



March 17, 1999
(Senate)

STATEMENT OF ADMINISTRATION POLICY

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

S. 544 -- EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, FY 1999

(Sponsor: Stevens (R), Alaska)

This Statement of Administration Policy provides the Administration's views on S. 544, a bill making FY 1999 emergency supplemental appropriations, as reported by the Senate Appropriations Committee. The bill as reported by the Committee provides urgently needed funding to assist in Central America's recovery from recent natural disasters, to provide resources to promote stability in Jordan, and to fund the President's request for the emergency needs of farmers and ranchers in the United States.

The Administration appreciates the Senate Committee's prompt action to ensure that urgently needed funding is provided quickly. Providing essential assistance to victims of natural disasters and helping our farmers at home with vital financing clearly fall in the category of needs that are urgent, unanticipated, and essential -- that is, emergency requirements. Therefore, they clearly deserve to be funded quickly, fully, and without requiring offsets that could force unacceptable reductions in important programs. In addition, it is essential that this bill remain free of extraneous provisions that could slow its progress. Unfortunately, the Committee bill includes a number of such provisions.

Were the bill to be presented to the President with the Senate Committee's proposed offsets and several objectionable riders discussed below, the President's senior advisers would recommend that he veto the bill. We urge you not to take actions that could result in gridlock and delay, and that would be detrimental both to our allies abroad and our citizens at home in their time of need.

Emergency Relief for Central America

The bill provides \$977 million for Central America, \$21 million more than the President's request. The President's request for International Assistance Programs, the Department of Defense, and the Department of Justice would provide essential emergency disaster assistance in the wake of Hurricane Mitch, which inflicted severe damage on several Central American nations. The package also provides aid to the Caribbean nations struck by Hurricane Georges, including Haiti and the Dominican Republic. The Administration commends the Committee for its prompt action in approving the President's request.

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Regrettably, the Majority Leadership of the Senate has decided that these funds must be offset. Hurricane Mitch, the worst natural disaster in the history of the Western hemisphere, left more than 9,000 dead and drove millions from their homes. Serious economic dislocation has resulted from the destruction of schools, hospitals, businesses, farms, and roads. Together, Hurricanes Mitch and Georges have caused \$10 billion in damages. The President's Central America package is urgent, unanticipated, and essential and should be funded as an emergency request.

Funds must be provided swiftly to prevent the spread of disease and to buy seed and plant crops in the fast-approaching Spring planting season, thereby providing food and jobs to many communities, and to demonstrate to Central Americans that they can find jobs and security in their own recovering economies. Much of the rural road system farmers and small merchants depend on for their livelihoods was destroyed. Water and sanitation systems have been disrupted, which can result in disease. Economic destruction and dislocation threaten to undermine the region's achievements of the past decade, as these nations have made tremendous strides toward settling conflicts, strengthening democracy, promoting human rights, opening economies and alleviating poverty. Emergency assistance for reconstruction aid will ensure that their transformation continues and will deter illegal migration by assuring that Central Americans have cause to view their own futures in the region with hope.

Jordan

The Administration appreciates the Committee's providing the full \$100 million for Jordan, fully funding the FY 1999 request. These funds will provide financial support to help promote stability in Jordan and the region during the period of transition subsequent to King Hussein's death. While the Administration appreciates the full funding of the FY 1999 request, we are disappointed that the \$200 million requested in advance appropriations for FYs 2000 and 2001 has not been provided. In the context of promoting peace in the Middle East, the Administration will continue to press for these advance appropriations.

Department of Agriculture

The Committee bill provides \$308 million in emergency funds for the Department of Agriculture (USDA), \$156 million above the President's request. The Administration appreciates the Committee's support for the President's request for emergency farm loans and administrative costs. This loan authority would provide vitally needed financing for the Nation's farmers in light of the significant increase in demand for USDA loans, due to projected continuing low commodity and livestock prices. The Administration is reviewing the other farm-sector funds included in the Committee bill.

Offsets

The President has proposed that this package of essential emergency disaster assistance be funded consistent with the budget rules that apply to emergency spending. Regrettably, the Majority Leadership has decided that the funds for Central American disaster aid and agricultural assistance must be offset. The proposed offsets would result in unacceptable reductions in funding in areas of crucial importance to Americans, including: disaster relief funds in response to Hurricane Georges and other domestic disasters; funds for anti-terrorism to protect U.S. citizens at our embassies overseas; funds to fight the war on drugs; and, with only 289 days before December 31, 1999, funds to solve the Y2K problem.

Some examples of the reductions that would result from the Committee's action include the following:

- \$75 million from anti-terrorism programs to protect our citizens at our embassies and facilities abroad;
- \$65 million in disaster relief, which would deprive FEMA, SBA, and other agencies of resources they need to continue their work in response to domestic disasters in Florida, Alabama, Mississippi, Louisiana, Georgia, North and South Carolina, North and South Dakota, West Virginia, Texas, California, Maryland, Virginia, Tennessee, Pennsylvania, Alaska and most other States ;
- \$33 million in drug war programs of the Drug Enforcement Agency, the Coast Guard, the Customs Service, and other agencies;
- \$113 million in Y2K funding for domestic Federal Government agencies, which could harm systems needing further computer conversion adjustments;
- \$25 million in INS citizenship and immigration programs and \$40 million in enforcement and border affairs, which would have negative consequences on INS' immigration benefit programs, ongoing investigations, and land border inspection operations;
- \$16 million from the Department of Energy to execute crucial nonproliferation activities with the Russian Federation and private Western companies to reduce the availability of weapons-grade uranium;
- \$43 million for International Organizations and Peacekeeping that would increase U.N. arrears and would jeopardize the ability of the United States to respond to increased or new requirements for international peacekeeping operations;

- \$100 million from revised inflation assumptions for domestic, non-defense programs, which could result in cuts in inflation-sensitive programs such as WIC and other essential programs;
- \$60 million from the Global Environmental Facility and \$10 million from the EPA climate change program that develops the technology needed for a fuel efficient, less polluting vehicle; and \$2 million from NOAA for coastal States for implementation of clean water action plan programs;
- \$350 million of Temporary Assistance for Needy Families (TANF) funds deferred until FY 2002, which could force States to reduce critical investments in services and benefits to poor families who are trying to make the transition from welfare to work.

Objectionable riders

Unfortunately, the Committee bill includes a number of strongly objectionable provisions, including the following:

- A provision that would completely relinquish the Federal taxpayers' share of the Medicaid-related claims in the comprehensive State tobacco settlement without any commitment whatsoever by the States to use these funds to stop youth smoking. Federal taxpayers paid more than half, an average of 57 percent, of Medicaid smoking-related expenditures. The Administration believes that the States should retain these funds but should make a commitment that the Federal share of the settlement's proceeds will be spent on shared national and State priorities: to reduce youth smoking, protect tobacco farmers, improve public health, and assist children.
- A provision that would extend the current moratorium on publishing a final Interior Department rule revising the method by which crude oil from Federal leases is valued for purposes of calculating Federal royalties. The existing FY 1999 rider imposed an eight-month moratorium (until June 1, 1999) and was the outcome of negotiations with the Congress at the end of the last session. This provision would cost the Treasury about \$15 million in FY 1999.
- A provision that would extend the current moratorium on publishing a final Interior Department rule concerning surface management and reclamation requirements at hardrock mine sites on Federal lands. The existing FY 1999 rider imposed a moratorium on publishing the final rule until September 30, 1999, and requires a National Academy of Sciences (NAS) study by July 31, 1999, examining the need for the new rule. The provision in this bill would prohibit publishing the final rule until after a minimum 120-day comment period following the completion of the NAS study.

Therefore, the earliest the rule could be published would be December 1999. The new rule is needed to update the existing 1980 regulation to take into account changes in mining practices and technology since then. Interior issued for comment and review a proposed hardrock mining rule in February 1999. This rule-making process should not be delayed further.

- A provision that would prevent the Secretary of the Interior from implementing a recent reorganization of Interior's Office of Special Trustee for American Indians (OST) for the remainder of FY 1999. The Secretary took the step of reorganizing this office to address deficiencies in day-to-day management of OST's field operations. In order for the Administration's efforts to reform management of tribal and individual Indian trust funds to succeed, this reorganization needs to remain in effect.

Other Issues

- On March 10, 1999, the President transmitted a request for \$15 million in additional supplemental funding for the Department of the Interior to support the requirements of the Cobell v. Babbitt class-action lawsuit alleging mismanagement of individual Indian money accounts. These additional funds would allow the Department to conduct critical activities, including court-ordered document production and statistical sampling needed this year in defense of the suit. This request is fully offset from other Interior appropriation accounts.
- The Administration objects to a provision that would transfer \$100 million from the Department of Agriculture's Wildfire Management Operations -- primarily firefighting funding -- to its Knutson-Vandenberg Fund (K-V Fund), which funds reforestation and timber stand management and improvement on national forest lands. A transfer of this magnitude is unnecessary and inappropriate. Transferring the funds from the appropriated fire operations account would likely require that available Forest Service emergency contingency funds be used to fight fires in FY 1999, even if FY 1999 is a normal fire year. Should a significant fire season occur and the contingency funds be exhausted, the Forest Service would have to transfer funds back from the K-V Fund.
- The Administration opposes the transfer of disaster relief funds from the Community Development Block Grant (CDBG) program to the Federal Emergency Management Agency. The Administration would like to work with the Committee to respond to their concerns about the implementation of the CDBG disaster relief program.