


NLWJC - Kagan

DPC - Box 002 - Folder 015

Budget - Kosovo Supplemental

Lisa M. Kountoupes
05/10/99 12:02:59 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Edits to Conferees Ltr on Emergency Supplemental from DPC (Cynthia Rice 62846) 

this is an important piece to add. in addition to our policy concerns, waxman and others will go ballistic if we do not include it.
Cynthia A. Rice



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05/10/99 11:11:52 AM

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- 1) In the 1st and 7th paragraphs add a citation to the March 17, 1999 Statement of Administration position on S. 544 the Senate emergency supplemental which had detailed language on tobacco .
- 2) 6th paragraph, last sentence:

In addition, the Senate chose to include a number of extremely objectionable and extraneous riders related to the environment, health care, tobacco, and the rights of America Indians, including a provision that would allow states to keep \$246 billion in tobacco settlement funds without any commitment whatsoever to use these funds to stop youth smoking. The President strongly opposes any legislation waiving the federal government's claim to tobacco settlement funds without a commitment from the states to fund youth tobacco prevention efforts.

----- Forwarded by Cynthia A. Rice/OPD/EOP on 05/10/99 10:59 AM -----

Budget-Kosovo supplemental

May 10, 1999

The Honorable C.W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As you prepare for conference, the purpose of this letter is to provide the Administration's views on H.R. 1141, the FY 1999 Emergency Supplemental Appropriations Act, as passed by the House and by the Senate and on H.R. 1664, the FY 1999 Kosovo and Southwest Asia Emergency Supplemental Appropriations Act, as passed by the House. This letter supplements the views provided in the Administration's letter to the conferees of April 26th regarding H.R. 1141 and our May 6th Statement of Administration Policy on H.R. 1664.

As indicated in these earlier letters, there are a number of very troubling issues in this conference and the President's Senior Advisors would continue to recommend that he veto this legislation unless the objectionable provisions are resolved in a satisfactory manner. As the conferees develop a final version of this important legislation, your consideration of the Administration's views would be appreciated.

During February, the President submitted several requests to Congress for emergency assistance and other critical programs. The Central American emergency relief package remains urgent and should be approved without offsets. Every day we delay means another day the people of Central America lose hope in their ability to rebuild their homes, earn their livelihood, and achieve a prosperous future in their homeland. Also of critical importance is our request for emergency agricultural relief to our farmers, which also should be approved without offsets. In addition, the FY 1999 supplemental request for \$100 million in assistance for Jordan is critical to stabilizing the Jordanian economy, ensuring a smooth transition of leadership and promoting the goal of peace in the Middle East that we all share. The Administration has consistently urged the Congress to avoid confrontation by acting quickly to enact these requests without extraneous riders and spending.

On April 19th, the President requested \$6.05 billion for the Department of Defense, the Department of State, and other international programs to provide the funds necessary to cover the costs of the military and humanitarian operations related to the crisis in Kosovo. Also included were funding requests to cover costs associated with ongoing, enhanced operations in Southwest Asia. The Administration's package: protects the military readiness of those forces in the Balkan theater and all other U.S. forces; ensures that our military has the full measure of resources necessary to carry out the Kosovo air campaign; and, funds the U.S. commitment to provide humanitarian relief now and respond to potential future refugee assistance needs.

While the House Republican leadership chose to fund the Kosovo supplemental bill as an emergency, regrettably, the House-passed bill, which totals over \$13 billion, goes well beyond the funding requirements of the mission in Kosovo and the need to maintain current readiness. It includes funding of over \$1 billion for military construction projects, most of which may not begin construction for several years and many of which are not even included in the Department's long-range plan. The bill includes significant increases for operation and maintenance programs that have been budgeted for in the FY 2000 Budget and that should be considered during the FY 2000 appropriations process, not in an emergency supplemental bill. With regard to Kosovo funding, we continue to believe that the Administration's request is the appropriate level of funding, and we continue to urge the conferees to reduce the level contained in the House-passed bill.

With regard to H.R. 1141, regrettably, the House and Senate Republican leadership chose to insist on offsets for the humanitarian relief for the victims of Hurricane Mitch in Central America and for the agricultural relief for America's farmers. On what basis this decision was made is not clear. The emergency requests made by the President were based on the same authority used by President Bush for Desert Shield/Storm and for the victims of Hurricane Andrew and by President Clinton for the victims of the Northridge Earthquake, the Midwest Floods and agricultural relief provided to our farmers.

In addition, the Senate chose to include a number of strongly objectionable and extraneous riders related to the environment, tobacco and the rights of Native America Indians. An emergency spending bill should not be used to enact objectionable environmental riders such as the provisions contained in this bill that reopen a balanced agreement on protecting the natural resources and wilderness values for the Glacier Bay National Park, a provision delaying the oil valuation rule

and a provision delaying hard rock mining regulations. Nor should such a bill be used to enact a provision that would allow States to keep \$246 billion in tobacco settlement funds without any commitment to use these funds to stop youth smoking or for other public health initiatives. Similarly, this bill should not be used to direct the Department of Interior not to approve any new, non-State, approved Indian gaming compacts or to overturn the Department's plan for reorganizing the Office of Special Trustee for American Indians. The attached position statements detail these concerns.

Despite months of allied diplomatic efforts to achieve a balanced peace plan in the Balkans, the government of Slobodan Milosevic defied the international community and pursued a course of repression and terror against the people of Kosovo. We determined that we could not allow these actions to go unchallenged. Now, we have a responsibility to our country and to the men and women serving our country in the Balkans and to address the humanitarian crisis provoked by the Milosevic government. Now is not the time to slow progress on our emergency supplemental request by adding funding unrelated to the mission or to maintaining current readiness or by adding extraneous provisions. We strongly support efforts to reduce the amount of unrequested, non-emergency defense funding and the elimination of objectionable offsets and riders.

We ask the Congress to act quickly upon these requests and send a clear message to Milosevic – his actions will not be tolerated and we are prepared to back our words with action. We must also move forward now to provide agricultural assistance to our farmers and to reach out with a helping hand to the victims of Hurricane Mitch.


Let us work together.

Sincerely,

Jacob J. Lew
Director

Lisa M. Kountoupes
05/10/99 12:24:55 PM

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Based on a number of the offsets that were included in the House and Senate bills and the objectionable riders contained in the Senate version of H.R. 1141, a President's senior advisers veto threat was contained in the conferees letter of April 26, 1999. With regard to Kosovo funding, we continue to believe that the Administration's request is the appropriate level of funding, and we continue to urge the conferees to reduce the level contained in the House-passed bill. [If funding is provided above the request, the conferees should provide similar treatment for funding for humanitarian assistance].

Despite months of allied diplomatic efforts to achieve a balanced peace plan in the Balkans, the government of Slobodan Milosevic defied the international community and pursued a course of repression and terror against the people of Kosovo. We determined that we could not allow these actions to go unchallenged. Now, we have a responsibility to our country and to the men and women serving our country in the Balkans and to address the humanitarian crisis provoked by the Milosevic government. Now is not the time to slow progress on our emergency supplemental request by adding funding unrelated to the mission or to maintaining current readiness or by adding extraneous provisions. We strongly support efforts to reduce the amount of unrequested, non-emergency defense funding and the elimination of objectionable offsets and riders.

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Let us work together.

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable David R. Obey, The Honorable Ted Stevens,
and the Honorable Robert C. Byrd

The Honorable C.W. Bill Young
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. 1141, the FY 1999 Emergency Supplemental Appropriations Act, 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.

In February, the President requested funds to assist in Central America's recovery from recent natural disasters, to provide urgently needed funding related to the situation in Jordan, and to provide vital loans and other assistance to our farmers and ranchers. The Administration continues to believe that both this supplemental request and the recent request for emergency funding for military and humanitarian operations in the Kosovo region should be approved as soon as possible, free of extraneous issues.

Providing essential assistance to victims of natural disasters and helping our farmers at home with vital financing clearly fall in the category of needs that are urgent, unanticipated, and essential -- that is, emergency requirements. Therefore, they clearly deserve to be funded quickly, fully, and without requiring offsets that could force unacceptable reductions in important programs. We support the House action of providing defense-related emergency funding in response to Hurricane Mitch without offsets and believe that consistent treatment should be applied to non-defense agencies performing similar emergency activities. We strongly oppose the Senate provision that would strike emergency funding authority from the entire bill.

Regrettably, the Senate has also chosen to include several objectionable legislative riders that threaten approval of the bill, as detailed below. We strongly urge the conferees to approve a bill that is free of such provisions.

Were the bill to be presented to the President with the objectionable offsets and riders discussed below, the President's senior advisers would recommend that he veto the bill. We urge the conferees not to take actions that could result in gridlock and delay, and that would be detrimental both to our allies abroad and our citizens at home in their time of need.

Emergency Relief for Central America

On February 16th, the President transmitted to the Congress a request for \$956 million for International Assistance Programs, the Department of Defense, and the Department of Justice to provide assistance for emergency disaster and reconstruction assistance expenses arising from the consequences of the recent hurricanes in Central America and the Caribbean and the recent earthquake in Colombia. The Administration appreciates the full funding provided in the House and Senate bill for this request, which will provide relief from the effects of Hurricanes Mitch and Georges and restore hope to this devastated region.

Hurricane Mitch, the worst natural disaster in the history of the Western hemisphere, left more than 9,000 dead and drove millions from their homes. Even today, hundred of thousands of Central Americans still cannot return to their homes. Schools, hospitals, businesses, farms and roads were destroyed, resulting in serious economic dislocation. Hurricane Mitch caused more than \$8.5 billion in damage, and Hurricane Georges brings the total to more than \$10 billion. The President's Central America package is urgent, unanticipated, and essential and should be funded as an emergency request.

Funds must be provided swiftly to buy seed and plant crops in the Spring planting season, thereby providing food and jobs to many communities, and to demonstrate to Central Americans that they can find jobs and security in their own recovering economies. Much of the rural road system farmers and small merchants depend on for their livelihoods was destroyed. Water and sanitation systems have been disrupted, which can result in disease. Economic destruction and dislocation threaten to undermine the region's achievements of the past decade, as these nations have made tremendous strides toward settling conflicts, strengthening democracy, promoting human rights, opening economies and alleviating poverty. Emergency assistance for reconstruction aid will ensure that their transformation continues and that illegal migration is avoided because Central Americans will have cause to view their own futures in the region with hope. [Being Updated]

Jordan

The Administration commends the House and Senate for providing the full \$100 million for Jordan, fully funding the FY 1999 request. These funds will provide financial support to help promote stability in Jordan and the region during the period of transition subsequent to King Hussein's death. While the Administration appreciates the full funding of the \$100 million FY request, we are disappointed that the \$200 million requested for advance appropriations for FYs 2000 and 2001 has not been provided. In the context of promoting peace in the Middle East, the Administration will continue to press for these advance appropriations.

Department of Agriculture

The House bill fully funds the President's request for \$152 million for emergency funds for the Department of Agriculture and the Senate bill provides an additional \$161 above the request. The Administration appreciates the House and Senate's support for the requested

emergency farm loans and administrative costs. This loan authority would provide vitally needed financing for the Nation's farmers in light of the significant increase in demand for USDA loans, due to projected continuing low commodity and livestock prices.

Offsets

The President has proposed that essential emergency disaster assistance be funded consistent with the budget rules that have applied to emergency spending since 1990. The proposed offsets in the House and Senate versions of the bill would result in unacceptable reductions in funding in areas of crucial importance to Americans.

An amendment added to the Senate bill would cut over 43 percent of necessary emergency funding provided in the FY 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Bill. This provision would result in unworkable reductions to vital programs, including the following:

- \$827 million from anti-terrorism activities including \$616 million from activities designed to protect our citizens at our embassies and facilities abroad;
- \$561 million from disaster relief, reducing resources that FEMA, SBA, and other agencies need to continue their work in response to domestic disasters in Florida, Alabama, Mississippi, Louisiana, Georgia, North and South Carolina, North and South Dakota, West Virginia, Texas, California, Maryland, Virginia, Tennessee, Pennsylvania, Alaska and most other States;
- \$289 million from federal drug control programs to implement the Western Hemisphere Drug Elimination Act . The Senate bill would limit funding for counter drug programs in the key source countries, and would disrupt planned capital investments by the Coast Guard, State Department, and the Customs Service. Further, the purchase of inspection equipment for the Southwest Border would be scaled back. In addition, another \$91 million would be cut from the Coast Guard, thereby seriously eroding its drug interdiction and other capabilities.
- \$973 million from the non-defense agency Y2K emergency fund. A reduction of this magnitude is extremely unwise. Not only would this reduction eliminate the remaining balance in the emergency fund (\$505 million), but it would also force agencies to stop planned and ongoing procurements for Y2K-related activities, and cancel contracts in order to recapture the remaining \$468 million (where this can be done without penalty). With under 250 days remaining until December 31, 1999, this reduction would substantially undercut the Federal Government's ability to solve the Y2K problem and provide services that the American public depends upon. Resources must remain available for agencies to carry out aggressive strategies to achieve compliance, and, where necessary, to develop and implement contingency plans that will ensure uninterrupted

service delivery.

- \$141 million cut from the \$325 million appropriated to the Department of Energy (DOE) to purchase Russian uranium and \$87 million cut from funds disposing of Russian plutonium. On March 24, DOE signed an agreement with the Russian Federation obligating the U.S. to purchase uranium from Russia for the entire \$325 million. If these funds are rescinded, Russia would most likely once again suspend deliveries under the HEU agreement, which just resumed last week after a five-month hiatus. There would also be severe damage to the credibility of the United States' commitments to future international agreements. The cut in plutonium funds would undermine ongoing negotiations with Russia on the schedule and timing for plutonium disposition. It would also undercut U.S. efforts to obtain funding commitments from other nations for the full cost of Russian plutonium disposition.

The Senate bill includes a number of other objectionable rescissions such as:

- \$100 million from revised inflation assumptions for domestic, non-defense programs, which could result in cuts in inflation-sensitive programs such as WIC and other essential programs;
- \$60 million from the Global Environmental Facility;
- \$10 million from the EPA climate change program that develops the technology needed for a fuel efficient, less polluting vehicle; and \$1 million from NOAA for coastal States for implementation of clean water action plan programs;
- \$65 million from the Immigration and Naturalization Service (INS) that would virtually eliminate the benefits of the \$80 million supplemental appropriation provided elsewhere in the bill. This rescission would slow the provision of immigration benefits and compromise enforcement and detention operations. A \$25 million reduction in the immigration services account would increase processing times for applicants legally entitled to benefits, other than citizenship, and likely force the shutdown of INS' automated enforcement systems such as IDENT and ENFORCE. A \$40 million cut in enforcement account funding is equivalent to a 20 percent reduction in land border inspection, investigation and intelligence programs for the remaining half of this fiscal year. Finally, a \$5 million rescission in the Office of the Inspector General (OIG) and a prohibition on future reprogrammings for the OIG, will result in the furlough or a reduction-in-force that could affect more than half of the Inspector General's current on-board staff.

The House bill would rescind \$875 million from international affairs accounts, with the largest portion being a rescission of \$648 million in appropriations of callable capital from U.S.

payments to the Asian Development Bank (ASDB), the World Bank and the InterAmerican Development Bank. Such rescissions would be extremely ill-advised. Rescinding the callable capital funding would send a dangerous signal to financial markets and could require the ASDB and other multilateral development banks (MDBs) to pay a higher premium on their borrowing, which could lead to the restriction of capital flows necessary to strengthen the global economy and expand U.S. exports. At a time when some of our emerging export markets in Asia and other developing economies are beginning to recover, this step would be highly unproductive.

In addition, this rescission of callable capital would call into question U.S. commitment to all multilateral development banks. This could have a detrimental effect on capital flows and economic growth globally, including in Asia, Africa, and Latin America. This unintended consequence would even more broadly delay economic recovery in markets vital to the United States, thereby hurting our own economy.

The other rescissions in the international affairs area would undermine a host of important objectives in many programs. For example, the rescissions would cut support for U.S. exports, undermining our efforts to penetrate foreign markets and provide jobs for American workers. At a time when the United States needs to promote its exports, this is a particularly misguided step. The rescissions would also undercut free market reform and democracy promotion in the New Independent States and in Eastern Europe, areas where it is manifestly in America's interests to encourage reform. The rescission of development assistance would set back efforts in the poorest countries, including possibly in those hit hardest by Hurricane Mitch.

Other rescissions would undermine our efforts to provide peacekeeping operations in troubled areas of the world. The rescission of Global Environment Facility funding would be highly detrimental to the cause of improving global environmental protection. Still other cuts would reduce our contributions to international organizations, where America's reputation as a contributor in good standing is already tarnished.

In addition, we oppose the \$150 million cut in the House bill in important nonproliferation programs to reduce stockpiles of excess weapons grade uranium and plutonium in Russia. Since the Department of Energy has already signed an agreement with Russia to purchase uranium for \$325 million, the entire cut would have to come from the \$200 million appropriated for plutonium. That would drastically undercut negotiations that are underway to dispose of 50 tons of weapons grade plutonium in Russia, enough for 15,000 nuclear weapons.

Taken together, these international affairs rescissions are so great that the supplemental as a whole would constitute a net reduction in U.S. foreign affairs spending -- a reduction that would seriously undermine America's capacity to pursue its foreign policy objectives and promote our economic security.

Finally, since the House and Senate acted on this legislation, there have been important developments in Kosovo that require resources. A number of the rescissions in the House and Senate versions of the bill are in accounts that can be used to provide critical assistance in response to immediate needs in the Balkans.

Objectionable riders

The House is to be commended for its decision to keep the bill free of objectionable riders. Unfortunately, the Senate bill includes a number of strongly objectionable provisions, including the following:

- A provision that would completely relinquish the Federal taxpayers' share of the Medicaid-related claims in the comprehensive State tobacco settlement without any commitment whatsoever by the States to use these funds to stop youth smoking. Federal taxpayers paid more than half, an average of 57 percent, of Medicaid smoking-related expenditures. The Administration believes that the States should retain these funds but should make a commitment that the Federal share of the settlement's proceeds will be spent on shared national and State priorities: e.g. to reduce youth smoking, protect tobacco farmers, improve public health, and assist children. The Administration is prepared to work with the Congress on this issue in separate legislation.
- Two provisions in the Senate bill that would reopen the compromise reached in the FY 1999 Interior and Related Agencies Appropriations Act in Section 123 concerning Glacier Bay National Park (AK) to ban commercial fishing in wilderness waters, phase-out commercial fishing in certain non-wilderness waters within Glacier Bay proper, buy out qualifying Dungeness crabbers who had previously crabbed in park waters, and continue to permit commercial fishing in the waters outside the Bay (where 80 percent of the fish are caught). One provision would increase the previously agreed to buy-out packages for crabbers and delay implementation of restricted fishing operations (except for closures of wilderness waters) by up to a year due to additional rule making requirements. The other provision would delay all of the Section 123 fishing restrictions in both non-wilderness and wilderness areas (except for the closure of the wilderness waters of the Dungeness crab fisheries) indefinitely while an unrelated submerged lands title issue is settled between the State of Alaska and the Federal Government. The compromise reached last fall and codified in Section 123 should not be re-opened.
- A provision that would postpone until February 2000 the Department of the Interior's issuance of regulations prescribing procedures and standards to permit Class III casino gaming on Indian reservations when a State will not negotiate a gaming compact with a tribe "in good faith." This provision gives the States de facto veto power over the compacting process, without providing the tribes the option of offering alternative procedures for negotiating gaming compacts. This provision is unnecessary since Florida and Alabama filed suit challenging final regulatory procedures, which were published in the Federal Register on April 12th. This issue should be decided through this litigation.

- A provision that would extend (for the second time) the current moratorium on publishing a final Interior Department rule revising the method by which crude oil from Federal leases is valued for purposes of calculating Federal royalties. The existing FY 1999 rider imposed an eight-month moratorium (until June 1, 1999) and was the outcome of negotiations with the Congress at the end of the last session. This provision would cost the Treasury about \$15 million in FY 1999.
- A provision that would prevent a recent reorganization of the Interior Department's Office of the Special Trustee for the remainder of FY 1999. The reorganization addresses deficiencies in day-to-day Indian trust management operations. However, if this provision were left in place, it would hamper Interior's efforts to resolve and reform trust fund management and represents unjustified micro-management of the Department's activities.
- A provision that would extend (for the second time) the current moratorium on a final rule governing surface management and reclamation of hardrock mine sites on Federal lands until about December 1999 (from the current June 1999 time frame). The provision unnecessarily ties finalization of the rule making to completion of a National Academy of Sciences study on the need for this rule making.

Other Issues

There are a number of other objectionable funding and legislative provisions in the House and Senate versions of the bill. Examples follow:

- The Administration does not support the Emergency Oil and Gas Guaranteed Loan Programs provision. This loan guarantee program would be ineffective, costly, and would benefit many firms that don't need Federal assistance. With up to 2,000 loans per year, this program would also prove cumbersome for the Department of Commerce to administer and would complicate its ongoing administration of import laws.
- The Administration also opposes a provision that would provide additional oil and natural gas royalty relief for marginal and other leases located on Federal on-shore, public lands, by providing a credit level of up to \$123 million to be applied to the royalties due to the United States. The Administration has been supportive of oil industry economic needs, already providing relief for marginal producers on Federal lands by permitting suspended operations for up to two years on "stripper oil properties" with no penalty, and agreeing to place 28 million barrels of royalty oil into Strategic Petroleum Reserve – in addition to ongoing stripper well royalty relief. Oil prices are also starting to recover in the marketplace. This provision would be cumbersome to administer, may not be confined only to small oil and gas producers, and would cost the Treasury about \$30 million in royalty receipts

in FY 1999, the remainder in FY 2000.

- On March 10, 1999, the President transmitted a request for \$15 million in additional supplemental funding for the Department of the Interior to support the requirements of the Cobell v. Babbitt class-action lawsuit alleging mismanagement of individual Indian money accounts. These additional funds would allow the Department to conduct critical activities, including court-ordered document production and statistical sampling needed this year in defense of the suit. This request is fully offset from other Interior appropriation accounts. The House-passed bill provides this additional funding, however, the House rejected the Administration's proposed offsets. The Administration strongly supports full funding for these efforts with the proposed offsets.
- The Administration objects to a provision in the Senate bill that would transfer \$100 million from the Department of Agriculture's Wildfire Management Operations -- primarily firefighting funding -- to its Knutson-Vandenberg Fund (K-V Fund), which funds reforestation and timber stand management and improvement on national forest lands. A transfer of this magnitude is unnecessary and inappropriate. Transferring the funds from the appropriated fire operations account would likely require that available Forest Service emergency contingency funds be used to fight fires in FY 1999, even if FY 1999 is a normal fire year. Should a significant fire season occur and the contingency funds be exhausted, the Forest Service would have to transfer funds back from the K-V Fund.
- The Administration opposes the transfer in the Senate bill of disaster relief funds from the Community Development Block Grant (CDBG) program to the Federal Emergency Management Agency. The Administration would like to work with the conferees to respond to their concerns about the implementation of the CDBG disaster relief program.
- The Administration is disappointed that Congress has not adopted the provision regarding the auction of available spectrum within the 746-806 MHz band. The Administration believes that the FCC is able to conduct the auction in 2000 and collect receipts within 2000. The Administration's proposed language facilitates the efficient and competitive deployment of spectrum.

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

Sincerely,

Jacob J. Lew

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