

THE WHITE HOUSE

WASHINGTON

June 16, 1993

33 JUN 16 P 9:47

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN *RE*

SUBJECT: **Enclosed Presidential Decision Directive Establishing the Small Business Administration as a Member of the NEC**

- I. **BACKGROUND INFORMATION:** The enclosed Presidential Decision Directive/NEC-4 formally establishes Small Business Administration membership on the National Economic Council. This PDD responds to a request from the Administrator of the Small Business Administration and reflects the important role of small business in the United States economy.
- II. **RECOMMENDATION:** You have indicated to the SBA Administrator, Erskine Bowles, that you want the SBA involved in the development of economic policies that affect small business and I agree that the SBA's involvement is important. The recommendation is that you sign this Presidential Decision Directive, formally establishing SBA membership in the NEC.
- III. **DECISION:**
 Approve Approve as amended Reject No action

THE WHITE HOUSE

WASHINGTON

June 16, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-4

TO: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISERS
THE UNITED STATES TRADE REPRESENTATIVE
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION
AGENCY
THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY
AFFAIRS
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR
SCIENCE AND TECHNOLOGY POLICY

SUBJECT: **Membership of the National Economic Council**

To assist me in carrying out my responsibilities in the area of the national economy, I hereby direct that the Administrator of the SBA be made a member of the National Economic Council. The Small Business Administrator shall be added to the list of members identified in PDD/NEC-2 and PDD/NEC-3, which are amended by this directive.

The Small Business Administration shall be represented on the NEC Deputies Committee (ECON2) by a senior official of Deputy Secretary or Under Secretary rank chosen by the Small Business Administrator. The Small Business Administration shall also participate in other NEC committees and interagency working groups as appropriate.

William Jefferson Clinton

THE WHITE HOUSE

WASHINGTON

February 15, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-1

TO: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND
URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF THE
ENVIRONMENTAL PROTECTION AGENCY
THE CHAIR OF THE COUNCIL
OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ASSISTANT TO THE PRESIDENT
FOR ECONOMIC POLICY
THE ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY
THE NATIONAL SECURITY ADVISOR
THE ASSISTANT TO THE PRESIDENT FOR
SCIENCE AND TECHNOLOGY POLICY

SUBJECT: Establishment of Presidential Review and Decision
Series/NEC

The following instrumentalities are hereby established to direct the work of the National Economic Council and participating agencies and to inform the departments and agencies of Presidential directives:

-- Presidential Review Directive (PRD)/NEC

This series will be used to direct that reviews and analyses be undertaken by the departments and agencies.

-- Presidential Decision Directive (PDD)/NEC

This series will be used to promulgate Presidential decisions on national and economic matters.

William J. Clinton

THE WHITE HOUSE

WASHINGTON

March 24, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-2

TO: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION
AGENCY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND
BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE NATIONAL SECURITY ADVISER
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND
TECHNOLOGY POLICY

SUBJECT: Organization of the National Economic Council

To assist me in carrying out my responsibilities in the area of the national economy, I hereby direct that the National Economic Council system be organized as follows.

A. The National Economic Council (NEC)

The National Economic Council will be the principal forum for consideration of economic policy issues requiring Presidential determination. The responsibility, functions, and membership of the NEC shall be as set forth in Executive Order 12835 and this Presidential Decision Directive. The NEC shall (1) advise and assist me in integrating all aspects of national economic policy -- macro-economics, micro-economics, domestic, international and sectoral (in conjunction with the National Security Council); (2) develop and manage the economic policy-making processes with respect to domestic and international economic issues; (3) coordinate economic policy advice to the

President; (4) ensure that economic policy decisions and programs are consistent with the President's stated goals, and ensure that those goals are being effectively pursued; and (5) monitor implementation of the President's economic policy agenda. The Assistant to the President for Economic Policy may take such actions as may be necessary or appropriate to implement these responsibilities. As provided in Executive Order 12835, (1) the Council may function through established or ad hoc committees, task forces or interagency groups. (2) The Council shall have a staff to be headed by the Assistant to the President for Economic Policy. The Council shall have such a staff and other assistance as may be necessary to carry out the provisions of this order. (3) All executive departments and agencies shall cooperate with the Council and provide such assistance, information, and advice to the Council as the Council may request, to the extent permitted by law. Along with its subordinate committees, the NEC shall be my principal means for coordinating Executive departments and agencies in the development and implementation of national security policy.

The NEC shall have as its members the President, the Vice President, the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Energy, the Administrator of the Environmental Protection Agency, the Chair of the Council of Economic Advisors, the Director of the Office of Management and Budget, the United State Trade Representative, the Assistant to the President for Economic Policy, the Assistant to the President for Domestic Policy, the National Security Adviser, and the Assistant to the President for Science and Technology Policy. The heads of other Executive departments and agencies and other senior officials shall be invited to attend meetings of the NEC where appropriate.

The NEC shall meet as required. The Assistant to the President for Economic Policy, at my direction and, when appropriate, in consultation with the Secretary of the Treasury, the Director of OMB, and the Assistant to the President for National Security Affairs, shall be responsible for determining the agenda and ensuring that the necessary papers are prepared. Other members of the NEC may propose items for inclusion on the agenda. The Assistant to the President shall be assisted by a National Economic Council staff.

B. The NEC Principals Committee (ECON1)

An NEC Principals Committee is established as the senior interagency forum for the consideration and integration of policy issues importantly effecting the national economy. The NEC Principals Committee shall review, coordinate, and monitor the

development and implementation of national economic policy. The NEC/PC should be a flexible instrument -- a forum available for Cabinet-level officials to meet to discuss and resolve issues not requiring the President's participation. The Assistant to the President for Economic Policy will serve as chair of the NEC Principals Committee. The Assistant to the President for National Security Affairs shall be informed of meetings and invited to attend all those with international economic and international security implications and considerations.

The NEC Principals Committee shall have as its members the Secretary of the Treasury; the Director of the Office of Management and Budget; the Chairman of the Council of Economic Advisers; the Secretary of Commerce; and the Secretary of Labor; and the Assistant to the President for National Security Affairs as appropriate. Other heads of departments or agencies shall be invited as needed.

The Assistant to the President for National Economic Policy shall be responsible -- in consultation with the Secretary of Treasury and Director of OMB, and, when appropriate, the Assistant to the President for National Security Affairs -- for calling meetings of the NEC/PC, for determining the agenda, and for ensuring that the necessary papers are prepared.

C. The NEC Deputies Committee (ECON2)

An NEC Deputies Committee shall serve as the senior sub-Cabinet interagency forum for consideration of policy issues affecting the national economy. The NEC Deputies Committee shall review and monitor the work of the NEC interagency process (Including Interagency Working Groups established pursuant to Section D below). The Deputies Committee also shall focus significant attention on policy implementation. Periodic reviews of the Administration's major economic initiatives shall be scheduled to ensure that they are being implemented in a timely and effective manner. Also, these reviews should periodically consider whether existing policy directives should be revamped or rescinded.

The NEC Deputies Committee shall have as its members the Deputy Assistant to the President for Economic Policy (who will serve as the chairman) and the appropriate senior officials of Deputy Secretary or Under Secretary rank chosen by the relevant heads of departments or agencies which compose the NEC in consultation with the Deputy Assistant to the President for Economic Policy. The Deputy Assistant to the President for National Security Affairs shall be a member of the NEC Deputies Committee and attend meetings as needed. The Deputy Assistant to the President for Economic Policy may invite representatives of other Executive departments and agencies, and other senior

officials, to attend meetings of the NEC Deputies Committee where appropriate in light of the issues to be discussed.

The Deputy Assistant to the President for Economic Policy shall be responsible for calling meetings of the NEC Deputies Committee, for determining the agenda, and for ensuring that the necessary papers are prepared. The NEC Deputies Committee shall ensure that all papers to be discussed by the NEC or the NEC Principals Committee fully analyze the issues, fairly and adequately set out the facts, consider full range of views and options, and satisfactorily assess the prospects, risks, and implications of each. The NEC Deputies Committee may task the interagency groups established pursuant to Section D of this Presidential Decision Directive.

D. Interagency Working Groups (ECON3)

A system of Interagency Working Groups -- some permanent, others -- ad hoc -- is hereby authorized. The NEC Interagency Working Groups shall be established at the direction of the Deputies Committee, which shall also determine the chair of the NEC Interagency Working Groups -- either departmental or NSC, NEC, or DPC. The Interagency Working Groups shall convene on a regular basis -- to be determined by the Deputies Committee -- to review and coordinate the implementation of Presidential decisions in their policy areas. Strict guidelines shall be established governing the operation of the Interagency Working Groups, including participants, decision-making path and time frame. The number of these working groups shall be kept to the minimum needed to promote an effective NEC system.

William Clinton

THE WHITE HOUSE
WASHINGTON

January 24, 1993

MEMORANDUM FOR: ALEXIS HERMAN
RAHM EMANUEL
REGINA MONTOYA
CAROL RASCO ✓
ROY NEEL

FROM: JOHN PODESTA (100/10)

SUBJECT: National Economic Council

The President is scheduled to sign the Executive Order establishing the National Economic Council tomorrow. I have attached a memo prepared by Mark Gearan on the composition of the Council, which recommends that Option 4 be followed, together with an earlier draft of the Executive Order, which contemplated a larger membership -- the most recent Order includes the smaller list that appears on page 2 of the memo.

Please get back to me or Todd Stern as soon as possible with your comments on that recommendation and on the attached draft Order.

5 p.m.

Called in

my endorsement of option 4.

To: Mack McLarty
From: Mark D. Gearan *mg*
Date: January 23, 1993
Subject: Composition of the National Economic Council

Background

The initial draft of the Executive Order establishing the National Economic Council has been written and we plan to finalize the document by Monday. We need to make recommendations to the President as to who should serve on the Council and how we should announce the membership. The Executive Order, as currently drafted, outlines the membership in a section of the Order.

As you know, this decision is especially important since the President plans to sign the Executive Order on Monday, and since the work of the Councils will be a major topic of discussion at the Cabinet Retreat.

Objectives in Membership

There are a number of issues to consider as we develop recommendations for the composition of the National Economic Council:

- * representation of all key economic agencies;
- * appropriate representation of non-economic agencies with substantial economic impact;
- * workability of the group, with respect to capacity for making decisions, etc.;
- * composition of successful similar groups such as the NSC;
- * political representation which will ensure that all relevant players are vested in the work of the Council.

NEC Membership Options:

The list currently outlined in the Executive Order includes the following people:

- President
- Vice President
- Secretary of State
- Secretary of the Treasury
- Secretary of Commerce
- Secretary of Labor
- Secretary of Energy
- Chair of the Council of Economic Advisors
- Director of OMB
- U.S. Trade Representative
- Administrator of the Environmental Protection Agency
- Assistant to the President for Economic Policy
- Assistant to the President for Domestic Policy
- National Security Advisor

I think this group meets most of our objectives. However, we need to consider whether or not we should expand the group to address a broader range of issues which have substantial impact on the economy but are not directly related. Suggestions include:

- Secretary of Housing and Urban Development
- Secretary of Health and Human Services
- Secretary of Transportation
- Secretary of Agriculture
- Secretary of Education

Option #1: Current Draft

Use the current draft of the list with no additions. This will keep the group small [twelve plus President and Vice President], possibly improving its ability to make decisions.

The drawback of making no additions is the resistance of Cabinet members and other political forces who will feel that they should be included and that their exclusion is de facto de-prioritization of their work.

The membership under this option would include:

- President
- Vice President
- Secretary of State
- Secretary of the Treasury
- Secretary of Commerce
- Secretary of Labor
- Secretary of Energy
- Chair of the Council of Economic Advisors

- Director of OMB
- U.S. Trade Representative
- Administrator of the Environmental Protection Agency
- Assistant to the President for Economic Policy
- Assistant to the President for Domestic Policy
- National Security Advisor

Option #2: Add Appropriate Cabinet Members

Add on all of the Cabinet members listed above as possible concerns. This would vest more interests in the decision-making, which could help when it is time to implement the NEC's strategies. However, this is a "slippery slope" as we may end up with requests from other Cabinet or Agency officials demanding representation.

The membership under this option would include:

- President
- Vice President
- Secretary of State
- Secretary of the Treasury
- Secretary of Commerce
- Secretary of Labor
- Secretary of Energy
- Chair of the Council of Economic Advisors
- Director of OMB
- U.S. Trade Representative
- Administrator of the Environmental Protection Agency
- Assistant to the President for Economic Policy
- Assistant to the President for Domestic Policy
- National Security Advisor
- Secretary of Housing and Urban Development
- Secretary of Health and Human Services
- Secretary of Transportation
- Secretary of Agriculture
- Secretary of Education

Option #3: Add All Interested Parties, Work Through Executive Committee

Add on all interested parties, but handle primary responsibilities of the NEC through an Executive Committee. While this has the advantage of inclusion, this is somewhat of a bureaucratic device which often frustrates members who want to play an active role but who are not on the Executive Committee.

Option #4: Provide for Ad Hoc Membership As Needed

One way to strike the balance between inclusion and excessive membership may be to provide for ad hoc appointment by the President to address specific issues of economic planning. The Secretary of Housing and Urban Development, for example, could be added to address community reinvestment and rebuilding

cities. The Executive Order could be drafted to include an example, which will allay the concerns of interest groups groping for representation on the Council.

Option #5: Delay Release of Names

Finally, we could recommend that the Executive Order leave membership of the group at the President's discretion and say nothing further. This would allow us to consider the membership further and announce it separately sometime later in the week. This might also provide the President with more administrative flexibility to alter the membership as he sees fit.

Recommendation

I recommend Option #4, providing for ad hoc membership on the Council. This will provide the President with the most flexibility for appropriate representation on the Council. I have spoken with Bob Rubin and he shares this sentiment.

cc: Hillary Rodham Clinton
Bruce Lindsey
Bob Rubin
George Stephanopoulos

EXECUTIVE ORDER

- - - - -

ESTABLISHMENT OF THE NATIONAL ECONOMIC COUNCIL

By the authority vested in me as President by the Constitution and the laws of the United States of America, including sections 105, 107, and 301 of title 3, United States Code, it is hereby ordered as follows:

Section 1. Establishment. There is established the National Economic Council ("the Council").

Sec. 2. Membership. The Council shall comprise the:

- (a) President, who shall serve as Chairman of the Council;
 - (b) Vice President;
 - (c) Secretary of State;
 - (d) Secretary of the Treasury;
 - (e) Secretary of Agriculture;
 - (f) Secretary of Commerce;
 - (g) Secretary of Labor;
 - (h) Secretary of Health and Human Services;
 - (i) Secretary of Housing and Urban Development;
 - (j) Secretary of Transportation;
 - (k) Secretary of Energy;
 - (l) Secretary of Education;
 - (m) Director of the Office of Management and Budget;
 - (n) Chair of the Council of Economic Advisers;
 - (o) United States Trade Representative;
 - (p) Assistant to the President for National Security Affairs;
 - (q) Assistant to the President for Economic Policy;
 - (r) Assistant to the President for Domestic Policy;
 - (s) Administrator of the Environmental Protection Agency;
- and
- (t) Such other officials of Executive departments and

agencies as the President may, from time to time, designate.

Sec. 3. Meetings of the Council. The President, or upon his direction, the Assistant to the President for Economic Policy ("the Assistant"), may convene meetings of the Council. The President shall preside over the meetings of the Council, provided that in his absence the Assistant will preside.

Sec. 4. Functions. (a) The principal functions of the Council are to: (1) coordinate the economic policy-making process with respect to domestic and international economic issues; (2) coordinate economic policy advice to the President; (3) ensure that economic policy decisions and programs are consistent with the President's stated goals and ensure that those goals are being effectively pursued; and (4) monitor implementation of the President's economic policy agenda. The Assistant may take such actions, including drafting a Charter, as may be necessary or appropriate to implement such functions.

(b) All Executive departments and agencies, whether or not represented on the Council, shall coordinate economic policy through the Council.

(c) In performing the foregoing functions, the Assistant will, when appropriate, work in conjunction with the Assistant to the President for Domestic Policy and the Assistant to the President for National Security Affairs.

(d) The Secretary of the Treasury will continue to be the senior economic official in the Executive branch and the President's chief economic spokesperson. The Director of the Office of Management and Budget, as the President's principal budget spokesperson, will continue to be the senior budget official in the Executive branch. The Council of Economic Advisers will continue its traditional analytic, forecasting, and advisory functions.

Sec. 5. Administration. (a) The Council may function through established or ad hoc committees, task forces or interagency groups.

(b) The Council shall have a staff to be headed by the Assistant to the President for Economic Policy. The Council

shall have such staff and other assistance as may be necessary to carry out the provisions of this order.

(c) All Executive departments and agencies shall cooperate with the Council and provide such assistance, information, and advice to the Council as the Council may request, to the extent permitted by law.

THE WHITE HOUSE,

~~Roz~~
~~Ask~~ Sylvia if

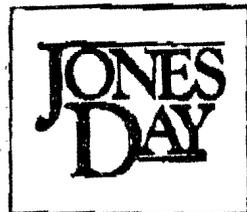
this is something
NEC would
normally handle.

Keep me posted.

We need to offer meeting
to Scanlon soon.

• Ellen Seidman

RUSH



Facsimile Transmission

Metropolitan Square, 1450 G Street, N.W. • Washington, D.C. 20005 • 202/879-3939
1993 JUL - 1 5 80 Facsimile: 202/737-2832

Date 7/7/93

Please hand deliver the following facsimile to:

Name: Carol Rasco

Facsimile No.: 456-2898

Company: _____

Number of Pages (including this page): _____

Telephone No.: 456-2216

Send copies to: _____

From Melissa Sealon

Telephone No.: 879-7622

Copies distributed _____
Facsimile Operator's Initials

CAM No.: 504810 163 001

NOTICE: This communication is intended to be confidential to the person to whom it is addressed, and it is subject to copyright protection. If you are not the intended recipient or the agent of the intended recipient or if you are unable to deliver this communication to the intended recipient, please do not read, copy or use this communication or show it to any other person, but notify the sender immediately by telephone at 202/879-3939 or the direct telephone number noted above.

Message: Carol

Per your request
1) A one page discussion of the coal issue
2) A comprehensive background
paper -
I look forward to hearing
from your staff - Melissa

Please call us immediately if the facsimile you receive is incomplete or illegible. Our telephone number is 202/879-3897. Please ask for the facsimile operator.

Jones, Day, Reavis & Pogue

Atlanta, Austin, Brussels, Chicago, Cleveland, Columbus, Dallas, Frankfurt, Geneva, Hong Kong, Irvine, London, Los Angeles, New York, Paris, Pittsburgh, Riyadh, Taipei, Tokyo, Washington, D.C.

**THE COAL INDUSTRY RETIREE HEALTH BENEFIT ACT OF 1992:
NEED FOR A ONE-YEAR MORATORIUM ON "REACHBACK COMPANY"
PREMIUM OBLIGATIONS**

Congress enacted the Coal Industry Retiree Health Benefit Act of 1992 (the "Coal Act") to create a new scheme to fund the insolvent United Mineworkers of America ("UMWA") retiree health benefit plans. One of the critical components in the scheme is the so-called "reachback" -- a mechanism requiring companies that had previously signed any National Bituminous Coal Wage Agreement to make payments into a new retiree benefits fund. Under the Coal Act, the Department of Health and Human Services ("HHS") must complete its study of mineworker histories and assign retired miners to their former employers by October of 1993. As a result of the HHS analysis, enormous new premium obligations will be imposed on former signatory companies and, unfortunately, the unintended effect of the Coal Act will be to force many companies into bankruptcy. By imposing a one-year moratorium on reachback company premium obligations, Congress can prevent such a course of action and allow for a full examination of the unintended, yet substantial inequities associated with the Coal Act.

The Coal Act Resulted in Bad Tax Policy

The reachback provision of the Coal Act imposes enormous and unanticipated retiree health costs on a group of companies, many of which will be bankrupt as soon as the liability under the Act is payable in October of 1993. This liability has been imposed despite the fact that these companies already honored all commitments to which they had agreed under the contracts that were negotiated between coal companies and their miners. Numerous lawmakers recognize that the Coal Act resulted in bad tax policy. House Ways and Means Committee Chairman Dan Rostenkowski (D-IL) has publicly stated his discomfort with the reachback provision and intends to hold hearings at the earliest possible date to determine if the provision should be amended.

The Proposed Solution

Under the proposed moratorium, the payment of premiums due to begin in October of 1993 would be postponed twelve months to October of 1994. In addition to the transfer of \$70 million from the 1990 UMWA Pension Plan, due under the Coal Act in October of this year, an additional \$50 million would be accelerated from the scheduled third Pension Plan transfer (of \$70 million) due in fiscal year 1995. These funds will cover the projected 12 month liability for all reachback companies. Should Congress decide not to change the Coal Act's funding mechanism by October 1, 1994, the trustees of the health benefit fund would immediately notify and assess every reachback company the total liability accruing from the period of February 1, 1993 to October 1, 1994, and would include repayment of the interim \$50 million.

A Moratorium Will Save Companies From Bankruptcy and Allow for Full Consideration of Coal Act's Inequities

Enactment of a moratorium will give lawmakers the time to analyze information to be obtained from hearings on a soon-to-be-released Congressional Research Service study on the reachback funding mechanism. These hearings will also provide a forum for consideration of concerns raised by lawmakers in a letter to House Ways and Means Committee Chairman Rostenkowski earlier this year. Imposing a moratorium would also provide HHS with sufficient time and resources to conduct a more thorough analysis of mineworker histories to ensure a proper assignment of beneficiaries. Finally, and most important, a moratorium would save many companies from imminent bankruptcy and thus save jobs in regions already hard-hit by unemployment.

Miners and Mining Companies Would Not Be Disadvantaged by a Moratorium

Retired miners' benefits will not be jeopardized by enacting a one-year moratorium. Accelerating the additional \$50 million from the scheduled fiscal year 1995 Pension Plan transfer will ensure that sufficient funds exist to maintain health benefits for miners. Such a transfer will also ensure that parties currently paying premiums on an interim basis will not be disadvantaged while lawmakers take additional time to assess the problems with the Coal Act.

THE COAL INDUSTRY RETIREE HEALTH BENEFIT ACT OF 1992

The Wrong Solution to a Private Industry Problem

The super reachback provision of The Coal Industry Retiree Health Benefit Act of 1992 (the "Coal Act") unfairly imposes enormous expenses on a group of mostly small companies (the "Reachback Companies") despite the fact that these companies (1) fulfilled their contractual obligations to pay retiree benefits, and (2) are no longer signatories to the binding agreements between coal companies and miners. While the Act is well-intentioned, Congress set a dangerous precedent by interjecting itself into a private-party dispute and imposing obligations on companies that were not involved with the bargaining agreements which were restructured by the Act.

Background on Retiree Health Benefit Obligations

- In 1950, the coal industry formed the Bituminous Coal Operators Association ("BCOA") to negotiate multi-employer agreements (National Bituminous Coal Wage Agreements or "NBCWAs") with the United Mine Workers of America ("UMWA"). Two retiree health benefit trust funds were established by these agreements (the "Benefit Funds"). These Benefit Funds were supported by NBCWA signatory company contributions and overseen by an independent board, the trustees for the UMWA Health and Retirement Funds. Until passage of the Coal Act last year, the obligation to make payments for the health benefits of retired UMWA miners arose only from the voluntary decisions of employers to enter into successive collective bargaining agreements which carried forward the benefit obligation.
- The successive NBCWAs have always obligated signatory companies to fund health care coverage for retired miners other than their own, but only while these companies were signatory to the contractual agreements.
- Over the years, as the coal industry consolidated, the number of BCOA signatories to the NBCWAs has dropped to the current 15. However, the companies still mining bituminous coal have grown much larger and the tonnage produced has remained constant. As contemplated by the rules of a multi-employer plan, as coal companies went out of business, their retired miners either remained or became covered by the 1950 and 1974 Funds. These funds remained supported by contributions from the NBCWA signatory companies which explicitly agreed to make the payments under the collective bargaining agreement.

Decreased Benefit Funds Contributions

- The 1988 NBCWA drastically changed the Benefit Funds contribution formula from one based on a combination of tons produced and hours worked, to one based exclusively on hours worked. This change caused contributions to the Benefit Plans and the 1950 Pension Plan to drop approximately 60 percent from \$640.3 million in 1987 to \$255.5 million in 1989. Moreover, contributions to the overfunded 1950 Pension Plan were simply eliminated instead of being shifted to the Benefit Plans. The negotiated change in the contribution base yielded current BCOA members \$136 million in reduced contributions in 1989 alone. In return, the UMWA received assurances from the BCOA that they would abide by the guarantee clause requiring the current signatories to "guarantee" payment of the retirees' benefits.
- The Benefit Plans became insolvent almost immediately under the 1988 NBCWA. The current BCOA companies refused to honor their obligations under the guarantee clause of the 1988 NBCWA. The Benefit Plan's trustees threatened to cut off benefits and certain beneficiaries sued to require the BCOA to fulfill its contractual obligation. A United States District Court in Virginia agreed with the beneficiaries and ordered the BCOA to increase its contribution rate to \$3.67 per man hour worked. The increased contributions were still less than the BCOA companies were contributing to the Benefit Plans and Pension Plans before the 1988 wage agreement.

Existing Safeguards for Retiree Health Benefits

- Under the 1988 NBCWA negotiated between the BCOA and the UMWA, the BCOA signatories guaranteed health benefits and pensions to coal miners and their dependents for the duration of the agreement, just as reachback companies (and other signatories) had obligated themselves to provide such benefits for the duration of previous multi-employer agreements to which they had signed.
- In addition to the contractual guaranty of benefits, the 1988 NBCWA imposed a withdrawal liability to protect the interests of the beneficiaries when signatory companies go out of business.
- The United States District Court for the District of Columbia recently concluded that some companies which have left the BCOA are still liable under the so-called "evergreen clause" if they are mining bituminous coal ("evergreen

companies"). With the collection of this windfall from certain former signatory companies, additional funds will be applied to substantially reduce the current BCOA companies' obligations to eliminate any outstanding deficit accrued at the time of the merger of the Benefit Funds.

The Legislated Solution

- Despite the aforementioned safeguards, Congress passed the Coal Act which abrogated the former and existing wage agreements and created a new liability for a large group of companies which are no longer signatories of a NBCWA. A corresponding reduction resulted in the liability of the current BCOA companies. The Coal Act requires companies that had previously signed any NBCWA to make payments into a new retiree benefits fund. Regardless of which NBCWA a particular company last signed (it has been decades since some companies last signed an NBCWA), the Coal Act requires that company to contribute at rates sufficient to support the level of benefits that the BCOA and UMWA bargained for in the 1988 NBCWA.

Imposing Liabilities on Reachback Companies Was a Mistaken Approach

- The reachback companies met all their obligations to their former employees under the multi-employer system which was specifically considered in the bargaining for the NBCWAs. These companies did not "dump" their employees, contrary to some assertions made during last year's debate on the Coal Act. The reachback liabilities should not be confused with the so-called evergreen liabilities which the courts have determined must be fulfilled by certain companies under contractual obligations to fund retiree health benefits.
- The liability imposed on a number of reachback companies far exceeds the profits of and value in many of these companies' original coal mining operations. As an example, one company's anticipated liability of \$110 million after tax is approximately 2.5 times the company's consolidated net worth and more than 50 times greater than the average annual profits made by all of the company's relevant bituminous coal mines during the entire 20 year period from 1960 to 1980. It is estimated that another reachback company will be bankrupt within 18 to 24 months, forcing it to default on many other obligations it presently fulfills to coal industry participants, including 400 workers' compensation and black lung claims. At least eleven other reachback companies, most of which are small operations, may be forced into bankruptcy

because they simply do not have the wherewithal to satisfy the liabilities imposed upon them by the Coal Act.

- A recently released study by the firm Dewey Ballantine estimates that the Coal Act will provide signatories to the 1988 NBCWA with a health care cost savings windfall of \$111 to \$158 million in 1992 alone.

Interference by Congress With Private Transactions is Unwise

- When Congress bails out a privately bargained benefit, it sets an extremely bad precedent for other industries. In effect Congress is condoning and encouraging others to seek a similar bail-out of their benefit plans.

Congress Should Amend the Act to Prevent a Gross Miscarriage of Justice

The Coal Act's problems are not about whether the retired bituminous coal miners will receive their bargained-for benefits. It is about who is required to pay for those benefits. Congress should develop a new solution in the following manner:

- The reachback provisions should be eliminated from the legislation. These companies simply should not be made a part of any public solution to this problem.
- Should Congress conclude that the retiree miners' health care costs and the existence of orphan miners is a public problem, and that the BCOA and evergreen companies should not have to bear all of the costs of their contracts, then Congress should approve one of the several realistic funding sources, presently under consideration, for as much of these costs as it deems appropriate.

5/05/93

26620

**CONTRARY TO BCOA ALLEGATIONS, THE REACHBACK
COMPANIES DID NOT DUMP THEIR OWN RETIREES**

The BCOA has repeatedly alleged that all reachback companies dumped their own retirees on the Funds - which created the so-called "crisis". This false allegation became the rationale for saddling all former signatories - going back as far as 1950 - with the so-called "reachback" assessment. This was a mistaken approach because:

1. Until passage of the Coal Act last year, the obligation to make payments for the health benefits of retired UMWA miners arose only from the voluntary decisions of employers to enter into successive collective bargaining agreements which carried forward the benefit obligation. In 1950, the coal industry formed the Bituminous Coal Operators Association (BCOA) to negotiate multi-employer agreements (National Bituminous Coal Wage Agreements of ("NBCWs") with the United Mine Workers of America ("UMWA"). Two retiree health benefit trust funds were established by these agreements (the "Benefit Funds") and these Funds were supported by NBCWA signatory company contributions.
2. In accordance with the rules of multi-employer plan, as coal production from BCOA companies went up or went down, their contributions to the funds went up or down as well. If their production declined by half, their contributions also were reduced by half. However, no one is suggesting that these companies "dumped" half of their retirees or employees on to the fund because that is how a multi-employer plan works. Also, it was contemplated by the multi-employer plans that as coal companies went out of business of mining bituminous coal, their contributions to the funds went to zero as well, as their retired miners would be covered by the 1950 and 1974 Funds. These funds remained supported by contributions from the NBCWA signatory companies which explicitly agreed to make the payments under the collective bargaining agreement. Over the years, as the coal industry consolidated, the number of BCOA signatories to the NBCWAs dropped to the current 15, while the total BCOA coal production remained fairly constant. This trend continues as smaller, unprofitable companies are being taken over by the far bigger and very profitable BCOA members (e.g., Peabody, Consolidation, etc.) (If the BCOA signatories had been required to make payments based on all of their bituminous coal production -- including their double-

- 2 -

breasted operations, more monies would have been generated for the Funds than ever before.)

3. The reachback companies met all their obligations to their former employees under the multi-employer system which was specifically considered in the bargaining for the NBCWAs. Contrary to some assertions made during last year's debate on the Coal Act, these companies did "not" dump their employees. The reachback liabilities should not be confused with the so-called evergreen liabilities which the courts have determined must be fulfilled by certain companies still mining bituminous coal and where they are still under contractual obligations to fund UMWA retiree health benefits.

THE WHITE HOUSE

WASHINGTON

May 24, 1993

- Put on my
Schedule

- Ask Reed to attend
w/ me

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND
URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ADMINISTRATOR OF THE
ENVIRONMENTAL PROTECTION AGENCY
THE CHAIR OF THE COUNCIL
OF ECONOMIC ADVISERS
THE ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS
THE ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR
SCIENCE AND TECHNOLOGY POLICY

1 copy for
Bruce Reed
EOB/216

PR
5/27

FROM: ROBERT RUBIN 
Assistant to the President
for Economic Policy

SUBJECT: PERIODIC MEETINGS

In our original planning for the NEC, we decided to hold on a periodic basis a meeting to discuss Administration economic issues and policies, and to assess our position. I would like to schedule these meetings every six weeks, beginning with a meeting in the Roosevelt Room on June 9th at 2:00 pm. Due to space limitations, the meetings would be limited to Principals plus one Deputy. An agenda will be provided by the end of the week preceding each meeting.

file: NEE

orig: CJE
xc: Bruce, Bill

THE WHITE HOUSE
WASHINGTON

February 15, 1993

MEMORANDUM TO THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND URBAN
DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE CHAIR OF THE COUNCIL OF ECONOMIC
ADVISORS
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ASSISTANT TO THE PRESIDENT FOR
DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR
SCIENCE AND TECHNOLOGY POLICY

FROM: ANTHONY LAKE
ROBERT E. RUBIN

SUBJECT: Trade Related Policy Issues

In accordance with Presidential executive order 12835 establishing the National Economic Council (NEC), the following memorandum describes the new inter-agency issue management system for trade related issues.

- o The TPRG and the TPSC will continue to function as in the past. A joint National Economic Council and National Security Council (NSC) representative to the TPRG will be named.

- o In the future, decision memoranda will flow from the TPRG to the Deputies Committee/Econ 2 of the NEC and from that committee to the Senior Policy Committee of the NEC. The United States Trade Representative (USTR) will be asked to participate in meetings of the Senior Policy Committee of the NEC when trade issues are discussed.
- o Trade related issues considered by the TPRG that raise important national security concerns will - at the direction of the NEC/NSC joint representative - also flow to the Deputies Committee of the National Security Council.
- o The NEC Deputies Committee will, as the need occurs, establish interagency committees to consider significant trade related issues. When these issues raise significant national security concerns these committees will be established and managed jointly by the NEC and NSC deputies.
- o The Assistant to the President for Economic Policy will work closely with the Assistant to the President for National Security Affairs and the USTR to ensure the appropriate over-all coordination of trade policy.

file

THE WHITE HOUSE
WASHINGTON

April 23, 1993

MEMORANDUM TO DISTRIBUTION LIST

FROM: JOHN D. PODESTA *John Podesta*
ASSISTANT TO THE PRESIDENT
AND STAFF SECRETARY

SUBJECT: NEC Presidential Decision Directives

Enclosed is a copy of PDD/NEC-3, signed today, and a copy of PDD/NEC-2 signed March 24, 1993, which makes a typographical correction on page 2.

THE WHITE HOUSE

WASHINGTON

April 23, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-3

TO: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION
AGENCY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND
BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE NATIONAL SECURITY ADVISER
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND
TECHNOLOGY POLICY

SUBJECT: Membership of the National Economic Council

To assist me in carrying out my responsibilities in the area of the national economy, I hereby direct that the Secretary of Defense be made a member of the National Economic Council. The Secretary of Defense shall be added to the list of members identified in PDD/NEC-2, which is amended by this directive.

The Department of Defense shall be represented on the NEC Deputies Committee (ECON2) by a senior official of Deputy Secretary or Under Secretary rank chosen by the Secretary of Defense. The Department of Defense shall also participate in other NEC committees and interagency working groups as appropriate.

William Clinton

THE WHITE HOUSE

WASHINGTON

March 24, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-2

TO: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION
AGENCY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND
BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE NATIONAL SECURITY ADVISER
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND
TECHNOLOGY POLICY

SUBJECT: Organization of the National Economic Council

To assist me in carrying out my responsibilities in the area of the national economy, I hereby direct that the National Economic Council system be organized as follows.

A. The National Economic Council (NEC)

The National Economic Council will be the principal forum for consideration of economic policy issues requiring Presidential determination. The responsibility, functions, and membership of the NEC shall be as set forth in Executive Order 12835 and this Presidential Decision Directive. The NEC shall (1) advise and assist me in integrating all aspects of national economic policy -- macro-economics, micro-economics, domestic, international and sectoral (in conjunction with the National Security Council); (2) develop and manage the economic policy-making processes with respect to domestic and international economic issues; (3) coordinate economic policy advice to the

President; (4) ensure that economic policy decisions and programs are consistent with the President's stated goals, and ensure that those goals are being effectively pursued; and (5) monitor implementation of the President's economic policy agenda. The Assistant to the President for Economic Policy may take such actions as may be necessary or appropriate to implement these responsibilities. As provided in Executive Order 12835, (1) the Council may function through established or ad hoc committees, task forces or interagency groups. (2) The Council shall have a staff to be headed by the Assistant to the President for Economic Policy. The Council shall have such a staff and other assistance as may be necessary to carry out the provisions of this order. (3) All executive departments and agencies shall cooperate with the Council and provide such assistance, information, and advice to the Council as the Council may request, to the extent permitted by law. Along with its subordinate committees, the NEC shall be my principal means for coordinating Executive departments and agencies in the development and implementation of national economic policy.

The NEC shall have as its members the President, the Vice President, the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Energy, the Administrator of the Environmental Protection Agency, the Chair of the Council of Economic Advisors, the Director of the Office of Management and Budget, the United State Trade Representative, the Assistant to the President for Economic Policy, the Assistant to the President for Domestic Policy, the National Security Adviser, and the Assistant to the President for Science and Technology Policy. The heads of other Executive departments and agencies and other senior officials shall be invited to attend meetings of the NEC where appropriate.

The NEC shall meet as required. The Assistant to the President for Economic Policy, at my direction and, when appropriate, in consultation with the Secretary of the Treasury, the Director of OMB, and the Assistant to the President for National Security Affairs, shall be responsible for determining the agenda and ensuring that the necessary papers are prepared. Other members of the NEC may propose items for inclusion on the agenda. The Assistant to the President shall be assisted by a National Economic Council staff.

B. The NEC Principals Committee (ECON1)

An NEC Principals Committee is established as the senior interagency forum for the consideration and integration of policy issues importantly effecting the national economy. The NEC Principals Committee shall review, coordinate, and monitor the

development and implementation of national economic policy. The NEC/PC should be a flexible instrument -- a forum available for Cabinet-level officials to meet to discuss and resolve issues not requiring the President's participation. The Assistant to the President for Economic Policy will serve as chair of the NEC Principals Committee. The Assistant to the President for National Security Affairs shall be informed of meetings and invited to attend all those with international economic and international security implications and considerations.

The NEC Principals Committee shall have as its members the Secretary of the Treasury; the Director of the Office of Management and Budget; the Chairman of the Council of Economic Advisers; the Secretary of Commerce; and the Secretary of Labor; and the Assistant to the President for National Security Affairs as appropriate. Other heads of departments or agencies shall be invited as needed.

The Assistant to the President for National Economic Policy shall be responsible -- in consultation with the Secretary of Treasury and Director of OMB, and, when appropriate, the Assistant to the President for National Security Affairs -- for calling meetings of the NEC/PC, for determining the agenda, and for ensuring that the necessary papers are prepared.

C. The NEC Deputies Committee (ECON2)

An NEC Deputies Committee shall serve as the senior sub-Cabinet interagency forum for consideration of policy issues affecting the national economy. The NEC Deputies Committee shall review and monitor the work of the NEC interagency process (Including Interagency Working Groups established pursuant to Section D below). The Deputies Committee also shall focus significant attention on policy implementation. Periodic reviews of the Administration's major economic initiatives shall be scheduled to ensure that they are being implemented in a timely and effective manner. Also, these reviews should periodically consider whether existing policy directives should be revamped or rescinded.

The NEC Deputies Committee shall have as its members the Deputy Assistant to the President for Economic Policy (who will serve as the chairman) and the appropriate senior officials of Deputy Secretary or Under Secretary rank chosen by the relevant heads of departments or agencies which compose the NEC in consultation with the Deputy Assistant to the President for Economic Policy. The Deputy Assistant to the President for National Security Affairs shall be a member of the NEC Deputies Committee and attend meetings as needed. The Deputy Assistant to the President for Economic Policy may invite representatives of other Executive departments and agencies, and other senior

officials, to attend meetings of the NEC Deputies Committee where appropriate in light of the issues to be discussed.

The Deputy Assistant to the President for Economic Policy shall be responsible for calling meetings of the NEC Deputies Committee, for determining the agenda, and for ensuring that the necessary papers are prepared. The NEC Deputies Committee shall ensure that all papers to be discussed by the NEC or the NEC Principals Committee fully analyze the issues, fairly and adequately set out the facts, consider full range of views and options, and satisfactorily assess the prospects, risks, and implications of each. The NEC Deputies Committee may task the interagency groups established pursuant to Section D of this Presidential Decision Directive.

D. Interagency Working Groups (ECON3)

A system of Interagency Working Groups -- some permanent, others -- ad hoc -- is hereby authorized. The NEC Interagency Working Groups shall be established at the direction of the Deputies Committee, which shall also determine the chair of the NEC Interagency Working Groups -- either departmental or NSC, NEC, or DPC. The Interagency Working Groups shall convene on a regular basis -- to be determined by the Deputies Committee -- to review and coordinate the implementation of Presidential decisions in their policy areas. Strict guidelines shall be established governing the operation of the Interagency Working Groups, including participants, decision-making path and time frame. The number of these working groups shall be kept to the minimum needed to promote an effective NEC system.

William Clinton

Sent / Logged
12/21 PR

OFFICE OF DOMESTIC POLICY

THE WHITE HOUSE

FROM THE OFFICE OF: **CAROL H. RASCO**
ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY

TO: NEC _____ 20

DRAFT RESPONSE FOR CHR BY: _____

PLEASE REPLY (COPY TO CHR): _____

PLEASE ADVISE BY: _____

LET'S DISCUSS: _____

FOR YOUR INFORMATION: _____

REPLY USING FORM CODE: _____

FILE: _____

RETURN ORIGINAL TO CHR: _____

SCHEDULE: _____

REMARKS:

I think you all
need to handle
this tax issue.



Community
Nutrition Institute

2001 S Street, N.W., Suite 530 Washington, D.C. 20009 (202)462-4700

December 17, 1993

DEC 20 1993

Carol H. Rasco, Assistant to the President
for Domestic Policy
The White House
1600 Pennsylvania Avenue N.W.
Washington, D.C. 20500

Dear Ms. Rasco:

The crucial decisions on the allocation of budgetary funds among essential government programs and services will be completed shortly for the 1995 budget. I appreciate the enormous pressures you have to contend with, and the difficult choices you and President Clinton must make. However, before you determine the level of funding available for hunger and child nutrition programs and activities, I would like to urge you to fully fund the WIC program and to provide funding for the several child nutrition initiatives pending in the Congress, and to suggest how these funds may be obtained without a tax increase or cutting spending in other areas.

Several organizations are proposing the Clinton Administration include any increased funding for child nutrition as part of the President's Health Care Reform legislation. These proposals would add to the revenue needs for health reform, and constitute an indirect increase in taxes.

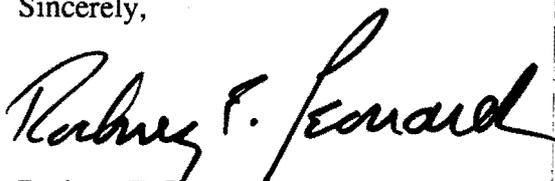
We believe a hidden indirect tax to fund child nutrition programs will meet with public strong public critics. Such a strategy is neither politically sound nor is it necessary to provide the financial support that is needed. Instead, we propose to close the loophole created unintentionally by Congress in 1984 that allows mutual life insurance companies to evade paying \$1.5 billion - - and perhaps as much as \$2 billion -- per year in federal taxes. Section 809 of the IRS code permits these funds to be lost when they could be used to fund much needed programs which President Clinton supported during the campaign such as WIC, Head Start, Child Nutrition and Childhood Immunization.

I am enclosing new data released this month by the IRS which shows the losses to the federal treasury are increasing each year, and now are larger than in 1982 and 1983 when the Congress recognized that the tax code on mutual life insurance companies had to be changed. The losses then were so large and potentially embarrassing that even President Reagan proposed the tax code revisions. If a Republican can recognize the need for tax reform, why shouldn't as progressive a President as Bill Clinton also take such a reasonable step?

As you and the President go through the painful process of defining the fiscal year 1995 budget, I urgently request that before cuts in vital programs for children are proposed that you examine the source of revenue which I have outlined. The choice is between programs for children and collecting the tax revenues the mutual life insurance industry has successfully avoided. The mutual life insurance companies, with nearly \$500 billion in assets, should pay their fair share of taxes. If you collect those taxes you do not need to cut food programs for children.

Thank you for your attention to this matter. I will call your office in the near future to arrange a meeting to discuss this issue. The nearly 60 nongovernment organizations that belong to the coalition to close the loophole urge your careful and thoughtful consideration of our proposal.

Sincerely,

A handwritten signature in black ink, reading "Rodney E. Leonard". The signature is written in a cursive style with a large, sweeping initial "R".

Rodney E. Leonard
Coordinator
Coalition to Close the Loophole

enclosures

Coalition to Close the Loophole and Put Our Kids First

2001 S Street N.W., Suite 530, Washington, DC 20009
(202) 462-4700 • FAX: (202) 462-5241

The Action Coalition

John Dahlberg II, Director
Rockville, MD

Action for Corporate Accountability

Idrian Resnick, Executive Director
New Haven, CT

Aeronautical Industrial District No. 91, International Association of Machinists & Aerospace Workers

John W. Herrity
East Hartford, CT

African-American Citizens Coalition on Regional Development

Chicago, IL

Alliance For Child Survival

Chuck Woolery, Executive Director
Rockville, MD

Arrowhead Economic Opportunity Agency, Inc.

Marilyn Ocepek, Director, Senior Services
Virginia, MN

Association on Third World Affairs

Dr. Lorna Hahn, Executive Director
Washington, DC

The Bread Basket of Northeastern Pa.

Scranton, PA

Bread for the City

Rev. Charles Parker, Executive Director
Washington, DC

Bread for the World

Silver Spring, MD

Center for Ecumenical Aid to Transients

El Paso, TX

Channels

New Cumberland, PA

Child Care Food Program Sponsors Forum

Nancy Curry, Director
Lakewood, CO

Chittenden Emergency Food Bank

Steve Hingtgen, Director
Burlington, VT

Citizen Action of New York

John Stouffer, Organizer
Binghamton, NY

Community Alliance With Family Farmers

Davis, CA

Community Nutrition Institute

Rodney E. Leonard, Executive Director
Washington, DC

Concern/America

Marianne Loewe, Executive Director
Santa Ana, CA

Cranks Creek Survival Center

Cranks, KY

D.C. Hunger Action

Nickola Lagoudakis, Executive Director
Washington, DC

Empire State Family Farm Alliance

John Bender, Director
Johnstown, NY

(more)

**Life Insurance Company Federal Income Tax:
Tax Revenue under the 1984 Act, 1984-1992**

November 29, 1993

AVON CONSULTING GROUP

GENERAL AND TECHNICAL EXPLANATIONS
OF
TAX REVISIONS
AND
IMPROVED COLLECTION AND ENFORCEMENT PROPOSALS

Announced in the President's
State of the Union Message
January 26, 1982

Department of the Treasury
Released: February 26, 1982



Community Nutrition Institute 2001 S. Street, N.W., Washington, D.C. 20009
(202) 462-4700

DEC 21 1980

To whom it may concern,

Please substitute the attached letter for the cover letter enclosed in a package of material mailed on Friday, December 17. The incorrect cover letter was inadvertently mailed with a package of information.

Thank you,

Rodney E. Leonard



Community
Nutrition Institute

2001 S Street, N.W., Suite 530

Washington, D.C. 20009

(202) 462-4700

December 17, 1993

Carol H. Rasco, Assistant to the President
for Domestic Policy
The White House
1600 Pennsylvania Avenue N.W.
Washington, D.C. 20500

Dear Ms. Rasco:

The crucial decisions on the allocation of budgetary funds among essential government programs and services will be completed shortly for the 1995 budget. I appreciate the enormous pressures you have to contend with, and the difficult choices you and President Clinton must make. However, before you determine the level of funding available for hunger and child nutrition programs and activities, I would like to urge you to fully fund the WIC program and to provide funding for the several child nutrition initiatives pending in the Congress, and to suggest how these funds may be obtained without a tax increase or cutting spending in other areas.

Several organizations are proposing the Clinton Administration include any increased funding for child nutrition as part of the President's Health Care Reform legislation. These proposals would add to the revenue needs for health reform, and constitute an indirect increase in taxes.

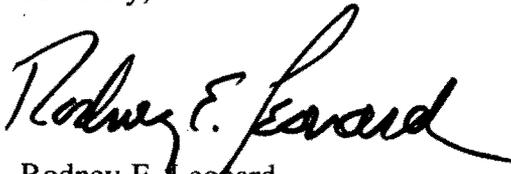
We believe a hidden indirect tax to fund child nutrition programs will meet with strong public criticism. Such a strategy is neither politically sound nor is it necessary to provide the financial support that is needed. Instead, we propose to close the loophole created unintentionally by Congress in 1984 that allows mutual life insurance companies to evade paying \$1.5 billion -- and perhaps as much as \$2 billion -- per year in federal taxes. Section 809 of the IRS code permits these funds to be lost when they could be used to fund much needed programs which President Clinton supported during the campaign such as WIC, Head Start, Child Nutrition and Childhood Immunization.

I am enclosing new data released this month by the IRS which shows the losses to the federal treasury are increasing each year, and now are larger than in 1982 and 1983 when the Congress recognized that the tax code on mutual life insurance companies had to be changed. The losses then were so large and potentially embarrassing that even President Reagan proposed the tax code revisions. If a Republican can recognize the need for tax reform, why shouldn't as progressive a President as Bill Clinton also take such a reasonable step?

As you and the President go through the painful process of defining the fiscal year 1995 budget, I urgently request that before cuts in vital programs for children are proposed that you examine the source of revenue which I have outlined. The choice is between programs for children and collecting the tax revenues the mutual life insurance industry has successfully avoided. The mutual life insurance companies, with nearly \$500 billion in assets, should pay their fair share of taxes. If you collect those taxes you do not need to cut food programs for children.

Thank you for your attention to this matter. I will call your office in the near future to arrange a meeting to discuss this issue. The nearly 60 nongovernment organizations that belong to the coalition to close the loophole urge your careful and thoughtful consideration of our proposal.

Sincerely,

A handwritten signature in cursive script that reads "Rodney E. Leonard". The signature is written in black ink and is positioned above the typed name.

Rodney E. Leonard
Coordinator
Coalition to Close the Loophole

enclosures

U.S. DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY



DATE:

~~1/12/94~~
11/19/93

SENT TO: Carol Rasco

PHONE #: 456-2216

FAX #: 456-2878

NUMBER OF PAGES SENT: 1
(excluding cover sheet)

FROM: Marion Berry

PHONE #: 202-720-3631

FAX #: 202-720-5437

COMMENTS:

MEMORANDUM FOR CAROL RASCO

FROM: MARION BERRY

SUBJECT: EXPORT ENHANCEMENT PROGRAM REVIEW REQUESTED BY NEC *file*

DATE: 1-12-94

The original purpose of the EEP was to enable the producers in the USA to compete with the aggressive program efforts by the European Union. With the completion of the GATT agreement EEP becomes even more important. The GATT agreement makes EEP legitimate and establishes the rules for its use. The competitors will use it very effectively.

It is also true that in the process of the NAFTA and GATT negotiations Secretary Espy assured various commodity groups of the continued ability to use EEP. Chairman Durbin was assured that 20,000 ton pork EEP would be forthcoming and it is now being held up by the same group asking for the review.

The point should not be overlooked, that each dollar put into EEP is offset by reduced deficiency payments to producers. I have heard the economist say that this is not an offset but an outlay and I do not agree.

I really think that USDA, under Secretary Espy, uses the EEP efficiently and effectively for our citizens. It enables us to maintain food and fiber production at a level that has reduced the cost of feeding our people by 50% in the last 30 years in terms of disposable income.

The meeting will be held Friday 14th at 4:00 P.M. I would like to attend if you feel it is the thing to do. Arrangements would have to be made with NEC for this to happen.

2:00
Room 231
OEOB
Bo Cutter
Will Chair

TO: The Vice President
The Secretary of the Treasury
The Secretary of State
The Director, Office of Management and Budget
The Chairman, Council of Economic Advisers
The Secretary of Energy
The Secretary of Labor
The Secretary of Commerce
The United States Trade Representative
The Assistant to the President for National Security Affairs
The Assistant to the President for Domestic Policy

FROM: Robert E. Rubin

DATE: January 19, 1993

SUBJECT: NEC Deputies Committee Meeting

file

In a parallel structure to the National Security Council, the National Economic Council is establishing a Deputies Committee, aka ECON2. (See **NEC Interagency Organization**, attached.) The Deputies Committee will meet on Thursday, January 21, at 2 p.m. Will you please designate a deputy to represent you on this committee and to attend this meeting. My deputy Bo Cutter is organizing the meeting and will chair it.

Determination of NEC membership is not yet final, but the need to begin operation quickly requires that we go ahead on this schedule, and reflect any necessary adjustments later.

The meeting will take place in Conference Room 4A at Coopers & Lybrand, 1800 M Street, N.W. (Ste. 400 North) and is expected to take approximately 60 minutes to cover the following agenda:

- I. Introduction
- II. Organization and Style

See: Attachment 1. **NEC Interagency Organization**

III. Economic Strategy

See: Attachment 2. **Economic Calendar**

A draft executive order establishing the NEC and a draft prototype calendar will be available at the meeting.

If you have any questions regarding this meeting, please contact Sylvia Mathews at 1-800-Skypage, personal identification number 262-5139.

National Economic Council Interagency Organization

The National Economic Council serves the President by assuring that all those with information to provide and advice to give on economic matters coming before him for decision are able to do so in a timely, open and effective way. The working mechanism to accomplish this will be a streamlined set of interagency groups and executive communications, modeled on those of the National Security Council. These include the National Economic Council itself, a Senior Policy Committee, a Deputies Committee and designated Interagency Working Groups.

National Economic Council (NEC)

The National Economic Council is the principal forum for consideration of economic policy issues requiring Presidential determination. Its members will include:

- the President
- the Vice President
- the Secretary of the Treasury
- the Secretary of State
- the Director, Office of Management and Budget
- the Chairman, Council of Economic Advisers
- the Secretary of Energy
- the Secretary of Labor
- the Secretary of Commerce
- the United States Trade Representative
- the Assistant to the President for Economic Policy
- the Assistant to the President for National Security Affairs, the Assistant to the President for Domestic Policy and other department and agency heads to be invited as needed.

The Council will assist the President in setting goals and objectives for economic policy, provide coordinated information and advice to the President on overall economic strategy and major economic policy issues, and monitor implementation of Presidential decisions.

Senior Policy Committee (ECON1)

The Senior Policy Committee is a forum for Cabinet-level officials to meet and discuss issues prior to their going to the President, resolving those which they can short of Presidential participation and assuring that others are ready for the President's determination. Its membership will include:

- the National Economic Adviser
- the Secretary of the Treasury
- the Director, Office of Management and Budget
- the Chairman, Council of Economic Advisers
- the Assistant to the President for National Security Affairs and the Assistant to the President for Domestic Policy will be advised of meetings and invited to attend as needed, as will appropriate department and agency heads

Meetings will generally involve a larger, albeit tailored, group than the standing four members. The National Economic Adviser will chair the committee.

Deputies Committee (ECON2)

The Deputies Committee is the senior sub-cabinet interagency forum for consideration of policy issues included on the President's economic agenda. Its members will include:

- the Deputy National Economic Adviser
- a deputy to be named by each of the following departments and agencies:
 - the Office of the Vice President
 - the Department of the Treasury
 - the Department of State
 - the Office of Management and Budget
 - the Council of Economic Advisers
 - the Department of Energy
 - the Department of Labor
 - the Department of Commerce
 - the Office of the U.S. Trade Representative
- designated deputies from the National Security Council, the Domestic Policy Council and other appropriate departments and agencies will be advised of meetings and invited to attend as needed.

The Deputy National Economic Adviser will chair the committee, which will give executive oversight to interagency working groups set up under the aegis of the NEC and shepherd matters on the President's economic agenda through the final stages of Presidential determination.

Interagency Working Groups (ECONg's)

Interagency working groups will be set up from time to time at the initiative of the Deputies Committee, which will be responsible for their composition and terms of reference. These groups will generally convene at the Assistant Secretary level. In a limited number of cases, standing groups may be established to address a series of related matters. More often, ad hoc groups will be created where particularly broad, complex or sustained interagency coordination and monitoring is needed prior to a Presidential decision or where review of the implementation of a Presidential decision is required.

Presidential Series

In a companion structure to that of the National Security Council, two memoranda series are to be established to direct the work of the National Economic Council and participating agencies and to inform the departments and agencies of Presidential decisions. These are:

- Presidential Study Memorandum (PSM)/NEC: to direct that reviews and analyses be undertaken concerning matters included on the President's economic agenda.
- Presidential Action Memorandum (PAM)/NEC: to promulgate Presidential decisions regarding matters included on his economic agenda.

It is hoped that these documents will prove as useful and as venerable in their own sphere as those of the NSC have become in theirs.

Economic Calendar

To accommodate the many economic matters that will come before the President, to organize them in a logical sequence which meets internal objectives and external requirements, and to facilitate an open, orderly process for considering and resolving them, the National Economic Council will assemble, disseminate and maintain a calendar of Presidential economic decisions.

Definition and Purpose

The NEC Calendar is a schedule of Presidential decisions, and preparations for them, which together form the President's economic agenda. To appear on the calendar, an item must be Presidential -- i.e., the President will be the decision-maker -- and economic -- i.e., having material impact on U.S. economic policy or performance. It is a schedule of the internal decision process, although memo items regarding significant associated public outreach or communications activities will be noted. Upcoming Presidential decisions will be entered on a rolling one-year-forward basis, with an outyear list.

The purpose of the calendar is to identify the decision items constituting the President's economic agenda, coordinate and monitor their preparation, and facilitate an open decision-making process. Like a blueprint, the calendar provides a picture of the overall edifice to be constructed, a specification of the individual building blocks and an architecture of how they will fit together. It further lays out timing and responsibilities, with the intention of giving the President an orderly, informed and expeditious decision process and assuring key officials of timely, knowledgeable, even-handed participation.

Perfect foresight is not possible, of course, but anticipation is key. The calendar reflects a determination to hold the high ground of economic leadership and initiative, and to minimize late-in-the-day surprises. For economic agenda items going to the President for decision, early appearance on the calendar will be expected.

Content

The calendar will display a sequence of key preparatory events and work products, along with their responsible parties and timing, culminating in a final Presidential determination. Care will be taken in scoping and configuring items on the calendar, as the way issues are framed is often instrumental in the way they are resolved. A master calendar will provide a macro-view of all anticipated Presidential economic agenda decisions in the

next twelve month period, with major lead-time milestones, giving particular attention to interrelationships and overall integration.

The master calendar is intended to keep the President informed strategically and to share that same information among key officials. It is not intended to manage decision preparation activities in general, which will mostly take place in individual departments and agencies. Calendar information will accordingly be of a summary and highlight nature, sufficient to enable knowledgeable follow-up inquiries where necessary.

Each item on the master calendar will have its own back-up issue calendar. These individual calendars will be elaborated in the final weeks of the decision process to become a management tool for operating the decision mechanisms in the Executive Office of the President.

Operation

The calendar is the responsibility of the National Economic Council, which must assemble and maintain it. As entries on the calendar will represent commitments of responsible parties, in particular lead officials, the NEC will work closely with these officials in carrying out its responsibilities. Calendar information will generally be established by consensus between the NEC and lead officials or their delegates. However, the President, or the Assistant to the President for Economic Policy on his behalf, may place or remove an item from the calendar or alter its substance or timing.

Updates to the rolling one-year master calendar will occur on a monthly basis. Updates will present any new or revised information, with annotations highlighting achievements/performance, changes/reasons and uncertainties/concerns. Individual issue calendars will be adjusted accordingly. It is expected that the calendars will be set up, disseminated and revised electronically.

While focused on a very specific target -- the internal decision process for Presidential economic decisions -- the NEC calendar will complement a variety of other organizing and scheduling tools elsewhere in the Executive Office and the Administration. These include issue agendas in executive branch agencies, legislative calendars, and communications plans and schedules. It will mesh with these other tools but not duplicate or supplant them.

Finally, the calendar will be available as a starting point for post-decision follow-up monitoring of the President's economic agenda, including agency implementation and policy results on the ground.