Hanford. These include:

- Potentially reactive mixtures in the tanks -- many tanks contain potentially reactive mixtures of organic chemicals and nitrates that must be kept moist to ensure safe interim storage;

- Potential hazards in the vapor space in the tanks -- these same organic materials might, under certain conditions, form a flammable mixture in the vapor space within the tank;

- Fissile material inventories -- the inventories for many of the tanks are not sufficiently well characterized to provide complete assurance that a criticality cannot occur;

- Heat generation in the tanks -- several tanks (for example, 106-C) contain high concentrations of fission products, which generate large amounts of heat and require the addition of cooling water to keep temperatures below boiling; and

- Leaking tanks -- 67 of the 149 single-shell tanks are suspected of leaking liquids to the soil.

The Board has provided expert technical testimony to the Senate Armed Services Committee regarding health and safety issues associated with the storage of U.S. Navy nuclear fuel at the Idaho National Engineering Laboratory (INEL). This testimony helped the Committee reach a compromise between the Navy and the Governor of Idaho, who was attempting to bar further shipments of Navy fuel to INEL.

The Federal Role

The Constitution clearly gives the Federal government a preeminent role in providing for the national defense of the country. Nuclear weapon design, development, testing, and maintenance has been, and must remain, a responsibility reserved solely for the Federal government. Aside from the constitutional arguments, the technical complexity and risks associated with the life cycle of our nuclear weapons, including the overall health and safety of the public, dictate a continued need for strong Federal leadership. Using similar logic, the privatization of defense nuclear activities is not recommended.

To fulfill its highly technical mission of ensuring adequate protection of public health and safety at DOE's defense nuclear facilities, the Board requires staff of the highest scientific and technical caliber with demonstrated competencies in all major phases of nuclear safety, including weapons safety, nuclear/chemical processing, and waste vitrification. Considering the difficulties experienced by the Board in attracting and retaining the required technical talent, transferring health and safety oversight responsibilities to each state with one or more defense nuclear facilities within its boundary would be ill-advised, and would counter the beneficial effect of having a single agency impose consistent safety standards across the entire weapons complex.

"Customer" Input

To ensure that all interested groups, government officials, and individuals had an opportunity to comment on the special issues to be addressed by the Board in the fifth annual report, the Board conducted a series of hearings in the fall of 1994 at locations in the vicinity of the principal defense nuclear facilities. Written comments also were sought and accepted. Hearings were noticed in the Federal Register and were advertised in local newspapers. Specifically, the Board sought information on:

- What changes, if any, should be made in the Board's operations and enabling statute to enhance its oversight capability;
- Is regulatory/licensing authority necessary or prudent; and
- Is DOE able to self-regulate, oversee safety and enforce safety requirements?

Transcripts of the hearings were copied and disseminated to the sites and placed on file in the Board's public reading room for public review. Comments, written and oral, were documented and analyzed for incorporation by the Board into the final report. The Board also obtained oral briefings and written comments from individuals and groups recognized by the Board as having nuclear safety expertise.

On December 6, 1994, the Board held a public hearing with the Secretary of Energy as the principal witness. The Secretary testified on issues relevant to this report, and affirmed that the Board had been effective in assisting DOE in identifying and resolving health and safety issues. Testimony also was given by the Under Secretary and several Assistant Secretaries who responded to Board questioning.

Recommendations for Continuation, Termination, or Modification of the Board's Functions and Programs

The Board believes the continuation of independent, external oversight of the nuclear safety management of defense nuclear facilities is very much needed. In addition, the Board's public hearing records show that the DOE, state and local governments, and the public believe the external oversight function entrusted to the Board has proved to be beneficial and merits continuance. The Secretary of Energy so testified at the Board's public hearing held on December 6, 1994.

While progress has been made by the DOE in restructuring and implementing an internal safety management program, it is still not adequate. This heightens the need for external vigilance to ensure public health and safety. This need will remain so long as defense nuclear facilities continue to store, process or use radioactive materials. Aging of the nuclear weapons complex and mission changes, such as the transition of numerous facilities from operations to decontamination, decommissioning, and cleanup, complicate the safety environment and present new hazards. Although DOE has acted to develop and implement independent internal safety oversight, effectiveness has yet to be demonstrated. Such efforts, while necessary for any acceptable nuclear safety management program, are not sufficient.

It is a widely-held principle that those who use radioactive material must bear prime responsibility for assuring no undue risks to workers, the public, and the environment. It is equally common practice, both nationally and internationally, to provide external oversight of safety management programs. It was concern about DOE's self-managed safety program, and the lack of independent internal oversight, that led Congress to establish the Board in 1989.

All facts considered, the Board believes it is essential to continue an independent external oversight agency as originally envisioned and authorized by Congress. Further, the Board advocates such continuance regardless of which agency of government, DOE or otherwise, manages the program for stockpile management or stewardship of the nation's nuclear weapons complex and the decommissioning of facilities no longer needed for national security.

It has been suggested by some that formal regulatory authority might enable a regulatory agency (1) to break the logjam often encountered in having DOE correct safety problems at existing facilities and (2) to create a framework of safety requirements tailored to the defense nuclear complex, much as the NRC has done for the commercial nuclear industry. However, regulation in this case, with or without licensing authority, would introduce drawbacks that would more than offset any advantages. Full regulation of defense nuclear facilities is not reconciled with national security imperatives. Concessions must be made to national defense priorities over which a regulator would have no control and no authority or capability to set. Also, transition of the Board from an oversight and recommendation-oriented agency to a regulatory and licensing agency would be very expensive. The Board does not believe that this added cost would be accompanied by a commensurate added safety benefit.

OPTION 1 -- Termination of Independent Federal Health & Safety Oversight of DOE Defense Nuclear Facilities

Pros: Assuming that no other Federal agency or agencies are tasked to fill the independent health and safety mission presently performed by the Board, the Federal budget would be reduced by $18.5 million per year in FY 1997 and beyond.

Cons: At present, the Board is the only independent, Federal agency with the scientific and technical talent to perform an oversight role focused on the health and safety issues associated with the DOE defense nuclear complex. The Board has been effective in ensuring health and safety at the DOE defense nuclear facilities. A major accident during the assembly or disassembly of nuclear weapons would have a serious political, economic, and military impact on the United States, with an accompanying effective impact in the billions of dollars. Considering the serious health and safety problems affecting DOE operations in this area and the potentially significant economic and health costs of a nuclear accident in a defense nuclear facility, a Federal commitment of $18 million per year to support the Board's oversight operations is a small price.

Summary Cost Information

($ in Millions)

	FY 1996 program levels in Budget	Estimated resulting levels for FY 1996	Estimated resulting levels for FY 1997	Estimated resulting levels for FY 2000	5-Year Cumulative Savings (FY 1996-2000)
Discretionary Budget Authority	$18.5	$ 8.0	$ 0	$ 0	$84.5
Discretionary Budget Outlays	$19.3	$ 8.0	$ 0	$ 0	$82.0
Mandatory Outlays	$ 0	$ 0	$ 0	$ 0	$ 0
Governmental Receipts	$ 0	$ 0	$ 0	$ 0	$ 0
FTE Changes	149	50	0	0	149

OPTION 2 -- Transfer of DNFSB Health & Safety Oversight to Another Federal Agency

Pros: May appeal to those individuals or groups that advocate full regulatory oversight over the DOE defense nuclear complex.

Cons: Full Federal regulation or licensing of the DOE defense nuclear complex will add significant additional oversight costs, but offers no guarantee that increased safety will result. Preemption of Presidential national security and defense responsibilities would result.

Summary Cost Information

($ in Millions)

	FY 1996 program levels in Budget	Estimated resulting levels for FY 1996	Estimated resulting levels for FY 1997	Estimated resulting levels for FY 2000	5-Year Cumulative Savings (FY 1996-2000)
Discretionary Budget Authority	$18.5	* $72/100	* $72/100	* $72/100	$ -360/500
Discretionary Budget Outlays	$19.3	* $72/100	* $72/100	* $72/100	$ -360/500
Mandatory Outlays	$ 0	$ 0	$ 0	$ 0	$ 0
Governmental Receipts	$ 0	$ 0	$ 0	$ 0	$ 0
FTE Changes	149	400	400	500	-351

* depending on the type of oversight and the agency given this responsibility, the annual cost for an effective health and safety oversight program would significantly exceed the current budget authority for the Board. These cost estimates are not based on any detailed study. They represent the opinions of those previously involved in formal regulatory oversight programs.

This fund is established under 38 U.S.C. 7285. The Fund will be used by the U.S. Court of Veterans Appeals to employ independent counsel to pursue disciplinary matters involving practitioners admitted to practice before the Court.

Trust Funds

COURT OF VETERANS APPEALS RETIREMENT FUND

Unavailable Collections (in thousands of dollars)

Identification code 95–8290–0–7–705	1994 actual	1995 est.	1996 est.
Balance, start of year:			
01.99 Balance, start of year	1,303	1,596	1,929
Receipts:			
02.01 Employees contributions	7	7	8
02.02 Earnings on investment	1	41	55
02.03 Employing agency contributions	285	285	290
02.99 Total receipts	293	333	353
04.00 Total: Balances and collections	1,596	1,929	2,282
Appropriation:			
05.01 Court of veterans appeals retirement fund			
07.99 Total balance, end of year	1,596	1,929	2,282

Program and Financing (in thousands of dollars)

Identification code 95–8290–0–7–705	1994 actual	1995 est.	1996 est.
Financing:			
39.00 Budget authority			
Budget authority:			
60.27 Appropriation (trust fund, indefinite)	334	380	420
60.45 Portion precluded from obligation	–334	–380	–420
63.00 Appropriation (total)			
Relation of obligations to outlays:			
71.00 Total obligations			
90.00 Outlays			

This fund, established under 38 U.S.C. 7298 will be used to pay judges' retired pay and annuities, refunds, and allowances to surviving spouses and dependent children. Participating judges pay one percent of their salaries to cover creditable service for retirement annuity purposes for which payment is required and 3.5 percent of their salaries for survivor annuity purposes for which payment is required. Additional funds as are needed to cover the unfunded liability may be transferred from the annual appropriation of the U.S. Court of Veterans Appeals.

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the Defense Nuclear Facilities Safety Board in carrying out activities authorized by the Atomic Energy Act of 1954, as amended by Public Law 100–456, section 1441, [$17,933,000] *$18,500,000*, to remain available until expended. *Further, for these activities, $17,945,000, to become available on October 1, 1996, to remain available until expended.* (Energy and Water Development Appropriations Act, 1995.)

Program and Financing (in thousands of dollars)

Identification code 95–3900–0–1–053	1994 actual	1995 est.	1996 est.	1997 est.
Program by activities:				
10.00 Total obligations	16,069	18,830	19,329	17,934
Financing:				
17.00 Recovery of prior year obligations	–436			
21.40 Unobligated balance available, start of year: Treasury balance	–915	–1,842	–945	–116
24.40 Unobligated balance available, end of year: Treasury balance	1,842	945	116	127
39.00 Budget authority	16,560	17,933	18,500	17,945
Budget authority:				
Current:				
40.00 Appropriation	16,560	17,933	18,500	
Permanent:				
65.00 Advance appropriation (definite)				17,945
Relation of obligations to outlays:				
71.00 Total obligations	16,069	18,830	19,329	17,934
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance	5,070	4,826	6,088	6,135
74.40 Obligated balance, end of year: Unpaid obligations: Treasury balance	–4,826	–6,088	–6,135	–6,053
78.00 Adjustments in unexpired accounts	–436			
90.00 Outlays	15,877	17,568	19,282	18,016

The Defense Nuclear Facilities Safety Board, authoi[illegible] by Public Law 100–456, is responsible for evaluating the content and implementation of the standards relating to the design, construction, operation, and decommissioning of de[illegible]se nuclear facilities of the Department of Energy (as defined in Public Law 100–456). In addition, the National De[illegible]se Authorization Act for fiscal years 1992 and 1993 (Public Law 102–190) expanded the Board's jurisdiction to include facilities and activities involved with the assembly, disassembly, and testing of nuclear weapons. The Board is also responsible for investigating any event or practice at a defense nuclear facility which has or may adversely affect public health and safety. The Board shall make specific recommendations to the Secretary of Energy on measures that should be adopted which will ensure that public health and safety are adequately protected.

Object Classification (in thousands of dollars)

Identification code 95–3900–0–1–053	1994 actual	1995 est.	1996 est.	1997 est.
Personnel compensation:				
11.1 Full-time permanent	6,912	9,147	9,581	9,581
11.5 Other personnel compensation	257	381	399	399
11.9 Total personnel compensation	7,169	9,528	9,980	9,980
12.1 Civilian personnel benefits	1,716	2,375	2,500	2,500
21.0 Travel and transportation of persons	638	825	825	825
22.0 Transportation of things	101	255	155	155
23.1 Rental payments to GSA	1,600	1,600	1,840	1,700
23.3 Communications, utilities, and miscellaneous charges	116	122	122	122
24.0 Printing and reproduction	28	30	27	27
25.1 Advisory and assistance services	3,535	2,800	2,600	1,445
25.2 Other services	571	650	650	550
25.3 Purchases of goods and services from Government accounts	103	85	90	90
26.0 Supplies and materials	263	305	310	310
31.0 Equipment	229	255	230	230
99.9 Total obligations	16,069	18,830	19,329	17,934

Personnel Summary

Identification code 95–3900–0–1–053	1994 actual	1995 est.	1996 est.	1997 est.
1001 Total compensable workyears: Full-time equivalent employment	91	150	149	146

DELAWARE RIVER BASIN COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For expenses necessary to carry out the functions of the United States member of the Delaware River Basin Commission, as author-

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NUCLEAR WASTE TECHNICAL REVIEW BOARD

DESCRIPTION: The Nuclear Waste Technical Review Board (NWTRB), created by the Nuclear Waste Policy Act Amendments of 1987, is charged with making an independent evaluation of the technical and scientific validity of the Department of Energy's (DOE) activities relating to nuclear waste site selection and the preparation, packaging, and transportation of high-level radioactive waste or spent nuclear fuel. The Board is scheduled for reauthoriztion this year.

FY 1996 BUDGET PROPOSAL: The NWTRB proposes budget authority in FY 96 of $2.970 million and outlays of $3.469 million. This compares with FY 95 BA of $2.664 and outlays of $2.874. The FY 96 budget represents 27 FTEs, no change from FY 95.

AGENCY PROPOSAL: The NWTRB proposes no significant changes from its current programs. The Board argues that it fulfills a unique role in providing independent scientific review of DOE's activities in developing the Nation's sole, permanent nuclear waste storage site.

DECISION OPTIONS:

A Terminate the Board.

B Seek legislation to transfer this function to DOE or the NRC.

C Decrease the Board's staffing and budget.

D Follow the FY 1996 Budget. Review termination upon establishment of a permanent nuclear waste site.

ADVISORY GROUP RECOMMENDATION: **D**

RATIONALE: Because of the potential effect on public health and the environment, the Federal government plays a key role in nuclear waste management. The transportation and storage of nuclear waste present difficult scientific and technical issues that are of great concern to the public. The 11-member Board was created by Congress in 1987 to provide independent advice to DOE as it develops a nuclear waste site in Yucca Mountain, Nevada. Proposing to terminate, appreciably downsize or transfer this independent Board would result in marginal savings and risks undermining public acceptance of this vitally important nuclear waste storage site. There are no known significant opponents of the Board and placing this function with the NRC or DOE might result in negative public and Congressional reaction as it was the considerable mistrust of the Federal Government that resulted in the creation of this independent panel of non-governmental experts. It might be possible to make modest cuts in this program but the savings in terms of personnel or dollars would not be large.

STEERING COMMITTEE RECOMMENDATION:

NUCLEAR WASTE TECHNICAL REVIEW BOARD
NATIONAL PERFORMANCE REVIEW PHASE II REPORT

Background

The Department of Energy's (DOE) Office of Civilian Radioactive Waste Management (OCRWM) is responsible for managing the nation's high-level nuclear waste — spent fuel from civilian nuclear plants, along with some high-level defense waste from reprocessing. As directed in the Nuclear Waste Policy Act Amendments of 1987 (NWPAA), the DOE is characterizing a site at Yucca Mountain, Nevada, to determine its potential suitability for construction of a permanent radioactive waste repository. The Congress has given the Nuclear Waste Technical Review Board (Board), an independent executive agency, the responsibility of providing an unbiased source of expert advice on the technical and scientific aspects of the OCRWM's work in this area. The Board's mission is stated in the NWPAA as follows:

> *The Board shall evaluate the technical and scientific validity of activities undertaken by the Secretary after the date of the enactment of the Nuclear Waste Policy Amendments Act of 1987, including (1) site characterization activities, and (2) activities relating to the packaging or transportation of high-level radioactive waste or spent nuclear fuel.*

Although the mission is simply stated, it is directed at a program of critical importance to the Nation that is both broad and complex and that extends over several decades. The Board's oversight role is equally broad and complex and is intended to provide essential scientific and technical credibility to a Federal program that has been plagued over the years by a lack of public trust and confidence.

The enabling legislation authorized a Board of 11 members, each of whom (1) serves on a part-time basis; (2) is eminent in a field of science or engineering, including environmental sciences; and (3) is selected solely on the basis of distinguished contributions to their professions. The law stipulates that Board members shall represent a broad range of scientific and engineering disciplines relevant to nuclear waste management. Members are appointed by the President from a list of candidates nominated by the National Academy of Sciences (the Academy).

The NWPAA limits the size of the Board's professional staff to 10 positions and authorizes the hiring of additional support staff. Because of the comprehensive nature of the program, the diversity of Board member experience and expertise, and the part-time availability of Board members, this small, highly qualified professional staff is employed to directly support the Board's review of the program. With a total of only 18 full-time staff, the Board is considered a micro agency within the small agency community.

Federal Responsibility

It is the responsibility of the Federal government to ensure the protection of the public's health and safety associated with nuclear waste, a risk extending to 10,000 years. The Board is charged by statute with reviewing a DOE waste management program that is of significant national importance, politically highly controversial, and characterized by complex scientific uncertainties. Consequently, recognizing the need for objectivity and scientific competence, the Congress established the Board as an *independent* agency in the executive branch and involved the National Academy of Sciences in the Presidential appointment process.

Currently, nuclear waste management is a Federal responsibility. Were this part of the DOE program to be privatized in the future, it would be preferable to maintain its technical and scientific oversight through the Board as a Federal agency. (Government typically regulates/oversees private ventures.) If the Board were privatized, it would run the risk of being perceived as closer to the nuclear power industry, a position that many in the general public would find unacceptable from a credibility standpoint.

Continuing independence, objectivity, scientific competence, and freedom from conflicts of interest are critical to the Board's charge as a credible agency. Scientific and technical credibility is the foundation upon which the Board's activities and recommendations are based.

Customer Driven Mission

The Board's primary "customers" are statutorily identified as the U.S. Congress and the Secretary of Energy. The NWPAA requires the Board to report to the Congress and to the DOE at least twice each year. To supplement the Board's formal reports, interaction with the DOE and input to the Congress and the DOE take place using less formal means, especially on more time sensitive issues.

Customer input to the Board's work occurs through DOE responses to the Board's recommendations and requests for information, and through regular dialogue with congressional staff. Furthermore, the Board uses open meetings as its primary means of interaction with DOE, effectively broadening input and access from the general public beyond that of its primary customers. In these meetings, as well as in other operational activities, interest groups and the general public not only can witness the technical dialogue, but are given the opportunity to address the Board. Board testimony before congressional committees, as well as the Nuclear Regulatory Commission (NRC) and other bodies, serves a similar purpose.

Through continuing interaction with the Congress and the DOE, the Board has been able to focus its efforts in critical areas and channel its communication, especially with the DOE, through reports and letters to be most helpful to decision making.

Option 1 - Termination.

Termination of the Board would require legislation and only should be pursued following input from the stakeholders of the high-level nuclear waste management program.

Pros: Termination would produce annual savings approximating $3 million and 27 full time equivalent positions (FTEs), assuming the function is not continued in any other form. However, projected savings must be weighed against the benefits provided by the Board to the DOE program, which is funded at well over $600 million annually.

Cons: The Board is the *only* agency charged by Congress with providing an ongoing independent and credible review of all technical and scientific aspects of the DOE's efforts to dispose of spent fuel and high-level radioactive waste. During the six years since its formation, the Board has developed the knowledge and expertise envisioned by the Congress. To terminate the Board would eliminate a function that cannot be accomplished by any other entity in existence, either federal or private. While the NRC is charged with certifying a repository's safety, its ongoing active review of the DOE program beyond its current role would compromise its later independence and objectivity during repository licensing. Elimination of the Board would significantly undermine public acceptance of the DOE program.

Option 2 - Restructuring/Downsizing.

a. Downsizing. The Congress created a programmatic structure for the Board that is about as simple as functionally possible. The Board's members are appointed by the President. Only one member is appointed for each discipline (e.g., structural geology, seismicity, hydrology, geochemistry, engineered barriers, environmental research, etc.). Likewise, professional staff members are hired with specific expertise to support Board members.

Pros: Simple downsizing could be achieved only by eliminating coverage of specific disciplines involved in nuclear waste management. This would, however, save an amount of funds proportional to any reduction of Board members, staff, and/or meetings.

Cons: Downsizing would reduce the overall scope of the Board's effort and eliminate its ability to integrate scientific disciplines. Reducing the number of meetings would delay useful recommendations to DOE, and lead to reduced data gathering and reduced access by interested parties; reduction in the number of Board members and technical staff would lead to reduced data analysis. Since the bulk of the Board's budget is for scientific and technical personnel, reductions in administrative and support areas would not produce meaningful savings.

b. Restructuring. Another restructuring approach might be the consolidation of the Board's program with other Federal programs with similar missions. (e.g., the General Accounting Office, the Nuclear Regulatory Commission, the Defense Nuclear Facilities Safety Board, etc.)

Pros: Marginal cost savings could be achieved through improved programmatic and support efficiencies; however, management, supervision, and administrative support costs at the Board are already low.

Cons: Restructuring of the Board's mission through consolidation with another Federal organization would undermine the reason for its creation — to provide an *independent, credible* peer review of scientific and technical aspects of the U.S. nuclear waste program by an *independent* entity of recognized scientific and technical expertise.

Cost Summary
Option 1 - Termination. Termination would provide fiscal year 1996 savings of $3.493 million* and 27 FTEs, and a five-year cumulative savings of $14.1 million** and 135 person years.

Option 2 - Restructuring/Downsizing. Option would compromise the Board's mission.

* Historically, Board funding has been satisfied by a combination of appropriated new budget authority and carryover funds from prior years. Appropriation language provides that funds will "remain available until expended," and carryover has remained available for use in future years. Consequently, each budget year the Board has requested only that new budget authority (appropriation) needed, which when supplemented by carryover, has met its funding needs. Budget requests are developed using the assumption of an 11-member Board operating with a targeted staffing level of 22.

** Cumulative of new budget authority for the 5-year period FY1996 through FY2000. Reflects administrative policy decision of cumulative 9% reduction in budget authority by FY2000.

General and special funds—Continued

OFFICE OF INSPECTOR GENERAL—Continued

(INCLUDING TRANSFER OF FUNDS)—Continued

Program and Financing (in thousands of dollars)—Continued

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
	Permanent:			
68.00	Spending authority from offsetting collections	13		
	Relation of obligations to outlays:			
71.00	Total obligations	4.848	5.525	5.500
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	697	1.442	1.943
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	−1.442	−1.943	−2.027
78.00	Adjustments in unexpired accounts	−126		
87.00	Outlays (gross)	3.977	5.024	5.416
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	−13		
89.00	Budget authority (net)	4.800	5.080	5.500
90.00	Outlays (net)	3.964	5.024	5.416

The Inspector General Act Amendments of 1988 established a statutory Office of the Inspector General within the NRC that provides the Commission and Congress with an independent review and appraisal of the integrity of NRC programs and operations. The function of the Office of the Inspector General is to conduct and supervise audits and investigations relating to all facets of agency programs and operations.

Object Classification (in thousands of dollars)

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	2.754	3.292	3.209
11.3	Other than full-time permanent	219	235	229
11.5	Other personnel compensation	287	313	306
11.8	Special personal services payments	16	79	76
11.9	Total personnel compensation	3.276	3.919	3.820
12.1	Civilian personnel benefits	653	718	715
21.0	Travel and transportation of persons	181	235	235
25.2	Other services	725	325	395
25.3	Purchases of goods and services from Government accounts		328	335
99.0	Subtotal, direct obligations	4.835	5.525	5.500
99.0	Reimbursable obligations	13		
99.9	Total obligations	4.848	5.525	5.500

Personnel Summary

Identification code 31–0300–0–1–276		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	46	44	44

NUCLEAR WASTE TECHNICAL REVIEW BOARD

Federal Funds

General and special funds:

SALARIES AND EXPENSES

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses of the Nuclear Waste Technical Review Board, as authorized by Public Law 100–203, section 5051, [$2,664,000] *$2,970,000*, to be transferred from the Nuclear Waste Fund and to remain available until expended. *(Energy and Water Development Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 48–0500–0–1–271		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations	2.650	3.373	3.493
	Financing:			
17.00	Recovery of prior year obligations	−50		
21.40	Unobligated balance available, start of year: Treasury balance	−1.672	−1.232	−523
24.40	Unobligated balance available, end of year: Treasury balance	1.232	523	
40.20	Budget authority (appropriation) (special fund, definite)	2.160	2.664	2.970
	Relation of obligations to outlays:			
71.00	Total obligations	2.650	3.373	3.493
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	210	176	675
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	−176	−675	−699
78.00	Adjustments in unexpired accounts	−50		
90.00	Outlays	2.634	2.874	3.469

The Nuclear Waste Technical Review Board is directed to evaluate the technical and scientific validity of the activities of the Department of Energy's nuclear waste disposal program undertaken after the enactment of the Nuclear Waste Policy Amendments Act of 1987. The Board must report its findings not less than two times a year to the Congress and the Secretary of Energy.

Object Classification (in thousands of dollars)

Identification code 48–0500–0–1–271		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	1.249	1.445	1.50
11.3	Other than full-time permanent	313	558	55
11.5	Other personnel compensation	24	30	3
11.8	Special personal services payments	2	10	1
11.9	Total personnel compensation	1.588	2.043	2.10
12.1	Civilian personnel benefits	260	331	34
21.0	Travel and transportation of persons	252	334	34
23.1	Rental payments to GSA	225	232	22
23.3	Communications, utilities, and miscellaneous charges	46	61	6
24.0	Printing and reproduction	13	33	3
25.1	Advisory and assistance services	58	80	3
25.2	Other services	123	129	13
25.3	Purchases of goods and services from Government accounts	47	66	5
26.0	Supplies and materials	33	44	3
31.0	Equipment	5	20	5
99.9	Total obligations	2.650	3.373	3.49

Personnel Summary

Identification code 48–0500–0–1–271		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	19	27	2

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For expenses necessary for the Occupational Safety and Health Review Commission (29 U.S.C. 661), [$7,595,000] *$8,127,000*. *(Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, 1995.)*

Clinton Presidential Records
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Divider Title: **M**

U.S. ENRICHMENT CORPORATION

DESCRIPTION: The U.S. Enrichment Corporation (USEC) was created by the Energy Policy Act of 1992 and began operation on July 1, 1992 when the Department of Energy's uranium enrichment activities were transferred to USEC. Uranium enriched by USEC or purchased for resale is sold to domestic and foreign utilities for use as fuel for nuclear power plants. The enabling legislation anticipated the privatization of the Corporation. $58,000,000 was transferred to USEC from DOE in FY 1994. Another $74,000,000 will be transferred in FY 1995. The Corporation anticipates undertaking privatization in FY 1996, presenting plan to do so to the Congress and the President on July 1, 1995.

FY 1996 BUDGET PROPOSAL: The FY 1996 Budget authorizes USEC spending authority for $1,511,100,000 from offsetting collections and 124 FTE. The FY 1995 Budget authorizes $1,582,000,000 and 125 FTE.

AGENCY PROPOSAL: The USEC anticipates it will present its plan for privatization to the Congress and the President before July 1, 1995. The following is from the USEC's report to the NPR: "The USEC is convinced that the best way to maximize the value of the Corporation's functions to the American taxpayers is to establish a true business enterprise in the private sector. A private entity is the most viable form of business in the global market. Taxpayers and the Government will benefit from USEC privatization through the privatization proceeds and the tax payments both of which can be used to fund other government priorities. Our successful competition in the global marketplace also benefits the domestic electric utility industry by assuring they have access to a domestic and economical supply of high quality enriched uranium as fuel for U.S. nuclear power plants."

DECISION OPTIONS:

A No change; proceed per the FY 1996 Budget and the current privatization schedule.

ADVISORY GROUP RECOMMENDATION:

A. No change.

RATIONALE: The privatization of USEC is on track for 1996. USEC may serve as a model, providing training and training materials, for the privatization efforts of other agencies.

STEERING COMMITTEE RECOMMENDATION:

The United States
Enrichment Corporation

Privatization:
The Next Step

January 1995

Introduction

The United States Enrichment Corporation (USEC) is a success story in the making.

USEC is in transition from a government corporation to a private enterprise. In its brief 18-month history, USEC has clearly demonstrated how entrepreneurial spirit can transform the public sector and change the way government does business. By reducing costs, improving productivity and increasing sales, the USEC team has boosted the value of the business, enhancing its position as the preeminent supplier of uranium enrichment services in the world.

USEC is about to complete the privatization process. By creating a major new U.S. corporation, the privatization of USEC will guarantee the future of an important domestic industry while providing the U.S. Treasury with a multi-billion dollar infusion of cash.

The effort to restructure this country's uranium enrichment program into a profitable and efficient business has a long history of bipartisan support. It was initiated during the Reagan administration, strongly supported by the Bush administration and enacted into law by the 102nd Congress as part of a comprehensive energy package.

The privatization plan that USEC will submit to the President and Congress in 1995 will present a unique opportunity to demonstrate the benefits of reinventing government. It will be a seminal event in the success story known as the United States Enrichment Corporation.

The Energy Policy Act of 1992 established the United States Enrichment Corporation to:

- *Assume responsibility from DOE for the operation of two gaseous diffusion plants*
- *Market uranium enrichment services*
- *Be profitable*
- *Maintain a reliable, economical, domestic source of uranium*
- *Privatize*

"Within two years after the transition date, the Corporation shall prepare a strategic plan for transferring ownership of the Corporation to private investors."

—The Energy Policy Act of 1992

The Uranium Enrichment Industry

Uranium enrichment is a multi-billion dollar international industry that provides a vital service in the production of commercial nuclear reactor fuel required by electric utilities that operate nuclear power plants. Uranium enrichment is a critical step in transforming natural uranium into nuclear fuel to produce energy. Uranium is a naturally-occurring element containing U-235 and U-238 isotopes. Only the U-235 isotope is fissionable. Enrichment is the process of increasing the concentration of U-235 and decreasing that of U-238.

The level of U-235 in natural uranium is about 0.7 percent. To power a nuclear reactor at an electric utility, fuel assemblies generally contain uranium with a three to five percent concentration of U-235. Typically, customers deliver natural uranium to USEC plants and specify a desired level of enrichment. Enrichment services are sold as separative work units (SWU), which represent the level of effort required to increase the concentration of U-235 in natural uranium. Higher levels of U-235 require more SWUs.

Historical Perspective

The U.S. government's Uranium Enrichment Enterprise (UEE) began operating in 1969 with a worldwide monopoly in the service it provided. Since that time, foreign producers have captured more than 50 percent of the global enrichment business, including 10 percent of our domestic business — representing a $5 billion loss in sales. The U.S. uranium enrichment program was tied up in bureaucratic red tape, subject to the congressional budget process, and unable to respond effectively to the changing world marketplace. The real loser was the American taxpayer.

The steady decline of U.S. dominance in the uranium enrichment market was a growing concern to many who understood that to ensure future national energy security, the United States must maintain an efficient, stable and competitive uranium enrichment capability. Legislators, aware that UEE needed to be restructured to compete in the changing uranium enrichment market, transferred responsibility for uranium enrichment activities to USEC.

On July 1, 1993, USEC opened its doors and began to produce and sell uranium enrichment services in a more efficient and profitable manner.

As mandated by the Energy Policy Act, by July 1, 1995, USEC is required to submit a plan to the President and Congress to complete the privatization of the Corporation. The plan will recommend how and when to privatize. Presidential approval is required before privatization can be completed.

Commercial Nuclear Fuel Cycle

Mining

Uranium ore is mined from the earth.

Milling

Uranium ore is processed to produce a form of uranium known as "yellow cake."

Conversion

Yellow cake is converted to uranium hexafluoride.

Enrichment

This step increases the concentration of the isotope, U-235, from its naturally-occurring level of 0.7% to higher levels required for nuclear reactors.

Fabrication

Enriched uranium is converted into uranium dioxide, formed into solid cylindrical pellets, and placed into long tubes to produce finished fuel rods.

Irradiation

Fuel is loaded into nuclear reactors where the U-235 fissions — producing heat, steam and electricity.

The Corporation

USEC produces and markets uranium enrichment services to more than 60 utilities that own and operate commercial nuclear power plants in twelve countries, including the United States. The Corporation is headquartered in Bethesda, Maryland, and operates plants in Paducah, Kentucky and Portsmouth, Ohio.

With annual revenues of $1.4 billion, USEC, if privately owned, would rank 286 on the *Fortune 500* list of industrial firms. In its first year, USEC issued a $30 million dividend to its sole shareholder — the U.S. Treasury. USEC serves approximately 90 percent of the domestic market and about 40 percent of the world market. Uranium enrichment accounts for about six percent of U.S. energy exports.

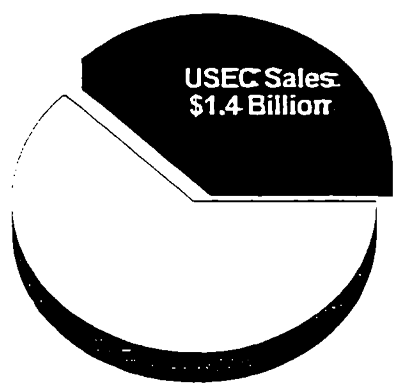
USEC is structured and operates like a private corporation. The Act called for the creation of a five-member board of directors, appointed by the President and confirmed by the Senate. The chairman is designated by the President. The USEC Board, which is part-time, is responsible for setting the policies and objectives for the Corporation. Additionally, the board is charged with making business decisions that maximize the value of USEC to the U.S. Treasury, and directing USEC in its transition to a private corporation. The chairman is William J. Rainer. The other directors are: Greta Joy Dicus, Margaret Hornbeck Greene and Kneeland C. Youngblood, M.D. There is one vacancy.

President Clinton appointed William H. Timbers, Jr. USEC Transition Manager in March 1993. He was responsible for the start-up activities of the business. The board appointed him president and chief executive officer in March 1994.

The U.S. Enrichment Corporation is a major international firm

- *40 years of operating experience*
- *Revenues of $1.4 billion; assets over $2.8 billion*
- *286th if on the* Fortune 500 *list of industrial firms*
- *Approximately 90% domestic and 40% worldwide market shares*
- *6% of U.S. energy exports*
- *Almost 1% of all Japanese trade purchases from the U.S.*
- *$600 million per year toward the U.S. trade balance*

USEC is the world leader in a $3.75 billion industry



USEC Accomplishments

During its first full year of operation, USEC has reduced costs, increased productivity and expanded sales. Specifically, USEC has:

- Increased the production capability of its Paducah, Kentucky and Portsmouth, Ohio plants by 25 percent and reached a record combined production level of 1,133,000 SWUs in September 1994.
- Continued an aggressive program to bring production facilities into compliance with federal and private sector health, safety and environmental standards, implementing a statutorily-mandated change from DOE's self-regulated status. Began a $35 million program to enable the plants to meet Occupational Safety and Health Administration standards. Initiated nuclear safety upgrades at the plants that will continue in 1995 in preparation for regulatory oversight and certification by the Nuclear Regulatory Commission.
- Restructured incentives paid to Martin Marietta Utility Services, Inc., the operator of the Corporation's two production plants, by reducing its fixed-fee compensation and increasing the at-risk incentive fee which is to be paid for accomplishments in line with USEC's goals. Changed focus of contract from a cost-plus/fee to a profitability/results orientation.
- Purchased 961,000 SWUs of low enriched uranium from the Russian Federation to add to the USEC supply mix.
- Signed a $12 billion contract (with a potential term of 20 years) with the Russian Federation to acquire low enriched uranium derived from dismantled nuclear weapons.
- Contributed to the U.S. trade balance by exporting more than $600 million in enrichment services, representing about six percent of U.S. energy exports.
- Developed a strategic plan to realize the Corporation's vision.

Corporate Vision

- *World leader in nuclear fuel cycle*
- *Unmatched attention to customer needs*
- *High ethical, civic, environmental and safety standards*
- *Professional and personal employee success*
- *Private enterprise*

Strategic Initiatives

- *Aggressive management of operations and costs*
- *Value-added sales*
- *Excellence and entrepreneurship*
- *Investment*
- *Privatization*

Privatization

The primary reason for creating USEC was to change the way the uranium enrichment business was being run by the government. A number of barriers made privatization in a single step impractical: lack of a commercial track record, market uncertainties, the absence of clear regulatory requirements and unknown contingent liabilities. These barriers were seen as limiting the proceeds that would accrue to the U.S. Treasury if prompt privatization were attempted.

As a result, in 1992, Congress authorized a two-step approach. First, responsibility for DOE's uranium enrichment program was transferred to a newly created government corporation. USEC is required to operate like a private business and develop a strategic plan for privatization. The Corporation must make its recommendations to the President and Congress no later that July 1, 1995, however, no deadline was set for the actual privatization to take place.

Outlook

- *USEC can operate on a profitable and efficient basis.*

  As a government corporation, USEC reported gross revenues of $1,421 million in fiscal year 1994. A privatized USEC will further improve performance through greater efficiency, reduced costs, increased competitiveness and higher sales. In short, as a private business. USEC will be more profitable and efficient compared to a government corporation.

- *Privatization will maximize the long-term value of the Corporation to the U.S. Treasury.*

  When USEC is fully privatized, the U.S. Treasury will receive the proceeds. The President's fiscal 1996 budget estimates net proceeds of $1.5 billion from the sale of USEC. In addition, after privatization, the profits of the business will be subject to federal income taxes that will accrue directly to the U.S. Treasury. As a private business, USEC would have paid approximately $150 million in income taxes in 1994.

" The Corporation may implement the privatization plan if the Corporation determines....that privatization will—

1)result in a return to the United States at least equal to the net present value of the Corporation;

2)not result in the Corporation being owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government;

3)not be inimical to the health and safety of the public or the common defense and security; and

4)provide reasonable assurance that adequate enrichment capacity will remain available to meet the domestic electric utility industry. "

—The Energy Policy Act of 1992

- *The business can be conducted as a self-financing corporation without the need for federal funding.*

  As a government corporation, USEC is self-financing and receives no appropriations, loans, or other financial assistance from the federal government. As a private business, funds will flow *to* the U.S. Treasury in the form of taxes, not *from* it.

- *Privatization will help maintain a reliable and economical source of uranium enrichment services in the United States.*

  USEC has been able to produce more efficiently and market more competitively than its predecessor. USEC's role as the exclusive marketing agent for enriched uranium derived from dismantled former Soviet nuclear warheads provides additional competitive advantage relative to other suppliers. As a result, USEC has been able to fulfill its legislative mandate to maintain a reliable and economical source of enrichment services in the United States. As a fully private business, USEC will be able to do even better. With the greater flexibility of a private corporation and an even greater profit incentive, it will be in USEC's interest to maintain a dominant position in the domestic market.

USEC privatization makes sense

- *Removes government from a profit-making, competitive and global enterprise*
- *Removes political constraints from an otherwise effective market mechanism*
- *Yields a multi-billion dollar infusion of cash to the U.S. Treasury, followed by annual corporate income taxes*
- *Represents a major example of successful government reform*

THOMAS JEFFERSON COMMEMORATION COMMISSION

Salaries and Expenses

Program and Financing (in thousands of dollars)

Identification code 48–0961–0–1–808	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations	108		
Financing:			
21.40 Unobligated balance available, start of year: Treasury balance	-90	-44	
24.40 Unobligated balance available, end of year: Treasury balance	44		
25.00 Unobligated balance expiring		44	
40.00 Budget authority (appropriation)	62		
Relation of obligations to outlays:			
71.00 Total obligations	108		
72.40 Obligated balance, start of year: Unpaid obligations: Treasury balance	1	26	
74.40 Obligated balance, end of year: Unpaid obligations, Treasury balance	-26		
90.00 Outlays	83	26	

The Thomas Jefferson Commemorative Commission was established by P.L. 102–343 to honor the 250th anniversary of Thomas Jefferson's birth. The Commission planned and developed activities to commemorate the anniversary. The Commission expired in 1994.

Object Classification (in thousands of dollars)

Identification code 48–0961–0–1–808	1994 actual	1995 est.	1996 est.
Personnel compensation:			
11.1 Full-time permanent	24		
11.3 Other than full-time permanent	5		
11.9 Total personnel compensation	29		
12.1 Civilian personnel benefits	7		
21.0 Travel and transportation of persons	4		
23.2 Rental payments to others	5		
23.3 Communications, utilities, and miscellaneous charges	3		
24.0 Printing and reproduction	3		
25.3 Purchases of goods and services from Government accounts	20		
26.0 Supplies and materials	1		
41.0 Grants, subsidies, and contributions	36		
99.9 Total obligations	108		

Personnel Summary

Identification code 48–0961–0–1–808	1994 actual	1995 est.	1996 est.
1001 Total compensable workyears: Full-time equivalent employment	1		

UNITED MINE WORKERS OF AMERICA BENEFIT FUNDS

Trust Funds

United Mine Workers of America Combined Benefit Fund

Program and Financing (in thousands of dollars)

Identification code 95–8295–0–7–551	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations (object class 42.0)	275.450	341.038	333.152
Financing:			
60.27 Budget authority (appropriation) (trust fund, indefinite)	275.450	341.038	333.152
Relation of obligations to outlays:			
71.00 Total obligations	275.450	341.038	333.152
90.00 Outlays	275.450	341.038	333.152

The Fund was established by the Coal Industry Retiree Health Benefit Act of 1992 to take over paying for medical care of retired miners and their dependents who were eligible for health care from the private 1950 and 1974 United Mine Workers of America Benefit Plans. The Fund's trustees represent the United Mine Workers of America and coal companies. The Fund is financed by assessments on current and former signatories to labor agreements with the United Mine Workers; transfers from an overfunded United Mine Workers pension fund; and, commencing in 1996, transfers from the Abandoned Mine Land Reclamation Fund.

Summary of Receipts (in thousands of dollars)

	1994 actual	1995 est.	1996 est.
Premiums	205.450	271.038	263.152
Transfers from UMWA pension plan, combined benefit fund	70.000	70.000	
Transfers from Abandoned Mine Land Reclamation Fund			70.000
Total receipts	275.450	341.038	333.152

United Mine Workers of America 1992 Benefit Plan

Program and Financing (in thousands of dollars)

Identification code 95–8260–0–7–551	1994 actual	1995 est.	1996 est.
Program by activities:			
10.00 Total obligations (object class 42.0)	10.510	10.369	10.632
Financing:			
60.27 Budget authority (appropriation) (trust fund, indefinite)	10.510	10.369	10.632
Relation of obligations to outlays:			
71.00 Total obligations	10.510	10.369	10.632
90.00 Outlays	10.510	10.369	10.632

The Plan was established by the Coal Industry Retiree Health Benefit Act of 1992. It pays for health care of miners retired between July 21, 1992 and September 30, 1994, and their dependents, who are eligible for benefits under an employer plan and cease to be covered, usually because an employer is out of business. Plan trustees are appointed by the United Mine Workers of America and the Bituminous Coal Operators Association, a coal industry bargaining group. The Plan is supported by signatories to the 1988 labor agreement with the United Mine Workers of America.

Summary of Receipts (in thousands of dollars)

	1994 actual	1995 est.	1996 est.
Premiums	10.510	10.369	10.632
Total receipts	10.510	10.369	10.632

UNITED STATES ENRICHMENT CORPORATION

Federal Funds

Public enterprise fund:

United States Enrichment Corporation Fund

Program and Financing (in thousands of dollars)

Identification code 95–4054–0–3–271	1994 actual	1995 est.	1996 est.
Program by activities:			
00.01 Operating Expenses	1 418.749	1.211.700	1 320.143
00.02 Capital Expenses	46.500	41.300	40.000
10.00 Total obligations	1.465.249	1.253.000	1.360.143

Public enterprise fund—Continued

UNITED STATES ENRICHMENT CORPORATION FUND—Continued

Program and Financing (in thousands of dollars)—Continued

Identification code 95–4054–0–3–271	1994 actual	1995 est.	1996 est.
Financing:			
21.90 Unobligated balance available, start of year: Fund balance	–128.310	–10.675	–414.369
22.00 Unobligated balance transferred, net	–52.614	–74.694	
24.90 Unobligated balance available, end of year: Fund balance	10.675	414.369	565.326
27.00 Capital transfer to general fund	30.000		
68.00 Budget authority (gross): Spending authority from offsetting collections	1.325.000	1.582.000	1.511.100
Relation of obligations to outlays:			
71.00 Total obligations	1.465.249	1.253.000	1.360.143
72.90 Obligated balance, start of year: Fund balance	532.552	817.200	801.200
74.90 Obligated balance, end of year: Fund balance	–817.200	–801.200	–833.343
87.00 Outlays (gross)	1.180.601	1.269.000	1.328.000
Adjustments to gross budget authority and outlays:			
88.40 Offsetting collections from: Non-Federal sources	–1.325.000	–1.582.000	–1.511.100
89.00 Budget authority (net)			
90.00 Outlays (net)	–144.399	–313.000	–183.100

Summary of Budget Authority and Outlays

(in thousands of dollars)

Enacted/requested:	*1994 actual*	*1995 est.*	*1996 est.*
Budget Authority			
Outlays	–144.399	–313.000	–183.100
Legislative proposal, subject to PAYGO:			
Budget Authority			
Outlays			150.000
Total:			
Budget Authority			
Outlays	–144.399	–313.000	–33.100

The United States Enrichment Corporation ("USEC" or "the Corporation") was created by the Energy Policy Act of 1992. The Corporation began operations on July 1, 1993 when the Department of Energy's (DOE) uranium enrichment activities were transferred to USEC. Uranium enriched by USEC or purchased for resale is sold to domestic and foreign utilities for use as fuel for nuclear power plants. The enabling legislation anticipated the privitization of the Corporation as it seeks to remain the world leader in the nuclear fuel cycle and related businesses by providing unmatched attention to customer needs and operating efficiencies; meeting high ethical, civic, environmental, and safety standards; and by fostering the professional and personal success of its employees.

Budget Program.—During USEC's first full fiscal year, FY 1994, the newly confirmed Board of Directors assumed their duties which included ratifying the Transition Manager's decisions, approving a strategic plan that outlined the Corporation's long term strategy, and approving the initial steps toward the commercialization of Atomic Vapor Laser Isotope Separation (AVLIS) technology. The Corporation continued to staff key corporate positions while actively pursuing new marketing strategies and aggressively controlling costs and operations. USEC was named as executive agent to the Federal government for the purchase of highly enriched uranium (HEU) extracted from nuclear weapons of the former Soviet Union during President Clinton's Moscow summit in January 1994. During FY 1994, USEC prepaid $60 million for low enriched uranium (LEU) derived from HEU. The Corporation also purchased $115 million of LEU from the former Soviet Union under a different agreement.

During FY 1995, USEC will receive its first shipments of LEU blended from HEU from the former Soviet Union. The Corporation plans to continue AVLIS predeployment activities, make value added sales, aggressively control c an operations, and develop excellence and entrepreneurshi among its employees. USEC also intends to receive Nuclea Regulatory Commission (NRC) certification and maintain Oc cupational Safety and Health Administration (OSHA) compli ance in FY 1995. The Corporation will present a plan fo privatization to the President and Congress by July 1, 199 which complies with the requirements of the Energy Polic Act of 1992.

In FY 1996, USEC expects to undertake privatization. Th Administration continues to strongly support the privatizatio of USEC as authorized in the enabling legislation and wi submit subsequent legislation as needed to ensure privatiz tion on a timely and fiscally responsible basis. The gros proceeds from privatization are estimated to be $1.9 billio of which $1.5 billion is the net amount. This value is on an independent valuation study conducted by an in ment banking firm during FY 1994. The Corporation wi continue to provide funds to the government after privatiz tion in the form of tax receipts from corporate income taxe

Financing.—$53 million was transferred to USEC fro DOE in FY 1994 as partial payment in accordance with determination order issued by the Office of Management a Budget (OMB). $74 million and an amount of U.S. HEU i ventory will be transferred to USEC from DOE in FY 19 to satisfy DOE's outstanding obligation from the determin tion order and future OSHA and Nuclear Safety upgrade abilities. The expected proceeds from USEC's privatizatio $1.9 billion, will be deposited in the Treasury general fu during the privatization process.

Operating Results.—The Corporation's Net Income for 1994 was $377 million (before audit and any adjustment Annual sales are projected to continue increasing slightly both FY 1995 and FY 1996 while costs are reduced throu a cost control program and increased operating efficienc The Corporation paid a $30 million dividend to the U Treasury in FY 1994 and will determine its future divide payments in accordance with the Energy Policy Act of 19

Statement of Operations (in thousands of dollars)

Identification code 95–4054–0–3–271	1993 actual	1994 actual	1995 est.	1996
0101 Revenue	427	1.421	1.483	1
0102 Expense	–289	–1.044	–1.106	–1
0109 Net income	138	377	377	

Balance Sheet (in thousands of dollars)

Identification code 95–4054–0–3–271	1993 actual	1994 actual	1995 est.	1996 e
ASSETS:				
Federal assets:				
1101 Fund balances with Treasury	660.862	827.866	1.181.351	1.21
Investments in US securities:				
1106 Receivables, net	108.800	55.200	43.089	5
1107 Advances and prepayments	15.000	23.800	23.000	2
Non-Federal assets:				
1206 Receivables, net	24.000	220.200	216.739	21
1207 Advances and prepayments	4.300	60.000	30.434	3
Other Federal assets:				
1802 Inventories and related properties	1.587.800	1.556.800	1.741.399	1.82
1803 Property, plant and equipment, net	54.300	86.200	110.969	24
1999 Total assets	2.455.062	2.830.066	3.346.981	3.60
LIABILITIES:				
Non-Federal liabilities:				
2201 Accounts payable	99.662	108.666	129.663	1
2207 Other	1.040.600	1.059.400	1.177.472	1.28
2999 Total liabilities	1.140.262	1.168.066	1.307.135	1.39

	NET POSITION:				
3200	Invested capital	1.251.400	1.251.400	1.251.400	1.251.400
3300	Cumulative results of operations	63.400	410.600	788.447	961.851
3999	Total net position	1.314.800	1.662.000	2.039.847	2.213.251
4999	Total liabilities and net position	2.455.062	2.830.066	3.346.982	3.607.251

Object Classification (in thousands of dollars)

Identification code 95–4054–0–3–271		1994 actual	1995 est.	1996 est.
11.1	Personnel compensation: Full-time permanent	5.123	9.555	11.123
12.1	Civilian personnel benefits	3.006	5.125	5.720
21.0	Travel and transportation of persons	753	1.971	2.149
22.0	Transportation of things	1.233	627	644
23.2	Rental payments to others	842	1.349	1.527
23.3	Communications, utilities, and miscellaneous charges	529.547	567.417	504.760
25.1	Advisory and assistance services	6.447	10.924	12.229
25.2	Other services	439.447	551.240	578.895
26.0	Supplies and materials	475.790	103.346	242.807
31.0	Equipment	3.061	1.446	289
99.9	Total obligations	1.465.249	1.253.000	1.360.143

Personnel Summary

Identification code 95–4054–0–3–271		1994 actual	1995 est.	1996 est.
5001	Total compensable workyears: Full-time equivalent employment	35	125	124

United States Enrichment Corporation Fund

(Legislative proposal, subject to PAYGO)

Program and Financing (in thousands of dollars)

Identification code 95–4054–4–3–271		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Operating expenses: Total obligations (object class 25.2)			232.046
	Financing:			
24.90	Unobligated balance available, end of year: Fund balance			-232.046
68.00	Budget authority (gross): Spending authority from offsetting collections			
	Relation of obligations to outlays:			
71.00	Total obligations			232.046
72.90	Obligated balance, start of year: Fund balance			
74.90	Obligated balance, end of year: Fund balance			-82.046
87.00	Outlays (gross)			150.000
	Adjustments to gross budget authority and outlays:			
88.40	Offsetting collections from: Non-Federal sources			
89.00	Budget authority (net)			
90.00	Outlays (net)			150.000

A provision of the Balanced Budget and Emergency Deficit Control Act of 1985 generally prohibits counting the proceeds of asset sales as offsets to spending. However, the legislation to implement this proposal provides for the sale of USEC and will include a provision to allow the proceeds to be counted as offsets to spending if the President and the Congress designate that they should be so counted.

UNITED STATES HOLOCAUST MEMORIAL COUNCIL

Federal Funds

General and special funds:

Holocaust Memorial Council

For expenses of the Holocaust Memorial Council, as authorized by Public Law 96–388, as amended, [$26,660,000] *$28,707,000*; of which [$2,700,000] *$2,839,000* [shall be for repair and rehabilitation projects and] shall remain available until expended, *and of which $1,575,000 shall be for the Museum's repair and rehabilitation program and $1,264,000 for the Museum's exhibition program. (36 U.S.C. 1401; Department of the Interior and Related Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 95–3300–0–1–808		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations	21.594	24.589	28.603
	Financing:			
21.40	Unobligated balance available, start of year: Treasury balance			-2.020
24.40	Unobligated balance available, end of year: Treasury balance		2.020	2.124
25.00	Unobligated balance expiring	84		
39.00	Budget authority	21.679	26.609	28.707
	Budget authority:			
40.00	Appropriation	21.679	26.660	28.707
40.78	Percentage reduction pursuant to P.L. 103–332		-51	
43.00	Appropriation (total)	21.679	26.609	28.707
	Relation of obligations to outlays:			
71.00	Total obligations	21.594	24.589	28.603
72.40	Obligated balance, start of year: Unpaid obligations: Treasury balance	3.631	7.588	6.244
74.40	Obligated balance, end of year: Unpaid obligations: Treasury balance	-7.588	-6.244	-6.563
77.00	Adjustments in expired accounts	-214		
90.00	Outlays	17.423	25.933	28.284

The Council operates a permanent living memorial museum to the victims of the Holocaust. The memorial, which opened in April 1993, also provides for appropriate ways for the Nation to commemorate the Days of Remembrance.

Object Classification (in thousands of dollars)

Identification code 95–3300–0–1–808		1994 actual	1995 est.	1996 est.
	Personnel compensation:			
11.1	Full-time permanent	5.477	7.659	8 318
11.3	Other than full-time permanent	1.184	712	712
11.5	Other personnel compensation	371	315	325
11.9	Total personnel compensation	7.032	8.686	9.355
12.1	Civilian personnel benefits	1.513	2.224	2.410
13.0	Benefits for former personnel	9		
21.0	Travel and transportation of persons	523	619	634
22.0	Transportation of things	46	153	104
23 1	Rental payments to GSA	193	253	802
23.2	Rental payments to others	90	38	38
23.3	Communications, utilities, and miscellaneous charges	1.490	1.637	1.677
24.0	Printing and reproduction	593	669	689
25.2	Other services	6.920	8.655	10.742
26.0	Supplies and materials	1 161	817	897
31.0	Equipment	2.024	838	1.255
99.9	Total obligations	21.594	24.589	28.603

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OFFICE OF GOVERNMENT ETHICS

DESCRIPTION: OGE was created under the Ethics Reform Act of 1978. The agency establishes executive branch policy on ethical matters pertaining to Government conduct and employment. It also monitors the compliance of Federal agencies with certain Federal ethics laws; provides an array of training and outreach services; and advises and counsels agencies, their employees and prospective employers on ethics issues. OGE administers blind trusts for certain executive branch officials, and reviews public financial disclosure reports of Presidential appointees. OGE serves no enforcement function.

FY 1996 BUDGET PROPOSAL: The proposed FY96 budget request is $8.328 million, an increase of $224,000 from the FY95 appropriation. Proposed FTE for FY96 is 91, no change from FY95.

AGENCY PROPOSAL: OGE believes that its mission can only be carried out by a Federal executive branch agency; it maintains that privatization and devolution to state or local government would be inappropriate. OGE argues that government downsizing makes its functions more critical than ever. It proposes the repeal of a number of existing ethics laws and Executive Orders (see attached agency option paper), but does not indicate how such repeals would affect its organizational structure or size.

DECISION OPTIONS:

A No change; follow the FY96 Budget recommendation

B Retain OGE as an independent agency, but downsize it by reducing its responsibilities (implement statutory and/or E.O. changes recommended by OGE, plus other workload reductions such as elimination of compliance activities)

C Merge with the Department of Justice, the Office of Special Counsel or some other agency and downsize as in option B

D Terminate OGE and devolve statutory responsibilities to agency heads; modify ethics statutes and Executive Orders along the lines recommended by OGE

ADVISORY GROUP RECOMMENDATION: D

RATIONALE Ethical conduct must infuse everything Federal employees do. The responsibility for ensuring that this occurs should rest with Federal agency heads and line managers. There is no compelling need to maintain a headquarters operation for Federal ethics officials. Ethics officials have been designated in virtually every executive branch agency and ethics programs are in place. This enables agency heads to ensure that ethical requirements and considerations pervade their organizations. In cases where specific legal advice on ethical issues is needed, agency legal counsel is generally equipped to provide it. In those cases where such legal advice is not available within an agency, it can be obtained from the Department of Justice. In cases where ethical transgressions are alleged to have occurred, Inspectors General are in place in most agencies to conduct the necessary inquiries. Blind trusts can be administered by the Department of Justice. In short, good ethics is not, as OGE claims, "an inherently Governmental *program*." They are an inherently governmental *responsibility* that must be carried out by line managers. Legislative changes will be required.

STEERING COMMITTEE RECOMMENDATION:

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Office of Government Ethics
National Performance Review: Phase II

The Office of Government Ethics (OGE) was created by the Ethics in Government Act to provide overall direction and leadership concerning executive branch policies and programs related to preventing conflicts of interest. Over time, the responsibilities of the Office have expanded by statute and Executive order to include providing interpretive guidance on, and administrative support for a number of additional requirements related to employee conduct. These functions comprise the "ethics in government" program of the executive branch. The Office is the statutorily-designated "supervising ethics office" for the executive branch.

At its heart, the "ethics in government" program is primarily an internal quality control apparatus designed to ensure that Governmental decisions are not tainted by nor appear to be tainted by any question of conflicts of interest on the part of the employees involved in the decisions. As the Government downsizes and employees are given more individual authority with less internal checks, the avoidance of self-dealing takes on heightened significance. Because the integrity of decision-making is fundamental to every Government program, the head of each agency has primary responsibility for the day-to-day administration of the "ethics in government" program for the employees who carry out the substantive programs of that agency. The primary clients of OGE, therefore, are agency heads (and their designated agency ethics officials--DAEOS) who are charged with overseeing the conduct of the individuals who carry out their agencies' programs. In addition, the employees who must individually adhere to statutory restrictions on their conduct and the regulatory policies established by OGE also benefit from OGE's independent and objective review of the efficiency and fairness of the ethics programs carried out in their agencies.

Finally, while the United States citizenry is the ultimate customer of all Government programs, it is the responsibility of each individual employee in carrying out his or her duties to ensure that the public has confidence in the integrity of the employee's services. The fact that an ethics program exists to guide employees in their conduct and to take appropriate action when employees fail to adhere to appropriate standards also assists in supporting the public's confidence in its Government.

The Office of Government Ethics directs and leads an inherently Governmental program that cannot be privatized. It also is an inherently Federal program that is not appropriate for devolution to state and local governments. OGE's programs do not lend themselves to competition within the Government because consistency is central to an effective ethics program. Further, OGE's provision of centralized services supporting statutory mandates (i.e., development of standard financial disclosure forms, Privacy Act system of records, branch-wide regulatory waivers) is more, rather than less cost-effective. Finally, a critical element of the success of the ethics program is its objectivity, fairness and independence; therefore, it is not appropriate for OGE's functions to be subsumed by another agency which will have or be viewed to have its own separate agenda. However, the "ethics in government" program in general can be improved in part by giving OGE greater authority to simplify certain requirements, and by eliminating or modifying some statutes and Executive orders. These changes would not have a significant effect on the FTE level and budget of OGE because we would continue to provide executive branch-wide policy guidance and counseling, education and monitoring services on these altered programs. However, these improvements would result in an overall savings to the Government through the savings each agency would experience in the day-to-day administration of its ethics program.

Finally, as the Government goes through the reinvention/downsizing process we have begun to see our workload rise. Agencies are beginning to rely more heavily on the services we can provide and the questions regarding the conflicts' issues of downsizing are increasing. Thus any small savings we might have recognized from a change in the program is being offset by these factors.

In reviewing OGE's programs, we looked at each element as set forth in our budget document. We then characterized the elements by function rather than by organizational division within OGE since OGE engages in many cross-divisional activities.

Policy Role

OGE serves as the primary policy office within the entire executive branch for issues involving the criminal conflicts of interest statutes, the administrative standards of conduct, financial disclosure requirements and other individual conduct related statutes. It also provides advice to the President on policies he wishes to establish for his own Administration which concerns issues of employee conduct.

Most of our policy role is fundamental and should continue to be reviewed in the normal course. As a result of such a review we had already identified one program element that we felt might require reorganization (confidential financial disclosure.) That process has already begun and is continuing. The major savings in that program will occur at the agency level where the reports are collected and reviewed.

We identified a second element that may be amenable for elimination after consultation with the White House and the Department of Justice (DOJ). Executive Order 12674 requires that OGE issue interpretive regulations on the criminal conflict of interest sections 207, 208 and 209, title 18, U.S.C. Criminal statutes of this nature rarely have interpretive regulations. The development of these regulations will take substantial time and resources of both OGE and DOJ which must concur. While we recognize the arguments for such regulatory guidance, we believe on balance this requirement could be eliminated. That would not eliminate our providing advice and counseling on these statutes, only the issuance of formal interpretive regulations. We would continue to issue the regulatory waivers and exemptions for executive branch employees which are provided for in sections 207 and 208, and to publish a list of separate agency designations under section 207.

Education and Outreach

In meeting its responsibility to ensure that employees are made aware of the restrictions that are placed upon their conduct, OGE has developed a training and outreach program primarily directed to helping agencies with their internal education programs. We develop training materials in the form of video tapes, pamphlets, and computer games; we also conduct programs for agency ethics trainers on how and what to provide employees. These generic materials can be used by individual agencies without their having to develop their own. And, the outreach program in part has the effect of helping those who deal with the Federal Government understand what restrictions might be placed upon their dealings with executive branch employees. We also have established an electronic bulletin board accessible by anyone with a modem that contains all of the basic written resources and information available through our Office and developed and made available a CD-ROM with most of the same materials. The Office also makes speakers and sample copies of materials available to state/local/and international governments, organizations that deal with the Government, and educational institutions. The availability of accurate and consistent ethics information is a primary objective of this program.

We identified certain elements of our education and outreach program which potentially could be reorganized. These are the writing and issuance of the Ethics Newsgram, the training provided to the employees of micro agencies and temporary boards and commissions, and the resources devoted to international governments and organizations, educational institutions and private sector organizations.

Advice and Counseling

The Office provides advice and counseling to agencies and to individual current and former employees and their representatives. It also provides advice to those who employ persons seeking Government employment as well as those who employ former Government employees. OGE is the only agency authorized by DOJ to give binding advice on the criminal conflict of interest statutes. The Office is also required to provide advice to Independent Counsels and their staff on the applicability of specific restrictions within that Act. The Office serves as the executive branch's source of consistent, objective and independent interpretation of the criminal conflict of interest statutes, civil ethics statutes, financial disclosure requirements and the administrative standards of conduct, particularly with regard to those authorities' application to specific factual situations.

We believe that it would be appropriate to eliminate our role in the Independent Counsel Act, to eliminate our (and the agencies') need to provide advice on the honoraria statute by repealing it, to eliminate our (and the agencies') role in the President's pledge on post-employment restrictions by repealing the pledge and to eliminate our role in reviewing regulations issued by the FDIC applicable to independent contractors.

Monitoring Agency Compliance and Centralized Program Services

OGE is required by the Ethics in Government Act to monitor compliance by agencies with the various elements of the ethics program. In addition, many of the statutes OGE administers require reports from individuals and agencies or require that OGE serve as the authority for waiving various provisions applicable to executive branch employees. Most of these programs are fundamental and cost effective. Some program elements, such as agency notification of referrals to DOJ and ethics agreement notifications, are in need of reorganization; those within our discretion are already under review. Others, however, which could be reorganized or eliminated will require statutory amendment.

The Office has already anticipated that the evolution of the Program Review and Program Assistance (desk officer) functions will allow for future changes in those programs. This is already a part of our long-term planning.

The Office would also like to eliminate a number of agency reporting requirements. Most of these changes will require amendment to the public financial disclosure provisions of title 5, app. U.S.C. In addition, we believe that the substantive reporting requirements of that title applicable to individual employees should also be amended. The revisions would assist individual employees who must file these forms by simplifying the reporting requirements but would not undermine the purpose of the public disclosure program. We should note, however, that earlier attempts at seeking these changes have been rejected or have resulted in more rather than less detail. We continue to hold the view that changes would be appropriate.

We also believe that we no longer need to require that agencies submit a copy of their employee ethics training plans to our Office. When employee training became mandatory, the OGE request for a written training plan made agencies focus upon the development of such a plan. Those are now in place and, except for new agencies which we can deal with individually, we believe the submission of these plans is no longer necessary. We can determine if an agency is following a plan at the time of the agency program review.

The Office also recommends that its role in the following programs be eliminated. All would require legislation or an Executive order amendment or repeal.

-- The statutory requirement that OGE have responsibility for part of the Federal Acquisition Regulations dealing with Procurement Integrity. The FAR Council should be responsible.

--The statutory requirement that OGE collect and make publicly available agency reports on the payment of official travel expenses by private sources. This should be each agency's responsibility.

--The statutory requirement that OGE review FDIC regulations applying to independent contractors. If appropriate at all, FDIC should issue the regulations without other agency review.

--The Executive order requirement that OGE collect copies of waivers issued by agencies under 18 U.S.C. § 208(b)(1) and (b)(3).

--The statutory requirement that OGE conduct investigations and hearings in certain individual employee cases. This should be the sole responsibility of the agency in which the employee serves. In the past, we have indicated that we will not become involved in such an investigation or hearing unless the agency cannot or will not accept its responsibility to do so. Therefore, although we have not held any formal hearings, OGE must continually be prepared to divert very substantial resources to this function so long as this authority is contained in its legislation.

--The statutory requirement that OGE submit a biennial report to Congress may be eliminated without harm to the program. And, if it is eliminated, the agency questionnaire that we require agencies to submit each year can be modified.

ATTACHMENT to OGE Submission

The following is a summary of the statutory and Executive order changes necessary to accomplish the reorganization or elimination of the program elements discussed in the OGE submission.

Repeals:

Honoraria restriction, 5 U.S.C. § 501(b)
The President's pledge on post-employment (E.O. 12834)
OGE's role in the Independent Counsel Act
OGE's role in the maintenance of GSA travel acceptance reports by agencies (31 U.S.C. § 1353)
Biennial report to Congress (5 U.S.C. app § 408)
Issuance of interpretive regulations on 18 U.S.C. §§ 207, 208 and 209 (E.O. 12674, as amended)
Concurrence of OGE in FDIC regulations on independent contractors (12 U.S.C. § 1822(f)(3)
OGE's role in Federal Acquisition Regulations on procurement integrity (41 U.S.C. § 423(o))

Modifications:

Public financial disclosure requirements including agency reporting requirements (5 U.S.C. app § 101 et seq.)
Collection of section 208(b) waiver documents (E.O. 12674)
Collection of notifications of referrals to DOJ, 5 U.S.C. app. § 402(e)(2).
Outside earned income limitation, 5 U.S.C. § 501(a)
Amendment to 18 U.S.C. § 205 for purposes of allowing employee organizations some leeway in representing themselves to the Government
Amendment to 18 U.S.C. § 207 to eliminate the trade and treaty provision (207(b)) which refers to an obsolete statute; and to gear "senior" employee status to something besides pay. (207(c)(2)(A)(ii)) This provision is possibly skewing the issue of whether the Senior Executive Service will ever get a pay raise.

NOTE: We are not suggesting that section 207 (or other of the criminal conflict of interest statutes) is perfect and needs no further substantive amendment; quite the contrary. We are simply realistic enough to know that as long as the President's pledge is in effect attempts at amending this provision may very well result in a more convoluted law rather than a cleaner, more focused one.

OFFICE OF GOVERNMENT ETHICS

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses to carry out functions of the Office of Government Ethics pursuant to the Ethics in Government Act of 1978, as amended by Public Law 100–598, and the Ethics Reform Act of 1989, Public Law 101–194, including services as authorized by 5 U.S.C. 3109, rental of conference rooms in the District of Columbia and elsewhere, hire of passenger motor vehicles, and not to exceed $1,500 for official reception and representation expenses; **[$8,104,000]** *$8,328,000. (Independent Agencies Appropriations Act, 1995.)*

Program and Financing (in thousands of dollars)

Identification code 95–1100–0–1–805		1994 actual	1995 est.	1996 est.
	Program by activities:			
10.00	Total obligations	7,550	8,619	8,426
	Financing:			
25.00	Unobligated balance expiring	851		
39.00	Budget authority (gross)	8,401	8,619	8,426
	Budget authority:			
	Current:			
40.00	Appropriation	8,313	8,104	8,328
50.00	Reappropriation		425	
	Permanent:			
68.00	Spending authority from offsetting collections	88	90	98
	Relation of obligations to outlays:			
71.00	Total obligations	7,550	8,619	8,426
	Obligated balance, start of year:			
72.10	Receivables from other government accounts	–79	–27	–9
72.40	Unpaid obligations: Treasury balance	1,866	1,315	354
	Obligated balance, end of year:			
74.10	Receivables from other government accounts	27	9	10
74.40	Unpaid obligations: Treasury balance	–1,815	–354	–347
77.00	Adjustments in expired accounts	–28		
87.00	Outlays (gross)	7,521	10,062	8,434
	Adjustments to gross budget authority and outlays:			
88.00	Offsetting collections from: Federal sources	–88	–90	–98
89.00	Budget authority (net)	8,313	8,529	8,328
90.00	Outlays (net)	7,433	9,972	8,336

The Office of Government Ethics (OGE) is charged by law to provide overall direction of executive branch policies designed to prevent conflicts of interest and insure high ethical standards. The OGE discharges its responsibilities to preserve and promote public confidence in the integrity of executive branch officials by developing rules and regulations pertaining to conflicts of interest, post employment restrictions, standards of conduct, and public and confidential financial disclosure in the executive branch; by monitoring compliance with the public and confidential financial disclosure requirements of the Ethics in Government Act of 1978 and the Ethics Reform Act of 1989, to determine possible violations of applicable laws or regulations and recommending appropriate corrective action; by consulting with and assisting various officials in evaluating the effectiveness of applicable laws and the resolution of individual problems; by preparing formal advisory opinions, informal letter opinions, policy memoranda, and Federal Register entries on how to interpret and comply with the requirements on conflicts of interest, post employment, standards of conduct, and financial disclosure; and by issuing and amending regulations implementing the procurement integrity provisions relating to negotiating for employment, post employment, and gratuities in the Office of Federal Procurement Policy Act Amendments of 1988, P.L. 100–679.

Object Classification (in thousands of dollars)

Identification code 95–1100–0–1–805		1994 actual	1995 est.	1996 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	4,321	4,946	5,124
11.3	Other than full-time permanent	282	100	119
11.5	Other personnel compensation	173	152	156
11.9	Total personnel compensation	4,776	5,198	5,399
12.1	Civilian personnel benefits	859	1,013	1,052
13.0	Benefits for former personnel	134		
21.0	Travel and transportation of persons	90	104	132
22.0	Transportation of things	4	5	7
23.1	Rental payments to GSA	1,044	1,058	1,098

General and special funds—Continued

SALARIES AND EXPENSES—Continued

Object Classification (in thousands of dollars)—Continued

Identification code 95–1100–0–1–805		1994 actual	1995 est.	1996 est.
23.2	Rental payments to others	11		
23.3	Communications, utilities, and miscellaneous charges	73	80	71
24.0	Printing and reproduction	43	55	58
25.2	Other services	177	843	253
25.3	Purchases of goods and services from Government accounts	44	47	84
26.0	Supplies and materials	152	115	125
31.0	Equipment	55	11	49
99.0	Subtotal, direct obligations	7,462	8,529	8,328
99.0	Reimbursable obligations	88	90	98
99.9	Total obligations	7,550	8,619	8,426

Personnel Summary

Identification code 95–1100–0–1–805		1994 actual	1995 est.	1996 est.
1001	Total compensable workyears: Full-time equivalent employment	86	91	91