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

F

July 9, 1996
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

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

S. 1894 -- DEPARTMENT OF DEFENSE APPROPRIATIONS BILL, FY 1997

(Sponsors: Hatfield (R), Oregon; Stevens (R), Alaska)

This Statement of Administration Policy provides the Administration's views on S. 1894, the Department of Defense Appropriations Bill, FY 1997, as reported by the Committee. The President's senior advisers would recommend that he veto a Defense appropriations bill that does not address the concerns discussed below.

The Administration believes that the Committee bill is a significant improvement over the House-passed bill in several key areas, including its provision of full funding for the Seawolf Submarine, four DDG-51 Aegis Destroyers, depot maintenance activities, and the Nunn-Lugar program. The Administration also appreciates the Committee's support of the Civil-Military program and rejection of the House action on executive compensation and defense industry restructuring costs.

The Administration does not, however, support the overall increase of more than $10 billion above the President's request reflected in the Committee bill. With the Nation facing serious budget constraints, the Committee's recommended increase for this bill is not affordable.

The President's budget better supports defense requirements by fully funding current readiness and by projecting significant increases in funding for modernization for the turn of the century. This is when defense technologies now in development will be ready for production. The Administration firmly believes that America can maintain a strong defense without sacrificing vital domestic programs.

The Committee added $7.1 billion for unrequested procurement items and did not provide $1.2 billion for procurement projects requested in the President's budget for FY 1997 and needed by the Department. In its procurement increase, the Committee included $3.3 billion for weapons and systems that are not in the long-range modernization plans of the Department of Defense.

Similarly, the Committee added $3.4 billion for unrequested research and development (R&D) items, while failing to provide $0.9 billion for R& D projects requested in the President's budget. The R&D increase includes about $1.7 billion for programs that are not in the long-range modernization plans of the Department. Other programs in the long-range plan receive unnecessary increases under the Committee's mark. These unwarranted increases include $300 million to accelerate development of U.S.-based defenses against strategic missiles, funding that is not warranted by the threat, and acceleration of the space-based missile warning system, "SBIRS."

The Administration objects to the Committee's:

- o Reduction of $150 million in funding for the Dual-Use Applications Program (DUAP). This program supports development of technologies that can be applied to both commercial and defense systems, thereby reducing the cost of defense systems. Appropriations at the requested level of $250 million are important to the affordability of defense systems and the viability of the defense industrial base;

- o Reductions in funding for spare parts inventories, civilian personnel, military transportation, recovery of revolving fund losses, the Federal Energy Management Program, and Overseas Humanitarian, Disaster, and Civic Aid;

- o Restrictions on the President's flexibility to conduct foreign relations regarding North Korea and on other foreign policy prerogatives; and,

Other Concern

- o Section 8015 would prohibit contracting out certain functions without an analysis of the most efficient and cost-effective organization for those functions, but would waive this prohibition in some circumstances, including where the function "is planned to be converted to performance by a qualified firm under 51 percent Native American ownership." In light of Adarand Constructors, Inc. v. Penna, 115 S.Ct. 2097 (1995), this language should be revised to make clear that it refers to ownership by members of Federally recognized tribes, see Morton v. Mancari, 417 U.S. 535, 552-55 (1974).

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

August 8, 1996

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 3540, the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 1997, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

The Administration has two broad concerns: funding and restrictions on population programs. With regard to funding, the Administration strongly supports the overall level in the Senate bill, which provides $300 million more in budget authority than the House and provides for the scoring of certain guarantees as was provided in the FY 1994 and FY 1995 appropriations Acts. These provisions, along with other changes, have permitted the Senate to increase funding above the House level for individual programs critical to national security and to the economy. The Administration supports the Senate funding level and does not believe its funding concerns can be met without that overall level. If the conferees fail to adopt a funding level sufficient to resolve these funding concerns, the President's senior advisers would recommend that the President veto the bill.

The Senate level has made possible two important increases. The Senate has increased funding for the International Development Association, which provides critical support for market reform and poverty reduction in the world's poorest countries, to $700 million, $175 million above the House-passed bill. The Senate bill also allows for increased funding for the Korean Peninsula Energy Development Organization (KEDO), to $25 million. KEDO is one of the pillars of U.S. nonproliferation policy, which seeks to assure strategic stability in the Pacific. The Administration supports the funding level provided by the Senate for KEDO. The Secretaries of State and Defense and the National Security Adviser would recommend that the President veto a bill that imposes further conditions or restrictions on KEDO.

The Senate levels for debt restructuring are also necessary to allow at least partial funding of commitments to Jordan, another important component of the peace process.

There are other important funding issues not provided for in the Senate bill. The Administration still firmly believes that an appropriation of $2.38 billion for the Economic Support Fund (ESF) to promote security objectives outside the Middle East would contribute importantly to national security. Also, providing transfer authority for prior-year Economic Support Fund and Foreign Military Financing balances to fund the Bank for Economic Cooperation and Development in the Middle East and North Africa (MEDB) would significantly further the Middle East peace process. Transfers of ESF to fund other programs would undermine our efforts to fund MEDB.

The second major Administration concern involves funding and other restrictions on population programs. The Administration strongly supports the Senate provisions on population, which increase funding and remove unacceptable House restrictions. The House restrictions would severely undermine U.S. leadership in international population assistance efforts and would result in an increased incidence of unintended pregnancy, maternal and infant death, and abortion. The House language would reduce funding to experienced family planning and maternal-child health care providers if they or their implementing partners -- using non-U.S. Government funds -- were to provide legal abortion services or seek to influence the abortion policy in foreign countries. The House bill, in effect, would impose limitations in law on international family planning assistance that were rejected by the Administration when it overturned the so-called Mexico City policy. The Administration remains adamant in its opposition to both the intent and the effect of this unacceptable House provision. Should the House language, or similar language, be included in the bill sent to the President, the President's senior advisers would recommend that he veto the bill.

The Administration strongly supports the restraint shown by the House in limiting funding earmarks, in contrast to the multiplicity of earmarks in the Senate bill. The Administration appreciates the House approach to minimizing earmarks. Given the severe constraints on the amount of funds available even at the higher Senate funding level, earmarks are particularly burdensome. For example, the Administration opposes the numerous Senate earmarks directed at U.S. programs for the New Independent States. These earmarks would prevent the United States from responding to the crises and unexpected requirements of the post-Cold War world. It is essential that there be the flexibility to apply funds to the programs that provide the best results.

The Administration strongly opposes the House bill's provision excluding Economic Support Funds (ESF) from the President's waiver authority under the Humanitarian Aid Corridor provision and linking ESF to a Turkish acknowledgment of "genocide" against the Armenian population of the Ottoman Empire earlier in this century. Enactment of either or both of these provisions would have serious repercussions for our relationship with this important NATO ally.

There are a number of other objectionable language provisions in the Senate version of the bill as presented below. The House bill either does not have any such language or has preferable language.

Assistance to Russia and Ukraine is in the U.S. national interest. Cutting or restricting this aid would hurt reformers, who have criticized Russia's proposed nuclear sale to Iran or fought for economic reforms in Ukraine. The Administration strongly opposes the unacceptable Iran- and Libya-related conditions on assistance to Russia and Ukraine in the Senate bill.

With respect to the International Development Association (IDA), the Senate version of the bill would require that any FY 1997 payment be restricted to financing the Interim Trust Fund established by IDA and other donor countries in the absence of a U.S. commitment to participate in the next replenishment of IDA's funds. Because the United States has large arrears in funding the previous IDA replenishment, it is important that any FY 1997 appropriation be available to clear these arrears rather than to finance new IDA activity.

The Senate bill's funding restrictions on the office of the Chairman of the Export-Import Bank could have the effect of removing him from office. The Chairman was legitimately appointed to his position under the Constitution. The Justice Department has advised that the funding restrictions could create grave constitutional problems by impeding the President's exercise of the recess appointment power. The Constitution provides that a recess appointment lasts until the end of the next session of Congress, and Congress has no power to shorten the constitutional term by legislation. There may also be a claim that the provision is unconstitutional as a bill of attainder. The Administration urges the conferees to remove these unconstitutional and unacceptable provisions, which are not contained in the House bill.

The Senate bill would also slash the Export-Import Bank's operating expenses by 16 percent, an action that would cripple the Bank in supporting U.S. exports in today's competitive environment. At the level in the Senate bill, the Bank would be forced to impose significant furloughs of staff and curtail the processing of loans, guarantees, and insurance contracts. The Administration urges restoration of these funds to the level provided in the House bill.

The Senate bill's requirement that all United States publications refer to the capital of Israel as Jerusalem is ill-advised at this sensitive time in Arab-Israeli negotiations and may raise serious constitutional issues over separation of powers.

Further, the Administration strongly opposes the Senate bill's provision that would cut off International Military Education and Training (IMET) funding for Mexico. While the dollar amount involved is small, the provision would impose extraordinary requirements on the Mexican government in terms of the operation of its own judicial system. Also, the provision's requirement for a certification by the Mexican President to the President of the United States would be an unprecedented infringement on sovereignty. Cooperation between the United States and Mexico in the fight against drugs and in other key areas has never been better, and this provision would seriously jeopardize such cooperation.

The Administration strongly opposes the Helms amendment to the Senate bill concerning taxation by the United Nations. The Administration shares the Congress' opposition to the use of taxation as an alternative source of funds for the U.N. and notes that the United States could not be bound by the terms of any U.N. tax plan without our consent. The Helms amendment reaches retroactively to statements, not decisions, made by U.N. officials in FY 1996 and could have the effect of cutting off all U.S. voluntary contributions to the U.N. and its specialized agencies in FY 1997. This penalty would be levied despite the fact that the United Nations has not adopted any tax proposal nor is it likely to do so.

The Administration strongly opposes the Senate bill's provision that would require deobligation of all balances of USAID funds four years after obligation. Despite the Presidential waiver included in the provision, enactment would likely result in cutting off projects in more than 30 recipient countries before completion, forcing cancellation of orders placed with U.S. suppliers of goods and services, and seriously compromising the achievement of program objectives, thus wasting funds already spent.

The Administration supports the modified Senate provision on Burma. The provision provides a useful tool to bring effective pressure on the Burma regime to achieve the goals of bringing human rights and democracy to Burma.

The Administration looks forward to working with the conferees to address our mutual concerns.

Sincerely,

Jacob J. Lew
Acting Director

Identical Letters Sent to Honorable Bob Livingston, Honorable David R. Obey, Honorable Sonny Callahan, Honorable Charles Wilson, Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Mitch McConnell, and Honorable Patrick J. Leahy

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

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September 13, 1996
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 3662 – DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1997

(Sponsors: Hatfield (R), Oregon; Gorton (R), Washington)

This Statement of Administration Policy provides the Administration's views on H.R. 3662, the Department of the Interior and Related Agencies Appropriations Bill, FY 1997, as reported by the Senate Appropriations Committee.

The Administration appreciates the Committee's action to restore funding to levels higher than those provided by the House for a number of priority programs, including the Indian Health Service, the Bureau of Indian Affairs, energy conservation, and firefighting. The Administration also appreciates the Committee's action to delete two highly objectionable provisions of the House-passed bill: section 329, concerning tribal sovereignty and Federal Indian law; and, section 322, affecting Tribal-State relations over trust lands. The Administration urges the Senate to work with the Administration in seeking to avoid the protracted debate over controversial language riders that prevented timely enactment of the bill last year.

The Administration is committed to working with the Senate in order to produce a bill that the Administration can support. Unfortunately, the Senate Committee bill still includes several inappropriate and highly objectionable language provisions that would effectively authorize policy and program changes through the appropriations process. In particular, provisions have been included that would inhibit the Administration's ability to manage its programs effectively, such as: the language regarding the Tongass National Forest; section 118, concerning formula funding for certain Bureau of Indian Affairs (BIA) programs; and, section 121, concerning the Cook Inlet Regional Corporation. For these reasons and other reasons discussed below, the Secretary of Agriculture and the Secretary of the Interior would recommend that the President veto the bill if it were presented to him in its current form.

The Administration has previously communicated its strong objection to the overall discretionary funding level assumed in the House- and Senate-passed Budget Resolutions. The Senate 602(b) allocation provided for this bill would reduce discretionary budget authority by $0.3 billion, or two percent, from the President's request of $12.9 billion.

Objectionable Language Provisions

The Administration strongly objects to a provision regarding the Tongass National Forest, Alaska, that would delay implementation of a new forest management plan and related strategies for the Tongass. This is the latest attempt to have politics, not science, manage the forests. Implementation of a new plan for the Tongass is vital and should not be delayed further. The Department of Justice advises that this rider purports to condition the President's exercising of his authority under the authorization statutes on the approval of a Legislative Branch entity, the General Accounting Office. As such, this rider represents an unconstitutional legislative encroachment on the authority of the Executive Branch to implement an act of Congress.

The Committee bill includes two highly objectionable provisions affecting Native American programs. The first provision, section 118, would mandate that the Bureau of Indian Affairs (BIA) develop a formula by which funds would be made available directly to tribes, in lieu of BIA-provided services. Any funds distributed under such a formula would not be subject to BIA oversight authority. Until a formula were implemented, not more than one-half of Operations of Indian Programs funding that would be distributed under this type of block grant would be made available.

The second objectionable provision would legislatively give tribal status to the Cook Inlet Region, Inc., a State-chartered Alaska Native Claims Settlement Act (ANCSA) Corporation. If enacted, this legislation would significantly confuse the current status of the Alaska Native regional corporations and Native tribes, interfere with pending litigation, and bring further protracted litigation. Furthermore, the provision is fundamentally inconsistent with current law and established policies respecting recognition of Indian tribes, particularly relating to powers of self-governance.

The Administration strongly opposes a provision (section 115) that would overturn the existing agreement between the National Park Service, tribes, and local entities concerning the removal of two dams on the Elwha River in Olympic National Park, Washington. This provision would undo carefully crafted arrangements and delay needed action to begin the important restoration of the Elwha and its fishery. This would set an undesirable precedent that would dictate a unilateral Federal solution to an issue with many non-Federal stakeholders.

In addition, three riders that passed earlier in this Congress should be repealed. These are the "timber rider" that was passed in the FY 1995 Rescissions Act, and the Mt. Graham and "Lummi" riders passed in P.L. 104-134, the FY 1996 Omnibus Consolidated Rescissions and Appropriations Act. (The Mt. Graham provision in H.R. 3662 should be deleted as well.) While the agencies have implemented the requirements of the "timber rider", it has proved to be an inefficient and divisive provision. It has reopened conflict in the Pacific Northwest, led to a proliferation of lawsuits and diverted scarce resources from more productive work. Continuation of the rider as presently required through December 31, 1996, serves no useful purpose, and it should be repealed.

Mt. Graham, Arizona, is the sole remaining habitat for the endangered Mt. Graham red squirrel, and it is a site of importance to Native Americans. The provision's exemption of Mt. Graham from the application of the Endangered Species Act and other environmental laws has never been justified, and is even less acceptable in the wake of a recent fire that burned a significant portion of critical habitat on Mt. Graham. The "Lummi" provision would withhold up to 50 percent of FY 1996 and FY 1997 Self-Governance funds to any tribe in the State of Washington that takes certain actions concerning access to water or utilities affecting non-tribal land owners of lands within the tribe's reservation.

The Committee bill would stymie efficiency gains in the Forest Service through continuation of a provision to require Appropriations Committee approval prior to carrying out reinvention and other cost-savings proposals. The Administration will interpret such provisos to require notification only, since any other interpretation would contradict the Supreme Court ruling in INS vs. Chadha.

The bill includes language that would condition the availability of funds for AmeriCorps national service projects on two requirements: first, that agencies follow appropriate reprogramming guidelines; and second, that the Corporation for National and Community Service receive funding in the VA/HUD/Independent Agencies appropriations bill. The AmeriCorps program is a successful program that not only provides a good return on investment to taxpayers, but benefits land management agencies by supporting labor-intensive conservation activities ranging from baseline surveys to environmental restoration projects.

Department of the Interior (and related Native American programs)

The Committee bill reduces funding for programs serving Native Americans, including BIA, the Indian Health Service (IHS) and the Department of Education's Indian Education programs. Funding for BIA is reduced from the President's request by $200 million, or 11 percent. Of greatest concern within the Committee's overall reduction to BIA is the $135 million reduction for Tribal Priority Allocation (TPA), which funds vital reservation programs such as tribal government, educational and social services, housing repair for the needy, natural resources development, and road maintenance. Tribes are reporting serious shortfalls in these programs, including child protection and elderly assistance requirements, scholarship needs, and basic police protection on reservations.

The Administration strongly opposes the Committee's $121 million reduction to the request for the IHS, which would restrict the provision of important health services, especially in remote reservation areas where IHS clinics represent the only health care available. The Administration commends the Committee for including funding for rebuilding an IHS clinic at Lame Deer, Montana, and for including modest portions of increases requested for contract support costs that help underwrite tribal administration of IHS programs and for sanitation facilities construction funds that support water and sewer projects.

The Administration opposes the reduction of $29 million, or 36 percent, below the request for the Department of Education's Indian Education program. This would reduce educational services to the 90-percent of Indian children who attend public rather than BIA-sponsored schools.

The bill also under-funds the President's request for NPS funding for the Everglades and South Florida Ecosystem Restoration program by $102 million, or 65 percent -- effectively precluding the Administration from carrying out necessary environmental restoration and water supply protection measures. The Committee has failed to provide any funding for the Everglades Restoration Fund, notwithstanding the President's request, enabling legislation and concurrence among Federal, State, and local officials that significant land acquisitions are needed immediately to restore this national park.

In addition, the Committee has failed to provide full, up-front funding for restoration of the Elwha River in Olympic National Park, Washington, through acquisition and removal of two aging dams in accord with the provisions of the 1992 Elwha River Ecosystem and Fisheries Restoration Act.

The Committee-reported bill provides $111 million for specific National Park Service (NPS) construction projects, $28 million more than requested. Of this total, $47 million is for projects not requested by NPS. Funding for these low-priority projects comes at the expense of more critical needs such as the rehabilitation of visitor and park facilities at Riis Park in Gateway National Recreation Area, New York, and an expanded visitor shuttle system at the Grand Canyon National Park.

Department of Energy

The Committee reduces the President's request for Energy Conservation programs by $165 million, or 23 percent, including a cut of 28 percent for clean industrial technologies, energy-efficient building technologies, and fuel-efficient vehicles. These programs involve partnerships with industries and would yield significant energy and economic savings to consumers and industry and can be an effective means of pollution prevention.

The Committee's recommended reductions would severely damage the Administration's Climate Change Action Plan and Partnership for a New Generation of Vehicles, potentially resulting in the failure to reduce the equivalent of an additional 20 million metric tons of carbon in the year 2000 as well as significant amounts of other atmospheric emissions such as nitrogen oxides, sulphur oxides and particulates. The reductions also would undermine partnerships with industry that reduce the costs of regulatory compliance, and may result in the loss of several hundred million dollars per year in consumer and industry energy savings.

The Committee level includes a reduction of $24 million in the low-income weatherization program, a cut that would mean that over 12,000 fewer families would receive home weatherization assistance this winter. The Committee mark also includes a $12 million, or 37-percent, cut to the Federal Energy Management Program, a program that has as its goal saving the Government money by reducing energy costs. This is a short-sighted reduction that would lead to increased Federal operating costs in the future.

The Administration objects to the Committee's reduction of $16.5 million to the request for the Naval Petroleum Reserve. At a time when the Government is preparing to offer the Elk Hills reserve for sale in the private market, our practice should be to enhance the value of the property by maintaining existing wells at their optimum performance. The Committee's level would result in a direct loss of $63 million in oil production receipts over the FYs 1997, 98 time period.

The Administration is concerned about the Senate provision which directs a sale of oil from the Strategic Petroleum Reserve in FY 1997 in order to fund routine reserve operating and maintenance activities. The Strategic Petroleum Reserve remains our best insurance policy against oil supply disruptions.

Cultural Agencies

The Administration objects to the Committee's low levels of funding for the National Endowment for the Arts (NEA), the National Endowment for the Humanities (NEH), and the Institute of Museum Services (IMS). The Committee's recommendations for NEA and NEH represent about a 40-percent reduction for both agencies below FY 1995 levels, and would severely jeopardize their ability to provide important cultural, educational, and artistic programs for communities across America. The Administration urges the Senate to approve funding for the NEA, NEH, and IMS at the requested levels and supports the Senate's commitment to the continuation of NEA and NEH in the out-years.

In addition to the concerns discussed above, the Administration has further concerns with the bill that were detailed in a July 16th letter to the Senate Appropriations Committee.

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

September 12, 1996

The Honorable Mark O. Hatfield
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 H.R. 3755, the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated. Because this letter is based on incomplete information, these views are, necessarily, preliminary. The Subcommittee bill does not provide for approximately $5.8 billion that the President requested for the essential programs discussed below.

The FY 1997 Budget demonstrates the President's longstanding commitment to investing in our country's future by supporting education and training efforts that promote long-term economic growth and give average Americans the skills they need to get high-wage jobs. Despite some improvements over the House-passed bill, the Subcommittee bill includes ill-advised reductions to the programs that are at the core of this commitment. In addition, many of the Subcommittee's funding proposals would withhold vital services for children, youth, and the disadvantaged and programs that protect working Americans and our nation's health.

As you know, the President has written the congressional leadership urging full funding of his request in this and other bills for anti-drug programs. The Subcommittee bill would cripple a key element of our anti-drug strategy, including efforts to prevent children from using drugs.

For these reasons, discussed more fully below, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

Education and Training

The Administration is committed to investing in education and training programs that help average Americans build a better future for themselves and their families. By contrast, the Subcommittee bill would eliminate aid for hundreds of thousands of children in schools across the country and would substantially reduce aid for college. These cuts are especially short-sighted considering the strict new requirements in welfare reform legislation to prepare welfare recipients to move into work. The Subcommittee bill would fail to provide adequate funding for numerous education and training programs, including the following.

- <u>Education Department</u>. Total funding for the Education Department, excluding Pell grant funding, would be only $0.1 billion above FY 1996. The President has requested an overall increase for the Education Department, excluding Pell grant funding, of $1.7 billion above the FY 1996 level. Under the Subcommittee mark, the Pell grant maximum award would be $200 below the President's request of $2,700. Goals 2000 would be $136 million below the request. No funding would be available for the initiative to help make every child computer literate by the 21st century.

- <u>Head Start</u>. This important program would be reduced by up to 15,000 slots below FY 1996 and $381 million below the President's request. The President's request would expand Head Start by 50,000 new slots.

- <u>Student loans</u>. The Subcommittee bill would reduce spending for administration of student loan programs in two accounts by $68 million below the President's request. This cut would threaten the program's financial integrity and effectively cap the volume of direct lending.

- <u>Training and employment programs</u>. The Subcommittee bill would reduce funding for Department of Labor training and employment programs by $917 million below the President's request, reducing services to dislocated workers and low-income adults and youth, and derailing State progress in implementing one-stop and school-to-work transition systems. These reductions include a cut to the President's request for Summer Jobs of $246 million, or 28 percent, which would eliminate jobs for 134,000 disadvantaged youth.

<u>Protecting Workers</u>

The Subcommittee bill would reduce by $118 million, or 11 percent, the President's request for the Department of Labor worker protection programs and the National Labor Relations Board (NLRB). These reductions would limit efforts to ensure worker safety and health, eliminate garment industry sweatshops, and enforce the National Labor Relations Act.

Protecting Women and Children

While the Administration is pleased that the Subcommittee fully funds the Violence Against Women Act programs, the bill fails to provide adequate funding for the President's request for teen pregnancy prevention, child welfare innovation, community based resource centers, and developmental disabilities programs.

Protecting Health

The Subcommittee bill funds Ryan White AIDS treatment grants at $41 million less than the President's request. The bill also cuts by $28 million the request for HIV prevention activities in the Centers for Disease Control and Prevention (CDC). By financing the Substance Abuse and Mental Health Services Administration (SAMHSA) at $224 million below the President's request, the bill would threaten vital substance abuse and mental health services to many under-served Americans, such as pregnant women and high-risk youth. The bill's funding level for SAMSHA would undermine the President's anti-drug abuse strategy developed by General McCaffrey.

The Administration is concerned that the Subcommittee may not have provided the $20 million increase requested in the Budget for global polio eradication at CDC. The Administration is also concerned that the Subcommittee maintained the House's $2.6 million reduction below the request for injury control research, which is the amount CDC spends on firearms research.

Office of AIDS Research

The Administration commends the Subcommittee for separately appropriating NIH AIDS research funds to the NIH Office of AIDS Research, as requested in the President's Budget.

Administrative Reductions

The Subcommittee bill would reduce the President's request for the Social Security Administration's (SSA's automation investment by $74 million. Financing for this automation investment is critical to ensuring that SSA continues to improve the cost-effectiveness of program administration.

In addition, the Health Care Financing Administration (HCFA) estimates that the Subcommittee's reduction of $7 million for HCFA administrative costs below the FY 1996 funding level could result in a furlough in excess of one week of all HCFA employees or other actions that could impair HCFA's ability to manage its programs.

Further, the proposed reductions in welfare research activities, as well as the reduction in administrative resources for the Administration for Children and Families, would hamper efforts to implement welfare reform.

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

Sincerely,

Jacob J. Lew
Acting Director

Identical Letters Sent to Honorable Mark O. Hatfield,
Honorable Robert C. Byrd, Honorable Arlen Specter,
and Honorable Tom Harkin

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

September 20, 1996

THE DIRECTOR

The Honorable Tom Harkin
Subcommittee on Labor, HHS,
Education, and Related
Agencies Appropriations
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Harkin:

I am writing to supplement the information that we previously gave to the Committee on the Administration's views on the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997. As you develop a final version of the bill, we would appreciate your consideration of our views.

Earlier this week, the Administration gave you a list of the minimum funding levels required for programs that are subject to the negotiations over a possible continuing resolution. This list was created on the assumption that other issues (including both funding and language issues) will be resolved through the conference process. With this letter, I want to ensure that these other issues are given the consideration they deserve. With regard to these other issues, I have enclosed statements of the Administration's views, including our evaluation of the House and Senate versions of the bill.

We stand ready to give you whatever additional details you may need on the Administration's positions on items in this bill. We look forward to working with you to address our mutual concerns.

Sincerely,

Franklin D. Raines
Director

Enclosures

Identical Letters Sent to Honorable Robert C. Byrd, Honorable Arlen Specter, and Honorable Mark O. Hatfield, Honorable Bob Livingston, Honorable David R. Obey, and Honorable John E. Porter

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

September 12, 1996

The Honorable Mark O. Hatfield
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 H.R. 3755, the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated. Because this letter is based on incomplete information, these views are, necessarily, preliminary. The Subcommittee bill does not provide for approximately $5.8 billion that the President requested for the essential programs discussed below.

The FY 1997 Budget demonstrates the President's longstanding commitment to investing in our country's future by supporting education and training efforts that promote long-term economic growth and give average Americans the skills they need to get high-wage jobs. Despite some improvements over the House-passed bill, the Subcommittee bill includes ill-advised reductions to the programs that are at the core of this commitment. In addition, many of the Subcommittee's funding proposals would withhold vital services for children, youth, and the disadvantaged and programs that protect working Americans and our nation's health.

As you know, the President has written the congressional leadership urging full funding of his request in this and other bills for anti-drug programs. The Subcommittee bill would cripple a key element of our anti-drug strategy, including efforts to prevent children from using drugs.

For these reasons, discussed more fully below, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

<u>Education and Training</u>

The Administration is committed to investing in education and training programs that help average Americans build a better future for themselves and their families. By contrast, the Subcommittee bill would eliminate aid for hundreds of thousands of children in schools across the country and would substantially reduce aid for college. These cuts are especially short-sighted considering the strict new requirements in welfare reform legislation to prepare welfare recipients to move into work. The Subcommittee bill would fail to provide adequate funding for numerous education and training programs, including the following.

- Education Department. Total funding for the Education Department, excluding Pell grant funding, would be only $0.1 billion above FY 1996. The President has requested an overall increase for the Education Department, excluding Pell grant funding, of $1.7 billion above the FY 1996 level. Under the Subcommittee mark, the Pell grant maximum award would be $200 below the President's request of $2,700. Goals 2000 would be $136 million below the request. No funding would be available for the initiative to help make every child computer literate by the 21st century.

- Head Start. This important program would be reduced by up to 15,000 slots below FY 1996 and $381 million below the President's request. The President's request would expand Head Start by 50,000 new slots.

- Student loans. The Subcommittee bill would reduce spending for administration of student loan programs in two accounts by $68 million below the President's request. This cut would threaten the program's financial integrity and effectively cap the volume of direct lending.

- Training and employment programs. The Subcommittee bill would reduce funding for Department of Labor training and employment programs by $917 million below the President's request, reducing services to dislocated workers and low-income adults and youth, and derailing State progress in implementing one-stop and school-to-work transition systems. These reductions include a cut to the President's request for Summer Jobs of $246 million, or 28 percent, which would eliminate jobs for 134,000 disadvantaged youth.

Protecting Workers

The Subcommittee bill would reduce by $118 million, or 11 percent, the President's request for the Department of Labor worker protection programs and the National Labor Relations Board (NLRB). These reductions would limit efforts to ensure worker safety and health, eliminate garment industry sweatshops, and enforce the National Labor Relations Act.

Protecting Women and Children

While the Administration is pleased that the Subcommittee fully funds the Violence Against Women Act programs, the bill fails to provide adequate funding for the President's request for teen pregnancy prevention, child welfare innovation, community based resource centers, and developmental disabilities programs.

Protecting Health

The Subcommittee bill funds Ryan White AIDS treatment grants at $41 million less than the President's request. The bill also cuts by $28 million the request for HIV prevention activities in the Centers for Disease Control and Prevention (CDC). By financing the Substance Abuse and Mental Health Services Administration (SAMHSA) at $224 million below the President's request, the bill would threaten vital substance abuse and mental health services to many under-served Americans, such as pregnant women and high-risk youth. The bill's funding level for SAMSHA would undermine the President's anti-drug abuse strategy developed by General McCaffrey.

The Administration is concerned that the Subcommittee may not have provided the $20 million increase requested in the Budget for global polio eradication at CDC. The Administration is also concerned that the Subcommittee maintained the House's $2.6 million reduction below the request for injury control research, which is the amount CDC spends on firearms research.

Office of AIDS Research

The Administration commends the Subcommittee for separately appropriating NIH AIDS research funds to the NIH Office of AIDS Research, as requested in the President's Budget.

Administrative Reductions

The Subcommittee bill would reduce the President's request for the Social Security Administration's (SSA's automation investment by $74 million. Financing for this automation investment is critical to ensuring that SSA continues to improve the cost-effectiveness of program administration.

In addition, the Health Care Financing Administration (HCFA) estimates that the Subcommittee's reduction of $7 million for HCFA administrative costs below the FY 1996 funding level could result in a furlough in excess of one week of all HCFA employees or other actions that could impair HCFA's ability to manage its programs.

Further, the proposed reductions in welfare research activities, as well as the reduction in administrative resources for the Administration for Children and Families, would hamper efforts to implement welfare reform.

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

Sincerely,

Jacob J. Lew
Acting Director

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Arlen Specter, and Honorable Tom Harkin

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

September 10, 1996

The Honorable Mark O. Hatfield
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 H.R. 3755, the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997, as passed by the House. As the Senate develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Administration has previously communicated its strong objection to the overall inadequate discretionary funding level assumed in the House- and Senate-passed Budget Resolutions. The House-passed bill would reduce discretionary budget authority by over $5.5 billion from the President's request, which the Administration believes is the level necessary to address the Nation's needs adequately.

The President strongly believes that we must invest in our country's future by supporting education and training to promote long-term economic growth, and to give average Americans the skills they need to get high-wage jobs, and, thus, raise living standards both now and in the future. Many of the programs funded in this bill would help us do just that. In addition, many others are aimed at protecting and aiding the most vulnerable individuals in our society. Reductions and eliminations proposed by the House would have a particularly harmful effect by withholding necessary services for children, youth, and the disadvantaged, and by underfunding worker protection.

As you know, the President has written the congressional leadership urging full funding of his request in this and other bills for anti-drug programs. Regrettably, this bill reduces funding for several programs that are key elements of our effort to wage an effective war on drugs.

For these reasons, discussed more fully below, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

Pre-School Children

The Head Start program plays a vital role in preparing disadvantaged young children for school; its expansion should be continued, not reversed as in the House-passed bill. The President would add $412 million and 50,000 new slots to the Head Start program in FY 1997. The House's action could reduce slots by up to 15,000 compared to FY 1996 -- assuming that quality is to be maintained -- clearly a move in the wrong direction.

Education and Training

The Administration is committed to investing in education and training programs that help average Americans build a better future for themselves and their families. More than ever before in our Nation's history, what you earn depends on what you learn. The House has systematically targeted those key programs designed to educate and train our youth and our workers for the most debilitating cuts. These cuts are especially ill-conceived considering the strict new requirements in welfare reform legislation to prepare and move welfare recipients into work.

The House's ill-advised decision to terminate funding for Goals 2000 would set back State-based efforts to improve learning for all students and to build a more competitive workforce. The House provides none of the additional funding that the Administration has requested for its education technology initiatives -- as articulated by the President in the State of the Union address -- including $250 million for the Technology Literacy Challenge Fund, to begin to provide essential stimulus to States to help make every child computer literate by the 21st century.

By funding below the President's request: Education for the Disadvantaged, Safe and Drug Free Schools and Communities, Special Education, Pell Grants, Perkins Loans, Charter Schools, Comprehensive Regional Assistance Centers, Bilingual Education, School-to-Work, Vocational and Adult Education, and other programs, the House would eliminate aid for hundreds of thousands of children in schools across the country, and would substantially reduce aid for college. In addition, the House-passed bill would eliminate funding for the Eisenhower Professional Development Program and Star Schools, folding the funding into an untargeted block grant. This action would not ensure that sufficient funds are devoted to teacher training and educational technology programs. The House's recommended funding levels would have a severe negative impact on our Nation's future.

The House-passed bill would reduce spending for the administration of student loan programs from $491 million requested by the President to $420 million, a $71 million reduction below the President's request. This would make it impossible for the Department of Education to ensure program integrity in all student loan programs and would effectively cap the volume of direct lending. As with the FY 1996 appropriations bill, the Administration continues to oppose any cap on direct lending.

The Administration strongly opposes the House's proposal to cut summer jobs for youth by $246 million, or 28 percent, below the President's request. This action would eliminate jobs for 134,000 disadvantaged youth. The House level is $168 million below the amount necessary to fund the 521,000 jobs that were funded for the summer of 1996.

In addition, the Administration opposes the House's decision not to provide the $250 million requested for the Youth Opportunities Areas initiative for at-risk youth, being pilot tested under current law this year.

The House-passed bill would reduce by $295 million, or 13 percent, requested funding to retrain dislocated workers and low-income adults and help them find jobs through One-Stop Career Centers. This would deny training and reemployment services to about 81,000 dislocated workers and 35,000 low-income adults.

The Administration opposes the provision in the Training and Employment Services appropriation that would allow the unlimited transfer of resources between the JTPA title II-A adult training program and the JTPA title III dislocated worker program. The Administration considers the amounts appropriated for the two programs the best policy judgment of the level of resources necessary to carry out those programs. The 20-percent transfer authority included in the President's request would give States and local governments sufficient flexibility to tailor the programs to meet unforeseen local needs.

The House cuts to the State Unemployment Insurance and Employment Service (SUIESO) programs, which are almost completely financed with employer-paid Federal unemployment taxes, would have a serious impact on the States' capacity to pay mandatory unemployment insurance cash benefits on a timely basis and collect employer taxes when due. These reductions would also hamper States' efforts to provide quality services to unemployed workers, job seekers, and employers, and would severely curtail State reform efforts to implement One-Stop Career Centers.

Protecting Workers

The House-passed bill would reduce by $36 million, or 20 percent, the President's request for the National Labor Relations Board and would reduce by $116 million, or 12 percent, the request for Labor Department worker protection programs. As a result, there would be fewer workplace inspections, reduced aid to small businesses, and, unless inspections were reduced even further, there would be no funding for the President's initiatives to ensure pension protection and to improve workplace safety and health. Only limited funding would be available for the President's initiative to eliminate sweatshops in the garment industry. In addition, language riders in the bill would inappropriately restrict the ability of enforcement agencies to safeguard child safety, and enforce the National Labor Relations Act. The Administration is also concerned that the House-passed bill does not fund the National Institute for Occupational Safety and Health or the former Bureau of Mines activities transferred to the Centers for Disease Control at the requested level.

The Administration opposes the 40-percent cut below the FY 1996 level for the Bureau of International Labor Affairs. The funding level provided by the House would constrain the Bureau's ability to work on child labor and workers' rights issues.

The Administration commends the House for removing the prohibition on the Occupational Safety and Health Administration's (OSHA's) ability to develop or issue any proposed or final standards or guidelines on the subject of ergonomic protection. The Senate is urged to concur with the House and to allow the Department of Labor to address the most rapidly growing workplace health problem.

Protecting Health

The House-passed bill would provide $812 million for Ryan White AIDS Treatment Grants, $83 million below the comparable request, adjusted for the Ryan White CARE Act amendments of 1996. Since the House completed action on the bill, the Administration has increased its request by $65 million to $117 million for specific funding for State AIDS Drug Assistance Program (ADAP) activities authorized in Title II. While the Administration is encouraged that the House recommended $75 million for this ADAP set-aside, an increase of $23 million above FY 1996, the Administration urges the Committee to fund the full request of $117 million. The Administration is also concerned that the House funded the other activities authorized in Title II $18 million below the President's request. The Administration urges the Committee to fund these activities at the requested level of $233 million.

In addition, the Administration is concerned that funding provided below the request in the House bill is insufficient to keep up with increasing case loads in the 49 cities currently receiving Title I assistance and the 150 local clinics that provide Title III(b) early intervention services to those with, or at-risk of developing HIV.

The Administration is also concerned that the House-passed bill does not appropriate a specific amount for AIDS research through a single appropriation for the National Institutes of Health's (NIH's) Office of AIDS Research as requested in the President's budget. The single appropriation helps NIH target NIH AIDS research funds effectively, minimizing duplication and inefficiencies across the 21 institutes and centers that carry out HIV/AIDS research.

The House has reduced funding for the Substance Abuse and Mental Health Services Administration (SAMHSA) by $249 million below the President's request. SAMHSA supports vital substance abuse and mental health services to many underserved Americans, such as pregnant women and high-risk youth. The House's funding level would undermine the President's anti-drug abuse strategy developed by General McCaffrey. Such a reduction is particularly troublesome given the findings of the recent National Household Survey on Drug Abuse on increased drug use among our young people. We need the Congress to join with the Administration in working to reverse this trend. The Administration therefore urges the Senate to fully-fund the President's request.

The Administration is disappointed that the House has not funded at the President's request several important programs of the Centers for Disease Control (CDC), including polio eradication and the HIV prevention program. The Administration also strongly objects to the House cut in funding for CDC's injury control activities of $2.6 million. This cut eliminates the very funding that CDC devotes to studying the causes and patterns of violence involving guns, which CDC estimates results in over 39,000 deaths each year. In addition, the Administration is disappointed that the House has chosen to terminate the Healthy Start program.

The House has provided only one-fourth of the funds requested for Grants for the Prevention of Sexual Abuse of Runaway and Homeless Youth, despite the fact that many teenagers on the streets are exposed to exploitation and violence. And the House falls $7.4 million short of the President's request to fund fully CDC's Violence Against Women Act programs for Rape Prevention and for Community Programs on Domestic Violence. In total, the President has requested that Congress provide the full $109 million authorized in law for Violence Against Women Act programs -- of which the House has provided only $96 million.

By providing no funding for the $30 million Teen Pregnancy Prevention Initiative, the House would stall the development of critical knowledge about how to prevent teen pregnancy, and deprive vulnerable adolescents in 25 communities of essential services at a time when out-of-wedlock births are still rising.

The Administration urges the Senate to provide the full request of $198 million for Title X Family Planning Grants. The increase proposed over the FY 1996 level would allow an additional 20,000 individuals to receive family planning services, including counseling and testing for sexually transmitted diseases.

<u>Section 514</u>

Section 514 of the bill would prohibit the use of certain funds made available under the Act for undocumented immigrants. The provision is extremely vague, and its intent and likely impact are both highly unclear. The Administration is strongly opposed to any provision that might be read to jeopardize any child's right to full participation in public and secondary education, including pre-school programs. The Administration prefers the language contained in the FY 1995 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act, which would prohibit Federal, State, or local officials from obligating funds in violation of existing law or regulations that deny benefits.

Additional Administration concerns with legislative riders and funding issues in the House-passed bill are contained in the enclosure. We look forward to working with the Senate to address our mutual concerns.

Sincerely,

Jacob J. Lew
Acting Director

Enclosure

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Arlen Specter, and Honorable Tom Harkin

Enclosure
(Senate Subcommittee)

ADDITIONAL CONCERNS
H.R. 3755 -- DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1997
(AS PASSED BY THE HOUSE)

The Administration looks forward to working with the Congress to address the following concerns.

Department of Labor

Youth Opportunity Areas. The House-passed bill does not provide $250 million for the President's initiative for out-of-school youth being pilot tested under current law. The initiative would provide approximately $14 million a year to each of 15-20 high poverty urban and rural areas to increase dramatically employment of out-of-school youth.

Dislocated Workers. The House-passed bill funds dislocated worker assistance at $1.1 billion, $193 million below the President's request. This would reduce participation by about 81,000 relative to the President's proposal. The Administration strongly opposes language to permit unlimited transfers of funds between dislocated worker and adult training programs.

Senior Community Service Employment Program. The House reduces the share of funds for the national contractors (e.g. AARP, NCSC, Green Thumb) by about 11 percent. These contractors would be unable to provide about 8,000 job opportunities for disadvantaged senior citizens in communities throughout the Nation.

DOL Chief Financial Officer (CFO). The bill includes language that inappropriately intervenes in the internal organization of the Department of Labor. The Department is working closely with the Office of Management and Budget to finalize its CFO structure and should not be impeded by bill language.

One-Stop Career Centers. Funding for this initiative is $40 million below the President's request. As a result, nine States would not be able to receive grants to implement the centers, which are key to adult training and services reform now, and which are included in the legislative reforms for training programs now in conference.

Employment Service. The House cuts $82 million from the President's request, to a level that is ten percent below the request and six percent below FY 1996. Reducing the

Employment Service affects its ability to provide up-front information and job matching services to all applicants, a key element in a consolidated training and employment system.

Unemployment Insurance Administration. The House cuts this program $150 million below the President's request. The requested level reflects the amount necessary to process the projected workload increases for unemployment benefits and tax collections. The effect would be job losses for 2,800 State unemployment office staff, closing up to 130 local offices, and delays in paying benefits.

Pension Protection. The Administration is also concerned that, at the level included by the House, safeguards for overseeing and protecting worker pensions would be inadequate. The funding in the President's request to improve data processing of annual pension reports from employers is essential to maintaining adequate pension protection for our workers.

Appropriations Language Affecting Employee Benefit Programs. The Administration urges restoration of the appropriations language included in the President's budget, which would: (1) guarantee speedy provision of employee pension benefits in the event of unexpected plan terminations; and, (2) cure accounting problems in the Black Lung Disability Trust Fund.

Child Labor Regulations. The House-passed bill includes a rider limiting the Department of Labor's ability to implement and enforce regulations for minors' incidental driving of motor vehicles. This action could result in a higher likelihood of injury and death to minors working in this area.

Enforcement of Back Pay for Illegal Immigrants. The President, the Commission on Immigration Reform, and a bipartisan majority in the Congress agree that successful control of illegal immigration requires comprehensive efforts not only to police the border, but also to address effectively the incentives for U.S. employers to hire unauthorized workers. Denying the collection of back wages for unpaid illegal workers runs directly against this policy and would contribute to incentives that employers have to hire illegal workers.

Bureau of Labor Statistics (BLS). The House cuts BLS by $17 million below the President's request. This funding shortfall would result in further deterioration in important statistical programs and deny funds needed for the governmental initiatives to implement the new industrial classification system.

Department of Health and Human Services (HHS)

Substance Abuse and Mental Health Services Administration (SAMHSA). The House's $88 million (seven-percent) reduction to the President's request for Substance Abuse Performance Partnership grants would reduce the funding available to States to combat drug abuse among America's youth. The House's combined $181 million (44-percent) reduction to the President's requests for SAMHSA Knowledge Development and Application programs is also troubling and could impair progress in research and dissemination of important new ways to treat and prevent substance abuse and to help those with mental health disorders.

Mine Safety. The Administration is concerned that the House has not provided any of the $32 million requested for the mine safety and health functions transferred from the Department of the Interior to the Centers for Disease Control (CDC).

Administration for Children and Families (ACF) and Administration on Aging (AoA) Programs. The House proposes significant reductions below the President's request for ACF Services programs. The bill does not fully fund the child welfare innovation program ($39 million requested); eliminates funding for community-based resource centers ($51 million requested); and funds developmental disability programs $13 million below the $122 million requested.

In addition, the House provides no funding for community schools within the violent crime reduction programs ($14 million requested), cuts AoA programs (by $18 million), and research grants for both ACF and the Administration on Aging are eliminated ($22 million requested). The $142 million in funding added above the requested level of $390 million for the Community Services Block Grant (CSBG) and the $40 million in funding added above the requested level for refugee and entrant assistance would be better used for higher priority programs such as Head Start or Violence Against Women Act programs.

Office for Civil Rights (OCR). The House-passed bill cuts OCR funding by $2.4 million (11 percent) below the request. This reduction in FY 1997 would exacerbate the backlog of discrimination cases resulting from the FY 1996 funding cut and could lead to a curtailment of compliance activities. The Administration urges that OCR funding be restored to the level requested in the FY 1997 Budget.

Agency for Health Care Policy and Research (AHCPR). The Administration is concerned that the House includes a program level that is $19 million less than was requested in the President's budget.

Anti-Terrorism. The House fails to provide the requested $5 million in funding for anti-terrorism activities. This action would delay HHS' ability to carry out its national anti-terrorism program planned for FY 1997.

National Institutes of Health (NIH) -- Clinical Research Center. The House would appropriate funding for the Clinical Research Center incrementally instead of fully funding the $310 million request. The Administration supports full-funding of fixed assets.

Small Business Innovation Research Awards. The Administration urges the Senate to refrain from adopting the provision in the House bill that would have the effect of significantly reducing the funds NIH can spend on Small Business Innovation Research (SBIR) awards. SBIR awards help support research and development conducted by small businesses, which play a pivotal role in developing biotechnological and pharmaceutical products that improve public health. The Administration supports the Porter/Kennedy agreement to delete the SBIR provision of the House bill in a conference agreement or a continuing resolution and to give NIH the discretion to determine the best way to allocate the 2.5 percent set-aside among the NIH Institutes.

Department of Education

Pell Grants. The maximum award level is increased slightly, by $30, in the House-passed bill but is still $200 below the President's proposal of $2,700. Under the President's proposal, 107,000 more students would be served than under the Committee-reported bill.

Safe and Drug-Free Schools and Communities. This program is reduced by $25 million below FY 1996, eliminating funds for national drug prevention and other violence prevention programs and reducing State grants $74 million below the President's request. These cuts would weaken efforts to reduce youth drug abuse and would put millions of children and teachers at an increased risk of violence in their schools.

Educational Technology. The House has cut the education technology program by $277 million below the President's request, providing no funding for the President's Technology Literary Challenge Fund initiative to help all States leverage the resources necessary to integrate technology into their school curriculum.

Charter Schools. The House has failed to provide any increase above the FY 1996 enacted level, leaving funding at $22 million, or 55 percent, below the President's request. At the House level, 300 fewer Charter Schools could receive start-up funds than under the President's proposal.

Title I. The Education for the Disadvantaged programs are funded at $454 million below the President's request, denying services to over 400,000 children from the poorest communities.

Special Education. The House provides $307 million below the President's request. At this diminished level, States would have to serve about 170,000 more children with disabilities in FY 1997 without additional Federal funding.

School-to-Work. Funding for this program is frozen at the FY 1996 level, $50 million below the President's request. Along with the comparable level in the Labor Department, this funding level would prevent the remaining 10-12 States from receiving implementation grants.

Perkins Loans. The House-passed bill terminates new funding for the Perkins Loans program, compared to the Administration's request for a $65 million increase, thereby eliminating aid to 151,000 students.

Eisenhower Professional Development. The House-passed bill terminates funding for this program and folds it into the Innovative Education Programs Strategies block grant. The President requests $610 million for this program, to help teachers in every State improve their skills.

Comprehensive Regional Technical Assistance Centers. The House-passed bill funds these Centers at $22 million, $23 million, or 51 percent, below the President's request. The Centers help schools and school districts in every State implement comprehensive reforms and improve teaching and learning.

Bilingual and Immigrant Education. The House funds Bilingual Education at $117 million, $39 million below the President's request, zeroing out funding for professional development and support services. The bill funds Immigrant Education $50 million below the request of $100 million. At this level, the Federal government would provide only $61 for each of the 822,000 students. The President's request would double the per-pupil amount to $122.

Departmental Management. The House would fund Departmental Management at $379 million, $39 million below the FY 1996 enacted level and $67 million below the FY 1997 request. The Department of Education had already planned to reduce employment by 137 full-time equivalents (FTE), or three percent. The additional cuts proposed by the House could result in furloughs of 20 workdays for about 2,700 Education Department employees.

<u>Other Independent Agencies</u>

<u>Social Security Administration (SSA) -- Administrative Expenses</u>. The Administration continues to support its FY 1997 Budget request and welfare reform proposal of $250 million with a cap adjustment to implement reforms to the Supplemental Security Income program in the welfare reform legislation passed by the Congress. The welfare reform bill provides for authority to adjust the discretionary spending caps upward by $150 million in FY 1997 and upward by $100 million in FY 1998. The Administration urges the Senate to provide at least the $150 million in FY 1997 for this purpose. Appropriation of those funds with a cap adjustment would eliminate the need for the additional administrative expenses funding included in the House-passed bill. Further, action taken by the House fails to allocate costs properly among the trust funds and discretionary appropriations. The Administration's scoring of the appropriations bill will reflect the appropriate allocation of these funds.

<u>SSA -- Union Activity</u>. The House-passed bill would bar the use of trust fund dollars to pay salaries of Social Security Administration (SSA) and HHS employees who serve as representatives of the union to work with SSA and HHS on such issues as customer service, employee security, and employee grievances. Paying for such expenses is required under the Federal Service Labor-Management Relations Statute and is consistent with SSA's and HHS's collective bargaining agreements. The Administration believes that, over the long term, improving relationships between management and employees will increase productivity, cut costs, and increase employee morale. We strongly urge the Senate to strike this limitation from the bill.

<u>National Labor Relations Board (NLRB)</u>. The House-passed bill reduces funding for NLRB by $26 million, or about 15 percent, below FY 1996 and $36 million below the President's request. The House would continue a rider from the FY 1996 omnibus appropriations bill prohibiting the NLRB from promulgating a proposed rule on single-unit bargaining locations. This rider will preclude agency efforts to use its rulemaking authority in an effort to reduce time-consuming and costly litigation. The House also includes a limitation that would require NLRB to index to inflation the 1959 jurisdictional thresholds that set the level of interstate commerce (by industry) used to determine coverage under the National Labor Relations Act. While there is no empirical evidence to demonstrate that a change in

jurisdictional thresholds will increase or decrease NLRB's caseload, this change is an improper justification for the 15-percent reduction.

Corporation for National and Community Service. The House has reduced the funds provided for national service under this appropriation by $24 million, almost 11 percent below the President's budget. This would deny over 800 AmeriCorps*VISTA participants the opportunity to serve their communities and earn an education award. In addition, almost 80,000 senior citizens would lose the opportunity to serve the frail elderly, and disadvantaged/disabled young people in their communities through the National Senior Service Corps programs, Retired and Senior Volunteer Program, Foster Grandparent Program, and Senior Companion Program.

Corporation for Public Broadcasting (CPB). The Administration is concerned with the Committee's reduction in funding for CPB. The Administration is committed to providing the necessary resources for quality public television programming and production.

Railroad Retirement Board (RRB). The House-passed bill includes language prohibiting the Inspector General from using funds for any audit, investigation, or review of the Medicare program. RRB has statutory authority to administer a separate contract for RRB Part B Medicare claims. The Administration believes that this language should be deleted. As long as RRB has authority to negotiate and administer a separate Medicare contract, the RRB Inspector General ought not to be prohibited from using funds to review, audit, or investigate activity related to that contract.

Armed Forces Retirement Home. The House-passed bill would reduce funding by more than five percent for the U.S. Soldiers' and Airmen's Home in Washington, D.C., and the Navy Home in Gulfport, Mississippi. A reduction-in-force and other severe reductions in operating costs would be required to absorb this significant funding reduction.

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

September 20, 1996

THE DIRECTOR

The Honorable Ernest F. Hollings
Subcommittee on Commerce, Justice,
State, and Judiciary Appropriations
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Hollings:

I am writing to supplement the information that we previously gave to the Committee on the Administration's views on the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, FY 1997. As you develop a final version of the bill, we would appreciate your consideration of our views.

Earlier this week, the Administration gave you a list of the minimum funding levels required for programs that are subject to the negotiations over a possible continuing resolution. This list was created on the assumption that other issues (including both funding and language issues) will be resolved through the conference process. With this letter, I want to ensure that these other issues are given the consideration they deserve. With regard to these other issues, I have enclosed statements of the Administration's views, including our evaluation of the House and Senate versions of the bill.

We stand ready to give you whatever additional details you may need on the Administration's positions on items in this bill. We look forward to working with you to address our mutual concerns.

Sincerely,

Franklin D. Raines
Director

Enclosures

Identical Letters Sent to Honorable Robert C. Byrd,
Honorable Mark O. Hatfield, Honorable Judd Gregg,
Honorable Bob Livingston, Honorable David R. Obey,
Honorable Harold Rogers, and Honorable Alan Mollohan

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

August 1, 1996

The Honorable Mark O. Hatfield
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 H.R. 3814, the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies Appropriations Bill, FY 1997, as reported by the Senate Subcommittee. As the Senate develops its version of the bill, your consideration of the Administration's views would be appreciated. Because this letter is based on incomplete information, these views are, necessarily, preliminary.

The Administration strongly objects to the Subcommittee's reductions to critical law enforcement, research and technology, international affairs, legal services, and other programs. Such reductions are unacceptable, and the bill requires significant improvements. The Administration has previously communicated its strong objection to the overall discretionary funding levels assumed in the House- and Senate-passed Budget Resolutions. The House allocation is $2.1 billion below the President's request, and the Senate allocation is $2.8 billion below the request.

For the reasons discussed below, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

Department of Commerce

The Administration understands that the Subcommittee would reduce funding for the Department of Commerce by almost $700 million below the request. These reductions would significantly undermine the effectiveness of programs across the Department and, during a time of increasingly fierce global competition, would be particularly harmful to civilian science and technology programs.

Funding for the Advanced Technology Program (ATP) in both the House-passed bill and the Senate Subcommittee bill is inadequate. The Subcommittee would provide insufficient funding to support current commitments and would not allow for new awards. As a result, the Federal Government would be forced to abrogate commitments on the majority of awards made in prior years involving over 260 innovative companies. ATP is a highly competitive, cost-shared program that fosters technology development, promotes industrial alliances, and creates jobs. The ATP program was created with bipartisan support, which it continues to deserve. While neither the bill nor report language has been made available yet, the Administration understands that restrictive language included in the House bill for the ATP prohibiting new awards and limiting continuation grants to small businesses has been deleted. The Administration appreciates this improvement over the House bill. The Administration understands that the Subcommittee has included language limiting the use of funds to continuation grants only, thus prohibiting new awards. This is unacceptable.

The Subcommittee has eliminated all funding for the highly competitive National Information Infrastructure (NII) grants program. The NII program assists hospitals, schools, libraries, and local governments in procuring advanced communications equipment to provide better health care, education, and local government services. The President's requested program would fund approximately 200 innovative telecommunication application projects that would leverage additional matching funds of over $100 million. This program has been valuable in promoting the widespread use of advanced communications. The program has a 1-to-15 grants-to-applications ratio, which is one of the highest of any Federal technology grant program. The Senate is urged to restore funding to this important program.

While the Administration appreciates inclusion of funding for the U.S.-Israel Science and Technology Commission, the Subcommittee's funding level for base activities of the Technology Administration is inadequate to provide effective advocacy on behalf of U.S. industry. No funding has been provided for construction of new laboratory facilities at the National Institute of Standards and Technology, which are essential to providing precision measurements necessary for U.S. industry to compete in the 21st century.

While we appreciate the Subcommittee's $12 million increase over the House mark for the Census Bureau, the amount is still $50 million less than the request. The Subcommittee funding level would impair the ability of the Census Bureau to carry out its constitutional and statutory functions, such as the decennial census, economic census, census of governments, and the effort to bring the Nation's statistics into the 1990s. In addition, the Subcommittee directs that funds not be used to test sampling. This is unacceptable. It would reduce the accuracy of Census 2000 and increase its cost by $500 million.

The Administration also believes that the Subcommittee has provided inadequate funding for the Patent and Trademark Office, the Economic Development Administration, the Bureau of Export Administration, and the Minority Business Development Agency.

The Administration appreciates the overall funding level for NOAA and, in particular, the inclusion of funding for key environmental initiatives such as protected species management, global change research, the South Florida Restoration initiative, and the Global Learning and Observations to Benefit the Environment (GLOBE) program.

The Administration is concerned by reductions for the Advanced Weather Interactive Processing System (AWIPS) and mapping, charting, and geodesy efforts. The Administration is concerned about the provision of over $50 million in funding above the President's request for Member projects. The Administration understands that the Subcommittee bill does not include requested language streamlining the certification process related to modernizing the National Weather Service. This language is essential to accelerating the benefits of modernization, which leads to lives and property saved.

Department of Justice

The Administration strongly opposes the funding level provided by the Subcommittee for the Community Oriented Policing Services (COPS) program. The Subcommittee mark would provide $1.4 billion for COPS but would earmark over $80 million for non-hiring initiatives. The Administration continues to believe that the President's request of $1.9 billion is the appropriate funding level for the COPS program. The Administration does not believe that the Subcommittee bill keeps us on course for hiring 100,000 additional police officers by the year 2000. The Conference Report accompanying P.L. 104-134, the FY 1996 Omnibus Consolidated Rescissions and Appropriations Act, indicated that a level of approximately $1.4 billion would be required to meet the goal of hiring 100,000 police officers. While an improvement relative to the House bill, the set-asides included in the Subcommittee bill could result in inadequate funding for hiring police officers.

The Administration strongly opposes the Subcommittee's $20 million funding level for the drug courts program. The drug courts program is a proven, cost-effective means of using the courts' authority to provide sanctions and coerce non-violent offenders into drug treatment programs. The Administration believes that the drug courts program should be funded at the $100 million level requested.

While the Administration appreciates the Subcommittee's support in providing $42 million for the drug testing initiative, we object to these funds being taken from the COPS program and request that they be provided directly.

The Administration is very concerned that the Subcommittee bill appears to underfund certain authorized discretionary programs and use mandatory funds for certain unauthorized discretionary activities. The bill directs the Department of Justice to use INS exams fees and user fees, which are classified as mandatory, for a variety of activities that are not authorized. The bill would underfund the Executive Office of Immigration Review, which would not allow it to keep up with the increase in cases stemming from enhanced border patrol and immigration enforcement efforts.

The Subcommittee bill would also underfund law enforcement programs, including the FBI, U.S. Marshals, U.S. Attorneys, and the Interagency Crime and Drug Enforcement, by over $200 million. The bill does not include the $100 million requested to implement the Communications Assistance for Law Enforcement Act (CALEA), which is essential to ensure the ability of conducting court ordered wire taps. The bill would underfund the legislative and public affairs offices throughout the Department and unnecessarily restrict the use of detailees.

Combating Terrorism

The Administration appreciates the Subcommittee's efforts to provide funding and additional authority to enhance the Government's ability to respond to terrorism. While we have not had the opportunity to review the proposed additional authorities, we welcome the opportunity to work with the Congress to enact additional tools to combat terrorism.

Legal Services Corporation

The Administration commends the Subcommittee for increasing the funding level for the Legal Services Corporation (LSC). However, while $288 million is $10 million over the FY 1996 level, we continue to strongly urge the Committee to provide the full request of $340 million, which is needed to carry out LSC's mission to provide the Nation's poor with access to the judicial system.

The Administration understands that the Subcommittee bill contains many restrictions on the activities of LSC grantees that were contained in the FY 1996 appropriations act. The Administration continues to have serious concerns with these restrictions, particularly those on the use of funds from non-LSC sources.

International Affairs

The Subcommittee has reduced a number of international affairs programs that serve important U.S. interests. In particular, Contributions to International Organizations and

Contributions for International Peacekeeping Activities, which pay assessed contributions to the U.N. and other international organizations, have been reduced by $637 million below the request and $418 million below the FY 1996 levels. These funding levels would force a U.S. retreat from engaging in global affairs and would undermine U.S. leadership in international organizations.

At the Subcommittee's recommended level, the United States would have to under-pay current bills, incur additional arrears of more than $450 million, and could offer no prospect of honoring past or current obligations, all of which would hurt U.S. national interests, weaken burden sharing with other nations, and devastate currently promising efforts to achieve program and management reforms in these organizations. The reform effort needs joint, continuing congressional and Administration support to build the international consensus to effect change. The Subcommittee bill would provide no funding for International Conferences and Contingencies, which funds U.S. participation in a wide range of trade, health, safety, and other conferences where U.S. economic and other interests are addressed.

While the Subcommittee has increased State Department operating levels from the House level, in total these activities are reduced by $65 million from the President's request. The requested funding levels for State are necessary to maintain the Nation's foreign affairs infrastructure.

The Administration is concerned about the deep reductions the Subcommittee has made to a number of U.S. Information Agency (USIA) programs. The reductions in the salaries and expenses and broadcasting accounts would seriously hamper USIA's ability to carry out its important role in promoting U.S. interests abroad. The Administration also strongly opposes the Subcommittee's elimination of all funding for the National Endowment for Democracy, thereby terminating this highly effective, cost efficient program.

Finally, the Subcommittee bill would reduce the $48.5 million budget request for the Arms Control and Disarmament Agency (ACDA) by $18.5 million, or 38 percent. This reduction would have a severely negative impact on personnel levels, ongoing operations, and ACDA's ability to put in place and verify arms control agreements (including the CWC, START, and the NPT) as well as to complete negotiations on and implement the Comprehensive (Nuclear) Test Ban Treaty, all of which are important to U.S. national security.

Ounce of Prevention Council

The Subcommittee bill would eliminate funding for the Ounce of Prevention Council. The President's request of $9 million would allow the Council to award discretionary grants for various crime and substance abuse prevention programs. Elimination of this program would hinder the needed coordination of crime prevention efforts at the Federal level.

Small Business Administration (SBA) Business Loans

The Subcommittee appears to provide no funding for SBA's 504 loan program. Unless legislation is passed that would reduce the cost of this program to zero, this funding level would shut down SBA's 504 loan program. Finally, the Administration's funding request for disaster loans assumes an increase in the borrowers' interest rate. If this reform is not enacted, the requested funding level would support a loan level about 50 percent below the historical average (excluding catastrophes). Therefore, the Administration urges the Congress to enact this reform or provide adequate funding to support the historical average need.

Maritime Administration

The Administration notes with concern that the Subcommittee bill would eliminate several important programs, including the Maritime Administration's Maritime Security Program and the Title XI Loan Guarantee Program.

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

Sincerely,

Jacob J. Lew
Acting Director

Enclosure

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Judd Gregg, and Honorable Ernest F. Hollings

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

July 30, 1996

The Honorable Mark O. Hatfield
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 H.R. 3814, the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies Appropriations Bill, FY 1997, as passed by the House. As the Senate develops its version of the bill, your consideration of the Administration's views would be appreciated. For the reasons discussed below, the President's senior advisers would recommend that the President veto the bill if it were presented to him in its current form.

The Administration strongly objects to the House's reductions to critical law enforcement, research and technology, international affairs, legal services, and other programs. Such reductions are unacceptable, and the bill requires significant improvements. The Administration has previously communicated its strong objection to the overall discretionary funding levels assumed in the House- and Senate-passed Budget Resolutions. It is noted that the House allocation is $2.1 billion below the President's request and the Senate allocation is $2.8 billion below his request.

The Administration also strongly opposes the provision included in the House bill, discussed in more detail below, that would limit the President's ability to negotiate issues and implement agreements related to the ABM Treaty that are important to the national security of the United States. This provision would infringe upon the President's ability to conduct foreign relations and is unacceptable.

Legal Services Corporation

While the House floor vote to restore $109 million to the Legal Services Corporation (LSC) recognizes the inadequacy of the Committee funding level, the Administration strongly objects to the House-passed funding level of $250 million. The House-passed level is $90 million below the President's request of $340 million and $28 million lower than the FY 1996 enacted level. Such a reduction in funding would deprive LSC of resources it needs to carry out its mission, further reducing the already limited access of the nation's poor to the judicial system.

In addition, the House bill would reduce funding for LSC's management and administration by 25 percent, from $7.1 million in FY 1996 to $5.3 million in FY 1997. At this funding level, LSC would be forced to reduce its staff to approximately 20 employees, down from 96 in FY 1995. With a staff of this size, the Corporation would not be able to carry out its statutory responsibilities, including monitoring compliance, evaluating program quality, and maintaining a competitive grant system, in any meaningful way.

Finally, the bill contains many restrictions on the activities of LSC grantees that were contained in the FY 1996 appropriations act. The Administration continues to have serious concerns with these restrictions, particularly those on the use of funds from non-LSC sources.

Department of Commerce

The House cuts funding for the Department of Commerce by almost $800 million below the request and $160 million below the FY 1996 level. These reductions would significantly undermine the effectiveness of programs across the Department.

The Administration urges the Senate to support civilian science and technology programs that work to expand our economy during a time of increasingly fierce global competition. Civilian science and technology faired poorly in the House-passed bill. The Administration has serious concerns, described below as well as in the enclosure, about the amounts provided by the House for the advanced technology and manufacturing extension programs.

The House has chosen to disregard the bipartisan agreement reached last year to maintain the Advanced Technology Program (ATP) and allow new award competitions. The House bill would provide inadequate funding to support current commitments and would restrict the use of funds for continuation grants to small businesses only. This language would also prevent payment of continuation grants for the 1996 competition permitted by the 1996 agreement. As a result, the Federal Government would be forced to abrogate commitments on 68 awards made in prior years involving 262 companies, totaling $350 million in Federal investment and $421 million in private matching funds. The House has included language prohibiting new awards and calling for the shutdown of the program. This is unacceptable to the Administration. ATP is a highly competitive, cost-shared program that fosters technology development, promotes industrial alliances, and creates jobs. The ATP program was created with bipartisan support, which it continues to deserve.

The House funding level for the Manufacturing Extension Partnership Program would reduce critical support activities, such as field engineer training, program evaluation, and environmental assistance, to our national network of centers. The House language would cut off Federal funding by not waiving the "sunset" provision for centers in Kansas and Michigan that serve five States. Many of our Nation's 381,000 smaller manufacturers would be without access to valuable technical assistance. The Department of Commerce estimates that this assistance has produced over $1 billion in increased sales and cost reductions and over 13,000 jobs since the program's inception. The Senate is urged to address these concerns.

The Administration is concerned about the lack of support for key environmental programs. The President's request includes increases for South Florida/Everglades Restoration, coastal pollution control, habitat conservation, marine fisheries management, global change monitoring and modeling, and the Global Learning and Observations to Benefit the Environment (GLOBE) program, none of which have been funded by the House. These actions would undermine NOAA's ability to manage and protect our Nation's ocean and coastal resources. In addition, the Administration supports the use of controlled access mechanisms in sustainable fisheries management and is concerned with the House bill's proposed restrictions on such mechanisms.

The House has provided less than half of the requested increase for the Census Bureau. This reduction would seriously impair the ability of the Census Bureau to carry out its constitutional and statutory functions, such as the decennial census, the economic census, the census of governments, and efforts to bring the Nation's statistics into the 1990s. The Census Bureau would be forced to choose between equally critical demographic and economic measurement programs, which would lead to a more expensive or less accurate Census and to less accurate economic statistics such as the GDP. Failure to provide increases would jeopardize efforts to implement the restructuring of the North American Industry Classification System, which has already been funded by Mexico and Canada.

Department of Justice

The Administration strongly opposes the funding level provided by the House for the Community Oriented Policing Services (COPS) program. The House mark would provide $1.4 billion for COPS but would earmark over $150 million for non-hiring initiatives. The Administration continues to believe that the President's request of $1.9 billion is the appropriate funding level for the COPS program. The Administration does not believe that the House-passed bill keeps us on course for hiring 100,000 additional police officers by the year 2000. The Conference Report accompanying P.L. 104-134, the FY 1996 Omnibus Consolidated Rescissions and Appropriations Act, indicated that a level of approximately $1.4 billion would be required to meet the goal of hiring 100,000 police officers. The extensive set-asides included in the House-passed bill would result in inadequate funding for hiring police officers. Further, the bill would freeze staffing levels for the program at the FY 1996 level.

Based on the excessive earmarking in the House-passed bill, we estimate that the number of police that communities could hire in FY 1997 would be reduced by over 2,200. If these earmarks were to continue through the year 2000, we estimate that nearly 6,400 fewer police would be hired.

The Administration strongly opposes the House's $18 million funding level for the drug courts program. The drug courts program is a proven, cost-effective means of using the courts' authority to provide sanctions and coerce non-violent offenders into drug treatment programs. The Administration believes that the drug courts program should be funded at the $100 million level requested.

Both the COPS and the drug courts programs could be enhanced by reducing the funding level for the Local Law Enforcement Block Grant program and the increase over the President's request for Federal prison construction.

The Administration urges the Senate to delete from the bill funding for the Commission on the Advancement of Federal Law Enforcement. As the President stated when he signed the Antiterrorism Act, "The Congress has responsibility to oversee the operation of Federal law enforcement; to cede this power to an unelected and unaccountable commission is a mistake".

International Affairs

The Administration strongly opposes the provision included by the House that would infringe upon the ability of the Administration to negotiate issues related to the ABM Treaty with Russia and the other New Independent States of the former Soviet Union. The provision would prohibit the use of any funds in this or any other Act for ABM treaty negotiations with the Russians or other States of the former Soviet Union unless the President certifies that any amendments, understandings, or agreements related to the ABM and theater ballistic missiles and anti-ballistic missiles will be presented to the Senate for their advice and consent. This prohibition would also apply to the use of funds to implement any amendment, agreement, or understanding related to ABM theater missile defense demarcation or multilateralization of the Treaty. The Administration believes that this provision raises serious constitutional concerns. The Constitution commits to the President the authority to determine the manner in which diplomatic communications take place. Congress may not control, through a funding condition, the President's determination to conduct negotiations in a particular forum.

With regard to funding, the Administration opposes the levels provided by the House for the State Department's main operating accounts. In total, these activities are reduced by $94 million from the President's request. The State Department's ability to maintain its overseas facilities in a safe, secure, and efficient manner and to modernize its antiquated information management systems would be jeopardized at this funding level. Restoration of this cut is necessary to maintain the Nation's foreign affairs infrastructure.

In addition, the House has reduced funding for international organizations and peacekeeping by over $260 million from the request, and no funds are provided for the U.S. to participate in international conferences. Although the Administration has worked diligently and with some success to promote fiscal discipline and reform at the U.N. and other organizations, there is limited support in the House bill for this effort. The House's under-funding of our international organization assessments would only increase aggregate arrears for these organizations and for assessed peacekeeping operations above the already outstanding amount of $1 billion. Despite these serious funding problems, the Administration appreciates the House's expressed support for U.S. leadership within a reformed United Nations and intends to continue discussions aimed at modifying the legislation in a manner that will further this shared goal.

The Administration is concerned about the reductions in the U.S. Information Agency's (USIA's) public diplomacy activities. Most importantly, the reduction in Salaries and Expenses and Broadcasting Operations accounts would jeopardize USIA's ability to perform its important role in promoting U.S. interests and understanding abroad. The Administration also strongly opposes the House's elimination of all funds for continuing the operation of TV Marti and urges the Senate to restore funding.

Finally, requested funding for the Arms Control and Disarmament Agency (ACDA) has been reduced by $10 million by the House, which would severely impact continuing operations. Such a reduction would jeopardize ACDA's capabilities to complete negotiations and to implement and support arms control and nonproliferation treaties, conferences, and organizations.

Ounce of Prevention Council

The House-passed bill would eliminate funding for the Ounce of Prevention Council. The President's request of $9 million would allow the Council to award discretionary grants for various crime and substance abuse prevention programs. Elimination of this program would hinder the needed coordination of crime prevention efforts at the Federal level.

Small Business Administration (SBA) Business Loans

The Administration strongly urges the Senate to provide adequate funding to support the Administration's FY 1997 proposed volume of new 7(a) General Business Loan Guarantees. The House's mark for SBA business loans is $156 million less than the FY 1997 request of $316 million, a 49-percent reduction. This funding level would substantially reduce the 7(a) loan program level in FY 1997. In addition, the House appears to provide no funding for SBA's 504 loan program. Unless legislation is passed that would reduce the cost of this program to zero, this funding level would shut down SBA's 504 loan program.

Additional Administration concerns with the House-passed bill are contained in the enclosure. We look forward to working with the Senate to address our mutual concerns.

Sincerely,

Jacob J. Lew
Acting Director

Enclosure

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Judd Gregg, and Honorable Ernest F. Hollings

Enclosure
(Senate Subcommittee)

ADDITIONAL CONCERNS
H.R. 3814 -- DEPARTMENTS OF COMMERCE, JUSTICE, STATE,
THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1997
(AS PASSED BY THE HOUSE)

The Administration looks forward to working with the Congress to address the following concerns.

Department of Justice

- Federal Bureau of Investigation. The House would provide $100 million less than requested, to implement the Communications Assistance for Law Enforcement Act (CALEA). Implementation of CALEA is essential to ensure the ability to conduct court-ordered wiretaps in a communications environment that is rapidly shifting to digital equipment. Without the requested funds, carriers would be hesitant to make the necessary technological changes, and law enforcement agencies would be placed at a serious disadvantage in conducting criminal investigative activities.

- Violent Crime Reduction Trust Fund (VCRTF). The Administration notes that the House would fund the VCRTF approximately $300 million below the FY 1997 authorized and requested level. The Administration supports full funding of the VCRTF at the requested level.

- Departmental Leadership. The Administration opposes the House's action that would eliminate the Office of the Associate Attorney General (AAG) and reduce significantly positions and funding levels for the Department's Executive Leadership Offices. In particular, the Administration opposes the reductions to the Office of Legislative Affairs (OLA). This action would be detrimental to the effective management of the Department at a time when the need for strong leadership, proper oversight of law enforcement, prompt and effective responses to increasing congressional inquiries, and effective policy-level coordination has never been greater.

- Health Insurance for Public Safety Officers. The Administration fully supports the goal of maintaining adequate health insurance for coverage for public safety officers injured and disabled in the line of duty. We must work to ensure this goal without threatening essential funds needed by state and local law enforcement for police officer hiring.

- International Brotherhood of Teamsters Elections. The bill does not provide $3.8 million requested by the Administration for the U.S. Attorneys to fund the Elections Officer overseeing the 1996 International Brotherhood of Teamsters elections. The work of the Officer is essential to ensuring that the elections are free of influence by organized crime.

Department of Commerce

- Science and Technology. The Administration urges the Senate to support civilian science and technology programs that work to expand our economy during a time of increasingly fierce global competition. The House level for the Technology Administration would be inadequate to provide effective advocacy on behalf of U.S. industry. No funding has been provided for construction of new laboratory facilities that are essential to providing precision measurements necessary for U.S. industry to compete in the 21st century. In addition, no expansion has been provided for the highly competitive National Information Infrastructure grants program. This program provides much needed assistance to schools, libraries, and public health facilities to demonstrate how advanced technology can be used to improve service delivery.

  The Administration urges the Senate to provide the request for the GLOBE program, which teaches students how to make climate-related measurements and share this information with other students, teachers and scientists over the Internet. Over 2,500 U.S. schools and schools in 35 other countries have invested their resources in this valuable program. Commerce, NASA, and EPA believe that the GLOBE program provides low-cost and scientifically valuable data.

- Spectrum Management. The reductions to the National Telecommunications and Information Administration's (NTIA's) Salaries and Expenses account are premature. NTIA has been working closely with the House to recover spectrum management fees from other Federal agencies. The Administration believes that this program needs another year to ramp up to full funding. Other Federal agencies did not include these spectrum fees in their FY 1997 budgets. If these cuts are retained, the Administration urges the Senate to ensure that other agencies are directed to pay these fees.

- National Weather Service Modernization. The House's actions would unnecessarily delay deployment of the benefits of the $4.5 billion weather service modernization initiative to communities across the country. The House has cut base operations and not included language proposed by the Administration to streamline the office closure process. The House has also reduced funding for the Advanced Weather Interactive Processing System -- the cornerstone of modernization. The Senate is urged to restore these funding levels to the President's request so that improved forecasts leading to lives and property saved can be realized.

- Patent and Trademark Office. The Administration objects to the House's action that would reduce funding for the Patent and Trademark Office to $61 million, significantly less than the request of $115 million and the House Committee's funding level of $100 million. The House-passed level would prevent patent and trademark applicants from getting full benefit from their payments and would likely increase patent pendency and decrease the quality of other services.

- National Oceanic and Atmospheric Administration (NOAA). The House has created effectively separate appropriations for the line offices in the Operations, Research, and Facilities account. Many of NOAA's programs are integrated, involving several line offices. Separate appropriations would severely impact NOAA's ability to continue this integrated approach. This would create an administratively complex system under which it would be extremely difficult to operate.

- Other issues. The House's reductions to the Minority Business Development Administration and General Administration would be difficult to absorb, particularly given the deep cuts to these programs last year.

Department of State

- State Department Operations. House action would reduce funding for State Department operations, including facilities and information technology requirements, by $52 million below FY 1996 enacted levels and $94 million below the President's FY 1997 request. Of particular concern is the reduction, for the second straight year, of 50 percent to the request for modernization of the State Department's information technology systems. This cut would further postpone investments necessary to modernize obsolete computer systems and equipment. In addition, the House's reduction to the Security and Maintenance of Overseas Missions account would slow efforts to repair and rehabilitate aging overseas facilities. The

President's FY 1997 request for these programs is at the level necessary to maintain our foreign affairs infrastructure.

- <u>U.N., Other International Organizations, and Conferences</u>. Funding for international organizations and peacekeeping has been reduced by the House by over $260 million from the FY 1997 request. This would add more arrears to the already outstanding $1 billion of arrears that the United States owes by treaty obligation to the U.N. and other international organizations. The multi-year arrears payment package is not funded. The Administration agrees that reform is needed, has worked diligently to promote fiscal discipline and reform at the U.N. and other organizations over the past year, and is seeing results. However, under the House-passed bill, the U.S. would underpay current bills, incur more arrears, and offer no prospect of honoring past obligations, all of which would devastate our reform agenda. This effort needs joint, continuing congressional and Administration support to build the international consensus to effect these reforms.

  Section 610 of the General Provisions would prohibit the use of appropriated funds for U.N. peacekeeping missions in which U.S. armed forces are involved unless the President's military advisers have recommended such involvement and the President has submitted such recommendation to Congress. The Administration believes that this provision raises serious constitutional concerns, principally because it is unconstitutional for Congress to condition the President's exercise of his constitutional authority as Commander-in-Chief on the satisfaction of these requirements. Further, the provision would undermine the President as the United States' chief representative in foreign affairs.

  In addition, the House-passed bill provides no funding for International Conferences and Contingencies. This would bar U.S. participation in important international meetings where vital U.S. interests are at stake.

<u>U.S. Information Agency (USIA)</u>

- The House mark would hamper the Administration's ability to pursue foreign policy objectives through important public diplomacy programs by cutting $91 million from the President's request for the U.S. Information Agency. Of primary concern is the reduction in USIA's salaries and expenses and broadcasting operations, which, following major reductions taken in FY 1996, would result in further staff cuts and overseas post closings. The House also has continued reductions in the Exchanges account, which, combined with a 20-percent reduction in FY 1996, would seriously jeopardize important activities such as the Fulbright and International Visitors programs.

Arms Control and Disarmament Agency (ACDA)

- The House mark of $38.5 million would reduce the request for important arms control and nonproliferation efforts by $10.0 million -- a 21-percent reduction. Specifically, this reduction would severely impact the ongoing operation of ACDA; jeopardize the Agency's capabilities to complete negotiations on and implement the Comprehensive Test Ban Treaty, which has been a high priority of every Administration since President Eisenhower and is supported by both parties in Congress; and hinder the ability of ACDA to accomplish and verify arms control agreements (including the CWC, START, and the NPT) important to U.S. national security.

Department of Transportation

- Maritime Administration (MARAD). Under the House's mark, MARAD would have to conduct a reduction-in-force affecting 82 employees -- nearly a quarter of its non-Academy employees funded under the Operations and Training account -- severely impairing the Administrator's ability to administer critical MARAD programs. The reduction for school ships would eliminate annual training cruises, preventing school graduates from qualifying for U.S. Coast Guard licenses. The Senate is urged to increase the Operations and Training appropriation by at least $8 million and to provide the Administrator with the flexibility to allocate the funds among the three major activities.

Federal Trade Commission

- The House bill would provide $86 million for the Federal Trade Commission (FTC), $8 million below the President's request of $94 million (including anticipated carryover funds, the request totals $104 million). This funding level would undermine the FTC's ability to protect consumers and ensure a competitive economy.

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

September 20, 1996

THE DIRECTOR

The Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to supplement the information that we previously gave to the Committee on the Administration's views on the Treasury, Postal Service, and General Government Appropriations Bill, FY 1997. As you develop a final version of the bill, we would appreciate your consideration of our views.

Earlier this week, the Administration gave you a list of the minimum funding levels required for programs that are subject to the negotiations over a possible continuing resolution. This list was created on the assumption that other issues (including both funding and language issues) will be resolved through the conference process. With this letter, I want to ensure that these other issues are given the consideration they deserve. With regard to these other issues, I have enclosed statements of the Administration's views, including our evaluation of the House and Senate versions of the bill.

We stand ready to give you whatever additional details you may need on the Administration's positions on items in this bill. We look forward to working with you to address our mutual concerns.

Sincerely,

Franklin D. Raines
Director

Enclosures

Identical Letters Sent to Honorable Robert C. Byrd,
Honorable Richard C. Shelby, Honorable J. Robert Kerrey,
Honorable Bob Livingston, Honorable David R. Obey,
Honorable Jim Lightfoot, and Honorable Steny H. Hoyer

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

September 10, 1996
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 3756 – TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, FY 1997

(Sponsors: Hatfield (R), Oregon; Shelby (R), Alabama)

This Statement of Administration Policy provides the Administration's views on H.R. 3756, the Treasury, Postal Service, and General Government Appropriations Bill, FY 1997, as reported by the Senate Appropriations Committee. While the bill contains several improvements over the Subcommittee bill, for the reasons stated below, the Administration believes that the bill, as reported by the Committee, is unacceptable.

Internal Revenue Service

The Administration strongly opposes the Committee's reduction in funding for the Internal Revenue Service (IRS) – $1.1 billion below the President's request. Inadequate funding levels for the IRS would severely hinder taxpayer services for millions of Americans and result in unacceptable damage to the immediate collection of revenue and the long-term health of voluntary compliance. The reductions in funding for tax compliance would have an adverse effect on revenue collection. The magnitude of this effect could be as much as four dollars of lost revenue for every dollar of reduced funding, according to IRS estimates. The Administration urges the Senate to provide funding at the level necessary to maintain an efficient and functioning IRS.

The Committee bill includes an appropriation of $26 million for private debt collection that is not required at this time. Until results from the current pilot project can be analyzed, these funds could be much better used to offset some of the Committee's reduction in funding for tax law enforcement.

The Administration appreciates the Committee's restoration of funds necessary to sustain current operating systems that process 200 million tax returns annually and issue timely refunds to over 80 million taxpayers. However, language restricting IRS access to some of the Information Systems funding remains objectionable. The Administration is committed to working with the Committee to respond to questions on the needs and priorities for IRS Information Systems.

The Administration strongly opposes the Committee's draconian reduction to the request for Tax Systems Modernization (TSM), a reduction $23 million greater than that made by the House. In addition, the Administration remains strongly opposed to the rescission of prior-year balances included in the Committee bill. Taken together, these reductions would result in a level of funding that would significantly reduce and delay the ability of the IRS to correct the technical and management weaknesses identified by the General Accounting Office; to achieve near-term improvements to critical businesses performance measures; and, to design and implement a fully-integrated, modernized system.

Moreover, the language of the Committee bill would restrict funding solely to the support of 150 full-time equivalent positions (FTE) in FY 1997, thereby requiring a reduction-in-force of 2,000 FTE. The Administration urges the Senate to eliminate this language and to fund TSM at a level that will allow a staged, moderate approach to FTE reductions over FYS 1997 and 1998, including any necessary termination costs.

Federal Employees Health Benefits Program

The Administration commends the Senate for removing the provision contained in the House bill that would restrict Federal Employees Health Benefits Program (FEHBP) coverage for abortions. The President believes that abortion should be safe, legal, and rare. The Administration believes that the decision to cover abortion should be left to each health plan participating in the FEHBP, and that Federal employees should be allowed to choose such a plan.

Anti-Drug Funding

The Administration requested $250 million in FY 1996 supplemental funding for drug law enforcement, treatment, and prevention efforts. As part of last year's agreement to resolve FY 1996 appropriations issues, the Appropriations Committees, in the Conference Report accompanying P.L. 104-134, the Omnibus Consolidated Rescissions and Appropriations Act of 1996, expressed their intent to fund these additional requirements through the FY 1997 appropriations bills. To date, Congress has not done so. Of the $250 million requested, $118 million was requested to be provided through the Office of National Drug Control Policy. The Committee has provided none of the $118 million component of the request. The Administration urges the Senate to provide full funding of the request.

Bureau of Alcohol, Tobacco and Firearms (BATF)

The Administration urges the Senate to work with the Administration to provide funding for the study of explosive taggants (materials placed in explosives to allow them to be traced) and to study certain types of armor-piercing "cop killer" bullets. Funding for both of these studies is necessary to complete an important mandate of Congress in recently enacted anti-terrorism legislation. We urge the Senate to permit the use of taggant study funding for studying black and smokeless powder.

The Administration appreciates the funds provided by the Committee toward the construction of a new laboratory and fire research facility. The Administration urges the Senate to give favorable consideration to the full $62 million request to fund a new laboratory facility and fire research facility. These facilities, which will be co-located, are vital to BATF's continued efforts in ensuring the safety of the public.

Infringement on Executive Authority

Language contained in the Financial Management Service (FMS) Salaries and Expenses account would prevent spending the $14 million made available for systems modernization until FMS submits, and the House and Senate Appropriations Committees approve, a report that identifies, evaluates, and prioritizes all computer systems investment planned for FY 1997, and meets other specified requirements. Similarly, language in the Bureau of Alcohol, Tobacco and Firearms Salaries and Expenses account would require that no funds otherwise available in that account for separation incentives could be spent without the advance approval of the House and Senate Appropriations Committees. The Administration will interpret these and similar provisos contained in the bill to require notification only, since any other interpretation would contradict the Supreme Court's ruling in INS vs. Chadha.

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

July 19, 1996

The Honorable Robert C. Byrd
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Byrd:

The purpose of this letter is to provide the Administration's views on H.R. 3756, the Treasury, Postal Service, and General Government Appropriations Bill, FY 1997, as passed by the House. As the Senate develops its version of the bill, your consideration of the Administration's views would be appreciated. For the reasons stated below, the Administration believes that the bill, as passed by the House, is unacceptable.

Internal Revenue Service

The Administration strongly opposes the House's reduction in funding for the Internal Revenue Service (IRS) -- $1.4 billion below the President's request. Inadequate funding levels for the IRS, together with highly restrictive language limiting Treasury Department management of the tax enforcement program, would cripple our tax systems, result in unacceptable damage to the immediate collection of revenue and the long-term health of voluntary compliance, and delay refunds to millions of Americans. The Administration urges the Senate to provide funding at the level necessary to maintain an efficient and functioning IRS.

The House-passed bill includes highly objectionable provisions that would unduly restrict IRS' administration and operational effectiveness and could ultimately impede collection of tax revenue. These provisions go far beyond oversight -- they would affect the basic operation of the Service. Coupled with the House's proposed FY 1997 funding level, IRS would be unable to undertake properly the necessary restructuring and downsizing in a staged, moderate approach necessary for an organization of this size.

The reductions in funding for tax compliance would have an adverse effect on revenue collection. The magnitude of this effect could be as much as four dollars of lost revenue for every dollar of reduced funding, according to IRS estimates.

The House bill proposes to reduce requested funding by $180 million, or 22 percent, below the FY 1996 level for the current operating systems that process more than 200 million tax returns annually and issue timely refunds to over 80 million taxpayers. In addition, the House's recommended funding level would eliminate electronic filing for 17 million tax returns and would severely reduce the extremely successful Internet access for self-service assistance. This would inconvenience taxpayers and overload the paper processing system, in turn delaying refunds for millions of taxpayers. At least 95 million toll-free customer assistance calls from taxpayers, as well as about 100 million letters and bills to taxpayers, would be adversely affected as well. Finally, the House-passed bill would significantly reduce funding for basic operational administrative systems such as accounting, travel, and payroll/personnel.

The Administration believes that the House's recommended funding level for Tax Systems Modernization (TSM) is inadequate. In addition, the Administration strongly opposes the rescission of prior-year balances included in the House-passed bill as well as the bill's restrictions on the availability of TSM funds. The House bill would require that the Department of Defense be responsible for contracting decisions on tax systems modernization. The Administration, and in particular the Department of Defense and Treasury Department, opposes such a bifurcated arrangement and is willing to work with the Appropriations Committees to develop a strategy for IRS to conduct an effective competition faster.

Moreover, the House bill would fence TSM funds until IRS "restructures contractual relationships with the commercial sector." While the Administration agrees with the need to increase dramatically the use of outside contractors, this fencing proposal would significantly delay IRS' ability to correct the technical and management weaknesses identified by the General Accounting Office; to achieve near-term improvements to critical business performance measures; and, to design and implement a fully-integrated, modernized system.

Federal Employees Health Benefits Program

The Administration strongly opposes the provision contained in the House bill that restricts Federal Employees Health Benefits Program (FEHBP) coverage for abortions except in situations where the life of the mother is endangered or the pregnancy is the result of rape or incest. While the President, believes that abortion should be safe, legal, and rare, the Administration does not believe that Federal employees and their families should be precluded from choosing to purchase health insurance that includes broader coverage. The Administration believes that the decision to cover abortion should be left to each health plan participating in the FEHBP. Thus, Federal employees who wish to purchase health coverage that does not include abortion services would have that choice. The provision in the House-passed bill does not allow Federal employees and their families to make that choice.

Anti-Drug Funding

The Administration requested $250 million in FY 1996 supplemental funding for drug law enforcement, treatment, and prevention efforts. As part of last year's agreement to resolve FY 1996 appropriations issues, the Appropriations Committees, in the Conference Report accompanying P.L. 104-134, the Omnibus Consolidated Rescissions and Appropriations Act of 1996, expressed their intent to fund these additional requirements through the FY 1997 appropriations bills. To date, Congress has not done so. Of the $250 million requested, $118 million was requested to be provided through the Office of National Drug Control Policy. The House has provided only $10 million of this $118 million component of the request. The Administration urges the Senate to provide full funding of the request.

Firearms Petitions

The Administration opposes any change in the existing appropriations law that would prohibit the Bureau of Alcohol, Tobacco and Firearms from investigating or acting upon petitions for relief from a firearms disability for individuals otherwise prohibited, including convicted felons, under 18 U.S.C. 925(c). This language has remained unchanged for the past four fiscal years. As the Appropriations Committee stated last year, the prohibition on the use of Federal funds to process applications for relief from Federal firearms disabilities helps ensure that the Government's time and taxpayers' money will not be spent to restore a convicted felon's ability to own a firearm.

Executive Political Appointees

H.R. 3576 contains a provision that would limit the number of political appointees in the Executive Branch. The Administration strongly opposes such a limit on the number of Executive Schedule, Senior Executive Service, and Schedule C non-career appointees. The number of people currently in positions that would be covered by the provision represents less than one-sixth of one percent of Federal civilian employment. The provision's arbitrary imposition of a limit of 2,300 such appointees would force a reduction of one-third by October 1, 1997, and would seriously impair the President's ability to implement policy and manage the Executive Branch.

President Clinton has led the fight to reduce government and cut costs and, after three years in office, the President is well ahead of schedule to reduce the size of the government payroll by 272,900 positions. There are 225,000 fewer persons on the payroll now than on the day the President took office. The number of political appointees is six percent less than the number in the previous Administration. To maintain accountability, the President must have the ability to appoint -- and remove -- managers in key positions. The ability to make such appointments is one that has been enjoyed by Presidents of both parties. The Administration would strongly urge the Senate to strike this provision. Such a provision would represent an unprecedented incursion on the President's right to select appointees for key positions.

Additional Administration concerns with the bill as passed by the House are contained in the enclosure. We look forward to working with the Senate to address our mutual concerns.

Sincerely,

Jacob J. Lew
Acting Director

Enclosure

Identical Letters Sent to Honorable Mark O. Hatfield, Honorable Robert C. Byrd, Honorable Richard C. Shelby, and Honorable J. Robert Kerrey

Enclosure
(Senate Subcommittee)

ADDITIONAL CONCERNS
TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
APPROPRIATIONS BILL, FY 1997
(AS PASSED BY THE HOUSE)

The Administration looks forward to working with the Senate to address the following concerns:

Department of the Treasury

IRS Tax Law Enforcement. The proposed reduction of $44.7 million to tax law enforcement would come on top of massive reductions sustained in FY 1996, and would severely limit IRS' ability to maintain compliance and tax revenues. The Congress should reconsider the reductions to this revenue-raising appropriation.

IRS Tax Systems Modernization (TSM). The Administration opposes giving TSM contracting authority to the Department of Defense. When the TSM program has been improved, there is every indication that the IRS procurement operation will be able to do a high-quality, professional job in delivering the appropriate contracting vehicles. The Office of Federal Procurement Policy regards the professional procurement operation in IRS as one of the best in government. They have negotiated significant cost savings, they have awarded large numbers of complex contracts with virtually no successful bid protests, and they have devoted significant resources to training their workforce. The National Research Council report on TSM found that "the IRS, as an organization, has strong capabilities in a number of critical areas, such as procurement..." Transferal of contracting authority is unnecessary and would be disruptive, because an outside organization, although skilled at systems acquisition in general, would lack the background in the IRS's own environment and needs.

IRS Criminal Investigative Division. The bill proposes an increase in funding above the Administration's request for the Criminal Investigative Division while reducing necessary funding for other tax law enforcement activities.

IRS Compliance Research. The House's $7.8 million reduction, and the loss of the authority to carry over up to $1 million, would totally eliminate research and development funding, a separate research activity not related to TSM. The IRS would have no ability to develop innovative solutions to improving compliance activities and thus increase revenue.

IRS Taxpayer Service. The House recommendation would result in 2.7 million fewer customer service phone calls being answered. IRS is able to serve many more taxpayers through its telephone services than through traditional walk-in sites. In order to achieve its strategic goals, IRS must continue moving towards more efficient, technology-driven methods of serving taxpayers.

IRS Tax Collection. The Administration questions the need to fund an additional $26 million debt collection contract in FY 1997. The Administration is interested in determining if there is a role for private collection agencies (PCAs) in the collection of delinquent tax debt. At the same time, the Administration is extremely concerned about the safeguarding of taxpayer rights and privacy. The Administration should be given the opportunity to analyze the results of the impending collection contract and report back to the Congress with recommendations for further action. After all parties have reviewed the report results, the Administration would like to work with the Appropriations Committees and the tax-writing committees to determine whether the IRS should proceed with the use of private collection agencies.

IRS Reporting Requirement. The House-passed bill contains a provision, which would require the IRS to contract with an independent accounting firm to determine the revenue loss that would result from the implementation of H.R. 2450. This provision would create an unfortunate precedent by diminishing the traditional revenue estimating responsibilities of the Treasury Department and the Congressional Joint Committee on Taxation. Moreover, this provision would require the IRS to expend resources from its already diminished appropriations. The provision should be deleted.

Office of Professional Responsibility. The Administration does not oppose additional funding to enhance the review of policy issues and the professional conduct of Federal law enforcement officers. However, the Administration strongly recommends that the delineation of authority between any new entity and the Office of Inspector General (OIG) be clearly laid out in order to avoid jurisdictional confusion. In addition, it should be made clear that an additional layer of the OIG is not being created.

The Administration is also concerned that the language used with respect to the proposed Office of Professional Responsibility would serve merely to create an additional internal affairs investigatory unit, rather than one designed to provide oversight for such units at each of the bureaus.

The Administration is concerned that the additional funding for the Miami Office of the Office of Foreign Assets Control appears not to be included. This funding is necessary to further enhance the enforcement of the Cuban Sanctions policy.

Departmental Offices. The House-passed bill (along with requirements to conduct specific initiatives without any additional funding), results in insufficient funding to maintain current levels of operation. The shortfall is exacerbated by the Treasury's continued commitment to the Presidential directive on Cuban embargo enforcement. The magnitude of this shortfall is $4.6 million and approximately 67 FTEs. In addition, the reduction in overhead for International Affairs would seriously undermine Treasury's ability to secure peace and economic revitalization in a number of international hot spots.

Voluntary Separation Incentives for Employees of IRS, ATF, and Customs. The Administration believes that buyouts used to increase voluntary turnover, whether by retirement or resignation, are preferable to resorting to reductions-in-force when downsizing is necessary. The proposed buyout authority prohibits paying a buyout to any employee eligible for an annuity upon separation, whether by regular or early retirement. Only 10 to 15 percent of the buyouts paid under the Federal Workforce Restructuring Act went to those who resigned, rather than to those eligible to retire. The Administration, therefore, strongly believes that buyouts should be made available to those eligible for early and regular retirement. Otherwise, the authority will not be useful in eliminating or minimizing the need for reductions-in-force.

Procurement Exemptions for the Bureau of Engraving and Printing. The Administration disagrees with the House proposal to exempt the Bureau of Engraving and Printing from all provisions of law governing procurement or public contracts. The exemption is incompatible with the Administration's efforts to streamline and reform Federal procurement laws and regulations.

U.S. Mint. The Treasury is proceeding to evaluate both the desirability and appropriate characteristics of a performance based organization for the Mint. Therefore, it would be premature to make determinations on compensation for the Director of the Mint.

General Services Administration

The Administration opposes section 407 of the House bill, as it is contrary to an agreement reached between GSA and the Woodrow Wilson Center.

Sale of Gold

The proviso in the amendment to section 5112(I)(4) of title 31, United States Code, contained in section 523 of the bill should be amended or deleted. Although the Administration is not opposed to requiring the proceeds from the sale of gold to be credited to the general fund, the provision as written would be directed scorekeeping, which could be used to finance additional spending from the sale of gold. The Administration would like to work with the Congress to perfect the language.

Infringement on Executive Authority

There are several provisions in H.R. 3756 that require congressional approval before Executive Branch execution of aspects of the bill. The Administration will interpret such provisos to require notification only, since any other interpretation would contradict the Supreme Court ruling in INS vs. Chadha.

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

October 11, 1996

THE DIRECTOR

Honorable Al Gore
President of the Senate
Washington D.C. 20515

Dear Mr. President:

The Balanced Budget and Emergency Deficit Control Act of 1985 (Section 251 (a) (7)), as amended by the Budget Enforcement Act of 1990, requires that OMB submit a report to the Congress on appropriations legislation within five days of enactment. Enclosed is the report for H.R. 3610, the Omnibus Consolidated Appropriations Act, FY 1997 (P.L. 104-208). This Act was signed by the President on September 30, 1996.

Sincerely,

Franklin D. Raines
Director

Enclosure

Identical Letter Sent to Honorable Newt Gingrich

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

THE DIRECTOR

October 11, 1996

Honorable Newt Gingrich
Speaker of the House of
Representatives
Washington D.C. 20515

Dear Mr. Speaker:

The Balanced Budget and Emergency Deficit Control Act of 1985 (Section 251 (a) (7)), as amended by the Budget Enforcement Act of 1990, requires that OMB submit a report to the Congress on appropriations legislation within five days of enactment. Enclosed is the report for H.R. 3610, the Omnibus Consolidated Appropriations Act, FY 1997 (P.L. 104-208). This Act was signed by the President on September 30, 1996.

Sincerely,

Franklin D. Raines
Director

Enclosure

Identical Letter Sent to Honorable Al Gore

Table 1.
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	228	182
Miscellaneous outlay differences	---	-5
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	228	177
CONTINGENT EMERGENCY SPENDING		
CBO ESTIMATE, CONTINGENT EMERGENCY SPENDING PROVIDED IN THE ACT	89	25
OMB ESTIMATE, CONTINGENT EMERGENCY SPENDING PROVIDED IN THE ACT	89	√
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	24,834	25,061
Scorekeeping Adjustments:		
Department of Transportation:		
Maritime Administration	1	20
Budget authority difference due to rounding. CBO uses a first-year mixed outlay rate of 23 percent, while OMB uses a first-year rate of 100 percent (+$10 million). Other outlay differences are due to varying estimates of outlays from prior-year authority ($10 million).		
Budget authority rounding differences:		
International programs	-3	---
Function 300 programs	-2	---
Function 750 programs	-2	---

Table 1. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
Technical Outlay Estimating Differences:		
Department of Justice:		
Federal Bureau of Investigation, Salaries and expenses	---	-90
CBO uses a first-year spendout rate of 80 percent; OMB uses a first-year spendout rate of 75 percent (-$83 million). Other differences are due to estimates of outlays from prior-year authority (-$7 million).		
DEA, Salaries and expenses	---	-139
CBO uses a first-year spendout rate of 85 percent. OMB's first-year spendout rate is 75 percent (-$78 million difference). Other differences are due to estimates of outlays from prior-year authority (-$61 million).		
Federal Prison System, Buildings and facilities	---	-215
Outlay differences are due to differing estimates of outlays from prior-year authority.		
Office of Justice Programs, Justice assistance	---	49
CBO uses a first-year outlay rate of 12 percent, and OMB uses a 22-percent first-year rate (+$10 million difference). Other differences are due to estimates of outlays from prior-year authority (+$39 million).		
Office of Justice Programs, State and local law enforcement asst	---	111
CBO uses a first-year outlay rate of 12 percent, and OMB uses a rate of 22-percent (+$36 million difference). Other differences are due to estimates of outlays from prior-year authority (+$75 million).		
Office of Justice Programs, Juvenile justice program	---	44
CBO uses a first-year outlay rate of 12 percent, and OMB uses a 22 percent first-year rate (+$16 million difference). Other differences are due to estimates of outlays from prior-year authority (+$28 million).		

Table 1. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Bill, FY 1997
(In millions of dollars)

	FY 1997 BA	FY 1997 OL
Department of Transportation:		
Maritime Administration, Vessel operations revolving fund	---	-90
Difference is primarily due to varying estimates of outlays from prior-year authority.		
Other technical outlay estimating differences (net)	---	-18
TOTAL, ADJUSTMENTS	-6	-328
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	24,828	24,733
OMB estimate, previously enacted emergency spending scored to this Act	---	42
This adjustment is made so that final OMB scoring is comparable to the discretionary caps that were included in the August 20, 1996, *Update Report*, which included adjustments for emergency spending and to the discretionary caps that will be included in the October 1996 *End-of-Session Report*, which will also include adjustments for emergency spending.		
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING, INCLUDING PREVIOUSLY ENACTED EMERGENCIES	24,828	24,775

Table 1. (cont'd)
Estimates Contained In P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Bill, FY 1997
(In millions of dollars)

	FY 1997 BA	FY 1997 OL
CBO ESTIMATE, VIOLENT CRIME REDUCTION TRUST FUND	**4,526**	**2,954**
Department of Justice:		
Rounding Difference	-1	---
Technical Outlay Estimating Differences:		
Justice Department:		
Community oriented policing services	---	195
Difference is due to varying estimates of outlays from prior-year authority.		
Office of Justice Programs, State and local law enforcement assistance	---	610
Difference is due to varying estimates of outlays from prior-year authority.		
Office of Justice Programs, Violent crime reduction programs	---	-288
CBO assumes a 15-percent first-year outlay rate, and OMB uses a rate of 22 percent (+$141 million difference). Other differences due to varying estimates of outlays from prior-year authority (-$429 million).		
Other technical outlay estimating differences (net)	---	92
TOTAL ADJUSTMENTS	**-1**	**609**
OMB ESTIMATE, VIOLENT CRIME REDUCTION TRUST FUND	**4,525**	**3,563**

Table 2.
Estimates Contained In P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Department of Defense Appropriations Bill, FY 1997
(in millions of dollars)

FY 1996 SUPPLEMENTAL APPROPRIATIONS

	FY 1996 BA	FY 1996 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	123	—
Miscellaneous outlay differences	---	---
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	123	—
NON-EMERGENCY SPENDING		
CBO ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	-123	—
Miscellaneous outlay differences	---	---
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	-123	—

Table 2. (cont'd)
Estimates Contained In P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Department of Defense Appropriations Bill, FY 1997
(in millions of dollars)

FY 1997 APPROPRIATIONS

	FY 1997 BA	FY 1997 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	231	207
Miscellaneous outlay differences	---	-1
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	231	206
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	243,751	242,843
Scorekeeping Adjustments:		
Budget authority rounding difference	-1	---
Technical Outlay Estimating Differences:		
Defense against weapons of mass destruction	---	-53
CBO used a 57-percent spendout rate for this new account. OMB used a four percent spendout rate, except for $10 million that was transferred to the Procurement, Marine Corps account, which is consistent with the agreed-upon rate for the Former Soviet Union Threat Reduction Account. OMB's interpretation of the bill is that while some of the funds are for domestic preparedness programs, much of the funding is for programs similar to those in the Former Soviet Union Threat Reduction Account. It is anticipated that expenditures for this new account will be slow until a program plan is approved for these unrequested funds.		
Overseas contingency operations transfer account	---	-50
For this new account, OMB and CBO had different spendout rates, 75.5 percent and 79.9 percent respectively.		

Table 2. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Department of Defense Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
Section 8120: Navy Defense Business Operating Fund (DBOF) price increase	---	64

This provision directed DBOF to increase prices to Navy customers and provided for a transfer of over $500 million to customer accounts to pay for the price increases. OMB assumed a spendout rate of 80 percent for these funds from the customer accounts reflecting effects of anticipated DBOF customer rates. CBO did not assume that this transfer would alter spendout rates in customer accounts.

Different First-Year Spendout Rates:

	BA	OL
Operations and maintenance (O & M) accounts	---	-210

Difference results from different spendout rates for O&M Army (75.3 percent for OMB; 76.3 percent for CBO) and O&M Defense Agencies (75.0 percent for OMB; 76.2 percent for CBO) and for adjustments CBO made to O&M accounts for a change in mix in the real property maintenance portion of O&M accounts.

	BA	OL
Aircraft procurement, Air Force	---	110

CBO assumes a first-year spendout rate of 6.2 percent; OMB assumes 7.9 percent.

	BA	OL
Navy Defense Business Operating Fund (DBOF) price increase offsets	---	134

CBO used a plug account to record the reductions to multiple Navy accounts to fund the increase in DBOF prices. OMB distributed the reductions to specific Navy accounts. The budget authority nets to zero; outlays for CBO estimate of the reductions are displayed in this account.

Outlay Prior Differences:

	BA	OL
Shipbuilding & Conversion	---	-465
Aircraft Procurement, Navy	---	-101
Other Procurement, Navy	---	184
Other Procurement accounts	---	140
Defense Business Operations Fund (DBOF)	---	-1,208
Military Personnel accounts	---	-150
Allowances	---	120
OCRA across-the-board administrative cuts	---	220

CBO used a plug account to record the OCRA administrative reductions; OMB distributed the reductions to multiple accounts.

Table 2. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Department of Defense Appropriations Bill, FY 1997
(In millions of dollars)

	FY 1997 BA	FY 1997 OL
Other technical outlay estimating differences (net)	---	158
TOTAL, ADJUSTMENTS	**-1**	**-1,107**
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	**243,750**	**241,736**
OMB estimate, previously enacted emergency spending scored to this Act	---	117
This adjustment is made so that final OMB scoring is comparable to the discretionary caps that were included in the August 20, 1996 *Update Report*, which included adjustments for emergency spending and to the discretionary caps that will be included in the October 1996, *End-of-Session Report*, which will also include adjustments for emergency spending.		
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING, INCLUDING PREVIOUSLY ENACTED EMERGENCIES	**243,750**	**241,853**

Table 3.
Estimates Contained In P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Foreign Operations Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	12,124	13,253
Scorekeeping Adjustments:		
Overseas Private Investment Corporation non-credit account	-7	-13
OMB and CBO have different technical assumptions for interest rates.		
Budget authority rounding difference	1	---
Technical Outlay Estimating Differences:		
Development fund for Africa	---	-191
OMB and CBO have different estimates of outlays from prior year authority.		
Other technical outlay estimating differences (net)	---	-68
TOTAL, ADJUSTMENTS	-6	-272
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	12,118	12,981
OMB estimate, previously enacted emergency spending scored to this Act	---	143
This adjustment is made so that final OMB scoring is comparable to the discretionary caps that were included in the August 20, 1996, *Update Report*, which included adjustments for emergency spending and to the discretionary caps that will be included in the October 1996 *End-of-Session Report*, which will also include adjustments for emergency spending.		
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING, INCLUDING PREVIOUSLY ENACTED EMERGENCIES	12,118	13,124

Table 4.
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Interior and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	367	363
Miscellaneous outlay differences	---	-18
TOTAL, ADJUSTMENTS	—	-18
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	367	345
CONTINGENT EMERGENCY SPENDING		
CBO ESTIMATE, CONTINGENT EMERGENCY SPENDING PROVIDED IN THE ACT	349	323
OMB ESTIMATE, CONTINGENT EMERGENCY SPENDING PROVIDED IN THE ACT	348	a/
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	12,723	13,398
Scorekeeping Adjustments:		
Department of the Interior:		
Mineral Management Service (MMS): Royalty and offshore minerals	13	-11
Budget authority differences and portion of outlay differences due to varying estimates of MMS receipts. The remaining outlay differences primarily due to varying estimates of outlays from prior-year authority (-$29 million).		

Table 4. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Interior and Related Agencies Appropriations Bill, FY 1997
(In millions of dollars)

	FY 1997 BA	FY 1997 OL
Budget authority rounding difference	2	---
<u>Technical Outlay Estimating Differences</u>:		
Department of Agriculture:		
Forest Service: Timber salvage receipts	---	-20
OMB and CBO use different technical assumptions in estimating the timber salvage provisions of P.L. 104-19, the Emergency Supplemental and Rescissions bill.		
Forest Service: Wildland fire management	---	-91
CBO uses a first-year spendout rate of 78 percent. OMB uses a 95 percent spendout rate.		
Forest Service: National Forest system	---	-80
OMB uses a first-year spendout rate of 87 percent, while CBO uses a first-year rate of 83 percent. The $40 million difference in outlays new is offset by a -$120 million difference in outlays from prior-year authority.		
Department of Energy:		
Energy Programs: Fossil energy research and development	---	-27
Differences due to varying estimates of outlays from prior-year authority.		
Energy Programs: Energy conservation	---	-38
OMB uses a first-year spendout rate of 30 percent, while CBO uses a first-year rate of 20 percent. The $42 million difference in outlays new is offset by a -$80 million difference in outlays from prior-year authority.		
Energy Programs: Clean coal technology	---	-56
Differences due to varying estimates of outlays from prior-year authority.		

Table 4. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Interior and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
Department of Health and Human Services:		
Indian Health Services	---	-103
OMB uses a first-year spendout rate of 71 percent, while CBO uses a first-year spendout rate of 75 percent. Other differences due to varying estimates of outlays from prior-year authority (-$24 million).		
Department of the Interior:		
U.S. Geological Survey: Surveys, investigations and research	---	66
Differences due to varying estimates of outlays from prior-year authority.		
U.S. Fish and Wildlife Service: Construction	---	-57
Differences primarily due to varying estimates of outlays from prior-year authority (-$60 million).		
National Park Service: Operation of the national park system	---	34
OMB uses a first-year spendout rate of 75 percent, while CBO uses a first-year rate of 78 percent. The -$35 million difference in outlays new is offset by a +$69 million difference in outlays from prior-year authority.		
National Park Service: Land acquisition and State assistance	---	-26
Differences primarily due to varying estimates of outlays from prior-year authority (-$29 million).		
Other technical outlay estimating differences (net)	---	124
TOTAL, ADJUSTMENTS	**15**	**-285**
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	**12,738**	**13,113**

Table 4. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Interior and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
OMB estimate, previously enacted emergency spending scored to this Act.	—	88
This adjustment is made so that final OMB scoring is comparable to the discretionary caps that were included in the August 20, 1996, *Update Report*, which included adjustments for emergency spending and to the discretionary caps that will be included in the October 1996 *End-of-Session Report*, which will also include adjustments for emergency spending.		
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING, INCLUDING PREVIOUSLY ENACTED EMERGENCIES	**12,738**	**13,201**

Table 5.
Estimates Contained In P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997
(In millions of dollars)

	FY 1997 BA	FY 1997 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	29	13
Miscellaneous outlay differences	---	-6
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	29	7
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	71,026	71,517
Scorekeeping Adjustments:		
Department of Education:		
Office of Special Education and Rehabilitative Services:		
Rehabilitative services and disability research	-40	-37

This account is mandatory under the Budget Enforcement Act (BEA). CBO scores the "Technology Related Assistance for Individuals with Disabilities" program as discretionary. CBO reclassified this because it was recently reauthorized. CBO is treating this as a new discretionary program not classified as mandatory under the BEA. OMB continues to score this account as mandatory.

	FY 1997 BA	FY 1997 OL
Office of Postsecondary Education:		
Federal direct student loan program, financing account	218	108

CBO scores $218 M in BA savings and $108 M in OL savings as a result of Sec. 304 of the Act, consistent with CBO baseline assumptions. OMB does not, consistent with OMB baseline assumptions.

Table 5. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
Department of Health and Human Services:		
Administration for Children and Families:		
Family support payments to States	6	2
CBO assumes that $6 million in additional funding was made available for rescission under the Welfare Reform bill. OMB does not.		
Low income home energy assistance program	-300	-75
CBO scores the $300 million contingent emergency made available in FY 1997 in P.L. 104-134 to this bill. OMB would score budget authority and outlays for this contingent amount when it was released.		
Department of Labor:		
Unemployment trust fund	68	---
OMB scores budget authority associated with the Average Weekly Unemployment Insurance contingency language included in the Act. CBO does not.		
Railroad Retirement Board:		
Federal windfall subsidy	9	9
CBO does not score as discretionary an estimated $9 million in anticipated taxes on benefits from discretionary appropriations that are credited to this account pursuant to section 224(c)(1)(B) of P.L. 98-76.		
Budget authority rounding difference	-2	---
Technical Outlay Estimating Differences:		
Other technical outlay estimating differences (net)	---	165
TOTAL, ADJUSTMENTS	-41	172
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	70,985	71,689

Table 5. (cont'd)
Estimates Contained In P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
OMB estimate, previously enacted emergency spending scored to this Act	---	73
This adjustment is made so that final OMB scoring is comparable to the discretionary caps that were included in the August 20, 1996, *Update Report*, which included adjustments for emergency spending and to the discretionary caps that will be included in the October 1996 *End-of-Session Report*, which will also include adjustments for emergency spending.		
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING, INCLUDING PREVIOUSLY ENACTED EMERGENCIES	70,985	71,762
CBO ESTIMATE, VIOLENT CRIME REDUCTION TRUST FUND	61	39
Miscellaneous outlay differences	---	2
OMB ESTIMATE, VIOLENT CRIME REDUCTION TRUST FUND	61	41

Table 6.
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Treasury, Postal Service, and General Government Appropriations Bill, FY 1997
(in millions of dollars)

FY 1996 APPROPRIATIONS

	FY 1996 BA	FY 1996 OL
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	---	---
Scorekeeping Adjustments:		
Department of the Treasury		
U.S. Secret Service	-8	---
CBO scores this rescission of funds (both budget authority and outlay savings) in FY 1997; OMB scores the rescission of funds (budget authority savings only) in FY 1996.		
TOTAL, ADJUSTMENTS	-8	---
OMB ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	-8	---

FY 1997 APPROPRIATIONS

	FY 1997 BA	FY 1997 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	145	129
Miscellaneous outlay differences	---	8
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	145	137
CONTINGENT EMERGENCY SPENDING		
CBO ESTIMATE, CONTINGENT EMERGENCY SPENDING PROVIDED IN THE ACT	128	68
OMB ESTIMATE, CONTINGENT EMERGENCY SPENDING PROVIDED IN THE ACT	128	1/

Table 6. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Treasury, Postal Service, and General Government Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	**11,620**	**11,292**
Scorekeeping Adjustments:		
Department of the Treasury		
U.S. Mint public enterprise fund	12	---
OMB is scoring the savings that would result from sections 523 and 524 of the Act, which provide for the minting of gold and platinum coins, as outlay savings only. Savings occur as a result of proceeds earned over and above the market value of gold in a coin plus manufacturing expenses. This is based on the assumption that the Mint is allowed to retain and use these funds. CBO assumes that these funds would not be retained, but would be deposited in the general fund. CBO scores both budget authority and outlay savings.		
U.S. Secret Service	8	7
CBO scores this rescission of funds (both budget authority and outlay savings) in FY 1997; OMB scores the rescission of funds (budget authority savings only) in FY 1996.		
Budget authority rounding difference	-2	---
Technical Outlay Estimating Differences:		
General Services Administration		
Real Property Activities, Federal Buildings Fund	---	270
The differences in outlays are due to different assumptions by OMB and CBO used to project spendout rates on operating programs.		
Other technical outlay estimating differences (net)	---	84
TOTAL, ADJUSTMENTS	18	361
OMB ESTIMATE, GENERAL PURPOSE DISCRETIONARY SPENDING	**11,638**	**11,653**

Table 6. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for Programs Normally Funded Under the Treasury, Postal Service, and General Government Appropriations Bill, FY 1997
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
CBO ESTIMATE, VIOLENT CRIME REDUCTION TRUST FUND	97	83
Miscellaneous outlay differences	---	10
OMB ESTIMATE, VIOLENT CRIME REDUCTION TRUST FUND	97	93

Table 7.
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for All Other Programs
(in millions of dollars)

FY 1996 APPROPRIATIONS

	FY 1996 BA	FY 1996 OL
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	-4	-3
OMB ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	-4	-3

FY 1997 APPROPRIATIONS

	FY 1997 BA	FY 1997 OL
REGULAR EMERGENCY SPENDING		
CBO ESTIMATE, REGULAR EMERGENCY SPENDING	348	139
Miscellaneous outlay differences	---	2
OMB ESTIMATE, REGULAR EMERGENCY SPENDING	348	141
NON-EMERGENCY SPENDING		
CBO ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	-2,247	-2,495
Scorekeeping Adjustments:		
Agriculture Department:		
Food Stamp program	50	50

CBO scoring is net of the impact of a Presidential directive that provided States with waiver authority to extend the certification period for some food stamp households, delaying the effective date of section 510 of Division C. OMB scores the provision slightly higher because the waiver is not included in the OMB baseline.

Table 7. (cont'd)
Estimates Contained in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997, for All Other Programs
(in millions of dollars)

	FY 1997 BA	FY 1997 OL
Justice Department:		
Immigration detention account	-11	-11
OMB assumes that the quarterly drawdown for receipts collected in the fourth quarter of FY 1997 will occur in the first quarter of FY 1998. CBO assumes that the drawdowns occur at the same time as the receipts.		
Small Business Administration:		
Redemption of stock by Specialized Small Business Investment Companies (SBIC)	-3	-3
OMB estimates that $1.4 million of the $4 million in proceeds from the sale of stocks will be available to fund new loans, while CBO estimates that the full $4 million will be available. The difference is due to different SBIC subsidy rates. CBO--using a higher subsidy rate--estimates that SBA's FY 1997 SBIC appropriation will fund a lower loan level than projected by OMB. Therefore, CBO estimates that SBA could use the full $4 million in FY 1997 proceeds without reaching the SBIC authorized loan limit.		
Other technical outlay estimating differences (net)	---	-6
TOTAL, ADJUSTMENTS	36	30
OMB ESTIMATE, TOTAL GENERAL PURPOSE DISCRETIONARY SPENDING	-2,212	-2,467
MEMORANDUM:		
OMB Estimate:		
Bank Insurance Fund (BIF)/Savings Association Insurance Fund (SAIF) Reforms (non-add)	---	-3,199
CBO Estimate:		
Bank Insurance Fund (BIF)/Savings Association Insurance Fund (SAIF) Reforms (non-add)	---	-3,100

Table 8.
ENACTED APPROPRIATIONS AS OF SEPTEMBER 30, 1996
(In millions of dollars)

	FY 1996		FY 1997	
	BA	Outlays	BA	Outlays
GENERAL PURPOSE DISCRETIONARY SPENDING				
General purpose discretionary spending limits	522,119	550,364	525,306	545,558
Amount previously enacted	488,533	536,098	122,310	159,912
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Commerce, Justice, State, Judiciary, and Related Agencies Appropriations Act	---	---	24,828	24,775
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Department of Defense Appropriations Act	-123	---	243,750	241,853
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Foreign Operations Appropriations Act	---	---	12,118	13,124
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Interior and Related Agencies Appropriations Act	---	---	12,738	13,201
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act	---	---	70,985	71,762
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Treasury, Postal Service, and General Government Appropriations Act	-8	---	11,638	11,653
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for All Other Programs	-4	-3	-2,212	-2,467
Total enacted, general purpose discretionary spending	488,398	536,095	496,155	533,813
Appropriations over/under (-) spending limits	-33,721	-14,269	-29,151	-11,745

Table 8. (cont'd)
ENACTED APPROPRIATIONS AS OF SEPTEMBER 30, 1996
(In millions of dollars)

	FY 1996		FY 1997	
	BA	Outlays	BA	Outlays
VIOLENT CRIME REDUCTION TRUST FUND SPENDING				
VCRTF spending limits	4,287	2,334	5,000	3,936
Amount previously enacted	4,086	2,114	---	---
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Commerce, Justice, State, Judiciary, and Related Agencies Appropriations Act	---	---	4,525	3,563
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Department of Defense Appropriations Act	---	---	---	---
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Foreign Operations Appropriations Act	---	---	---	---
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Interior and Related Agencies Appropriations Act	---	---	---	---
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act	---	---	61	41
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for Programs Normally Funded Under the Treasury, Postal Service, and General Government Appropriations Act	---	---	97	93
Amount provided in P.L. 104-208, the Omnibus Consolidated Appropriations Act of 1997 for All Other Programs	---	---	---	---
Total enacted, violent crime reduction trust fund spending	4,086	2,114	4,683	3,697

Appropriations over/under (-) spending limits	-201	-220	-317	-239

Table 8. (cont'd)
ENACTED APPROPRIATIONS AS OF SEPTEMBER 30, 1996
(in millions of dollars)

NOTES

Detail may not add to totals due to rounding.

[1] OMB would estimate outlays upon release of the contingent appropriation.

[2] FY 1996 and FY 1997 limits are the August 20, 1996, *Update Report* limits. The limits include enacted emergency appropriations and released contingent emergency appropriations as of August 20, 1996. The spending limits will change to include additional adjustments permitted by the BEA (i.e., emergency appropriations enacted in FY 1997 appropriations bills as listed in the tables above) when OMB submits its *End-Of-Session Report* in October 1996 and again when OMB submits its *Preview Report* with the FY 1998 Budget.

[3] Amounts previously enacted for FY 1997 (including advance appropriations and outlays from prior-year budget authority) are included in the scoring of each individual FY 1997 appropriations bill.