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

THE DIRECTOR

June 12, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Acting Director

SUBJECT: The FY 1999 Appropriations Process

This is the first in a series of memos that Erskine asked us to send to you on the FY 1999 appropriations process. It reviews the size of the difference between your budget and the House and Senate allocations to their appropriations subcommittees and outlines likely timing of the bills and major issues. We plan to send you updates periodically as significant developments occur.

The Size of the Problem

In the aggregate, the House and Senate subcommittee allocations (attached) are $8.6 billion in budget authority and $11.1 billion in outlays below your request for discretionary programs. We have worked with the Appropriations Committee to resolve CBO/OMB scoring differences, which should bring the outlay gap below the budget authority gap.

- Defense budget authority is at roughly your request and about 1 percent above FY 1998.

- Non-defense budget authority is $8.6 billion (-3.2%) below your gross request and about 1 percent above FY 1998 -- far less than the amount required to finance your most important discretionary priorities.

- The Violent Crime Reduction Trust Fund is funded at the request, about 6 percent above FY 1998.

We have indicated in our letters to the Congress commenting on the bills that the resources available to the subcommittees must be increased (by using offsets) in order to address our policy concerns.

Timing

Despite the failure of the Congress to adopt a budget resolution, both the House and Senate have started marking up the thirteen appropriations bills. The Appropriations Committees appear to be moving some bills quickly, particularly those that contain many Member projects (Defense, Military Construction, and Energy and Water). If they can get agreement on the Member pay issue, they may also try to move the Treasury/Postal bill (with new courthouse spending) and the Legislative Branch bill. The remaining bills contain the majority of your priority programs and are likely to move more slowly (Labor/HHS/Education, Commerce/ Justice/State, VA/HUD, Foreign Operations and perhaps Interior).

One reason that both Houses have begun work on appropriations without a budget resolution is that they are concerned about being able to leave in October having completed necessary business. The House and Senate Leadership have asked us to tell them now what we need in terms of program levels and offsets to reach agreement. The obvious risk is that if we give them our bottom-line positions now -- retreating from your total budget request -- they will accommodate some of our concerns and spend all of our offsets. Moreover, our leverage to negotiate will be greater as we approach the fall and their desire to adjourn increases. We think it is too early in the process to engage in negotiations that will be more fruitful as we move closer to October.

Offsets

Your budget proposed mandatory savings (including tobacco revenues, Superfund extension revenues and VA tobacco savings) to finance discretionary funding above the levels in the bipartisan budget agreement. Those mandatory savings proposals have either not been enacted or, in the case of VA tobacco, been used for the highway bill. We are actively developing additional offset proposals that, combined with the unenacted proposals, will be able to finance a substantial increase above the appropriations allocation.

We are most likely to be successful in enacting new offsets if the Congress wants to finish their bills and adjourn. With regard to the VA/HUD bill (in markup by the full Committee today), the risk is that Democrats (Mikulski) would prefer to settle early rather than risk a continuing resolution, which would not contain their own new initiatives. We will need to work with Daschle, Gephardt, and Obey in particular to preserve issues for later in the year when we stand a better chance of reaching agreement on both offsets and increases for your priorities.

Language Issues

A number of language issues could also slow the appropriations process, such as prohibiting the use of sampling for the 2000 Census, block granting education programs, limits on educational testing, restrictions on the ergonomic rule and other worker protection rules,

needle exchange limitations, parental notification, new abortion issues and various environmental riders.

The House Republican leadership has still not decided how to proceed on funding for the International Monetary Fund and UN arrearages. Those issues will be replayed when the Foreign Operations and Commerce/Justice/State bills are considered.

Bosnia

As the Defense Appropriations bill moves through the process, we will be working with the Congress to fund your $1.9 billion request for the mission in Bosnia. While both the House and Senate bill fund your request for contingency operations in Southwest Asia, they do not fund the Bosnia request. Chairmen Young and Stevens have told Secretary Cohen that they will work with him in conference to provide this funding, but they have also indicated that they are not comfortable with designating the funds as an emergency at this time. Nor are they prepared to fund the request within the Defense levels from the bipartisan budget agreement. The combination of cooperation and deferring the issue appears to be setting the stage for an agreement to provide the Bosnia emergency funding later this year ***and*** for an effort to increase defense funding next year when the firewalls come down.

Year 2000 Computer Problem

In addition to the allocation, both the House and Senate Committees are expected to approve an emergency contingency fund of $3.25 billion for year 2000 computer conversion (Y2K) costs. This was done at the request of Senator Bennett, who heads the Senate Special Committee on Y2K. Chairman Stevens intends to include the $3.25 billion in the Treasury/Postal bill, subject to a Presidential emergency designation. Chairman Livingston also intends to include emergency contingency funding, with $2.25 billion in the Treasury/Postal bill and $1 billion in the Defense bill. You would be given the authority to allocate the funds among the agencies. While we have been generally supportive of this mechanism, we will need to discuss implications for "spending the surplus." We did include a $3.25 billion allowance in your FY 1999 budget for emergencies and other contingencies, such as Bosnia and Y2K, so that we can argue that the outlays that will flow from the Y2K fund are included in our surplus projections.

Summaries by Subcommittee Bills

- **Agriculture.** Our proposed increases for WIC participation, food safety, and FDA will be difficult to accomplish unless the Congress considers proposed food safety and FDA user fees. While it is unlikely that all of our proposals would be accepted, we are checking to see whether some portion of the fees might be more acceptable to the Committees. Our proposal to finance a remedy for USDA's discrimination against black farmers will put additional pressure on the allocation.

- **Commerce/Justice/State.** The allocation provides a $1 billion increase above FY 1998 for Census and D.C. corrections (moved from the D.C. bill), and to restore funding for the local law enforcement block grant, which we proposed to terminate. The Commerce Department is likely to receive large cuts to fund Justice increases, and the subcommittee is likely to try to reduce funding for the Legal Services Corporation.

- **Defense.** The allocation includes a $0.5 billion cut from our request in order to increase the Military Construction allocation. Bosnia funding is the biggest issue in the Defense bill. We expect the committees to approve about $1 billion in unrequested Member projects, financed by inflation savings, ship and other asset sales, and savings from the THAD missile problems.

- **District of Columbia.** The allocation cuts only $10 million from the request, making it possible to fund much of the Administration's $50 million economic development initiative. However, they may instead try to fund school construction, vouchers, or other approaches to economic development.

- **Energy & Water.** The allocation adds about $600-800 million in budget authority for the Army Corps to continue funding for all the unrequested new starts in the FY 1998 appropriations. These increases come at the expense of the Energy Department's solar and renewable energy programs, climate change, Everglades Restoration, and the California Bay-Delta project. (The House subcommittee appears to have included the full $32 million requested in our recent budget amendment for the Army Corps of Engineers' project to deepen the Kill Van Kull (KVK) channel, the main transportation and shipping artery in the Port of New York and New Jersey.)

- **Foreign Operations.** This bill will be very difficult this year. The allocation is $100 million (1%) below FY 1998 and $0.9 billion below the request. Treasury's multi-lateral development banks, the Global Environment Fund, and New Independent States will likely get large cuts from the request. Funding for new policies, such as the Africa initiative, will require adding more resources to the bill.

- **Interior.** Excluding the one-time land acquisition fund provided last year, the FY 1999 allocation is slightly above the FY 1998 level. While this will likely result in modest increases for the National Park Service, it does not leave room for proposed large increases for Energy Conservation or the Bureau of Indian Affairs. We will have to press very hard for new initiatives such as the millennium project. They are also likely to try to reduce requested funding for the arts and humanities endowments.

- **Labor/HHS/Education.** This is likely to be one of the last bills to move. The allocation's $1.8 billion increase over FY 1998 will most likely finance increases for NIH and Special Education. All other programs -- including your education and child care

initiatives -- will likely be frozen or cut unless resources are expanded through mandatory offsets. The committees appear to be intentionally underfunding this bill in order to provide resources for other bills (and make them signable) and to create pressure to approve mandatory and other offsets to provide more resources for this bill later in the process. The House may go so far as to eliminate or substantially reduce LIHEAP and Summer Youth to make room for modest increases in other programs and to build pressure for mandatory offsets. We also expect numerous objectionable language provisions.

- **Legislative Branch.** The allocation provides less than a 2 percent increase for this bill over FY 1998.

- **Military Construction.** While the allocation overall is a $700 - 900 million cut from FY 1998, it is also a $500- $700 million ***increase*** over the request for special projects.

- **Transportation.** The current House allocation will force steep cuts from the request for FAA, the Coast Guard, and AMTRAK. We expect that additional funds will be provided later in the process to avoid these cuts.

- **Treasury, General Government.** The $300-500 million increase in the allocation over FY 1998 will likely fund new courthouse construction. It is unlikely that the Congress will fund our proposal to add $550 million (7 percent) for IRS (IRS systems modernization will take most of the cut). There will be pressure to draw from the Y2K emergency contingency account to meet this very real need, but if that account is depleted to meet base government requirements, we will not have the resources to deal with Y2K needs as they develop. The House subcommittee funded our request for the White House, but fenced off $600,000 for the Executive Residence until GAO completes a report on the cost of overnight stays at the White House.

- **VA/HUD.** Programs most likely to be cut in this bill include Superfund, climate change, housing vouchers, CDFI, and America Reads. We expect the House to try again to terminate National Service.

Attachment

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WASHINGTON, D.C. 20503

THE DIRECTOR

July 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Acting Director

SUBJECT: Appropriations Update

The appropriations season is now in full swing. As expected, we have serious objections to House and Senate action based on aggregate inadequate funding levels, specific cuts in important priority programs and numerous legislative riders, particularly on environmental issues. There are six bills ready for Senate floor action this week and we expect action on VA/HUD, Legislative Branch, and perhaps Defense and Interior. The House will not return until July 14.

Priorities

We are working with the NEC and the other White House policy councils to develop a list of funding priorities to guide the appropriations negotiations in September. As we narrow the list and develop our negotiations strategy, we will send it to you for your approval.

Offsets

The appropriations committee's allocations to their 13 subcommittees are, in aggregate, $8 billion lower than the levels requested in your 1999 budget. We are currently reviewing options for offsets to finance $3-5 billion of this difference. However, if the Congress does not approve an emergency designation for the $3.25 billion year 2000 computer conversion fund, we will need additional offsets to cover those costs. We plan to send you a memo outlining potential offsets in the next few weeks.

Summary of Veto Threats

The House and Senate have started consideration of ten of the thirteen appropriations bills. While we expect that many problems in the current bills will be solved in conference, we have indicated that we would recommend you veto five of the ten bills if they come to you in their current form. A summary of the objectionable issues that resulted in the veto threats follow:

- **Labor/HHS/Ed (House bill).** Your senior advisors would likely recommend you veto this bill if it comes to you in its current form -- with no funding for America Reads, Youth Opportunities, Education Opportunity Zones, High Hopes College Partnership, Summer Youth and Low Income Home Energy Assistance; deep cuts below FY 1998 in Goals 2000 and School-to-Work; cuts below the request in Head Start, child care, education technology and Title I Education for the Disadvantaged; and numerous riders such as blocking educational testing, limiting participation of students in bilingual education to two years, banning all needle exchange programs and blocking the HHS organ donation rule.

- **Defense (House bill).** Your senior advisers recommended veto due to a provision that could be interpreted to restrict your exercise of constitutional authority by requiring prior congressional authorization of offensive military operations.

- **Interior (House bill).** Your senior advisers recommended veto due to the failure to fund the National Endowment for the Arts (later restored by the full Committee); under-funding of Energy Conservation, Everglades restoration and the millennium project; and the inclusion of damaging riders, such as the provisions concerning the Interior Columbia Basin Ecosystem Management Project and the road easement in Alaska's Chugach National Forest.

  Interior (Senate bill). The Secretaries of Interior, Agriculture and Energy recommend veto due to inadequate funding for priority programs and unacceptable language riders such as mandated timber sales in the Tongass.

- **VA/HUD (House bill).** Your senior advisers recommend veto due to the termination of National Service, cuts in funding for Superfund and climate change, and the inclusion of restrictive language regarding the Kyoto Protocol.

- **Commerce/Justice/State (House bill).** We expect that your senior advisers will recommend veto over a 50 percent cut in the Legal Services Corporation and a restriction on decennial census funding.

Brief Bill Summaries

Below are brief summaries of action thus far on each of the bills. Please let us know if you would like to know the status of specific programs not mentioned below.

Agriculture. To stay within their allocations and at the same time keep 1999 funding for discretionary programs at roughly 1998 levels, both the House and Senate bills include reductions in mandatory programs (for example, both bills terminate the Fund for Rural America). Both bills freeze WIC funding at the 1998 level, which would reduce by 100,000 our proposed participation level of 7.5 million individuals. The $101 million Food Safety Initiative

in your budget receives only $3 million in the Senate and only $16 million in the House. The smaller pieces of your environmental program ($30 million) in these bills are not funded.

Both bills include a provision that would waive USDA programs from being included in any economic sanctions against India and Pakistan. The House bill waives the statute of limitations for individuals who have previously filed a discrimination claim against USDA farm loans. The Senate is expected to build on the House provision by also waiving the statute of limitations for USDA housing loans. The House also approved (by a vote of 223-202) a Coburn amendment prohibiting FDA from testing or approving any drug for the chemical inducement of abortion (e.g., RU-486).

The bill passed the House last Wednesday, June 24, by a vote of 378-48, and will be taken up on the Senate floor during July.

Commerce, Justice, State. We have full information on the Senate Committee bill, but only preliminary information on the House Subcommittee bill. Both bills are about $1 billion below our request overall, but also about $2 billion more than 1998. The Senate bill funds the decennial census at the request level; the House provides more funds than requested (to support a non-sampling census) and a provision that limits spending for the decennial census after March 31, 1999, and requires the President to request release of the remaining funds. The House provision violates the agreement we reached with the Congress last fall, which assumed that the entire bill (rather than just decennial census funding) would be funded through March of 1999. Both bills cut below the requested levels for high-priority technology programs in the Commerce Department.

In the Justice Department, many initiatives are underfunded (e.g., the drug testing initiative receives no funding) because both Houses finance the $500 million Local Law Enforcement Block Grant, which was terminated in your budget. However, both bills provide the requested $1.4 billion for the 100,000 officers component of COPS.

In the State Department, we had requested a large (+$240 million) increase to improve security at U.S. missions overseas. The House did not fund any of the increase; the Senate funded about half of the increase but earmarked $100 million for unrequested employee housing construction projects. In both bills, Embassy construction requests for Beijing and Berlin receive only design funding -- $25 million of the $250 million we had requested, based on the assumption that construction cannot begin during FY 1999.

The House bill cuts funding for the Legal Services Corporation in half, and the Senate funds the LSC at $300 million, $17 million above the 1998 level. Your budget requested $340 million.

The House full Committee is scheduled to mark up their bill on July 15, and the Senate is expected to take up their bill on the floor during July.

Defense. Aggregate funding levels in both the House and Senate bills are slightly below your request. Neither the House nor Senate versions include your $1.9 billion emergency request for Bosnia operations. The Bosnia request will likely be considered either in conference or in a Spring supplemental and may be resolved in the context of negotiations on whether emergencies have to be paid for (i.e., year 2000) and the defense topline. Both bills approve about $700 million for unrequested Member procurement projects, financed with inflation savings, asset sales, and other offsets.

Based on House- and Senate-passed versions of the National Security Authorization bill, the appropriations bills are expected to finance a 3.6 percent January 1999 pay raise for the military, 0.5 percent over our request.

The House passed their version of the Defense bill on June 24 by a vote of 358-61; the Senate is expected to take their bill up on the floor during the week of July 6.

District of Columbia. The Congress has not yet acted on this bill. Subcommittee mark-up in the House is scheduled for July 23 and in the Senate for July 14.

Energy and Water. The House- and Senate-passed bills fund many Energy programs below the request (particularly in solar and renewable energy) in order to provide funding for the Army Corps of Engineers at 24 percent and 18 percent above the request, respectively. However, the Senate fully-funded DOE's nuclear weapons activities at $4.5 billion, which will allow DOE to maintain the safety and reliability of the nuclear stockpile without nuclear testing. The House provides only $4.1 billion for these activities.

The House passed their Energy and Water bill on June 22 by a vote of 405-4, and the Senate passed their bill on June 18 by a vote on 98-1. The conference has not been scheduled.

Foreign Operations. The Congress has not yet acted on this bill. Subcommittee mark-up is scheduled in the House for July 15 and in the Senate for July 14. The House and Senate 302(b) allocations are $0.2 billion below 1998 and $1 billion below your request for these activities.

Interior. Both the House and Senate committee bills are $600 million (-4%) below the request and $300 million below 1998 levels. The House bill does not fund the $50 million requested for the Millennium Initiative; the Senate bill provides $10 million. Both bills underfund other priority activities in land acquisition, Endangered Species Act, Bureau of Indian Affairs initiatives, and Everglades relative to the request. Funding for climate change is cut sharply relative to the request. Both bills provide more than the request for the Indian Health Service. For the National Arts Endowment, the Senate provides $100 million and the House committee provides $98 million, the 1998 level (the request was $136 million). The House will consider an amendment to strike NEA funding. Both bills contain several highly objectionable

environmental riders (e.g., restricting Tongass Forest management and closing the Columbia River Basin project).

Floor action on the Senate bill is expected during the week of July 6 and in the House on July 16.

Labor, HHS, Education. Only the House Subcommittee has acted on this bill thus far, and the bill and report have not yet been released.

In Education, the Subcommittee mark contains the expected large and targeted cuts to your program. The mark provides no funding for America Reads, Education Opportunity Zones, High Hopes, and Teacher Recruitment. Relative to 1998, Goals 2000 is cut roughly in half. Education Technology and Safe and Drug Free Schools receive large cuts. Budget authority for Pell Grants is increased above the request, but we understand that the Subcommittee is "parking" funds here that they plan to allocate elsewhere later in the process. The Subcommittee fully funds the request for Charter Schools. With regard to language provisions, the bill includes a ban on national education tests unless specifically authorized.

In Health and Human Services, the Subcommittee provided more than the request for Ryan White AIDS treatment programs, the National Institutes of Health, and the Substance Abuse Block Grant. The Subcommittee straightlined funding for Family Planning at 1998 levels, provided a smaller increase than requested for Head Start, and did not provide any of the $265 million requested in the form of HCFA user fees (although the Subcommittee did fund the HCFA administrative activities that we requested to be financed with the fees, thereby shorting your priorities by $265 million). Of the $655 million requested for the discretionary portion of the Child Care Initiative, the Subcommittee provided $165 million (all in Head Start and Community Learning Centers).

In Labor, the Subcommittee did not provide any funding for Youth Opportunities or Summer Youth.

The Subcommittee did not fund the $50 million requested for the Corporation for Public Broadcasting to help public broadcasters convert to digital technology. The Subcommittee also provided slightly less for National Service (the portion funded in this bill) than the 1998 level, and funded the full amount requested for Social Security Administration continuing disability reviews. The Subcommittee bill also includes numerous objectionable riders, including provisions blocking educational testing, limiting participation of students in bilingual education to two years, and banning all needle exchange programs.

House full Committee mark-up is scheduled for July 14, and Senate action has not yet been scheduled due to Senator Specter's hospitalization.

Legislative Branch. Both bills provide a 2 percent increase over 1998. The House version contains a $7.9 million reserve fund to be allocated by the Republican leadership for existing or special committees. The House passed the bill by a vote of 235-179 and the Senate is expected to take it up this week.

Military Construction. The House and Senate passed their bills on June 22 and June 25, respectively. Both bills contain more funding than was requested. Both bills fully fund the $1.7 billion Base Realignment and Closure request. The House-passed bill contains 90 specific unrequested construction projects and nine unrequested world-wide program increases. Thirty-three of these projects were not funded in the Future Years Defense Plan (FYDP). The Senate bill contains 104 unrequested projects and 15 other program increases, 16 of which are not in the FYDP. Conference action has not yet been scheduled.

Transportation. The Congress has not yet acted on this bill. Subcommittee mark-up in the House is scheduled for July 14 and in the Senate for later this week.

Treasury, Postal. The only action to date on this bill has been in the House full Committee. The Committee bill funds the Treasury at about $600 million below the request, with most of the cuts coming in IRS computer modernization. The bill includes a $2.25 billion emergency contingency fund for year 2000 computer conversion activities (although the Committee assumes that nearly $400 million of the fund will be used for programs funded by this bill). However, the Republican leadership has decided to strike this fund when the bill comes to the floor.

The Committee bill fully funds the request for White House Offices. However, the bill contains a provision that fences off $600,000 of Executive Residence funds until GAO submits a report on the costs of using the residence for overnight stays.

The Committee bill includes $500 million in the General Services Administration for the construction of 15 unrequested courthouses (the largest projects are in Brooklyn, Savannah, Jacksonville, and Denver).

On June 25, the House defeated the resolution to adopt the rule for Floor consideration of the bill by a vote of 125-291. The rule would have eliminated the $2.25 billion year 2000 computer conversion emergency contingency funding and would have protected the Lowey FEHBP contraceptives provision, which the Administration supported. (We also urged Congress to allow OPM to waive the requirement to cover contraceptives for plans sponsored by organizations whose religious beliefs do not support artificial contraception.) The House may again try to pass a rule for consideration of the Subcommittee bill, or consider the bill on the House floor without a rule, which would result in the Lowey contraceptives provision being struck, as well as the year 2000 computer fund.

VA, HUD, Independent Agencies. Both the House and Senate Committees have reported their bills and are awaiting floor action. As discussed above, the Administration has indicated that we would recommend that you veto this bill if it includes several objectionable House provisions, including termination of National Service, restrictions on the Kyoto Protocol, and funding cuts for climate change and Superfund. Of these provisions, the Senate bill includes only the Superfund reduction.

Both the House and Senate bills contain more funding for VA than was requested, particularly in construction projects. Most existing HUD programs are funded at or above the request (e.g., CDBG, public housing, HOME block grants), although many of the initiatives are funded at low levels (e.g., welfare-to-work housing vouchers and the fair housing initiative). The largest cuts in EPA are due in both bills to rejection of the request for an additional $600 million in the Superfund program and cuts in climate change.

In the Senate bill, National Service funding is frozen at the 1998 level; it is zeroed out in the House. Community Development Financial Institutions are cut in the Senate bill below the 1998 level and in the House are frozen at the 1998 level -- both are far below the request. NASA funding is about 1 percent above the request in the Senate and 1 percent below the request in the House. The Senate funds the NSF at 4 percent ($130 million) below the request; the House level is nearly at the request level of $3.6 billion.

The House Committee bill raises the FHA mortgage limit to $197,000 (87 percent of the conforming limit) to produce savings of $80 million. This loan limit increase is identical to the increase in the Senate Committee bill. The loan limit provision is important because it sets a 1999 precedent for using mandatory offsets to finance appropriations bills.

We anticipate House floor action on this bill on July 16, and Senate floor action the week of July 6.

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THE DIRECTOR

August 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Director

SUBJECT: Appropriations Update

While it has been a busy month for appropriations actions, none of the thirteen bills will be presented to you prior to or during the August recess. Congress has left itself much to do when it returns, and many of the bills pose serious concerns. We have made veto threats for seven of the thirteen appropriations bills (including seven of the House versions of the bills and three of the Senate versions).

Of the thirteen bills, the House has passed eleven, the Senate has passed eight. Only one bill, Military Construction, has had conference action. The House approved the conference report, and the Senate is expected to take it up when they return on September 1. The House and Senate have passed seven other bills, and conference action is expected in September. These bills include: Agriculture/Rural Development, Commerce/Justice/State, Energy/Water Development, Defense, Legislative Branch, Transportation, and VA/HUD/Independent Agencies. Finally, the House has passed three additional bills (Interior, Treasury/Postal, and the District of Columbia).

Overall discretionary spending is $9 billion below your request. In addition, most of the bills have objectionable language provisions attached to them. These provisions include such issues as environmental riders, a ban on census sampling, a ban on national education testing, and a provision that would require congressional approval before the President can initiate offensive military operations. Of the thirteen bills, your senior advisers have recommended that you veto seven due to inadequate funding or objectionable language. Our strategy is to resolve the bills with less significant problems shortly after Congress returns in September. There are between five to six bills that we believe fit into this category.

We expect the remaining six to seven bills to be consolidated into an omnibus appropriations bill at the end of the session. We plan to work with the Congress to identify offsets to finance some of the initiatives in the Budget. In addition, we will need to get agreement with the leadership on emergency funding. The Senate has approved over $5.6 billion of emergency funding for programs that we support (Y2K, Bosnia, and agriculture disaster funding). The House has not approved any of this funding.

Summary of Veto Threats and Bills Likely to Be Completed in Omnibus Appropriations Bill:

Seven bills currently have veto threats attached to either the House or Senate versions of the bills or possible pending amendments.

Commerce/Justice/State. The Senate passed the bill overwhelmingly (99-0), while the House bill passed by narrow margin (225-203). Both bills are about $1 billion below your request, although they are about $2 billion (+6%) more than the 1998 enacted level. The Legal Services Corporation (LSC) is funded at $250 million in the House, $90 million below the request, and $300 million in the Senate, $40 million below request. In addition, inadequate funding is provided for Small Business Administration, the Equal Employment Opportunity Commission, and technology investments. The House bill includes objectionable language on the decennial census that would limit spending for the census after March 31, 1999 and require that you request the release of the necessary additional funds.

- Your senior advisors recommend veto of the House version of the bill due to inadequate funding of priority programs and objectionable Census language provisions.

Defense. Both the House and Senate passed Defense appropriation bills by large margins. Aggregate funding levels in both the House and Senate Committee bills are slightly below your request. The House version does not include your $1.9 billion emergency request for Bosnia. The Senate includes the emergency Bosnia funding, but Chairman Stevens may insist that we agree to increase overall Defense spending in return for getting conference approval of the Bosnia funding. The House bill contains Representative Skaggs' language that prohibits offensive military operations unless approved in advance by Congress.

- Your senior advisors recommend veto on the House bill due to the Skaggs' amendment.

Foreign Operations. Both the House and the Senate bills provide $12.8 billion for all programs excluding the IMF, $1.2 billion below the request, and $.4 billion below FY 1998. The House bill includes only $3.4 billion for the IMF, while the Senate bill provides the full $17.9 billion. The Newly Independent States (NIS) program is funded at $590 million in the House bill, $332 million below your request. The Senate bill provides $740 million. The House Subcommittee marked up the bill July 15. House Full Committee mark-up was delayed pending resolution of disputes within the majority leadership about IMF funding.

- Your senior advisors will recommend veto due to inadequate funding for IMF (House), NIS (House and Senate), and the Global Environmental Facility (House and Senate), and a number of objectionable language provisions. (Neither threat has been released publicly.)

Interior. Both the House and Senate bills provide funding that is about $600 million below your request. Funding is not provided for the Millennium Initiative in the House bill, and the Senate bill provides $13 million of the $50 million requested. Funding for the National Endowment for

the Arts in the House and Senate bills is at roughly the FY 1998 level, although it is below your request. Funding for Energy Conservation is significantly below your request and slightly above FY 1998 enacted. Both the House and Senate bills include numerous objectionable environmental riders. The House passed this bill, and the Senate Full Committee reported the bill in late June.

- Your senior advisors recommend veto of both the House and Senate bills due to inadequate funding of priority programs, including Climate Change, and the environmental riders.

Labor/HHS/Education. The total funding level provided by the House Committee was $1.2 billion above the FY 1998 enacted level, but $2.7 billion below your Budget request. The Child Care Initiative, funded at $655 million in your request, would receive only $165 million. For Education programs, the House provided full funding (at your request level) for the Charter Schools program, but did not provide funding for the Education Opportunity Zones, Teacher Recruitment, and the High Hopes programs. A few Health programs, including the Ryan White AIDS Treatment Grants, the National Institutes of Health, and the Substance Abuse Block Grant, are funded at levels above the request. Job training programs are underfunded, including no funding for Summer Youth and Youth Opportunities. The Low Income Home Energy Assistance Program (LIHEAP) is terminated. Civil Rights programs for Education and Labor are also cut.

The House bill also includes objectionable language riders on national testing, abortion, needle exchanges, family planning, and the Teamsters election.

House Floor action was postponed until September when the majority leadership could not find the votes to pass their bill. Republican moderates are seeking more funding for LIHEAP and Summer Youth, and less restrictive family planning language (no parental notification requirement). Senate action is expected in September.

- Labor/HHS/Education. The House bill has a Presidential veto threat due to very serious funding and language issues.

VA/HUD/Independent Agencies. The Senate passed VA/HUD by voice vote. The House passed the bill (259-164). The House bill terminates National Service, while the Senate bill funds it at the FY 1998 level. Both the House and the Senate provide funding above your request for the Veterans Administration, including medical care, medical research, and construction programs. Funding at or above the requested level is also provided the Community Development Block Grant program, HOPE VI, and Indian Housing, but there are deep cuts in housing vouchers and cuts in housing programs and for AIDS victims. For EPA, both the House and Senate provided funding below the requested level for EPA's operating program, Superfund, the Climate Change Technology Initiative, and Boston Harbor. Both bills include objectionable language provisions, including a prohibition on Kyoto Protocol Implementation.

- Your senior advisors recommend veto of the House bill due to under funding of key priorities and problematic language.

District of Columbia. Both the House-passed and Senate committee bills provide a funding level close to that requested in your Budget. The House and Senate provided funding at the requested level for the D.C. Corrections Trustee and prison construction. The House did not provide any of the $75 million request for economic development and management reforms of the District. Both the House and the Senate substitute infrastructure spending for our request to capitalize the locally chartered National Capital Revitalization Corporation. The Senate also provided our $25 million request for management reforms. Both the House and Senate provide funding that can be used for the Metro station improvements associated with the new Convention Center. The House bill includes three objectionable provisions, which would provide for the use of private school vouchers in D.C, prohibit adoption by couples not married or related by blood, and prohibit Federal and local funding of needle exchange programs.

- Your senior advisors would recommend veto over the three House language provisions.

Summary of Bills We Expect To Be Resolved:

Because of their desire to make progress on some appropriations bills and to resolve as much as possible outside of the omnibus appropriations bill, we believe that Congress will pass bills that address remaining concerns in the following bills in such a way that they can be passed by both houses and signed by you. We have extended overtures to both the appropriators and the leadership to try and work together to resolve issues in these bills.

Agriculture. Both the House and Senate have completed action on the bill. Conference action was delayed due to concerns by the Ways and Means Committee over a provision in the Senate bill that authorized an assessment on tobacco companies to pay for increases in the food safety program and the House Agriculture authorizing committee regarding the emergency funding included in the Senate bill to help farmers affected by natural disasters and low prices. The House bill includes an objectionable provision that would prohibit FDA from using funds for the testing, development or approval of an drug for the chemical inducement of abortion. Both the House and Senate bills reduce funding from your requested levels for the Women, Infants, and Children program, USDA's and FDA's food safety programs, the tobacco initiative, and USDA's Clean Water Activities.

Energy and Water. Both the House and Senate passed bills in mid-June. Conference action was delayed when the House insisted that no funding be provided for TVA non-power programs or for Chairman Steven's new $20 million Denali economic development commission. The House and Senate bills fund many Energy and Interior programs below the request in order to provide funding for the Army Corps of Engineers at 24 percent and 18 percent above the request, respectively. Solar and renewable energy and other climate change programs are frozen at FY 1998 levels in the House bill, far below our request.

Legislative Branch. The House and Senate passed bills include slight increases over FY 1998

(1.4 percent and 3 percent, respectively). The Senate bill includes funding for the establishment of a Trade Deficit Review Commission.

Military Construction. The Conference report totals $8.44 billion, $31 million below the Senate bill, $216 million more than the House bill, $666 million above the request, but $740 million below FY 1998. Both Military Construction and Family Housing are funded at levels greater than you requested. The Conference Report funds 132 unrequested projects, 36 of which are not in the Future Years Defense Program. The House passed the Conference Report 417-1, and the Senate is expected to pass it in early September.

Transportation. The House and the Senate bills provide for increases over the FY 1998 level for transportation programs, with the House slightly below your request and the Senate level slightly higher. Both the House and Senate provide less funding than requested for Amtrak, the Federal Aviation Administration, the Coast Guard, and the Office of the Secretary. Both bills provide higher than requested funding for the Federal Highway Administration and Federal Transit Administration.

Both the House and the Senate passed their bills by wide margins, 391-25 and 90-1, respectively.

Treasury/General Government. The House passed the bill, 218-203. The open rule under which House Floor consideration occurred allowed a number of provisions to be struck on a point of order, including the $2.25 billion Y2K emergency contingency fund, the FEC term limits for certain officials, and the language authorizing a 3.1 percent pay raise for Federal employees. Both the House and the Senate provide amounts less than requested for the IRS with most of the cuts from the IRS computer modernization activities. $527 million is provided in the House bill and $508 million is provided in the Senate bill for funding for unrequested Federal courthouses

The Senate full committee reported a bill that includes a provision to provide the 3.6 percent pay raise for Federal employees and a $3.25 billion Y2K emergency contingency fund. In an effort to convince the House to go along with this approach, we are considering a request to send up a budget amendment that would fund Y2K expenses consistent with the allowance for such funding included in your February budget.

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

THE DIRECTOR

August 26, 1998

NOTE FOR THE CHIEF OF STAFF

FROM: Jack Lew

SUBJECT: FY 1999 Appropriations Negotiations

To help you prepare for the Thursday appropriations meeting, I am providing you with the attached list of appropriations priority issues within each of the appropriations bills. Although I will distribute the attached lists at the Thursday meeting, I am not circulating this memo because some of the issues discussed (particularly the discussion about offsets) have only been shared with a small group of people.

As we have discussed, it is critical that Congress approve our emergency designations for certain funding requests. Pending emergency funding requests include $3.25 billion for the year 2000 computer conversion fund, $1.9 billion for Bosnia, and $500 million for agriculture disaster funding. In addition, I expect additional emergency funding requests for anti-terrorism activities, increased White House personnel protection following the embassy bombings, and to alleviate DOD problems in the aftermath of the South Korean floods. Attached is a summary of likely emergency funding levels that total $6.75 billion at the present time. Of this amount, roughly $3.25 billion will be defense emergency funding and $3.5 billion will be non-defense. None would be offset.

To provide additional resources for domestic spending and address the defense concerns, we will need to provide offsets. As you know, the entire list of offsets which we think are plausible totals $5-6 billion. If we save the spectrum offset for defense, we are left with a maximum of $4-5 billion in other offsets. I am using $3-3.5 billion in offsets to fund non-defense discretionary increases as a planning range at this point. Since the DC pension offset is the lion's share of our offset resources, I think we need a position that would permit us to win without 100 percent reliance on this item. We also are in a stronger position if we are able to propose offsets in excess of our requirements.

The exact level of funding needed for each line item is difficult to estimate because we do not have conference action on many of the bills and the Senate has not acted on the Labor/HHS bill at all. Despite these complications, I believe that within the limits of $3.5 billion in offsets we could substantially address many of our priorities:

- Commerce/Justice/State: $250-300 million should allow us to bring funding for the

Legal Services Corporation, environmental and technology initiatives, and many of DOJ and State Department outstanding concerns.

- Interior: $100-130 million in additional resources should allow us to address many of our outstanding funding concerns relating to the Millennium Initiative, environmental initiatives, and Bureau of Indian Affairs initiatives.

- Labor/HHS: Between $1.5-1.7 billion should allow us to provide increased funding for most of our existing education, labor, and health initiatives, while also protecting many of our new initiatives such as America Reads, High Hopes, Chem/Bio, and Youth Opportunities. However, this assumes that the Senate will provide acceptable funding levels for LIHEAP and Summer Jobs, and that the differences between the House and Senate on these two programs will be worked out to our advantage during conference.

- Transportation: An additional $125-175 million in Transportation would allow us to provide increased funding for FAA and DOT's Access to Jobs program.

- Treasury/Postal: $50-$100 million over current Congressional marks would allow us to increase funding for priority Treasury programs like the IRS and Customs modernizations, as well as provide more funding for ONDCP's Youth Anti-Drug Media Campaign.

- VA/HUD: An additional $500-$600 million would allow us to increase funding for National Service, HUD programs like Welfare-to-Work vouchers and Fair Housing, and Superfund.

- Foreign Operations: An additional $500-600 million would allow us to improve the topline for the Foreign Operations bill. We are still working with the foreign affairs community to identify priorities and it is likely that this group will think that we are short-changing international priorities. Increases beyond this level will be very difficult to achieve. These additional resources, in combination with victories on IMF and the emergency supplemental would be a big win.

On the detailed attachment, issues are sorted into tiers, with the issues "above the line" being issues that we would fight strenuously over (with the exception of Labor/HHS, which is sorted by priority within each of the three agencies in that bill, and Foreign Operations which is not sorted in priority order). Also attached is a similar priority listing of important language issues in each bill.

ATTACHMENTS

1999 Emergency Designation Requests
(in millions of dollars)

	Defense	Non-Defense
Y2K	1,000	2,250
Bosnia	1,900	0
Agriculture	0	500
Terrorism	200	750
South Korean Floods	150	0
Total	**3,250**	**3,500**

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FY 1999 Appropriations Bills: Fund sues
(OMB scoring, budget authority in millions ars)

Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Senate less FY 1999 Proposed	Avg. H/S less FY 1999 Proposed
COMMERCE/JUSTICE/STATE:								
Legal Services Corporation	283	340	250	300	275	-90	-40	-65
COMMERCE: NOAA -- Environmental Programs (Includes GLOBE and High-Performance Computing, Excludes Clean Water)	18	18	9	17	13	-9	-1	-5
COMMERCE: NOAA: Clean Water	5	22	12	19	16	-10	-3	-7
COMMERCE: NIST: Climate Change Tech. Init.	—	7	—	—	—	-7	-7	-7
COMMERCE: NOAA: Weather Satellites	333	515	435	460	448	-80	-55	-68
NOTE: AT $475 M, 1999 contract obligations could be fulfilled for NOAA weather satellites. However, some activities would be deferred to 2000. Sums lower than $475 M would trigger contract violations.								
COMMERCE: NIST: Advanced Technology Program (ATP)	193	260	180	193	187	-80	-67	-74
NOTE: "Proposed Final Level" represents Senate authorized level.								
SBA: Salaries and Expenses	254	281	247	265	256	-34	-16	-25
SBA: Disaster Loans	173	166	216	94	155	50	-72	-11
EEOC	242	279	261	254	258	-18	-25	-22
STATE: Contributions to International Organizations	941	931	915	877	896	-16	-54	-35
STATE: Contributions to International Peacekeeping	256	231	220	210	215	-11	-21	-16
USIA: International Information Programs	452	462	457	427	442	-5	-35	-20
USIA: International Broadcasting Operations	387	389	384	355	370	-5	-34	-20
DOJ: Chem/Bio Weapons	—	171	127	176	152	-44	5	-20
DOJ: Critical Infrastructure	—	37	—	20	10	-37	-17	-27
NOTE: Senate would provide add1 $8 M from DOJ Working Capital Fund.								
DOJ: General Legal Activities	452	486	470	486	478	-16	—	-8
NOTE: Senate action includes $63 M for Winstar from General Legal base resources. For Proposed Final Level - either increase $486 M by $63 M for Winstar litigation or enact mandatory spending for Winstar from FRF.								
DOJ: Indian Country Law Enforcement Initiative	—	157	30	144	87	-127	-13	-70
NOTE: The Interior component of this initiative is displayed under the Interior bill.								
DOJ: At-Risk Children's Grants	—	95	—	95	48	-95	—	-48
DOJ: INS Operating Program	2,345	2,723	2,568	2,373	2,471	-155	-350	-253
STATE: Security and Maintenance of Overseas Missions	398	641	396	550	473	-245	-91	-168
STATE: CIO Arrearages	100	475	475	475	475	—	—	—
COMMERCE: 2000 Census	390	849	956	847	902	107	-2	53
COMMERCE: Census Appropriation (Excludes 2000 Census)	303	340	296	295	296	-44	-45	-45

FY 1999 Appropriations Bills: Fund' sues
(OMB scoring, budget authority in millions' rs)

Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Senate less FY 1999 Proposed	Avg. H/S less FY 1999 Proposed
COMMERCE: Nat'l Info. Infrastructure Grants Program (TIIAP)	20	22	16	20	18	-6	-2	-4
COMMERCE: Economic Development Administration (EDA)	361	398	393	303	348	-5	-95	-50
DOJ: Narrowband Communications Account	23	86	—	—	—	-86	-86	-86
DOJ: Drug Testing Initiative and Intervention	—	85	—	—	—	-85	-85	-85
Y2K Funding/ Securities and Exchange Commission (SEC)	317	341	324	341	333	-17	—	-9
INTERIOR:								
DOI: Millennium Initiative	—	50	—	13	7	-50	-37	-44
DOI: Clean Water Action Plan (DOI/FS)	538	666	578	578	578	-88	-88	-88
DOI: Everglades Restoration (DOI only)	136	144	83	106	95	-61	-38	-50
DOI: Bureau of Indian Affairs (BIA) Initiatives	594	687	620	607	614	-67	-80	-74
DOI: Disaster Information Network (DIN)	—	15	—	—	—	-15	-15	-15
HHS: IHS: Race and Health Initiative	—	10	—	—	—	-10	-10	-10
DOE: CCTI (Includes Energy Efficiency and Conservation, Fossil Energy and Energy Information Administration)	457	651	472	493	483	-179	-158	-169
Smithsonian	402	420	397	405	401	-23	-15	-19
DOI: Land and Water Conservation Fund (DOI/FS)	969	270	139	233	186	-131	-37	-84
NOTE: FY 1998 includes $699 M for priority Federal land acquisition.								
DOI: Endangered Species Act (DOI only)	77	113	86	84	85	-27	-29	-28
DOI: National Park Service - Program Operation	1,248	1,321	1,333	1,288	1,311	12	-33	-11
USDA: Forest Service: CCTI	—	3	—	—	—	-3	-3	-3
USDA: FS: Stewardship Incentives and Forest Legacy Progs	11	15	2	12	7	-13	-3	-8
IHS Health Care Construction Funding Level	14	39	41	14	28	2	-25	-12
NEA	98	136	98	100	99	-38	-36	-37
LABOR/HHS/EDUCATION:								
Education -- Existing Programs:								
ED: Title I -- Education for the Disadvantaged (Grants to LEAs)	7,375	7,767	7,375			-392		
ED: Child Care Init. - After Schl. Prog. (21st Cty. Comm. Learn'g Ctrs	40	200	60			-140		
ED: Goals 2000	491	501	246			-255		
ED: National Tests	19	15	—			-15		
ED: Education Technology	584	721	541			-180		
ED: Obey Comp. Schl. Reform - in Title I (Also Hisp. Init.)	120	150	120			-30		
ED: Hispanic Ed. Init. -- Bilingual Education	354	387	354			-33		
ED: Adult Education (Also Hisp. Init.)	381	394	378			-16		

FY 1999 Appropriations Bills: Fundi ues
(OMB scoring, budget authority in millions s)

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Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Difference: Senate less FY 1999 Proposed	Difference: Avg. H/S less FY 1999 Proposed
ED: School-to-Work	200	125	75			-50		
ED: Civil Rights	62	68	62			-6		
ED: Pell Grants	7,345	7,594	7,795			201		
NOTE: House "parked" $384 M in BA (for a total appropriation of $8,179 M. The "parked" funding is not required to fund Pell policy.								
ED: Obey Comprehensive School Reform (non-Title I)	25	25	25			—		
ED: Hispanic Ed. Init. – Migrant Educ. (Incls. Child Lab. Init.)	305	355	355			—		
ED: TRIO (Also Hisp. Init.)	530	583	600			17		
ED: Charter Schools	80	100	100			—		
ED: Work Study	830	900	850			-50		
ED: Title III HBCUs	118	135	130			-5		
ED: Safe and Drug Free Schools	556	606	556			-50		
ED: Perkins Loans	135	60	—			-60		
ED: Hispanic Ed. Init. – Title III Hispanic Serving Institutions	12	28	16			-12		
Education – New Programs:								
ED: America Reads	—	260	—			-260		
ED: Education Initiatives – High Hopes	—	140	—			-140		
ED: Education Initiatives – Teacher Recruitment and Prep	—	67	—			-67		
ED: Learning Anytime, Anywhere	—	30	—			-30		
ED: Education Initiatives – Education Opportunity Zones	—	200	—			-200		
Labor – Existing Programs:								
DOL: Summer Jobs	871	871	—			-871		
DOL: Dislocated Workers	1,351	1,451	1,351			-100		
DOL: School-to-Work	200	125	75			-50		
DOL: Labor Law Enforcement (OSHA)	338	355	337			-18		
DOL: Labor Law Enforcement (Excluding OSHA)	589	616	602			-14		
DOL: Adult Training Program	955	1,000	955			-45		
DOL: Office of Federal Contract Compliance Prog (OFCCP)	62	68	65			-3		
Labor – New Programs:								
DOL: Youth Opportunities	—	250	—			-250		
DOL: Child Labor (funds also requested in Customs)	3	39	9			-30		
DOL: Child Care Initiative: Child Care Apprenticeship	—	5	—			-5		
UI Integrity	—	91	—			-91		

FY 1999 Appropriations Bills: Fundi ues
(OMB scoring, budget authority in millions rs)

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Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Difference: Senate less FY 1999 Proposed	Difference: Avg. H/S less FY 1999 Proposed
DOL: Learning Anytime, Anywhere	—	10	—			-10		
HHS -- Existing Programs:								
HHS: Child Care Initiative: Head Start	4,347	4,660	4,500			-160		
HHS: LIHEAP	1,000	1,100	—			-1,100		
HHS: Family Planning	203	218	203			-15		
HHS: HRSA/CDC: Race and Health Initiative	—	70	125			55		
NOTE: Substance of House mark differs greatly from request.								
HHS: Substance Abuse and Mental Health Services Administration (SAMHSA)	2,147	2,275	2,418			143		
SAMHSA - National Household Survey on Drug Abuse	18	2	—					
HHS: AHCPR (Program Level)	147	171	171			—		
HHS: HRSA -- Ryan White AIDS Funding	1,150	1,313	1,331			18		
HHS: Nat'l Institutes of Health (NIH) (Includes Cancer funding) (Estimates Adjusted for 1% Transfer Authority and CBW)	13,622	14,763	14,862			99		
HHS: HCFA -- Program Level (Includes Medicare User Fees)	1,929	2,137	2,082			-55		
HHS: CDC (Includes Violent Crime Funding)	2,384	2,497	2,591			94		
HHS -- New Programs:								
HHS: Child Care Initiative: Provider Scholarship, Standards and Research (Within CCDBG)	—	174	—			-174		
HHS: Chem/Bio Weapons (Budget Amendment)	—	111	51			-60		
HHS: Child Care Init. -- Other (Developmental Disabilities)	—	5	—			-5		
Other:								
NLRB	175	184	175			-9		
CPB: Digital Conversion Initiative	—	50	—			-50		
Corporation for National and Community Service	257	278	251			-27		

FY 1999 Appropriations Bills: Fund sues
(OMB scoring, budget authority in millions ars)

Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Difference: Senate less FY 1999 Proposed	Difference: Avg. H/S less FY 1999 Proposed
FOREIGN OPERATIONS:								
Bill Total	13,192	14,003	12,786	12,823	12,805	-1,217	-1,180	-1,199
TREASURY: IMF/NAB (non-add)	—	17,861	3,361	17,861	10,611	-14,500	—	-7,250
NOTE: Treasury has not yet requested to re-propose the FY 1998 request as a FY 1999 request.								
TREASURY: Int'l Development Assoc. -- Appropriation	800	800	800	800	800	—	—	—
TREASURY: Int'l Development Assoc. -- MDB Arrearages	235	—	—	—	—	—	—	—
TREASURY: Global Environment Fund (GEF) -- Appropriation	48	107	—	—	—	-107	-107	-107
TREASURY: Global Environment Fund (GEF) -- MDB Arrearages	—	193	42	48	45	-151	-145	-148
TREASURY: Asian Dev. Bank and Fund -- Appropriation	113	113	73	13	43	-40	-100	-70
TREASURY: Asian Dev. Bank and Fund -- MDB Arrearages	50	150	150	187	169	—	37	19
TREASURY: African Development Fund -- Appropriation	—	67	40	—	20	-27	-67	-47
TREASURY: African Development Fund -- Arrears	45	88	88	5	47	—	-83	-42
TREASURY: North American Dev. Bank (NADBANK)	—	37	—	—	—	-37	-37	-37
TREASURY: Other MDBs -- Appropriation	139	63	62	62	62	-1	-1	-1
TREASURY: Other MDBs -- MDB Arrearages	76	71	72	71	72	1	—	1
TREASURY: Debt	27	72	35	25	30	-37	-47	-42
STATE: Africa Initiatives -- Development Assistance	—	30	—	—	—	-30	-30	-30
NOTE: No DA resources earmarked for Africa Initiatives in either H or S. DA level in H is well below the request.								
STATE: Africa Initiatives -- Special Debt Forgiveness	—	35	—	—	—	-35	-35	-35
STATE: Africa Initiatives -- ESF, Conflict Prevent. and Resltn	—	30	—	—	—	-30	-30	-30
NOTE: No ESF funds earmarked for Africa Initiatives in either H or S. ESF levels are well below the request in both H and S.								
STATE: Assistance for Eastern Europe and Baltic States	483	463	450	433	442	-13	-30	-22
STATE: New Independent States (NIS)	769	922	590	740	665	-332	-182	-257
STATE: Non-Proliferation, Demining, and Related	133	216	152	170	161	-64	-46	-55
STATE: Foreign Military Financing Grants	3,343	3,276	3,336	3,323	3,330	60	47	54
STATE: Economic Support Fund	2,420	2,514	2,346	2,306	2,326	-168	-208	-188
AID: Development Assistance and Child Survival	1,719	1,729	1,719	1,762	1,741	-10	33	12
AID: Operating Expenses	479	484	460	475	468	-24	-9	-17
AID: Disaster Assistance	190	205	150	200	175	-55	-5	-30
International Organizations and Programs	295	314	260	270	265	-54	-44	-49
Peacekeeping Operations (PKO)	78	83	62	69	66	-21	-14	-18
Export-Import Bank	732	859	796	834	815	-63	-25	-44
Peace Corps	226	270	230	221	226	-40	-49	-45

FY 1999 Appropriations Bills: Fun[illegible] sues
(OMB scoring, budget authority in millions [illegible] ars)

Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Difference: Senate less FY 1999 Proposed	Difference: Avg. H/S less FY 1999 Proposed
State: International Narcotics Control	230	275	275	222	249	—	-53	-27
All Other	12,382	13,061	11,928	11,920	11,924	-1,133	-1,141	-1,137
TRANSPORTATION:								
DOT: FAA, Excluding Airport Grants	7,106	8,008	7,673	7,756	7,715	-335	-252	-294
NOTE: FY 1999 Proposed Final Level assumes no OL cap on FAA capital (as contained in Senate bill).								
DOT: Access to Jobs	—	100	50	50	50	-50	-50	-50
NOTE: Of the $100 M requested for "Access to Jobs," $50 M is "guaranteed" in TEA-21.								
DOT: AMTRAK	793	621	609	555	582	-12	-66	-39
DOT: Coast Guard (Includes Functions 400 and 050)	3,264	3,338	3,200	3,316	3,258	-138	-22	-80
NOTE: FY 1999 Proposed Includes: $35 M for CG user fees and $17 M for Alteration of Bridges.								
TREASURY/GENERAL GOVERNMENT:								
TREASURY: Internal Revenue Service (IRS)	7,758	8,339	7,766	7,851	7,809	-573	-488	-531
TREASURY: Customs Modernization (ACE)	11	56	8	8	8	-48	-48	-48
ONDCP: Youth Anti-Drug Media Campaign	195	195	195	175	185	—	-20	-10
TREASURY: Youth Gun Crime Interdiction	12	27	27	27	27	—	—	—
TREASURY: Child Labor -- Outreach/Investigations/Information (funds also requested in Labor)	—	3	3	3	3	—	—	—
Federal Election Commission	32	37	37	34	36	—	-3	-2
VA/HUD/INDEPENDENT AGENCIES:								
Corp. for Nat'l and Community Service (including IG)	429	502	—	429	215	-502	-73	-288
HUD: Welfare-to-Work Housing Vouchers	—	283	100	40	70	-183	-243	-213
HUD: Fair Housing (FHIP and FHAP)	30	52	40	35	38	-12	-17	-15
HUD: Regional Opportunity Counseling	—	20	10	—	5	-10	-20	-15
HUD: Empowerment Zones (as MANDATORY in the FY 1999 Budget)	—	150	—	—	—	-150	-150	-150
HUD: HOPWA	204	225	204	225	215	-21	—	-11
EPA: Superfund (Pre-transfer) (Excludes Brownfields)	1,411	2,002	1,409	1,409	1,409	-593	-593	-593

FY 1999 Appropriations Bills: Fund sues
(OMB scoring, budget authority in millions ars)

Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Senate less FY 1999 Proposed	Avg. H/S less FY 1999 Proposed
NOTE: Proposed Final Level of $1,609 M would provide a modest, face-saving increase (+$200 M), but still would result in missing the 2001 target for cleanup of 900 sites.								
EPA: Boston Harbor	50	50	23	—	12	-27	-50	-39
NSF/EPA: GLOBE	2	3	—	2	1	-3	-1	-2
NASA: International Space Station	2,441	2,270	2,100	2,300	2,200	-170	30	-70
Community Dev't Financial Institutions (CDFI)	80	125	80	55	68	-45	-70	-58
National Science Foundation (NSF) (Includes Functions 250 and 054) (Excludes GLOBE)	3,427	3,771	3,695	3,642	3,669	-76	-129	-103
EPA: Climate Change Tech. Init. (CCTI)	90	205	99	114	107	-106	-91	-99
EPA: Brownfields (requested in HUD and EPA)	89	91	91	91	91	—	—	—
EPA: Clean Water Initiative	484	629	629	599	614	—	-30	-15
HUD: Community Empowerment Fund (EDI)	138	400	50	85	68	-350	-315	-333
HUD: Climate Change Tech. Init. (CCTI) (PATH/Housing Tech.)	—	10	10	—	5	—	-10	-5
HUD: Brownfields (requested in HUD and EPA)	25	50	20	25	23	-30	-25	-28
HUD: Youthbuild	35	45	35	40	38	-10	-5	-8
HUD: Office of Lead Hazard (Lead-Based Paint Abatement)	60	85	80	70	75	-5	-15	-10
HUD: Section 8 Contract Renewals	8,180	7,191	9,600	9,540	9,570	2,409	2,349	2,379
HUD: Section 8 Amendments	850	1,337	98	—	49	-1,239	-1,337	-1,288
HUD: Other Section 8	343	453	443	434	439	-10	-19	-15
HUD: Section 8 Rescissions	-3,022	—	—	-1,400	-700	—	-1,400	-700
VA: Medical Care	17,057	17,028	17,338	17,250	17,294	310	222	266
Neighborhood Reinvestment Corporation	60	90	90	60	75	—	-30	-15
AGRICULTURE/RURAL DEVELOPMENT:								
HHS/USDA: FDA: Food Safety Initiative (FDA and USDA)	190	291	207	259	233	-84	-32	-58
HHS: FDA: Tobacco Enforcement	34	134	34	34	34	-100	-100	-100
USDA: Emergency Farm Assistance	—	500	—	500	250	-500	—	-250
USDA: Women, Infants, and Children (WIC)	3,924	4,081	3,924	3,948	3,936	-157	-133	-145
USDA: USDA Discrimination Claim Payments	—	20	10	12	11	-10	-8	-9
USDA: Socially Disadv'd Farmers -- Outreach	3	10	3	3	3	-7	-7	-7
USDA: Socially Disadv'd Farmers -- Farm Ownership Direct Lns.	8	13	11	13	12	-2	—	-1
NOTE: Latest Senate action includes credit sales of inventory property (funded separately in "FY 1999 Proposed" and "Latest House Action").								
USDA: Climate Change Technology Initiative (CCTI)	—	7	—	—	—	-7	-7	-7

FY 1999 Appropriations Bills: Fun ssues
(OMB scoring, budget authority in million dars)

Bill/Account/Program	FY 1998 Enacted	FY 1999 Proposed	Latest House Action	Latest Senate Action	Average House/ Senate	Difference: House less FY 1999 Proposed	Senate less FY 1999 Proposed	Avg. H/S less FY 1999 Proposed
USDA: Clean Water Action Plan (NRCS)	—	23	—	—	—	-23	-23	-23
USDA: Rural Community Advancement Program	652	715	745	703	724	30	-12	9
USDA: Init. for Future Agriculture and Food Systems (Disc. Reduction to MANDATORY acc't - Ag Research Bill)	—	120	—	120	60	-120	—	-60
USDA: Fund for Rural America (Discretionary reduction to MANDATORY account - Ag Research Bill)	—	60	—	—	—	-60	-60	-60
ENERGY/WATER DEVELOPMENT:								
CORPS: Everglades Restoration	59	98	41	55	48	-57	-43	-50
CORPS: Clean Water Initiative (excluding Everglades)	106	142	110	106	108	-32	-36	-34
CORPS: Kill Van Kull	1	32	32	19	26	—	-13	-7
CORPS: Columbia River Salmon Restoration	95	117	8	95	52	-109	-22	-66
NOTE: Below the $95 M Proposed Final Level the Corps will have ESA non-compliance problems.								
DOE: CCTI (includes funding for all of Solar and Renewable Energy, and new activities in Energy Research)	272	409	286	377	332	-123	-32	-78
DOE: Science: Next Generation Internet	—	22	—	21	11	-22	-1	-12
DOE: Nuclear Waste Disposal (Yucca Mountain)	350	380	350	375	363	-30	-5	-18
DOE: Defense Environmental Management Privatization	200	517	287	242	265	-230	-275	-253
DOE: Nuclear Energy (NE): NE Research Initiative	—	24	5	24	15	-19	—	-10
DOE: Spallation Neutron Source	23	157	100	157	129	-57	—	-29
TVA	70	77	—	70	35	-77	-7	-42
NOTE: The $42 M Proposed Final Level is the level noted in OMB's report on TVA's non-power program for navigation, flood control, and other essential services.								
DC:								
DC: Economic Development Initiative	—	100	25	50	38	-75	-50	-63

FY 1999 APPROPRIATIONS BILLS: LANGUAGE ISSUES

AGRICULTURE/RURAL DEVELOPMENT

- Prohibition on Use of Food and Nutrition Service (FNS) Funds to do Research and Program Evaluations
- FDA Drug Reviews/RU-486
- USDA Rural Development
- Executive Branch Management – FDA Lab Consolidation
- WIC Program Administration
- Executive Branch Review of USDA Responses

COMMERCE/JUSTICE/STATE

- Teamsters
- Census Sampling
- Department of Justice/Codes of Conduct
- Brady Handgun Insta-Check System
- Department of Justice/Winstar
- INS Fees
- SBA Administrative Expenses
- Authorization Waivers
- Prohibition on Intervention in Certain Court Proceedings
- Reauthorization of Small Business Innovation Research (SBIR) Program (Language affects agencies in VA/HUD; Labor/HHS/Education; Defense; Energy/Water Development; Interior; Agriculture/Rural Development.)
- Foreign Policy Provisions Regarding Jerusalem
- Funding ABM Treaty Negotiations (McIntosh Amendment)

- Visas for Foreign Nurses
- Visas for Agricultural Workers
- National Oceanic and Atmospheric Administration (NOAA) Restrictions on Executive Direction
- Advanced Technology Program (ATP) – Cap on New Awards
- Bureau of Export Administration (BXA) Licensing Restriction
- Internet Regulation
- Restriction on FCC Funding for Portals Move
- Use of Visa Fees (State)

- Controlled Substances Act
- Exxon Valdez
- Bureau of Prisons/Abortion
- Coordinated Drug Strategy
- Limitation on Immigration and Naturalization Service (INS) Non-Career Appointments
- Annual U.N. Assessments

DEFENSE

- Prior Authorization Requirement
- Prohibition on Deployment in the Balkans
- Reauthorization of Small Business Innovation Research (SBIR) Program (Also in Commerce/Justice/State, under HIGH-priority category.)

- Import of PCBs
- Human Rights Violations

DISTRICT OF COLUMBIA

- Permit Use of Federal Funds for Private School Vouchers in D.C.
- Prohibition on Adoption in D.C. by Unmarried Couples
- Prohibition on the Use of Federal and Local Funds for D.C. Needle Exchange Programs
- Abortion (Prohibition of Federal and District funds.)
- D.C. Micromanagement

ENERGY/WATER DEVELOPMENT

- Waste Isolation Pilot Plant
- DOE Laboratory Competition

- Transferring Regulatory Authority for Berkeley Laboratory
- Corps of Engineers Continuing Contracts

FOREIGN OPERATIONS

- Mexico City Abortion Language
- IMF
- NIS
- Korean Peninsula Energy Development Organization (KEDO)
- Export Import Bank

- International Organizations and Programs
- Climate Change
- Eastern Europe
- Palestine Liberation Organization
- Development Assistance
- Overseas Private Investment Corporation

- Columbia Basin
- King Cove Health and Safety Act
- Tongass National Forest (AK) Timber Production Targets
- Oil Royalties Rule
- Forest Plan Revisions
- Grizzly Bear Reintroduction
- Commercial Fishing in Glacier Bay National Park (AK)
- Bureau of Land Management (BLM) Hardrock Mining Surface Management Regulations
- Salmon Habitat in Columbia and Snake Rivers
- Elwha and Glines Canyon Dams
- Timber Production Through Prescribed Burns
- Alaska Land Purchases
- Stewardship Demonstration Projects
- Road Obliteration: Require Specific Roads to be Obliterated First
- Mandated Increase in Timber Sales
- Coastal Barriers
- Land Between The Lakes
- Allocation of Indian Health Service (IHS) Contract Support Costs on a Pro-Rata Basis

- Chugach National Forest Road Easement
- BLM Grazing Permits

- National Testing
- Teamsters
- Block Grants
- Family Planning
- Viagra
- Organ Donation

- National Labor Relations Board (NLRB)
- Social Services Block Grant (SSBG). and beyond, to FY 1999 and FY 2000: 4.25%
- OSHA Peer Review
- D.C. School Reform (Bilingual Education)
- IDEA Riggs Amendment
- Abortion
- Needle Exchange
- Black Lung Regulations
- Mine Safety and Health Administration (MSHA) Training
- Railroad Retirement Board (RRB) Buyout Authority
- RRB Inspector General/Medicare
- Internet Access in Schools and Libraries
- IDEA Livingston Amendment
- NIH Office of AIDS Research

TRANSPORTATION

- Helicopters in Wilderness Areas

- Coast Guard and FAA User Fees
- Coast Guard Roles and Missions Review
- Fuel Economy Standards (National Highway Traffic Safety Administration)
- FAA Wide Area Augmentation System (WAAS)
- King Cove and Cold Bay, AK (Izembek) Road

TREASURY/GENERAL GOVERNMENT

- Federal Election Commission (FEC)
- Treasury Department Obligation Delays
- Foreign State Economic Sanctions
- Exchange Stabilization Fund (ESF)
- Abortion
- Prescription Contraceptives

- Family Impact Assessments
- Customs Service Modernization Project
- OMB Review of Agriculture Marketing Orders
- Pay Raise
- Judges/Executive Schedule Pay Raise
- Postal Service: Participation in the Universal Postal Union (UPU)
- Postal Service: Nonpostal Commercial Activities
- Executive Residence
- Electronic Tax Filing Services
- Bureau of Engraving and Printing (BEP)
- Reauthorization of ONDCP
- Health Care Task Force

VA/HUD/INDEPENDENT AGENCIES

- HUD: Public Housing Reform Legislation
- HUD: Director of the Mark-to-Market Program Office
- EPA: Kyoto Protocol Implementation
- VA: Earmarked Funding for NY/NJ Health Care Network
- Consumer Product Safety Commission (CPSC)

- Corporation for National and Community Service
- HUD: FHA Mortgage Limit
- HUD: Single-family Property Disposition
- HUD: Homeless Vouchers
- HUD: Section 8 Rental Certificates and Vouchers
- NASA: Earth-observing Space-based Mission
- NASA: Changes in Account Structure.
- Alaska Native Vietnam Era Veterans Land Allotment
- EPA: Brownfields Cleanup Funding
- EPA: Overseas Ship Scrapping
- Stipulation on Use of VA Appropriated Funds
- Council on Environmental Quality: Detailees
- Liberty Memorial Earmark/American Battle Monuments Commission (ABMC)
- VA: Changes to the Funding Mechanism for Adjudication Offices
- VA: New National Cemetery in Eastern Kentucky

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

THE DIRECTOR

September 18, 1998

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. 4104, the Treasury and General Government Appropriations Bill, FY 1999, as passed by the House and by the Senate. As you develop the conference version of the bill, your consideration of the Administration's views would be appreciated.

The Administration appreciates efforts by Congress to accommodate the President's priorities within the 302(b) allocation. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by making savings in mandatory and other programs available to help finance this spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. We want to work with Congress on mutually agreeable mandatory and other offsets that could be used to increase high priority discretionary programs, including those funded by this bill. In addition, we hope the conferees will reduce funding for lower priority and unrequested discretionary programs.

Below is a discussion of our specific concerns with the House and Senate versions of the bill. We look forward to working with the conferees to resolve our concerns as the bill moves forward.

Year 2000 Computer Conversion

In the FY 1999 Budget, the President requested more than $1 billion for Year 2000 (Y2K) computer conversion. In addition, the budget anticipated that additional requirements would emerge over the course of the year and included an allowance for emergencies and other unanticipated needs. On September 2nd, the President transmitted to the Congress a request for $3.25 billion in FY 1998 contingent emergency funding for Y2K computer conversion activities. This supplemental request would create a funding mechanism that is consistent with both the needs anticipated in the President's budget and the Senate's action creating a $3.25 billion contingent emergency reserve to provide the resources and the flexibility necessary to respond to critical unanticipated Y2K-related requirements.

It is essential that Y2K contingent emergency funding be enacted as quickly as possible, whether through the Treasury/General Government bill or another legislative measure moving through the process earlier. We urge Congress to leave as much as possible of the reserve unallocated so that funds are available to address emerging needs. In addition, the Administration opposes the principle of earmarking the Y2K emergency funds. Such earmarking would interfere with our ability to efficiently allocate the funds to address Y2K emergency funding needs.

Federal Election Commission

The Administration urges the conferees to fully fund the Federal Election Commission (FEC) at the $36.5 million level requested by the President and approved by the House and Senate.

The Administration appreciates the modifications made to the Senate term limits language in part because the revised language would retain the current practice that requires a vote of four commissioners to remove the staff director and general counsel. The Senate provision would appoint the staff director and general counsel for six-year terms that are renewable by a vote of three of the six members of the Commission. The Administration would strongly oppose any attempt to return to the original House Committee language.

Treasury Obligation Delays

The Administration strongly objects to language in the Senate bill that would impose $592 million in obligation delays on Treasury programs. These provisions would prevent expenditure of funds before September 30, 1999, effectively reducing program levels for FY 1999 and seriously hindering Treasury program operations. For example:

- For the IRS, the obligation delay of $175 million for Tax Law Enforcement would result in a six-percent reduction in personnel and a loss of substantial tax collections. The $69 million obligation delay for Information Systems would effectively halt IRS' modernization efforts until the following fiscal year, jeopardizing efforts to refocus the IRS on providing good customer service for taxpayers.

- For Treasury Enforcement, the obligation delay of $28 million for Customs' Salaries and Expenses would hinder Customs' efforts to combat drug smuggling across the southern tier of the United States and to detect shifts in trafficking patterns, and it would inhibit maintenance of essential equipment. The $23 million obligation delay against Customs' Operations and Maintenance, Air and Marine Interdiction Programs account would lead to a reduction in interdiction

flight hours, cripple essential maintenance for air and marine fleets, and result in a deterioration of air and marine fleet assets. The $14 million in obligation delays for the Secret Service would cause unacceptable risks to Presidential safety.

We urge the conferees to reject the use of obligation delays that postpone the expenditure of necessary funds.

Internal Revenue Service

The Administration appreciates the Congress's efforts to fund the President's request for the Internal Revenue Service (IRS) and looks forward to working closely with the Congress to identify ways in which full funding of the President's request can be achieved.

The Administration appreciates Congressional support for business-line investment that would sharply increase the productivity of the IRS. We urge the conferees to provide the full $125 million requested by the President for such investments. The Administration also appreciates congressional support for IRS information technology investments and urges the conferees to adopt the $210 million for the Information Technology Investments account provided in the House bill. We are concerned with House language that would condition the use of IRS funds. Tying the obligation of IRS funds to GAO review of expenditure plans, as contained in the House bill, is objectionable since the Administration has no control over the nature or timing of any prospective GAO review.

U.S. Customs Service

The Administration is concerned about the funding levels in both bills for Customs' Automated Commercial Environment. Without major revisions to the existing system, Customs cannot keep up with increasing trade volumes nor can it be responsive to the requirements stated in the 1993 Modernization Act and the needs articulated by industry. The House- and Senate-passed bills have funded only $8 million of the requested $56 million and have imposed obligation delays against the $8 million provided, which would cause the modernization effort to come to a halt. We urge the conferees to provide full funding at the $56 million level requested to allow Customs to continue its modernization effort. We also suggest that the conferees seriously consider the user fee proposed by the Administration as a potential source of this necessary funding.

Bureau of Alcohol, Tobacco and Firearms (ATF)

The Administration appreciates the efforts of the House and the Senate to fully fund the President's Youth Crime Gun Interdiction Initiative. This initiative is an important part of the Administration's overall strategy to curb youth gun violence. The Administration requests

consideration by the conferees of funding for the Violent Crime Coordinator initiative that was not funded in the House bill. The U.S. Attorneys have requested additional ATF support for bringing cases involving violent criminals to the Department of Justice for prosecution.

U.S. Secret Service

The Administration appreciates the Senate's attempt to provide $13 million to Secret Service travel needs. However, the overall funding level in the Senate-passed bill would effectively undermine other Secret Service funding needs, resulting in a probable deterioration of critical equipment and an undermining of the Service staffing needed to provide for the protection of the President and foreign dignitaries. The House bill does not redirect funds in this way, and the Administration urges the conferees to adopt the House position.

Interagency Crime and Drug Enforcement

The Administration objects to the Senate's $30.9 million reduction to the request for Interagency Crime and Drug Enforcement. These resources are needed for continuation of interagency investigations to target, investigate, and prosecute criminals associated with high-level illegal drug trafficking enterprises. The transfer of these funds to other activities in the Senate bill would eliminate funding for ongoing investigations and weaken Treasury's ability to target resources to high priority investigations.

Law Enforcement Vehicles

The Administration shares the Senate's concerns about the need for a Department-wide vehicle replacement strategy and is working with the Department on a framework for improved information about vehicle fleet status and replacement requests. However, the Senate's elimination of funding for Treasury law enforcement vehicle replacement is objectionable. Replacement funds are critical from a public safety perspective, as aging vehicles present an inordinate risk to the lives of both Treasury personnel and the public. We urge the conferees to adopt the House position on funding this activity.

Federal Law Enforcement Training Center

The Administration urges the conferees to adopt the funding level for the Federal Law Enforcement Training Center (FLETC) proposed by the President and in the House bill. In particular, the conferees are urged to fund the Administration's request for $32.5 million for FLETC's acquisition and construction, rather than providing transfer authority for $20.3 million as provided for in the Senate bill. This funding is needed to help FLETC absorb the increased law enforcement training needs of the Immigration and Naturalization Service and the Bureau of Indian Affairs.

Executive Residence

The Administration urges the conferees to provide the full amount requested for the Executive Residence as provided in the Senate bill, without restriction. Reduced or restricted funding for domestic staff overtime would be harmful to the mission of the Executive Residence.

Unanticipated Needs

Both the House and Senate-passed bills fail to provide the requested $1 million to enable the President to meet unanticipated needs in furtherance of the national interest, security, or defense. The Administration urges the conferees to include this amount to ensure that the President has the same ability to meet such needs as previous Presidents have had.

Health Care Task Force

The Administration urges the conferees not to restore House Committee language that would finance the costs of fines associated with the Health Care Task Force litigation only from the White House Office of Salaries and Expenses account.

Pay Raise for Federal Judges and Senior Executives

The Administration is disappointed that both the House and Senate bills include a proposal to eliminate the 1999 pay raise for Federal judges and employees paid under the Executive Schedule. Failure to provide pay raises for senior executives is eroding the value of their pay and causing severe pay compression in the executive ranks. Pay adjustments have been made for such individuals only once in the last five years. If continued, this failure will affect the Government's ability to attract and retain the executive talent that it needs. We urge the conferees to restore the pay raise for Federal judges and employees paid under the Executive Schedule.

Federal Employee Pay Raise

The Administration supports, and urges enactment of, the provision in the Senate-passed bill that would provide a total pay increase of 3.6 percent for Federal white-collar employees. This increase, which would essentially allow Federal pay to match the growth in private sector wages, recognizes Federal employees for their higher productivity and their essential contribution to a Federal Government that now operates more efficiently and better serves the American people. We urge the conferees to consider technical changes to the legislation provided by the Office of Personnel Management.

Office of National Drug Control Policy (ONDCP)

The Administration appreciates the support that both the House and the Senate have provided for drug control efforts in general, and for ONDCP in particular. The Administration encourages the conferees to provide the full amount requested for ONDCP's

Special Forfeiture Fund, especially the national youth anti-drug media campaign. The conferees could fully fund the budget request for the media campaign by reducing amounts earmarked for unrequested ONDCP programs. The Administration opposes Senate-passed bill language that would place unnecessary restrictions and limitations on the expenditure of funds for the media campaign.

Federal Buildings Fund

Neither the House nor the Senate has provided the $14 million requested for the design of a new Department of Transportation (DOT) headquarters. Instead, GSA is directed to enter into a lease transaction. The Administration requests that the conferees provide funding for the design of a new DOT headquarters. Providing for a Government-owned building would save taxpayers approximately $190 million, in present value terms, compared to the cost of entering into a lease.

The House- and Senate-passed bills would delay until September 30, 1999, the availability of funding for the repair and alterations program, rental of space program, and building operations program. The Administration is concerned that a delay in obligations would impede GSA's ability to operate and maintain Federal facilities under its control.

The Administration is concerned that the House- and Senate-passed bills provide over $500 million for 15 unrequested Federal courthouse construction projects.

Morris K. Udall Foundation

The Administration is concerned about the lack of funding for the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation, particularly the lack of funding in the Senate-passed bill for the U.S. Institute for Environmental Conflict Resolution, as authorized in PL 105-156. The Administration believes that the Institute would provide valuable assessment, mediation, and training services to Federal agencies to resolve environmental disputes, thus reducing expenses due to lengthy litigation costs. We urge the conferees to adopt the House position of full funding of $4.25 million for the U.S. Institute for Environmental Conflict Resolution.

The Administration supports technical amendments recently sent to the Subcommittees concerning the recently enacted Environmental Policy and Conflict Resolution Act of 1998 that would allow the U.S. Institute for Environmental Conflict Resolution to effectively function as it was intended. These technical amendments are needed to allow the Institute to collect fees from non-Federal entities to achieve its goal of self-sufficiency.

United States Postal Service

The Administration is concerned about the provisions in the House-passed bill aimed at limiting the activities of the Postal Service. An appropriations bill should not be used to legislate restrictions on Postal Service operations, or to hamper the Postal Service from performing its legitimate and necessary role in international postal matters.

Language Provisions

- The Administration strongly objects to section 117 of the Senate-passed bill. This provision would undermine the authority of the President to use assets of countries under economic sanctions as leverage in efforts to normalize relations with or to modify the behavior of those foreign states. Such a measure would likely give preference to certain U.S. claimants over longstanding, legitimate claims by other U.S. citizens, and result in an erosion of the Administration's ability to protect the interests of the United States in the U.S. courts.

- The Administration objects to language in the Senate-passed bill tying obligation of funds for Customs automation modernization improvements to GAO certification to Congress that measures have been established "to enforce compliance with the architecture." The Administration has no control over the nature or timing of any prospective GAO review and certification. Moreover, the Department of Justice advises that making the availability of funds contingent upon GAO action is unconstitutional under the Supreme Court's decisions in Synar vs. Bowsher and INS vs. Chadha.

- The Administration is concerned that section 115 of the Senate-passed bill's Treasury General Provisions could limit the Secretary's discretion in determining how best to stimulate increased electronic tax filing, which reduces IRS errors, permits more timely refunds to taxpayers, and lowers IRS tax processing costs.

- The Administration supports the Joint Financial Management Improvement Program and urges the conferees to include language in Title VI that was included in the House Committee-reported version of the bill that would provide up to $3 million from Government-wide credit card rebates in support of that program.

- The Administration urges the conferees to adopt the version of reprogramming language included in the House Committee Report.

- The Administration opposes the provision in the Senate-passed bill requiring "family impact" assessments for Federal regulations and policies. While the provision pursues laudable goals, it would unduly interfere with agency rule-making and would be virtually impossible to implement due to its vague language.

- The Administration supports efforts in this bill to provide legislative relief for certain Haitians, similar to the relief granted in the Nicaraguan and Central American Relief Act (NACARA). Last December, the President temporarily suspended deportation of certain Haitians for one year and called on Congress to address, through legislation, the circumstances of this group.

- The Administration opposes Section 652 of the Senate-passed bill concerning the importation of certain grains through a single port of entry. Our trading partners would challenge the intent of this provision if it became law as a violation of trade agreements that the United States has entered into with Canada.

- The Administration supports Section 629 of the Senate-passed bill that supports the activities of the National Bioethics Advisory Committee and objects to House Committee language (stricken on the House floor) which would prevent interagency funding of the Commission. The work of the Commission affects at least 15 Federal agencies. Access to interagency funding is essential for continued operations of this small, but important commission.

- With regard to the firefighter pay reform provision, the Administration has no objection to an effective date of October 1, 1998.

Federal Employees Health Benefits Program

The Administration strongly opposes the provisions of both the House- and Senate-passed bills that would restrict Federal Employees Health Benefits Program (FEHBP) coverage for abortions. The House-passed version is particularly onerous in that it does not even retain current law exceptions for situations where the life of the mother is endangered or where the pregnancy is the result of rape or incest. While the President believes that abortion should be safe, legal, and rare, Federal employees and their families should not be precluded from choosing to purchase health insurance policies with broader coverage.

The Administration supports the provisions of the House- and Senate-passed bills that require coverage of prescription contraceptives by health plans participating in the Federal Employees Health Benefits Program (FEHBP). The Administration prefers the Senate provision to the House-passed version because the Senate language not only exempts five specifically named religious plans but also exempts any other existing or future religiously-based plans.

Strategic Petroleum Reserve

The Administration has significant concerns about the Senate-passed provision that would provide an emergency supplemental of $420 million for purchase of oil for the Strategic Petroleum Reserve. The provision would require a determination by the President that an emergency exists as a result of market conditions that are imperiling domestic oil production from marginal and small producers. Although low prices and oversupply appear to be having an

effect on domestic oil production, current market conditions are unlikely to qualify as an emergency under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. However, we will continue to track market conditions on an ongoing basis. If such an emergency develops, an emergency supplemental could be requested under current law.

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

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Jim Kolbe,
and The Honorable Steny H. Hoyer, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Ben Nighthorse Campbell,
and The Honorable Herb Kohl

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

September 24, 1998

THE DIRECTOR

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

Dear Mr. Chairman:

This letter provides the Administration's views on H.R. 4101, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, FY 1999, 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 welcomes congressional efforts to accommodate the President's priorities within the 302(b) allocation. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by providing savings through user fees and certain mandatory programs to help finance discretionary spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. We want to work with the Congress on mutually-agreeable mandatory and other offsets that could be used to increase high-priority discretionary programs in this bill. In addition, we urge the Congress to consider again the user fee proposals included in the President's budget, either adopting or modifying them to enable more resources to be directed to important initiatives such as those proposed for food safety, nutrition programs, rural development, agriculture research, and conservation.

It is our understanding that the conferees intend to include emergency agricultural disaster assistance in this bill. It is essential that the conferees approve income based assistance consistent with the President's September 22nd proposal and the Daschle/Harkin plan. We also strongly urge the conferees to disapprove the unacceptable House provision that would prohibit FDA from using funds for the testing, development, or approval of any drug for the chemical inducement of abortion. If the bill presented to the President includes the unacceptable FDA language, and agricultural disaster provisions that provide inadequate indemnity assistance or are inconsistent with the Daschle/Harkin proposal, his senior advisers would recommend that he veto the bill. We look forward to working with you to resolve these concerns.

Food and Drug Administration

The Administration strongly opposes the unacceptable House-passed provision that would prohibit FDA from using funds for the testing, development, or approval of any drug for the chemical inducement of abortion. The determination of safety and effectiveness is the cornerstone of the consumer protection established by the Federal Food, Drug, and Cosmetic Act and must continue to be based on the scientific evidence available to FDA. Prohibiting FDA from reviewing applications for particular products could deprive patients of new therapies that are safer and more effective than those currently approved. Additionally, this provision could conceivably put women at risk because it might allow clinical trials of such drugs to proceed without FDA supervision.

In addition, the Administration strongly urges Congress to provide the full $1,251 million in resources to fund the program level proposed for the Food and Drug Administration (FDA) in the President's budget. The Administration is deeply disappointed and concerned that neither the House nor the Senate has funded the President's request for FDA's tobacco enforcement activities. This funding is vital to the Administration's plan to reduce youth smoking. Failure thus far to pass comprehensive tobacco legislation should not prevent the Congress from providing adequate resources for these critical public health activities.

Food Safety Initiative

The Administration is deeply concerned that neither the House nor the Senate has fully funded the President's request for Food And Drug Administration (FDA) and USDA activities to enhance food safety, providing only $16.8 million and $68.9 million, respectively, of the $96 million the President has requested for these activities. American consumers enjoy the world's safest food supply, but too many Americans get sick, and in some cases die, from preventable food-borne diseases. The President's initiative would expand food safety research, risk assessment capabilities, education, surveillance activities, and food import inspections. The Administration will work with Congress to explore options to offset the additional cost needed to fully fund the President's request.

Disaster Assistance

It is of critical importance that the Federal Government provide emergency funds to farmers facing the worst agricultural crisis in a decade. On September 22nd, the Administration submitted its request for $2.3 billion in emergency assistance, including supplemental crop insurance indemnity payments, additional farm operating loans, assistance to farm workers, and other vitally important programs. In addition to this request, Secretary Glickman communicated the Administration's support for income assistance to farmers for low commodity prices through Senators Daschle and Harkin's proposal to remove the cap on marketing loan rates for 1998 crops. This is clearly the superior approach for providing emergency assistance to those facing crashing commodity prices this year. The Administration strongly urges the Congress to provide sufficient and appropriate assistance to address this urgent crisis.

Women, Infants, and Children

The President requested a funding increase in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), to reflect inflation adjustments and projected increases in participation. Based on new data indicating declining food package costs and stable WIC participation, it now appears that the Senate or lower House funding level will be sufficient to support the revised 7.4 million year-end participation level going into FY 1999. We commend the House and Senate for their hard work on this issue and if the conferees approve the House level, we urge that the additional resources in the Senate bill be reallocated to priorities detailed in this letter.

Civil Rights

The President is personally committed to righting any wrongs committed by USDA employees in years past. Therefore, the Administration strongly supports the provision passed in both the House and the Senate that waives the statute of limitations for individuals who have previously filed a discrimination claim against USDA. The Administration strongly prefers the Senate version because it applies to both USDA farm and housing loans.

However, in a number of areas, the House and Senate have reduced funds to assist the most needy farmers and residents of rural communities. Neither the House nor the Senate has provided the requested increase for the Outreach for Socially Disadvantaged Farmers program, which was a key recommendation of the USDA Civil Rights Action Team (CRAT) report last year. With the additional $7 million requested, USDA could support 35 projects to assist 10,000 small family farms and stem the decline in the number of minority farmers and ranchers. We urge the conferees to provide the full request.

The CRAT report also recommended increasing the amount of farm ownership loans, a portion of which are targeted to minority and beginning farmers. The Administration urges the conferees to provide an additional $3 million requested for this program by the President, which would permit another 290 limited-resource farmers to finance real estate purchases.

Rural Development Funding

The Administration strongly objects to the provision in both bills that blocks FY 1999 spending in the mandatory Fund for Rural America. The Fund provides additional resources for rural development and innovative agricultural research that are vitally needed to improve the quality of life in rural America and increase the productivity of U.S. farmers. Congress created the Fund in 1996 to boost the overall Federal investment in these activities, not as a source of savings to offset discretionary spending. Moreover, Congress recently extended the authority for the Fund and increased its resources. The Administration urges the conferees to strike this provision.

In addition, the Senate bill does not fully fund the President's request for the Rural Community Advancement Program (RCAP), under-funding direct loans for water and wastewater and for community facilities. These loans provide the community infrastructure to improve the quality of life of rural Americans, and they often finance the vital ingredient for diversifying the rural economy. The Senate bill would fund 35 fewer water and wastewater facilities, serving 50,000 rural residents, as well as fewer rural health clinics, police and fire stations, and health care facilities than the President's request. We urge the conferees to adopt the House position, but to strike the House language that would limit the flexibility of USDA to transfer funds among programs, in order to allow the program to operate as intended and permit resources to be tailored to meet unique local needs.

Agriculture Research

Both the House and Senate have included over $50 million in unrequested earmarks for low-priority research while funding competitive grants through the National Research Initiative (NRI) at $30 million and $35 million, respectively, below the President's request. Rejecting additional funds for competitive research grants for national and regional priorities in favor of earmarked grants for local interests fails to support the highest priority needs of American agriculture and consumers, and the Administration urges the conferees to reverse this policy. We also believe that the conferees should reduce the unrequested increases in the Agricultural Research Service's buildings and facilities program and redirect these resources to higher priority programs.

The Administration strongly objects to the House's elimination of the $120 million in competitively-awarded research funds authorized in the Agricultural Research, Extension and Education Reform Act of 1998. These funds would finance vital investments in food and agricultural genome research, food safety and technology, human nutrition, and agricultural biotechnology. We urge the conferees to support these important research efforts by restoring funds to the level requested.

Climate Change and Clean Water Initiatives and Conservation Programs

Neither the House nor the Senate has provided the $7 million increase requested for research to support the Administration's Climate Change Technology Initiative. These funds would support high-priority research to reduce greenhouse gas emissions caused by agricultural practices, develop improved feedstocks that can generate energy, and improve techniques to convert agricultural products to biofuels. The Administration urges the conferees to restore funding to the requested level.

In addition, neither the House nor the Senate has included the Administration's requested increase of $23 million for the Natural Resources Conservation Service (NRCS) to implement the President's Clean Water Action Plan to help State and local organizations hire watershed coordinators, document baseline conditions, and target resources to farmers requesting

assistance. The Plan, developed by USDA and EPA, outlines a strategy on how to correct water quality problems, including polluted run-off, across the Nation. The Administration urges the conferees to provide these necessary funds to the NRCS.

The Administration strongly opposes House and Senate actions reducing or eliminating funding for several key mandatory USDA conservation programs, including the Environmental Quality Incentives Program, Wetlands Reserve Program, Wildlife Habitat Incentives Program, and Conservation Farm Option. These programs are essential for enhanced water quality, wildlife habitat, and soil conservation on American farms and throughout rural America and should be adequately funded.

Language Provisions

The Administration strongly objects to the House provision that would provide funding for research on nutrition programs within the Economic Research Service. Research on nutrition programs should occur in the context of the program's administration, and the Administration urges the conferees to provide funding for these activities within the Food and Nutrition Service, as requested and as included in the Senate bill.

The Senate bill purports to prohibit USDA personnel from preparing or submitting appropriations language regarding unenacted user fees unless the budget also identifies additional spending reductions should the user fees proposals not be enacted by an identified time. The Justice Department advises that this provision would violate the Recommendations Clause of the Constitution under which Congress can neither require nor prohibit that the President make legislative or policy recommendations to Congress. Because the funding restriction would undermine the President's ability to fulfill his constitutional duty under the Recommendations Clause, it would be unconstitutional.

The Administration objects to the provision in the House and Senate versions of the bill that would limit Executive Branch review of USDA responses to congressional inquiries. The Administration urges the conferees to delete these provisions.

The Administration objects to a Senate provision that would prohibit the FDA from consolidating laboratory operations. The proposed consolidation offers the opportunity for better efficiency and mission coordination, and it is part of FDA's overall streamlining goals. The Senate provision would force FDA to spend funds on infrastructure that could otherwise be used more directly to protect public health. The Administration urges the conferees to drop this provision.

The Administration objects to section 741 of the House-passed bill that would allow Federally tax-exempt financing in conjunction with rural multi-family housing guarantees. Guarantees of tax-exempt obligations are an inefficient way of allocating Federal credit.

Assistance to borrowers, through the tax exemption and the guarantee, provides interest savings to the borrower that are smaller than the tax revenue loss to the Government, and the cost to the taxpayer is, therefore, greater than the benefit to the borrower.

The Administration objects to the addition of Title XI to the Senate bill, would amend the alternative-fuel provisions of the Energy Policy Act of 1992. The amendment makes numerous changes to definitions and compliance credits, with the nominal intent of increasing demand for "biodiesel" -- a fuel derived from oil seeds such as rapeseed. The real effect, however, would be to gut most of the existing alternative-fuel requirements and policies. The amendment creates loopholes that would allow Federal agencies and other fleet operators to ignore, effectively, most alternative fuels, such as ethanol, natural gas, and electric vehicles. These loopholes would be easier for Federal agencies to exploit than for many private or State fleets. If the Energy Policy Act is to be amended, such action should be pursued through the energy authorization committees.

Other Issues

The Administration urges the conferees to provide additional funds for the farm labor housing program to improve the living conditions of many farm labor families. The House and Senate levels, $20 million and $16 million, respectively, are more than 35 percent below the Administration's request and would result in at least 230 fewer housing units being built compared with the request. The Administration urges the conferees to increase funding to assist these needy members of our society.

The House reduces by $10 million and the Senate by $20 million the President's request for the mandatory Emergency Food Assistance Program (TEFAP), which purchases commodities for individuals greatly in need of assistance. Given reported increases in need for food assistance through food banks and soup kitchens, the Administration is concerned that this reduction from the authorized level would mean less food will reach the most vulnerable Americans. In addition, food rescue and gleaning is a priority area that deserves additional funding in the USDA budget. The budget proposes $20 million for this initiative to encourage greater private sector and community based involvement in food rescue.

Under the 1996 Food Quality and Protection Act, USDA has added responsibilities to assist EPA with its re-registrations of pesticides and to develop new technologies for integrated pest management systems. Both bills fail to provide the requested additional funding to meet these urgent needs and, as a result, re-registrations may be based on incomplete understanding of actual pesticide use and exposure, jeopardizing the continued viability of current crop production patterns.

The House has provided only $2 million of the requested $22 million increase for the Inspector General as part of the Administration's law enforcement initiative, and the Senate has not provided any of the requested funds. The USDA initiative would save taxpayers millions of

dollars lost through fraud in the food and nutrition programs as well as in USDA disaster, multi-family housing, and other programs. The initiative would also improve the integrity of many USDA programs. The Administration urges the conferees to increase funds for this important initiative.

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

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Joseph Skeen,
and The Honorable Marcy Kaptur, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Thad Cochran,
and The Honorable Dale Bumpers

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

September 29, 1998

THE DIRECTOR

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

Dear Mr. Chairman:

This letter provides the Administration's views on the Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, FY 1999, 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 appreciates the Congress' support for many of the President's priorities within the 302(b) allocation. For example, we appreciate the funding levels provided by both the House and the Senate for law enforcement programs in general and the COPS program in particular. Funding COPS at the requested level of $1.4 billion is consistent with the Balanced Budget Agreement and would enable us to achieve the goal of hiring 100,000 additional police officers by the year 2000.

However, the allocation is simply insufficient to make the necessary investments in other critical programs funded by this bill. The only way to achieve the appropriate investment level is to offset discretionary spending by using savings in other areas. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by making savings in mandatory and other programs available to help finance this spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. We want to work with the Congress on mutually agreeable mandatory and other offsets that would be used to increase high-priority discretionary programs, including those funded by this bill. In addition, we hope that the Congress will reduce funding for lower priority and unrequested discretionary programs, and redirect funding to programs of higher priority.

The Administration has very serious concerns, discussed below, with the Congress' inadequate funding of a number of priority programs, as well as with objectionable language provisions. If the bill presented to the President does not address these issues, the President's senior advisers would recommend that he veto the bill.

Legal Services Corporation

The Administration appreciates the funding level of $300 million provided for the Legal Services Corporation (LSC) in the Senate bill. Notwithstanding the House amendment to increase funding above the House Committee level, the resulting House funding level for LSC remains unacceptable. The House version of the bill would fund LSC at $250 million, $33 million below the FY 1998 level and $90 million below the President's request of $340 million. The House level is 38 percent below the FY 1995 level of $400 million and calls into question the Government's commitment to ensure that all Americans have access to the judicial system. In addition, the Supreme Court's recent ruling that interest on lawyer trust accounts cannot be used to generate resources for civil legal services eliminates a funding source that provided LSC programs with more than $57 million last year. We urge the conferees to fully fund the President's request.

Department of Commerce

Decennial Census. The language in the House bill that would release funds for only the first half of FY 1999 is unacceptable. It is critical that the Congress provide full-year funding for the Decennial Census without any restrictions on the use of statistical sampling. Delays or disruptions would unacceptably complicate the management of this massive operation. We strongly urge the conferees to remove the onerous House language restrictions and provide funding that will allow the Census Bureau to implement its current plan. This plan was developed by statistical experts and is based on recommendations from the National Academy of Sciences, which found that regardless of the resources committed, the methodologies employed in the past could not achieve satisfactory accuracy. The statistical methods incorporated in the Bureau's plan would produce the most accurate census possible and virtually eliminate the large undercounts of minorities, children, and other groups that occurred in the 1990 census.

National Oceanic and Atmospheric Administration. The Administration urges Congress to fully fund priority programs, including: the Clean Water Initiative, including the Coastal Non-point program, to protect coastal communities; the GLOBE program, to promote scientific discovery and student achievement; Endangered Species Act and Magnuson-Stevens Act implementation; the Global Change Program, to understand the implications of extreme weather events such as El Nino; and, the National Weather Service, to improve services that inform communities of severe weather.

The Administration objects to language in the House-passed bill that would impose severe personnel and funding limitations on NOAA's executive direction and central administrative support areas. These restrictions would result in a loss of accountability in the management of NOAA's operations.

The Administration urges the conferees to restore funding necessary to maintain existing contracts, particularly for geostationary spacecraft procurement and polar instrument development. Both the House and Senate bills fail to include adequate funding to fulfill contract obligations for the converged polar satellite program and the recently-awarded geostationary follow-on contract. Renegotiation of these contracts would jeopardize satellite continuity for both civilian and military weather operations and increase costs.

National Institute for Standards and Technology. The Administration is disappointed by reductions to the Advanced Technology Program (ATP), which fosters cutting-edge research. We urge the conferees to provide the President's request for new awards and to drop bill language placing restrictions on new awards that reduce ATP's ability to manage carryover balances effectively. Also, the Administration is concerned that Congress' exclusion of the requested advance appropriation for the Advanced Measurement Laboratory would increase costs and delay completion of the facility by at least a year.

The Administration also remains concerned that no funds are provided for the Climate Change Technology Initiative.

Statistics Initiatives. The Administration is concerned that both the House and Senate bills do not include adequate funding for high-priority statistical initiatives, particularly the improvement of National Account measures, the Poverty Measure initiative, and the Continuous Measurement program, which will provide annual demographic information on the population and eliminate the need for the "long form" in the 2010 Census.

National Information Infrastructure Program. The Administration urges the conferees to fully fund the President's request for the National Information Infrastructure Grants Program, which provides seed money for innovative projects that deploy, use, and evaluate advanced information technology.

Economic Development Administration (EDA). The Administration is concerned about the funding level for EDA in the Senate-passed bill. EDA assists distressed communities in dealing with the burdens imposed by industry downsizing and international trade agreements and has achieved significant results in creating jobs, leveraging private sector dollars, and increasing local tax bases.

Agricultural Guest Workers

The Administration strongly urges the conferees to delete provisions in the Senate-passed bill that would create a new agricultural guest worker program. We believe that the Agricultural Job Opportunity, Benefits, and Security Act of 1998 is likely to increase illegal immigration to the U.S., reduce job opportunities for legal U.S. farm workers, and depress wages and work standards for U.S. farm workers. These provisions, therefore, are unacceptable. Consistent with the findings and recommendations of two bi-partisan commissions -- the Commission on

Immigration Reform and the Commission on Agricultural Workers -- the President opposes a new guest worker program. However, the Administration shares the goal of assuring an adequate, predictable labor supply of farm workers and will work with the Congress to develop reforms to the current program to ensure that it responds to agricultural needs while protecting U.S. farm workers.

Small Business Administration

The Administration strongly objects to the funding levels for Small Business Administration (SBA) disaster loans and operating expenses. We urge the conferees to restore funding so that SBA may continue to provide vital services to the Nation's small business community and assistance to the victims of natural disasters.

The House's funding level for SBA's Salaries and Expenses account regular operating expenses represents a 29-percent reduction from the President's request and includes a requirement that all of the reduction be taken from headquarters functions. This funding level would require a reduction in staff of more than 1,300 staff years through severe reductions-in-force. Not even the elimination of all headquarters employees would satisfy the House Report's requirement that all reductions be taken solely from non-district Offices.

The Senate mark of $94 million to administer the Disaster Loan Program is a 43-percent reduction from the President's request. Such a drastic reduction in funding to originate and service disaster loans would result in the cessation of loans and services to the victims of natural disasters by the beginning of calendar year 1999.

Equal Employment Opportunity Commission

The Administration strongly urges the conferees to fully fund the President's request of $279 million for the Equal Employment Opportunity Commission (EEOC), $18.5 million above the House level and $25.4 million above the Senate level. The additional resources are essential and would allow EEOC to reduce the backlog of pending complaints and implement much-needed reforms in the way all complaints are managed, including an enhanced alternative dispute resolution program. We look forward to working with the Congress to provide funding for EEOC and other programs included in the President's civil rights enforcement initiative.

Department of Justice

The Administration appreciates the Congress' continued support for law enforcement and other Department of Justice activities. However, as discussed below, we are concerned about Congress' action in a number of areas.

Imposition of State Ethics Rules. The House-passed bill includes unacceptable language that would impose State ethics rules on Federal attorneys and establish an independent board that could fire Federal agents, prosecutors, and civil law enforcement attorneys. These provisions

would undermine Federal law enforcement by subjecting Department of Justice attorneys to multiple and inconsistent State rules of conduct, transferring to the States the authority to regulate the conduct of Federal attorneys in the performance of their Federal law enforcement duties. For example, this legislation would hamper investigations of drug operations across State lines as well as other multi-jurisdiction investigations such as the Oklahoma City bombing investigation.

Brady Act Implementation. The Senate bill contains unacceptable language that would undermine implementation of the Brady Act and the National Instant Check System. The Administration urges the conferees to reject this language and to continue to work with the Administration to keep guns out of the hands of criminals, the mentally unstable, and other prohibited purchasers.

Immigration and Naturalization Service Examination and User Fees. The Senate bill inappropriately diverts $166 million in receipts from the Immigration and Naturalization Service's (INS's) Immigration Examination and User Fee accounts for expenses not directly related to the immigration services for which they are assessed. In addition, the Department of Justice has forwarded a reprogramming action for $171 million to address a funding shortfall in the Examination Fee account and provide necessary resources to reduce the citizenship application backlog and implement management reforms. The Senate recommendation would exacerbate this funding shortfall. The Administration urges the conferees to ensure that immigration fees are used to reduce the backlog of pending citizenship applications, as well as to approve the reprogramming of departmental resources for naturalization process reengineering and application backlog reduction.

Winstar. The Justice Department critically needs resources to fund the Winstar litigation, in which the Department is defending against $20 to $30 billion in claims against the Government. The Administration appreciates the Senate's willingness to fund Winstar, but opposes the Senate's approach to funding for Winstar, which would require substantial reductions to the litigating divisions' other activities, including Civil Rights, Civil, Criminal, and other legal divisions.

Title V -- At-Risk Children's Grant Program. The Administration strongly urges the conferees to provide the $95 million requested for the At-Risk children's proposal. The At-Risk proposal supports community programs that prevent young people from becoming involved in the criminal justice system, including mentoring, truancy prevention, and gang intervention.

Drug Testing and Intervention. The Administration strongly urges the conferees to provide the $85 million requested for the drug testing and intervention program. Systematic drug testing is a proven, cost-effective means of using the coercive power of the criminal justice system to move non-violent offenders into drug treatment programs.

Protection Against Chemical and Biological Weapons. We appreciate the Congress' support of the Administration's efforts to combat terrorism, particularly the use of chemical and biological weapons. However, we encourage the conferees to fully fund all of the items requested by the Administration, and, in particular, detection equipment for State and local bomb squads.

Protection Against Attacks on Critical Infrastructure. The Administration urges the conferees to provide the full $34 million requested for expenses related to protection of the Nation's critical infrastructure, including funding for potential transfer to the Department of Commerce's Critical Infrastructure Assurance Office and for the FBI's National Infrastructure Protection Center. Failure to provide requested funding for these initiatives would endanger the Government's efforts to fight cybercrime.

Indian Country. While the Senate mark for Indian Country criminal justice assistance is preferable to the House level, we urge the conferees to fully fund the Administration's request, including FBI and U.S. Attorneys resources. This initiative seeks to provide much-needed funds to address a serious public safety crisis.

International Affairs Programs

On September 22nd, the President transmitted an FY 1998 emergency supplemental funding request to address urgent needs relating to the terrorist bombings of the U.S. embassies in Nairobi, Kenya and Dar Es Salaam, Tanzania. In consultation with Congress, the Administration has prepared this request and looks forward to working with Congress to enact this proposal as quickly as possible. We are encouraged by the strong bipartisan support and commitment to protect U.S. citizens and U.S. interests around the world including our overseas official presence. In this regard, the Administration urges support for the FY 1999 request for various operating accounts, which are needed in addition to the Emergency Supplemental to support our overseas presence and provide the annual funds for security programs and other activities.

State Department Operations. The Administration appreciates the Congress' support for the Department of State's Diplomatic and Consular Programs and Salaries and Expenses accounts. However, both versions of the bill include reductions to, or unrequested earmarks in, these accounts totaling over $30 million. Such reductions would prevent the Department from meeting expected wage and price increases, covering critical overseas staffing gaps, and addressing other infrastructure shortfalls. Further, the exclusion of $38 million from the House-passed bill for information technology improvements in the Capital Investment Fund would jeopardize the Department's effort to achieve Y2K compliance. In addition, the Administration supports the Senate's permanent extension of the Machine Readable Visa authority and opposes the cap on this authority in the House-passed bill. The House version would limit the Department's ability to execute the President's Border Security Program.

International Organizations and Peacekeeping. The Administration is concerned that funding reductions and earmarks, especially in the Senate version, for the Contributions to International Organizations (CIO) and Contributions for International Peacekeeping Activities (CIPA) accounts would increase arrears and impair the ability of the United States to address foreign policy interests through the mechanism of U.N. peacekeeping. Given uncertainties in the Balkan region and elsewhere, the Administration urges that the CIPA request level be provided. The Administration is also concerned that the CIO account be crafted in a manner that allows sufficient payments to be made to the United Nations before December 31st in order to avoid a loss of vote by the United States in the U.N. General Assembly.

The Administration appreciates the steps the Congress has taken to fund the request for arrearage payments this year. We want to work with the Congress to ensure that these funds are available in a timely fashion to retain our influence in these organizations and to identify reform measures that further U.S. interests. However, we strongly oppose the authorization requirement in both versions of the bill that is intended to subject this important foreign policy measure to the unrelated issue of family planning policy.

The Administration strongly believes that activities relating to the Comprehensive Nuclear Test Ban Treaty should be funded at the $29 million level, as requested in the Nonproliferation, Anti-terrorism, Demining, and Related Programs account. We oppose the House-passed bill's proposal to provide up to $15 million for these needs by transfer from the CIO account without any increase in funding.

United States Information Agency. The Administration is very concerned about reductions to the United States Information Agency (USIA), which both the House and Senate fund below the President's request, by $30 million and $68 million, respectively. Given that the USIA request is virtually at the FY 1998 level, any reductions would hurt core public diplomacy activities, Year 2000 compliance, critical broadcasting activities, including broadcasting to Africa, and important grant programs. The Senate-passed version of the bill is particularly problematic because it severely underfunds international information programs by $35 million (most of which is due to the bill's omission of funding for overseas administrative costs) and broadcasting programs by $46 million. For broadcasting, the reduction would require a personnel reduction-in-force, eliminate broadcast language services, and defer necessary capital and technical radio modernization improvements.

Jerusalem. The Administration strongly objects to provisions in the Senate bill concerning Jerusalem that would intrude impermissibly upon the President's constitutional authority to conduct diplomacy and determine recognition and would undermine ongoing efforts to promote a peaceful resolution of the Arab-Israeli conflict.

Anti-Ballistic Missile Treaty. The Administration strongly opposes the House provision that seeks to curtail funding for U.S. participation in the Anti-Ballistic Missile Treaty's Standing Consultative Commission (SCC). The Administration has made clear that the 1997 Memorandum of Understanding (MOU) referred to in the House language will be sent to the

Senate for advice and consent as soon as Russia ratifies START II; while we will continue to meet with other states in the SCC to discuss Treaty-related issues, the MOU will not be implemented without Senate approval. (Twice-yearly meetings of the SCC are required under the Treaty, which was ratified by the Senate in 1972 by a vote of 96 to 3. The SCC deals with Treaty related issues and works to resolve disputes and ensure compliance.)

Property Claims. The Administration strongly opposes language in the House-passed bill that would prevent intervention by the Justice Department and other agencies in certain U.S. court proceedings to seize property of foreign governments designated as state sponsors of terrorism. Such a measure likely would result in seizures of property in direct violation of U.S. statutory and treaty law and in giving priority to certain U.S. claimants over long-standing, legitimate claims by other U.S. citizens. It could also lead to costs incurred by the United States in the event of judgments for foreign governments, retaliation against U.S. diplomatic properties abroad, and seizure of property where the United States is claiming an interest in actual ownership of the property. Moreover, this provision would undermine the Administration's ability to protect the interests of the United States in U.S. courts.

International Emergency Economic Powers Act. The Administration opposes language in the Senate-passed bill that would limit the President's ability to impose sanctions under the International Emergency Economics Powers Act. The provision would interfere with the President's authority to target sanctions in specific situations, restricting an important foreign policy tool.

Vietnam and Haiti. The Administration is concerned that language in both versions of the bill regarding Vietnam would unconstitutionally constrain the President's authority with respect to the conduct of diplomacy. In addition, language in the Senate-passed bill regarding Haiti purports, in some circumstances, to limit the President's unfettered constitutional authority to "receive ambassadors and other public ministers."

Federal Communications Commission

The Administration is concerned that both versions of the bill exclude funding for the Federal Communications Commission's (FCC's) scheduled move to the Portals complex, and that the House bill provides none of the FCC's requested increases. Denial of funding for Portals would impair the FCC's ability to implement the mandates of the Telecommunications Act of 1996 and carry out critical mission operations. The House's overall level could require an agency-wide furlough or reduction-in-force.

Internet Regulation

The Administration strongly supports the objectives of provisions in the Senate-passed bill regarding Internet regulation. However, the Administration has concerns about the provisions as currently drafted and urges the conferees to delete them. Instead, we look forward

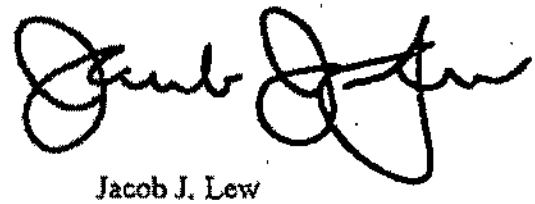
to working with Congress to develop legislation that will address our mutual goals through the authorization process. Specifically, the Administration supports legislation that would require every school and library using the e-rate to certify that it has developed a plan to protect its schoolchildren from inappropriate content. Such legislation cannot follow a "one-size-fits-all" approach that could interfere with local judgments about how to best address the problem. In addition, while we share the important goal of empowering parents and teachers to protect minors from harmful material that is distributed commercially over the World Wide Web, imposing Federal criminal penalties for such distribution is inadvisable at this time. Such a new criminal statute could divert investigative and prosecutorial resources from combating hard core traffickers in child pornography. Moreover, because such a provision could be subject to serious constitutional challenge, it is important to carefully address the constitutional questions before enacting any Internet content regulation. Given the progress that the private sector has made and is continuing to make in empowering parents and teachers to protect minors from harmful material, there is no need to rush an appropriations rider now without due consideration of these issues.

Year 2000 Computer Conversion

In the FY 1999 Budget, the President requested more than $1 billion for Year 2000 (Y2K) computer conversion. In addition, the budget anticipated that additional requirements would emerge over the course of the year and included an allowance for emergencies and other unanticipated needs. On September 2nd, the President transmitted to the Congress a request for $3.25 billion in FY 1998 contingent emergency funding for Y2K computer conversion activities. This supplemental request would create a funding mechanism that is consistent with both the needs anticipated in the President's budget and the Senate's action creating a $3.25 billion contingent emergency reserve to provide the resources and the flexibility necessary to respond to critical unanticipated Y2K-related requirements. It is essential to make Y2K funding available quickly and flexibly. Efforts to defer action on the emergency fund in the Treasury and General Government appropriations bill are very troubling, particularly in light of the fact that several appropriations bills -- including the House version of Commerce, Justice, State -- do not include funding for base Y2K requests.

Additional Administration concerns are contained in the enclosure. We look forward to working with the conferees to address our mutual concerns.

Sincerely,



Jacob J. Lew
Director

Enclosure

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Harold Rogers,
The Honorable Alan Mollohan, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Judd Gregg,
and The Honorable Ernest F. Hollings

Enclosure
(Conference)

ADDITIONAL CONCERNS
H.R. 4276 -- DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1999
(AS PASSED BY THE HOUSE AND BY THE SENATE)

Department of Commerce

- Minority Business Development Agency. Management reforms at the Minority Business Development Agency (MBDA) have improved delivery of programs and technical assistance, and MBDA has emerged as a stronger, more focused agency. The Administration objects to the reduction to MBDA's base made by both the House and the Senate and requests restoration of $2.8 million.

Department of Justice

- Bureau of Prisons/Abortion. The Administration urges the conferees to strike language that would prohibit the Bureau of Prisons from funding abortions except in cases of rape or where the life of the mother is endangered.

- Juvenile Justice Block Grant. The Administration is concerned that the Juvenile Justice Block Grant program, funded at $250 million in the House-passed bill and $100 million in the Senate-passed bill, may authorize a broad and unfocused range of spending. We urge the Congress to provide funding for more targeted activities, including direct funds for local prosecutors to address juvenile and quality of life crimes.

- Narrowband Communications. The Administration is disappointed that neither version of the bill would provide the $86 million requested to establish a fund for the consolidation and coordination of the Department's conversion to narrowband communications systems. We urge the conferees to establish such a fund and to restore the $24 million in base resources.

- Federal Bureau of Investigation. The Administration asks that the conferees provide the $50 million requested for the FBI's Information Sharing Initiative (ISI). The House level, $20 million below the request, would prevent the FBI from improving its electronic case file information, thereby increasing the effectiveness and efficiency of the FBI's investigations. Furthermore, the House reporting requirement on ISI would impede the FBI's ongoing efforts to provide critical information technology infrastructure support using existing resources.

- INS Border Management Strategy. The Administration appreciates Congress' support for the Administration's border control initiative. However, both the House and Senate marks are insufficient to support our comprehensive, bipartisan border management and enforcement strategy. We urge the conferees to fully fund the President's request for the border infrastructure and technology, detention support, and interior enforcement initiatives.

- Counterdrug Strategy. The Administration strongly opposes Senate Report language that would direct the Attorney General to create a new interagency counterdrug strategy. The Director of National Drug Control Policy is mandated by statute to perform this function; it should not be transferred to the Attorney General. However, we understand from a colloquy on the Senate floor that the intent of this language is to encourage the Justice Department to work closely with ONDCP on implementing the National Drug Control Strategy and ONDCP's Performance Measures of Effectiveness. The Report language should be dropped or clarified consistent with the colloquy.

- Controlled Substances Act. The Administration has serious concerns about sections 118 and 119 of the Senate-passed bill, which would weaken the Drug Enforcement Administration's authority to regulate the flow of drugs classified as controlled substances. The provisions would allow relief for recordkeeping and reporting violations. Careless, negligent, or unknowing violations, which are properly subject to misdemeanor penalties under current law, create an opportunity to divert drugs to illicit channels just as do knowing or intentional violations.

- Antitrust Division. The Administration opposes the Senate-passed bill's provision prohibiting Antitrust Division personnel from traveling abroad to encourage a foreign country to take an antitrust action. This provision would infringe upon the President's constitutional authority to conduct the foreign relations of the United States.

- Resources for Combating Terrorism. Section 117 of the Senate bill sets forth requirements for reporting resources devoted to combating terrorism. The Administration is pleased to provide data on these very important efforts. However, the bill proscribes a format and detail that will be difficult and burdensome to provide. In addition, there are other statutory requirements for reporting resources devoted to combating terrorism. Flexibility is essential in order to develop a meaningful report that can satisfy multiple requirements.

Nursing Relief for Disadvantaged Areas

- The Administration opposes the Nursing Relief for Disadvantaged Areas Act of 1998, which has been included in the Senate-passed bill. This legislation is unnecessary, since