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001. memo	Carol H. Rasco to Domestic Policy Council re: Change in Meeting Date [partial] (1 page)	05/25/1993	P6/b(6)

COLLECTION:
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FOLDER TITLE:
Domestic Policy Memos [1]

2013-0124-S
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RESTRICTION CODES

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

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

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

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

EVERYTHING YOU ALWAYS WANTED TO KNOW ABOUT "OPTION 9"
(But Were Afraid to Ask)

BACKGROUND: WHAT IS "OPTION 9"?

On April 2 in Portland, Oregon, President Clinton convened the Forest Conference as the first step toward a balanced and comprehensive policy that would recognize the importance of the forests and timber to the economy and ecology of the Pacific Northwest. At the close of the conference, the President established three interagency working groups -- Ecosystem Management Assessment, Labor and Community Assistance, and Agency Coordination -- to study the situation and come up with a comprehensive forest management policy that would allow a sustainable timber harvest based on a scientifically-sound and legally responsible plan. Following this mandate, the Working Group on Ecosystem Management Assessment analyzed ten ecosystem management options that allowed a range of annual timber harvests from .2 to 1.7 billion board feet (bbf). Option 9, which offered the highest level of timber harvesting allowable under current environmental laws (1.2 bbf per year), was chosen by the President to offer as a solution to the crisis in the Northwest.

WHAT DOES OPTION 9 DO?

Option 9's most significant features include the following:

- An approach to ecosystem management that uses key **watersheds** as its basic building blocks. This approach not only protects the most valuable old-growth forests, but also takes steps to safeguard the region's drinking water, restore the region's ailing salmon industry, and protects a wide range of threatened species.

- A **sustainable timber harvest of 1.2 billion board feet annually** on the protected forests. This level may be "phased-in" gradually, allowing for slightly higher levels of harvest in the first few years declining to slightly lower levels in later years (as long as the average over a period of time is 1.2 bbf per year). In addition, the expected release of sales stopped by injunction, steps to move timber from Indian lands, and other measures are expected to increase this figure as the program is implemented.

- **Reserve areas** based on watersheds that include the most valuable old growth forests and designated conservation areas to protect specific species. Only very limited activities would be permitted in the reserves, including salvage and thinning where the primary objective of that salvage and thinning is to accelerate the development of old growth conditions.

- Ten **Adaptive Management Areas** of 78,000 - 380,000 acres each for intensive ecological experimentation and social innovation to develop and demonstrate new ways to integrate ecological and economic objectives and allow local involvement in defining the future.

CONSTRAINTS NARROWING THE RANGE OF OPTIONS

In developing an ecologically and economically sound Forest Management Plan, three important constraints severely narrowed the range of viable options:

- **Compliance With Environmental Laws:** Because of current court injunctions that have frozen timber sales over the past three years, no option exists that can comply with current environmental laws (primarily the Endangered Species Act and National Forest Management Act) and still produce a sustainable annual harvest of 2 billion board feet -- the minimum level of harvest that industry and labor groups demand.

- **A Limited Timber Base:** The disappointing harvest numbers are only in part a function of compliance with environmental laws. When the scientific team looked at the Forest Service timber base, it found that previously-generated forest plans overestimate by 20 to 30 percent the average sustainable annual timber sale level -- the base was much smaller than previously thought.

- **The Viability of Threatened Species:** The harvest numbers are further driven down by the impact of earlier overcutting on the viability of various species. Until now, attention has been focused primarily on the spotted owl and its habitat needs. But it is now apparent that the protection of marbled murrelets and several fish species that will likely be listed under the Endangered Species Act within the next year will have at least as much effect on timber harvests as the owl.

IMPLEMENTATION OF THE INDIAN GAMING REGULATORY ACT: ISSUES SUMMARY

BACKGROUND ON THE INDIAN GAMING REGULATORY ACT (IGRA)

As state lotteries began to proliferate in the late 1970s, several Indian tribes in Florida and California began raising revenues by operating bingo games offering larger prizes than those allowed under state law. When the states threatened to close these operations, the tribes sued in federal court, contending that Indian gaming establishments were not within state enforcement jurisdiction.

Of these court cases, two had a large impact on the issue of Indian gaming. First, in *Seminole Tribe v. Butterworth* (1981), a Federal Circuit Court ruled that Congress did not confer authority on the states to regulate gaming activities on Indian lands, since the state permitted and regulated bingo and did not prohibit it. As a result of this verdict, gaming in Indian country began to grow rapidly. In 1987, a second case, *California v. Cabazon Band of Mission Indians*, the Supreme Court affirmed the ruling of the Florida court. This case opened the door for a dramatic expansion of Indian gaming, and states began to push Congress for some sort of legislative compromise. The Indian Gaming Regulatory Act of 1988 (IGRA) was the result of this effort.

The Indian Gaming Regulatory Act of 1988 (IGRA) was enacted as a compromise between Tribes and states that provides a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency, and strong tribal government while maintaining the sovereignty of Indian tribes and States alike. The Act categorizes gaming into three broad categories; class I, class II, and class III and further outlines a regulatory scheme that apportions regulating authority between the federal, State, and tribal governments:

> **Class I** gaming (social games or traditional tribal games played in conjunction with tribal ceremonies) is regulated under the exclusive jurisdiction of the tribes.
>
> **Class II** gaming (bingo, pull-tabs, and related games) is within the jurisdiction of the tribes, but is also regulated by the National Indian Gaming Commission (a three-person regulatory agency administratively located within the Department of Interior).
>
> **Class III** gaming (all other gaming, including horse racing, blackjack, roulette, slot machines, lotteries, and craps) can be conducted only after an appropriate Tribal-State compact is negotiated with final approval given by the Secretary of the Interior.

The Act also asserted that States must negotiate in "good faith" with Indian tribes seeking to develop class III gaming operations. It was the intent of Congress that States have a role in the regulation of Class III gaming, and that it should be the responsibility of the individual tribes and States to come to mutually agreeable terms.

KEY ISSUES

Currently, a number of states are urging Congress to amend IGRA to give states more regulatory authority over Indian gaming. Over the past two years, an increasing number of states have refused to negotiate any Class III gaming compacts with Indian tribes. These states claim that IGRA has resulted in forms of gambling, particularly casino gambling on Indian reservations, in states that have not authorized these forms of gambling. As a result of state refusal to negotiate, many tribes have sought relief in court. This conflict over Indian gaming and IGRA revolves around a few key issues:

IGRA As a Compromise. While many states view IGRA as giving Indian tribes too much power over the regulation of tribal gaming, tribes see IGRA as a compromise between states and Indian tribes over this very issue. According to the *Cabazon* decision in 1987, states lacked jurisdiction to enforce their gaming laws against tribal gaming activities on reservations. IGRA's Class III compact provisions created a means by which states could enforce their gaming laws that otherwise would be inapplicable to reservation gaming. The tribes see this as a major inroad into tribal self-governance that they objected to but accepted reluctantly as the political price to be paid for reaping the economic benefits gained by Class III gaming.

Civil/Regulatory Laws vs. Criminal/Prohibitory Laws -- The "Any Means All" Controversy. Perhaps the biggest point of controversy between states and tribal governments revolves around the notion that if a state authorizes one form of Class III gaming (ie. a state lottery), Indian tribes in that state are automatically entitled to negotiate compacts for all forms of Class III gaming. This notion, commonly referred to as the "any means all" standard, is one of the primary arguments used by states trying to amend IGRA. However, the "any means all" concept is probably an oversimplification. In a series of rulings on this issue over the past five years, a number of courts have held that if the intent of state law is to prohibit a certain conduct (gaming), it falls within the criminal jurisdiction of the state, but if state law permits the conduct at issue subject to regulation, it must be classified as civil/regulatory and hence be negotiable. In other words, unless state policy reflects an absolute criminal prohibition with respect to the gaming activities in question, the state's statutory restrictions are deemed regulatory rather than prohibitory.

The Meaning of "Good Faith" in IGRA. States feel that the meaning of negotiating in "good faith" in IGRA should be clarified and applied to both states and tribes equally, with the burden of proving the allegation should rest with the party alleging that the other side is not acting in good faith. They argue that mere inability to agree upon a compact, especially in regards to a state's adherence to its own gaming laws, should not indicate bad faith by either party. Currently, IGRA places the burden of proof on the states. Tribes argue that placing this burden on the states corrects for an imbalance and should therefore stay in place -- under IGRA, tribes cannot conduct Class III gaming unless they successfully negotiate compacts with states, but states have no such obligation to negotiate and have little incentive to successfully negotiate a compact with tribes.

Economic Development in Indian Country. There is no question that gaming is the single most successful economic development opportunity to occur on Indian country in over a century. Since Congress passed IGRA in 1988, annual revenues from gaming on reservations has reached over $5 billion, and tens of thousands of jobs have been created for Indian and non-Indians alike. Under IGRA, Indian gaming revenues must be used solely for governmental or charitable purposes, and tribes have used these funds to promote economic and community development in a number of innovative ways. So far, states and others who wish to limit or abolish Indian gaming have not yet come up with an alternative form of economic development that can come close to matching the revenues generated by Indian gaming.

CURRENT STATUS OF IGRA

On July 2, Senator Inouye, Chairman of the Senate Select Committee on Indian Affairs, brought together representatives of the states and tribes to try and find some areas of agreement between the two sides on the issues listed above. After hours of discussion and debate, the tribes and states agreed to form a high level working group to try and work out specific amendments to IGRA that both sides can live with. The working group has pledged to report back to Senator Inouye by July 20, and the Senator hopes to introduce amendments to IGRA before the August recess. Senator Inouye's time table on amending IGRA is being driven by the recent introduction of a bill by Senators Reid and (Nevada) that would give states almost-complete control over the regulation of Indian gaming. Senator Inouye feels that if he is unable to offer any reasonable amendments to IGRA in the near future, the House and Senate will likely pass the Reid- bill.

MEMORANDUM

To: Kathi Way

From: Shirley Sagawa

Re: Weekly memo

Date: May 26, 1993

Kathi - I apologize for not sending in memos before. I must have missed the meeting when we discussed this. Here's my report - if it's in the wrong format, let me know.

THE WEEK AHEAD

Discussions with House and Senate Labor Committees continue in preparation for markup of the National Service bill June 9.

CONGRESS

Two House and two Senate hearings on the National Service bill were held.

WEEK IN REVIEW

I spoke to a group of 40 governor's representatives and state lead agencies about the National Service legislation and how it will affect states.

I met with child welfare/family support groups about the National Service bill.

In conjunction with the Office of National Service, we began planning meetings on the implementation of the National Service bill.

We are coordinating preparation of briefing materials for Congress on the health care bill.

MEMORANDUM

To: Carol Rasco

From: Shirley Sagawa

Re: Youth Development Block Grant

Date: May 14, 1993

We have been asked by the National Collaboration for Youth, which includes all the major youth organizations like Boy Scouts, Girl Scouts, Girls Inc., YMCA, etc., to support legislation they have prepared called the Youth Development Block Grant. The theory of the legislation is to drive $2 billion in unrestricted funding to community-based youth organizations in localities with high concentrations of low-income youth. Some of the funds would come from existing programs that already serve this population; other money would be "new" money.

These groups want the President to endorse this initiative, or better yet, claim it as his own. Given our full plate and significant policy issues with their proposal, I would assume the answer is no. They claim to have bipartisan support in Congress; should the proposal move forward in Congress, we could revisit the issue of an endorsement.

Please advise.

I agree w/ your assessment you should also make sure Bruce Reed is aware of all this as it has some similar elements to the Empowerment Zones. CR

Shirley S.

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

May 27, 1993
(House)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 2264 - Omnibus Budget Reconciliation Act of 1993
(Sabo (D) Minnesota)

The Administration strongly supports H.R. 2264. House passage of this measure is a critical step toward enactment of the President's economic program.

The bill provides substantial, fair, and balanced deficit reduction that is essential to the Nation's economic future. It will free capital for private investment and lead to more jobs and higher living standards for working families today and in the future.

H.R. 2264 will be the largest deficit reduction package in the Nation's history, implementing the $500 billion in deficit reduction called for by the budget resolution. It is a balanced measure that provides approximately one dollar of spending cuts for every dollar of additional revenues over five years, with more spending cuts than tax increases in the longer term. Savings come from every major area of the budget, including farm and veterans' programs, Social Security, Medicare and Medicaid, Federal pay and retirement benefits, and defense and non-defense discretionary spending.

Of the added revenues in the legislation, 75 percent come from the six percent of all taxpayers with incomes of over $100,000.

H.R. 2264 also contains targeted investments that the President has proposed in a number of vital areas, such as childhood immunizations, family support and preservation, the earned income tax credit, and empowerment zones. These investments are fully paid for.

The Administration supports the budget enforcement measure made in order as part of H.R. 2264 by the Rules Committee that addresses discretionary spending, pay-as-you-go requirements, sequestration enforcement, and entitlement spending, and that establishes a deficit reduction trust fund. These tools are essential to ensuring that the deficit reduction provided by the bill is actually achieved and maintained.

The President's commitment to deficit reduction has already brought long-term interest rates down dramatically. To maintain that momentum, it is critical that the House adopt the reconciliation bill and send it to the Senate.

* * * * * * *

(**<u>Do Not Distribute Outside Executive Office of the President</u>**)

This draft Statement of Administration Policy was developed by the Legislative Reference Division (Steiger), in consultation with the Department of the Treasury (Assistant Secretary Samuels, Alan Cohen), CEA (Chairwoman Tyson), NEC (), the White House Offices of Legislative Affairs (Paster), Communications (), and the Deputy Chief of Staff (), OVP (Simon), External Affairs (Toiv), EP (Minarik), AD/B (Anderson), BASD (Lind, Balis, and Barth), and LVE (Selfridge).

H.R. 2264 was ordered reported by the House Budget Committee by a party-line vote of 26-17 on May 20th. According to committee staff, the report is expected to be filed on Tuesday, May 25th. The bill is expected to be considered by the Rules Committee on Wednesday, May 26th and on the House floor on Thursday, May 27th.

<u>Description of H.R. 2264</u>

The following briefly describes the major provisions of H.R. 2264 organized by the House Committee that reported the provisions. It is based on the descriptions contained in the Director's briefing package dated May 14th.

<u>AGRICULTURE</u>

5 Year Savings Target: $2.95 billion

<u>Savings Achieved</u>

- o Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments) for program crops from 15 to 20 percent, starting with 1994 crop.
- o Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- o Decreases current law assessment on dairy to 10 cents.
- o Reduces Market Promotion Program to $148 million per year (equals FY 93 level).
- o Lowers payment limit on honey, and wool and mohair programs to $50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- o Increases Forest Service recreation fees.
- o Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.

- o Adjusts purchase prices to effectively buy more milk powder and buy less butter.

- o Creates free catastrophic crop insurance for losses above 65 percent.

- o Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.

- o Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

ARMED SERVICES

5 Year Savings Target: $2.4 billion direct spending
$20.3 billion authorization

Savings Achieved:

- o Delays the 1994 military retiree COLA by four months from January to May 1994.

- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998, and May 1999.

- o Exempts disabled retirees and survivors from the COLA delays.

- o Achieves required discretionary spending targets by:

  -- Freezing military pay in 1994

  -- Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: $3.1 billion

Savings Achieved:

- o Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.

- o Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.

- o Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.

- o Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.

- o Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

EDUCATION AND LABOR

5 Year Savings Target: $5.8 billion

Savings Achieved:

- o Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.

- o To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.

- o Removes unintended barriers preventing States from recovering Medicaid payments properly paid by private health insurance.

ENERGY AND COMMERCE

Total 5 Year Savings Target: $64.6 billion

5 Year Savings Target: $7.2 billion for Auction of the Radio Spectrum

Savings Achieved:

- o Authorizes auctions for assignment of FCC licenses for use of the radio spectrum. (Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.)

5-Year Savings Target: $1.16 billion for Nuclear Regulatory Commission (NRC) Fees

Savings Achieved:

- Extends for FYs 96 - 98 the current requirement that the NRC recover 100 percent of its costs through user fees. (Without this amendment, NRC would only recover 33 percent of its costs through user fees.)

5 Year Savings Targets: $48.35 billion for Medicare
$7.9 billion for Medicaid

Savings Achieved -- Medicare:

- Reduces the Medicare Volume Performance Standard, which would limit future physician payment fee increases.

- Limits payments for clinical laboratory tests.

- Extends current reductions on reimbursement for hospital outpatient capital costs and sets reasonable costs.

- Reforms Medicare Secondary Payer rules that help ensure that other insurance pays before Medicare trust funds are used.

- Reduces the scheduled 1994 increase in physician fees.

- Limits payments for durable medical equipment.

- Expands the ban on self-referrals by physicians, i.e., to facilities in which the physicians have a financial interest.

- Extends Part B (SMI) premium levels beyond 1995.

Note: The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of $28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

Savings Achieved -- Medicaid:

The Committee exceeded by $356 million the five-year savings target of $7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:

- strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;

- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;
- o enable States to adopt prescription drug formularies;
- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and
- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

Investments

- o The Committee adopted legislation to help ensure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services.
- o The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.
- o The Committee extended some areas of Medicaid coverage, including:
  - -- raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and
  - -- funding medical assistance payments for States with a disproportionate share of border-crossing individuals.
  - -- extending eligibility for some Medicaid services to impoverished TB patients.

FOREIGN AFFAIRS

5 Year Savings Target: $5 million

Savings Achieved:

- o Supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96 for Foreign Service retirement program.

JUDICIARY

5 Year Savings Target: $0.3 billion

Savings Achieved:

- Extends for FYs 96-98 current patent fee surcharges that expire at the end of FY 95. This proposal does not increase patent fees beyond levels anticipated under current law.

MERCHANT MARINE AND FISHERIES

5 Year Savings Target: $0.2 billion

Savings Achieved:

- Extends for FYs 96 - 98 the current Tonnage Duty Fees that expire at the end of FY 95. This proposal does not increase fees beyond current levels. The fees are paid by all ships entering U.S. ports after calling on foreign ports.

NATURAL RESOURCES

5 Year Savings Target: $2 billion

Savings Achieved:

- Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.

- Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.

- Authorizes collecting a surcharge from beneficiaries of Federal western water projects.

- Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.

- Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.

- Extends through FY 98 the existing requirement that the Nuclear Regulatory Commission recover 100 percent of its costs through user fees.

POST OFFICE and CIVIL SERVICE

5 Year Savings Target: $10.6 billion direct spending
$28.7 billion authorization

Savings Achieved:

- Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1 percent in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.

- Delays to July 1st the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for FYs 94-98.

- Reduces the Federal workforce by 150,000 over the next five fiscal years.

- Eliminates cash awards between FYs 94-98.

- Caps the amount of annual leave that members of the Senior Executive Service can accumulate.

- Delays COLAs for civilian retirees by three months during FYs 94-96.

- Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.

- Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.

- Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.

- Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disability Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

PUBLIC WORKS AND TRANSPORTATION

5 Year Savings Target: $0.3 Billion

Savings Achieved:

- Charges more equitably for Federal Aviation Administration services provided to users of the national airspace system. These charges are described below.

- Increases annual general aviation aircraft registration fee and ties it to aircraft weight.

- Increases general aviation aircraft title recordation fee to $200. (This is a one-time fee paid whenever an aircraft is bought or sold.)

- o Establishes an aviation medical examiner certification fee of $500.

- o Increases the triennial pilot certificate fee of $12.

- o Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

VETERANS AFFAIRS

5 Year Savings Target: $2.6 billion.

Savings Achieved:

- o Extends five provisions in current law that allow VA to:

  -- Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.

  -- Collect a $2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.

  -- Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.

  -- Limit pension payments to $90 per month for veterans living in Medicaid nursing homes.

  -- Include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.

- o Increases fees charged for most VA home loans by .75 percent.

- o Authorizes VA to collect from veterans' health insurers the cost of care for treatment of military-related conditions.

- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.

- o Reduces the new annual increase in GI Bill benefits by one percent.

- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.

WAYS AND MEANS

5 Year Savings Target: $48.35 billion for Medicare

Savings Achieved:

- o The Ways and Means Medicare package would save $50.5 billion over five years -- meeting the savings objectives of the President's budget.
- o Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save $38 billion over five years.
- o Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used.
- o The Committee extended the Part B (SMI) premium levels beyond 1995.
- o The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

5 Year Investment Target: $20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

Investments

- o Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- o Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- o Establishes tax and other incentives for Empowerment Zones to stimulate economic growth and job creation in distressed urban and rural areas. (The poverty criteria some areas would be required to meet are less strict than in the Adminstration's bill and certain additional tax credits are made available.)
- o Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.

- o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- o Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50 percent.
- o Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- o Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.

Debt Limit

- o The bill Increases the statutory debt limit to $4.9 trillion.

Anticipated Rules Committee Amendment

[To be supplied.]

Pay-As-You-Go Scoring

The following table was supplied by BASD (Balis). "Instructions" refers to the reconciliation instructions contained in the budget resolution. The OMB figures are preliminary.

RECONCILIATION SAVINGS ($ in billions)

	Instructions		H.R. 2264	
	1994	1994-98	1994	1994-98
OMB Estimates:				
Outlays	-3.2	-59.4	-2.6	-55.4
Receipts	-36.2	-295.7	-36.5	-293.0
Deficit	-39.4	-355.1	**-39.1**	**-348.4**
CBO Estimates:				
Outlays	-4.4	-63.1	-4.0	-61.4
Receipts	-27.4	-272.7	-32.7	-275.5
Deficit	-31.8	-335.8	**-36.7**	**-336.9**

Note: Receipt increases are shown as minuses because they reduce the deficit.

Legislative Reference Division
5/27/93 - 11:30 a.m.

Shirley

TO: DPC Staff

FROM: Carol H. Rasco CHR

SUBJ: Stuff

DATE: May 27, 1993

I regret we had to cancel the 9 a.m. program staff meeting but the first priority today has to be the assignments that will be given out throughout the day on the big VOTE today. I hope all of you will keep one another posted on your whereabouts; we might need to call out troops at anytime!

Along those lines, there is a good chance that later this evening we will need the help of staff in delivering thank you messages....this could possibly happen around 7 p.m. but that time nor the issue itself should not be discussed with anyone. If you will be gone by that time, please let Rosalyn know today if you will be reachable and how....similarly, no one should discuss any part of the vote process or the content with the press today. We don't want to create the issue that thwarts the process!

WEEKEND SCHEDULES

Friday will be considered a regular working day unless there are people who end up spending all of tonight working the vote. Otherwise, we will go into a weekend schedule on Saturday extending through Monday. Phones do not have to covered Monday during regular office hours unless you choose to do so. I am attaching a note about my schedule out of town and want to repeat that no one should hesitate whatsoever to contact me. In the meantime, Bill Galston will be the "duty officer" Friday and Monday; Bruce Reed on Saturday and Sunday. This does not mean Bill and Bruce have to be in the office those days, except for Friday of course..... they are simply first "on call."

HEALTH CARE

We are sending you the newest set of talking points on health care to keep you up to date.

INTERNS

Four interns will arrive on Tuesday. Bruce Reed will bring the intern to each of you assigned one, and Kathi Way will help to get them settled in 217 where they will all be housed. This is an INCREDIBLE group of people, I'm excited about having them here. I am forwarding to those of you assigned an intern your intern's resume today. We'll try to have a "social" in the near future so that we can all become better acquainted with one another.

ASSIGNMENTS:

Kathi Way: Mitchell McKinney from Lawrence, Kansas who is currently in a PhD program at the University of Kansas.

Bill: Alfonso H. Lopez from Fairfax, Virginia who is in law school at Tulane in New Orleans.

Bruce and Paul: Timothy T. Fong who is in graduate school at Princeton and who grew up in Alabama, Texas and Northern California.

Donsia and Jose: for the first half of the summer, Swati Agrawal of Rochester Hills, Michigan who is in Yale Law School. For the second half of the summer it will be Marianela Peralta who is a graduate of Georgetown and is now attending the University of Pittsburgh School of Law.

I will depend upon each of you assigned an intern jointly with someone else to work out between yourselves how to divide the work and I hope each of you will give some thought this weekend to task you wish to present to the interns Tuesday.

Have a great weekend---clearly I hope each of you will take advantage of the post-vote period to rest, get charged for the next round! I'll see you Friday the 4th!

FYI:
I will be flying to Arkansas Friday morning after the 8 a.m. staff meeting with a scheduled arrival in Little Rock at 2 p.m. I am scheduled to return to Washington the evening of Thursday, June 3.

While in Arkansas I can be reached the following ways:

SkyPage (use for a true emergency;I return SkyPage messages ASAP)
1-800-759-7243
Pin 44312
Usage security code 3608

SkyTalk
1-800-759-8255
Same pin, same usage security code

Home phone
501-663-9278

Home fax
501-664-9134

As always, I consider myself on call; the only times I anticipate being difficult to reach immediately are Sunday evening from about 5-7 p.m. and Wednesday evening from 5:30 to 7:30 p.m. Please do not hesitate to contact me.

MEMORANDUM FOR MACK MCLARTY, THE WHITE HOUSE

FROM: Carol Rasco

SUBJECT: Weekly Report for May 26

THE WEEK AHEAD

HAMP RASCO GRADUATES FROM HIGH SCHOOL!!!!!

NATIONAL SERVICE

* Work continued to ensure the direct lending/income contingent repayment bill remained in the House Reconciliation Bill.
* Briefings continued for criminal justice groups on National Service and public safety.
* Discussions continued with House and Senate Committees in preparation for markup of the National Service Bill June 9.

WELFARE REFORM

* Meetings continue with HHS and other Federal Agencies on the development of your welfare reform plan.

IMMIGRATION

* DPC, NSC, and DOJ continue discussions on alien smuggling.
* DPC and NSC will attend a Coast Guard briefing on interdiction efforts related to alien smuggling.

HOMELESSNESS

* A meeting has been scheduled with the U.S. Conference of Mayor's Task Force on Homelessness.

CRIME

* On Wednesday, June 2, Jose will address an informal criminal justice forum that includes such groups as the National Association of Criminal Justice Planners and the American Bar Association.
* A meeting is scheduled Thursday with representatives from Treasury on the gun-related executive orders recently referred to them.
* After reconciliation talks will continue with the Hill on the

Crime Bill.

VIOLENCE ON TV

* A meeting has been scheduled with Rep. Kennedy's office for Wednesday, June 2, to begin discussions on the White House Conference on TV violence.

FOREST SUMMIT FOLLOW-UP

* Work will continue to finalize recommendations for Ecosystem Management Economic Issues.

CONGRESS

NATIONAL SERVICE

* Two House and two Senate hearings on the National Service bill were held.

CONFIRMATION HEARINGS FOR DR. BROWN

* Senator Spector has put a hold on the Dr. Brown's confirmation. It seems unlikely that will occur until after the recess.

IMMIGRATION

* INS and Department of State will testify.

CAMPAIGN FINANCE REFORM

* Donsia Strong, Michael Waldman and I met with Congresswoman Lowey on this issue.

REGULATORY ACTION

EXECUTIVE ORDER ON REGULATORY PLANNING AND REVIEW

* The first six pages were rewritten.

PRESS

INTERVIEWS

* New York Times and Medical News.
* White House Fellow, Rana Sampson was interviewed on CNN's inside politics. The interview is expected to air on Monday, May 31.

WEEK IN REVIEW

WELFARE REFORM

* Kathi Way and I attended an NGA welfare reform meeting in New Jersey and toured the Family Support Facility in Jersey City.

NATIONAL SERVICE

* Briefings continued with Public Safety organizations.
* 40 Governors' representatives were briefed on National Service Legislation

HEALTH CARE

* Preparation of briefing materials for Congress continues.

HEAD START

* Worked with HHS to initiate the Advisory Commission on Head Start.

ABORTION

* Memorandum drafted for review.

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Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Carol H. Rasco to Domestic Policy Council re: Change in Meeting Date [partial] (1 page)	05/25/1993	P6/b(6)

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

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

Shirley

THE WHITE HOUSE

WASHINGTON

TO: Domestic Policy Council

FROM: Carol H. Rasco

SUBJ: CHANGE in Meeting Date

DATE: May 25, 1993

Please be advised that the Domestic Policy Council meeting formerly announced for June 9 must be changed. We will now meet on Thursday, June 10 at 10 a.m. in the Roosevelt Room. [redacted] P6/(b)(6) [001]

I am still requesting that agenda suggestions be submitted by the close of business on Thursday, June 3. We will distribute the agenda by the close of business June 4 and request your response as to attendance at that time also.

Thank you.

THE WHITE HOUSE

WASHINGTON

TO: Domestic Policy Program Staff

FROM: Carol H. Rasco CHR

SUBJ: Weekly reports

DATE: May 26, 1993

The President has asked that the Executive Branch change the weekly reporting time so that he receives the reports on Friday instead of Monday. Therefore reports are to be sent to Kathi by the close of business each Wednesday starting today and cover from the previous Thursday through the Wednesday the report is prepared.

It is IMPERATIVE that each program staff member complete one of these reports. The President has started randomly noting which staff members do not have something in the report. While I know we are all overwhelmed with the volume of work (to put it mildly), this weekly report is to be put as a high priority. It does not take a great deal of time....I simply go through my calendar and quickly place things into the categories indicated by the outline Kathi distributed to us...it takes less than 10 minutes.

I will note that Health Care Reform in its greatest detail is not outlined in our weekly report. However, for those of you receiving this particular memo, do not eliminate from your report any health care matters.

Remember, Kathi needs a report by the close of business today.

Thank you.

MEMORANDUM FOR MACK MCLARTY, THE WHITE HOUSE

FROM: Carol Rasco

SUBJECT: Weekly Report for May 10

THE WEEK AHEAD

Health Care Reform decision meetings with the President will continue.

I will speak to the CEO Institute on Monday and the following interviews are scheduled: Peter Jennings radio call-in show; Business Week; Associated Press; Washington Post on immunization; and a medical periodical.

The Welfare Reform Working Group will meet on Monday to discuss making work work.

The Interagency Working Group on Ecosystem Management Economic Issues will submit a "draft" decision memorandum to senior level advisors next week. A final decision memo is due to the President by June 1.

The Interagency Working Group on New and Growing Businesses will meet next week to examine draft OMB options on pending securitization and secondary-market legislation.

Briefings continue with criminal justice groups on National Service and public safety.

Meetings continue on the Hill with Members on the Community Development Financial Institutions Legislation.

Meetings are scheduled next week to discuss federal drug treatment programs.

CONGRESS

Senator Biden continues to support quick introduction of crime bill soon--perhaps next week.

PRESS

Julie Kosterlitz of the National Journal interview for a piece on Secretary Shalala.

Pat Rice of the Shreveport Times for a piece on children in poverty.

Joe Shapiro of US NEWS and WORLD REPORT on disability issues.

WEEK IN REVIEW

A White House interdepartmental working group on abortion and choice has been established.

I met with groups on health care reform, child support, AIDS research, employment and training programs in the states, reconciliation issues.

I spoke to White House Fellows.

The search continues for an AIDS Policy Coordinator.

DPC has worked with NEC and OEP to develop a chart of legislation and Administration issues "on the drawing board" from now through January of 1994.

The search continues for a Chairman for NEA.

Several White House staffers, including DPC, are working to prepare Sheldon Hackney for his confirmation hearings.

Mike Castle has indicated an interest in working on the welfare reform effort.

DPC is meeting with representatives from the National Indian Gaming Association to discuss the Indian Gaming Regulatory Act.

Meetings continue with DPC, OMB, and DOJ to discuss policing initiatives.

Work continues on the elimination of unnecessary commissions.

THE WHITE HOUSE

WASHINGTON

May 20, 1993

cc: Prog. Staff - FYI

MEMORANDUM FOR DOMESTIC POLICY COUNCIL

FROM: Carol H. Rasco, Assistant to the President for Domestic Policy

SUBJECT: Council Meeting

This memo shall serve as notification of a meeting of the Domestic Policy Council on Wednesday, June 9, 1993 at 10:00 a.m. in the Roosevelt Room of the White House.

I have attached for you a listing of the current membership of the Domestic Policy Council. I have attempted in the opening months of this administration to schedule a personal appointment with most of you in your office and will continue in that effort. I hope in the meantime that each of you will always feel free to contact me on policy issues you feel need to be considered and/or brought to the attention of the White House.

In establishing the agenda for the June 9 meeting, I am requesting that you share with me any items you would like to have considered for the agenda. Please feel free to call me at 456-2216; my assistant Rosalyn Kelly will be glad to facilitate our conversation if I am not there when you call. You should also feel free to mail/messenger/fax me a note (fax: 456-2878).

I will distribute an agenda for the meeting to each of you by the close of business Friday, June 4, 1993. It would be helpful to have confirmation of your attendance by that time on Friday, June 4.

I look forward to seeing each of you on June 9. Thank you.

Currently proposed membership of the Domestic Policy Council:

President
Vice-President
HHS
Justice
Labor
Veterans
Interior
Education
HUD
Agriculture
Transportation
Commerce
Energy
EPA
OMB
CEA
Assistant to the President for Domestic Policy
Assistant to the President for Economic Policy
Assistant to the President and Director of the Office National Service
Drug Director
AIDS Policy Coordinator

Such other officials of executive departments and agencies as the President may from time to time, designate.

May 20, 1993

To: WHITE HOUSE STAFF

From: Gene Sperling & John Angell

Subject: Boren–Danforth

Attached are talking points on the Boren–Danforth proposal. They have decided to release specifics on the policy choices they propose to get $114 billion to meet their entitlement cap. Most of these specifics involve cuts in Medicare and Medicaid. Some of these are cuts that might be reasonable in the context of paying for a health care plan. In the absence of such a plan, they will simply be hard on states, the poor and the elderly. OMB is currently working on an analysis of each measure.

TALKING POINTS ON BOREN-DANFORTH

Finally, we see some of what an alternative would look like.

THE CLINTON/GORE PLAN:

* The Clinton package cuts $496 billion from the deficit, with $255 billion in spending cuts and $241 billion in tax increases. Included in the spending cuts were $100 billion in entitlement caps.

* There are three dollars in spending cuts for every dollar in new investments.

* 75% of tax increases fall on the top 6% of Americans according to the CBO. The plan we had was strong, but fair. The only tax that affected middle class America was a BTU tax. Yet, we increased the Earned Income Tax Credit to benefit 10 million working families. The tax does not even take affect until the summer 1994. When it does, it is phased in three years. It would cost the average family making $40,000 only $1 a month in 1994, $7 a month in 1995, and $17 a month in 1997. Families making under $30,00 would, on the whole, be held harmless.

THE BOREN-DANFORTH ALTERNATIVE:

* They acknowledge that the Clinton plan has significant net spending cuts. They say the Clinton plan has $174 billion in net spending cuts, while the actual number is $255.

* They claim to cut $122 billion in taxes, while adding $163 billion in spending cuts.

But lets look closer:

* They cut Social Security benefits for 27 million middle class Americans, who now find that if they get $7,200 in benefits to live on, some in Washington believe they should have their COLAs cut on everything over that by 2%.

* Another $15 billion is cut in the Earned Income Tax Credit, which benefits 14 million working families trying to stay above the poverty line.

* $50 billion of the taxes they cut are taxes that are nearly exclusively for upper income Americans -- those with incomes of well over $100,000.

* On top of the $56 billion already included in the President's plan, they are asking for an additional $114 billion in Medicare and Medicaid cuts. Some of these cuts might be

reasonable in the context of paying for a health care plan. In the absence of such a plan, they will simply be hard on states, the poor and the elderly. In particular:

1) It will cause hardship to millions of Americans, while leading to major cost-shifting to the private sector, thereby further driving up the cost of health care for average Americans.

2) States will lose at least $31 billion in Medicaid and AFDC matching funds. Their specific health care cuts and AFDC cuts are designed to hit the poor and elderly disproportionately hard, and put tremendous burdens on states and put pressure on them to raise state and local taxes to make up the federal cuts.

3) If these cuts are made without health care reform, they will amount to a direct cut on the poor and the elderly.

4) This entitlement cap could jeopardize rational attempts in health care reform to control spending. It will make it extremely hard to pay for national health reform, since they would be crudely taking away significant potential health care savings now to make up for their policy changes.

EXAMPLE OF WHAT THEY CUT AND WHAT THEY PAY FOR

If you want to know the type of choices this plan makes, consider the following three choices they make:

1. **TAX CUT:** They take away $29 billion from the Clinton deficit reduction plan by lowering the Medicare increase on individuals making over $130,000.

   HOW THEY CUT: They have to pay for most of it by cutting the Social Security benefits of 27 million Social Security recipients who receive benefits of over only $7,200 a year.

2. **TAX CUT:** An across-the-board capital gains tax cut, on top of the new one the President has already proposed. This will benefit the wealthiest Americans overwhelmingly without ensuring that it is targeted to job creating small businesses.

   HOW THEY PAY FOR IT: They cut $15 billion from the Earned Income Tax Credit, a program that goes to 14 million working families in danger of being below poverty line.

3. **TAX CUT:** They get rid of the energy tax. The BTU does have costs for many Americans. Yet, our energy tax holds harmless families under $30,000. It does not even start until July 1994. It phases in over three years after that, costing the average

family making $40,000 only $1 a month in 1994, $7 a month in 1995 and $17 a month when fully phased in during FY1997.

HOW THEY PAY FOR IT: This is paid for with $114 billion in entitlement cuts. Most of it comes from Medicare and Medicaid, which -- in the absence of national health reform -- will cause major shifting of costs to the states and the private sector. The result? The shift to the private sector will raise the costs of health care for average families and businesses, while the shift to the states will pressure the raising of state and local taxes. Most of all, it is a hard hit at the poor and the elderly.

ADDITIONAL BACKGROUND ON BOREN-DANFORTH

* If this Cap stays limited to Finance Committee programs, it will potentially hit these programs.

  Medicare
  Medicaid
  Military and Civilian Retirement
  Disability (SSI)
  Unemployment Compensation
  Title XX Social Services
  AFDC
  Child Support Enforcement
  Trade Adjustment Assistance
  Foster Care and Adoptions Assistance
  Child Care
  Vaccine Injury Compensation
  Black Lung Benefits

* Other programs that could be hit with a full-entitlement cap, include

  Social Security
  Guaranteed Student Loans
  Veterans Pensions and Benefits
  Farm Price Supports
  Title XX Social Services
  Military and Civilian Retirement
  Food Stamps
  Child Nutrition

* The Administration has already proposed substantial cuts in entitlement spending.

Medicare savings	-$48.0 billion
Medicaid savings	-$8.3 billion
Agriculture programs	-$3.0 billion
COLA delays for military retirees	-$2.3 billion
COLA delays for civilian retirees	-$.8 billion
End Lump Sum retirement benefit for Federal employees	-$8.8 billion
Pay restraint and other reductions for Federal workers	-$49.6 billion
Veterans programs	-$2.6 billion

Health Care spending is the fastest rising entitlement program. Our health care plan will directly take on the issue of how to control these runaway costs. Furthermore, an inflexible entitlement cap could jeopardize rational attempts in health care reform to control spending.

hml

HML

① N. Hernreich -
I hope the President will catch a moment to read this.

② HRC

③ DPC Program Staff
I wanted to share this with all of you - how lucky we are to have someone like this as A.G.!
CHR

UNITED STATES DEPARTMENT OF JUSTICE

ADDRESS TO DOJ EMPLOYEES

by

ATTORNEY GENERAL JANET RENO

Tuesday, April 6, 1993

11:58 a.m.

Courtyard
Department of Justice
Washington, D.C.

MILLER REPORTING CO., INC.
507 C Street, N.E.
Washington, D.C. 20002
(202) 546-6666

P R O C E E D I N G S

[Applause.]

ATTORNEY GENERAL RENO: As I have met and talked with so many of you, as I have seen the work that you've done, I am so very, very proud and this Department represent the American people in their quest for justice. You have a spirit and dedication that sets an example for everybody in public service. You care about the law, you care about doing it right.

It is a great honor for me to have the opportunity to work with each one of you: with the wonderful members of the support staff, who have made me feel so welcome throughout the Department, with the lawyers who I would match with the very best in this Nation, with law enforcement personnel that I think are an example for all in the criminal justice system throughout America.

All the divisions and the agencies of the Department have impressed me with their excellence, and their professionalism, and their commitment to what's right.

I'm the new kid on the block, and I thought I should let you know my hopes and dreams, and how I do things. While I'm the Attorney General, we will address each issue with one question: What's the right thing to do?

[Applause.]

ATTORNEY GENERAL RENO: That can be a tough question, to decide what is right can often require debate and an open, reasoned and informed give and take between us all.

I am, and will be, accessible. If you have suggestions for improving the Department, or for better serving Americans throughout this Nation that you can't get implemented, I'm here and I want to meet with you, and I want to hear your suggestions.

If colleagues disagree on a course of action, I want to hear all the arguments. If you disagree with me about a position I have taken, or what I've done, tell me, argue with me, debate. Sometimes right and good are not that clear; at other times it is only deliberate and respectful debate that leads us to understand what road we should take.

Rather than disapproving, I will respect all the more the person who stands up to me in prepared and reasoned disagreement. I want this Department to be as open as possible, under the law.

We represent the American people, and we must be accountable to the people. We must treat the people we deal with in every context of our service as if that is a member our family, and we should ask ourselves, how would we want a member of our family to be treated if they were in the same situation?

We must explain our actions to the people when it will not compromise an investigation, prosecution or national security, not in obscure legalese but in the small old words we all understand. Too often lawyers have made the law a mystery; we must make it a lamp that shines the way.

We must reach out to become a department that reflects the diversity and excellence of America, and we must ensure equal opportunity for all Americans. I have been so impressed with the people with whom I have met in the Civil Rights Division, and with their deep and abiding concern for civil rights and its enforcement.

I look forward to continuing to work with them to make the goal of justice for all in America a reality.

[Applause.]

ATTORNEY GENERAL RENO: Throughout the Department we must remember that people come first, and that we are here to serve all Americans.

We must remember the eleven-year-old middle-school student who asked me why his brother couldn't get treatment for his drug problem; the mentally-ill person who described to me numerous institutionalizations, suicide attempts and despair, and then to find her life was changes because somebody started treating her as a person and permitted her to participate; the president of the company who had economic hard times.

She was trying her best to comply with government regulations which were so confusing she had to hire a lawyer, and spend the money on lawyers rather than putting it into the business to make it go.

We've got to remember the young, hard-working couple, many of them around America who have less real income than their parents did at the same age, and their hopes and dreams are cloudy; the elderly person in the nursing home who has no one to care; the angry young man who lashes out in violence because he never had a childhood.

Remember them all, for they are America, and they have powerful thoughts and deep feelings when asked the question, "What is the right thing to do?"

They are concerned about violence in our streets, but we cannot respond with demagogic promises to build more jails and put all the criminals away.

[Applause.]

ATTORNEY GENERAL RENO: We must carefully use the limited resources at the Federal, State and local levels to put the real criminals away, while providing alternative sanctions for those people who are going to be coming to the community anyway in a fairly short time.

As we deal with the issues of violence and crime, we must never forget the awesome power of the Federal government, and we must harness that power to make sure that innocent people are not charged or even tainted by our actions, and that the guilty are convicted, according to principles of strict due process and fair play, and with adherence to our Constitution.

We must never forget the victims; they have rights too. In our plan, in our work with local law enforcement, we must do what we can to help victims overcome the impact of crime.

At the same time, we must work with other agencies in the Federal government to develop prevention and early intervention programs that can prevent the crime before it occurs.

We must use our limited resources to build real partnerships with State and local governments, a partnership which is built on mutual regard and respect. I've been at the other end of the line, when somebody from the Department of Justice told me no, like they knew better.

[Laughter.]

ATTORNEY GENERAL RENO: They might have, but what I'd like to do is, by tone and manner, acknowledge them all as equals on this team, as we ask together, "What is the right thing to do?"

Many of us come from someplace else, and we remember our river, our hill behind the house, our desert at sunset, but I also remember the coral reefs I loved covered with silt, a bay that is dying, a river that is polluted.

I want to work with the Environment and Natural Resources Division and the EPA to protect this fragile continent, first by sending clear signals of what needs to be done, by showing America that it's the right thing to do, and by developing sensible procedures for easily understood compliance.

Those who fail to do what's right in protecting our land, air and water should feel the pace of vigorous enforcement action.

But most of all, we must come back to the people, and remember them. The children of America, 20 percent of whom live in poverty, have no one to advocate for them; the increasing number of working poor and others who have no legal assistance; the woman who struggles to get off welfare only to find out that she was worse off than if she hadn't gone to work in the first place.

The law means little or nothing to these Americans, the Constitution is too often to them just a piece of paper. Our courts provide access to the rich, lawyers give legal advice to large corporations, too often more so than the average American.

But the courts and lawyers and the Department of Justice are too often not there for the average American, who does not know how to deal with the paperwork, the rules and regulations, the eligibility requirements, the licensing procedures, and the web of laws designed to make men free.

Working with other agencies, we have to make government user-friendly, so you don't need a lawyer to understand what you need to do to deal with your government.

Working with the best legal minds in America, we need to develop new and creative reforms that open our courts to all our people, and give every American the reason to believe that the Constitution is a living document that means something.

We've got to end the delay and the cost involved in using our courts. As Judge Learned Hand would say, "I must say that, as a litigant, I should dread a lawsuit beyond almost anything else, short of sickness and death."

We must never forget, however, that it is not government but the family that is the institution best designed to focus on a person and help them grow. I remember my afternoons after school and during the summertime. My mother worked in the home, my father worked downtown.

My mother taught us to play baseball, to bake a cake, to play fair -- she beat the living daylights out of us sometimes, and she loved us with all her heart; she taught us her favorite poets, and there is no child care in the world that will ever be a substitute for what that lady was in our life.

And now I look at the prosecutors in my office in Miami, struggling to get to work at 8:00 o'clock in the morning, finishing trial at 6:30, home at 7:30, get dinner on the table, the children bathed, the homework done, and Saturday they run errands, and Sunday they go to church or sleep late, and Sunday night they start to prepare for trial again, and they don't have that precious, wonderful time to be with their children.

I want to do everything I can in this Department to put the family first, and to develop new attitudes and programs that will enable people to achieve their professional goals, of having the opportunity to spend quality time with their family.

[Applause.]

ATTORNEY GENERAL RENO: What is the right thing to do? Let us leave here today resolved to ask that of ourselves and others as we seek justice, remembering that sometimes doing the right thing is very politically unpopular. Sometimes it will be painful, or it will of necessity hurt someone.

But with strength and courage let us face that question unafraid, and together seek justice for all.

[Applause.]

Whereupon, at 12:08 p.m., the address was concluded.]

THE WHITE HOUSE

WASHINGTON

April 1, 1993

MEMORANDUM FOR ATTORNEY GENERAL JANET RENO

FROM: BRUCE REED, DEPUTY ASSISTANT TO THE PRESIDENT
JOSE CERDA III, SENIOR POLICY ANALYST
DOMESTIC POLICY COUNCIL

SUBJECT: WHITE HOUSE PRIORITIES ON CRIME

This memorandum outlines for you the Domestic Policy Council's priorities on crime policy issues. These priorities are based on President Clinton's major campaign promises and are generally consistent with the provisions contained in the various Democratic crime proposals considered during the past two Congresses. They reflect the main themes at the heart of President Clinton's broad economic and domestic agenda: personal responsibility; community empowerment; prevention and early intervention; and restoring the fundamental promise of America so that people who work hard and play by the rules can get ahead.

As you know, the President is enthusiastic about the innovative ways you have promoted these themes in South Florida, and will support your efforts to advance them at the national level.

I. White House Priorities

The President has told Senator Biden, Rep. Brooks and other Members of Congress that he would like to see a crime bill as soon as they can pass one. Howard Paster has urged the Judiciary Committees to go forward, in conjunction with the White House and the Justice Department. We will work with your policy and legislative affairs departments in the coming months to present a unified front in these negotiations.

The following proposals reflect the core of President Clinton's crime agenda, and we would like them to be the centerpiece of the crime bill.

A. 100,000 New Police Officers

The President's budget includes $2.8 billion[1] to fund comprehensive crime legislation. We support using as much of this money as possible to meet the

[1]All budget numbers reflect four-year funding levels, unless otherwise noted.

100,000 new police officers pledge. OMB has already allocated $775 million for community policing/cops on the beat grants and $450 million for a still-to-be-determined Police Corps (with law enforcement scholarships). Preliminary estimates indicate that these two components would put approximately 35,000 new police officers on the street over four years.

We will look to other sources for more police as well: the Department of Housing and Urban Development, the Department of Education, National Service, Weed and Seed/enterprise zones, and defense conversion funds to provide outgoing military personnel with law enforcement training. These proposals are detailed at the end of this memorandum.

B. Brady Bill

We strongly support passage of the Brady Bill as part of a larger crime package. OMB has allocated a small portion of the crime bill funds to help states upgrade their criminal justice records.

C. Community Boot Camps

We are committed to expanding the availability of community "boot camps" to non-violent, first-time offenders at the state and federal level, and support the state-federal boot camps and Certainty of Punishment grants in last year's crime bill.

D. Drug Treatment on Demand

We support using a portion of the unallocated monies in the $2.8 billion crime initiative to fund a drug treatment and testing program within the criminal justice system. This proposal has not been outlined, but we foresee it being an integral part of the President's National Drug Control Policy.

II. White House Positions on Other Major Crime Issues

A. Death Penalty

We support the enactment of a federal death penalty for crimes with a federal nexus but have not taken a position on enacting a federal death penalty for non-homicidal crimes. We would defer to Senator Biden and other Hill leaders to negotiate some form of last year's death penalty language.

B. Habeas Corpus Reform

We would defer to Senator Biden and other Hill leaders on what Habeas provisions are acceptable. If habeas reform proves too difficult, we would support appointing a blue-ribbon commission to study the matter and make recommendation. We believe the AGs and DAs would be willing to accept such a proposal.

C. Assault Weapons

We support a ban on semiautomatic assault weapons and prefer the language developed by Rep. Schumer. We also support language to limit high-capacity ammunition clips and to increase gun penalties.

D. Anti-Gang Initiative

We support an anti-gang initiative similar to one included in last year's crime bill.

E. Violence Against Women Act

We support the Violence Against Women Act, either as stand-alone legislation or as part of a larger crime bill.

F. White Collar Crime Initiative

We believe a White Collar crime initiative is an essential component of a comprehensive crime bill. We would look to the Justice Department to work with Congress in developing one.

III. Anti-Crime Efforts at Other Agencies

A. Drug Treatment on Demand

The President's budget includes $1.5 billion for HHS to implement drug treatment and prevention initiatives. The Health Care Task Force is examining what type of drug treatment benefit should be considered as part of national health care reform legislation.

B. Safe Schools

The Department of Education is developing a $375 million Safe Schools initiative that will help schools add metal detectors and video surveillance equipment, hire professional security personnel, and adopt anti-violence and anti-drug curricula.

C. HUD Crime Initiative

HUD is in the process of developing a comprehensive anti-crime initiative for public housing complexes. The plan will be a "partnership" with local housing authorities that allows them to use funds to increase law enforcement or security personnel, to implement community policing, to expand community crime prevention efforts and more.

HUD will also soon announce that its $2.5 billion in Community Development Block Grant (CDBG) stimulus funds can be used for certain anti-crime initiatives -- including hiring law enforcement or security personnel, installing security devices and relocating the residency of police officers to high-crime areas.

D. National Service "Non-Sworn" Law Enforcement Personnel

The National Service Trust Fund estimates that some 20,000 of its participants will serve in law enforcement/public safety roles. These "community service officers" could be used to assist police departments in the broad areas of community policing and crime prevention. They could take reports, staff telephone crime reporting units and administer citizen crime prevention surveys. Relieving officers from these time-consuming duties would potentially free more police officers to become cops "on the beat", and the support work will make officers more effective in their crime-fighting.

4/6/93 m.p.

FLORIDA HEALTH CARE REFORM: TALKING POINTS

* We commend Florida's leadership in addressing the crucial issue of health care reform. Floridians realize that we can wait no longer to reform our health care system; we must have health care reform this year.

* Florida's plan is rooted in the private sector and builds on their employer-based system to make it easier for all businesses -- large and small -- to provide health care to their employees. We applaud Florida and Governor Chiles for bringing affordable health insurance within the reach of small businesses -- who are hit hardest by our current health care system.

* Our national health care reform proposal will pick up where states like Florida left off -- to give American families the peace of mind they need and bring spiralling health care costs under control.

* Within the broad guidelines of our national reform strategy, we are committed to giving states the flexibility to design a program that best meets the needs of their citizens.

Summary of Florida's Proposal

* On April 3, 1993, the Florida legislature approved an innovative health care reform plan, which aims to increase security for all citizens and control health costs.

* The Florida plan will create a community health purchasing alliance [CHPA] in each region throughout the state. These alliances will pool large groups of individuals and businesses, using this purchasing power to negotiate an affordable comprehensive health care package for its members.

* Ninety-five percent of all Florida businesses employ 25 or fewer employees; insurance reforms to prevent these small companies from being discriminated against are an essential component of Florida's proposal. This plan will also create a partnership between insurers and providers, encouraging them to work together to provide a comprehensive package of benefits to all citizens and ensure them the highest quality care available.

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E

06-Apr-1993 03:58pm

TO: (See Below)

FROM: S. Collier Andress
Office of Communications

SUBJECT: Talking points- FEHB

TALKING POINTS ON REPEAL OF BAN ON FEHB COVERAGE OF ABORTION

I. CURRENT LAW

The Treasury/Postal Appropriations bill for the current fiscal year provides that "no funds appropriated by this Act shall be available for an abortion, or the administrative expenses in connection with any health plan under the Federal employees health benefit program which provides any benefits or coverage for abortions... [except] where the life of the mother would be endangered if the fetus were carried to term."

This provision has prevented federally employed women, and dependents of federal employees, from obtaining abortions under their Federal health insurance plans.

II. HISTORY

The restriction was established in 1982 after a court battle over Reagan Administration attempts to do this administratively. Previously, most FEHB plans (not all) covered abortion.

III. BUDGET PROPOSAL

As with the Hyde amendment, the FY 1994 President's budget does not propose continuation of this restriction. It indicates that the Administration will work with the Congress to facilitate an approach that is consistent with both Federal and state law.

IV. FAIRNESS

Many private health care plans cover abortion services as part of their coverage of reproductive health services generally. Coverage varies widely, and we don't have enough information at this time to be able to characterize the proportion of those which do. We hope to get more information on this.

V. PROCESS

The Office of Personnel Management sent out its annual call letter on 3/31/93 to health insurance plans asking them to submit proposals for 1994 coverage, rates, etc. The letter neither requires plans to provide abortion benefits nor precludes them from doing so. Those who wish to provide abortion benefits will probably submit proposals with and without abortion. If the restriction is not continued, OPM would permit but not require plans to offer these benefits beginning with the 1994 contract (calendar) year. Federal employees will thus have the option of choosing (and paying for) a health benefits plan which covers abortion.

VI. COST

There are no reliable cost figures. Employees currently contribute about 28% of premium costs, while the Federal government contributes the remainder, but it's difficult to determine how insurance carriers would price it.

VII. HEALTH CARE REFORM

No decisions have been made regarding the services to be included in the President's health care reform proposal.

4/6/93 b.t.

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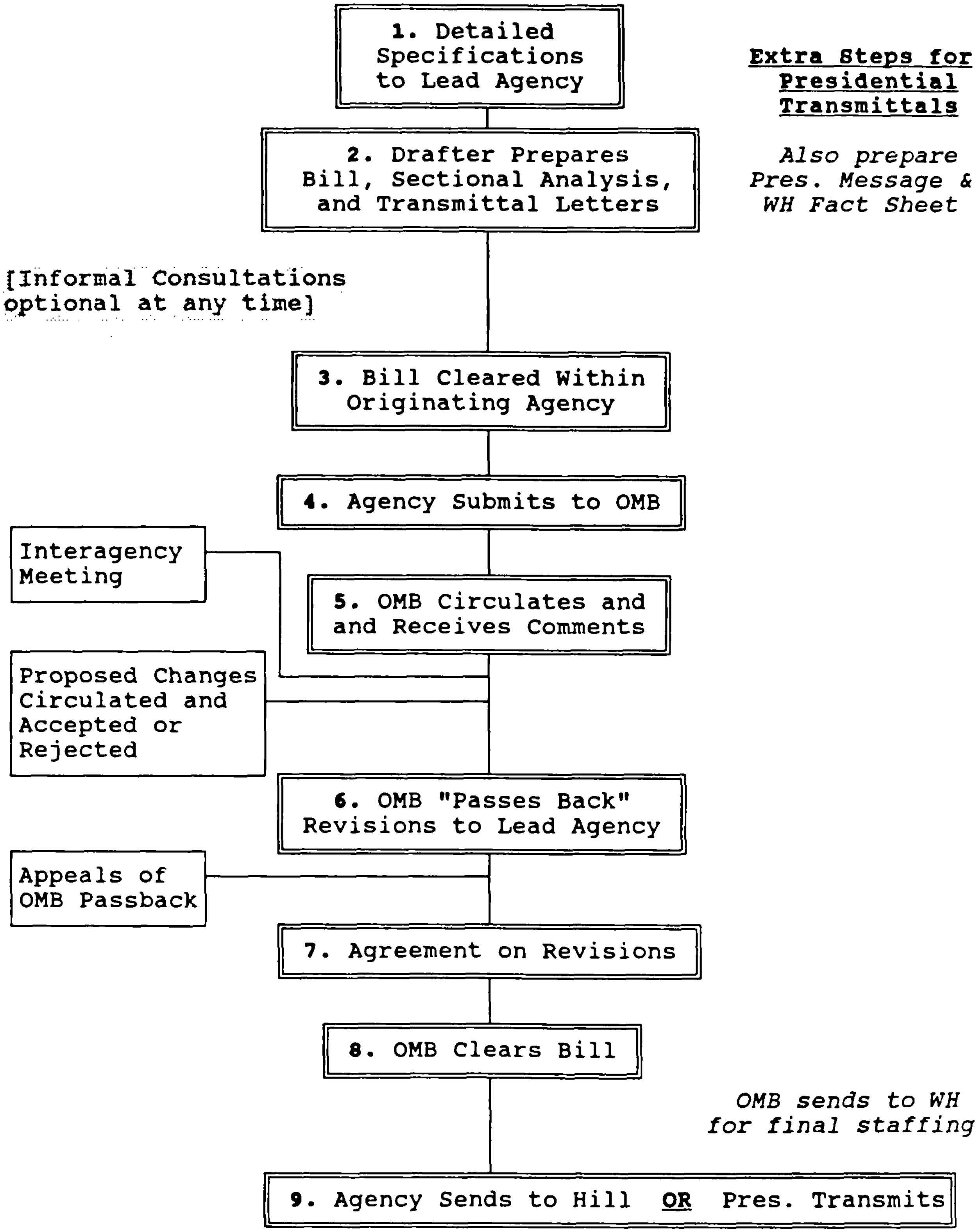
Steps from Policy to Cleared Bill



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

January 22, 1993

THE DIRECTOR

M-93-03

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: Legislative Coordination and Clearance

This is to call to your attention the Executive branch's formal legislative coordination and clearance process. I would appreciate your bringing this memorandum and the attachment to the attention of incoming policy officers of the new Administration in your agency.

Adherence to the requirements of the clearance process will serve the needs of the President by assuring that agency legislative proposals and recommendations, as well as testimony, are consistent with his policies and programs. We request that agency legislative proposals and reports and testimony on pending legislation be submitted to the Office of Management and Budget (OMB) as far in advance as feasible. This will allow sufficient time for their review and coordination with other agencies prior to their being cleared by OMB.

OMB Circular No. A-19 presents in detail the requirements and procedures for legislative coordination and clearance by OMB. The attached paper summarizes the major elements and the essential purposes of the clearance process.

We will be working with you to ensure the timely transmittal to Congress of legislative proposals necessary to support the President's economic policy and the 1994 Budget. As decisions are made on these matters, we will be in touch about details related to the drafting, review, and clearance of the proposals.

Thank you for your cooperation.

Attachment

Attachment

THE LEGISLATIVE CLEARANCE FUNCTION

This paper briefly describes the major elements of the legislative clearance function which the Office of Management and Budget (OMB), working with other elements of the Executive Office of the President (EOP) and with the agencies, carries out on behalf of the President. The function is designed to serve the needs of the President in carrying out his legislative responsibilities.

Background

The President's legislative responsibilities are founded in his constitutional duties and powers to: (1) require the opinion in writing of the principal officer in each of the Executive departments; (2) take care that the laws are faithfully executed; (3) give the Congress information on the State of the Union; (4) recommend to the Congress such measures as he judges necessary; (5) approve or disapprove bills passed by the Congress; and (6) convene either or both Houses of Congress.

OMB Circular No. A-19 sets forth the basic guidelines and procedures for carrying out the function. These procedures have been substantially the same for over 50 years.

The legislative recommendations of the President in his three regular annual messages -- State of the Union, Budget, and the Economic Report -- together with those in any special messages or other communications to the Congress generally constitute the President's legislative program. These recommendations often originate in the agencies, the Congress, and commissions, panels, and task forces established by law or by administrative order.

Basic Elements of Clearance Process

Purpose -- The clearance function:

-- Permits the coordinated development, review, and approval of legislative proposals needed to carry out the President's legislative program.

-- Helps the agencies develop draft bills that are consistent with and that carry out the President's policy objectives.

-- Identifies for Congress those bills that are part of the President's program and the relationship of other bills to that program.

-- Assures that Congress receives coordinated and informative agency views on legislation which it has under consideration.

-- Assures that bills and position statements submitted to Congress by one agency properly take into account the interests and concerns of all affected agencies.

-- Provides a means whereby divergent agency views can be reconciled.

The clearance function covers agency legislative proposals, agency reports and testimony on pending legislation, Statements of Administration Policy, and enrolled bills.

Legislative Proposals -- All bills that Executive agencies wish to transmit to the Congress are sent to OMB for clearance. OMB circulates the bills to other affected agencies and appropriate EOP staff.

Agencies reviewing a draft bill may favor it or have no objection. One or more may propose substantive or technical amendments, or perhaps a complete substitute. Divergent views can be reconciled by telephone, letter, or interagency meetings called by OMB.

After review, analysis, resolution of issues, and obtaining appropriate policy guidance, OMB advises the proposing agency that (1) there is "no objection" from the standpoint of the Administration's program to the submission of the proposed draft bill to the Congress, or (2) the proposed bill is "in accord with the President's program," if it implements a Presidential proposal. This "advice" is conveyed by the submitting agency to the Congress in its transmittal letter. (Major legislation is sometimes transmitted by the President.)

On the other hand, if the agency is advised that its proposed bill conflicts with an important Administration objective, or is not in accord with the President's program, it may not transmit the bill to the Congress. In practically all instances, however, disagreements are resolved through discussions at the policy levels of OMB and the agencies.

Clearance of Agency Testimony and Reports on Pending Legislation -- If agencies are asked by congressional committees to report or testify on pending legislation or wish to volunteer a report, similar clearance procedures are followed.

Statements of Administration Policy (SAPs) -- OMB prepares SAPs for major bills scheduled for House or Senate floor action in the coming week, including those to be considered by the House Rules Committee. In addition, SAPs are usually done for so-called "non-controversial" bills considered in the House under suspension of the rules. SAPs are prepared in coordination with other parts of OMB, the agency or agencies principally concerned, and other EOP units. Following its clearance, a SAP is sent to Congress by OMB's Legislative Affairs Office.

Enrolled Bills -- After Congress has completed action on a bill, it is "enrolled," i.e., sent to the President for his approval or disapproval. The Constitution provides that the President shall take action within 10 days after receipt of the bill, not including Sundays.

To assist the President in deciding his course of action on a bill, OMB requests each interested agency to submit within 48 hours its analysis and recommendation in a letter to OMB. Such views letters are signed by the head of the agency or other Presidential appointee. OMB prepares a memorandum to the President on the enrolled bill which transmits these views letters and summarizes the bill, significant issues, and various agency and OMB recommendations. If an agency recommends disapproval or a signing statement, it is responsible for preparing a draft of an appropriate statement for the President's consideration.

Volume of Activity -- During the 102nd Congress, 10,512 bills and joint resolutions were introduced in the two Houses. The agencies submitted to OMB for clearance over 4,500 proposed reports and testimony on bills and 754 draft bills. The 102nd Congress enacted 634 public and private laws.

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E

08-Apr-1993 10:21am

TO: (See Below)

FROM: S. Collier Andress
Office of Communications

SUBJECT: long term investment in the President's budget

4/8/93 b.t.

LONG-TERM INVESTMENTS IN THE PRESIDENT'S BUDGET

The long-term investments in the budget are targeted towards areas that are vital to raising the productivity of American businesses and the American people, which will improve long-term economic growth, incomes, and standards of living.

They are directed toward the following priorities:

? Rebuild America/Infrastructure. Investments totaling $52 billion in outlays over five years (with $11 billion in FY 1994 budget authority) in highways and mass transportation, environmental infrastructure, technology, building and restoring housing, and conserving and developing alternative forms of energy. The category includes five-year outlays of $15 billion for technology initiatives.

? Lifelong Learning. Investments of $52 billion in outlays over five years ($6 billion in FY 1994 budget authority) in educational programs and reforms, full funding of Head Start and the WIC feeding program, national service, and several innovative job training initiatives.

? Rewarding Work. A five-year total of $32 billion, most of which will be used to take working families out of poverty by expanding the Earned Income Tax Credit.

? Safe Streets. A five-year investment of $4 billion in outlays ($390 million in FY 1994 budget authority) for anti-crime initiatives, such as putting an additional 100,000 police on the beat in cities and towns.

? Health Care. Investment outlays of $32 billion over five years ($3.4 billion in FY 1994 budget authority) in health care and research, including women's health research, full funding of the Ryan White Act for AIDS prevention and treatment, and veterans' health care.

? Private Sector Incentives. A five-year total of $50 billion ($12 billion in FY 1994) in business productivity tax incentives, including a small business investment tax credit and capital gains exclusion, permanent extension of the research and experimentation tax credit, and enterprise zones.

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TO: Gene Sperling
TO: Stuart E. Trevelyan
TO: Nestor M. Davidson

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E

08-Apr-1993 10:16am

TO: (See Below)

FROM: S. Collier Andress
Office of Communications

SUBJECT: talking points on the April Budget

4/7/93 b.t.

SUMMARY POINTS ON THE APRIL BUDGET

I. This plan targets investments to promote long-term economic growth and reduces budget deficits as a share of the economy by nearly one-half by 1997.

II. It will increase economic growth and raise the incomes and living standards of American families.

III. Congress, in its earliest action ever on a budget, has already adopted a budget resolution which contains the elements of the President's economic program.

IV. The Clinton Administration is the first new administration to submit a complete line-by-line budget during its first year in office.

V. The combination of the President's plan and the changes made by the congressional budget resolution would achieve a total of $514 billion of deficit reduction over the next five years, making it the largest deficit reduction package in history.

VI. This includes $447 billion, which is the reestimated net deficit reduction achieved in the President's budget, an additional $57 billion in discretionary spending cuts and $2 billion in mandatory spending cuts endorsed by the Congress, and $8 billion in additional interest savings.

VII. The President's budget provides for more than 200 specific spending reductions in domestic and defense programs, and raises additional revenues, most of which would come from the wealthiest taxpayers.

VIII. These involve numerous difficult choices, which include the following:

A. Increased taxation of Social Security benefits
B. Significant savings in Medicare, though not affecting beneficiaries
C. Broad-based energy tax
D. Significant defense savings
E. Savings in the rural Electrification Administration, Power Marketing Administration, and Appalachian Regional Commission
F. Inland waterway user fees
G. Redesign of the space station
H. Point XIII below
I. Examination fees for State-chartered, FDIC-insured banks
J. Elimination of the "b" portion of impact aid
K. Savings in the Cooperative State Research Service and Agricultural Research Service, meat/poultry inspection fees, crop insurance savings
L. Savings in HUD special purpose grants

IX. It reduces the deficit as a percent of GDP from 5.2% of GDP in fiscal year 1993 to 2.8% of GDP in fiscal year 1997. The additional savings endorsed by the Congress push the deficit down to 2.7% of GDP in 1997.

X. The long-term investments in the budget are directed towards areas that are vital to raising the productivity of American businesses and the American people, which will improve long-term economic growth, incomes, and standards of living. They are directed toward the following priorities: Rebuild America/Infrastructure, Lifelong Learning, Rewarding Work, Safe Streets, Health Care, and Private Sector Incentives.

XI. The five-year ratio of spending cuts to tax increases is 52% to 48%. In the fifth year alone, the ratio is 59% to 41%.

XII. The Administration's spending reductions would eliminate or reduce spending in programs that do not work or are no longer needed, eliminate or reduce unfair or unnecessary subsidies, reform programs for better management of taxpayers' dollars, control health care costs without harming program beneficiaries, make substantial overall reductions in agency expenses and the size of the Federal bureaucracy.

XIII. The domestic discretionary savings include $45 billion in reductions in the cost of government from civilian personnel cuts of more than 100,000, reduction of administrative expenses, an across-the-board pay freeze for Federal civilian and military employees as well as other savings in personnel compensation, and streamlining of departments and agencies.

DISTRIBUTION:

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TO: Dawn A. Alexander

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

March 23, 1993

MEMORANDUM FOR: CAROL RASCO

FROM: Belle Sawhill Belle

SUBJECT: Managing the Stimulus Package

Attached, for your information, is the letter that has just gone out to all the affected agencies. We are also meeting with the Departments to discuss their plans. The first meetings are on Thursday, with Department of Labor and Department of Education. The current schedule is attached. We would welcome participation by you or your staff. (Contact person on logistics: Val Owens, ext. 4742).

Attachments

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

THE DIRECTOR

March 22, 1993

Honorable Robert B. Reich
Secretary of Labor
Washington, D.C. 20210

Dear Mr. Secretary:

In his address to the Congress on February 17, 1993, the President proposed an economic program that included stimulus programs to strengthen the current recovery and provide for immediate job growth.

Proper planning for effective implementation is pivotal to the success of the stimulus programs. We wish to affirm that each affected Department anticipates those problems that would limit the effectiveness of the stimulus programs, and promptly initiates, properly manages, and fully evaluates these programs.

I ask that you share with us your plan for ensuring that stimulus monies achieve the President's objectives. The Department's management plan should encompass all assigned stimulus programs, with particular and separable attention given to the Summer Youth Employment Program.

I look forward to our meeting with Alice Rivlin and Phil Lader, my deputies, and our respective staffs on Thursday. As we will discuss, I would appreciate receiving your written plan soon thereafter with further follow-up reports to be agreed upon in our meeting. Perhaps the enclosed draft materials from my staff could be of assistance to your staff in preparing for our meeting.

On a related matter, the February passback instructions established some longer-term evaluation reporting requirements, in contrast to the shorter term focus of this letter. Members of your staff should consult with their OMB representatives on these separate requirements.

Sincerely,

Leon E. Panetta
Director

Enclosure

Proposed Meeting Agenda
Managing Stimulus Programs

1. Review stimulus programs under Department's responsibility, including identification of programs of special importance.

2. Identify the President's objectives in selecting and funding stimulus packages including:

   -- job creation
   -- other expected program achievements, and
   -- investing in people, technology, business capital, and community infrastructure

3. Assure the public that the investment bore fruit by:

   -- issuing a November report to the nation
   -- tracking jobs created
   -- measuring outcomes that were announced (i.e., immunizing one million more children), and
   -- measuring incremental impact of stimulus programs over base activity currently funded

4. Request departmental plans and specific program implementation guidance to include, but not be limited to:

   -- maintaining control over funds disbursement
   -- the timing of funds disbursement (plan vs. actual)
   -- generating program performance information
   -- known past problems in administering identical or similar funds and safeguards to avoid past problems, and
   -- sanctions for failure to put stimulus dollars to work in time

5. Discuss management evaluation measures, and program inspection efforts, that are introduced simultaneously with operation and conduct of the program - not after the fact.

3/22/93

Enclosure

Recommended Content of Management Plan

1. A statement of the objectives of each stimulus program for which the Department is responsible;

2. A statement of performance criteria for each program;

3. A timetable for placing funds in the field, consistent with overall stimulus objectives;

4. A listing of the statistical and financial information necessary to monitor how and how well the stimulus programs are meeting the foregoing objectives and criteria, and a statement on how management will use such information;

5. An assessment of the likely accuracy of the statistical and financial information; and a description of the reporting mechanisms to be used, to include:

    a. the existing reporting mechanisms (e.g., Circular A-102) needed to ensure management control and to monitor the program's progress;

    b. any modifications of existing mechanisms necessary to ensure management control; and

    c. any additional mechanisms that would be required to collect data.

6. An approximation of the incremental resources assigned to management of the stimulus programs.

7. An identification of past problems and critical risk factors associated with each program, including identification of relevant material weaknesses previously reported under the Federal Managers Financial Integrity Act, the President's High Risk Program, and audit reports.

8. An identification of initiatives, with milestones, that will overcome known past problems and properly address critical risk factors.

9. An identification of inspections (reference "Quality Standards for Inspectors, PCIE, March 1993), either existing or newly constituted, that will be employed as the program is funded and executed, including, but not limited to, any special emphasis that may be given by the Department's Inspector General.

10. Steps that will ensure stimulus funds support activities that are incremental to the activities supported by base funding.

11. Recommendations on any disincentives for failing to initiate stimulus programs on a timely basis.

12. The identification of the senior official responsible for successful implementation of the plan and communicating with OMB and others on the status of the stimulus programs.

3/22/93

STIMULUS MANAGEMENT MEETINGS W/CABINET MEMBERS

Thursday, March 25, 1993

2:30-3:45 pm	Secretary Reich, Labor. Contact: Donna Greene, 219-8271. (HERE)
4:30-6:00 pm	Secretary Riley, Education. Contact: Andy, Rhoads or Karen, 401-3043.

Monday, March 29, 1993

2:00-3:30 pm	Secretary Pena, Transportation. Contact: Ned Ertel or Kim Kimball, 366-5899
3:45-5:00 pm	Secretary Cisneros, HUD. Contact: Sylvia Garcia, 708-0417.

Friday, April 2, 1993

10:30-12:00 pm	Secretary Shalala, HHS. Contact: Virginia Cox, 690-6610

Ensuring Economic Recovery and Creating Jobs: Economic Stimulus

First things first. None of the things we want for America can be accomplished while millions of our citizens are unemployed and hundreds of billion of dollars of industrial capital lie idle. Americans will not tolerate another false start; and they shouldn't. We must get our economy moving again—and producing jobs.

Two criteria guided the design of the stimulus package.

Speed. Any tax reductions or spending programs included in the package had to be fast-acting and job-creating. The unemployed have waited too long. We consulted with mayors and governors as well as with all the major agencies to ensure that the money requested in 1993 could be obligated quickly for projects that were ready to go and that workers would be hired right away—this summer—to work on them.

Content. Items selected for inclusion had to be worthwhile on their merits and consistent with the long-run goal of shifting the nation's attention to its future. The stimulus package is *a down payment on the Administration's long-run investment program.* For example, our long-run investment plan puts major emphasis on ensuring that all children get a healthy start in life and come to school ready to learn. To generate major new efforts for children quickly, we included these elements in the stimulus package: summer Head Start, an increase in funding for the Supplemental Food Program for Women, Infants and Children (WIC), and a fast start on a new immunization initiative. Similarly, the investment package stresses the improvement of our nation's infrastructure, including major upgrading of our highway network. Hence, the stimulus package includes funding for highway projects that can be started quickly, especially repair and resurfacing projects that can employ workers soon.

The Size of the Stimulus

The Administration proposed its economic stimulus program in part to provide insurance for the twice-stalled economic recovery. The economy harbors heavy imbalances: large accumulations of debt by households, businesses, and governments at all levels; shaky financial institutions; an enormous overhang of vacant commercial real estate; and extraordinary competition from imports. These imbalances make the course of recovery far less predictable than it was after past recessions. The impact of substantial corporate downsizings, though they were announced over the last two years, is yet to be fully translated into actual layoffs. The defense base closings that were absorbed in the national consciousness over the last three years are just beginning to be realized; and more defense conversion is yet to occur as the Cold War fades into history.

Thus, we have an economy that may have achieved a self-sustaining recovery, but that is operating well below its capacity. The unemployment rate is still higher than it was at the bottom of the recent recession, and inflation remains well under control—in part under intense competition from imported products. The risks posed by a short-term economic stimulus are thus small; and the rewards—in greater near-term economic growth and in forestalling any possible relapse into recession—are significant.

Under these circumstances, the Administration has chosen a stimulus program that is substantial enough to provide real impetus to the recovery, but that is small enough to avoid jarring the financial markets or triggering inflation. The program is targeted to the investments in the administration's long-term economic program, on both the tax and the spending sides of the budget.

In spending, the stimulus program provides additional budget authority equal to \$16.3 billion—the amount by which the 1993 appropriations fell short of the combined discretionary spending caps in the Budget Enforcement Act. Thus, the discretionary spending proposed in the stimulus program will not increase the deficit relative to what was outlined in the 1990 budget agreement.

The program also increases the obligation limit for transportation funding under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) by \$3.0 billion. This increase allows for full funding of the portion of ISTEA devoted to Federal-aid highways, and also increases potential obligations for the Airport Improvement Program and mass transit. The stimulus further includes \$3.3 billion to increase loan levels, primarily for the Small Business Administration 7(a) loan guarantee program. Of that amount, \$220 million is specified as the long-term budget subsidy.

In tax incentives, the program provides over \$12 billion in temporary incremental investment tax credit. This provision will be available through calendar year 1994; over \$6 billion will be received by taxpayers as reductions in liabilities in 1993.

While much of the additional budget authority will not be spent in 1993, the near-term economic impact will be greater than the outlay figures indicate. Many of the investment programs—including prominently the ISTEA highway program—will result in binding contracts with private firms within the fiscal year, even though payments will not be made until the work is completed in later years. Those contractors will hire workers and begin work immediately. Thus, the contractual obligations will trigger economic activity even before outlays register in the budget itself. Likewise, private investors will commit themselves to investment projects because of the stimulus program's investment tax credit before they can actually claim the tax savings on their returns.

This economic stimulus will be felt most directly in the creation of new jobs; the lack of new jobs especially marks the current recovery, and constrains the spending needed to create a self-sustaining economic expansion. Several of the spending programs in the stimulus package—particularly community development block grant assistance to States and localities, and highway programs—promote substantial job creation. The youth summer jobs program of the Job Training Partnership Act, as well as the summer Head Start program, will have particularly strong impacts in the summer months. The investment tax credit and even the longer-term business incentives will stimulate spending on capital goods and thereby promote hiring in the private sector. We estimate that the tax and investment proposals together will create almost 500,000 new jobs by the end of 1994.

All told, this plan provides almost $30 billion in outlays and tax incentives in 1993 and 1994. This stimulus will provide insurance against renewed economic weakness in the near term; create jobs; help boost the recovery; add to economic growth over the next two years; cushion the beginning of the Administration's deficit reduction program; and begin the investment program that will lay the foundations for enhanced private-sector productivity and prosperity.

Infrastructure

One of the key elements of the Administration's long-term investment package is the strengthening of our nation's infrastructure. Some of the initiatives in that area can be advanced into 1993, providing an immediate impact on jobs and economic growth. In this category, the stimulus package contains transportation projects, Army Corps of Engineers water projects, and improvements in deteriorating Department of Veterans Affairs medical facilities. Details of these investments follow.

Transportation/Federal-aid highway program. The Administration proposes to expand the Federal-Aid Highway program to the levels contained in the Intermodal Surface Transportation Efficiency Act (ISTEA) for 1993. This will require increasing total obligations for Federal-aid Highways from the current level of $17.7 billion to $20.6 billion, a 17-percent increase of almost $3 billion. More than one-third of the increase will be directed to fast-spending resurfacing, rehabilitation, and restoration projects, which can proceed quickly and bring jobs on line most rapidly. This measure will create an additional 13,000 jobs in 1993 and 45,000 in 1994. This increase will improve the conditions and performance of the 155,000 mile National Highway System. This system carries over forty percent of all highway traffic.

Transportation/Mass transit capital improvements. The Administration proposes to increase 1993 funding for mass transit capital improvements by $736 million. The funds will be used to replace over age buses and vans, and to fund rail cars and rail rehabilitation projects. Of the $736 million, about $270 million will be entirely devoted to quick-to-acquire bus and van purchases, while the remaining $466 million may be used for either bus or rail capital purposes. This initiative will create more than 9,000 jobs in 1993 and 1994. The bus/van program will permit the acquisition of more than 100 full-size buses, 1,800 small buses, and 2,000 vans.

Transportation/Amtrak capital projects. This initiative provides $188 million for AMTRAK to purchase new train cars and locomotives, modernize stations and maintenance facilities, and overhaul aging equipment. These will help to improve Amtrak's financial performance, moving it closer to achieving operating self-sufficiency.

Transportation/Airport grants. Many of the Nation's airports are congested, resulting in unacceptable delays for air travelers. Growth in air travel in the future will only add to the problem. Increased airport capacity can help reduce delays, speed air travel, and increase safety in many cases. This proposal to add $250 million for airport grants in 1993 will enable airports to undertake safety and capacity improvement projects that are "ready-to-go".

Army Corps of Engineers water project construction and cyclic maintenance. The Administration proposes an additional $94 million to speed construction of about 30 projects nationwide for flood damage reduction, inland waterway and deep-draft harbor transportation, hydropower, environmental restoration, and recreation.

Donsia

Veterans Affairs/Medical Care and Minor Construction. The Administration proposes $235 million to fund much needed improvements, largely in VA medical facilities, such as roof repairs, interior finishing, utility systems upgrades, and projects to ensure compliance with current safety and fire codes. This investment will create more than 4,000 jobs in an eight-month period.

A Summer of Opportunity

The Administration's stimulus package seeks to expand the opportunities for learning for children, youth, and workers while providing thousands of jobs, particularly during the summer months. In several instances, the initiatives are the leading edge for a specific program contained in the long-term investment plan.

Galston/Sagawa

HHS/Head Start Summer Program. The Administration is proposing a new Head Start summer program, which eventually would enroll up to 350,000 disadvantaged children. The purpose of the program is to help the youngest pre-school and school children to retain the social and intellectual gains made during the school year. It would expand the proven benefits of Head Start to the summer months and reduce further the learning disadvantages faced by children served by the program. This initiative would employ up to 50,000 Head Start staff (12,500 full-year equivalent) during 1993.

Galston/Sagawa

Education: Chapter 1 Summer School Program. The Administration proposes new, one-time supplemental funding of $500 million to expand summer school programs in 1993 for educationally disadvantaged children. Funds would be allocated to schools with concentrations of poor children. About 14,000 full-year equivalent jobs would be created.

Galston/Sagawa

Education: Chapter 1 Census Supplemental. The proposal would provide $235 million in 1993 to substantially mitigate the effects on distribution of Chapter 1 funds caused by changes in the location of poor children in the U.S. that occurred between the 1980 and 1990 censuses. The Chapter 1 compensatory education program will, for the first time, use 1990 census data to distribute 1993 appropriations used during the 1993–94 school year. The total number of poor children ages 5 to 17 increased between 1980 and 1990, and the distribution of those children shifted. Poor children are increasingly concentrated in the schools of the western States and less concentrated in the schools of the eastern States. The supplemental will ease the transition to a smaller compensatory education program in communities that would otherwise have the size of their Chapter 1 grants substantially reduced for the 1993–94 school year.

Way

* ***Agriculture/WIC Program.*** The Administration proposes to expand 1993 funding by $75 million for the Special Supplemental Food Program for Women, Infants, and Children (WIC), which pays for supplemental foods, health care referrals, and nutrition education for low-income pregnant and post-partum women, infants, and children under 5 years of age who are found to be at nutritional risk. The increase will permit the program to serve 300,000 additional participants, most of whom will be children ages 1–4. It is a down payment on the Administration's commitment in the long-term investment plan to provide full funding for WIC so that it serves all eligible children.

* ***Agriculture/Emergency Food Assistance Program.*** The Administration proposes to provide $23 million worth of food to the States through The Emergency Food Assistance Program (TEFAP). This successful program provides surplus food to about 2.5 million needy households and has been an important weapon in the Nation's arsenal against hunger.

Sara

HHS/Childhood immunizations. The President's plan to increase childhood vaccinations will immunize one million children during the summer of 1993. The Administration proposes to award $300 million to support a community-based effort to finance vaccine purchases and education and outreach campaigns. This program will help to raise the Nation to the standards of child immunizations set by other advanced countries, which we have fallen far behind. Too many families are deterred by outrageously high costs from having their children immunized. The President intends to end that problem.

Galston/NEC

Labor/Summer Youth Employment and Training Program. Young Americans have an especially hard time finding jobs. The problem is worse for disadvantaged youth, and worse yet in the cities. The Summer Youth Employment and Training Program employs economically disadvantaged youth ages 14 to 21 to work at public and nonprofit agencies during the summer months. The Administration proposes to boost program funding by $1 billion in the summer of 1993. This will finance almost 700,000 summer jobs, bringing to nearly 1.4 million the total number of youth who could participate in the program. Approximately one-half of this summer's funding will be concentrated on the 100 American cities—small and large—with the greatest number of eligible youth. The public summer jobs program will be coupled with and complemented by a campaign to expand private summer job opportunities for young Americans.

Galston/Segawa

National Service. This is a first step in the President's long range national service initiative. The Administration proposes to implement a program in the summer of 1993 to train a core group of leaders to spur service around the country. Combining leadership training with service, this initial phase of the national service initiative will cost $15 million.

Extension of Emergency Unemployment Compensation. For millions of workers, the apparent recovery has not brought employment opportunities. The rate of job growth in the economy relative to past recoveries has been extremely sluggish. The Administration proposes to extend the current Emergency Unemployment Compensation program for seven months, through October 2, 1993. The program provides an additional 20 to 26 weeks of support for workers who have exhausted their regular unemployment benefits. The net estimated cost is $5.6 billion over two years.

Galston

Education/Pell Grant unfunded shortfalls. The Administration proposes to make up shortfalls in the Pell Grant program, providing over $2.0 billion to ensure that the program is funded at estimated current law levels through school year 1993–94.

Jose

HHS/AIDS/Ryan White Act. To initiate the President's long-term investment plan to fully fund HIV/AIDS prevention efforts under the Ryan White Act, the Administration proposes to increase funding for 1993 grants by $200 million. These programs focus on AIDS prevention efforts.

Way

Agriculture/Child and Adult Care Food Program. The Administration proposes an increase of $56 million for the Child and Adult Care Food Program, which pays for meals and snacks at Head Start centers, to serve the children in the proposed Summer Head Start program.

Labor/Worker profiling. The Administration proposes establishment of a $14 million program in 1993 and 1994 to assist the States in developing automated systems to identify laid-off workers who may have difficulties in finding new jobs, and to assist them in finding employment. This initiative seeks to respond to the problems faced by many workers laid off because of business downsizing and restructuring. Federal funding for this initiative will cover the up-front costs of developing worker profiling systems in the States.

Labor/Community Service Employment for Older Americans. The Administration proposes $33 million to expand participation in the Community Service Employment for Older Americans program, which offers low-income seniors meaningful work experience in community service projects. This investment will finance over 5,000 jobs in the current year.

Dmsic ___ ***Interior/Bureau of Indian Affairs (BIA) School Operations.*** The Administration proposes that $49 million be provided to cover currently identified shortfalls in funding due to rising enrollments to improve the educational performance of over 40,000 Indian students at the elementary and secondary level attending BIA-funded schools.

Dhsa ___ ***Equal Employment Opportunity Commission.*** Financing of $9 million for additional staff to enforce the Americans with Disabilities Act and the Civil Rights Act will help stem the ballooning backlog of cases filed under those Acts.

Technology Investments

A very important part of the Administration's efforts to promote long-term economic growth is to increase investment in new, productivity-enhancing technology. A number of such projects are funded in the stimulus package because they can be initiated quickly, with immediate increases in jobs.

Industry-Led Federal R&D at the National Institute of Standards and Technology (NIST). The Advanced Technology Program at the National Institute of Standards and Technology provides matching grants for industry-led research projects for the development and commercialization of pre-competitive generic technologies and refining manufacturing practices. The Administration proposes $103 million for the program in the current fiscal year.

Commerce/Information Highway Demonstrations. The development of a broadband, interactive telecommunications network linking the Nation's schools, libraries, health care facilities, governments, and other public information producers could pay enormous dividends to the U.S. economy. Interactive networks such as this are in their very early stages of development. The Administration proposes to make $64 million available to the Department of Commerce's National Telecommunications and Information Administration to accelerate development of such information highways.

National Science Foundation/Research and development. Investments in research and development (R&D) tend to be the strongest and most consistent positive influence on productivity growth. Most of the National Science Foundation's (NSF) investments are in competitively selected university-based R&D programs. These activities contribute to the nation's productivity by generating new scientific and engineering knowledge and contribute to the training of the next generation of scientists and engineers. The Administration proposes an investment in 1993 of $188 million to restore NSF funding to roughly the level that was planned for in 1993.

Networking and computer applications. The Administration proposes that programs be initiated at the National Institute of Standards and Technology, the National Science Foundation, the National Aeronautics and Space Administration, and the National Institutes of Health to develop applications which use advanced computers and communication networks to solve problems in health care, education, manufacturing, and access to library information.

National Oceanic and Atmospheric Administration equipment acquisition. The Administration proposes an investment of $81 million to accelerate the modernization of National Weather Service and central NOAA data systems, to procure hardware for more efficient utilization of the nation's fisheries, to improve weather prediction technologies, and to further climate and atmospheric research in areas of global concern such as atmospheric ozone.

Donsia — *

HHS/Disability Insurance processing. The Administration proposes that $302 million be provided to help the Social Security Administration reduce delays in processing of Disability Insurance claims, review cases earlier, and make other improvements to improve delivery of services. There has been a tremendous backlog of Disability Insurance claims in recent years, which this investment would help alleviate.

Treasury/Accelerate implementation of Internal Revenue Service Tax System Modernization. The IRS is now operating with severely outdated computer equipment. Through Tax System Modernization (TSM), the IRS is undertaking a multi-billion-dollar, decade-long effort to re-invent its operations. The Administration proposes fiscal stimulus funding of $148 million to enable the IRS to accelerate several TSM projects and replace computer and telecommunications equipment that in many cases is nearly ten years old. This is a down payment on a long-term investment in the IRS modernization program.

Urban Development and Housing Initiative

The fiscal stimulus contains several initiatives to provide additional resources for housing and other development in the Nation's urban areas. These efforts are critical to our hopes of reviving our cities.

Bruce/Paul — *

Housing and Urban Development/Community Development Block Grants. Community development projects are an important source of jobs and economic development in America's communities. States and local governments have a backlog of unfunded projects that are ready to begin, such as basic street and bridge work, painting and resurfacing, building rehabilitation, and public service projects. The Administration proposes a one-time supplemental appropriation of $2.5 billion for Community Development Block Grants to fund such projects and create about 60,000 jobs during 1993–1995. The Administration will propose modifications to the program to ensure that projects have an immediate economic impact.

Commerce/Economic Development Administration grants. The Administration proposes $94 million for Economic Development Administration awards to economically distressed areas to rebuild basic infrastructure—industrial parks, water and sewer improvements, and access roads to industrial sites. The grants are also for the purpose of planning for economic development.

Minority Business Development Administration. $2 million is proposed for the Minority Business Development Administration to support the provision of technical assistance to minority businesses through a nationwide network of 107 centers. These centers help minority businesses write loan applications, develop marketing plans, and upgrade accounting practices.

Bruce / Paul —

Housing and Urban Development/Accelerate HOME investment partnership. The Administration proposes to speed the spendout of $2.5 billion in previously released affordable housing funds by regulatory and statutory changes to increase participant flexibility and information, and training to improve public understanding of the program. These changes will increase the rate at which existing funds can begin to create jobs and boost the local economy.

Housing and Urban Development/Accelerate public housing modernization. A substantial amount of funds in HUD's modernization program remain unspent. Explanations for this "backlog" of unspent funds—the time-consuming process of getting the funds out of HUD to the public housing authorities, inefficient management and planning on the part of public housing authorities—make the problem more comprehensible but no more tolerable to this Administration. Accelerating the spendout will not only stimulate the economy but also help to ensure a better quality of life for public and Indian housing residents. This measure will create over 10,000 jobs during 1993–1998. It will result in the repair/restoration of approximately 2,500 more public housing units in 1993 (or 31,800 more public housing units 1993–1998).

Housing and Urban Development/Supportive Housing Program. The Administration proposes an accelerated investment of $423 million in the Supportive Housing Program, which assists homeless persons not only with shelter but also with the root causes of homelessness. The Administration will propose modifications to ensure that these funds go to projects ready for immediate implementation. This proposal will create over 10,000 new jobs during 1993–1995.

District of Columbia. The Federal Government makes an annual payment to the District to compensate it for the net cost of the large Federal presence in the nation's capital. The 1993 Federal payment was reduced below the amount the Mayor requested to help balance the District's budget. The Administration proposes $28 million to reduce the District's budget deficit.

Rural Development Initiative

The Nation's rural areas were among those hardest hit by the recent recession. The fiscal stimulus plan provides a number of key initiatives to provide needed assistance for the special concerns of rural areas.

Way —— *

Agriculture/Rural water and wastewater loans and grants. Water quality is a matter of increasing concern in cities and towns across the U.S. Drinking water and sewage treatment systems serving small, mostly rural populations currently have the highest rates of noncompliance with Federal environmental standards. Without Federal assistance, rural areas often find compliance very difficult to achieve. The Administration proposes an estimated additional $470 million in loans and $281 million in grants for the Rural Development Administration to help poor rural communities comply with clean water standards.

Agriculture/Food Safety and Inspection Service. The Administration proposes to add meat and poultry inspectors, at a cost of $4 million, to improve the Federal meat and poultry inspection system to help reduce the risk of future food poisoning outbreaks.

Agriculture/Forest Service natural resource protection and environmental infrastructure initiative. This is one part of an Administration proposal to protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction, and other similar projects that stimulate economic growth and employment in rural and urban areas. This investment will total $188 million in 1993.

Way —*

Agriculture/Farmers Home Administration low-income housing repair loans and grants. The Administration proposes $6 million in grants and $3 million in loans for a Farmers Home Administration program that helps rural, very low-income applicants to repair or rehabilitate their homes in order to remove safety and health hazards.

Agriculture/Single Family Housing Guaranteed Loans. This proposal would increase the single-family guaranteed loan authority by $235 million. The 1993 level of $329 million is expected to be used by May 1993. Given the increased demand for this program, because of lower commercial interest rates, the proposed increase would meet the remaining demand for this program.

Agriculture/Soil Conservation Service watershed projects. The proposed stimulus includes $47 million to fund a backlog of projects to address emergency watershed problems resulting from natural disasters, soil erosion, sedimentation, and flood damage that affect public health and safety.

Agriculture/Agricultural Research Service facility maintenance. The Administration proposes $38 million to finance repairs and accelerate hazardous waste clean-up at aging Federal agricultural research laboratories. There are approximately 30 hazardous waste clean-up projects planned, including removal of underground storage tanks and clean-up of pesticide spills.

Jonsia —

Interior/Economic development on Indian reservations. $39 million is provided to upgrade roads, improve school facilities, and subsidize loan guarantees for reservation facilities, hotels, and office buildings.

Environment and Energy Initiatives

The Administration's initiatives offer certain proof that environmental protection and economic growth can—and must—go hand in hand. These proposals represent a down payment not only on longer-term investments, but also on creating a cleaner world for ourselves and our children.

Interior/Natural resource protection and environmental infrastructure initiative. This is one part of an Administration proposal to protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction and other similar projects that stimulate economic growth and employment in rural and urban areas. This investment of $349 million in 1993 would create over 11,000 jobs. Much of the investment would be earmarked for the National Park Service alone, including increased operational funds to keep open areas that were previously scheduled for closure during 1993.

Dansia

Interior/Historic preservation funding for repair and deferred maintenance projects. The Administration proposes $23 million to fund a backlog of brick and mortar rehabilitation projects, emergency surveys, engineering reports, and deferred maintenance at National Trust for Historic Preservation Museum properties across the Nation, and other priority projects.

Environmental Protection Agency/Watershed resource restoration. The Administration proposes $47 million to reduce non-point source pollution which poses a threat to the Nation's water quality.

Environmental Protection Agency/Voluntary "Green" programs. The Administration proposes to expand EPA's voluntary "Green" programs by $23 million in 1993 over the current $8 million funding level. The program encourages the Nation's business community to seek ways of increasing energy efficiency.

Environmental Protection Agency/Wastewater treatment project. The Administration proposes $845 million in capitalization grants for the construction of sewage treatment facilities. This would accelerate completion of an $18 billion wastewater treatment grant authorization that is scheduled to end in 1994. This investment creates about 16,000 jobs over the four year period 1993–1997.

Cooperative Research and Development Agreements. CRADAs are one of the mechanisms by which the national laboratories can work with industry to transfer lab-developed technology and know-how to the private sector. Current funding for non-defense CRADAs is $9 million in 1993, but there is more demand from industry for assistance through CRADAs then can be met with that funding, This increase will allow additional lab scientists to work with industry. In addition, $47 million in 1993 funds appropriated for research and development of nuclear weapons at DOE's defense laboratories will be redirected to research in dual use technologies.

Energy/Weatherization Assistance Program. The Administration proposes $47 million (conditioned on matches from States or utilities) to encourage State weatherization programs to take advantage of utilities' demand-side management (rebate and discount) programs, assuring that funds go to States that demonstrate a serious commitment to low-income weatherization activities. Approximately 62,500 additional homes will be weatherized over the currently projected number.

Energy/Building and industrial conservation. The Administration proposes $19 million in cost-shared funding (50 percent) for "model projects" that demonstrate or accelerate the commercial acceptance of advanced energy conservation technologies and products.

Energy/Alternative fuel vehicles. The Administration proposes $28 million for the acquisition of and/or conversion to additional alternative fuel vehicles in the Federal fleet.

Federal buildings energy efficiency. An additional investment of $19 million is proposed to improve energy efficiency in facilities throughout the Federal Government.

Stimulus: Tax Incentives

The plan also contains carefully targeted tax provisions designed to provide an immediate boost to investment in the short term, and to encourage capital spending over the long run.

Permanent small business tax credit. Small businesses will now be eligible for a permanent investment tax credit on their equipment. The credit will generally be 7 percent in 1993 and 1994 and 5 percent thereafter. Small businesses operate at the margin and need a permanent incentive to invest, grow and provide new employment opportunities. At the same time, the decrease in the rate from 7 percent to 5 percent after two years will provide an incentive to accelerate investment and add support for the current recovery.

Temporary marginal investment tax credit for all business. Businesses will also be eligible for a tax credit on qualifying investments; the credit will be temporary and will apply only to "marginal" investment acquired between December 3, 1992 and December 31, 1994. The credit will amount to 7 percent in 1993 and 1994, with somewhat lower rates applicable to shorter-lived property. To ensure that the credit is targeted to marginal investment by large companies, the credit each year is applied to investment over an historic base.

Simplifying and enhancing depreciation provisions for companies subject to the alternative minimum tax (AMT). Currently, property is depreciated for AMT purposes over a substantially longer period than for regular tax purposes. (For example, commercial aircraft are depreciated over 7 years for regular tax purposes and 12 years for AMT purposes.) In addition, a corporation subject to the AMT must compute three depreciation schedules for federal tax purposes.

The proposal substantially enhances the investment incentives for taxpayers subject to the AMT and simplifies the AMT by using the shorter regular tax depreciable lives for minimum tax as well as regular tax purposes. Thus, one depreciation period will be used for computation of both the minimum and regular tax, although the rate of depreciation will remain less rapid under the minimum tax than under the regular tax.

Because they reduce the net cost of acquiring depreciable assets, the investment tax credit proposals will stimulate investment by both small and large businesses. The investment tax credit proposals, coupled with the liberalized depreciation under the minimum tax, will provide a strong and lasting stimulus to investment, encourage modernization of productive equipment, and help create good jobs.

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February 10, 1993

MEMORANDUM

To Bill Galston
From Chris Kelly
Re: Domestic program reauthorizations in the 103rd Congress

This memo will provide, per your request, a brief overview of the major issues resulting from programs up for reauthorization early in the 103rd Congress. It will also cover, where appropriate and where my searches indicated, issues posed for the staff by recently passed reauthorizations and other legislation closely related to the domestic policy issue areas. In most cases, I have gathered more information than is presented here; in the interest of providing a quick picture of what the Administration will face, I have omitted much that will be relevant when these issues reach the front burner. This information and further research are available upon request.

National Service

The **Commission on National and Community Service** and the **ACTION** agency are up for reauthorization during the 103rd Congress. Choices on the scope and structure of President Clinton's National Service plan will influence the position that the White House takes on what to do with these agencies.

Education

Two major programs in the education area will be up for reauthorization during the current Congress: the **Elementary and Secondary Education Act (ESEA or Hawkins-Stafford)** and the **Office of Educational Research and Improvement** (OERI) within the Department of Education.

ESEA, whose biggest program is Chapter 1, was the focus of a great deal of discussion within our transition group on education and job training. It will probably be important for the Administration to set forth a clear set of principles to govern the reauthorization, if it is to avoid the political fights already brewing over the formula allocating Chapter 1 money. (The formula is based on population, meaning that states like Sen. Kennedy's Massachusetts will lose a great deal of funding to the Sunbelt unless the formula is changed or a great deal of new money is infused into the program.) The President called for increased Chapter 1 funding during the campaign.

OERI is, in essence, the research wing of the Department of Education, the closest thing the Department has to a think tank. Bills were introduced both in the House (H.R. 3458 and 4014, by

Major Owens) and Senate (S. 1275, by Claiborne Pell) last Congress to reauthorize the office, which is headed by an Assistant Secretary of Education. Owens' H.R. 4014 passed the House, but died in committee in the Senate.

The **Neighborhood Schools Improvement Act**, which was blocked last session, has been reintroduced as H.R. 92 by Dale Kildee in the 103rd Congress. A Clinton Administration education reform package that prospectively would take the place of H.R. 92 is currently being developed at the Department of Education.

Additionally, the **Higher Education Act** was reauthorized last session. Some fallout from this is to be expected as everyone adjusts to the changes that were made, almost all of which will take effect this year. Among the changes was a direct loan demonstration project that will provide evidence of whether such a program can work.

Labor/Job Training

Bills to revise and expand the Job Corps and the Job Training Partnership Act were common last session in the Congress. These led up to a grand reauthorization, passed toward the end of 1992, in Rep. Carl Perkins' **Job Training Reform Amendments Act.** The act reauthorized the Job Training Partnership Act while trying to improve program service delivery to hard-to-serve populations.

Legislation outlawing the **permanent replacement of striking workers** is high on the agenda of organized labor and its supporters in Congress. The President expressed his support for this legislation during the campaign.

Reform of the **Hatch Act** to allow Federal workers to take a greater role in political activity has been introduced in the past two Congresses and is a high priority for many members of Congress. The Bush Administration blocked the reform package in both Congresses.

Health and Human Services

National Institutes of Health Reauthorization is currently before the Congress. This reauthorization legislation, which allows roughly $2 billion worth of research, was vetoed by President Bush last year because of provisions allowing fetal tissue research.

Reauthorization of **Title X of the Public Health Service Act**, which covers federal family planning programs, is currently progressing through the Congress as H.R. 670. Last year, President Bush vetoed legislation that would have reauthorized Title X clinic money because of language overturning the gag rule. H.R. 670 would authorize $238 million in funding for clinics in FY 1994 and $270 billion in FY 1995. Parental notification language may be offered as an amendment on the floor.

The **Orphan Drug Amendments Act** (S. 2060 and H.R. 3930 in the 102nd Congress) will definitely be reintroduced in the 103rd. This legislation would eliminate market exclusivity for a drug when its cumulative sales reach $200 million (under the Senate bill) or $150 million (under the House bill).

The **Agency for Health Care Policy Research** was reauthorized and had its mission slightly expanded last year. The agency, a creation of Sen. Durenberger, was allowed in Sen. Kennedy's reauthorization bill to undertake review of experimental, emerging, or innovative technologies in partnership with private firms and other government agencies.

The Older Americans Act of 1965 was reauthorized last year as the **Older Americans Act Amendments of 1992.** The OAAA of 1992 extends the duties of the Commissioner on Aging and requires some reorganizing of tasks regarding programs for older Americans.

Housing and Urban Development

The only specific act that seems to be up for reauthorization is the **McKinney Homeless Assistance Act**, introduced for reauthorization last year as H.R. 4300. This specific measure failed, but some funding for homelessness programs was in the **Housing reauthorization bill** that passed in early October 1992. (Reauthorization of the housing bill will again become an issue in 1994.)

Two provisions were apparently not fully addressed in the housing reauthorization: mortgage revenue bonds and the low income housing tax credit. There have been attempts to extend or make permanent both of these programs which may continue in the 103rd Congress. President Clinton has said he will make the low income housing tax credit permanent.

Enterprise zone and urban revitalization legislation will continue to be of significance for the Administration and the Congress, especially after the Bush veto of such measures contained in last year's tax package.

Justice/Drugs

The **crime bill** was filibustered by Republicans during the last Congress as a result of the bill's allegedly weak stance on capital punishment and habeas corpus reform. A crime bill will thus be a top priority both of the Administration and of Congressional leaders, because of the need to revise general criminal statutes and because of the other provisions of the 102nd Congress' bill not enacted as a result of the filibuster. Among the issues also addressed in the 102nd Congress' crime bill were drug treatment, handgun control (the Brady Bill was included), community-based policing, the Police Corps, and school safety.

Legislation reauthorizing the **independent counsel law** was killed last session, but has already been reintroduced in the 103rd Congress as S. 24 by Senators Levin and Cohen. The legislation, which would reauthorize the system for 5 years, meets one of the Republican leadership's most common objections -- that the counsel law does not apply to members of Congress -- by specifically stating that it does. The President has said he supports reauthorization.

Legal Services Corporation reauthorization has been delayed as a result of hostility to the program for the past 12 years, and will definitely come up during the 103rd Congress. The Corporation was last reauthorized in 1977, but has survived because allies were able to use the appropriations process to save it. Hillary Rodham Clinton was a Corporation boardmember during the Carter Administration.

The **United States Commission on Civil Rights** was reauthorized only through FY 1993 in 1991, and may thus come up for reauthorization early in the 103rd Congress.

Transportation

Most elements of the Federal Aviation Administration were reauthorized last session through the 103rd and 104th Congresses with the notable exception of the **Airport Improvements Program**, which was only reauthorized through September of this year.

Major surface transportation legislation was passed in 1991 (Intermodal Surface Transportation Effectiveness Act), rendering any serious revisiting of the measures unlikely, unless they are a part of the President's economic stimulus / infrastructure package.

Environment/Energy/Interior

An alphabet soup of environmental measures will be up for reauthorization during the 103rd Congress. Last year, the Congress failed to reauthorize the **Resource Conservation and Recovery Act (RCRA)**, which governs the treatment of hazardous waste storage and transfers.

The **Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, or Superfund)** and the **Superfund Amendments and Reauthorization Act (SARA)** have established government policy with respect to the cleanup of abandoned hazardous waste sites and response to accidents that release hazardous substances into the environment. Programs under CERCLA and SARA are currently authorized through September of 1994. Reauthorization is high on the agenda of Congress' environmentally concerned members and revision of how cleanup liability is allocated is high on the list for insurance companies and businesses that use regulated substances. (A recent Rand Corp. study indicated that insurers' expenditures on resolving liability claims account for 88 percent of the money spent on Superfund-related claims.)

The **Clean Water Act (CWA)** was last reauthorized in 1987. Sen. Baucus introduced a measure last year to reauthorize the Act (S. 1081) that failed to pass the Senate. Provisions regarding wetlands, streams, rivers, and lakes are covered within this act, while much of water for human consumption is covered by the **Safe Drinking Water Act (SDWA)**, which is also up for reauthorization.

Pressure has been building to undertake serious revision of the **Endangered Species Act (ESA)** as it comes up for reauthorization this Congress. Timber interests, building associations, and some Western Senators and members of Congress will be pushing to give business and private interests more ability to alter (and, in some cases, destroy) the habitats of endangered or threatened species.

Other related measures up for reauthorization will be the **Marine Mammal Protection Act (MMPA)**, the **Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA)**, and the **Hazardous Materials Transportation Uniform Safety Act of 1990.**

<u>Arts</u>

The **National Endowment for the Arts** will come up for reauthorization in 1993, and is sure to be a target for the religious right and its allies.

<u>Agriculture</u>

There appears to be little in the way of major legislation pertaining solely to agriculture, as a water reform bill became law late last year and the 1990 farm bill reauthorized programs through 1995. The reauthorization of the Clean Water Act and the Endangered Species Act, however, will have a significant impact on agricultural interests through their wetlands, fertilizers and pesticide provisions.

<u>Telecommunications</u>

Reauthorization of the **Federal Communications Commission** will come up in the 103rd Congress. Legislation to reauthorize was introduced last Congress by Rep. Markey and passed the House, but the Senate failed to act.

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DPC Sr. Staff
File "SAP"

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

February 22, 1993
(House)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 20 - Federal Employees Political Activities Act of 1993
(Clay (D) MO and 244 others)

The Administration supports enactment of H.R. 20.

* * * * * * *

(Do not Distribute Outside Executive Office of the President)

This position was developed by the Legislative Reference Division (Hilda Schreiber) in consultation with the Federal Personnel Policy Branch (Ray Kogut).

Background

Currently, Federal employees are barred by law (the Hatch Act) from engaging in partisan political activities, including political fundraising. The Supreme Court has upheld the constitutionality of this law. H.R. 20 would repeal current restrictions and allow Federal employees to engage in off-duty partisan political activities at State, local, and Federal levels.

Clinton Campaign Position

President Clinton wrote to the American Postal Workers Union in April, 1992, stating that "[R]eform of the Hatch Act is long overdue." He said that he would work as President with the Congress to pass this important legislation. He made similar comments to the Federal Times.

Status

H.R. 20 was ordered favorably reported by the House Post Office and Civil Service Committee on January 27, 1993. No committee report has been filed. The House is scheduled to consider H.R. 20 on February 23rd under Suspension of the Rules.

A hearing on a Senate companion bill (S. 185) is scheduled for March 2, 1993, by the Senate Governmental Affairs Committee. This hearing may be rescheduled, if the President's nominee to head the OPM has not been confirmed by that date. S. 185 is identical to the bill vetoed by President Bush in 1990.

Traditionally, Justice, OPM, and the Office of Special Counsel (OSC) have testified on Hatch Act legislation. OSC, an independent Executive branch entity with Hatch Act enforcement responsibility, is currently headed by a Bush holdover. The Senate Committee reportedly will not invite OSC to testify and has not yet invited any agency to testify.

Provisions of H.R. 20

The President and Vice President and their staffs are exempt from the bill.

Effective 120 days after enactment, H.R. 20:

-- Allows Federal employees to engage in partisan political activity while (a) off duty, (b) not in a Federal building, (c) not wearing a uniform or insignia identifying them as Federal employees, and (d) not using a car owned or leased by any Federal agency.

-- Allows Federal employees to be candidates for partisan political offices. It also allows but does not require employees who are themselves candidates to take paid annual leave, or leave without pay, to conduct their campaigns. Agencies could deny a request for such leave, in writing, stating the reasons for denial.

-- Allows employees to solicit political contributions from the public at large during off-duty hours, except that they could not solicit funds from --

(a) subordinate fellow workers or their families;
(b) individuals who do business with or are regulated by their agencies; and
(c) those who have interests substantially affected by their agencies.

-- Exempts employees appointed by the President with Senate confirmation from the ban on engaging in politics while on duty.

-- Exempts all employees paid from funds appropriated to the Executive Office of the President (EOP) from the ban on engaging in politics while on duty. This language is technically defective since here is no separate appropriation for the EOP as such, but rather for the individual agencies -- OMB, CEA, etc. -- comprising it. (Consideration should be given to amending the language to exempt only noncareer SES and excepted service EOP agency employees.)

Pay-As-You-Go Scoring

According to the Federal Personnel Policy Branch (Kogut), H.R. 20 would not affect revenues or direct spending. Therefore, it is not subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990.

LEGISLATIVE REFERENCE DIVISION
2/22/93 - 12:45 PM

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

February 22, 1993
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 920 - Emergency Unemployment Compensation Amendments of 1993
(Rostenkowski (D) IL and two others)

The Administration strongly supports H.R. 920 and urges its quick enactment. This legislation would assist the unemployed and their families by extending the Emergency Unemployment Compensation program through October 2, 1993. The program will expire in less than two weeks under current law. In addition, H.R. 920 includes an innovative worker profiling program to encourage States to use the Unemployment Insurance system to link permanently displaced workers to reemployment services. This program would assist workers to gain new jobs early in their period of unemployment.

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(Do Not Distribute Outside Executive Office of the President)

This position was developed by LRD (Mustain) in consultation with LVE (Matlack, Kitti), GC (Damus), BASD (Stigile), EP (Rodriguez), and OIRA (Chenok). The Departments of Labor (Morin) and the Treasury (Dorsey), and the Counsel of Economic Advisors (Glied) agree with this position.

The House Ways and Means Committee marked up H.R. 920 on February 18, 1993. On the same day, Secretary Reich testified in favor of a similar Administration draft bill. The President's "A Vision of Change for America" includes stimulus proposals to extend the Emergency Unemployment Compensation (EUC) program and to establish worker profiling programs.

Provisions of H.R. 920

H.R. 920 would extend the expiration date for persons to qualify for EUC benefits from March 6 to October 2, 1993. The bill also would require the Secretary of Labor to provide available funds to States to establish "profiling" programs. These programs would use data collected from initial claimants to identify persons likely to experience long-term unemployment. States would refer such individuals to reemployment services early in their period of unemployment.

H.R. 920 does not extend the EUC program for railroad workers, because the Ways and Means Committee does not have jurisdiction over these workers. The Department of Labor advises that an attempt will be made in the Rules Committee to allow an amendment to cover these workers.

Pay-As-You-Go Scoring

Per LVE (Kitti) and BASD (Stigile), H.R. 920 is not subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990 (OBRA) because language in the bill designates all direct spending resulting from the bill as an emergency under OBRA.

LEGISLATIVE REFERENCE DIVISION
February 22, 1993 - 10:45 a.m.

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

February 23, 1993
(House)

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LEGISLATIVE REFERENCE DIVISION
February 23, 1993 - 1:45 p.m.

Orig: CHR Up file
xc: Fax to Bill
Bruce
Kathi
Shirley

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001
February 4, 1993

MEMORANDUM FOR: Carol H. Rasco, Assistant to the President for Domestic Policy

FROM: Henry G. Cisneros

SUBJECT: Actions to Accelerate the Obligation of Public and Indian Housing Modernization Funds

As Secretary of the Department of Housing and Urban Development (HUD), one of my objectives is to make public and Indian housing safe and livable for all its residents. I am writing to inform you of several actions I am taking toward this goal, which will improve HUD's support and commitment to the modernization of our nation's public and Indian housing authorities (HAs).

During my confirmation process and hearing, I heard repeated concern over the need to accelerate the obligation of modernization funds appropriated for physical improvements of HAs, and concern that there is more than $6 billion of these appropriated funds stuck in the pipeline. These concerns are well-advised and I am taking action which addresses them. I would like to take this opportunity to provide you with information on the Modernization Program and specific actions I am taking.

The United States Housing Act of 1937, as amended, establishes the requirement to improve the physical condition of existing public housing developments and to upgrade the management and operation of such developments to assure that they continue to be available to serve low-income families. This is accomplished by the Comprehensive Grant Program, for HAs with 250 or more housing units and by the Comprehensive Improvement Assistance Program (CIAP) for HAs with less than 250 units.

Because of the mandated timing of funding disbursements under these programs, there is a delay before the receiving HAs can obligate and expend the funds. It is HUD policy that the money be obligated within two years of its receipt by a HA and expended within three years of receipt unless alternative periods have been agreed to by HUD. However, the Department emphasizes the urgency of modernizing public and Indian housing with due consideration for design and procurement procedures.

In some cases these time frames are not being met and it has come to my attention, during the transition period, that there is a backlog of funds "in the pipeline" from fiscal year 1990 and earlier. This is clearly not supportive of prompt and prudent attention to the needs of our lower income citizens. Additionally, the sooner these funds are obligated, the sooner they will contribute to economic stimulus.

I have taken steps to accelerate the distribution of this fiscal year's funding ($3.1 billion) to the HAs so that their needs can be met sooner. First, I have directed that the scheduled funding dates be advanced. I am also contacting the HAs directly and urging that they make their required submissions as soon as possible so that HUD staff can review and approve those submissions. Following these actions, we will develop additional changes designed to expedite the process in other processing stages for both Fiscal Years 1993 and 1994.

Furthermore, I have directed that the HUD Regional Administrators analyze the status of funding in their respective Regions, to ascertain exactly what is still in the pipeline and why. And I have asked for their recommendations regarding how the obligation process can be accelerated so that the modernization needs of the HAs can be met expeditiously but without jeopardizing the integrity of the program.

In addition, to informing you of these actions, I am also sharing this information with the Authorization and Appropriations Committee Chairpersons of both Houses of Congress and the OMB Director.

I want to assure you, as well as the members of Congress, that HUD will be doing its utmost to improve the nation's public housing according to current law. When we find that additional legislation is required to enhance our actions, we will work with The White House and Congress to address those needs.

2:15pm
REVISED

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

REVISED

THE CHAIRMAN

February 2, 1993

MEMORANDUM FOR THE PRESIDENT

ATTENTION: ROBERT RUBIN, NEC

FROM: LAURA TYSON, CHAIR-DESIGNATE LDT
ALAN BLINDER, CHIEF ECONOMIST AB

SUBJECT: Why Deficit Reduction Matters?

This memo outlines the main economic issues that should be considered in devising a deficit-reduction plan. The memo was prepared by Laura Tyson and Alan Blinder and was reviewed and approved by OMB and Treasury. It concludes with individual statements sketching the positions of the three agencies (CEA, OMB, and Treasury) on the appropriate amount of deficit reduction.

1. The Relationship Between the Deficit and Future Living Standards

Deficit reduction is not an end in itself, nor is it a "jobs" program. It is a means to the end of higher productivity, real wages, and national living standards. In short, it is about securing a better economic future for ourselves and even more importantly for our children.

Most economists believe that a sustained and substantial reduction in the deficit will increase the national saving and investment rates--which are now quite low. Over the long run, a permanently higher investment rate will increase the economy's productive capacity and raise the nation's living standards. This is the primary economic justification for reducing the deficit.

However, the process whereby deficit reduction improves living standards is a slow one. According to our simulation results, for example, even under the most optimistic scenario, cutting approximately $132 billion off the 1997 projected deficit would add at most 0.7% to the economy's productive capacity in that year. Over the longer run, the increase in investment made possible by deficit reduction of this magnitude might add as much as 4.0% to the nation's productive capacity by the year 2013. That is twice the size of a typical recession, and would translate into significant extra consumption (private and public) for the average family in the next generation.

2. <u>Deficit Reduction and Public Investment</u>

Well chosen and carefully designed increases in public investment, e.g. investments in education, training, infrastructure, and technology, are another way to increase the economy's investment rate and future living standards. Although there is a debate among economists about whether public investment programs have higher or lower rates of return than private investment, most economists agree that such programs, if well-designed and executed, contribute to the economy's long-run productive potential. Consequently, <u>deficit reduction at the expense of public investment is self-defeating</u>. Some economists go even further and argue that government deficits that finance public investment do not reduce the economy's overall investment rate and are therefore not a policy concern. But, of course, our current deficit exceeds public investment.

The main difficulty with relying on government investment rather than deficit reduction to boost future incomes is that, unlike private investment which is guided by market forces, political factors can easily dominate the choice of public investment projects. On the other hand, the overbuilding of commercial real estate in the 1980s indicates that private investment decisions themselves can sometimes yield undesirable outcomes, especially if skewed by inappropriate tax incentives.

In our view, a prudent course to increase the nation's overall investment rate includes a gradual multi-year deficit reduction program, tax incentives to promote private investment, and a shift in government spending toward public investment programs. This is the course the economic team is working to design.

3. <u>The Interest Burden of Large Deficits</u>

Almost 14% of the Federal budget (about $200 billion) now goes to interest payments. Even if we reduce the deficit to $225 billion by FY 1997, interest costs will rise to $260 billion--the extra $60 billion is as large as the entire investment portion of our budget. Most talk about the enormous "burden" of this interest is fallacious since it ignores the fact that one group of Americans (taxpayers) simply pays the money to another group (bondholders). But foreigners own about 18% of the debt. <u>More important, taxes must be levied to pay all this interest</u>; and such taxes both distort economic incentives and impose political costs.

4. Nonquantifiable Benefits of Deficit Reduction

A. Reducing the Risks of Instability in Financial Markets

A credible deficit-reduction package will reduce the risk of a financial crisis occasioned by anxieties about the growing burden of government borrowing on national and international capital markets. Without credible and substantial deficit reduction, the prospects for long-run stable growth continue to be held hostage to this risk. Indeed, many economists believe that concerns about growing future deficits are a major factor behind the persistence of high long-term interest rates despite a weak economy. And some believe that, if we fail to introduce a serious deficit-reduction package, there is a serious possibility of a financial market crisis either in the form of an upward spike in interest rates, a collapse in the dollar's value or a combination of the two.

If avoiding a financial crisis is the major motivation for deficit reduction, then both its size and its composition should be evaluated in terms of their credibility as it is likely to be judged by financial markets. <u>Reducing the deficit enough to stabilize the debt/GDP ratio would seem to be the minimum required to allay the anxieties of financial markets</u>. The reason is simple: an ever-increasing debt/GDP ratio is intrinsically unsustainable. Our choice is between stopping it now or stopping it later, and much more harshly. In this regard, it is worth remembering that very long-run projections show a rising debt/GDP ratio.

B. Improving Our Ability to Coordinate Macroeconomic Policies with the G7

Our efforts to coordinate macroeconomic policies with our G7 partners have been unsuccessful in recent years, in part because we have brought little credibility to the negotiating table. Our G7 partners have repeatedly expressed anxiety about our Federal budget deficits and their drain on global capital markets and interest rates. By promulgating a credible multi-year deficit-reduction package, we take a step toward harmonizing macroeconomic policies in ways that will boost global growth. For example, if Japan and Germany react to our deficit-reduction program by stimulating their economies, the contractionary effects would be partially offset by more rapid growth in our exports.

C. Enhancing the Ability of the Federal Government to Respond to Unforeseen Security and Economic Challenges

Large deficits restrict the government's ability to respond to unforeseen economic and/or national security crises that require unanticipated increases in government spending. For example, the deficit precluded the Bush Administration from using expansionary fiscal policy to offset the recession of 1990-91. The deficit is also likely to continue to hamper our ability to fashion effective policies to promote economic stability and democracy in the former Soviet Union.

D. Deficit Reduction and Relations with Congress

If the Administration does not come forward with a deficit-reduction plan that is credible to members of Congress, it is likely that we will lose control of the budgetary process to them. In particular, passage of a balanced budget amendment--which is a terrible idea for the economy as well as for the effectiveness of the government--becomes a real possibility, as does the enactment of a new and stronger budget process bill of the Gramm-Rudman variety.

On a more positive note, solving the deficit problem would help alleviate the myopia of Congressional decision-makers whose unending concern with the deficit leads them to adopt costly short-term budgetary fixes that overlook or shortchange the nation's long-term investment needs.

5. The Short-Run Dangers of Deficit Reduction

The long-term benefits of deficit reduction involve potentially large short-run costs. Cutting the deficit requires some combination of increased taxes and reductions in valued government programs. Cutbacks in programs hurt those who benefit both directly and indirectly from these government activities, while tax increases reduce disposable incomes and distort incentives. In short, both spending cuts and tax increases not only cause political pain but also reduce demand and economic growth. That is why it is best to reduce the deficit when the economy is strong. During periods of recession or anemic economic growth, deficit reduction will further weaken an already weak economy. This is the rationale for stimulating the economy in the near term and introducing a gradual multi-year deficit-reduction package that hits when the economy is closer to capacity.

As we have repeatedly emphasized in our briefings, it is possible that stimulative monetary policy by the Federal Reserve and/or a sustained bond market rally triggered by credible deficit reduction could offset the short-run demand and output losses caused by cuts in government spending or increases in taxation. But it is impossible to predict with any degree of certainty what course Federal Reserve policy will follow or how the bond market will respond to a given amount and timing of deficit reduction. Indeed, there is even uncertainty about whether the Federal Reserve would be able to offset completely the fiscal restraint implicit in deficit reduction even if it wanted to. There is a long lag between a monetary policy decision and its effects on demand. Therefore, it is difficult to time monetary policy actions so that their effects coincide with periods of economic weakness, let alone with fiscal policy actions.

6. How Much Deficit Reduction is Enough?: Shades of Difference

Although there is widespread agreement that the deficit is currently too large, there is considerable disagreement about how fast we should move to reduce it. Those who argue for a fast pace stress the need to act credibly to convince the bond market, the Federal Reserve, the Congress, Ross Perot, and the American people that we are serious about realizing our goal. Unfortunately, each of these groups may well have a different standard against which they will assess whether we are acting fast enough. The bond traders and Ross Perot, for example, are probably looking for much tougher action than the American public.

Those who argue for a somewhat slower pace of deficit reduction stress the potential dangers of strenuous deficit-reduction measures in an economy which is likely to be characterized by excess capacity and modest growth during the next few years. In an ideal world, the safest strategy might be to devise a deficit-reduction plan that would trigger in only after the economy reached capacity output. But such an approach would be technically difficult to legislate and would probably not be credible, since observers would conclude that the triggering date would never materialize.

CEA Position

As we have suggested before, an economically defensible deficit-reduction package--and one which we believe will be strenuous enough to be credible to most observers--would contain enough deficit reduction to stabilize the debt/GDP ratio by 1997. Such a package would require an additional $118 billion in spending cuts and revenue increases in FY 1997, over and above the $27 billion in defense spending cuts proposed by the Bush Administration. This implies a total deficit reduction package of $145 billion which is the amount of deficit reduction you have mentioned in recent interviews. Such a package would reduce the projected uncapped CBO baseline deficit of $384 billion for FY 1997 by 38%. We believe that as long as this package embodies real spending cuts and revenue increases as opposed to "smoke and mirrors," it would be a credible signal to the financial markets, to the voters, and to the world that you are honoring your commitment to serious deficit reduction.

Such a package could be seen as the first step in a 8-10 year deficit-reduction strategy. We do not believe that more massive deficit-reduction measures between now and 1996 are required on economic grounds. The long-term economic benefits resulting from an additional $25-30 billion in deficit reduction during that time frame are very small, while the short-term economic and political risks are quite large.

As the recent CBO report indicates, the amount of time taken to close the deficit--5 or 10 years--will actually have little impact on the long-term benefits of eliminating the deficit, provided that our deficit-reduction package is credible and is carried through. This is because much of the rise in the deficit expected over the next decade occurs after 1998 and is due to exploding health care costs. Thus any plan to bring down the deficit by large amounts--and hold it there--in the late 1990s and into the next century will require changes in our health care system.

Treasury Position

The CEA's proposal to stabilize the ratio of debt to GDP by 1997 implies a reduction of $117 billion in 1997. The Treasury believes that this is an inadequate amount and will undermine confidence in the your commitment to deficit reduction. You have already stated publicly that the Administration was aiming to reduce the original 1992 deficit of $290 billion by one half, or $145 billion. Because of revisions in the out years, the $145 billion reduction no longer cuts the 1997 deficit by one half as promised in the campaign. Backing away from the $145 billion figure will appear to be reneging for the second time on the commitment to deficit reduction.

Stabilizing the debt to GDP ratio is too arcane a concept for the public. However, even if stabilization were a reasonable goal, a credible effort would require more than $117 billion for at least two reasons. First, a stabilization program must recognize the period after 1997; even with $145 billion of deficit reduction the ratio of debt to GDP continues to rise after 1997. Second, aiming for the minimal target fails to account for the fact that, based on experience over the period 1980 to 1992, CBO has systematically underestimated future deficits over a 5-year period by roughly $60 billion. There is a substantial risk that the "deficit problem" will recur and that further painful action will have to be taken if a modest $117 billion program were legislated this year.

In short, the commitment to stabilizing the debt to GDP ratio will neither be understandable to the public nor seen as tough enough by the financial community.

OMB Position

While OMB concurs with the basic analysis in the CEA memo, we believe that a more vigorous deficit reduction plan is necessary. We believe that a deficit reduction package of at least $145 billion from a baseline of $357 billion in FY 1997 is necessary to send a strong signal that the Administration is serious about deficit reduction and intends to pursue the dual strategy of increasing public investment and reducing public dissaving in order to increase future living standards.

In addition, we share Treasury's concern that the debt/GDP ratio is not an appropriate criterion for selecting a deficit target. Stabilizing the debt/GDP ratio is only a statement that we don't want the deficit problem to get worse. We believe that the debt/GDP ratio must be reduced over time, which requires particularly strong action today given the rising deficits projected for later in this decade. We believe the deficit should be eliminated as quickly as possible consistent with maintaining a growing economy.

OMB also shares Treasury's concern that failure to act boldly enough now risks leaving the deficit a political issue in 1996--which would put the Administration in the unhappy situation of paying a political price for some unpopular actions now, and yet still being vulnerable on the deficit later.

Finally, OMB would emphasize more heavily than the CEA our belief that the Fed and the bond markets will respond very favorably if we are aggressive enough in our deficit reduction plan. We also believe that the Administration should err on the side of a stronger deficit reduction position because the risks of slippage (e.g., though unforeseen expenditures) tend to all be on the upside.

cc: Lloyd Bentsen, Secretary of Treasury
Ronald Brown, Secretary of Commerce
Robert Reich, Secretary of Labor
Leon Panetta, Director of OMB
Roger Altman, Deputy Secretary of Treasury
Alice Rivlin, Deputy Director of OMB
Bo Cutter, Deputy Assistant to the President, NEC
Alicia Munnell, Assistant Secretary-Designate, Treasury
Joe Minarik, Associate Director, OMB