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DRAFT

~~Draft~~ Finance "Placeholder" Statement
AIDS in Africa
Senator Orrin G. Hatch
June 22, 1999

Mr. Chairman, I want to bring a matter to your attention that is closely related to the legislation we are taking up today.

As we discuss this African trade and development legislation today we must all be mindful that the success or failure of African self-governance and continued industrial development into the next century is also largely dependent on the state of public health in this region.

Let me just say that the AIDS epidemic is raging with special force in sub-Saharan Africa.

- Sub-Saharan Africa is the home to 70% of people who became infected with AIDS last year.
- Since the start of the epidemic 83% of all AIDS deaths have occurred in this region.
- An estimated 34 million people infected with HIV are sub-Saharan Africans -- including 11.5 million who have died due to complications arising from this disease.
- Last year AIDS resulted in 2 million African deaths.
- By 2008 there will be an estimated 40 million African children who have lost at least one parent due to AIDS.

The AIDS epidemic has stricken the heart of Africa and will have an enormous impact into the future.

While I will <u>not</u> offer any amendments today I just want to let my fellow Committee members and Chairman Roth know that I am greatly disturbed about the AIDS situation in Africa and will be looking for ways to address this problem in a constructive fashion.

I am studying the provisions of H.R. 1095 a bi-partisan House bill sponsored by Representative Jim Leach and 60 co-sponsors. This bill links debt retirement to implementation of public health and other important societal initiatives. I am also considering developing legislation that will result in the doubling of the current $100 million that U.S. AID devote annually to AIDS prevention efforts in Africa.

While I don't have an amendment to offer at this point, I <u>do</u> plan to continue work and may offer a suitable amendment when this bill comes to the floor. I hope you will all support this effort because I know that all of us wants to do what's right in the fight against AIDS for the citizens and especially the children of Africa.

Let me just say that tonight the Elizabeth Glasser Pediatric AIDS Foundation will celebrate its 10th year with a fundraising dinner at the National Building Museum. I co-chaired the first event 10 years ago with Howard Metzenbaum and will co-chair this event tonight with Senator Barbara Boxer.

If there is <u>one</u> thing that can bring the Howard Metzenbaums and Barbara Boxers together with the Orrin Hatchs of the world, it is vital children's programs like pediatric AIDS programs..

Let me just close by saying that nowhere in the world is the problem of AIDS any more severe than in Africa and nowhere is the problem of pediatric AIDS and the destruction of families -- really the potential decimation of a generation of leadership -- any more severe than in Africa. I hope we can all work together to help combat this problem.

106TH CONGRESS
1ST SESSION

H. R. 1274

To amend the Internal Revenue Code of 1986 to provide a credit for medical research related to developing vaccines against widespread diseases.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1999

Ms. PELOSI (for herself, Mr. RANGEL, Ms. ESHOO, Ms. KILPATRICK, Mr. LEWIS of Georgia, MCDERMOTT, Mr. MCNULTY, Mr. MATSUI, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend the Internal Revenue Code of 1986 to provide a credit for medical research related to developing vaccines against widespread diseases.

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 "Lifesaving Vaccine Technology Act of 1999".

SEC. 2. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45D. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

"(a) GENERAL RULE.—For purposes of section 38, the vaccine research credit determined under this section for the taxable year is an amount equal to 30 percent of the qualified vaccine research expenses for the taxable year.

"(b) QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of this section—

"(1) QUALIFIED VACCINE RESEARCH EXPENSES.—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified vaccine research expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied with the modifications set forth in subparagraph (B).

"(B) MODIFICATIONS.—For purposes of subparagraph (A), subsection (b) of section 41 shall be applied—

"(i) by substituting 'vaccine research' for 'qualified research' each place it appears in paragraphs (2) and (3) of such subsection, and

"(ii) by substituting '75 percent' for '65 percent' in paragraph (3)(A) of such subsection.

"(C) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified vaccine research expenses' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

"(2) VACCINE RESEARCH.—The term 'vaccine research' means research to develop vaccines and microbicides for—

"(A) malaria,

"(B) tuberculosis,

"(C) HIV, or

"(D) any infectious disease (of a single etiology) which, according to the World Health Organization, causes over 1,000,000 human deaths annually.

"(c) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—

"(1) IN GENERAL.—Except as provided in paragraph (2), any qualified vaccine research expenses for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 for such taxable year.

"(2) EXPENSES INCLUDED IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any qualified vaccine research expenses for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

"(d) SPECIAL RULES.—

"(1) LIMITATIONS ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any vaccine research (other than human clinical testing) conducted outside the United States.

"(2) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

"(3) ELECTION.—This section (other than subsection (e)) shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

"(e) SHAREHOLDER EQUITY INVESTMENT CREDIT IN LIEU OF RESEARCH CREDIT.—

"(1) IN GENERAL.—For purposes of section 38, the vaccine research credit determined under this section for the taxable year shall include an amount equal to 20 percent of the amount paid by the taxpayer to acquire qualified research stock in a corporation if—

"(A) the amount received by the corporation for such stock is used within 18 months after the amount is received to pay qualified vaccine research expenses of the corporation for which a credit would (but for subparagraph (B) and subsection (d)(3)) be determined under this section, and

"(B) the corporation waives its right to the credit determined under this section for the qualified vaccine research expenses which are paid with such amount.

"(2) QUALIFIED RESEARCH STOCK.—For purposes of paragraph (1), the term 'qualified research stock' means any stock in a C corporation—

"(A) which is originally issued after the date of the enactment of the Lifesaving Vaccine Technology Act of 1999,

"(B) which is acquired by the taxpayer at its original issue (directly or through an underwriter) in exchange for money or other property (not including stock), and

"(C) as of the date of issuance, such corporation meets the gross assets tests of subparagraphs (A) and (B) of section 1202(d)(1)."

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b) of such Code is amended by striking "plus" at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ", plus", and by adding at the end the following new paragraph:

"(13) the vaccine research credit determined under section 45D.".

(2) TRANSITION RULE.—Section 39(d) of such Code is amended by adding at the end the following new paragraph:

"(9) NO CARRYBACK OF SECTION 45D CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the vaccine research credit determined under section 45D may be carried back to a taxable year ending before the date of the enactment of section 45D.".

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C of such Code is amended by adding at the end the following new subsection:

"(d) CREDIT FOR QUALIFIED VACCINE RESEARCH EXPENSES.—

"(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified vaccine research expenses (as defined in section 45D(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45D(a).

"(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.".

(d) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 196(c) of such Code (defining qualified business credits) is amended by striking "and" at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting ", and", and by adding at the end the following new paragraph:

"(9) the vaccine research credit determined under section 45D(a) (other than such credit determined under the rules of section 280C(d)(2)).".

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

"Sec. 45D. Credit for medical research related to developing vaccines against widespread diseases.".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(g) DISTRIBUTION OF VACCINES DEVELOPED USING CREDIT.—It is the sense of the Congress that if credit is allowed under section 45D of the Internal Revenue Code of 1986 to any corporation or shareholder of a corporation by reason of vaccine research expenses incurred by the corporation in the development of a vaccine, such corporation should certify to the Secretary of the Treasury that, within 1 year after that vaccine is first licensed, such corporation will establish a good faith plan utilizing technology transfer, differential pricing, in-country production, or other mechanisms to maximize international access to high quality and affordable vaccines. The preceding sentence shall not be construed to waive rights to set prices, patent ownership, or confidentiality of privileged information.

(h) STUDY.—The Institute of Medicine shall conduct a study of the effectiveness of the credit under section 45D of the Internal Revenue Code of 1986 in stimulating vaccine research. Not later than the date which is 5 years after the date of the enactment of this Act, the Institute of Medicine shall submit to the Congress the results of such study together with any recommendations it may have to improve the effectiveness of such credit in stimulating vaccine research.

SEC. 3. SENSE OF CONGRESS.

(a) ACCELERATION OF INTRODUCTION OF PRIORITY VACCINES.—It is the sense of Congress that the President and Federal agencies (including the Department of State, the Department of Health and Human Services, and the Department of the Treasury) should work together in vigorous support of the creation and funding of a multi-lateral, international effort, such as a vaccine purchase fund, to accelerate the introduction of vaccines to which the credit under section 45D of the Internal Revenue Code of 1986 applies and of other priority vaccines into the poorest countries in the world.

(b) FLEXIBLE PRICING.—It is the sense of Congress that flexible or differential pricing for vaccines, providing lowered prices for the poorest countries, is one of several valid strategies to accelerate the introduction of vaccines in developing countries.

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Bill Summary & Status for the 106th Congress

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H.R.1274
SPONSOR: Rep Pelosi, Nancy (introduced 03/24/99)

Jump to: Titles, Status, Committees, Amendments, Cosponsors, Summary

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TITLE(S):

- SHORT TITLE(S) AS INTRODUCED:
  Lifesaving Vaccine Technology Act of 1999

- OFFICIAL TITLE AS INTRODUCED:
  A bill to amend the Internal Revenue Code of 1986 to provide a credit for medical research related to developing vaccines against widespread diseases.

STATUS: Floor Actions

NONE

STATUS: Detailed Legislative Status

House Actions

Mar 24, 99:
Referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.
Apr 6, 99:
Referred to the Subcommittee on Health and Environment, for a period to be subsequently determined by the Chairman.
Mar 24, 99:
Referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

STATUS: Congressional Record Page References

NONE

COMMITTEE(S):

- COMMITTEE(S) OF REFERRAL:
  House Ways and Means
  House Commerce

- SUBCOMMITTEE(S):
  Hsc Health and the Environment

AMENDMENT(S):

NONE

COSPONSORS(18):

Rep Rangel, Charles B. - 03/24/99	Rep Eshoo, Anna G. - 03/24/99
Rep Kilpatrick, Carolyn C. - 03/24/99	Rep Lewis, John - 03/24/99
Rep McDermott, Jim - 03/24/99	Rep McNulty, Michael R. - 03/24/99
Rep Matsui, Robert T. - 03/24/99	Rep Woolsey, Lynn C. - 03/24/99
Rep Lantos, Tom - 05/13/99	Rep Christensen, Donna MC - 05/13/99
Rep Thurman, Karen L. - 05/13/99	Rep Dixon, Julian C. - 05/13/99
Rep Bonior, David E. - 05/13/99	Rep Frost, Martin - 05/13/99
Rep Weiner, Anthony D. - 05/13/99	Rep English, Phil - 05/13/99
Rep Wynn, Albert Russell - 05/13/99	Rep Jefferson, William J. - 05/13/99

SUMMARY:

NONE

The Lifesaving Vaccine Technology Act of 1999
H.R. 1274

A Vaccine Research and Development Tax Credit
Targeted at the Most Deadly Infectious Diseases in the World

Introduced by Rep. Nancy Pelosi

When private-sector investment has failed, it all adds up to very few vaccines. We need a coordinated push from beginning to end. Unless there is vigorous investment from the private sector, vaccines won't get through the pipeline. That's why we're so slow in developing the HIV vaccines, that's why we don't have a malaria vaccine...
-- Dr. Phillip K. Russell, Johns Hopkins University, School of Hygiene and Health

Vaccines are among the most powerful and cost effective disease prevention tools available, and new vaccines are needed to fight existing and emerging disease threats. Governments play a crucial role in funding the basic science of vaccine research, but it is private biotech and pharmaceutical companies that have much of the expertise to take the findings of basic research and develop them into commercially viable vaccines.

Private sector pharmaceutical manufacturers have recently begun to dedicate increased attention to vaccine research, but investment in vaccines for specific diseases is often not proportional to the death and suffering caused by these maladies. AIDS, malaria and tuberculosis together account for over 7 million deaths annually worldwide. But there are market disincentives for investment in vaccines against these major killers, and relatively few vaccines against these diseases are now in development at pharmaceuticals and biotech companies.

Government has an important role to play in providing incentives to help the market work more effectively to address the biggest public health opportunities. A targeted research and development tax credit for vaccines against AIDS, malaria and TB could speed development of preventive weapons against these diseases, saving millions of lives and billions of dollars in treatment costs and productivity losses. This credit could also provide a stimulus for private sector research in areas most scientifically challenging and important to global public health.

Provisions of The Lifesaving Vaccine Technology Act, H.R. 1274

I. Tax Credit

Provides a tax credit for qualified research and development costs associated with research on vaccines for malaria, tuberculosis, or HIV. Investments in vaccines for other infectious diseases (of a single etiology) that cause over 1 million deaths per year would also qualify. The credit would also apply to R&D costs for microbicides to prevent these diseases.

The tax credit equals 30% of total annual qualified R&D investments. This is a "flat" credit on all qualifying expenditures in a given year. Like the Research and Experimentation Tax Credit (R&E Credit), this tax credit could be carried forward 15 years and backward three years. The credit would be "transferable" so that a company could use the unclaimed tax credits of a company it acquires. Smaller companies could choose to waive the credit and pass it on to their equity investors who finance R&D on one of the priority vaccines.

"Qualified research" is the same as in the R&E Credit and includes wages, salaries, supplies, certain time-sharing costs for use of computers, and 75% of contract research performed by research organizations. Buildings, overhead, and fringe benefits are not qualified expenses. To be claimed under the credit, R&D costs must be incurred in the United States, except for human clinical trials since trials of these vaccines will be required in many countries.

Developing a Plan for Access

Companies that use the credit and develop a licensed product would be obligated to establish a good faith plan for the widest possible global access to the vaccine. Companies would *not* waive any rights to pricing, patent ownership, or proprietary information.

II. Vaccine Purchase Fund - Sense of Congress

Expresses the Sense of Congress that the President and federal agencies, including the Department of State, the Department of Health and Human Services and the Department of Treasury, should work together in support of the creation and funding of multi-lateral international efforts, such as a vaccine purchase fund, to accelerate the introduction of priority vaccines into the poorest countries in the world. Further, the bill expresses the Sense of Congress that tiered or differential pricing for vaccines, providing lowered tiered prices for the poorest countries, is one of several valid strategies to accelerate the introduction of vaccines in developing countries.

Why provide a special credit to prevent these particular diseases?

Malaria, TB, and HIV together kill over 7 million people annually and undermine social and economic development in poorer countries. Each of these diseases is potentially vaccine preventable.

Tuberculosis causes more deaths than any other infectious disease, killing 3 million people annually. One hundred thousand children die from TB each year. According to the World Health Organization (WHO), "It is estimated that between now and 2020, nearly one billion more people will be newly infected, 200 million people will get sick, and 70 million will die from TB - if control is not strengthened." In the United States, over 19,000 cases of TB are reported annually. Multi drug-resistant TB exists in the US and internationally. Current TB prevention measures, including therapy for the disease and a vaccine developed early in the century, provide incomplete control.

According to WHO, **malaria** kills 2.2 million people a year, and the disease is an important public health problem in 90 countries inhabited by 2.4 billion people -- 40% of the world's population. Each year, approximately one million deaths among children under five years of age are attributed to malaria alone or in combination with other diseases. In the United States, there are over 1000 cases of malaria annually. According one malaria expert, "Conventional control measures...appear increasingly inadequate to the task: As a result of the spread of drug-resistant parasites and insecticide-resistant mosquitoes, fewer tools to control malaria exist today than did 25 years ago."[1]

UNAIDS reports that **HIV/AIDS** was responsible for 2.5 million deaths in 1998, of which over half a million were children under 15. In the United States, as many as 900,000 are living with HIV disease, and 40,000 people are newly infected every year. Each day in the world, 16,000 people are newly infected with HIV. In Zimbabwe and Botswana, as many as 25% of the adult population is HIV-infected. Behavioral prevention interventions for HIV have proven effective at reducing infection rates in the US and internationally. But many factors, including political obstacles, insufficient prevention funding, forced sexual encounters, and the difficultly of maintaining safe behavior over a lifetime, mean that a vaccine will be required for control of this worldwide epidemic.

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[1]Hall, B. Fenton, et al, "Malaria Vaccine Development,"in The Jordon Report: Accelerated Development of Vaccines, Division of Microbiology and Infectious Disease, National Institute of Allergy and Infectious Diseases, National Institutes of Health, 1998, p.71

What is the US interest in international health?

A 1997 *Institute of Medicine* report states that, "Due to the ease of rapid international travel, emerging and drug-resistant infectious diseases in one country represent a threat to the health and economies of all countries...The United States should ...broaden the scope of its research and development activities to include health problems that impose the greatest burden of disease around the world, toward whose alleviation we can make important contributions."[2]

What are the disincentives for private sector investment in vaccines for these diseases?

Daunting scientific challenges and uncertainties about return on financial investment make research on vaccines for the top infectious diseases comparatively unattractive. Malaria, TB, and HIV each present unique scientific difficulties. For example, in the case of HIV, scientists agree that a vaccine is possible, but no perfect animal model exists; recovery from infection has not been documented, the "correlates of protection" (immune responses which would protect from infection) are not known, and the virus is highly variable. The economic picture is no better. For each of these major killers, the vast majority of cases of disease -- and greatest need for a vaccine -- is in poorer countries that have scarce resources to purchase vaccines, even highly cost effective ones.

Faced with these realities, the CEOs of biotech and pharmaceutical companies have a difficult time justifying to their Boards of Directors a significant investment in long term developmental research toward these vaccines. Other pharmaceutical research and development opportunities, such as anti-depressants or vaccines for diseases more common in the US and Europe, present surer investments.

It is therefore no surprise that private sector investment in vaccines for these three disease has been limited. Although it is difficult to measure the exact level of private sector investment, several authoritative sources have reported a serious lack of private interest.

For example, in *The State of the World's Vaccines and Immunization*, the World Health Organization reports of HIV vaccine research, "...vaccine manufacturers are no longer falling over each other in the rush to develop an HIV vaccine. Some of the smaller biotechnology companies have already fallen by the wayside, unable to sustain the long term investment needed to tackle the scientific obstacles involved. And of the few major vaccine manufacturers that remain, most are

[2]Institute of Medicine, America's Vital Interest in Global Health: Protecting Our People, Enhancing Our Economy, and Advancing Our International Interests, National Academy Press, Washington, D.C., 1997, pgs. 1 and 5

struggling to maintain their research programmes."[3]

Of malaria vaccine research, WHO notes that, "most research is still being carried out within the public sector and not by vaccine manufacturers."[4] The National Institutes of Health (NIH) *Blueprint for Tuberculosis Vaccine Development* finds that, "Uncertainties exist within the vaccine industry as to the markets for tuberculosis vaccines, and the willingness of public and private sectors to pay for such vaccines, and possibilities for economic returns."[5]

Of the 43 vaccines listed in the Pharmaceutical Research and Manufacturers of America (PhRMA) 1998 survey of pharmaceutical company R&D, *none* were for vaccines against malaria, HIV, or TB.[6]

Doesn't it make more sense to target research funding to the National Institutes of Health?

The US National Institutes of Health is a pre-eminent world resource for scientific discovery and innovation because of its size, its peer review system, and the breadth and quality of its work, both through grants to external investigators and through its intramural labs. It also has a widely respected clinical center.

Congress has acknowledged this valuable asset to our society and economy with bi-partisan support for significant increases in NIH appropriations. The Lifesaving Vaccine Technology Act acknowledges the equally powerful asset of the American pharmaceutical and biotechnology industry. Though NIH has and does develop drugs and vaccines, it is the start-ups, the specialized companies, and the industrial giants that control a large part of the nation's expertise and experience in developing vaccines.

Some private companies may be less inclined to work with government on a grant

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[3]Davey, Sheila, The State of the World's Vaccines and Immunization, World Health Organization, Global Programme for Vaccines and Immunization," Geneva, Switzerland, 1996, p. 132

[4]Davey, Sheila, The State of the World's Vaccines and Immunization, World Health Organization, Global Programme for Vaccines and Immunization," Geneva, Switzerland, 1996, p. 135

[5]"Blueprint for Tuberculosis Vaccine Development," Report of a Workshop held March 5-6, 1998, Rockville, MD, sponsored by the National Institute of Allergy and Infectious Disease and the National Vaccine Program Office, p. 14

[6]PhRMA, "1998 Survey: New Medicines in Development for Infectious Diseases," Pharmaceutical Research and Manufacturers of America, Washington, D.C., 1998

or contract basis than academics who depend solely on public support. Companies are justifiably protective, to maintain control of their own programs. Such autonomy stimulates diverse approaches, while the need for products that are ultimately profit-making stimulates a sense of urgency.

Competition among companies and between public and privately developed approaches is healthy at this stage of exploration and development for these vaccines. We will need to develop and test many approaches to find the ones that work best.

What are the precedents for the tax credit?

Congress has created several tax credits to spur research and development of pharmaceuticals and other products. *The Research & Experimentation Tax Credit*, enacted in 1981, offers an incentive for annual increases in R&D. The law provides a 20% tax credit on research and development expenditures over a base amount. *The Orphan Drug Act*, enacted in 1983, offers incentives for development of drugs that would not be commercially viable because they are needed by relatively few individuals. The Act provides a 50% tax credit on costs of human clinical trials and seven year marketing exclusivity period.

Even with these credits, there remain major disincentives for investment in vaccines against malaria, TB, and HIV. Existing credits are available for use on a variety of products that offer comparatively more likely and rapid returns on investment. The Lifesaving Vaccine Technology Act provides an additional credit in acknowledgment of the special need and particular disincentives for these vaccines.

Would a tax credit actually boost investment?

The Congressional Research Service (CRS) has reviewed a number of studies of the effectiveness of the R&E Credit. In a 1998 issue brief, CRS reported that studies of the credit before changes were made in 1989 "generally...agreed that it had a positive effect on private research funding." One 1992 study found that the credit stimulated about $2 billion (1982 dollars) per year in added R&D spending at a revenue cost of about $1 billion.[7] A 1997 survey by the Tufts Center for the Study of Drug Development reports that the Orphan Drug Act has been widely applauded domestically and internationally, and has served as a prototype for a similar program in Japan. The Food and Drug Administration has approved 121 orphan drugs for marketing since 1983.[8]

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[7]Guenther, Gary, "The Research and Experimentation Tax Credit," Congressional Research Service, Library of Congress, Washington, D.C., July 14, 1998, p. 8

[8]"US Orphan Drug Program: Global Reference Point," Marketletter Publications Ltd., UK, December 22, 1997

The existing R&E credit provides an incentive for increases in investment with an "incremental" credit on annual investments over a changing base amount. The Lifesaving Vaccine Technology Act would create a "flat" 30% credit on annual qualified R&D investments in particular vaccines. H.R 1274 offers a credit on all investment (rather than just *increased* investment) in targeted areas in an effort to encourage companies to initiate, maintain and expand programs in these crucial research areas. The credit stimulates private sector investment, by generating $7 of private investment for every $3 of credit. And by linking acceptance of the credit to a good faith plan for widespread access, the public gains increased leverage to maximize distribution of vaccines developed through the credit.

Smaller biotechs that do not yet have tax liabilities do much of the ground breaking work in vaccine development. In order to provide an incentive for investment in priority vaccines at smaller biotechs, these smaller companies (capitalized at $50 million or below) could waive the tax credit and pass it on to their investors. This "pass through" credit would be equal to 20% of the amount of equity investment used for R&D on priority vaccines.

The 30% flat credit and the 20% investor credit will be attractive to many biotechs and pharmaceuticals that have the most expertise, experience and willingness to take calculated risks that are needed to successfully research these vaccines.

The legislation also **directs the Institute of Medicine to conduct a study** on the effectiveness of the credit in stimulating vaccine research, and to issue the study and any recommendations on improving the effectiveness of the credit within five years of passage of the bill.

What will the tax credit cost?

It is difficult to estimate the cost of the tax credit because pharmaceutical companies do not usually publish their investments in various products. As a gross estimate, if we assume there will be $100 million in research on these priority vaccines annually, the cost to the Treasury would be $20 million to $30 million each year. In fact, the larger the cost, the greater the likelihood of rapid success.

How would the credit expand access to vaccines in developing countries?

Seventeen years after the development of a safe and effective vaccine for Hepatitis B, hundreds of thousands of children in the world still do not have access to the vaccine. The WHO's Global Programme on Immunization has greatly expanded access to vaccines throughout the world, but this delivery system has been delayed by the high costs of purchasing vaccine. All the infectious diseases covered in the Lifesaving Vaccine Technology Act inflict their greatest mortality in the developing world, and often among children.

As the World Health Organization has stated, "Allowing vaccines to slowly filter down to children in the poorer countries over 10 - 20 years is neither just nor equitable."[9] The increasing use of biotechnology in the design of vaccines means that costs for the vaccines of the future are expected to be higher during their initial patent protected period than today's more traditional products.

H.R. 1274 includes three provisions designed to maximize access to priority vaccines in developing countries.

1. *Requires companies to establish a plan for global access to the vaccine.* While this provision is non-binding, it will help governments and health authorities put public pressure on companies to work cooperatively to maximize access to vaccines.

2. *Support for multi-lateral international efforts, such as a vaccine purchase fund.* The World Bank and international public health organizations are moving towards creation of purchase funds and other approaches to expand access to vaccines. This provision directs US government agencies to play an active and supportive role in these efforts.

3. *Support for flexible or differential pricing as one of several valid strategies to accelerate the introduction of vaccines.* This provision gives Congressional support to companies that choose to expand access to vaccines by offering lower prices to poorer countries. In the past, US companies have been criticized for these pricing practices.

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[9]Davey, Sheila, The State of the World's Vaccines and Immunization, World Health Organization, Global Programme for Vaccines and Immunization," Geneva, Switzerland, 1996, p. 15

Who supports the Lifesaving Vaccine Technology Act?

American Public Health Association
Global Health Council
AIDS Action
International AIDS Vaccine Initiative
AIDS Vaccine Advocacy Coalition
Reproductive Health Technologies Project
Alliance for Microbicide Development
Program for Appropriate Technology in Health (PATH)

For more information contact

Chris Collins
Office of Representative Nancy Pelosi
202 225 4965
chris.collins@mail.house.gov

Pelosi seeks subsidies for AIDS vaccine effort

Judy Holland
EXAMINER WASHINGTON BUREAU
July 6, 1999

URL: http://www.sfgate.com/cgi-bin/article.cgi?file=/examiner/archive/1999/07/06/NEWS2865.dtl

Tax credits would spur companies to make low-profit drugs, she says

WASHINGTON - Some lawmakers are pressing for tax credits to encourage biotechnology and pharmaceutical companies to develop a vaccine against AIDS and other deadly infectious diseases.

Rep. Nancy Pelosi, D-San Francisco, a leading voice in efforts to fight AIDS, and Rep. Charles Rangel of New York, the top Democrat on the House Ways and Means Committee, have proposed legislation that would provide a tax credit equal to 30 percent of the money invested in developing vaccines for AIDS, malaria and tuberculosis.

Small start-up companies could pass a portion of the credit onto investors who finance their research and development into such vaccines.

Pelosi says AIDS, malaria and tuberculosis, combined, kill more than 7 million people a year worldwide. However, pharmaceutical and biotechnology companies are not rushing to discover vaccines against them because of difficulties in developing the vaccines and because the market doesn't look lucrative enough. Most of the people who need these vaccines live in developing countries, where there is little money to buy them.

Pelosi, a member of the House Appropriations Committee, says the answer is a research and development tax credit that "could speed development of preventative weapons against these diseases, potentially saving millions of lives and billions of dollars in treatment costs and productivity losses."

She says vaccines are the best hope to bring AIDS, which is spreading at a rate of 16,000 new cases a day, and other epidemics under control. "But accelerated research efforts are needed if we are to develop these vaccines as soon as possible," she said.

Sen. John Kerry, D-Mass., who is drafting similar legislation in the Senate, said, "There's a crisis of enormous proportions. People can't afford the vaccines and drugs."

A "market breakdown'

Bill Snow, a member of the board of the AIDS Vaccine Advocacy Coalition in Berkeley, describes the situation as one of "market breakdown."

Snow says preventative vaccines, as opposed to medicines to treat the diseases, are the only way to stop AIDS, malaria and tuberculosis.

While drug companies are sinking billions of dollars into 113 new AIDS treatments, few of these are vaccines, according to the Pharmaceutical Research and Manufacturers of America, an industry trade group.

Currently, only a single AIDS vaccine is in the advanced stages of testing. That vaccine is being developed by a small, 60-employee South San Francisco biotechnology firm, VaxGen, rather than a large pharmaceutical maker.

Under the legislation, pharmaceutical or biotechnology companies accepting the tax credit would be required to work with public health groups and governments to find ways to get the vaccine to people around the world who need it.

Supporters of the measure intend to add it to a large package of tax cuts that Republicans hope to pass before Congress begins its summer recess on Aug. 7.

Rep. Bill Archer, R-Texas, chairman of the House Ways and Means Committee, signaled earlier this week he planned to extend an existing R&D tax credit that would give a wide range of firms a 20 percent tax credit for new research and development. The Pelosi-Kerry bill would lift that credit an additional 10 percent for firms developing the vaccines.

White House

However, it's unclear whether the tax bill would include Pelosi's bill, according to Ways and Means spokesman Trent Duffy.

A tax lobbyist said the bill wouldn't move forward unless President Clinton fought for it.

"You really need the White House to get on board," he said.

The White House hasn't weighed in on the bill, although Clinton in May 1997 set a national goal of developing an AIDS vaccine in the next decade.

 Page A 7

SAN FRANCISCO EXAMINER ★ Tuesday, July 6, 1999 A-7

Pelosi seeks subsidies for AIDS vaccine effort

Tax credits would spur companies to make low-profit drugs, she says

By Judy Holland
EXAMINER WASHINGTON BUREAU

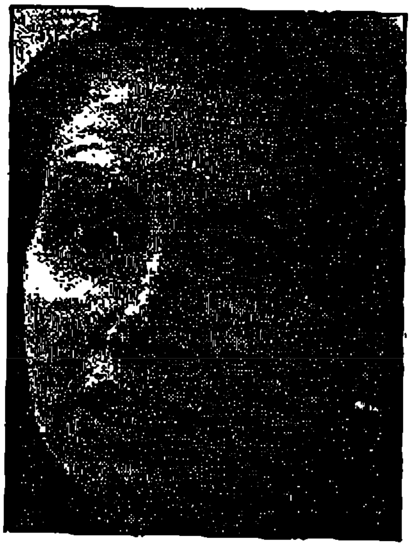
WASHINGTON — Some lawmakers are pressing for tax credits to encourage biotechnology and pharmaceutical companies to develop a vaccine against AIDS and other deadly infectious diseases.

Rep. Nancy Pelosi, D-San Francisco, a leading voice in efforts to fight AIDS, and Rep. Charles Rangel of New York, the top Democrat on the House Ways and Means Committee, have proposed legislation that would provide a tax credit equal to 30 percent of the money invested in developing vaccines for AIDS, malaria and tuberculosis.

Small start-up companies could pass a portion of the credit onto investors who finance their research and development into such vaccines.

Pelosi says AIDS, malaria and tuberculosis, combined, kill more than 7 million people a year worldwide. However, pharmaceutical and biotechnology companies are not rushing to discover vaccines against them because of difficulties in developing the vaccines and because the market doesn't look lucrative enough. Most of the people who need these vaccines live in developing countries, where there is little money to buy them.

Pelosi, a member of the House Appropriations Committee, says the answer is a research and development tax credit that "could speed development of preventative weapons against these diseases, potentially saving millions of lives and billions of dollars in treatment costs and productivity losses."



1993 FILE PHOTO

Rep. Nancy Pelosi *wants vaccines for AIDS, other deadly diseases.*

She says vaccines are the best hope to bring AIDS, which is spreading at a rate of 16,000 new cases a day, and other epidemics under control. "But accelerated research efforts are needed if we are to develop these vaccines as soon as possible," she said.

Sen. John Kerry, D-Mass., who is drafting similar legislation in the Senate, said, "There's a crisis of enormous proportions. People can't afford the vaccines and drugs."

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"You really need the White House to get on board," he said.

The White House hasn't weighed in on the bill, although Clinton in May 1997 set a national goal of developing an AIDS vaccine in the next decade.

8th Congressional District

San Francisco, California

Fax Transmission from The Washington Office of Congresswoman Nancy Pelosi

U.S. HOUSE OF REPRESENTATIVES

Phone #: 202/225-4965

Fax #: 202/225-8259

ATTENTION: Todd Summers

FROM: Chris Collins

DATE:

# of Pages: 2
(Including cover sheet)

Message/Instructions:

Action Required:

HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1400
TTY: (207) 287-4469

Thomas F. Shields, M.D.
375 Maple Hill Road
Auburn, ME 04210
Telephone: (207) 782-7451
Fax: (207) 783-1180
E-Mail: tshields@exploremaine.com

June 30, 1999

Ms. Sandy Thurman
736 Jackson Place NW
Washington, DC 20503

Dear Ms. Thurman:

A supplement in my Sunday paper indicated that you serve as President Clinton's AIDS Policy Director.

I hope you would agree that those with HIV cannot be treated or the spread of the disease controlled until those who are infected are identified. This would involve testing with confidential name identifiers. I have been unsuccessful in the Maine Legislature in having this concept become law. The fear of stigma and discrimination has convinced the other side to defeat my legislation. Are you willing to publicly support what I consider to be a common sense approach to the public health control of this disease?

Thank you in advance for consideration. I would appreciate hearing your thoughts on this non-partisan matter.

Sincerely,

Thomas Shields

Thomas F. Shields, MD
State Representative

DRAFT

July __________, 1999

Honorable Thomas F. Shields, MD
State Representative
Maine House of Representatives
2 State House Station
Augusta, Maine 04333

Dear Representative Sheilds:

Thank you for your letter of June 30 in which you raise a number of issues related to HIV counseling, testing, and surveillance. We appreciate and share your concern about addressing the AIDS epidemic.

You have inquired about the issue of confidential HIV testing. While a final regulation on the Administration's policy is currently under review, there are several tenets we believe are fundamental. First, we support the development of HIV surveillance systems in all states. Second, confidential and anonymous HIV counseling and testing must be available. Third, protections of confidentiality for those who do get tested must be maintained and in some cases strengthened.

As for the debate between different types of HIV surveillance systems, each state should have the flexibility to use whatever system meets its own unique needs. The focus should be on the timeliness and quality of data obtained in those systems so that we can have a better understanding of where this epidemic is moving.

In addition, we are looking at new ways to encourage people at risk for HIV infection to seek voluntary counseling and testing services. You correctly note that knowing one's status is critically important both to stop further infections and to help get people into proper care. For that reason, we do not support mandatory testing and partner notification schemes. Forced testing and partner notification systems may dissuade people from knowing their status, particularly when voluntary systems have been demonstrated to be fully effective.

This Administration will continue to support states and local communities in an effort to stop further infections and care for those already impacted. Your continued leadership in the fight against this deadly epidemic and in developing a caring and compassionate response to those living with HIV and AIDS is truly appreciated.

Very truly yours,
SLT

OFFICE OF NATIONAL AIDS POLICY

EXECUTIVE OFFICE OF THE PRESIDENT

THE WHITE HOUSE

FACSIMILE TRANSMITTAL SHEET

TO: **Deborah**	FROM: Todd
COMPANY: HHS/OHAP	DATE: July 13, 1999
FAX NUMBER: 690-7560	TOTAL NO. OF PAGES INCLUDING COVER: 3
PHONE NUMBER: 690-5560	
RE: Draft Shields letter	

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

736 Jackson Place
Washington, DC 20503
(202) 456-2437
(202) 456-2438 (fax)

THE WHITE HOUSE
OFFICE OF LEGISLATIVE AFFAIRS
HOUSE LIAISON

THE WHITE HOUSE
WASHINGTON

112 East Wing
Office phone: 456-6620
Office fax: 456-2604

FACSIMILE TRANSMISSION

DATE: May 5th

TO: Sandy Thurman / Michael

FAX: 6-2438 PHONE: ______

FROM: Rebecca Walldorff

___ BRODERICK JOHNSON
___ LISA KOUNTOUPES
___ MARK MAGANA
___ MARTY HOFFMANN

___ JOSH ACKIL
___ ERICA MORRIS
___ BRIAN MASON
___ TANESHA JOHNSON

Comments:

Sen Feinstein letter to POTUS - F91

PAGE ONE OF 2

DIANNE FEINSTEIN
CALIFORNIA

United States Senate
WASHINGTON, DC 20510-0504

May 3, 2000

President William Jefferson Clinton
The White House
Washington, DC 20500

Mr. President,

I have learned that my Senate-passed Amendment to the Africa Growth and Opportunity Act that would allow compulsory licensing and parallel importing for HIV/AIDS drugs in sub-Saharan Africa, consistent with the World Trade Organization agreement on Trade-Related Aspects of Intellectual Property Rights, has been stripped from the Conference Report. The purpose of this Amendment is to help meet the urgent need to provide people in sub-Saharan Africa suffering from HIV/AIDS with access to affordable drugs while ensuring that intellectual property rights are protected.

I view the removal of this Amendment by the Conference as unconscionable.

It is my understanding that your administration has made a policy determination to allow compulsory licensing and parallel importing in sub-Saharan Africa, consistent with the September 17, 1999 U.S.-South Africa Understanding on Intellectual Property and with the WTO TRIPs agreement. Given the action of the Conference, I seek clarification on administration policy, assurance that this policy applies to the entire region (not just South Africa), and that it is your intent to continue to honor the September 17 agreement. I would also urge that this policy, and its application to the entire region, be formalized by Executive Order. I am strongly supportive of administration policy in this area and I hope that the next administration will continue along the path set by you and your administration to meet the challenge of the health emergency created by the HIV/AIDS pandemic in sub-Saharan Africa.

It is important for me to hear from you as soon as possible on this matter so that I can determine my options as the Senate prepares for floor consideration of the Africa Growth and Opportunity Act Conference Report.

Sincerely,

Dianne Feinstein

This new Initiative, jointly conducted by USAID and CDC, provides for a series of steps to increase US leadership through support for some of the extraordinary community-based programs ~~currently being funded through USAID~~ and to provide much needed technical assistance to developing nations struggling to respond to the needs of their people infected and affected by AIDS. This effort more than doubles our funding for programs of prevention and care in Africa, and challenges our G8 and other partners to increase their efforts, as well. This Initiative is a significant increase in the US government's investment in the global battle against AIDS and it begins to reflect the magnitude of this rapidly escalating pandemic.

Page 10

~~While this new Initiative greatly strengthens the foundation of a comprehensive response to the pandemic,~~ UNAIDS has estimated that it will take $1 billion to establish an effective HIV prevention program in sub-Saharan Africa and to begin to deliver even the most basic care and treatment to people with AIDS in the region. Currently all donors combined are contributing less than $350 million to that end. ~~In addition, UNAIDS estimates that it will take a minimum of $1 billion to begin to deliver even the most basic care and treatment to people with AIDS in the region.~~ We have not even begun to scratch the surface when it comes to delivering treatment.
Page 11

The bottom line is this: With no vaccine or cure i~~n sight~~ available, we are at the beginning of an epidemic, not the end. What we see in Africa today, frankly, is just the tip of the iceberg.

MAR-03-2000 18:28

DEPARTMENT OF THE TREASURY
WASHINGTON

Facsimile Transmittal
From

Office of Multilateral Development Banks (OASIA/IDB)
1500 Pennsylvania Avenue, N.W.
Room 3501 NY
Washington, D.C. 20220
(Fax # 202-622-1228)

Date:

Page 1 of ______ Page(s)

To: Sandy Thurman

Tel. #
FAX # 456-2439

From: Helen Walsh

Comments:
Will appreciate your clearance today if possible

12:30

The Honorable James A. Leach
Chairman
Committee on Banking and Financial Services
U.S. House of Representatives
Washington, DC 20515-6050

Dear Mr. Chairman:

Thank you for forwarding your proposal for establishing a World Bank Trust Fund to combat HIV/AIDS. As you know, Under Secretary Geithner will be testifying at your March 8, hearing.

I fully share your sense of urgency about the need to address this terrible public health crisis in the world's poorest countries, especially in sub-Saharan Africa. It is both desirable and important to identify viable mechanisms for catalyzing international resource commitments to the fight against AIDS and other diseases in poor countries.

As you know, President Clinton has proposed a number of initiatives aimed at combating the spread of AIDS and other infectious diseases that afflict primarily developing countries. Overall, the objectives of your bill are complementary to the Administration's AIDS and vaccines initiatives.

We look forward to working with you on legislation that would address our objectives comprehensively and that would seek to maximize the availability and efficiency of financial resources needed for this crucial fight.

Sincerely,

Lawrence H. Summers

→ homedepot — smoke detectors

→ RG Michael — smart thermostat

PATRICK LEAHY
VERMONT

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
APPROPRIATIONS
JUDICIARY

United States Senate

WASHINGTON, DC 20510-4502

FAX TRANSMITTAL COVER SHEET

TO: Cheryl

FROM: Cara Thanassi

OFFICE OF SENATOR PATRICK LEAHY
UNITED STATES SENATE
WASHINGTON, DC 20510

Phone: (202) 224-7284
Fax: (202) 228-0280

PAGES (including cover sheet) 3

FAX # 456-2439

STATEMENT OF SENATOR PATRICK LEAHY
APPROPRIATIONS COMMITTEE
FY 2001 FOREIGN OPERATIONS MARKUP
EMERGENCY FUNDING FOR HIV/AIDS IN SUB-SAHARAN AFRICA

Mr. Chairman, I want to discuss one other issue, and that is emergency funding to combat HIV/AIDS in sub-Saharan Africa.

Whether or not one believes that the death of a quarter of the people between the ages 15 and 35 in southern Africa is a national security issue for the United States — and I think reasonable people can differ on that depending on how they define national security, it is unquestionably a moral issue of immense proportions. I can think of nothing that compares in my lifetime.

22 million people are infected with HIV in Africa, and every one of those people is doomed. There is no cure.

But we do know how to prevent future deaths, and many governments are finally supporting education and prevention programs. They need help, desperately.

The 2001 Foreign Operations bill we are marking up today contains additional funds for HIV/AIDS. Chairman McConnell and I made some very difficult choices to do that.

But despite our best efforts, we did not have the budget to do what is needed to respond to this calamity. W need to do more.

I recognize that the Administration has not submitted a request for emergency funding for HIV/AIDS. But the funding we were able to provide for HIV/AIDS in the 2001 bill falls far short of the President's request, and the Administration clearly agrees that the situation in Africa is an emergency.

It is justified. It is needed today. It is not a partisan issue. I hope when this bill gets to the floor or in Conference that we can add emergency funding for HIV/AIDS in sub-Saharan Africa.

called, with de Gines
will offer names
if needed.

HAROLD E. FORD, JR.
9TH DISTRICT, TENNESSEE

COMMITTEE ON EDUCATION AND THE WORKFORCE
SUBCOMMITTEES:
EARLY CHILDHOOD, YOUTH AND FAMILIES
OVERSIGHT AND INVESTIGATIONS

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEES:
CENSUS
NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515–4209

OFFICES:
325 CANNON BLDG.
WASHINGTON, DC 20515
TEL.: (202) 225-3265
FAX: (202) 225-5663

167 N. MAIN, SUITE 369
MEMPHIS, TN 38103
TEL.: (901) 544-4131
FAX: (901) 544-4329

WEBSITE:
www.house.gov/ford

March 20, 2000

Ms. Sandra Thurman, Director
National AIDS Policy,
736 Jackson Place NW
Washington D.C., 20503

Dear Ms. Thurman:

On April 3, I will be hosting a forum designed to address the HIV/AIDS crisis in Memphis Tennessee. This forum is designed to produce a White Paper that will lead to a conference tentatively scheduled for late May where the need for further action, particularly by the Federal government will be discussed. *I am writing to request your attendance at the event scheduled for late May.*

A diverse group of stakeholders will participate in the May conference including primary caregivers, community representatives, and policy-makers from all levels; your contributions to this conference will prove invaluable for all participants. Thank you for your consideration of this request; please contact Marland Buckner, my Chief of Staff, with dates that you will be available to participate.

Sincerely,

HAROLD E. FORD JR.
MEMBER OF CONGRESS

BARBARA BOXER
CALIFORNIA

COMMITTEES:
BUDGET
ENVIRONMENT AND PUBLIC WORKS
FOREIGN RELATIONS

United States Senate

HART SENATE OFFICE BUILDING
SUITE 112
WASHINGTON, DC 20510-0505
(202) 224-3553
senator@boxer.senate.gov
http://boxer.senate.gov

Facsimile Transmission
From
SENATOR BARBARA BOXER
Washington, D.C. Office

Date: 9 May

To: Mike Iskowitz

Fax #: 456-2439

From: Sean Moore

Total number of pages **including** cover 5

Notes:

dbcs

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BARBARA BOXER
CALIFORNIA

COMMITTEES:
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FOREIGN RELATIONS

United States Senate

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WASHINGTON, DC 20510-0505
(202) 224-3553
senator@boxer.senate.gov
http://boxer.senate.gov

May 8, 2000

The Honorable Pat Leahy
Ranking Member
Subcommittee on Foreign Operations
Committee on Appropriations

Dear Senator Leahy:

As you begin consideration of the fiscal year 2001 Foreign Operations Appropriations bill, we respectfully request that you support adequate funding to combat world-wide diseases, in particular programs aimed at HIV-AIDS and tuberculosis.

On April 7, the Senate Foreign Relations Committee favorably reported S. 2382, the Technical Assistance, Trade Promotion and Anti-Corruption Act of 2000. This legislation contains two important subtitles that address the international problem of HIV-AIDS and TB.

The first subtitle contains an authorization of $300 million to the United States Agency for International Development (USAID) to combat international HIV-AIDS. These funds would be used to provide primary prevention and education, voluntary testing and counseling, medications to prevent mother to child transmissions and care for those living with HIV or AIDS. In addition to this authorization, the subtitle calls for $100 million to establish a World Bank trust for AIDS prevention and eradication, a contribution of $50 million to the Global Alliance for Vaccines and Immunizations and a $10 million contribution to the International AIDS Vaccine Initiative.

The second subtitle authorizes $60 million toward efforts to address the growing international problem of tuberculosis. These funds would assist in the prevention, treatment, control and eventual elimination of this deadly disease that is spread from person-to-person through the air.

Given the importance of addressing global health issues, we ask that you support these levels of funding for international HIV-AIDS and TB programs in the fiscal year 2001 Foreign Operations Appropriations bill.

Thank you for your consideration of this request.

Sincerely,

Barbara Boxer
United States Senator

Gordon Smith
United States Senator

Bill Frist
United States Senator

Russ Feingold
United States Senator

BARBARA BOXER
CALIFORNIA

COMMITTEES:
BUDGET
ENVIRONMENT
AND PUBLIC WORKS
FOREIGN RELATIONS

United States Senate

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SUITE 112
WASHINGTON, DC 20510–0505
(202) 224–3553
senator@boxer.senate.gov
http://boxer.senate.gov

May 8, 2000

The Honorable Mitch McConnell
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations

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May 8, 2000
Page 2

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Sincerely,

Barbara Boxer
United States Senator

Gordon Smith
United States Senator

Bill Frist
United States Senator

Russ Feingold
United States Senator

Congress of the United States
House of Representatives
Washington, DC 20515

President William Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

Our present budget surplus of $1 trillion is a great testament to the economic power of this country and your unparalleled stewardship of America's economic interests during this decade. As elected officials, we have the responsibility to make sure American citizens reap the benefits of this surplus by preserving the Social Security System, guaranteeing Medicare benefits for senior citizens, and creating incentives for middle class Americans to save tax reduction benefits that may be the outcome of our deliberations. While we enjoy this unprecedented surplus and the benefits we can bring to our families, communities, and nation, it is important that we also reflect on those around the world who do not share our fortune.

The HIV/AIDS crisis continues to devastate human populations around the world. Every day, 16,000 people contract this disease. Increasingly these individuals are women, babies, and young people. According to the United Nations, by the end of 1998, there were 14 million HIV-positive women of childbearing age worldwide. Many of their newborn babies were infected either during birth or from breast feeding. During 1998, more than two million women were infected with HIV and 900,000 died of AIDS Since the beginning of the epidemic, nearly five million women have died of this dreadful disease.

HIV/AIDS does not strike women and men equally. Heterosexual women are 2-4 times more likely than their husbands or partners to become infected with HIV. The high rate of sexually-transmitted diseases among women, often undetected, increases the prevalence of the disease. Beyond biological vulnerability, social and economic conditions put women at higher risk for HIV/AIDS. Poor women worldwide do not have services available to them and often face violence and abandonment if they question their partners' behavior. Women themselves may resist using condoms since they prevent pregnancy during years when couples plan to have children. In cities throughout Africa, Asia, Latin America, East and Central Europe, voluntary and involuntary prostitution among women and girls further exposes them to HIV/AIDS and other sexually transmitted diseases.

The epidemic has hit hardest among the poorer countries and regions of the world. According to United Nations, more than 95% of all HIV-infected people live in the developing world. In Latin America and the Caribbean, an estimated 91,000 women were infected with HIV/AIDS in 1998 and an estimated 35,000 women died. In parts of Asia including Thailand, Cambodia, and India, the spread of HIV is rampant based on the sex industry and illegal cross-border trafficking in women and girls. In Sub-Saharan Africa, there are six women with HIV for every five men. The devastation on Africa is reflected in the fact that worldwide, four-fifths of all infected women are African. In the emerging democracies of Central and Eastern Europe and Central Asia, HIV/AIDS has gained new footholds through intravenous drug users and unprotected sexual behavior. It is estimated that 54,000 women in these regions are infected with HIV/AIDS.

The impact of the epidemic among women ripples down to their children. By 1998, there were more than 8.2 million children who had lost their mother to AIDS. More than nine out of ten of these children were in Africa. Since women are the primary caregivers for children from birth to adulthood, these children are thrown to the streets and become vulnerable themselves to infected predatory adults.

While the HIV/AIDS disease continues to devastate women throughout the world and research toward finding a cure seems far into the future, we cannot afford to give up. There are many things that we can do as world citizens to help address the myriad problems associated with the HIV/AIDS epidemic. Treatment (AZT) has been proven not only to prolong life among HIV infected individuals but also to help prevent mother-to-child transmission. Education programs in the workplace, schools, and churches can help create new attitudes toward gender and AIDS transmission. Women's health services that include treatment, testing and counseling, prevention, and support services can greatly empower women as they combat this disease while caring for their families.

Worldwide, nations must be encouraged to follow the Philippines that enacted the AIDS law to promote human rights as a basis for caring for individuals with HIV/AIDS and controlling the spread of this disease. This law bans compulsory testing, outlaws discrimination, preserves privacy and confidentiality, and expands the social support and testing services to vulnerable populations throughout the country.

We ask you, Mr. President, to commit $1billion of the $1trillion surplus to the worldwide cause of HIV/AIDS treatment, education, support services, research and human rights to help women throughout the world deal with this devastating disease. That is a mere 1% of the great surplus with which we have been blessed. These funds will support a comprehensive program for maternal and child health, HIV testing, education in schools and the workplace, peer education and counseling, and social marketing campaigns for mass public education. Funding for research in all world regions also is essential if we are to conquer this disease. We want to encourage more investment in scientific research that will make tests for early detection simple and affordable, develop new technologies for prevention, and promote women's human rights vis-a-vis HIV/AIDS and related issues.

We urge you to support this proposal. While we as American citizens have many concerns with the well-being of our families and communities, this unselfish act on our part will truly prove our leadership in a world searching to find a cure for this dreadful disease.

Sincerely,

Juanita Millender McDonald

JUANITA MILLENDER McDONALD
Co-Vice Chair, Women's Caucus
Co-Chair, International Task for on HIV/AIDS

Carolyn B. Maloney

CAROLYN MALONEY
Co-Chair, Women's Caucus

Jim McDermott

JIM McDERMOTT
Co-Chair, International Task for on HIV/AIDS

NANCY PELOSI
8TH DISTRICT, CALIFORNIA

CHAIRPERSON,
CONGRESSIONAL WORKING GROUP
ON CHINA

CO-CHAIRPERSON,
AIDS TASK FORCE OF THE
HOUSE DEMOCRATIC CAUCUS

REPLY TO:

☐ WASHINGTON OFFICE:
2457 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4965

☐ DISTRICT OFFICE:
450 GOLDEN GATE AVENUE, 14TH FLOOR
SAN FRANCISCO, CA 94102
(415) 556-4862

Congress of the United States
House of Representatives

HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEES:
FOREIGN OPERATIONS AND
EXPORT FINANCING
LABOR, HEALTH AND HUMAN SERVICES
AND EDUCATION

COMMITTEE ON STANDARDS
OF OFFICIAL CONDUCT
SUBCOMMITTEE:
BIPARTISAN TASK FORCE
ON ETHICS

PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

July 23, 1999

Dear Colleague:

Today I add my name to the list of members calling for a General Accounting Office audit of federal AIDS funding mechanisms that endow state and local health departments for care, treatment and prevention programs.

After reading voluminous news accounts in the gay press of client complaints regarding the delivery of AIDS services and the misappropriations of federal money, I now firmly believe an independent GAO audit of AIDS programs is warranted. I have no doubt this audit will document the professional good management of most AIDS service providers much to the chagrin of their critics. Whatever the outcome, in the spirit of bipartisan AIDS leadership, I am now on record as supporting enhanced checks and balances attached to all future Congressional AIDS spending.

As a member of the House Appropriations Subcommittee on Labor, Health and Human Services and Education, I always put aside ideological differences to serve the needs of my constituents with AIDS. I joined with Republicans to increase federal AIDS funding through the Ryan White CARE Act to $1.4 billion last year and my promise to expand that figure remains rock solid.

I am certain any possible lapses in sound fiscal management uncovered by the audit of AIDS organizations will be minor and I believe that self-imposed, creative measures will correct any problems. Blaming AIDS organizations during a severe health crisis would not be morally right.

For example, the current unwritten accountability policy between the nonprofit AIDS sector and government agencies during several fiscal crises at the Shanti Project in my governing district of San Francisco illuminates one collaborative approach to meet the needs of AIDS patients when faults surface. The Executive and Deputy Directors of Shanti Project resigned in 1993 when they could not account for $2.7 million in federal and local funding. Thankfully, however, health care services continued for clients despite the missing money and after the project was downsized.

This default "honor system accountability process" also functioned extremely well after the National Task Force on AIDS Prevention suddenly expired in the summer of 1998. The task force of 46 staff members was located in San Francisco and operated a $3.2 million annual budget. Poor monitoring by local and federal agencies led to an out-of-control deficit that resulted in the downfall of the task force. Luckily, other AIDS prevention agencies took over the organization's responsibilities to hundreds of gay and bisexual men of color around the country.

Elsewhere in California, the untimely demise of the San Diego AIDS Foundation in the spring of 1997 did not adversely affect clients, whose cases were quietly shifted over to other well-funded agencies. While federal funding mechanisms contributed almost $2 million annually to the foundation before it stopped providing services, neither cash flow problems nor bankruptcy of the organization was detrimental to clients.

We must find solutions to these problems. The lawsuit filed in May by the Los Angeles AIDS Healthcare Foundation to force the L.A. Housing Department to spend their accumulated pool of $17 million in federal AIDS housing funds during the next fiscal year is an admirable example of effective client advocacy by AIDS providers. The foundation suit contends funding is in jeopardy because of repeated and continual breaches of rules set by the Housing Opportunities for People With AIDS (HOPWA) program.

Most recently, the high-profile AIDS corruption trial in Puerto Rico concluded last month and three former executive administrators of the defunct San Juan AIDS Institute were convicted of diverting $2.2 million away from critical AIDS services. Instead of being spent on Puerto Ricans with AIDS, the money was steered into political campaigns. These convictions are proof that fraud is not tolerated. This small scandal was an isolated instance of mismanagement and not the proverbial tip of a larger iceberg of widespread AIDS fraud.

Of course, as we enter into reauthorization hearings and budget negotiations, we must keep AIDS epidemiology foremost in our minds. America is experiencing drastically lowered AIDS caseloads and, as with so much in AIDS, the trend started in San Francisco. The most recent *Quarterly AIDS Surveillance Report* from the San Francisco Department of Public Health documents an all-time low of 181 new AIDS cases for the first six month of 1999 with only two of those cases identified as heterosexual. In fact, due to the drop in AIDS cases San Francisco General Hospital has transformed its AIDS ward into a medical unit for cancer patients and people with other diseases.

This shrinking caseload of newly diagnosed people with AIDS in San Francisco is a dilemma for lawmakers and AIDS service providers. How do we secure AIDS funding to meet the long-term needs of those still living with AIDS when the funding pie will undoubtedly shrink due to decreased deaths? At this critical time, caution must guide our decisions. We must carefully answer this vexing question to prevent wasteful spending while protecting our constituents with AIDS from falling through the safety net of service organizations.

I am confident the GAO audit of AIDS programs will eventually prove immune boosting to people living with AIDS as well to the courageous service organizations that serve these individuals in their time of need. Let us join together to create a friendly environment for GAO auditors as they pursue their ultimately lifesaving responsibilities.

Sincerely,

Nancy Pelosi

Nancy Pelosi
Member of Congress

PWA calls case mgmt. 'boondoggle,' tells of shitty treatment at SFGH

by Cynthia Laird

A gay man living with AIDS spoke at the HIV Health Services Planning Council Monday, July 12 and denounced the way federal Ryan White CARE Act funds – money for AIDS "case management" – are allocated in San Francisco. Tony Leone, a longtime AIDS activist who is himself a member of the council, emotionally recounted a list of painful and humiliating experiences that included being forced to leave San Francisco General Hospital covered in his own excrement, and then returning home after an extended hospital stay only to find that four case managers couldn't help him with the things that mattered most: getting food, cleaning his laundry, and doing his dishes.

Leone read a seven-page statement to his fellow councilmembers outlining his extreme frustration, and ended by asking the council – which will finalize CARE fund prioritization in six weeks – to remove 80 percent of the funding for case management and for peer advocacy from all agency contracts. He urged that the money be put instead into a single agency request for proposal, requiring that all agencies coordinate through this system.

"Case management is a boondoggle," he told the council.

After Leone spoke, the council was speechless and members tried to grasp how the HIV health service delivery system in San Francisco could seemingly fail a gay man with AIDS. Leone has been on the planning council for two years; additionally he is an expert parliamentarian who provides services for the city's HIV Prevention Planning Council (HPPC) and is an active member of the Alice B. Toklas Lesbian and Gay Democratic Club. He is a resident at Derek Silva, a HIV/AIDS housing program operated by Catholic Charities.

'Someone's being insensitive'

It was his experience visiting San Francisco General Hospital (SFGH) in late January that was most extraordinary. Leone said he had to go to the hospital's urgent care unit for a prescription of Tincture of opium to help control his chronic diarrhea. "Upon arrival I had the urgent need to use a bathroom," he recounted. "The nurse refused to tell me where the bathroom was because she said they might need a specimen and I should wait. Of course, I was incontinent. When I asked for a clean diaper so I could ride the bus home without sitting in shit, I was told they don't have anything and could not help me.

"I was given a folded up piece of blue plastic. I had no way to secure it in place. Before I could even get out the hospital door, it had slipped and slid down my right leg. I was painted with stool from my anus to my ankle," Leone told the council.

"I just can't understand why this was necessary."

Gloria Rodriguez, public information spokeswoman at SFGH, told the *Bay Area Reporter* that she will look into what happened to Leone and said it's not hospital policy to refuse basic items like diapers. "If an individual took that action, it's not the policy of the hospital and someone's being insensitive," Rodriguez said after being told of the incident Tuesday, July 13.

Leone said over the past four years he has lost 200 pounds and has had to live with chronic diarrhea and vomiting. He wanted to share his experiences over the last six months before the council completes its prioritization for the next cycle of Ryan White CARE funds. The city received approximately $34 million in CARE dollars for fiscal year 1998-99; of that, approximately $1.6 million went to the two case management categories Leone discussed. Leone said that input from the council's PWA caucus has previously been ignored and brushed aside by the council during the prioritization process.

"I keep hearing how the face of AIDS has changed. Frankly, I'm tired of hearing how the 'face of AIDS has changed.' In fact deaths from AIDS has declined by about 50 percent annually. Now we seem to want to look only at those 50 percent who are doing well. The ones for whom HAART [highly active antiretroviral therapy] is working, those who are re-entering the job market and in essence getting their lives back. I don't think we've really looked at the other face of AIDS, the 50 percent who are still in pain and dying. The ones for whom drug cocktails are not working. The system is responding very poorly to the needs of the truly sick," Leone said.

Tony Leone

Leone said he continued losing weight at the rate of about 15 pounds a month and could not get his doctor to listen to his complaints of pain, anorexia, and vomiting. "Finally, in May as I was near collapse a friend helped me to the hospital. My potassium level was critical and I was very dehydrated and significantly anemic requiring blood transfusions," he said. Leone asked for and was refused a CMV serology test. "They said since I was gay they wouldn't do it. Since most gay men are positive they refused to do the blood test on me."

Home from the hospital

When Leone returned home from the hospital he found "the most insulting letter" he could imagine from Project Open Hand, informing him of the need to recertify his illness every six months because of changing eligibility requirements at the agency. "Until there is a cure for AIDS I will always have it," Leone said. "I will die with it if not from it. I'm exhausted and in so much pain I can't stand it. If anyone needs food and grocery support it is me. Putting any further burden for paperwork and proving that I still have AIDS is unconscionable. I'm just so sick of being in pain. For the first time in my life I truly understand why some people self-euthanize.

"Also waiting at home was three months of dirty laundry. My living room floor was covered with stool and vomit-covered dirty clothes. The sink full of dirty dishes not only smelled but was literally rotting. I had four case managers and no one could help me get my laundry and dishes done. The Derek Silva case manager was only concerned about getting my rent paid. They were all very concerned about filling their units of service. One case manager spent 40 minutes out of the hour she spent with me telling me how she met her lover and what it takes to maintain a successful lesbian love relationship. I doubt this informatioh will ever be of use to me. I sat there in pain during this whole episode.

"Another case manager sat with her nose out my window looking at the mess of dirty laundry and saying, 'I wish there was something I could do,'" Leone said.

Peter Veilleux, program manager at Derek Silva, told the *B.A.R.* that he couldn't discuss particular resident issues. He did say that case management and clinical hours have been reduced at Derek Silva over the last year at the request of residents and that as a result, case managers have a higher client load. Veilleux also said services are provided by other agencies, but as Leone pointed out, they are not always satisfactory.

Leone's dehydration caused his corneas to dry out almost completely, which left him with severely impaired vision. "Shortly after I was released from the hospital I managed to go to Safeway to get groceries. I stood in the store crying because I could not read the labels on the food," he told the council. "Four case managers and no one could help me get groceries.

"No one seemed to be able to help with the real needs: laundry, groceries, and dishes. The system is failing PLMs [people like me]," he said. ▼

Table 5. AIDS Cases by Transmission Category and Year of Diagnosis, San Francisco, 1981-1999

Transmission Category (1)	< 1989 No. (%)	1989 No. (%)	1990 No. (%)	1991 No. (%)	1992 No. (%)	1993 No. (%)
Adult/Adolescent						
Gay or bisexual male	6007 (83.6)	2009 (82.4)	1848 (80.1)	2016 (77.7)	2078 (76.0)	1791 (76.6)
Injection drug user (IDU)	151 (2.1)	104 (4.3)	122 (5.3)	171 (6.6)	222 (8.1)	184 (7.9)
Gay or bisexual male IDU	874 (12.2)	254 (10.4)	278 (12.1)	328 (12.6)	344 (12.6)	281 (12.0)
Lesbian or bisexual IDU	2 (0.0)	2 (0.1)	3 (0.1)	2 (0.1)	8 (0.3)	6 (0.3)
Hemophiliac	12 (0.2)	5 (0.2)	2 (0.1)	3 (0.1)	7 (0.3)	2 (0.1)
Heterosexual (2)	31 (0.4)	18 (0.7)	26 (1.1)	30 (1.2)	40 (1.5)	37 (1.6)
Transfusion recipient	73 (1.0)	30 (1.2)	13 (0.6)	25 (1.0)	12 (0.4)	17 (0.7)
None of the above/Other (3)	17 (0.2)	8 (0.3)	12 (0.5)	14 (0.5)	20 (0.7)	16 (0.7)
Pediatric (0-12 years) (4)	18 (0.3)	7 (0.3)	3 (0.1)	5 (0.2)	2 (0.1)	3 (0.1)
Total	7185 (100)	2437 (100)	2307 (100)	2594 (100)	2733 (100)	2337 (100)

Transmission Category (1)	1994 No. (%)	1995 No. (%)	1996 No. (%)	1997 No. (%)	1998 No. (%)	1999 No. (%)
Adult/Adolescent						
Gay or bisexual male	1475 (74.3)	1271 (74.7)	821 (70.0)	644 (72.7)	457 (70.2)	121 (66.9)
Injection drug user (IDU)	187 (9.4)	173 (10.2)	156 (13.3)	119 (13.4)	97 (14.9)	29 (16.0)
Gay or bisexual male IDU	251 (12.6)	190 (11.2)	134 (11.4)	76 (8.6)	66 (10.1)	20 (11.0)
Lesbian or bisexual IDU	4 (0.2)	4 (0.2)	0 (0.0)	1 (0.1)	2 (0.3)	0 (0.0)
Hemophiliac	4 (0.2)	4 (0.2)	0 (0.0)	0 (0.0)	2 (0.3)	1 (0.6)
Heterosexual (2)	34 (1.7)	32 (1.9)	31 (2.6)	26 (2.9)	14 (2.2)	2 (1.1)
Transfusion recipient	10 (0.5)	10 (0.6)	6 (0.5)	3 (0.3)	1 (0.2)	1 (0.6)
None of the above/Other (3)	16 (0.8)	17 (1.0)	24 (2.0)	15 (1.7)	12 (1.8)	7 (3.9)
Pediatric (0-12 years) (4)	4 (0.2)	1 (0.1)	1 (0.1)	2 (0.2)	0 (0.0)	0 (0.0)
Total	1985 (100)	1702 (100)	1173 (100)	886 (100)	651 (100)	181 (100)

(1) Persons with more than one risk factor (other than the combinations listed in the tables) are tabulated only in the most likely transmission category.
(2) Includes persons who have had heterosexual contact with a person with AIDS or with a person who is at risk for HIV.
(3) Includes persons for whom risk information is incomplete (due to death, refusal to be interviewed or loss to follow-up), cases still under investigation, or interviewed patients who offered no plausible risk for HIV.
(4) Includes children who have hemophlia or other coagulation disorder, have received a blood transfusion, or who have acquired their infection from an infected mother during the perinatal period.

8th Congressional District San Francisco, California

Fax Transmission from the Washington Office of Congresswoman Nancy Pelosi

Phone #: 202/225-4965 **Fax #: 202/225-8259**

ATTENTION: Michael Iskowitz

DATE: April 24, 2000

FROM: Scott Boule

# of Pages: 3
(Including cover page)

Message/Instructions:

Thanks for looking into this. We feel very strongly that it is important to have someone who is knowledgeable about the employment needs of people living with HIV/AIDS included on the Advisory Panel. Unfortunately, the House has already named our four appointees. It would be great if Sandy could weigh in on this. I've contacted Eric Ciasullo from the San Francisco Dept. of public health, who has been working on this as Director of the SF return to work initiative, to try and get the appropriate contact name. He hasn't gotten back to me yet, but he did mention Bob Nash in an earlier message. I'm not sure if Bob Nash is the best contact or not. I'll let you know once I hear back from Eric.

NANCY PELOSI
8TH DISTRICT, CALIFORNIA

2457 RAYBURN BUILDING
WASHINGTON, DC 20515-0508
(202) 225-4965

DISTRICT OFFICE:
FEDERAL BUILDING
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CA 94102-3460
(415) 556-4862
sf.nancy@mail.house.gov
http://www.house.gov/pelosi

Congress of the United States
House of Representatives
Washington, DC 20515–0508

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES
LABOR-HEALTH AND HUMAN SERVICES-EDUCATION
RANKING MEMBER
FOREIGN OPERATIONS, EXPORT FINANCING AND RELATED PROGRAMS

PERMANENT SELECT COMMITTEE ON INTELLIGENCE
HUMAN INTELLIGENCE, ANALYSIS, AND COUNTERINTELLIGENCE

CONGRESSIONAL WORKING GROUP ON CHINA, CHAIR

AT-LARGE WHIP

April 7, 2000

Senator Dianne Feinstein
United States Senate
Washington, D.C. 20510

Dear ~~Senator Feinstein~~ Dianne:

It is my understanding that the Senate is in the final stages of naming its appointments to the Ticket to Work Advisory Panel to the Social Security Administration, established by provisions of the Ticket to Work and Work Incentives Improvement Act (TWWIIA) of 1999. As the Senate nears closure on its deliberations, I hope you will give serious consideration to Mark Misrok from San Francisco. For more than seven years, Mark has championed the employment needs of people with HIV/AIDS, and he is one of the principal architects in the emerging field of HIV/AIDS workplace re-entry.

As the openly HIV-positive Employment Services Program Coordinator at Positive Resource Center, Mr. Misrok has supervised the expansion of his department from a free-standing job placement service into Northern California's most comprehensive provider of vocational rehabilitative services for people with HIV and AIDS. He is a skilled service provider, administrator and trainer, and he has a broad knowledge of client concerns, grants management dynamics, and public policy issues. I've attached his resume for your review.

The HIV/AIDS community in my District is extremely excited about the possibilities inherent in this historic legislation. People with HIV/AIDS and their advocates have been working together to address barriers to employment for a number of years, and multi-layered partnerships currently exist between the Mayor's Office, the Department of Public Health, the California Department of Rehabilitation, a half-dozen community-based organizations, and various Departments of the federal government to provide programming for hundreds of San Franciscans with HIV/AIDS who are trying to enter or re-enter the workforce. The legislative remedies provided by TWWIIA, along with the programs we currently have and those which are in development, promise to affect the lives of thousands more who have indicated a real need and readiness.

Certainly people with HIV/AIDS have much in common the rest of the disability community. They also have needs which are in many ways distinct. I am concerned that the regulations which will shape implementation of the Ticket program take such differences into account if TWWIIA's benefits are to be experienced by all those it was designed to serve. It is within this context that I urge you to appoint someone who is openly HIV-positive, skilled in the development and implementation of HIV-specific vocational rehabilitation programs, to the Advisory Panel which will advise Congress and the Commissioner on implementation of the Ticket program.

Senator Dianne Feinstein
April 7, 2000

Thank you for your consideration of Mark Misrok for membership on the Ticket to Work Advisory Panel.

best regards,

Nancy

NANCY PELOSI

8th Congressional District

San Francisco, California

Fax Transmission from The Washington Office of Congresswoman Nancy Pelosi

Phone #: 202/225-4965

Fax #: 202/225-8259

ATTENTION: Sandy & Michael

FROM: Chris Collins

DATE:

# of Pages: 2
(Including cover sheet)

Message/Instructions: fyi
sent earlier this month
Chris

Action Required:

NANCY PELOSI
8TH DISTRICT, CALIFORNIA

2457 RAYBURN BUILDING
WASHINGTON, DC 20515-0508
(202) 225-4965

DISTRICT OFFICE:
FEDERAL BUILDING
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CA 94102-3460
(415) 556-4862
sf.nancy@mail.house.gov
http://www.house.gov/pelosi

Congress of the United States
House of Representatives
Washington, DC 20515–0508

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES:
LABOR-HEALTH AND HUMAN SERVICES-EDUCATION
RANKING MEMBER
FOREIGN OPERATIONS, EXPORT FINANCING AND RELATED PROGRAMS

PERMANENT SELECT COMMITTEE ON INTELLIGENCE
HUMAN INTELLIGENCE, ANALYSIS, AND COUNTERINTELLIGENCE

CONGRESSIONAL WORKING GROUP ON CHINA, CHAIR

AT-LARGE WHIP

August 3, 1999

The Honorable John Porter
Chairman
Appropriations Subcommittee
on Labor-HHS-Education
2373 Rayburn Building
Washington, D.C. 20515

Dear Mr. Chairman:

In my Appropriations request letter to you in April of this year, I requested a $35 million increase in international AIDS funding at the Centers for Disease Control (CDC). I am pleased that the President has recognized the urgent need to expand our commitment to fighting the international AIDS epidemic by requesting a total of $100 million at several agencies for fiscal year 2000.

In the President's proposal, $35 million in funding would be provided to CDC for HIV prevention and treatment services. The President's proposal for use of new CDC funds is consistent with my intent to increase international AIDS funding through the Labor-HHS-Education Appropriations bill.

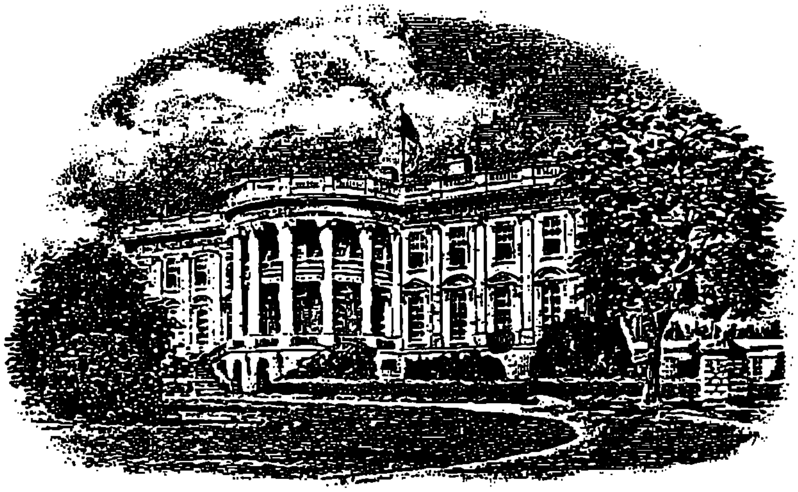
I hope that the Labor-HHS-Education Subcommittee will be able to provide at least $35 million for international AIDS as outlined in the President's proposal.

Thank you for your consideration of this request, and for your continued leadership on our Subcommittee.

Sincerely,

Nancy

NANCY PELOSI



WHITE HOUSE/NSC PRESS OFFICE

TO: Sandy/Cheryl

FAX:

TELEPHONE:

FROM: Dave

FAX: (202) 456-9270

TELEPHONE: (202) 456-9271

DATE:

TIME:

NUMBER OF PAGES TO FOLLOW: 3

COMMENTS:

FYI

House OKs Africa AIDS Victim Fund

by **JIM ABRAMS**
Associated Press Writer

WASHINGTON (AP) -- The House has approved funds to combat the devastation of AIDS in Africa, the center of what the Surgeon General says will soon become the worst infectious disease epidemic ever.

The voice vote Monday to create a World Bank-run trust fund to address the scourge of HIV and AIDS in sub-Saharan Africa comes amid increased awareness of the threat AIDS poses to the world's political and economic well-being.

The administration recently said it now regards the world AIDS epidemic to be of a proportion sufficient to threaten national security. With fragile democracies and struggling economies in developing nations at risk, "AIDS is a national security issue," Secretary of State Madeleine Albright said.

"The world confronts one of the most serious and urgent public health challenges in the history of mankind," said Banking Committee Chairman Jim Leach, R-Iowa, co-sponsor of the bill with Rep. Barbara Lee, D-Calif. Soon to surpass both the bubonic plague of the 1300s and the influenza epidemic of 1918-1919 in deadliness, "the global AIDS epidemic might fairly be described as a disease of Biblical proportions," he said.

Leach and others cited disastrous statistics: sub-Saharan Africa accounts for 10 percent of the world population but 80 percent of the worldwide deaths of more than 16 million. Every day another 6,000 Africans die of AIDS.

The life expectancy in southern Africa, which stood at 59 in the early 1990s, is expected to drop to 45 by 2015. The World Bank says the impending deaths of up to 25 percent of adults in some countries could destroy economies.

"The survival of a continent is at stake," said Lee. "AIDS is decimating the continent and leaving behind millions of orphans in its wake. By the year 2010 the number of orphans in Africa will equal the number of children in America's public schools."

The bill, named after the Marshall Plan under which the United States helped Europe rebuild after World War II, authorizes U.S. contributions of $100 million a year for five years to the World Bank trust fund, with the aim of leveraging that to produce up to $1 billion a year from international donors.

The World Bank would administer programs dealing with AIDS prevention, education, treatment and care.

World Bank HIV/AIDS coordinator Debrework Zewdie said the bill would send a strong signal to other governments and give a sense of solidarity to African nations. "This is the time," she said. "Otherwise it will be too late for all of us."

Claudia French of the advocacy group AIDS Action applauded the House bill, which now goes to the Senate with the strong support of the administration. "America is clearly stepping up to the plate," she said. "While most experts believe it will take more than $5 billion to slow the epidemic in Africa, we are excited about this down payment."

The African AIDS crisis was also the focus of attention last week when President Clinton issued an executive order making clear that the U.S. government would not stand in the way of African nations seeking access to less expensive or generic AIDS drugs.

Also last week five major pharmaceutical companies agreed to make substantial cuts in the price of AIDS drugs for Africa and other developing countries. They were responding to criticisms that while new AIDS treatments have prolonged the lives of HIV and AIDS victims in the West, they are far too expensive to help the millions of sufferers in Africa and Asia.

^------=

The bill number is H.R. 3519.

On the Net: Legislative information: http://thomas.loc.gov

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05/16/2000

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
LEGISLATIVE AFFAIRS

PHONE: 395-4790 / FAX: 395-3729

TO: K. Thurmond

DATE: 9/21

FROM:

X CHUCK KIEFFER

___ ELIZABETH GORE

___ TED ZEGERS

___ SANDRA YAMIN

X NANCY BRANDEL

___ LISA ZWEIG

Comments: For-Ops, Defense SAPs

FAX #: 62439

PHONE NUMBER: ___

PAGES: 27
(includes cover page)

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

June 30, 1999
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

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

S. 1234 – FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATION BILL, FY 2000

Sponsors: (Stevens (R), Alaska; McConnell (R), Kentucky)

This Statement of Administration Policy provides the Administration's views on the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 2000, as reported by the Senate Appropriations Committee. As the Senate considers the Committee-reported bill, your consideration of the Administration's views would be appreciated.

The Administration appreciates the Committee's efforts to accommodate some of the Administration's priorities within its 302(b) allocation. However, the inadequacy of the 302(b) allocation has forced the Committee to make choices that are simply unacceptable.

The allocation of discretionary resources available to the Senate under the Congressional Budget Resolution is simply inadequate to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet such needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance this spending. Congress has approved, and the President has signed into law, nearly $29 billion of such offsets in appropriations legislation since 1995. The Administration urges the Congress to consider such proposals.

This legislation is a critical element of America's national security budget. As a result of the inadequate 302(b) allocation for Foreign Operations, the Committee bill is more than $1.9 billion, or 13 percent, below the program level requested by the President, which would result in the severe under-funding of a number of crucial programs. A bill funded at this level would be grossly inadequate to maintain America's leadership around the world. It inevitably would require severe reductions from previously enacted levels for programs managed by the Departments of State and Treasury, the Agency for International Development, and other agencies.

The bill provides neither the $500 million requested by the President to support the Wye River Agreement, nor any of the $800 million requested as an FY 1999 supplemental appropriation. It also would significantly increase our arrears to various multilateral development banks, after three years of bipartisan progress in reducing these arrears, thus undermining our leadership in these institutions. The Committee's decision not to fund the Expanded Threat Reduction Initiative undermines our ability to reduce the proliferation threat and continue the elimination of weapons of mass destruction (WMD). The cut in funding for debt reduction programs would preclude our leadership in reducing debt of the poorest countries. Given current tensions on the Korean peninsula and the 37,000 U.S. troops stationed there, the reduction for the Korean Peninsula Energy Development Organization (KEDO) is ill-advised.

Moreover, the bill contains substantial earmarks and objectionable restrictions on language which, when combined with the reduced funding level, would seriously limit the President's flexibility to conduct an effective foreign policy. Various provisions concerning Kosovo, in the context of difficult and fluid circumstances on the ground, are particularly ill-advised. For example, the earmark to train and equip a security force in Kosovo would reduce the Administration's flexibility and, given current intra-Kosovar rivalries, could threaten the lives of American military and civilian peacekeepers. The designation of Serbia as a terrorist state would have the unintended consequence of cutting off aid to Front Line and other states, even if they provide only humanitarian assistance to the Former Republic of Yugoslavia. The total prohibition on assistance to Russia pending certification that Russia is not assisting Iran's development of nuclear and ballistic missile technologies would complicate our efforts to achieve those very goals and would undermine other vital American interests in ensuring constructive relations with a more stable Russia.

If the Congress were to enact a bill that does not resolve the significant funding and language problems in the current Committee bill, as discussed in this Statement of Administration Position and its attachment, the President's senior advisers would have no choice but to recommend that he veto the bill.

Detailed comments on the Senate Committee-reported bill are provided in the attachment.

Attachment

(Senate Floor)

ADDITIONAL CONCERNS
S. 1234 FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS BILL, FY 2000
(AS REPORTED BY THE SENATE APPROPRIATIONS COMMITTEE)

For the following accounts, the Administration urges the Senate to restore funding to the levels in the President's FY 2000 request.

Multilateral Development Banks. The reduction of $444 million, or 32 percent, by the Committee to the President's request for the Multilateral Development Banks would unravel the progress made in the FY 1998 and 1999 appropriations towards meeting the past-due obligations of the United States to these institutions and in meeting our continued obligations to them at the much-reduced level that has been negotiated over recent years. In particular, the lack of any funding whatsoever for the African Development Fund and the drastic cuts in the requests for the Global Environment Facility and the Asian Development Fund would call into question the willingness of other donors to continue their support for these critical institutions at the very point when their support for environmental and economic development is most needed.

Southeast Europe and Kosovo. The Administration appreciates the increase in Support for Eastern Europe Democracy (SEED) funding in recognition of U.S. security interests in restoring and sustaining stability in Southeast Europe. However, we strongly oppose the earmarks of the SEED account, earmarks that, if enacted, would eviscerate the President's flexibility in meeting any unanticipated economic stabilization needs in this war-ravaged region. In addition, the funding limitations on Bosnia would only increase the risk that the peace we have worked to establish in that country could begin to unravel just as the Kosovo conflict shows signs of abatement.

With regard to Kosovo, the Administration is strongly opposed to language which, coupled with the language contained in the Committee report, could be interpreted as aimed at training and equipping the Kosovo Liberation Army (KLA), a policy prescription diametrically at odds with the recent agreement by the KLA to disarm under NATO supervision. If adopted, we believe this provision could threaten the lives of American military and civilian peacekeepers and humanitarian care providers, particularly in view of current intra-Kosovar rivalries .

The Administration also strongly opposes the designation of the Government of Serbia as a state sponsor of international terrorism and gross human rights violator. While egregious, the actions taken by officials of that Government against the Kosovar people do not constitute "international terrorism" as that term is used in U.S. terrorism legislation. The provision contains neither a waiver, nor an authority to "de-designate" and would impinge on the authority of the Secretary of State. Moreover, the bill's designation of Serbia as a state sponsor of international terrorism could have the unintended consequence of imposing sanctions on Front Line States and other countries that, whether because humanitarian or other concerns, provide assistance of any kind to the Government of the Federal Republic of Yugoslavia. This could further destabilize an already war-torn region and make more difficult the task of assuring stability in the broader region.

Sec. 567 -- Restrictions on Assistance to Countries Providing Sanctuary to Indicted War Criminals. While the Administration appreciates the Committee's desire to speed the apprehension and trial of war criminals, the Administration opposes any provision that would increase restrictions in current law on former Yugoslav entities harboring war criminals as too restrictive, unnecessary, too burdensome in implementation, and jeopardizing successful Dayton implementation.

Assistance to the Newly Independent States (NIS). The Committee bill would reduce the President's request for assistance to the NIS by 24 percent, and over half of the $780 million that is provided would be earmarked for three countries in the region. This would leave little in funding for reforming countries such as Moldova, or to fund the vitally important Expanded Threat Reduction Initiative. The reduction in the Committee bill would also reduce funding for programs that the Senate has supported aimed at fostering grass root support for reform in the region, including micro-lending and exchange programs. Such cuts would undermine our efforts to help the countries of the region to become integrated into the global economy and play constructive roles in global affairs. They equally would make it more difficult to press for further market reforms and to support democratic forces across the region.

The Administration strongly opposes conditioning all assistance to Russia on a certification that Russia is not assisting the Government of Iran's development of nuclear and ballistic missile technologies. This would complicate our efforts to achieve those very goals and would undermine other vital American interests in ensuring constructive relations with a more stable Russia.

Expanded Threat Reduction Initiative (ETRI). The Committee provides no support for proposed increases for this critical national security initiative. We have made dramatic strides in securing nuclear materials and important progress in strengthening export controls in these countries. The primary objective of the Expanded Threat Reduction Initiative is to further reduce international security threats by expanding and accelerating U.S. and international assistance activities in Russia and the other NIS to address high priority security and proliferation concerns. This initiative has received wide support in Western Europe and Japan. The costs of having to defend against weapons of mass destruction (WMD) proliferation are enormous. At a fraction of such costs, the international community can join together to reduce the proliferation threat through ETRI.

Korean Peninsula Energy Development Organization (KEDO). The Administration strongly objects to the bill's provisions concerning KEDO. The cut of $15 million, or 20 percent, in funding for KEDO could prevent the United States from fulfilling its commitments under the Agreed Framework to provide heavy fuel oil to North Korea and could damage our nonproliferation policy on the Korean Peninsula. Restrictions on funding relating to North Korean missile exports and "nuclear capability" would also jeopardize our ability to meet our commitments on the peninsula. Stopping North Korea's ballistic missile and nuclear programs, including its exports, are a priority goal of the Administration and a key focus of Secretary Perry's review of U.S. policy, but any failure by the United States to uphold the Agreed Framework risks giving North Korea an excuse to develop both ballistic missiles and nuclear weapons. In addition, the requirement for a 45-day delay in Presidential certification would seriously undermine our ability to maintain the funding schedule for KEDO. Finally, we strongly oppose the prohibition on use of Economic Support Fund (ESF) funds for KEDO, which would unduly restrict the President's flexibility to deal with unexpected foreign policy developments.

Wye River and Middle Eastern Assistance. The Committee bill fails to provide any of the $500 million requested by the President for FY 2000 to support the Wye River Agreement, nor does it provide any of the $800 million requested as an FY 1999 supplemental appropriation for this purpose. Given the renewed dedication of all sides to the peace process, this complete lack of funding would undercut the U.S. Government's efforts to support this historic opportunity to strengthen the peace process and move toward a permanent agreement.

The Administration continues to welcome the efforts of the Committee to ramp down traditional levels of assistance to countries in the Middle East. However, the Administration is disappointed both at the Committee's failure to accept our specific proposal for a gradual reduction in aid to Israel and Egypt and with the Committee's decision not to incorporate the provision of an Interest Bearing Account for a portion of Egypt's Foreign Military Financing (FMF). The Administration will work with the Congress on the scoring implication of this proposal.

Economic Support Fund (ESF). The reduction of almost $200 million to the President's request for non-Wye River ESF would effectively remove any discretion that the President has to respond to a host of threats around the world. These cuts would force the reduction or elimination of programs intended to increase political stability and democratization in Africa; support democracy efforts in Guatemala, Peru, and Ecuador; sustain implementation of the Belfast Good Friday Accord; bolster democratic reform and economic recovery in Asia; and, support Arab/Israeli cooperation programs in the Middle East.

Debt Reduction. The cut of almost two-thirds to the President's request for debt reduction programs, from $120 million to $43 million, would cripple our ability to fund the bipartisan debt for environment program that was enacted by the Congress last year and would damage our ability to contribute to the Trust Fund for the Highly Indebted Poor Countries, which is an essential component of current debt reduction programs as well as of the historic debt initiative agreed to in Cologne. This initiative has received broad support from governments, multilateral institutions, religious groups, and individuals worldwide.

Peacekeeping Operations. The Committee's $50 million, or 38 percent, cut to the President's request for voluntary peacekeeping operations would decrease funds available for Organization for Security and Cooperation in Europe (OSCE) missions in Bosnia and Croatia, significantly reduce assistance for the African Crisis Response Initiative, and eliminate funding for Haiti. In doing so, such a substantial reduction would also raise international concern that the United States may not support its fair share of the international police force that will help to implement the Kosovo peace settlement, for which new resources will be needed.

International Narcotics and Crime. The cut of $80 million, or 27 percent, to the President's request for International Narcotics and Crime programs would significantly impact programs designed to implement the National Drug Control Strategy, including alternative development efforts in Columbia, Peru, and Bolivia, and would reduce our support for the U.N. Drug Control Program and other important multilateral anti-narcotics efforts. A cut of this magnitude would also significantly undercut the Administration's programs in support of the President's new International Crime Control Strategy, which was released in May 1998.

Nonproliferation, Anti-terrorism, Demining, and Related Programs. The Committee has cut these programs by $56 million, or 24 percent, from the President's request. In addition to the reduction for KEDO discussed separately, the request for export control assistance would be cut by two-thirds (from $15 million to $5 million). This would greatly slow our efforts to assist the NIS and other regions to develop tighter controls to prevent nuclear smuggling.

Peace Corps. The Administration is very concerned by the Committee's $50 million, or 19 percent, reduction to the President's request for the Peace Corps. This reduction, which would cut funding by over $20 million from the FY 1999 enacted level, would require the Peace Corps to reduce the current level of volunteers by over 1,000. It would also prevent implementation of the bipartisan initiative to field 10,000 volunteers in the new century. This Administration goal was enacted into law in 1985 as "the policy of the United States and the purpose of the Peace Corps," and was confirmed in this year's Peace Corps reauthorization (which was approved by the Senate by unanimous consent).

U.S. Agency for International Development (USAID). The Administration appreciates the Committee's support for a number of the Administration's development initiatives. In particular, the Committee's support for the "School Works" program will provide important resources for the fight against child labor.

However, the Committee bill and accompanying Senate Committee Report contain an unprecedented number of earmarks, directives and recommendations for funding, with over 30 earmarks in bill language and over 60 directives or recommendations in report language. When combined with the degree of specificity for funding – in some cases down to the project type and appointed grant recipient -- these produce an unmatched and unwarranted level of micro-management.

The Administration appreciates the increase over FY 1999 in funding for USAID's operating expenses. However, the reduction of almost $13 million from the request, coupled with the higher-than-anticipated costs of improving security at overseas posts, would force USAID to reduce its permanent staff by even more positions than already planned. P.L. 105-277, the FY 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act mandated the transfer of the security function to USAID from its Inspector General.

Although sufficient disaster assistance resources have been provided for Kosovo through supplemental appropriations, the 20-percent reduction to the Administration's FY 2000 disaster assistance request would limit USAID's ability to meet humanitarian needs in other parts of the world, particularly in Africa. It would also threaten USAID's ability to provide assistance to the victims of nuclear, chemical, or biological disasters abroad, and would limit the ability of Office of Transition Initiatives to provide needed assistance to countries that are making the transition from conflict situations.

The Administration is disappointed that the Committee has not approved transfer authority for the Development Credit Authority. USAID's recent implementation of a credit management out-sourcing contract and other credit management improvements justifies continued funding of this innovative new credit mechanism.

The Administration is concerned that its request for reinstatement of the Development Fund for Africa (DFA) is not included in the bill. Funding provided under the DFA affords needed stability to respond to development opportunities in Africa, as well as to complex crises on a fragile continent, and maintains our strong commitment to an Africa in transition.

Finally, we are concerned that the Committee has not approved the requested authority for USAID to create a Working Capital Fund similar to those already available to the Department of State and other agencies. We hope to work with the Senate to give USAID the means to capture the costs of becoming a service provider to other agencies under the ICASS system and, therefore, encourage competition among agencies to provide the lowest-cost and most efficient services.

<u>Migration and Refugee Assistance (MRA)</u>. The Committee's $50 million reduction to the President's request for MRA would require a reduction in annual refugee admissions to the United States of up to 10,000. A reduction of this magnitude also would eliminate resources for an initiative to address programming shortfalls in Africa and South Asia necessary to provide life-saving, minimum international standards of assistance in key sectors (including nutrition, shelter, medicine, sanitation, and protection). Such reductions in assistance to refugees in Africa and elsewhere at the very time huge resources are going into Kosovo would create serious political and equity issues.

<u>Export and Investment Financing</u>. The Administration appreciates the Committee's effort to support the President's export initiative by increasing funding for the Export-Import Bank, especially the administrative budget, which is essential to the Bank's efforts to increase small business exports. We urge the Senate, as this bill progresses, to increase the Bank's credit subsidy budget to the President's requested level to enable U.S. exporters to continue to export to the developing world during the ongoing economic downturn.

The Administration is very concerned about the reduction in funding for the Trade and Development Agency (TDA) below both the President's request and the FY 1999 enacted level. The request for TDA is an integral part of the President's export initiative, and the Committee bill would significantly reduce TDA's ability to fund feasibility studies that help U.S. exporters take advantage of potential market opportunities.

Likewise, the Administration is very concerned about the reduction in administrative expenses for the Overseas Private Investment Corporation. This $3.5 million reduction below the request, or $1 million below the FY 1999 enacted level, could threaten the agency's capability to operate in a financially responsible and prudent manner, and runs counter to efforts to mobilize U.S. private sector support for key foreign policy priorities.

The Administration believes the Senate provision mandating OPIC to establish an investment fund is inappropriate because it would eliminate OPIC's discretion to determine whether such a fund is financially viable.

African Development and Inter-American Foundations. The Administration strongly objects to the suspension of funding for the Inter-America Foundation. It is inappropriate to suspend funding for an entire agency as the result of the alleged improprieties of individual staff members.

The Administration appreciates the Committee's efforts to support the African Development Foundation (ADF). However, the Committee's funding level of $12.5 million still falls short of the amount necessary for the ADF to continue its important work of supporting Africans at the grassroots level, including micro-credit and trade and investment programs. The Committee has previously acknowledged the ADF's improvements in private sector outreach, as well as the Foundation's streamlining of operations.

International Organizations & Programs. The Administration opposes the $22 million cut in the request for IO&P's. Further, while we strongly support the programs earmarked by the Committee, the Administration must retain its flexibility in funding these programs, consistent with an overall assessment of the national interest.

Treasury International Affairs Technical Assistance. The Administration is concerned that the Committee provided only $1.5 million of the $8.5 million request for the Department of the Treasury's International Affairs Technical Assistance program. These resources are necessary to fund the Department's plan to provide technical assistance to Ministries of Finance and Central Banks that are attempting to implement fiscal and financial reforms in Africa, Asia and Latin America.

Silk Road Strategy Act. The Administration strongly supports passage of the Silk Road Strategy Act, which may be added to the bill as an amendment. We appreciate the Committee's continued efforts to reduce restrictions in section 907 of the FREEDOM Support Act. This Administration, like its predecessors, has opposed section 907 and called for its repeal. Section 907 damages U.S. national interests by undermining the United States' neutrality in seeking to promote a settlement in the Nagorno-Karabakh dispute; by restricting our ability to provide assistance that would encourage economic and broad legal reforms in Azerbaijan; and, by limiting our efforts to advance an east-west energy transport corridor. While the Silk Road Strategy Act does not provide for the full repeal of Section 907 that the Administration has sought, it would allow the President to waive these restrictions if he determined that they were not in the national interest of the United States.

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

July 29, 1999
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 2606 – FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATION BILL, FY 2000

(Sponsor: Young (R) Florida; Callahan (R) Alabama)

This Statement of Administration Policy provides the Administration's views on the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 2000, as reported by the House Appropriations Committee. Your consideration of the Administration's views would be appreciated.

The allocation of discretionary resources available to the House under the Congressional Budget Resolution is insufficient to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet such needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance this spending. Congress has approved and the President has signed into law nearly $29 billion of such offsets in appropriations legislation since 1995. The Administration urges the Congress to consider such proposals as the FY 2000 appropriations process moves forward.

As a result of the inadequate 302(b) allocation for Foreign Operations, the bill reported by the Committee on July 20th is $1.9 billion, or 14 percent, below the program level requested by the President. Funding at this level would seriously impair the President's ability to conduct an effective foreign policy.

The Administration appreciates the efforts of the Committee to accommodate certain of the President's priorities within its 302(b) allocation, as well as the Committee's strong support for limiting the number of provisions in language that restrict and earmark the use of funds. Nonetheless, the allocation available for Foreign Operations for FY 2000 is substantially below the level requested by the President. The funding level provided by the Committee, therefore, would prevent the President from confronting or dealing effectively with new challenges and is inadequate to maintain America's leadership around the world. It would inevitably require reductions from previously enacted levels for programs managed by the Departments of State and the Treasury, the Agency for International Development, and others.

If the Congress were to enact a bill that does not resolve the significant funding shortfalls in the Committee-reported bill, the President's senior advisers recommend that he veto the bill.

The rule approved by the House on July 27th makes in order three amendments related to international family planning programs:

- The Administration strongly opposes the Smith amendment which would prohibit the U.S. Government from providing funds to foreign non-governmental organizations if these organizations use any of their own funding from non-U.S. Government sources for abortion-related services or advocacy. The Administration continues to oppose these restrictions, which would deny funding to the most experienced and qualified family planning and maternal and child health care providers. In prior years, the Administration has made clear that the President would veto the bill if it contained the "Mexico City" language. The President took such action in 1998 when he vetoed the State Department authorization bill. Should the Smith Amendment be included in the final bill presented to the President, the President would veto the bill.

- The Administration strongly supports the Greenwood amendment. This amendment bars population planning activities that are illegal in the recipient's country, but allows the organization's own funds to be used for legal activities. It provides that advocacy activities in opposition to coercive abortion or involuntary sterilization would not be grounds for disqualification of U.S. funds. The amendment also makes clear that organizations receiving U.S. funds for family planning services must certify that they will use those funds to reduce the incidence of abortion and reiterates the ban on the use of U.S. funds to perform or lobby for abortions.

- The Administration also strongly opposes the Pitts amendment, which would prohibit the use of Child Survival account funds for child spacing assistance. Child spacing plays a critical and integral role in Child Survival-funded programs aimed at saving the lives of children and their mothers, and this amendment therefore would undermine these critical maternal and child health programs.

Detailed comments on the Committee-reported bill are provided in the attachment.

Attachment

Attachment
(House Floor)

ADDITIONAL CONCERNS
H.R. 2606 FOREIGN OPERATIONS, EXPORT FINANCING AND RELATED PROGRAMS APPROPRIATIONS BILL, FY 2000
(AS REPORTED BY THE HOUSE APPROPRIATIONS COMMITTEE)

- Multilateral Development Banks (MDBs). The Administration's request, excluding arrears payments, is 40 percent below the scheduled payments sought for the MDBs in the mid-1990s. The Committee's decision to reduce funding for the MDBs by $493 million amounts to a 35-percent reduction to the President's request. This severe cut, and the lack of any funding for arrearage payments, would erode much of the progress made in the FY 1998 and FY 1999 appropriations bills in meeting the past-due and continued obligations of the United States to these institutions, and in strengthening our ability to get approval of important institutional reforms. In particular, the Administration is disappointed with the Committee's decision to cut a further $200 million from the International Development Association (IDA). All of IDA resources go to countries whose people earn less than $3 per day – 50 percent of IDA commitments are directed towards the poorest countries in Sub-Saharan Africa. This reduction would undercut congressional efforts to address the humanitarian and development needs of the continent, and, in particular, undercut the intent of the recently-passed African Growth and Opportunity Act.

  The lack of any funding for the African Development Bank, the Inter-American Investment Corporation, the Multilateral Investment Fund, the Multilateral Investment Guarantee Agency, and the Community Adjustment and Investment Program (part of the North American Development Bank) -- combined with the drastic cuts in the Global Environment Facility and the Asian Development Fund -- would call into serious question the willingness of other donors to continue their support for these critical institutions at the very point when their support for environmental and economic development is most needed.

- Independent States of the Former Soviet Union. The Administration continues to place a high priority on our relations with this region and appreciates the Committee's ongoing efforts to reduce earmarks and restrictions on our assistance to this region. Reducing such restrictions enables the Administration to target assistance to maximize its effectiveness, especially in working with pro-reform governments and non-governmental democratic forces and the private sector. The Administration praises the Committee for its removal of restrictions on aid to local governments in Russia, although we are concerned by the removal of Presidential waiver authority for these restrictions.

The overall funding provided by the Committee, $725 million, is not only below the requested $1,032 million but is also $122 million below the FY 1999 level. The Administration believes that the economic problems in Russia and the rest of the Independent States, which have created hardships for millions of people and heightened the risk of proliferation of weapons of mass destruction and related expertise, call for increased rather than decreased efforts. A reduction of the magnitude contained in the Committee mark would place threat reduction programs that are in our immediate national security interests in competition with programs that will help secure our long-term interests in the region, such as support for small businesses in the regional initiatives, exchange programs designed to develop a new generation of pro-reform leaders, and institutional partnerships. The Administration understands that an amendment may be offered that would prohibit any support for these critical threat reduction programs. The Administration opposes any such amendment.

- Kosovo and the Balkans. The Administration appreciates the Committee's provision of the full request for Assistance to Eastern Europe and the Baltic States. Nonetheless, as the crisis in Kosovo has demonstrated, there is clearly a need for additional funds to support Kosovo operations and, indeed, enhancements to various programs throughout the Balkan region. We are now working with the Departments of Defense and State and other agencies to determine current estimates for peacekeeping and for peace implementation, including additional humanitarian needs, such as refugee programs, beyond the original request. The President will submit an additional FY 2000 funding request to the Congress.

- Korean Peninsula Energy Development Organization (KEDO). The Administration strongly objects to the bill's provisions limiting the amount of the U.S. contribution to KEDO. The cut of $20 million, or 36 percent, in funding could prevent the United States from fulfilling its commitments under the Agreed Framework to provide heavy fuel oil to North Korea and could damage our nonproliferation policy on the Korean Peninsula. In addition, the bill introduces new Presidential certifications that go well beyond what has been required in the past and could make it extremely difficult to carry out our commitments. Finally, the prohibition on the President's ability to exercise his special authorities to provide additional funding for KEDO, should he deem it to be in the national interest, is unwise.

- Wye River and Middle Eastern Assistance. The Administration welcomes the Committee's provision of the entire FY 2000 request for additional assistance for Jordan. The bill does not, however, provide $400 million of the funds requested by the President for FY 2000 to support the Wye River Agreement, nor does it provide $800 million of the funds requested as an FY 1999 supplemental appropriation for this purpose. Given the renewed dedication of all sides to the peace process, the Administration hopes to work with Congress to provide this funding to support and strengthen the peace process and to move toward a permanent agreement.

The Administration continues to welcome the Committee's efforts to ramp down traditional levels of assistance to countries in the Middle East. However, the Administration is disappointed at the Committee's failure to accept our specific proposal for a gradual reduction in aid to Israel and Egypt and with its decision not to incorporate the provision of an Interest Bearing Account for a portion of Egypt's Foreign Military Financing (FMF). The Administration will work with the Congress on the scoring implications of this proposal.

- Economic Support Fund (ESF). The reduction of over $140 million to the President's request for non-Wye River ESF would effectively remove any ability that the President has to respond to a host of threats and new crises around the world. These cuts would force the reduction of programs intended to increase political stability and democratization in Africa; support democracy efforts in Guatemala, Peru, and Ecuador; and, bolster democratic reform and economic recovery in Asia.

- Debt Reduction. The cut of almost three-fourths to the President's request for debt reduction programs, from $120 million to $33 million, would cripple our ability to fund the bipartisan debt for environment program that was enacted by the Congress last year and would damage our ability to contribute to the Trust Fund for the Highly Indebted Poor Countries, which is an essential component of current debt reduction programs as well as of the historic debt initiative agreed to in Cologne. This initiative has received broad support from governments, multilateral institutions, religious groups, and individuals worldwide.

- Peacekeeping Operations. The Committee's $53.5 million, or 41 percent, cut to the President's request for voluntary peacekeeping operations would decrease funds available for Organization for Security and Cooperation in Europe (OSCE) missions in Bosnia, Croatia, and Kosovo; reduce assistance for the African Crisis Response Initiative; and, diminish our ability to respond to unforeseen conflict and crises.

- Nonproliferation, Anti-terrorism, Demining, and Related Programs. The Committee has cut these programs by $49 million, or 21 percent, from the President's request. In addition to the reduction for KEDO discussed separately, the request for export control assistance would be cut by two-thirds (from $15 million to $5 million). This would greatly slow our efforts to assist the NIS and other regions to develop tighter controls to prevent nuclear smuggling.

- United Nations Population Fund. The Administration is strongly committed to population and reproductive health programs and to the United Nations Population Fund (UNFPA). The Administration appreciates the Committee's recognition that it would be counterproductive to prohibit funding for UNFPA, which provides voluntary family planning and other services to over 160 countries, because of its operations in China. We are concerned, however, that the mark for International Organizations and Programs would not be sufficient to allow for an adequate contribution for UNFPA programs that save lives and promote healthy families.

- U.S. Agency for International Development (USAID). The Administration is concerned about the Committee's drastic cut in Development Assistance. A $111 million reduction below the request, or $12 million below the FY 1999 enacted level, would threaten USAID's ability to implement such programs as the Africa Education Initiative and the Food Security Initiative, and would limit the Agency's ability to address the financial crisis in Asia, as well as to address follow-up needs from the recent natural disasters in Central America. The bill also fails to include language that would permit assistance to customs officials and offices. The Administration requested this language to encourage the free flow of commerce within regions in sub-Saharan Africa and Latin America, thereby supporting private sector development in those regions.

  The Administration greatly appreciates the Committee's full funding of the Child Survival and Disease Programs request. However, within this amount, the Administration is concerned that full funding of $10 million has not been provided for the Administrations's "School Works" initiative. This initiative addresses the critical issue of child labor in developing countries, a concern the Congress shares, and we urge the Committee to fully fund this program. We also note that the recently-transmitted, fully offset budget amendment to provide an additional $100 million for the fight against global AIDS included an additional $45 million for this account. We urge the Committee to provide these critically-needed additional resources.

  The Administration is deeply concerned that the $480 million funding level for USAID's operating expenses is inadequate to meet the operational demands on USAID. The Committee acknowledges the transfer of the security function from the Inspector General's (IG's) office and has reduced funding for the IG accordingly but provides no increase to cover this additional $7.7 million cost in this account. Even if increased to cover these security requirements, the Committee's recommended operating expense level would require a reduced workforce level inconsistent with USAID's responsibility for proper oversight of the program levels that the Committee has provided. The Committee's funding level would also make it impossible for USAID to complete needed replacement of its financial management systems or to begin the significant security improvements, including temporary and permanent relocations of USAID missions, that are required to respond to the increased threats that U.S. personnel face around the world.

  The bill does not contain the Administration's request for Voluntary Separation Incentives for employees of USAID (buyout authority). This buyout authority is vital to allow USAID to continue to reduce its employment levels in Washington. The Administration is also concerned that the Committee has not approved the requested authority for USAID to create a Working Capital Fund similar to those already available to the Department of State and other agencies. It is important that USAID be provided the means to capture the costs of becoming a service provider to other agencies under the ICASS system, and therefore encourage competition among agencies to provide the lowest-cost and most efficient services.

The Administration is concerned that its request for reinstatement of the Development Fund for Africa (DFA) is not included in the bill. Funding provided under the DFA affords needed stability to respond to development opportunities in Africa, as well as to complex crises on a fragile continent, and maintains our strong commitment to an Africa in transition. There are insufficient resources within the Development Assistance account to address such needs.

The Administration is disappointed that the Committee has not approved transfer authority for the Development Credit Authority. USAID's recent implementation of a credit management outsourcing contract and other credit management improvements justifies continued funding of this innovative and improved credit mechanism. We are also disappointed that the Committee has not provided subsidy budget authority for the Urban Environment Credit program.

- <u>Peace Corps</u>. The Administration appreciates the Committee's efforts to support the Peace Corps within tight budget constraints. However, the Administration is very concerned that the Committee's funding level of $240 million falls short of the amount necessary for the Peace Corps to continue to promote grass-roots development and strengthen the ties of cross-cultural understanding between Americans and the people of over 70 countries. This $30 million, or 11 percent, reduction to the President's request for the Peace Corps would force the agency to reduce the number of volunteers currently serving overseas and to consider closing additional country programs. It would also prevent implementation of the bipartisan initiative to field 10,000 volunteers in the new century. Earlier this year, both the House and Senate passed an authorization bill with bipartisan support that would enable the Peace Corps to send 10,000 volunteers overseas.

- <u>Export and Investment Financing</u>. The Administration appreciates the Committee's effort to fund the requested increase in the Export-Import Bank's administrative budget. However, we note the Committee's reduction in the Export-Import Bank's subsidy budget -- $80 million below the request and $6 million below the FY 1999 enacted level. The requested increase is an important part of the President's manufactured exports initiative. The Committee's reduction would reduce the financing available to United States exporters that are attempting to continue to export during the ongoing economic downturn in Asia and much of the rest of the developing world. Because exports have been such a critical component of job creation in the United States, this cut could have a negative impact on job growth.

  The Administration is also very concerned about the reduction to the President's request for the Trade and Development Agency (TDA). As with the Export-Import Bank, the requested increase for TDA is an integral part of the President's export initiative, and the Committee bill would significantly reduce TDA's ability to fund feasibility studies that help U.S. exporters take advantage of potential market opportunities.

The Administration appreciates the Committee's full funding of the administrative budget for the Overseas Private Investment Corporation (OPIC). We are concerned, however, by the Committee's reduction of $3.5 million to the request for OPIC's subsidy. The Administration had already reduced the request by over 50 percent from the FY 1999 enacted level, and a further cut would make it difficult for OPIC to meet the needs of investors, including small businesses, who rely on OPIC financing in important markets such as Africa, the Caribbean, and Central America. Likewise, we are concerned about language that would allow OPIC to use appropriated funds to engage in direct equity investments. While OPIC has had the authority to make such direct equity investments for a number of years, the Congress has never provided funding for this authority. The Administration believes that this proposal has important budgetary and policy consequences that have not been fully reviewed. For that reason, the Administration cannot support the language allowing OPIC such authority until it has had a chance to consider this proposal thoroughly in further consultation with Congress.

The Administration would strongly oppose possible amendments that would preclude OPIC from offering new loan guarantees. Such guarantees are important to the promotion of US business opportunities in developing markets around the world. Precluding these guarantees would harm the mutually beneficial relationship between American business and the developing foreign private sectors in Africa, the Caribbean, Central America and elsewhere.

- Migration and Refugee Assistance (MRA). The Committee's $20 million reduction to the President's request for MRA could require a reduction in annual refugee admissions and would not provide adequate resources for an initiative to address programming shortfalls in Africa necessary to provide life-saving, minimum international standards of assistance in key sectors (including nutrition, shelter, medicine, sanitation, and protection). Such reductions in assistance to refugees in Africa and elsewhere at the very time huge resources are going into Kosovo could create serious political and equity issues.

- Inter-American Foundation. The Administration strongly opposes the cut of over $17 million to the request for the Inter-American Foundation. This reduction, which would cut funding by 75 percent of the FY 1999 enacted level, would completely debilitate the Foundation, making it impossible to continue its important work of supporting innovative development initiatives and U.S. corporate social investments in Latin America and the Caribbean. The Administration recognizes the need for changes to enhance the Foundation's internal oversight procedures and project monitoring, but significant progress has been made to date, and the Administration is committed to ensuring further improvements are made.

- African Development Foundation (ADF). The Administration commends the Committee for fully funding the request for ADF, and for recognizing the significant management and programmatic improvements that this small but important agency has implemented during the past year.

- Treasury International Affairs Technical Assistance. The Administration is concerned that the Committee has provided only $1.5 million of the $8.5 million requested for the Department of Treasury's International Affairs Technical Assistance program. These resources are necessary to fund the Department's plan to provide technical assistance to Ministries of Finance and Central Banks that are attempting to implement fiscal and financial reforms in Africa, Asia, and Latin America.

- Kyoto Protocol Restriction. The Committee has included language in the General Provisions that would prohibit the Administration from proposing or issuing rules to implement the Kyoto Protocol. This is an unnecessary restriction because the Administration has stated that it does not intend to implement the Protocol on global climate change until it has been ratified by the Senate.

- Additional General Provisions Language Concerns. Section 514(a) (Surplus Commodities) and section 566(b) (Sanctuary to Indicted War Criminals – Multilateral Assistance) purport to direct the Executive to take particular positions in international organizations. When construed as mandates, these provisions would encroach on the President's sole constitutional authority to control negotiations. If unchanged, this language would be construed as precatory.

- Amendment on the Baku-Ceyhan pipeline. The Administration understands that an amendment may be offered that would prohibit any U.S. Government support for financing the Baku, Azerbaijan-Ceyhan, Turkey pipeline in the Caspian Basin unless a final peace agreement was reached between Armenia and Azerbaijan on the Nagorno Karabakh region. The Administration would strongly oppose such an amendment, which would undercut U.S. energy policy, cripple U.S. efforts to provide Caspian countries with a credible economic development path linked to the west, encourage regional exporters to build export pipelines through Iran, and disadvantage U.S. businesses competing for millions of dollars in exports. It would hinder, rather than help, U.S. efforts to achieve a just peace in the region and improve Turkish-Armenian relations.

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

June 8, 1999
(Senate)

STATEMENT OF ADMINISTRATION POLICY

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

S. 1122 - DEPARTMENT OF DEFENSE APPROPRIATIONS BILL, FY 2000

(Sponsor: Stevens (R), Alaska)

This Statement of Administration Policy provides the Administration's views on S. 1122, the Department of Defense Appropriations Bill, FY 2000, as reported by the Senate Appropriations Committee. Your consideration of the Administration's views would be appreciated.

The Committee has developed a bill providing requested funding for many of the Administration's priorities. We appreciate the Committee's decision to address readiness and modernization efforts. We strongly urge the Senate to keep the bill free from extraneous provisions. However, S. 1122 raises several budgetary and policy concerns, outlined below.

Funding Levels

The Committee bill provides funding requested for many of the Administration's priorities. However, the Administration is concerned that the Senate bill, which exceeds the President's budget by nearly $1.4 billion, will drain critical resources from other programs. When combined with expected defense increases in other Senate bills, defense funding would exceed the President's request by about $5 billion. The Administration believes that the President's budget request correctly addresses our most important military needs and that this additional funding is not necessary. The bill provides funding for a number of projects that are either not critical or are, according the Department's plans, premature. In addition, a number of important programs are underfunded.

While the Administration is pleased that S. 1122 endorses key elements of the President's plan to improve military compensation, we are concerned that the bill's military pay increase for FY 2000 exceeds the request by about $170 million and would exceed the defense program for FY 2000 - 2005 by $1.4 billion. The Administration is also concerned that the bill would create a disparity with civilian pay raises.

Incremental Funding of LHD-8 Amphibious Ship

The bill would provide $500 million for advance procurement and construction of LHD-8, a large-deck amphibious ship for the Marine Corps. The bill also directs that the Navy fund the balance of the acquisition costs incrementally. The Administration opposes incremental funding of major weapon systems, including construction of ships. Incremental funding would make completing construction of this program dependent upon the action of future Congresses. Moreover, to continue construction of LHD-8, the incremental funding approach would require the Navy to identify funds for LHD-8 in each year of its long-range plan that are not currently budgeted. These funds would have to come at the expense of other important programs. The Administration supports acquisition of LHD-8 and plans to fully fund this ship in FY 2005, when construction is required to begin in order to meet current ship replacement schedules.

Unrequested Funding for Modernization

The Administration opposes funding increases proposed for procurement ($2.4 billion) and research, development, test, and evaluation ($1.9 billion) programs. The President's budget represents a calculated balance between readiness and modernization programs that supports current needs and long-term modernization priorities in the context of overall government priorities. The bill includes several items which are not in DoD's long-range plan, including $300 million for the National Guard and Reserve Equipment account, $87 million for one EC-130J aircraft for the Air Force, and $25 million for Navy Hellfire missiles. The bill also includes $611 million to fund additional aircraft for all services which are in the long-range plan but not required in FY 2000. These aircraft include C-40 and C-35 executive transport aircraft and KC-130J tankers.

Overseas Contingency Operations Transfer Fund

The Administration opposes the $300 million reduction to the request for the Overseas Contingency Operations Transfer Fund (OCOTF). The Committee rightly notes that it is difficult to develop standardized budgeting procedures for contingency operations due to the inherent uncertainty of these operations. This uncertainty, however, prescribes that funding should remain in the flexible OCOTF account to cover unforeseen costs that emerge over the course of a year, even if it is in excess of currently identified requirements. Reducing the OCOTF account would only make it more difficult for the military services to cover contingency operations costs as they emerge, potentially jeopardizing military readiness. Therefore, the Administration urges the Senate to restore the OCOTF account to the requested level. The Administration, of course, will continue to work with the Committee to improve accounting for contingency operations costs and spending.

Rescissions & Other Reductions

The Administration is concerned about some of the rescissions and reductions in the bill's general provisions. The Committee bill would cut $209 million for civilian personnel under-execution, even though the Department projects minimal under-execution. The Senate Committee also has cut $250 million for fuel savings, though recent changes in world fuel markets indicate that prices are likely to increase. These reductions would underfund pressing defense readiness programs in the President's request. We will, of course, work closely with the Congress on constructing these provisions in order to preserve a prudent balance of defense priorities.

Chemical Demilitarization Program

The Committee's reduction of $145 million to the request for the Chemical Demilitarization Program prior to identification and implementation of cost-saving measures is problematic. A reduction of this magnitude would cause a breach in the Chemical Weapons Convention deadline for the destruction of these chemical weapons. Furthermore, the reduction would increase life-cycle costs and increase the risk to local communities surrounding the chemical storage sites as the destruction of these chemical agents is delayed. The Administration strongly urges the Senate to provide the $1.169 billion requested in the President's FY 2000 Budget.

Remote Area Denial Artillery Munitions (RADAM)

The Administration opposes the Committee's deletion of all $48.3 million requested for Remote Area Denial Artillery Munitions (RADAM) in FY 2000, including $8 million for long-lead item procurement. RADAM is an artillery-delivered, anti-armor munition that, absent success in finding alternatives, will be essential to protecting U.S. ground forces in combat. As previously announced, the Administration will conduct a policy review and make a policy decision on RADAM production in FY 2001. This review will consider anti-personnel landmine (APL) alternative programs now being examined by the Department of Defense that may provide suitable alternatives to the current anti-personnel sub-components munitions that would be used in the RADAM round. If a production decision follows the policy review, deployment of RADAM would allow the U.S. to meet our foreign policy goal of ending U.S. APL deployments outside of Korea by 2003. Deletion of RADAM pre-production funding now would, if suitable alternatives are not identified during the next year, result in either a failure to meet stated administration policy objectives or expose U.S. troops to unacceptable risks in the future.

Network Technologies

The Committee bill makes cuts to two important technology programs: $25 million to the Administration's $70 million request for DoD's Extensible Information Systems/Deeply Networked Systems program; and, $9 million to the $40 million request for the Next Generation Internet (NGI) program. As we enter an era of information-based warfare, it is crucial that DoD remain at the forefront of networking research. The Extensible Information Systems is a major part of the President's Information Technology for the Twenty First Century initiative to accelerate information technology research. The DoD's NGI is part of the Government-wide Next Generation Internet initiative to develop technologies to make Internet-like communications faster. Each reduction represents, in addition to the defense effects, a seven-to nine-percent reduction in spending for the inter-agency initiatives. Failure to provide the requested funding would result in delayed progress and lost leadership for DoD in these areas.

Objectionable General Provision

Section 8073 of the Committee-reported bill would prohibit the use of funds to transfer defense articles or services to another nation or to an organization in connection with international peacekeeping or humanitarian operations, unless the President gives 15 days advance notice to Congress. The provision includes no waiver for national security emergencies such as providing weapons to troops supporting U.S. forces engaged in hostilities. Because the provision intrudes on the President's authority as Commander-in-Chief, the Administration would construe it as permitting such expenditure, with the notification occurring as soon thereafter as possible.

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

July 21, 1999
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 2561 – DEPARTMENT OF DEFENSE APPROPRIATIONS BILL, FY 2000

(Sponsor: Young (R), Florida; Lewis (R), California)

This Statement of Administration Policy provides the Administration's views on the Department of Defense Appropriations Bill, FY 2000, as reported by the House Appropriations Committee. The House Committee has developed a bill providing requested funding for many of the Administration's priorities, including readiness and modernization efforts. We strongly urge the House to keep the bill free from extraneous provisions. The Committee bill, however, raises several budgetary and policy concerns.

The bill deletes funding for procurement of the first six F-22 fighter aircraft. The Administration strongly opposes this reduction. The F-22 is optimized to perform a crucial role -- achieving air superiority early in any future conflict, even against adversaries equipped with the advanced weapons that will be deployed in the first part of the next century. No other aircraft, including the F-15 or the proposed Joint Strike Fighter, will be able to fulfill that role. In addition to severely damaging the Air Force's future ability to achieve one of its fundamental missions, the Committee action, by forcing the Air Force to break agreements with the contractors who would then require compensation, would waste valuable resources. The Administration strongly urges the House to provide the full funding requested for F-22 procurement.

The Committee bill provides an overall increase for defense programs of more than $5 billion above the President's request. This increase would drain critical resources from other programs. The Administration believes that the President's budget request correctly addresses our most important FY 2000 military needs and that additional funding is not required. These increases, coupled with funds reallocated from the F-22 request, have been applied to programs that are of lower priority -- none of the programs receiving additional, unrequested funding is as important as fully funding the F-22. The Administration strongly urges the House to sustain the balance between defense modernization and readiness within the funding levels proposed in the President's budget request, eliminate funding for lower priority programs, and restore full funding for the F-22. The Administration strongly opposes a Defense appropriations bill that does not address these concerns.

Unrequested Program Increases

The bill funds many unrequested programs, some of which are not in the Department's future years defense program. These increases, which would come at the expense of more urgent needs, include: $564 million for eight KC-130J tanker aircraft for the Marines; $130 million for Guard and Reserve equipment; and, $197 million for procurement, ahead of need, of 15 additional H-60 helicopters for the Army and Navy.

Chemical Demilitarization Program

The Administration is strongly opposed to the Committee's reduction of $392 million to the request for the Chemical Demilitarization Program because it would cause a breach in the Chemical Weapons Convention (CWC) deadline of April 29, 2007, for the destruction of chemical weapons at four chemical demilitarization sites. The reduction also would necessitate personnel layoffs of one thousand people for at least one year and increase life cycle costs by $400 million. In order for the United States to meet its treaty obligations, to reduce the growth in program life-cycle costs, and to protect the citizens living near these chemical weapons storage facilities, the Administration urges the Committee to provide the funding requested in the President's budget for this program.

Reduction to Overseas Contingency Operations Transfer Fund

The Administration strongly objects to the $575 million reduction to the Overseas Contingency Operations Transfer Fund (OCOTF). The Committee erroneously asserts that the cessation of the air campaign in Kosovo and the reduction in operating tempo in Southwest Asia permit this reduction. The FY 2000 request for OCOTF did not anticipate the operations in Kosovo and included no funding for those efforts; therefore, the account should not be reduced as the result of changes in Kosovo operations. In fact, additional FY 2000 OCOTF funding will be required to support the U.S. forces participating in the NATO-led Kosovo Force. Further, the request assumes a robust operating tempo level in Southwest Asia that we will almost certainly sustain as long as Iraqi forces continue to target U.S. aircraft. In total, this reduction would require the Services to absorb significant operational costs that would either hurt readiness or cause further migration from investment accounts.

Allocation of Wye River Supplemental Funding

The Committee bill would reallocate a total of $407 million in offsets proposed in the Wye River Supplemental request to fund missile defense and other programs. The bill would reduce the FY 2000 request for missile defense programs by $230 million. The Wye River supplemental is a key component of ensuring the implementation of the Wye River Middle East peace accords. The Committee's reallocation of the Administration's proposed offset could undermine implementation of this agreement.

Medium Extended Air Defense System

The Administration opposes section 8119 of the bill, which would prohibit DoD from spending FY 2000 Defense funding for the Medium Extended Air Defense System (MEADS). In addition, we urge the Committee to restore the $48.6 million requested for this effort. MEADS remains a critical component of NATO transatlantic armaments cooperation.

Global Positioning System

The bill would reduce procurement funding for the Global Positioning System (GPS) by $67 million. The Administration strongly believes that GPS must be modernized in order to meet the needs of both civil and military users well into the next century. The total GPS funding level proposed by the Committee would be detrimental to our military modernization initiative and would prematurely eliminate options for deploying enhanced GPS capabilities.

Reduction to Advanced Concept Technology Demonstrations Funds

The Administration objects to the reduction of $29.4 million from the President's request of $118 million for this critical program. Advanced Concept Technology Demonstrations (ACTD) have been extremely successful since their 1995 inception in rapidly getting important new systems into the field and the fleet. During recent Kosovo operations, nearly 20 percent of all ACTDs saw action or were en route to that theater at cessation of hostilities. ACTDs are sponsored by our combatant commanders. ACTDs normally require two to four years to complete. A minimum of $108 million is required to conduct ongoing programs. The remaining $10 million in the President's request would support a small number of new initiatives. Funding at the level proposed by the House would preclude new initiatives and severely curtail ongoing ACTDs.

Other Program Reductions

The Committee bill would reduce funding for several important programs below the President's request, including a cut of $19.4 million for the Cooperative Threat Reduction Program and a cut of $40 million for the DoD Extensible Information Systems/Deeply Networked Systems Program. In addition, the $40 million reduction to the National Polar-orbiting Operational Environmental Satellite System (NPOESS), particularly if combined with a reduction in the Commerce/Justice/State appropriations bill, would likely significantly delay the program and would result in a gap in satellite coverage.

Objectionable General Provisions

Section 8074 of the Committee-reported bill would prohibit the use of funds to transfer defense articles or services to another nation or to an organization in connection with international peacekeeping or humanitarian operations, unless the President gives 15 days advance notice to Congress. The provision includes no waiver for national security emergencies such as providing weapons to troops supporting U.S. forces engaged in hostilities. Because the provision intrudes on the President's authority as Commander-in-Chief, the Administration would construe it as permitting such expenditure, with the notification occurring as soon thereafter as possible.

The Administration is concerned about the burdensome reporting requirements imposed by section 8128, which provides for the acceleration of certain spectrum sales, and will seek changes to remove the most serious problems. In addition, we understand that a floor amendment may be offered that could increase both the reporting burden and the uncertainty surrounding the Federal Communication Commission's auction process. The Administration would oppose such an amendment.

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URGENT

Total Pages: 14

LRM ID: AER394

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Wednesday, March 22, 2000

LEGISLATIVE REFERRAL MEMORANDUM

TO:	Legislative Liaison Officer - See Distribution below
FROM:	John D. Burnim (for) Assistant Director for Legislative Reference
OMB CONTACT:	Annette E. Rooney E-Mail: Annette_E._Rooney@omb.eop.gov PHONE: (202)395-7300 FAX: (202)395-5691
SUBJECT:	**US Agency for International Development Talking Points on S____ Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 (HIV/AIDS amendment)**
DEADLINE:	**2:30 PM Wednesday, March 22, 2000**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: The Senate Foreign Relations Committee plans to mark up the subject congressional draft bill on Thursday, March 23rd. The attached draft amendment is likely to be offered during mark-up (It includes the World Bank Trust fund) We have circulated a State draft letter on the SFRC draft bill.

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LRM ID: AER394 **SUBJECT:** US Agency for International Development Talking Points on S____ Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 (HIV/AIDS amendment)

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Annette E. Rooney Phone: 395-7300 Fax: 395-5691
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-6194

FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _________

_____ Other: ______________________

_____ FAX RETURN of _____ pages, attached to this response sheet

HIV/AIDS

Amendment: SFRC Bill, Title ____. This amendment authorizes funding for a comprehensive program to combat HIV and AIDS as well as for specific HIV/AIDS-related activities such as prevention of mother-to-child transmission, support for AIDS orphans, and operating expenses. It also authorizes funding for the Global Alliance for Vaccines and Immunizations (GAVI), International AIDS Vaccine Initiative (IAVI) and World Bank AIDS Trust Fund.

Agency Position: Oppose earmarks.

Discussion:

- We strongly support the thrust and intent of this title.

- The legislation correctly emphasizes that primary prevention of transmission among adults is the ultimate way of combatting this pandemic.

- The legislation does an excellent job of describing how the implementation of new interventions, such as mother to child transmission, can enhance the primary prevention agenda.

- USAID is firmly committed to expanding our country programs to include these critical new areas—mother to child transmission, supporting children affected by AIDS, increasing support to community based NGOs and increased training of country staff.

- However, we are opposed to earmarks for individual interventions. Each country has very specific needs and earmarking will limit the ability to respond in the most effective and appropriate way in each setting.

- We also are concerned by the definition of an independent nongovernmental organization. USAID strongly supports the use of nongovernmental organizations in its HIV/AIDS programs—70% of those programs are currently carrried out by NGOs. However, we have a rigorous process in place to identify technically capable organizations, adhering to a transparent, competitive process.

TITLE ___—ASSISTANCE TO COUNTRIES WITH LARGE POPULATIONS HAVING HIV/AIDS

SEC. ___01. DEFINITIONS.

In this title:

(1) AIDS.—The term "AIDS" means the acquired immune deficiency syndrome.

(2) HIV.—The term "HIV" means the human immunodeficiency virus.

(3) HIV/AIDS.—The term "HIV/AIDS" means, with respect to an individual—

(A) an individual having HIV but not AIDS; or

(B) an individual having HIV and AIDS.

(4) INDEPENDENT NONGOVERNMENTAL ORGANIZATIONS.—The term "independent nongovernmental organizations" means a nongovernmental organization that has been designated by the President, in consultation with the appropriate congressional committees and in accordance with the procedures applicable to reprogramming notifications under section 634A of the Foreign Assistance Act of 1961 (22 U.S.C. 2394–1), as an independent non-

governmental organization for the purposes of this Act.

SEC. ___02. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress makes the following findings:

(1) According to statistics of the International Bank for Reconstruction and Development (in this section referred to as the "World Bank"), more than 90 percent of all adults and children with HIV/AIDS live in the developing world—62 percent in sub-Saharan Africa, 24 percent in Asia, and 6.9 percent in Latin America and the Caribbean.

(2) According to UNAIDS, nearly 4,500,000 children under 15 years of age have been infected with HIV since the AIDS epidemic began. More than 3,000,000 have already died of AIDS. Children are becoming infected at about the rate of 1 child every minute, and the overwhelming majority of these children acquire the infection from their mothers.

(3) The gap between rich and poor countries in terms of transmission of HIV from mother to child has been increasing. Moreover, AIDS threatens to reverse years of steady progress of child survival in developing countries. UNAIDS believes that by the

year 2010, AIDS may have increased mortality of children under 5 years of age by more than 100 percent in regions most affected by the virus.

(4) In Africa, the death toll from AIDS has reached 13,000,000, while 23,000,000 others live with the disease, and more than 10,000,000 children have been infected or orphaned by it.

(5) The World Bank, declaring AIDS not just a public health problem but the "foremost and fastest-growing threat to development" in Africa, has launched a new strategy for HIV/AIDS in Africa, declaring it a top priority for the World Bank on that continent.

(6) AIDS, like all diseases, knows no boundaries, and there is no certitude that the scale of the problem in one continent can be contained within that region.

(7) Accordingly, United States financial support for medical research, education, and disease containment as a global strategy has beneficial ramifications for millions of Americans and their families who are affected by this disease, and the entire population which is potentially susceptible.

(8) The discovery of a relatively simple and cheap means of interrupting the transmission of

HIV from an infected mother to the unborn child—namely with nevirapine (NVP), which costs US$4 a tablet—has created a great opportunity for an unprecedented partnership between the United States Government and the governments of Asian, African and Latin American countries to combat mother-to-child transmission (also known as "vertical transmission") of HIV.

(9) According to UNAIDS, this strategy will decrease the proportion of orphans that are HIV-infected and decrease infant and child mortality rates in these developing regions.

(10) Primary prevention strategies should remain the top priority in the fight against AIDS and no funds should be diverted away from it. Therefore, new funding for vertical transmission should only be additive in nature. Once appropriated, this funding will facilitate widespread delivery of antiretroviral strategies to address the vertical transmission problem.

(11) New antiretroviral drug strategy can be a force for social change, providing the opportunity and impetus needed to tackle often long-standing problems of inadequate services and the profound stigma associated with HIV-infection and the AIDS

disease. Strengthening the health infrastructure to improve mother-and-child health, antenatal, delivery and postnatal services, and couples counseling generates enormous spillover effects toward combating the AIDS epidemic in developing regions.

(b) PURPOSES.—The purposes of this title are to—

(1) prevent human suffering; and

(2) ensure the viability of economic development, stability, and national security in the developing world by advancing research to—

(A) understand the causes associated with HIV/AIDS in developing countries; and

(B) assist in the development of an AIDS vaccine.

SEC. ___03. ADDITIONAL ASSISTANCE AUTHORITIES TO COMBAT HIV AND AIDS.

(a) ASSISTANCE FOR PREVENTION OF VERTICAL TRANSMISSION.—Section 104(c) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151b(c)) is amended by adding at the end the following new paragraph:

"(4)(A) Congress recognizes the growing international dilemma of children with the human immunodeficiency virus (HIV) and the merits of intervention programs aimed at this problem. Congress further recognizes that mother-to-child transmission prevention strategies can serve as a major force for change in developing regions, and it is, therefore, a major objective of the foreign assistance program to control the acquired immune deficiency syndrome (AIDS) epidemic.

"(B) The agency primarily responsible for administering this part shall—

"(i) coordinate with UNAIDS, UNICEF, WHO, local governments, and other organizations to develop and implement effective strategies to prevent vertical transmission of HIV; and

"(ii) coordinate with those organizations to increase in scale intervention programs and introduce voluntary counseling and testing, antiretroviral drugs, replacement feeding, and other strategies.

"(5)(A) Congress expects the agency primarily responsible for administering this part to make the human immunodeficiency virus (HIV) and the acquired immune deficiency syndrome (AIDS) a priority in the foreign assistance program and to undertake a comprehensive, coordinated effort to combat HIV and AIDS.

"(B) Assistance described in subparagraph (A) shall include providing—

"(i) primary prevention and education;

"(ii) voluntary testing and counseling;

"(iii) medications to prevent the transmission of HIV and AIDS from mother to child; and

"(iv) care for those living with HIV or AIDS.

"(6)(A) In addition to amounts otherwise available for such purpose, there is authorized to be appropriated to the President to carry out paragraphs (4) and (5) $____________ for fiscal year 2001.

"(B) Of the funds authorized to be appropriated by subparagraph (A), not less than $__________ shall be made available through independent nongovernmental organizations.

"(C) Of the funds authorized to be appropriated by subparagraph (A), not less than $__________ shall be available for assistance for children orphaned as a consequence of HIV/AIDS, and shall include assistance for community-based programs designed to provide orphaned children with care and support.

"(D) Not more than $__________ of the funds authorized to be appropriated by subparagraph (A) may be used for the administrative expenses of the agency primarily responsible for carrying out this part of this Act in support of activites described in paragraphs (4) and (5).

"(E) Funds appropriated under this subparagraph are authorized to remain available until expended.".

(b) TRAINING AND TRAINING FACILITIES IN SUB-SAHARAN AFRICA.—Section 496(i)(2) of the Foreign Assistance Act of 1961 (22 U.S.C. 2293(i)(2)) is amended by adding at the end the following new sentence: "In addition, providing training and training facilities, in sub-Saharan Africa, for doctors and other health care providers, notwithstanding any provision of law that restricts assistance to foreign countries.".

SEC. 4. VOLUNTARY CONTRIBUTION TO GLOBAL ALLIANCE FOR VACCINES AND IMMUNIZATIONS AND INTERNATIONAL AIDS VACCINE INITIATIVE.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 302 of the Foreign Assistance Act of 1961 (22 U.S.C. 2222) is amended by adding at the end the following new subsections:

"(j) In addition to amounts otherwise available under this section, there is authorized to be appropriated to the President for fiscal year 2001 an amount not in excess of $__________ to be available only for United States contributions to the Global Alliance for Vaccines and Immunizations.

"(k) In addition to amounts otherwise available under this section, there is authorized to be appropriated to the President for fiscal year 2001 $__________ to be available only for United States contributions to the International AIDS Vaccine Initiative.".

(b) REPORT.—The President shall include in the report required to be submitted to Congress under section 305(b)(1) of the Foreign Assistance Act of 1961 (22 U.S.C. 2226(b)(1)) with respect to fiscal year 2001 a report on the effectiveness of the Global Alliance for Vaccines and Immunizations in meeting the goals of—

(1) improving access to sustainable immunization services;

(2) expanding the use of all existing, safe, and cost-effective vaccines where they address a public health problem;

(3) accelerating the development and introduction of new vaccines and technologies;

(4) accelerating research and development efforts for vaccines needed primarily in developing countries; and

(5) making immunization coverage a centerpiece in international development efforts.

SEC. ___05. WORLD BANK TRUST FUND.

(a) NEGOTIATIONS FOR THE CREATION OF A WORLD BANK TRUST FUND TO ASSIST IN AIDS PREVENTION AND ERADICATION.—The Secretary of the Treasury should enter into negotiations with the International Bank for Reconstruction and Development (in this section referred to as the "Bank") or the International Development Association (in this section referred to as the "Association"), with the member nations of such institutions, and with other interested parties for the creation of a trust fund, to be administered by the Bank or the Association, as appropriate, which would—

(1) accept contributions from governments, the private sector, and nongovernmental entities of all kinds; and

(2) use such contributions to address the AIDS epidemic in countries eligible to borrow from the Association.

(b) AUTHORIZATION OF APPROPRIATIONS.—In addition to any other funds authorized to be appropriated for multilateral or bilateral programs related to AIDS, there is authorized to be appropriated to the Secretary of the Treasury $____________ for fiscal year 2001 for payment to the trust fund established as a result of the negotiations entered into pursuant to subsection (a).

(c) REPORT TO CONGRESS.—Not later than 3 years after the date of enactment of this Act, the Secretary of the Treasury shall submit to the Committees on Banking and Financial Services and on International Relations of the House of Representatives and the Committees on

Banking, Housing, and Urban Affairs and on Foreign Relations of the Senate a written report on the trust fund established pursuant to subsection (a), the goals of the trust fund, the programs, projects, and activities, including any vaccination approaches, supported by the trust fund, and the effectiveness of such programs, projects, and activities in reducing the worldwide spread of AIDS.

OFFICE OF NATIONAL AIDS POLICY

EXECUTIVE OFFICE OF THE PRESIDENT

THE WHITE HOUSE

FACSIMILE TRANSMITTAL SHEET

TO: **Helen Walsh**	FROM: Sandy Thurman
COMPANY:	DATE: March 14, 2000
FAX NUMBER:	TOTAL NO. OF PAGES INCLUDING COVER:
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RE:	

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

Hi Helen-

I just wanted to give you a heads up on a memo I'm preparing for senior staff (see attached comments that will be incorporated). If Treasury's comments change dramatically, please let me know. Otherwise, I'm planning on sending the memo forward tomorrow.

As you well know, since Lee's bill was introduced in August and Leach's has been out a few weeks, I'd certainly like to move on this. Please let me know what you think. I'll call you from the plane, or you can call my assistant, Cheryl Bauerle (456-2959) if you need to get a hold of me.

Thanks!

Sandy

736 Jackson Place
Washington, DC 20503
(202) 456-2437
(202) 456-2438 (fax)

I have serious issues with these talking points. What follows are my comments on each of the reasons put forward for failing to support the Leach-Lee bill.

Resource constraints. I agree with the general statement that the 150 account is tight. However, I also believe that we could be more supportive of the bill while being clear that we would oppose diverting funds from other essential programs and would need to work with the Congress to identify acceptable offsets. If we want to be squarely within the FY2001 budget, I believe that we could explore earmarking $100 million within our IDA "health infrastructure" funding proposal as a contribution to the AIDS trust fund. This seems to me to be consistent with the thrust of that piece of the millennium effort. I would argue that, much like poverty, AIDS in Africa is a crosscutting issue. It is not only intricately linked to other infectious diseases (malaria, TB, and STDs) -- but to all of our other strategic objectives as well. While I agree that "single issues" should not be the rule for this type of mechanism -- a plague of this breadth and magnitude requires "out-of-the-ordinary" actions.

Competition between our LIFE initiative and the Leach-Lee Trust Fund. It is certainly true that scarce resources will always be an issue. But I believe that we are most advantaged by working with the Congress instead of against them. If the CBC and the moderate republicans work out a deal that passes nearly unanimously out of the Banking Committee -- it will create a force that needs to be reckoned with. Taking a walk at this juncture only encourages that this debate be framed as one approach against the other. Nothing could be further from the truth. We know that both increased bilateral aid and increased multilateral cooperation and action are desperately needed. The reality is -- if we were to do both at the levels proposed -- we would still be far from effectively dealing with a global disaster that will have effected (infected) more than 100 million people in the next 5 years.

This belongs at AID rather than Treasury. As I said above, and as was made clear at the UN Security Council meeting, both bilateral and multilateral efforts are needed. I strongly support USAID as our lead agency in the global battle against AIDS. But just as Treasury has an important role to play in the World Bank health initiative proposed in our FY2001 budget, Treasury has an equally vital role to play in a multilateral bank AIDS initiative.

As Leader Gephardt (a cosponsor of this bill) said this morning at a breakfast he and I did on AIDS in Africa: "This is the moral issue of our day and we will be judged by the actions we take – or fail to take." If this Administration seeks to continue to lead the global battle against AIDS, I believe we should rethink the way we interact with our friends in the Congress as they grapple with how best to move forward.

Congress of the United States
Washington, DC 20515

Rcd 10/25

October 15, 1999

The Honorable Madeleine K. Albright
Secretary of State
2201 C Street NW
Washington, DC 20520

AF/EPS
PD
pls. draft
response for
M.

Dear Secretary Albright:

We are writing to you to applaud your upcoming visit to Africa. In recent years, we have seen American involvement in Africa increase tremendously, first with President Clinton's historic visit, followed by the delegation led by National AIDS policy director Sandra Thurman's visit last December, and now your timely visit. We are heartened to see that this Administration is engaging African nations in regional security & conflict stabilization, economic cooperation and democratic reforms.

We also take heart in the news that you will be addressing the scourge of HIV/AIDS and the breakdown of the public health sector on your visit to eastern and southern Africa. As you know the HIV virus has spread massively throughout Africa, virtually decimating whole regions and entire economic sectors. Some estimates place the number of HIV infections in Africa as high as 25 million individuals. This has placed tremendous labor stresses on such skilled economic sectors as civil engineering, light industry, mining, and textile production. It is important to note that these are all industries that are vitally necessary if African nations are to develop their economies and climb into the ranks of industrialized nations.

Beyond purely economic concerns, the HIV/AIDS epidemic in Africa is having a profound effect on African societies. Life expectancies have dropped in some places by as many as 25 years down into the-mid 40s. Whole generations of parents are being wiped out and grandparents are being left to care for their grandchildren when they are at a point in their lives when they too are beginning to need care. The children who are not fortunate enough to have a family structure to fall back upon are a much larger problem for many African nations. Southern African nations especially are being hard pressed to care for hundreds of thousands of orphans who are taxing state services and often must resort to a life of crime to survive.

A third concern of ours is our own national security. With HIV/AIDS so prevalent in many of these African nations, it is only a matter of time before the virus destabilizes the armed forces and government structures in Africa. The result will be lawlessness and a rise of factional and clan warlords, many of who use the orphans who roam the streets as expendable shock troops. According to one report, as many as 50% of the pilots in the Ugandan Airforce are infected. This not only represents the loss of a large investment on the part of Uganda, but it also represents a likely destabilization of the defense capabilities of Uganda. How many other nations' armed forces are in a similar situation? The rest of Sub-Saharan Africa cannot be too far behind.

As you know, Africa is not a monolithic place, and the impact of HIV/AIDS is likewise not a monolithic epidemic in Africa; each nation has its own problems. Please take the time to talk to as many African leaders fighting the disease in each country as possible. Please use this trip to highlight this horrible and growing problem and the need for the United States to take a lead in fighting the disease. There will be several legislative initiatives after the New Year that will address these concerns. We would greatly appreciate the opportunity to meet with you and hear your thoughts on the African AIDS epidemic upon your return. Please have your staff contact Chris Dumm of Representative McDermott's office at 202.225.3106 to arrange a meeting.

Sincerely,

Jim McDermott
Member of Congress

Nancy Pelosi
Member of Congress

Barbara Lee
Member of Congress

Donald Payne
Member of Congress

John Olver
Member of Congress

Robert Matsui
Member of Congress

Maurice Hinchey
Member of Congress

Barney Frank
Member of Congress

José Serrano
Member of Congress

Lynn Wolsey
Member of Congress

Corrine Brown
Member of Congress

Howard Berman
Member of Congress

Juanita Millender-McDonald
Member of Congress

Congress of the United States
Washington, DC 20515

October 15, 1999

The Honorable Donna Shalala
Secretary of Health and Human Services
Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Madame Secretary:

We are writing to request that you to use your oversight authority to respond to concerns that have been raised by Michigan Medicaid providers about the impact of Michigan's managed care program on HIV care for Medicaid beneficiaries. Michigan has mandated SSI Medicaid beneficiaries into managed care programs under the authority of an approved 1915(b) waiver.

Most HIV-infected Medicaid patients in southeast Michigan are seen at three medical centers: Detroit Medical Center, Henry Ford Hospital, and the University of Michigan. All of these providers have experience managing this complex illness, and all of these patients are receiving state-of-the-art HIV care. However, capitation rates for this care and the concentration of these patients in three centers are leaving these medical centers with financial loses that are so substantial that their ability to continue providing quality HIV care is in jeopardy. Michigan HIV medical providers receive an average of $350 per member per month for monthly care that costs an average of $1800.

If one or more of these providers withdraws from the Medicaid managed care market, HIV-infected Medicaid beneficiaries may be forced to join health plans without experienced providers to meet their medical needs. HIV-infected patients will likely return to obtaining intermittent, emergency care when they become ill, increasing the rates of HIV transmission, multi-drug resistant HIV, sexually transmitted diseases, and tuberculosis. Already, providers in Michigan have noted increased use of emergency room services by patients with advanced HIV disease. Such an outcome will be a medical crisis for these Medicaid patients and their families, and lead to a public health crisis for the entire community.

We are concerned that while other states are adopting policies, such as drug carve-outs and risk-adjusted rates, that are responsive to the high costs of health care for HIV disease and other chronic conditions, Michigan is making it financially impossible for HIV providers with a demonstrated commitment to the Medicaid population to financially survive.

Congress charged HCFA with conducting a study on the impact of Medicaid managed care on

The Honorable Donna Shalala
October 15, 1999
Page 2

individuals with special health care needs. We encourage you to work with the state of Michigan to review the impact of Medicaid managed care payment methods on disabled beneficiaries, especially those with HIV or AIDS. We would also ask that you report back to our offices about the outcome of your discussions with the state, and any changes in policy that may result.

Thank you in advance for your response to this request.

Sincerely,

Debbie Stabenow

John D. Dingell

Dale E. Kildee

Carolyn C. Kilpatrick

David E. Bonior

John Conyers, Jr.

Lynn Rivers

CC: The Honorable David Satcher, M.D., United States Surgeon General
Nancy-Ann Min De Parle, HCFA Administrator
Sandra Thurman, Director, Office of National AIDS Policy
Scott Hitt, M.D., Chairman, Presidential HIV/AIDS Advisory Council
Claude Fox, M.D., M.P.H., Administrator, HRSA

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

July 27, 1999
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 2587 -- DISTRICT OF COLUMBIA APPROPRIATIONS BILL, FY 2000

(Sponsors: Young (R), Florida; Istook (R), Oklahoma)

This Statement of Administration Policy provides the Administration's views on the District of Columbia Appropriations Bill, FY 2000, as reported by the House Appropriations Committee. Your consideration of the Administration's views would be appreciated.

While the Administration appreciates the support of the Committee in developing a bill that provides requested funding for the Administration's priorities, and in voting to reduce the list of objectionable restrictions, we continue to strongly oppose several provisions included in the Committee bill that would seriously undermine local control. The Administration views the following highly objectionable provisions as unwarranted intrusions into the affairs of the District and would support amendments, if offered, to strike these provisions:

- Abortion. The Administration strongly opposes a provision of the Committee bill that would prohibit the use of both Federal and District funds to pay for abortions except in those cases where the life of the mother is endangered or in situations involving rape or incest.

- Domestic Partners Act. The Administration objects to a provision of the bill prohibiting the use of Federal and local funds to implement or enforce the Health Care Benefits Expansion Act of 1992 (the Domestic Partners Act).

- Limit on Attorneys' Fees in Special Education Cases. The Administration strongly objects to a provision of the Committee bill that would cap the award of plaintiffs' attorneys' fees in cases brought against the District of Columbia Public Schools under the Individuals with Disabilities Education Act (IDEA). In the long-run, this provision would be likely to limit the access of the District's poor families to quality legal representation, thus impairing their due process protections provided by the IDEA. We look forward to working with the Congress to address this issue.

- Voting Representation. The Administration opposes a provision of the bill that would prohibit the use of Federal or District funds to provide assistance for petition drives or civil actions that seek to require voting representation in Congress for the District of Columbia.

Resident Tuition Support

The Administration appreciates and strongly supports the Committee's inclusion of funding for a tuition assistance program for District of Columbia residents. We will continue to work closely with members of the authorizing committees on a bipartisan and bicameral basis, and with the Mayor, to determine how best to structure and administer the D.C. tuition assistance program.

Objectionable Amendments

The Administration strongly opposes the four amendments given special protections under the rule or other amendments that are intrusions into District self-government. One of the proposed amendments would prohibit the use of funds to carry out any joint adoption of a child between individuals who are not related by blood or marriage. This Administration is deeply committed to supporting adoptive families and to finding adoptive homes for children in foster care who are unable to return to their own families. The proposed amendment would stand as an unnecessary hindrance to providing children with loving adoptive families and the security, emotional and financial supports that two parents provide. We believe that decisions regarding the adoption of children should be guided by the best interests of the child and the individual circumstances of the case, consistent with State licensing and approval standards that assure the health, safety and well-being of the child.

The Administration appreciates the Committee's action to drop the ban on the use of local and private funds for needle exchange programs and strongly opposes the amendment to restore this restriction. The amendment would be an encroachment on the District's rights.

Reducing teen smoking is a high priority of the Administration; therefore, we support the objective of the amendment related to the possession of tobacco products by minors. However, for the same reasons that Congress has not legislated specific laws for individual States, it would be inappropriate to do so for the District.

The Administration objects to the amendment that would prohibit the District from legislating with respect to substances in a manner that all States are free to do, and would remain free to do, under the amendment.

If such amendments were adopted and included in the bill presented to the President, his senior advisers would recommend that the President veto the bill.

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

THE DIRECTOR

July 20, 1999

The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This purpose of this letter is to provide the Administration's views on the District of Columbia Appropriations Bill, FY 2000, as reported by the House Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

While the Administration appreciates the support of the Subcommittee in developing a bill that provides requested funding for the Administration's priorities, we strongly oppose a number of provisions included in the Subcommittee bill that would seriously undermine local control. The Administration views the following highly objectionable provisions as unwarranted intrusions into the affairs of the District and would support amendments, if offered, to strike these provisions:

- Abortion. The Administration strongly opposes a provision of the Subcommittee bill that would prohibit the use of both Federal and District funds to pay for abortions except in those cases where the life of the mother is endangered or in situations involving rape or incest.

- Domestic Partners Act. The Administration objects to a provision of the bill prohibiting the use of Federal and local funds to implement or enforce the Health Care Benefits Expansion Act of 1992 (the Domestic Partners Act).

- Limit on Attorneys' Fees in Special Education Cases. The Administration strongly objects to a provision of the Subcommittee bill that would cap the award of plaintiffs' attorneys' fees in cases brought against the District of Columbia Public Schools under the Individuals with Disabilities Education Act (IDEA). In the long-run, this provision would be likely to limit the access of the District's poor families to quality legal representation, thus impairing their due process protections provided by the IDEA.

Needle Exchange

The Administration strongly opposes the provision of the Subcommittee bill that would prohibit the use of Federal and local funds for needle exchange programs. A ban on the use of local funds is an encroachment on state's rights, and may seriously disrupt current HIV prevention efforts by closing existing programs.

Resident Tuition Support

The Administration appreciates and strongly supports the Subcommittee's inclusion of funding for a tuition assistance program for District of Columbia residents. We will continue to work closely with members of the authorizing committees on a bipartisan and bicameral basis, and with the Mayor, to determine how best to structure and administer the D.C. tuition assistance program.

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

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable C. W. Bill Young,
The Honorable David R. Obey, The Honorable Ernest J. Istook, Jr.,
and The Honorable James P. Moran