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Meeting with Western and Agriculture State Senators March 16, 1993

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This is at 11:45.
If you want to go, ~~[illegible]~~ ~~[illegible]~~ I'll call for you tomorrow.

March 15, 1993

MEETING WITH WESTERN AND AGRICULTURE STATES SENATORS

DATE:	March 16
LOCATION:	Roosevelt Room
TIME:	11:45 a.m.
From:	Barbara Chow

I. PURPOSE

To discuss the impact of your economic proposal on the states of the Senators listed below.

II. BACKGROUND

The Senators listed below are concerned about the impact on Western and rural states of changes proposed by your economic plan in the areas of hardrock mining royalties, below cost timber sales, the energy tax, agriculture reductions, and grazing fees. A description of each of these proposals and the arguments in favor and in opposition to them is included in Appendix A.

The Senators will likely argue that many of the proposals are painful but acceptable in isolation. However, the cumulative impact of these changes is devastating and unfair. The purpose of the meeting from their perspective is to explain how these proposals will affect their states and determine whether there is any room for negotiation on specifics.

The meeting was requested and recommended by Majority Leader Mitchell. Senator Baucus of Montana, the Chairman of the Senate Environment and Public Works Committee is taking the lead.

It is probably premature to initiate negotiations on specific issues particularly since the Senate will begin consideration of the budget resolution later this week. You could listen to their complaints and signal your willingness to address some of their concerns at a later date but it would not be advisable to address specific issues in the midst of the budget resolution debate.

III. PARTICIPANTS

Please see attached list.

IV. PRESS PLAN

Closed press.

V. SEQUENCE OF EVENTS

Informal discussion.

VI. REMARKS

Please see attached talking points.

NV, CO, NM, AZ

LIST OF PARTICIPANTS

Sen. Max Baucus (MT)
Sen. Ben Nighthorse Campbell (CO)
Sen. Kent Conrad (ND)
Sen. Tom Daschle (SD)
Sen. Dennis DeConcini (AZ)
Sen. Byron Dorgan (ND)
Sen. J. James Exon (NE)
Sen. Tom Harkin (IA)
Sen. Bob Kerrey (NE)
Sen. Paul Wellstone (MN)
Sen. Richard Bryan (NV)
Sen. Harry Reid (NV)
Sen. Jeff Bingaman (NM)
Sen. Jim Sasser (TN)

The Vice President

Howard Paster
Steve Ricchetti
Barbara Chow

4 up for re-election in '94
3 repubs up " " "

DeConcini → can't handle the 12.5% royalty. Babbitt comments.
*Need contract to "pay what is fair".

Daschle → Ag.
Espy good start
① two midwest appointments in Ag.
② ethanol.
③ Espy unilat authority to drop Fenley amend.

Campbell – amt raised will be less than what projected → actually negative return w/ ↑ social services.
need to gear hard rock mining royalties to mkt conditions.

Gov Nev testified today will pay 75 mill less rather than more

Reid → gold mining cos can't pay 5% – willing to Δ on patents.

Bryan – mining law outdated
rev. projections based on a gross royalty fee. doesn't take costs of production into account.
*Net proceeds concept.

Dorgan – lost 33% of farm popn but 25% ↑ in # of people working in farm program. (Pres said blue ... 2x tax)
– coal gasification
– need ag person at USTR
– econ development zones

Exon
Ethanol. Pres – ?? drop (totally??)
raise loan rate on ag. products. → Finley Amend.
↑ CCC. ↓ subsidies

Bingaman – nat'l budget #s driving ↑s. based on economics of these industries
concern that ↑s being driven by env'l agenda.

Conrad net farm income ↓
unfavorable free trade agr.
Canadian FTA disaster
Europeans clear strategy to dominate ag.

Attachment A

Description of Issues of Concern to Western/Rural Senators

1. Hardrock mining royalties

Description: Establishes a 12.5 percent royalty on the gross value of the hardrock minerals extracted from mining claims on public lands phased in over three years. Affected states include: Nevada, Montana, Colorado, and Arizona.

Pro: Mining law has not been updated since 1872. Original purpose of the 1872 mining law was to encourage settlement and development of the West. Purpose has long been surpassed but law remains.

Con: Fee will be devastating to the industry which operates on low profit margins and will result in significant job losses. Similar legislation authored by Senator Bumpers limits the royalty increase to 8% which some economic analyses have indicated will result in as many as 30,000 job losses.

2. Below cost timber sales

Description: Gradual phase-out of timber sales in those forest regions where program costs exceed revenue. Affects Rocky Mountain, Northern, and Intermountain regions.

Pro: Elimination of the below cost timber sales will stop the wasteful depletion of federal timber resources through uneconomic harvests and the unneeded destruction of roadless forests.

Con: Many small communities are highly dependent upon the federal timber industry for logging and related jobs.

3. BTU tax

Description: Broad based energy tax, based on the energy content of the fuel to be collected at the source. This tax is of particular concern to Western states because of its impact on the coal industry.

Pro: Needed for deficit reduction and to encourage energy conservation. The National Coal Association no longer opposes the tax (see attached letter) and has agreed to work with the Administration to minimize its negative impacts.

Con: BTU tax will devastate Western states because of the impacts of coal production.

4. Agriculture reductions

Description: $3.8 billion in program cuts affecting commodity programs. Of particular concern to the Midwest and West are the triple base and targeting proposals, as well as the reductions in the wool and mohair program. The Senate Budget Committee significantly reduced the Administration's proposed reductions in agriculture programs to a level that was satisfactory to agriculture-state members including Senators Exon and Conrad.

Pro: Agriculture must contribute to deficit reduction. Targeting commodity subsidies to farmers with off-farm income below $100,000 is defensible because it directs farm payments to smaller, family farms which deserve federal financial assistance more than large producers. Most larger producers do not need direct government payments to survive. The triple base proposal will allow farmers more flexibility to plant as the market dictates and to rotate crops consistent with environmentally sound practices.

Con: Agriculture has already borne the burden of major reductions in the 1990 budget agreement and will bear a disproportionate reduction under the President's program.

5. Grazing fees

Description: Increase in grazing fees on public lands as negotiated by the Secretaries of Interior and Agriculture.

Pro: Current grazing fee levels are significantly lower than the estimated fair market value. The Administration is cognizant of the concern over this proposal and will be holding a number of hearings in Western states to evaluate the impact of these fee increases.

Con: Grazing fee increases will devastate small ranchers and rural communities.

SUGGESTED TALKING POINTS
FOR MEETING WITH WESTERN AND AGRICULTURE STATES SENATORS

? Thank you for coming here to discuss the effects of my economic program on your states. I am particularly grateful to Senator Baucus for raising these issues and appreciate your willingness to discuss them with me today.

? I am primarily here to listen. I understand that many of you feel the economic program is somehow tilted against Western states and rural areas. I can assure you that it was our full intention to produce a plan that was regionally balanced. Judging from the complaints I have heard from many other parts of the country, I think we have achieved this goal.

? However, if my economic plan has somehow inadvertently created a disproportionately negative impact on Western states, I am willing to work with you to address this imbalance.

? As we work through this issue it is important to keep in mind, the many positive impacts of our economic program on Western states. Most major national parks, national forests, a large number of wildlife refuges, all public lands and most Indian reservations are in Western states that will benefit from both the economic stimulus and long-term investment programs.

--Our short-term stimulus package will provide jobs to communities where there are parks, forests, refuges and public lands. The majority of these funds will be spent in Western states.

--Our long-term investment proposals include $1.5 billion over the next few years for projects for natural resources protection and environmental infrastructure in national parks, forest lands, refuges and public lands. It will also include funds for Indian reservations. Again, the majority of these funds will be spent in Western States.

? I understand that the energy tax is of particular concern to many of you. I know that you will be gratified to learn that the National Coal Association has signalled its support of the economic program and their willingness to work with us to fashion a proposal that achieves our revenue targets without distorting energy markets.

? With regard to the other user fees and spending cuts (e.g. hardrock mining, grazing fees, below-cost timber sales, agriculture cuts) our principle rationale for these proposals is to send a clear signal that fees for the use of public resources must move closer to market rates and should be treated on a businesslike basis. Are we wed to every line item described in the Vision document? Probably not. If there are ways to minimize the economic impact of some of these proposals but achieve the same revenue targets, we would certainly look at them.

? Regardless of your views on the specifics in my program, I am asking for your support on the budget resolution. As you know, the budget resolution is simply a broad blueprint that will lock in the overall parameters of my economic program. The specific policy assumptions underlying the numbers are not binding and will be negotiated later as part of the Reconciliation process.

? While I cannot promise you at this point, that we will be able to work out everything to your satisfaction, I am willing to listen and work cooperatively with you to address your concerns.