



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

March 28, 2000

THE DIRECTOR

MEMORANDUM FOR THE PRESIDENT - Information

FROM: Jacob J. Lew 

SUBJECT: Status of FY 2000 Colombia/Kosovo Supplemental

You have asked the Congress to approve \$5.6 billion of FY 2000 Supplemental funding to keep peace and build stability in Kosovo, to support the Colombian government's fight against drug traffickers, provide LIHEAP assistance for families that have been badly affected by increased oil prices, provide further assistance to the victims of Hurricane Floyd, improve aviation safety, provide debt relief for highly indebted nations, provide for administration of the Social Security earnings test and for other purposes.

On March 9, the House Appropriations Committee approved a \$9 billion version of the bill. It is expected to be in Rules Committee Tuesday, March 28th and on the House floor on Wednesday. The Senate Appropriations Committee is tentatively planning (assuming House passage) on marking up the bill on Thursday. At this time, Senator Lott is indicating that there is not floor time available for this bill and that these issues should be considered as part of the regular FY 2001 appropriations process (i.e. July at the earliest and more likely September).

Senator Lott is not anxious to move a bill that would spend some of the on-budget surplus in FY 2000 and FY 2001 and would serve as a magnet for many unrelated amendments. Speaker Hastert and Chairmen Young and Stevens are hoping that House passage and Senate Committee action will force Senator Lott to reconsider.

I met last week with Chairman Stevens to discuss concerns with the House Committee bill and sent him a letter with our detailed views on a number of important issues (attached). The \$9 billion House bill funds most of your request for Colombia, the defense portion of the Kosovo mission, your LIHEAP request and your requests for the victims of Hurricane Floyd. The increase above the request is primarily to: forward fund FY 2001 activities for DoD such as health care and higher fuel price costs (+\$2.5 billion); forward fund FY 2001 Colombia and related costs (\$+747 million); provide additional USDA disaster and related assistance (\$+255 million); and forward fund emergency highway repair needs (+\$600 million). The bill is relatively free of special interest items.

We do have concerns with several requests that the House did not approve and with potential amendments. Major concerns include:

- **Kosovo international funding** - Only \$247 million of the \$609 million request was funded with no funding for UN Peacekeeping. The mark reflects a significant cut in Kosovo democratization funding designed to reduce the need for US troops in Kosovo by promoting economic development, judicial reform, election support and strengthening local authorities; it also provides funding for only one of the three embassy security projects. Secretary Cohen, Secretary Albright and General Shelton have been actively involved in spreading the message about how funding the international component of your request is critical to the successful reduction of our military presence.
- **Kosovo burden sharing** - The House Committee bill does not have language mandating that the military pull out of Kosovo if specific burden sharing benchmarks are not met. However, an amendment may be introduced on the House floor amendment, and is certain to be offered in the Senate by Senator Warner. Sandy Berger and I met with Senator Warner on his amendment, and are working with him to try and reach agreement on a version with benchmarks that, if enacted, can be met. Chairman Stevens has made clear that working out acceptable language with Senator Warner is essential if we are to make progress in getting additional funding for the Kosovo international assistance request. Senator Byrd and others have also expressed strong concerns about burden sharing and will be even more insistent on language that will be difficult to comply with.
- **HIPC** - Your \$210 million request for debt relief for Heavily Indebted Poor Countries was not approved by the House Committee and the Senate bill is not expected to include it either. This request for multilateral debt relief can play a key role in helping your debt relief initiative move forward. Secretary Summers is continuing discussions with Rep. Arney on this matter, but Rep. Arney has said he will not consider the matter until he is sure the supplemental funding bill is moving.
- **FAA Operations** - The House Committee bill does not approve our proposed transfer authority to hire more safety inspectors, and is not inclined to approve the recently requested \$77 million supplemental.
- **Colombia** - Reps. Obey and Pelosi continue to express concerns about the Colombia mission. We have had numerous briefings and circulated papers addressing their concerns (long term mission without a long term plan, "another Vietnam" and not enough demand reduction funding in the U.S.). Rep. Pelosi is trying to have made in order her amendment that failed in Committee to add \$1.3 billion of emergency funding for U.S. demand reductions programs. Rep. Obey is trying to have made in order his amendment that also failed in Committee that would have reduced Colombia funding by \$552 million and provided for expedited consideration of a bill to restore the funding this summer once questions about the request are answered.

We have worked with a number of House Democrats who will express their support for the Colombia funding (Reps. Murtha, Moran, Lantos, Cramer and Clement). We also have support from a number of Senate Democrats (Biden, Feinstein, Graham, Dodd). General McCaffrey and Under Secretary for Political Affairs Pickering recently briefed Senate Democrats on the proposal and made some progress in addressing their concerns.

House passage of the bill is not a sure thing. House conservatives have objected to a bill that spends \$4.8 billion of the FY 2000 on-budget surplus and some Members have complained that there is not enough money for defense. The tough vote will be on the rule and Speaker Hastert has tried to mollify these Members by: assuring that an amendment will be made in order that purports to set aside \$4 billion of the FY 2000 on-budget surplus for debt reduction; assuring that an amendment will be made in order to increase defense spending by another \$4 billion beyond the \$2.5 billion increase already in the Committee bill; and by agreeing to procedures in the budget resolution for limiting the use of advanced appropriations in the FY 2001 process. In addition, in an effort to respond to complaints from conservatives that the House was not considering legislation that is on their agenda, the Speaker has scheduled a vote this week on the Education savings accounts bill.

The Senate Appropriations Committee is expected to produce a bill that totals about \$7 billion. They are not expected to include as much forward funding for DoD or the forward funding for the emergency highway program. There are likely to be new issues with the Senate bill, such as:

- **Tobacco litigation** - Senator Stevens may, on behalf of Senators McConnell and Helms, include a provision that would prohibit agencies other than the Justice Department from funding tobacco litigation. This would disrupt our ability to proceed with this essential litigation by overturning our current plan to supplement Justice Department funding with transfers from other affected agencies (HHS, VA and DoD). We are working with Communications on a strategy to focus public attention on this issue (such as your radio address last Saturday). I am also working with Attorney General Reno to develop alternatives to maintain funding in the event that a version of this amendment is attached to the supplemental.
- **Mountain top mining** - Senator Byrd has not made public his plans on whether to pursue the language passed by the Senate last November that would have modified the Clean Water and Surface Mining Acts to facilitate Federal agency approval of mountaintop mining in West Virginia or broader hard rock mining amendments of interest to Western states.
- **Agriculture Disaster Assistance** - There may be efforts in the Senate to go beyond the \$255 million increase above the request for dairy (Senator Kohl), wheat and feed grains.

We believe it is important to move this entire bill this Spring rather than through the FY 2001 appropriations process. There is not a sense of urgency in Congress, which we are trying to remedy by working with Democrats this week, and by increasing Cabinet pressure on

Appropriations Republicans. We have been working with some success on a more active public effort as evidenced by recent editorials. In addition to the Kosovo mission and the Colombia anti-drug program, several other programs are also time sensitive. Military training programs, which are important to our readiness, will need to be curtailed if funding is not provided soon. Victims of Hurricane Floyd may have to spend a second winter in trailers and other temporary housing if we can not get started on building new rental units or providing rental vouchers. Having exhausted the LIHEAP emergency fund for winter fuel costs, there are no emergency funds if there is unusual summer heat. In addition, there would be no funds to implement the recently passed retirement earnings test legislation or for FAA to hire more aviation safety inspectors.

In addition to views on the above-mentioned items, the attached letter which I sent to Chairman Stevens includes our views a number of additional issues.

Attachment



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

March 24, 2000

THE DIRECTOR

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the FY 2000 Emergency Supplemental Appropriations Bill as reported by the House Appropriations Committee. The Administration is pleased that the House Committee has acted expeditiously on the President's supplemental requests to keep the peace and build stability in Kosovo, to support the Colombian government's fight against drug traffickers, to provide needed heating assistance for families that have been badly affected by increased oil prices, and to provide further assistance to the victims of Hurricane Floyd.

The Administration does, however, have a number of concerns with the current version of the House Committee bill. As the Senate Appropriations Committee develops its version of the bill, we ask that you consider the Administration's views. We appreciate your effort to consider this bill expeditiously and urge your prompt action so that assistance can be provided in a timely way, as this legislation is time-sensitive. For example, if the bill is not enacted soon, the Department of Defense will have to make irreversible decisions to curtail training and maintenance activities essential to readiness; victims of Hurricane Floyd may have to spend a second winter in temporary shelters; Emergency Low Income Home Energy Assistance may not be available for the summer cooling season; and urgent assistance needed to reduce the incidents of ethnic violence in Kosovo will be delayed.

Support for the U.S. Military

The Administration appreciates the House approving our funding request for military activities in Kosovo, and we urge the Senate to do the same. Given the timing of the deployment and the constraints of last fall's appropriations cycle, it was impossible to include this funding in the President's FY 2000 budget or FY 2000 Defense Appropriations Act. Therefore, the Administration submitted a supplemental request for the funding. We urge the Congress to act expeditiously on the supplemental to ensure that our military readiness is maintained.

Burdensharing

We share Congress' concern that our European allies carry the lion's share of the burden of the civilian effort in Kosovo. We continue to press our allies to meet their commitments and to uphold a fair burdensharing arrangement. We believe these commitments will be met. But we would resist Congressional efforts that would result in termination of our mission in Kosovo prematurely, would terminate funding necessary to support our troops or would undermine our efforts to restore stability and democracy to Kosovo. Such efforts would put at risk the considerable progress we have made in this troubled region.

Support for Eastern European Democracies

The Administration appreciates the House Committee's support for programs designed to foster democracy in Croatia, Montenegro, and Serbia. Similarly, the Administration appreciates the House Committee's support for funding our share of the costs of the international civilian police force for Kosovo. This police force is critical to ensuring the safety of all citizens of Kosovo and equally important as the key to relieving our armed forces from the burden of police work.

The Administration, however, strongly opposes the elimination of the \$80 million in funding for critical programs to support civil implementation and revitalize Kosovo's economy and civil society. Short-changing the U.S. contribution to these programs would retard the establishment of effective local authorities, prolong the region's dependence on foreign aid and delay the achievement of conditions under which we can reduce the international presence, including U.S. forces, in Kosovo. We also urge that funding be provided for establishment of vetted anti-organized-crime units among the local police in Albania, Kosovo, and Bosnia. Hand in hand with these programs is the requirement for adequate staff and facilities to ensure they are run effectively. Therefore, the Administration requests that the Senate Appropriations Committee reconsider the reduction to USAID administrative funds as well.

Contributions to International Peacekeeping

The Administration is particularly concerned about the lack of funding for expected assessments to support critical United Nations (UN) peacekeeping operations in Kosovo and East Timor. These payments are critical if we are to help restore peace to these troubled areas. These are bills we must pay. We expect to receive an assessment for East Timor in the next month and for Kosovo in early July. These bills will become new arrears if they are not paid in thirty days. We have requested \$91 million for the UN mission in Kosovo (UNMIK), which is performing an extraordinarily difficult but essential task of overseeing civilian administration until the people of Kosovo are able to assume that responsibility themselves. Our \$16 million request for the UN mission in East Timor (UNTAET) would help the UN perform a similar mission to facilitate the transition of East Timor to full independence. The absence of full and timely U.S. payment of our assessments would severely impede the success of these missions. Having won important progress for democracy and stability in both of these areas, we should invest in their stability by paying our share of the cost.

Security and Maintenance of U.S. Missions/Diplomatic and Consular Programs

The Administration appreciates the resources provided to ensure the safety of Americans serving in Sarajevo by providing funding to construct a new, secure facility. However, the Administration is disappointed that no funding has been provided in the House Committee bill for other requested security and operational needs in Kosovo and the region. Secure facilities are also needed for Pristina, Kosovo, to support a continuing presence to allow the U.S. to remain engaged in an area that has a long and turbulent history of ethnic violence and repression, and Tirana, Albania, to accommodate staffing needed to manage a more complex U.S.-Albania relationship on a range of political, humanitarian, development, and military issues. Also left unfunded are the increased costs of diplomatic operations in Southeast Europe. The Administration urges the Senate Appropriations Committee to provide additional funds to ensure the security of our employees serving U.S. interests in Kosovo and working to achieve lasting peace in the region.

Plan Colombia

The Administration appreciates the House Appropriations Committee's support for U.S. assistance to Plan Colombia. Colombia is the source of more than 90 percent of the cocaine and 65 percent of the heroin seized in the United States. Cutting off the drug supply at its source is an important component of America's overall counter-drug strategy, and Plan Colombia, President Pastrana's strategy to address Colombia's national security, socioeconomic, and drug-related problems, presents the United States with a window of opportunity to further the United States' interests and increase stability in South America. The Administration also appreciates the House Committee's support for the important human rights, alternative development, and governmental reform initiatives in Colombia. Congress' timely support of Plan Colombia will help to stem the flow of drugs into the United States and will further benefit the United States by bringing greater peace and prosperity to an important American ally.

However, the Administration is concerned about the House Committee's funding reduction of \$47 million of Counter-narcotic Battalion (CNBN) support and of certain items under interdiction support. The creation, training and equipping of these special CNBNs is critical to Colombian efforts to enter the southern coca-growing areas. U.S. assistance to Plan Colombia was carefully designed as an integrated package, and the Administration looks forward to working with Congress to try to restore this funding to ensure that this program is successfully implemented as an integrated whole.

Heavily Indebted Poor Countries Trust Fund

The Administration is concerned that the House Committee bill includes none of the \$210 million requested for a contribution to the Heavily Indebted Poor Countries (HIPC) Trust Fund to support the participation of regional development banks and other international financial institutions in the enhanced HIPC initiative. This initiative was a key outcome of the Cologne G-8 Summit and has broad international support as well as bipartisan support in the Congress, and is designed to ease the debt burden of strong economic reformers such as Mozambique, Uganda, and Bolivia. The failure of the United States to provide any funding for the HIPC Trust Fund would significantly restrict the ability of some of the International Financial Institutions (IFIs) to participate fully in this important initiative. This would delay the objectives of easing the debt burden and providing an incentive for the poorest countries to implement the macroeconomic and structural reforms necessary to improve their economic performance and increase their ability to address, with their own resources, critical social issues such as education and health. In particular, failure to provide these funds would jeopardize multilateral debt reduction for eligible Latin American countries, such as Bolivia.

Agricultural Assistance for Areas Affected by Natural Disasters

The Administration commends the House Committee for including requested funds needed to address farmers' and rural residents' efforts to recover from Hurricanes Dennis, Floyd, and Irene. These provisions will allow funds to be used to replace damaged farm structures and equipment that are essential for producers to continue their operations in the coming year, and they will help producer-owned marketing associations recover from severe losses sustained in last years' hurricanes. In addition, the rural housing assistance in the House Committee bill will ensure that low-income rural residents who were displaced by the hurricanes have safe, decent, and affordable housing long after the temporary FEMA housing assistance expires.

Princeville, North Carolina

The Administration appreciates the House Committee's provision of \$1.5 million for the Corps of Engineers to study the feasibility of providing additional flood protection for the city of Princeville, North Carolina. We urge the Senate Committee to also provide the full \$1.5 million requested for Princeville. Given the recent devastation this community has experienced, as well as its unique place in American history, we need to move quickly to evaluate flood protection measures needed to protect this community adequately.

Economic Development Administration/National Oceanic and Atmospheric Administration

The Administration appreciates the funding provided by the House Committee in response to the recent hurricane-related fisheries disasters and the Long Island Sound lobster fishery disaster. We urge that funding likewise be provided to address the West Coast groundfish disaster, as well as contingency funding for other disasters that may be declared.

Assistance to Vieques, Puerto Rico

We commend the House Committee for providing the requested funding to implement the President's directives on Vieques. The training facility at Vieques is important to sustaining the readiness of our Naval forces. We are working to accommodate our training needs while addressing the concerns of the people of Vieques. The Administration's plan will help balance national security with the health, safety, and environmental concerns of Vieques's residents. We look forward to working with the Senate Appropriations Committee to ensure that the funding is spent effectively and efficiently in support of these goals.

Low Income Home Energy Assistance Program

The Administration commends the House Committee for funding the President's request for \$600 million in contingent emergency funds under the Low Income Home Energy Assistance Program (LIHEAP).

Federal Aviation Administration (FAA)

The Administration has requested authority to reallocate \$39 million within FAA for FAA Operations, as well as language authorizing the Secretary of Transportation to transfer funds to Operations from other Transportation accounts. The requests are necessary to allow FAA to meet better the operational requirements of the air traffic control system, including addressing increased delays and maintaining safety and security. While the pending FAA authorization bill provides \$26 million, we are disappointed that the House Appropriations Committee has not approved this high-priority supplemental requirement.

In addition, the Administration will shortly request a \$77 million fully offset FAA Operations supplemental. The FY2000 appropriation for FAA Operations is \$184 million below the President's request. Although the FAA has done its best to maintain high levels of safety, security, and system efficiency within the appropriated level, it is unable to do so. Therefore, we urge the Senate to approve these supplementals, thereby assuring smooth and efficient operations.

Rescission of Mandatory Research and Rural Development Funds

The Administration strongly opposes provisions that would block further spending from the mandatory Fund for Rural America and agricultural research grants authorized by the Initiative for Future Agriculture and Food Systems. These provisions would deny vitally needed funding to support economic development in rural areas, such as water and waste disposal grants and loans, farm labor housing, and outreach to socially-disadvantaged farmers. In addition, the House Committee bill would cut research on human nutrition, methods to improve farm efficiency and profitability, and food safety. These programs serve ends that are supported by the vast majority of both urban and rural Americans, and we urge the Senate Appropriations Committee to strike these provisions.

Department of Energy

The Administration urges the Senate Committee to provide the \$19 million requested for low-income home weatherization in the energy conservation account in FY 2000, as opposed to providing the funds in FY 2001 as specified in the House Committee bill. These funds are needed for building rehabilitation of an additional 9,000 - 9,500 low-income homes -- work that is best done before the heating season. In order to be helpful next winter, the funds would need to be disbursed to States this summer. If the funds are not available until October, there is little chance that they will make it to local service agencies and into weatherization improvements for the next heating season.

The Administration appreciates the House Committee's provision of funds for: (1) environment, health, and safety activities at the gaseous diffusion plants in Portsmouth, OH, and Paducah, KY; (2) physical and cyber-security activities across the Department of Energy complex; and, (3) personnel and other funding at the Department's weapons production plants.

Restoring Budgetary Conventions

The Administration commends the House Committee for approving the President's proposal to restore budgetary conventions by repealing the pay date delay, the Department of Defense prompt payment delay, and the Department of Health and Human Services obligation delays.

The Administration also proposes to replace FY 2001 advance appropriations, where such appropriations departed from budgetary conventions, with full, up-front funding in FY 2000. The Administration looks forward to working with Congress to shift those advance appropriations that are not required for programmatic reasons.

Other Funding Issues

- Critical Infrastructure. The FY 2001 Budget requested an FY 2000 supplemental of \$9 million to "jump start" some of the highest priority cyber-terrorism programs. This funding will be used to design and develop the programs in FY 2000 so that in FY 2001 they will be ready for full implementation. The House Committee's elimination of the funding would delay these components of the Government-wide effort to protect the Nation's critical infrastructure. The Administration urges the Senate Committee to fully fund this important program.
- Internal Revenue Service. We strongly recommend that Congress fund the \$40 million supplemental for the IRS staffing requested in the President's budget. The IRS has recently faced increased workload with reduced staffing, resulting in falling audit rates (threatening the level and fairness of tax compliance) and difficulty in meeting customer service standards. The President's budget addresses this issue by proposing nearly 3,000 new FTE in FY 2001 to stabilize IRS staffing as its modernization effort is implemented. The FY 2000 supplemental is necessary to begin hiring and training these personnel immediately so they can begin to deliver performance improvements as soon as possible.
- Small Business Administration General Loans. The Administration is disappointed that the House Committee bill fails to provide \$6.1 million to address increased demand for 7(a) loans, including increased demand by businesses that have been particularly affected by rising oil prices, \$1.0 million for the Program for Investment in Microentrepreneurs Act of 1999 (PRIME), and \$0.5 million to help implement the Veterans Entrepreneurship and Small Business Development Act of 1999.
- Devils Lake. The Administration strongly urges the Senate Committee to approve the \$6.6 million request to address emergency flood conditions confronting communities surrounding Devils Lake, North Dakota. Extraordinary flood conditions persist in this area despite extensive Federal and State efforts to date, including over \$300 million of Federal spending for flood response actions. These supplemental funds are critically needed for planning and design of an emergency outlet as well as to meet fully the requirements of the National Environmental Policy Act and other environmental laws and of the Boundary Waters Treaty of 1909, which must be completed before construction of an outlet may begin.

Commission on Civil Rights. The House Committee bill does not provide the additional \$800,000 requested for the Commission on Civil Rights, which would fund completion in FY 2000 of a number of research projects currently underway at the Commission, including reports on racial tensions Nationwide, Federal enforcement of the Americans with Disabilities Act, the crisis of African-American men in inner cities, and Federal enforcement of fair employment law.

Committee for Purchase from People Who are Blind or Severely Disabled. The House Committee bill fails to fund the President's request of \$687,000 for the Committee for Purchase from People Who are Blind or Severely Disabled, which administers the Javits-Wagner-O'Day (JWOD) Program. JWOD uses the purchasing power of the Federal Government to provide employment and training opportunities to approximately 34,000 people who are blind or have other severe disabilities. These funds would substantially expand marketing of JWOD products to Federal employees as a response to fundamental shifts in Federal acquisition of commercial-type products. While the President's budget addresses this issue by proposing \$4.158 million to administer the JWOD program, the FY 2000 supplemental is necessary to expand marketing of JWOD products and services this year.

National Technical Information Service. The Administration notes that the House Committee bill does not provide closure costs for the National Technical Information Service (NTIS). If actions are not taken in FY 2000, the strategy for handling NTIS's mission will need to be addressed in the context of legislation for FY 2001.

Language Issues

Transfer Authority for the Departments of Education and Health and Human Services. The Administration objects to the House Committee bill's repeal of the Department of Education's authority in section 304 of the FY 2000 Labor/HHS/Education Appropriations Act to transfer between appropriations up to one percent of discretionary funds appropriated to the Department. Congress has routinely provided this flexibility so that the Secretary can respond to unanticipated events, and the Secretary has always promptly notified and consulted with the Congress before using this authority. The Administration strongly urges that this authority be retained.

The Administration also objects to the House Committee bill's reduction of the Department of Health and Human Services' ability to respond to unanticipated, emerging financial needs. The House Committee bill would exclude the Centers for Disease Control and Prevention from this transfer authority for the remainder of FY 2000. The Administration strongly urges that the Congress maintain the Department's flexibility to address emerging issues.

Plant Pest and Disease Assistance. The Administration opposes House report language that would direct the Secretary of Agriculture to submit simultaneously to the Congress and OMB copies of apportionment requests for funding to implement certain emergency declarations. The consideration of these apportionment requests solely within the Executive Branch is necessary for effective exchange of information and views, to the same extent and for the same reasons that apply to the intra-Administration development of the annual President's budget.

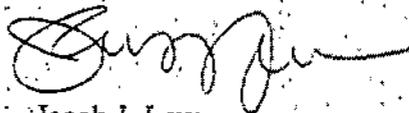
The House Committee bill also provides \$40 million to compensate lost profits of growers affected by citrus canker in Florida. The Administration is concerned that the language appears to override the usual provisions guiding farm assistance, granting broad assistance to these producers. For example, unlike income assistance the Congress has provided in the last two years for other farmers, there would be no gross revenue eligibility determination or limitation on the size of payments. This could create disparate treatment for farmers and ranchers.

We understand that the Senate Committee may consider an amendment to the bill that would prohibit the Secretary of the Army from putting in place any organizational changes to the Corps of Engineers that the Secretary may believe are needed to effectively manage the agency. The Administration very strongly urges the Committee not to consider any provisions that would interfere with the Secretary's authority and ability to manage the Corps of Engineers under Title 10 of the United States Code or any other law.

There are a number of unrequested funding items in the House Committee bill that the Administration does not feel are necessary. We would like to work with the Senate Appropriations Committee as its version of the bill moves forward to address such items. We request that the Senate not add extraneous riders to the bill -- riders that would adversely affect the environment or public health or generate controversy that could unnecessarily delay the urgently needed emergency assistance contained in this bill.

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

Sincerely,



Jacob J. Lew
Director

Identical Letter Sent to The Honorable Robert C. Byrd



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

May 17, 2000

THE DIRECTOR

The Honorable Thomas A. Daschle
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

You have requested Administration comments on the Byrd-Warner amendment included in the Military Construction Appropriations bill. The amendment would force the President to withdraw U.S. forces from Kosovo by July 1, 2001, unless the Congress adopts a specific joint resolution authorizing the Kosovo mission. In the short term, military funds for the Kosovo mission would be withheld if the President were not able to certify that our European allies had met specific numeric burdensharing targets in the areas of reconstruction, humanitarian assistance, police and the budget for the U.N. Mission in Kosovo (UNMIK). You have asked specifically about our capacity to make the burdensharing certifications. Failure to certify would effectively mandate a withdrawal of U.S. forces from Kosovo beginning July 15, 2000.

I must begin by reiterating the Administration's strong opposition to the amendment's mandate for a date certain withdrawal. A potential U.S. departure would increase the risk to U.S. forces, as it would embolden extremists in the region, who may well step up hostile actions. It would encourage extremists to stonewall in the hopes of an American departure, undermining progress on the civilian front. Withdrawal would severely undermine NATO and KFOR, as it would call into question the credibility of our commitments and could precipitate withdrawals by other allies. Alliance unity defeated Milosevic last year. We should not sacrifice that now. As General Clark has noted in his letter to the Senate dated May 11, 2000, a precipitous U.S. withdrawal "could give Milosevic the victory he could not achieve on the battlefield".

Regarding the burdensharing requirements, we support the intent of increasing European participation in civil implementation in Kosovo. Our European partners have gotten the message and have significantly increased the proportion of pledges on which they are delivering. But the rigid, mechanical burdensharing tests contained in the amendment undermine the peacekeeping effort. Failure to meet the targets by even a day could compel withdrawal of U.S. forces. Some technical matters, such as record keeping differences between the U.S. and Europe, could prevent certification of numeric burdensharing shares. The commitment of American forces abroad should not rest on mechanical formulas and record keeping technicalities.

Despite substantial progress, the targets are not yet met nor can I provide assurances that they will be met by July 15. There is substantial evidence the Europeans are complying with their burdensharing agreements. For example, the EU and member states have already delivered 87 percent of their pledged contributions to the UNMIK budget, exceeding the 75 percent requirement of the amendment. In fact, the EU has delivered more money since the beginning of March to the UNMIK budget than the U.S. has donated since the UN mission began. Certification required by the amendment for each of the other three criteria is currently not possible:

- **Civilian Police:** Since March, European countries have deployed additional police, raising their deployment rate from 57 percent to 63 percent, but the amendment's 75 percent benchmark has not been met. A substantial portion of those not yet deployed are "special police", police recruited as units, not simply as individuals, a process that typically takes longer. Still, if additional deployments by Spanish and other police units occur as anticipated, the police benchmark (75 percent) should be met. But this is not a certainty, and it would be unwise and counterproductive to trigger a withdrawal of U.S. troops based on the specific date a Spanish police unit is fully trained and deployed.
- **Humanitarian Assistance:** The European Commission may meet the humanitarian benchmark of 75 percent. However, EU member country spending also covered by the amendment may not. EU member country spending is not consistently compiled in the same manner as in the U.S., further complicating any required certification. It makes no sense to let the technical anomalies between U.S. and EU record keeping drive a major foreign policy decision like U.S. troop deployment. Further, many donors are reallocating humanitarian funds for other, more urgent uses, given the unanticipated speed at which refugees returned home at the end of the air campaign. Strict application of the amendment's targets could force the reallocation of funds to no longer needed humanitarian spending just to avoid a U.S. troop withdrawal.
- **Reconstruction Assistance:** Reconstruction funds are being committed relatively more slowly - as is typical. But the European Commission, the largest donor of reconstruction aid, has made real improvements in the speed of its disbursements, and the share of EU aid contracted appears proportionate to EU commitments. However, most European fiscal years begin in January (not October as in the U.S.), making budget allocations and project awards start later. Having over one-third of the money contracted in just a few months would be outstanding performance - far better than U.S. performance at a comparable point in our fiscal year. Yet the amendment would force a withdrawal if this performance were missed even slightly.

The Administration has made strenuous efforts to ensure that our European partners fulfill their burdensharing commitments - and that effort is paying off. But the commitment of American forces abroad should not rest on mechanical formulas and record keeping technicalities. This amendment would undermine our common goals. As Secretary Cohen stated in his May 11, 2000, letter, this provision "is counterproductive to peace in Kosovo and will seriously jeopardize the relationship between the U.S. and our NATO allies." If this provision were included in its current form, the President's senior advisers would recommend that the President veto the Appropriations bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew", with a long horizontal flourish extending to the right.

Jacob J. Lew
Director



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

THE DIRECTOR

October 31, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: Wye River Agreement and the Budget – INFORMATIONAL

Before you begin your trip to Oslo, I wanted to give you an update on Congressional action on your Wye River funding request.

You requested \$1.9 billion to help the parties to the Wye River agreement achieve peace. This included \$1.2 billion for Israel, \$400 million for the Palestinians, and \$300 million for Jordan spread over three fiscal years (FY 1999 to FY 2001). To date, Congress has not acted on the bulk of your request in support of the peace accords, only appropriating \$100 million for Jordan earlier this year, as part of a FY 1999 supplemental.

There is considerable desire both within the Administration and among many in Congress to provide Wye funding as part of final budget negotiations. We have been pressing very hard that this funding be resolved along with other foreign policy issues since there is a real risk that while Wye would be funded, many other priorities (including debt relief for Africa and Latin America) would be left behind. As you know, there is strong outside pressure for Wye funding, while it is primarily your leadership that keeps the other issues on the table.

Congressional Republicans are considering a plan which would fund Wye and provide only modest increases for other foreign policy priorities by changing the timing of disbursements to Israel for one year. Assistance payments are currently disbursed immediately upon enactment. By making periodic payments, as we do with assistance to other countries, Congress could create additional room for FY 2000 spending without dipping into the Social Security surplus. Through this mechanism, the Congress could provide full funding for Wye and modest increases in other areas.

Israel has sent conflicting signals on this proposal, trying not to get caught between Congress and the Administration on the larger budget battle. Israel would clearly oppose any permanent change in disbursement and would prefer not to modify the highly favorable terms even for one year, as such a change could easily become a precedent. On the other hand, they do not want to send any signals that would undermine efforts to fund Wye this year.

In the House, this proposal is viewed as a serious threat to unity within the Democratic caucus, since Wye funding may be resolved with inadequate funding for Africa and Latin America. John Podesta and I spoke with House Minority Leader Gephardt on Friday about this and plan to meet with a number of Members representing the Jewish, Black, and Hispanic caucuses to try to maintain unity behind keeping all foreign policy priorities together as we move through the final budget negotiations. There may be a request for you to meet with these groups when you return.

If asked about this at Oslo, we recommend you say that this idea requires significant scrutiny. We need to consider both the long-term potential impact on Middle East assistance and on the larger budget. It seems all but certain that Wye funding will be included in a final budget agreement, but there is substantial risk with regard to other foreign policy funding priorities.



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

THE DIRECTOR

September 8, 1998

MEMORANDUM FOR THE PRESIDENT

FROM:

Jacob J. Lew
Director

SUBJECT:

Update on Africa Bombing Supplemental

This memo updates you on our progress in developing an FY 1998 emergency supplemental that responds to the U.S. embassy bombings. Last week, we had initial consultations with Senators Stevens and Byrd and with House Appropriations Committee staff. They were generally positive and provided some helpful feedback. We have modified the package somewhat to reflect these concerns and will consult on a more detailed basis with Congressional staff tomorrow. After that, we expect to present you with a final proposal, which would be formally transmitted to Congress soon thereafter.

We are working with NSC and the affected agencies on a balanced plan totaling \$1.4 billion that would:

- Reconstitute embassy operations in Nairobi and Dar es Salaam including the construction of two new embassy buildings (\$200 million);
- Improve the security of our diplomatic, consular, and other facilities overseas (including grouped residential housing) by providing a variety of perimeter security and other upgrades based on threat assessments. These upgrades could include relocation of several posts. (\$690 million)

We have reshaped and increased the package to provide authority to fund security upgrades for a variety of overseas facilities relating not only to the State Department but also to other agencies and have included clustered housing (e.g. compounds or apartment buildings). Given that we are presently conducting some on-site inspections of posts, we will request authority to program the funds to address security requirements in a flexible manner that allows tailored upgrades on a case by case basis. Importantly, we will request flexibility and non-specific funding allocation of the security upgrades in order not to telegraph to terrorists our plans for specific U.S. Government overseas facilities.

- Improve capabilities to fight terrorism through various intelligence community activities as well as enhance secret service protection (\$320 million);

- Purchase new emergency response aircraft and support additional FBI teams that respond immediately to investigate a terrorist action (\$150 million); and
- Provide humanitarian assistance to Kenya and Tanzania, which would cover medical costs for the injured and help rebuild destroyed infrastructure (\$50 million).

In our conversations on the Hill last week, the principle objection was to the elements of our initial proposal related to aircraft procurement and upgrades. We have reduced the number of aircraft in this package from ten to five (of which two are new purchases and three are upgrades) and focused primarily on purchasing foreign emergency support team (FEST) aircraft, which provides the means to respond to and investigate overseas terrorist incidents.

**EMERGENCY SUPPLEMENTAL
RESPONSE TO EMBASSY BOMBINGS**
Budget Authority in millions of dollars

<u>Program:</u>	<u>Estimate</u>
Embassies in Kenya and Tanzania	
Full standup of temporary and construction of new embassies.....	200
Reimburse USG agencies for support activities.....	6
Review Panel.....	3
(administrative expenses)	
Anti-terrorism Assistance.....	20
Upgrade Security of Overseas Facilities.....	688
Immediate security measures/protection	20
Top 45 get major upgrades	126
(includes additional regional security officers)	
Up to 175 other posts get tailored upgrades	257
(includes additional regional security officers)	
--- local guards	
--- facilities, equipment, tech support for physical security	
--- armored vehicles	
--- U.S. personnel, including regional security officers	
Selected facility relocation or security rehab	
--- possible relocations of facilities, security rehabs of buildings,	
upgrades for housing clusters, and American schools	150
--- Residential security upgrades	70
Other agencies' overseas facilities upgrades (incl. DOD schools)	59
Protecting significant sites	6
Assistance to Kenya and Tanzania.....	50
Emergency Response Aircraft	131
FBI Response Teams.....	22
New response teams and equipment	22
Treasury/Secret Service Activities.....	104
Secret service	87
Customs and other	17
Intelligence Community Needs.....	192
TOTAL SUPP COST	1,416
Unbudgeted Future Costs (FY 2000 and beyond)	
Annual Recurring Costs	400
New Embassy Construction	250



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

THE DIRECTOR

October 28, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: McCaffrey note on additional Colombia funding

Everyone agrees that the situation in Colombia is serious and will require additional resources in the future.

John Podesta, Sandy Berger and I have discussed the Colombian funding issues. We fear that if you send a supplemental now, it would seriously endanger our ability to achieve your other foreign policy funding objectives.

State, ONDCP, USAID and DoD have done some good conceptual work on an integrated "Plan Colombia", but as of now we have neither a well-tuned proposal nor a means to pay for one. State's draft would cost more than \$750 million in FY 2000 and over \$3 billion over three years, for which we have no identified offsets. It needs considerably more work to become a well-designed, balanced and paid-for program.

The State effort can be helpful if we have to respond to a Congressional proposal in the current negotiations; but thus far they have passed every opportunity to make one. It will also shape thinking on the FY 2001 budget and on a possible supplemental next spring. However, given the sensitive negotiations with the Congress over international affairs funding issues in FY 2000, such as UN arrears, Kosovo, debt relief and the Wye River accords, this fall would be an inopportune time to submit a unpaid-for supplemental for counterdrug efforts in Colombia.

Barry McCaffrey has already said in an unauthorized public statement that the Administration will soon request an emergency FY 2000 supplemental of \$1-2 billion. He is urging you immediately to propose the State Department's draft as an emergency supplemental. I have serious concerns with this.



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

THE DIRECTOR

December 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: Meeting with Secretary Cohen and Military Chiefs to Discuss Defense Budget

John requested we summarize our analysis of DoD's budget request for your Monday meeting with the Chiefs. The Department's request was \$147.5 billion above the planning guidance level (over six years), covering all areas of DoD concern, including readiness shortfalls, personnel problems, weapons modernization, and infrastructure upgrades. Given fiscal constraints, OMB's analysis focused on funding near-term readiness and personnel problems, deferring some long-term modernization and facilities upgrades. This memorandum seeks to highlight the differences between OMB and DoD, and describes the offsets we propose to pay for the remaining DoD request.

At our meeting last week, you asked about the amount of progress that OMB and the Defense Department have made in closing the gap between DoD's budget request and OMB's estimate. On reflection, I would like to clarify that DoD and OMB have agreed to offsets and reductions to the request totaling \$6.5 billion in fiscal year 2000 and \$33.2 billion over five years. The remaining gap is \$7.4 billion in 2000 and \$57.4 billion over five years.

Since their original submission, DoD has indicated a willingness to reduce its request to \$112 billion over six years, which equates to \$84.6 billion over five years, the standard used below for comparison.

Defense Request and OMB Analysis

Personnel: DoD is seeking additional funds to cover higher pay raises (\$17.3 billion), a change to the military retirement system and a reform of the current pay system (\$7.5 billion).

- **Pay Raise** - OMB directed all agencies to absorb the costs of the higher pay raise, but DoD, as it has in the past, has requested increased funding to avoid cutting military forces. OMB agrees that DoD requires additional resources to fund the higher pay raise to forestall force structure cuts.
- **Retirement** - The Chiefs seek to restore the pre-1986 retirement system in which those having served 20 years receive 50% of base pay (versus 40% now) and full COLA increases each year (versus COLA-1% now). This costs \$7.5 billion. We are considering a compromise reinstating the 50% benefit (but not full COLAs),

which costs \$3.5 billion, in the context of an overall package including pay table reform.

- Pay Table Reform - DoD would enhance pay for promotions, versus longevity, by lowering the FY 2000 pay raises (below the approved 4.4%) for junior enlisted members whose pay is deemed competitive with the private sector, but increase it for more senior personnel. This costs \$4 billion. OMB would require DoD to absorb at least some of this cost, or fund it in lieu of providing full COLA increases under the retirement restoration proposed by the Chiefs.

Together these three items constitute a generous pay package. There is weak evidence of a general retention problem (except in some key occupations such as pilots and computer programmers), mid-career enlisted retention rates are high, and individuals are staying in the service longer. Nonetheless, the Chiefs are pushing hard for the retirement system restoration and would support a leaner retirement benefit (that is, not providing full COLAs, which is similar to the proposal made by Rep. Murtha) only if accompanied by pay table reform.

Readiness: DoD requests \$21.1 billion over five years to address readiness concerns. The services face problems with the readiness of Navy and Air Force aircraft, Army unit training, personnel shortfalls in certain key occupations, some types of weapons maintenance, and the cost of running and maintaining base infrastructure. DoD's request would support increases for: spare parts and combat gear; weapons maintenance; unit training, including substantial funding for Army reserve units; funding for base operations to prevent the diversion of training funds; more soldiers to fill short-staffed combat units; and selected recruitment and retention bonuses.

Our \$17.6 billion readiness budget would support those programs having a direct effect on near-term readiness needs. Items deleted include large increases for late deploying Guard and Reserve units and Army depot maintenance, the virtual elimination of already modest backlogs in Air Force depot maintenance, and the full increases in infrastructure spending. However, we added funding for spare parts purchases in the Navy and the Army to address potential shortfalls in these programs. At OMB's proposed funding levels, we believe DoD will have sufficient funding to address all the major readiness concerns.

Modernization: DOD is requesting \$18.4 billion for modernizing military equipment--\$10.9 billion to upgrade aging equipment and \$7.5 billion to procure next-generation weapons -- which DoD contends is required to sustain readiness in the long run. Aging equipment becomes more expensive to maintain, and this problem has worsened over the past several years as DOD deferred critical modernization to fund readiness shortfalls. DOD would fund improvements to systems not soon slated for replacement. DOD also is concerned about the affordability of its longer-term modernization effort--replacing of existing systems with the F-22 fighter aircraft, for example--and asks for \$7.5 billion to reduce the risk of cost overruns. DOD's modernization request would enable it to achieve its goal of \$60 billion per year for procurement beginning in FY 2001.

OMB favors \$5.3 billion for modernization, \$13.1 billion less than DOD's request. OMB would reduce DOD's request for aging equipment by \$5.6 billion, funding only those aging-equipment related items that would have a direct impact on the near-term readiness of our forces: purchases of spare parts for aircraft, ammunition, and upgrades to existing aircraft to improve reliability. OMB defers DOD's entire \$7.5 billion request for long-term modernization funding pending further review. (\$297 billion over five years is included for modernization in DoD's base budget.) OMB's recommended level, when combined with proposed offsets, would enable DOD to achieve its \$60 billion procurement goal in all years except FY 2002.

Facilities: DoD is requesting an additional \$10.5 billion for infrastructure, including \$3.2 billion for family housing and barracks. The funds would reduce a large backlog in repairs to DoD property, replace aging defense infrastructure, and improve soldiers' quality of life. DoD maintains that at current funding levels it would take 225 years to replace its existing infrastructure. DoD's request would reduce this replacement rate to under 100 years and sustain the average age of facilities at 40 years. In addition, DoD claims that 62 percent of its military family housing is inadequate, and that its barracks need to be upgraded.

OMB recommends no additional funds for DoD infrastructure (beyond the \$60 billion over five years in its base budget). This funding can be deferred in the near term. Additional funding for family housing would only marginally improve the condition of DoD's inventory. Moreover, DoD should rely more on housing in local communities near its bases, and should demolish existing inadequate DoD family housing units. Where this is impractical, DoD should rely more on private capital to build and manage DoD housing ("privatization").

White House Initiatives: We have identified eight areas of White House concern that require \$6 billion in funding. These initiatives were not requested by the Department of Defense; they include Russian threat reduction, missile defense, counter proliferation, counter terrorism, counter narcotics, and classified programs.

Contingency Operations: DoD requests \$10 billion over five years to fund contingency operations, in order to build funding for contingencies into its topline. OMB's option would provide \$2 billion for Bosnia in FY 2000, but no funding for contingency operations in the outyears. DoD agrees.

How We Pay For It

To fund DoD's critical requirements and White House initiatives, OMB identified almost \$91 billion in offsets or cuts to the DoD request. Of these, DoD agreed to offsets totaling over \$33 billion.

Agreed offsets include savings from lower assumptions on inflation and fuel prices, repricing of BRAC costs, lower wage credit payments, reduced military construction overhead, and a reallocation of \$5 billion in PAYGO balances to Defense. As noted above, DoD agrees to seek Bosnia funding for only FY 2000, reducing their request by a total of \$8 billion.

Of the disputed offset proposals, DOD is most likely to accept a portion of the \$19 billion from four technical adjustments. Three require legislation: granting authority to DOD to spend funds that would otherwise expire (\$3 billion); granting the Secretary of Defense

unspecified rescission authority in FY 2000 (\$2 billion); and directing scoring of the Chiefs' proposed retirement change that would defer the accrued liability until FY 2005 (\$4 billion). The fourth would allow DoD to not to display in the FY 2000 budget the resources required for military and civilian pay raises in FY 2003-04 (\$10 billion). DoD will argue that Congress is unlikely to pass the necessary legislation, forcing DoD to cut programs to stay within the caps.

DOD is less likely to agree to deferring \$18 billion of long term modernization and facilities improvement. OMB proposes deferring, for example, certain ship replacements and the acceleration of ongoing procurement programs, as well as real property repair and construction. Although we judge the requirements to be genuine, we believe these programs warrant additional review because the Department has not provided sufficient justification for the need to increase modernization and facilities funding above levels approved in the QDR.

The Department contests the \$7.5 billion in efficiencies and weapons system reductions proposed by OMB. DoD could find significant manpower savings (almost \$3 billion) by performing business process reengineering in conjunction with investing in two new information technology systems. OMB also believes the Department could expand its outsourcing and privatization effort and save almost \$1 billion more than earlier estimates. The Department states that it has been aggressive in this area and has wrung out all savings possible in the face of substantial policy and legal constraints. The Department also has questioned the OMB analysis, arguing the anticipated savings estimates are too ambitious.

OMB also identified over \$3 billion in savings by reducing funding for specific weapons systems that do not enhance military capabilities. DoD believes that each of the proposed cuts is unacceptable for some reason: Congressional opposition (C-130J cargo aircraft), strong support by the Chiefs (deferral of new nuclear aircraft carrier program), questionable cost savings analysis (airborne laser), or mission requirements (Blackhawk helicopters, other minor weapons systems).

Our review suggests that **almost \$6 billion could be saved by funding only the procurement items that directly enhance near-term readiness.** Items to be funded include ammunition, spare parts for aircraft, and upgrades to existing aircraft. OMB's proposal would achieve the QDR procurement goal of \$60 billion in FY 2001, but not FY 2002, when it is \$500 million (or less than 1%) short. DoD disagrees with OMB's determination of which procurement programs support readiness; they argue that the full amount is needed for readiness and to meet the \$60 billion goal in all years.

Finally, **OMB has identified \$7.5 billion in savings from reducing the request for unnecessary readiness enhancements.** We would propose not funding an additional \$3.5 billion funding for depot maintenance and for enhanced training for late-deploying Army Guard and Reserve units. DoD disputes that assessment, judging these additional investments will result in improved readiness.

THE WHITE HOUSE
WASHINGTON

April 11, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Samuel R. Berger
Jacob J. Lew
Larry Stein

SUBJECT: Meeting with Congressional Leadership

On April 12, you are scheduled to meet with Senate Minority Leader Daschle, House Minority Leader Gephardt, Senate Majority Leader Lott, House Speaker Hastert, and Representative Arney. The purpose of this meeting is to reengage the Congressional leadership, as quickly as possible after the recess, on the present circumstances of the Kosovo mission. Part of our continuing effort to consult fully with Congress on this matter of vital national interest, the meeting will be the first of six major Congressional briefings we have set up for members during their initial forty-eight hours back in Washington. We should concentrate on the military situation and our efforts to alleviate the humanitarian tragedy in Kosovo, but an important focus, for the Republican leaders particularly, will be the question of funding. For the first time, we will be raising the issue of the need for additional resources to fund the Kosovo effort -- both military and humanitarian. Our objective is to get the leaders to agree that the funding needs are budgetary "emergencies" and therefore do not require offsetting cuts. Given the current state of the Central America/Jordan/Agriculture supplemental, which is in conference but has been plagued with disputes about the "emergency" question, this is a delicate and crucial matter.

At the meeting, you should provide an assessment of our military and humanitarian situation in Kosovo before encouraging the leadership to provide supplemental resources to fund our efforts:

- **Military and Humanitarian Assessment:** See classified document attached.
- **FY 1999 Kosovo Budget Supplemental:** Since the Leadership will undoubtedly bring up the funding question, we recommend you pre-empt by laying out the urgency of the situation. You should discuss the broad outlines of the package we are currently developing and emphasize that the package is too vital -- with respect to the safety of American troops and the lives of displaced Kosovars -- to be embroiled in budgetary politics. It is therefore essential this package be passed as a non-offset emergency. We are nearly finished with internal deliberations on a Kosovo package and we plan to describe it publicly as allowing us to conduct and sustain the ongoing air campaign in Yugoslavia, maintain military readiness, and provide resources to ease the plight of Kosovo's refugees.

The budget package is based on four key assumptions that you should review with the leadership:

- 1) Resources are provided to fund military activities at current levels through October 1. It is important that we obtain sufficient funding to maintain our military effort as long as necessary.
 - Note: This includes funds for Apache helicopters which require significant support personnel outside of Kosovo.
- 2) No funding is provided for any ground forces (peacekeeping forces or other) in Kosovo.
- 3) Resources are provided to aid efforts to accommodate the 650,000 refugees, and contingent funding is provided to handle more people if necessary. This is based on the U.S. providing 25% civilian humanitarian assistance.
- 4) Funding is provided to reinforce front-line states dealing with the brunt of the humanitarian and military fallout.

We will use the following themes to present the package:

- **Military Readiness:** This package provides funding for Kosovo operations, ensuring that the Defense Department would not be forced to compromise readiness to pay for Kosovo. The funding will allow us to keep your commitment to ensure military readiness.
- **Munitions:** We intend to replenish munitions used thus far in Kosovo and Iraq and restock inventories to maintain the air superiority required for the United States tactical advantage against adversaries in the current and any future conflicts. In addition to replenishing current stocks of munitions, we are working with DOD to ensure that we acquire additional resources if necessary to maintain readiness.
- **Humanitarian Assistance:** We will provide funding to the coordinated multilateral relief effort for Kosovo's refugees to pay for transport, the construction of temporary housing, food, and other assistance. In addition, in keeping with the commitment of all NATO nations to host refugees during the conflict, we will be temporarily providing for 20,000 displaced Kosovars.

We are still working on the final funding levels in several key areas, but we expect the package to likely total \$2.5 - \$4 billion. We would strongly recommend that you not discuss the dollar range under consideration. We would prefer the leadership to agree to the principles you lay out before discussing funding levels. In addition, we are concerned that any discussion of funding levels would be construed or portrayed as your request. If questions are raised or if you are pressed on the issue, we would recommend that you defer the questions to Jack Lew, who will be in the meeting.

As you know, the Congress will consider the Kosovo package in the context of your other pending supplemental requests for Central America, Jordan, and agriculture. There is also a risk that Republican leaders will see it as an opportunity to break through your Social Security commitment. In this regard, it is important to define our actions in Kosovo as an extraordinary emergency, similar to the Gulf War of 1990 about which there was bipartisan agreement on "emergency" funding status. We also expect this will be seen as an opportunity to erode our positions in resolving the FY 2000 budget, the "on-budget, off-budget" question, and other budget requests we will make in coming weeks such as those for the decennial census, embassy security, and possibly another agriculture package for income assistance. Your economic team has discussed how these issues relate to your overall policy regarding the use of the surplus. If pressed, we would recommend you turn to Jack Lew to elaborate.

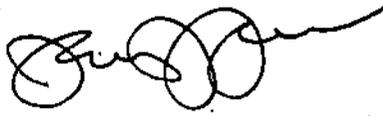


EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 18, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew 

SUBJECT: Emergency Funding Supplemental – INFORMATIONAL

On Friday, Conferees completed action on the FY 1999 emergency funding supplemental. Floor action will begin today. We expect the bill to come to you this week. This memorandum provides a summary of the bill.

Funding

In total, the bill provides \$15.1 billion in funding. This is an increase of \$6.4 billion over your request of about \$8.7 billion. While the funding provided is higher than your request, we were largely successful in obtaining funding for your foreign and domestic policies and reducing non-Kosovo related defense increases. In addition to funding Kosovo, Hurricane Mitch, and agricultural emergencies, this bill includes your full \$100 million request for Jordan in FY 1999.

Emergency Supplemental Funding Summary
(dollars in billions)

	<u>Request</u>	<u>Conference</u>
Kosovo (Military)	5.5	10.9
Kosovo (Humanitarian)	0.8	1.1
Central America	1.0	1.0
Agricultural Relief	0.2	0.6
Jordan	0.1	0.1
FEMA	0.4	0.9
Other	<u>0.8</u>	<u>0.6</u>
Total	8.7	15.1

The Conferees provided \$10.9 billion for Kosovo defense activities. This is roughly \$1.4 billion below the House funding level. The Conference eliminated much of the "non-emergency" funding, including increases for military construction (\$600 million less than the House level), procurement (\$100 million less), munitions (\$200 million less), and operations and maintenance (\$600 million less). Despite these changes, the defense levels remain substantially above the funding requested for Kosovo operations. Additional Congressional funding finances the pay and retirement proposals in your FY 2000 budget and advance funds other spending that would be needed in the future. Our principal objection to the additional funding is the use of the emergency authority to advance FY 2000 funding.

When it was clear that defense funding would exceed immediate requirements, we worked to ensure that additional resources were also provided for the humanitarian crisis in Kosovo. Kosovo humanitarian funding is provided on an emergency basis without offsets. Late in the conference, we were successful in securing a number of important increases above our original request, including \$100 million for HHS to provide refugee assistance for Kosovars transported to the US, \$45 million for to build a new US embassy in Tirana, \$141 million for State/AID refugee assistance, and funding for the war crimes tribunal.

The Conference approved your full request for Central American hurricane relief funding. While the funding to respond to Hurricane Mitch is offset in spite of our objections, as discussed below the final offset package has little programmatic effect. In addition, we were able to secure funding for the decennial census, and the World Trade Organization Ministerial in Seattle.

Despite our public and private statements urging the Congress not to include special Member projects, we were unable to get all of them removed. Most notably, Senator Stevens included language in the bill that would redefine livestock to include reindeer, thereby making Alaska eligible for some of the funding provided for agricultural relief. In addition, Senator Lott included language that circumvents scoring conventions and provides OPIC with new loan guarantee authority to subsidize maritime activity. The overall number and dollar amount of the member projects included in the bill was reduced from the Senate-passed bill.

Riders

The Senate bill contained numerous environmental and other objectionable riders. We were successful in getting many of these riders removed, including a Murkowski amendment that would have reopened compromises reached last year on Glacier National Park, the Enzi Indian gaming amendment, oil and gas royalty relief, oil and gas loan guarantees and an Endangered Species Act waiver for Alabama Sturgeon. We were also successful in forcing the Conferees to repeal the FY 1999 omnibus appropriations bill provision that would have terminated funding for the Commerce, Justice, and State Departments on June 15.

On several of the riders we were not able to have removed, we worked with CEQ to negotiate acceptable compromises with the Hill. For example, on the Stevens Glacier Bay National Park (Alaska) provision, we were able to negotiate a compromise on the original provision that would postpone fishing restrictions in the sensitive waters of Glacier Bay. Under the compromise, \$26 million would be paid in compensation to commercial fishermen and we received a date certain regarding when these sensitive waters would be closed. On an issue that divided Representative Norm Dicks and Senator Patty Murray, we worked with the Vice-President's office to negotiate a compromise on the Crown Jewel Mine (Washington) provision so that it is now a narrowly crafted rider that affects a single mine as opposed to the original provision that affected most mining operations on Federal lands. This provision is likely to remain a big issue during appropriations negotiations. George Frampton reports that the major environmental groups generally think we did a good job resolving the environmental riders.

We are also working to address the hardrock mining provision that prohibits publication of the final rules governing reclamation and management of hard rock mine sites on public lands. This rider would extend (for a second time) final Interior rules governing enhanced reclamation and management of hard rock mine sites on public lands and delay publication of the rule until at least four months after a National Academy of Sciences report is issued. We are currently exploring administrative remedies that would allow us to expedite publication of the rule to ensure that action can be taken before January 1, 2001.

We were unsuccessful in our efforts to remove a tobacco provision that prohibits HCFA from recouping the Federal share of State settlements with tobacco companies. This will have implications for our outyear spending proposals as it creates a \$19 billion shortfall in your budget over FY 2001-2004, without any requirement whatsoever that the states use these funds to support Federal programs to reduce youth smoking, protect tobacco farmers, improve public health, or assist children.

Offsets

The Republican leadership insisted on providing offsets for Central America and agricultural relief funding a non-offset emergency, but we were successful in getting the Conferees to drop the most objectionable offsets proposed in the Senate bill. These offsets included \$648 million reduction in International financial institution callable capital, a 43 percent cut in emergency spending enacted in the FY 1999 omnibus appropriations bill (including embassy security and Y2K funding), a \$100 million reduction to non-defense discretionary programs, a \$141 million reduction to the Energy Department's funding to purchase Russian uranium and dispose of Russian plutonium, and a large reduction in foreign aid funding.

The conferees approved a total of \$1.7 billion of budget authority offsets for Central American humanitarian relief and agricultural relief, including \$1.3 billion from food stamp balances, \$350 million from assisted housing balances, and \$50 million from international affairs accounts. With regard to the Food Stamp and assisted housing cuts, these came from excess balances and the cuts will have no impact on these important programs. The assisted housing recession will have no programmatic effect in FY 1999 and most likely will have no effect in FY 2000. In addition, about \$120 million of other rescissions were approved for specific non-emergency spending from generally acceptable sources.

Conclusion

The Conference agreement fully funds your requests for Kosovo, Central America, Jordan, and agricultural relief with substantially pared back objectionable riders. The funding provided will allow us to continue to implement your policies at home and abroad. Potentially complicating completion of Congressional action on this bill is a new point-of-order that would allow non-defense emergency designations to be stricken from the bill unless at least sixty members vote to overturn the point-of-order. While such action is not likely to be taken in the Senate or agreed to by the House, the consequence would be to require large across-the-board cuts in all discretionary programs. To avoid unacceptable consequences or delay, the Senate leadership is trying very hard to ensure that these points-of-order are not offered or sustained. If the bill is passed in the form of the Conference agreement, we recommend you sign the bill when you receive it.

**Testimony of
Jacob J. Lew
Director
Office of Management and Budget
Before
U.S. Senate Appropriations Committee**

April 27, 1999

INTRODUCTION

Mr. Chairman and distinguished members of the Committee, thank you for the opportunity to explain the Administration's request for supplemental appropriations to finance military and humanitarian operations related to Kosovo. Since you are very familiar with the foreign and military policy objectives of our Kosovo operations, I will restrict my comments to describing the President's proposed supplemental funding request, its key assumptions, structure, and purpose.

Last week the President transmitted a \$6.049 billion emergency supplemental appropriations request to provide the resources necessary for the key elements of our military, humanitarian, and diplomatic efforts. It sends a very clear message -- we will protect readiness and provide the resources to continue current operations for as long as necessary to succeed. While this is an FY 1999 supplemental request, it does not represent either a schedule or a deadline for those operations. The Administration's package:

1. protects the military readiness of those forces in the Balkan theater and all other U.S. forces;
2. ensures our military has the full measure of resources necessary to carry out the Kosovo air campaign; and,
3. funds the U.S. commitment to provide humanitarian relief now and respond to potential future refugee assistance needs.

Because the current situation in Kosovo was not anticipated when the FY 1999 appropriations were enacted or when the FY 2000 budget was prepared, we have submitted this supplemental as an emergency request. It is critical Congress act quickly to pass this emergency request to ensure that the Departments of Defense and State and the U.S. Agency for International Development (AID) have the proper resources to carry out their missions. In particular, we urge the Congress to act quickly to avoid any degradation to our military readiness. We hope that Congress will act expeditiously on this package and avoid delays brought about by consideration of extraneous matters. Our armed forces and the humanitarian crisis in Kosovo demand nothing less. We also urge Congress to act expeditiously on the Central American and Agriculture relief supplemental requests without adding extraneous legislative

riders or unrelated matters.

As I mentioned earlier, the overall package totals \$6.049 billion and covers *only* the FY 1999 costs of these operations. Funding for military activities is \$5.123 billion, with \$3.301 billion of that for current and projected operations in Kosovo, \$698 million for munitions replenishment, and \$850 in contingent funding for a readiness and munitions reserve. It is important to note again that U.S. forces will remain as long as necessary to accomplish their mission, and we intend to provide full funding to support that endeavor. Also included in the total for DoD military activities is \$274 million to cover the Department's unanticipated strike and operations costs in Southwest Asia. On the humanitarian side, the request also includes \$335 million for DoD refugee assistance, bringing DoD's total to \$5.458 billion. The total for the international affairs is \$591 million. This includes \$386 million for humanitarian operations, \$55 million for State Department operations and other stabilization efforts, and \$150 million for securing the front-line states. Combined, this package requests \$721 million for humanitarian operations and refugee relief.

OBJECTIVES

This supplemental request is designed to meet the following objectives:

1. We must protect the military readiness of those forces in the Balkan theater and all other U.S. forces. A chief priority of the Administration has been to ensure this supplemental fully covers the costs of the Kosovo effort and maintains U.S. readiness. Currently, Kosovo operations are being paid for with funds that already are in DoD's budget for normal operations and training activities during the last three months of the fiscal year. Expedient action is needed to restore these funds to avoid serious readiness consequences later in the year. Moreover, to ensure that we will have sufficient stocks of critical munitions for future operations, we must begin to replace those munitions already used and those we anticipate using during this operation. This supplemental meets these needs. That is why we are anxious to work with Congress on a bipartisan basis to enact this supplemental as soon as possible.

2. We must ensure our military has the full measure of resources necessary to carry out the Kosovo air campaign for as long as necessary. To provide maximum flexibility to our military commanders, we are requesting sufficient funding to provide the capability to continue operations at a high pace with the currently approved forces. The supplemental request assumes that the currently approved level of U.S. forces, including a carrier battle group, more than 600 Air Force and Marine Corps aircraft, one Marine Expeditionary Unit, several Army helicopter battalions and missile batteries, and other support forces are sustained in the Balkans for as long as necessary. This supplemental would support these force levels for the remainder of FY 1999. The requests also provide the capability for U.S. forces to maintain the air campaign at the current rate of sorties and strikes on Yugoslavia.

3. We must fund the U.S. commitment to provide humanitarian relief now and respond to potential future refugee assistance needs. Hundreds of thousands of refugees and internally displaced persons from Kosovo need urgent assistance. Although there is no precise count, we are planning on assisting through several means at least one million and possibly up to one and one-half million refugees and internally displaced persons. The President's supplemental request of \$220 million for the Migration and Refugee Assistance (MRA) and the Emergency Refugee and Migration Assistance (ERMA) accounts will provide the resources necessary to cover the estimated U.S. share of the multilateral costs for one million refugees or internally displaced persons through the end of FY 1999. The U.S. contribution shares the burden, with other countries providing 75 percent of the required resources. The U.S. 25 percent share is consistent with customary practice, which demonstrates a strong U.S. commitment while fostering a multilateral burden-sharing approach. The requested funds will also permit the U.S. to help meet its commitment to bring up to 20,000 refugees to this country to provide them a safe haven.

No one can be sanguine, however, about the final costs of helping the refugees and internally displaced persons. We do not know the full needs of a population that we have been unable to help directly, the displaced Kosovars in Kosovo. For the refugees outside Kosovo, there may be other as yet unknown costs as the international community helps build temporary camps for hundreds of thousands of people, and arranges assistance through a non-governmental and private voluntary organizations. For that reason, our request provides the necessary funds to provide for additional large-scale refugee outflows from Kosovo or to provide humanitarian assistance for those Kosovo Albanians in Kosovo if conditions permit.

We are not requesting funding for long-term reconstruction activities, but we think it prudent to anticipate the need for planning for refugee repatriation and for that reconstruction. Moreover, our request for funds for in the Eastern Europe assistance program allows for the possibility that we can address the most immediate costs, such as digging wells or providing shelter, associated with the return of Kosovo refugees to their homes once we achieve a solution to the conflict.

DETAILED EXPLANATION

The highlights of our funding request for military operations, humanitarian operations, diplomatic operations, and readiness and munitions replenishment are as follows:

Military Operations

Military Readiness. As a first priority, this supplemental package protects military readiness through funding levels based on robust assumptions, such as providing the capability to sustain operations for the rest of FY 1999. In addition, we have requested contingency funding to cover unanticipated costs that might arise during the prosecution of this action. We have worked hard to ensure that this package would provide DoD sufficient funding to sustain military readiness while action in Kosovo continues.

Kosovo Operations. First, this package provides \$287 million to fund the estimated cost of the initial U.S. air campaign through April 30, 1999. Also requested is funding to cover the costs of U.S. forces' support to the Organization for Security and Cooperation in Europe operations in the Balkans and the Kosovo Air Verification Mission, which ended shortly before the air campaign began. Second, this package requests \$3.01 billion to sustain air operations against Yugoslavia, which will continue as long as necessary. We cannot predict when the air campaign will achieve its desired outcome. Therefore, to provide maximum flexibility to our military commanders, we are requesting sufficient funding that will provide us the capability to continue operations at the current, planned levels with the currently approved forces. Funding will cover the cost of operating aircraft and ships, deployment of assets, force protection and base activities, spare parts, transportation, logistics services, equipment maintenance, special pay and allowances, supplies, and other support costs for U.S. forces in the Balkans. I should stress that the supplemental request does not provide funding for the deployment of U.S. ground forces to Kosovo.

There has been a lot of discussion concerning the monthly cost of this military operation. First, the costs associated with Southwest Asia (\$451 million, of which \$274 million is for operations and \$177 million for munitions) and refugee relief (\$335 million) should be removed from the total. In the remaining \$4.6 billion, our request includes nearly \$500 million in one-time start-up costs that cover deploying forces and setting up facilities in theater. The costs will be incurred in the early part of the operation; therefore, as the operation proceeds, the actual costs per month will decrease. Including munitions costs, discussed below, the recurring costs for the Kosovo operation total \$4.1 billion or approximately \$700 million per month. This package fully funds the Department's request for operations.

For the Kosovo operations, the Department of Defense is requesting authorization to call up approximately 33,000 reservists. Approximately 25,000 will support Air Force strike operations, 2,000 will support Navy and Marine Corps operations and 6,000 will meet the Army's demands for support to Task Force Hawk. We have included approximately \$450 million for FY 1999 in the supplemental for costs associated with the call-up.

Munitions Replenishment. The Administration requests \$698 million to replenish and upgrade cruise missiles and certain other types of "smart" munitions used in Kosovo and Iraq. This request both replaces munitions used in Iraq and Kosovo to date and covers anticipated usage of these critical weapons. It includes: \$445 million to upgrade older Tomahawk missiles (including Tomahawk Anti-Ship Missiles) to the more capable Block IIC Tomahawk Land Attack Missile; \$178 million to convert 322 nuclear-Air Launched Cruise Missiles to Conventional Air Launched Cruise Missiles; \$35 million to accelerate Joint Direct Attack Munition (JDAM) production; and \$40 million to accelerate air-launched towed decoy production. This funding will protect readiness by ensuring that adequate stocks of these critical munitions will be available for current and future operations. This request will not only replenish those critical munitions already expended, but will also increase the inventories of these munitions from when we began the operation. For example, for JDAMs, the request funds 33 percent more units than contained in the inventory at the start of the operation.

As we work to ensure readiness in all theaters, both now and into the future, it is imperative that we replace certain munitions as rapidly as possible through this emergency supplemental. Of the programs included in the supplemental, deliveries of all but Tomahawk will actually begin this calendar year. However, we continue to maintain substantial reserves of these missiles. Tomahawk deliveries will not begin until FY 2001, but supplemental funds will ensure that we have an adequate and more capable inventory for future operations.

Readiness and Munitions Contingency Reserve. The Administration's proposed contingency reserve fund will ensure readiness levels of all forces remain high while operations continue in Kosovo and that inventories of critical munitions are adequate for future operations. The Administration proposes that \$850 million of the Department of Defense funding request be set aside in a contingency fund to: 1) prohibit any degradation in the readiness of our forces in the Balkans and around the world that could result from the uncertainties of conflict in Kosovo; and 2) replenish the inventories of munitions that could be used in Kosovo but have not been used to date. Prudent planning for quickly-changing operations calls for setting aside additional funding on a contingency basis to assure that a high level of military readiness is maintained in and outside of Kosovo, and that the supply of munitions, an essential element of readiness, remains sufficient for future operations.

Southwest Asia. As you know, we are still conducting operations in the Persian Gulf at higher than anticipated rates. Therefore, a total of \$274 million is requested to cover the costs of Operation Desert Thunder and Desert Fox, as well as to fund higher-than-anticipated operating levels in and around Iraq through the remainder of the fiscal year. Funding to replace CALCMs and Tomahawk missiles used in Operation Desert Fox totals \$177 million.

Before I conclude my discussion on funding for military operations, I want to reiterate the necessity for rapid consideration of this package. The military will soon need to make decisions regarding its fourth quarter training program. In order to plan effectively, DoD must know that it has sufficient funding available to carry out those activities. Further, it is difficult to defer costs in the fourth quarter, making it imperative that DoD have sufficient resources available immediately to undertake all the necessary readiness activities during the fourth quarter. I strongly urge the Congress to consider this supplemental request expeditiously to protect military readiness.

Humanitarian Operations

Our request includes \$721 million for the humanitarian relief activities of the Departments of State and Defense, and the AID. With this request, we believe we have fully addressed both the critical short-term needs of the refugees and others adversely impacted by the crisis and also begun planning for the long term humanitarian implications for the region. We have requested our share of the multilateral effort to supply food, shelter, water and sanitation, health, and other life sustaining elements for up to a million refugees that United Nations High Commissioner for Refugees (UNHCR) has currently projected to result from this crisis. We are confident our request also fully addresses the potential needs of the hundreds of thousands of people in Kosovo who may be without shelter, and the hundreds of thousands of other Kosovars whose lives have been tragically altered by the policies of the Milosevic government.

The Department of Defense's costs for aiding Kosovar refugees fall into three categories. First, for the last three weeks DoD has provided \$25 million in defense articles and services under the drawdown authority signed by the President March 31. This amount has funded the provision of humanitarian rations, tents, blankets, and other relief supplies. Our supplemental request would replenish the operation and maintenance accounts that have been the source for these funds. Second, DoD may contribute up to \$10 million toward a NATO-led task force that is providing refugee relief, and our request includes these funds. Finally, DoD plans to construct and operate a temporary camp for up to 20,000 refugees, likely in Albania, and provide other assistance as needed. Our request provides \$300 million to carry out this plan.

The President is requesting \$220 million for the Department of State's refugee accounts. Of this amount, \$125 million is requested for the MRA account and \$95 million for the ERMA account. The MRA funds would be used to respond to the appeals of international and non-governmental organizations, such as the UNHCR, International Committee of the Red Cross, and the International Organization for Migration. These appeals would fund programs providing critical life-sustaining assistance to refugees, displaced persons, and conflict victims and support the multilateral effort to transport Kosovar refugees to temporary refugee countries. The supplemental ERMA funds would be used to ensure the account has sufficient funds to meet any urgent and unforeseen requirements arising from the crisis -- such as a doubling of the current refugee outflows -- while enabling the fund to meet the need to provide front-line, lifesaving responses to humanitarian emergencies worldwide. Moreover, we will use \$40 million of ERMA funds to provide for the Department of State's share of the costs of resettling up to 20,000 Kosovar refugees in the United States.

The President is requesting \$71 million for AID's International Disaster Assistance account. Of this amount, \$68 million would fund programs providing direct humanitarian assistance to the victims of the Kosovo crisis. A large percentage of the Kosovar refugees are not in traditional refugee camps supported by UNHCR, but in private homes, schools and other host government facilities, and these kinds of arrangements are likely to increase as refugee outflows continue. The humanitarian assistance requirements for refugee communities living in these arrangements are substantial. Working through private voluntary organizations, AID disaster assistance can provide prompt and critical support for the affected communities, as well as continue to provide essential assistance in specified sectors within the more traditional refugee camps. The request would also provide \$3 million to support the Federal Emergency Management Agency's role in the U.S. response -- a 24 hour toll-free phone bank for private donations. That phone bank has received thousands of phone calls a day.

The President is requesting \$95 million to address regional requirements for the well-being, safety and return of the Kosovar refugees. The current situation is highly uncertain, no one has a crystal ball to predict when a settlement will be reached. We have requested these funds in the Eastern European Assistance account, which has particularly broad authorities, to permit us to respond to a broad number of possible requirements for the care and return of the refugee population. Should greater resources be necessary to handle additional outflows of refugees, these funds could be used. If there is an unexpectedly early end to the hostilities, these funds could be used for urgent relief within Kosovo.

Diplomatic Operations and other Stabilization Efforts

The supplemental request also includes \$55 million for diplomatic operations and other stabilization efforts. These funds include \$25 million to meet diplomatic and security requirements arising from the crisis in Kosovo funded through the State Department's operating accounts and \$25 million to be funded through the Assistance to Eastern Europe and the Baltic States account to do background checks on Kosovar police recruits, and to train these recruits for their eventual return to Kosovo. We are also requesting \$5 million for the Economic Support Fund (ESF) to begin the difficult process of documenting alleged atrocities in Kosovo. The funds would be used to interview refugees and prepare the necessary documentation for possible war crimes that may have been committed in Kosovo.

Securing the Front Line States

Albania, Macedonia, Bulgaria, Bosnia, and Romania, and the Republic of Montenegro within Yugoslavia were struggling to make the transition to democracy even before the current conflict. These countries have suffered significant reductions in trade and investment as a result of the conflict. They have borne the burden of the refugee exodus from Kosovo. They also are under threat if Milosevic expands the conflict, as witnessed by border incidents such as the Serbian shelling of a village inside Albania. The confluence of these events threaten to undermine the political stability of these countries as they struggle to make the transition to market democracies. Therefore, we are requesting \$150 million, \$100 million in ESF funds and \$50 million of the funds requested for the Eastern European Assistance account, to help increase stability in these countries and to alleviate the disruption created by the fighting in Kosovo. It is clearly in our national interests to help stabilize these countries and prevent both the spread of the conflict and erosion of the hard-won progress on reforms in the region. The ESF funding will be closely coordinated with World Bank, IMF, and other donor contributions, which will far exceed these levels, to help maintain stability in the region. We anticipate the U.S. share of this assistance will be around 10 percent, with the Europeans and other donors providing the lion's share of assistance.

OTHER CONCERNS

Let me also mention other urgent supplemental priorities. The fact that we are asking the Congress for funding to respond to an enormous emergency far away does not in any way diminish the importance of an emergency that is very close to home. The Central American relief package remains urgent. Every day we delay means another day the people of Central America lose hope in their ability to rebuild their homes, earn their livelihood, and achieve a prosperous future in their homeland.

In addition, the FY 1999 supplemental request for \$100 million in assistance for Jordan is critical to stabilizing the Jordanian economy and ensuring a smooth transition of leadership. Jordan is a key to the Middle East Peace process and the implementation of the Wye River memorandum, and our continued strong support for Jordan will help to achieve the goal of peace in the Middle East that we all share. Also of critical importance is our request for agricultural relief to our farmers that both the House and Senate have included in the supplemental appropriations bill. I urge the Committee to act quickly to enact these emergency packages expeditiously.

CONCLUSION

Despite months of allied diplomatic efforts to achieve a balanced peace plan, the government of Slobodan Milosevic defied the international community and pursued a course of repression and terror against the people of Kosovo. We determined that we could not allow these actions to go unchallenged. Now, we have a responsibility to our country and to the men and woman serving our country in the Balkans and to address the humanitarian crisis provoked by the Milosevic government. We have provided you with our best estimate of the resources required to achieve our goals in Kosovo. We ask the Congress to act quickly upon this request and send a clear message to Milosevic – his actions will not be tolerated and that we are prepared to back our words with action.

Thank you. I am prepared to answer questions that you may have.