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**Budget Materials - Appropriations
Letters FY99 [2]**



Kate P. Donovan
09/24/98 05:13:06 PM

Record Type: Record

To: Laura Emmett/WHO/EOP, Elena Kagan/OPD/EOP
cc:
Subject: 2nd revision of Agriculture letter

----- Forwarded by Kate P. Donovan/OMB/EOP on 09/24/98 05:10 PM -----



Kate P. Donovan
09/24/98 05:12:08 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: 2nd revision of Agriculture letter

The veto statement in the 3rd paragraph was revised as an outcome of today's meeting on the Hill. Please make sure this is okay with you (the rest of the text is identical to previous versions circulated). We aim to send the letter by 7pm tonight. Thank you.

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

Dear Mr. Chairman:

This letter provides the Administration's views on H.R. 4101, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, FY 1999, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

The Administration welcomes congressional efforts to accommodate the President's priorities within the 302(b) allocation. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by providing savings through user fees and certain mandatory programs to help finance discretionary spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan

basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. We want to work with the Congress on mutually-agreeable mandatory and other offsets that could be used to increase high-priority discretionary programs in this bill. In addition, we urge the Congress to consider again the user fee proposals included in the President's budget, either adopting or modifying them to enable more resources to be directed to important initiatives such as those proposed for food safety, nutrition programs, rural development, agriculture research, and conservation.

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

Food and Drug Administration

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

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

Food Safety Initiative

The Administration is deeply concerned that neither the House nor the Senate has fully

funded the President's request for Food And Drug Administration (FDA) and USDA activities to enhance food safety, providing only \$16.8 million and \$68.9 million, respectively, of the \$96 million the President has requested for these activities. American consumers enjoy the world's safest food supply, but too many Americans get sick, and in some cases die, from preventable food-borne diseases. The President's initiative would expand food safety research, risk assessment capabilities, education, surveillance activities, and food import inspections. The Administration will work with Congress to explore options to offset the additional cost needed to fully fund the President's request.

Disaster Assistance

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

Women, Infants, and Children

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

Civil Rights

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

However, in a number of areas, the House and Senate have reduced funds to assist the most needy farmers and residents of rural communities. Neither the House nor the Senate has provided the requested increase for the Outreach for Socially Disadvantaged Farmers program, which was a key recommendation of the USDA Civil Rights Action Team (CRAT) report last

year. With the additional \$7 million requested, USDA could support 35 projects to assist 10,000 small family farms and stem the decline in the number of minority farmers and ranchers. We urge the conferees to provide the full request.

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

Rural Development Funding

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

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

Agriculture Research

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

The Administration strongly objects to the House's elimination of the \$120 million in competitively-awarded research funds authorized in the Agricultural Research, Extension and

Education Reform Act of 1998. These funds would finance vital investments in food and agricultural genome research, food safety and technology, human nutrition, and agricultural biotechnology. We urge the conferees to support these important research efforts by restoring funds to the level requested.

Climate Change and Clean Water Initiatives and Conservation Programs

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

In addition, neither the House nor the Senate has included the Administration's requested increase of \$23 million for the Natural Resources Conservation Service (NRCS) to implement the President's Clean Water Action Plan to help State and local organizations hire watershed coordinators, document baseline conditions, and target resources to farmers requesting assistance. The Plan, developed by USDA and EPA, outlines a strategy on how to correct water quality problems, including polluted run-off, across the Nation. The Administration urges the conferees to provide these necessary funds to the NRCS.

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

Language Provisions

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

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

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

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

The Administration objects to section 741 of the House-passed bill that would allow Federally tax-exempt financing in conjunction with rural multi-family housing guarantees. Guarantees of tax-exempt obligations are an inefficient way of allocating Federal credit. Assistance to borrowers, through the tax exemption and the guarantee, provides interest savings to the borrower that are smaller than the tax revenue loss to the Government, and the cost to the taxpayer is, therefore, greater than the benefit to the borrower.

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

Other Issues

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

The House reduces by \$10 million and the Senate by \$20 million the President's request for the mandatory Emergency Food Assistance Program (TEFAP), which purchases commodities for individuals greatly in need of assistance. Given reported increases in need for food assistance through food banks and soup kitchens, the Administration is concerned that

this reduction from the authorized level would mean less food will reach the most vulnerable Americans. In addition, food rescue and gleaning is a priority area that deserves additional funding in the USDA budget. The budget proposes \$20 million for this initiative to encourage greater private sector and community based involvement in food rescue.

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

The House has provided only \$2 million of the requested \$22 million increase for the Inspector General as part of the Administration's law enforcement initiative, and the Senate has not provided any of the requested funds. The USDA initiative would save taxpayers millions of dollars lost through fraud in the food and nutrition programs as well as in USDA disaster, multi-family housing, and other programs. The initiative would also improve the integrity of many USDA programs. The Administration urges the conferees to increase funds for this important initiative.

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

Sincerely,

Jacob J. Lew
Director

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

Message Sent To:

Kevin S. Moran/WHO/EOP@EOP
John Podesta/WHO/EOP@EOP
Maria Echaveste/WHO/EOP@EOP
Leslie Bernstein/WHO/EOP@EOP
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Kate P. Donovan
09/23/98 08:40:07 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Need clearance: Agriculture Approps. conferees letter

Below is the conferees letter for the Agriculture FY99 Appropriations bill. Conference action is expected Friday (9/25); therefore, we aim to get the letter out midday tomorrow (Thurs, 9/24). Please note that the veto position is open for discussion pending further consultation. Please provide your comments/clearance by noon tomorrow. Thank you.

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

Dear Mr. Chairman:

This letter provides the Administration's views on H.R. 4101, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, FY 1999, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

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

The Administration's specific concerns with the bill as passed by the House and the Senate are discussed below. We look forward to working with you to resolve these concerns.

Food and Drug Administration

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

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

Food Safety Initiative

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

Disaster Assistance

It is of critical importance that the Federal Government provide emergency funds to farmers facing the worst agricultural crisis in a decade. On September 22nd, the Administration submitted its request for \$2.3 billion in emergency assistance, including supplemental crop insurance indemnity payments, additional farm operating loans, and other vitally important programs. Although this request did not include income assistance to farmers for low commodity prices, Secretary Glickman communicated the Administration's support for such assistance through Senators Daschle and Harkin's proposal to remove the cap on marketing loan rates for 1998 crops. The Administration urges the Congress to provide

assistance to address this urgent crisis.

Women, Infants, and Children

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

Civil Rights

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

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

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

Rural Development Funding

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

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

Agriculture Research

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

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

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correct water quality problems, including polluted run-off, across the Nation. The Administration urges the conferees to provide these necessary funds to the NRCS.

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Language Provisions

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

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The Administration objects to section 741 of the House-passed bill that would allow Federally tax-exempt financing in conjunction with rural multi-family housing guarantees. Guarantees of tax-exempt obligations are an inefficient way of allocating Federal credit. Assistance to borrowers, through the tax exemption and the guarantee, provides interest savings to the borrower that are smaller than the tax revenue loss to the Government, and the cost to the taxpayer is, therefore, greater than the benefit to the borrower.

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Other Issues

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

Sincerely,

Jacob J. Lew
Director

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

Message Sent To:

Rahm I. Emanuel/WHO/EOP
John Podesta/WHO/EOP
Gene B. Sperling/OPD/EOP
Sally Katzen/OPD/EOP
Elena Kagan/OPD/EOP
Martha Foley/WHO/EOP
Ron Klain/OVP @ OVP
Joshua Gotbaum/OMB/EOP
Lisa M. Kountoupes/WHO/EOP
Kathleen A. McGinty/CEQ/EOP
Wesley P. Warren/CEQ/EOP
Kerri A. Jones/OSTP/EOP
Jeffrey M. Smith/OSTP/EOP
Todd Stern/WHO/EOP
G. E. DeSeve/OMB/EOP
RUDMAN_M @ A1@CD@VAXGTWY
Michelle Peterson/WHO/EOP
Maria Echaveste/WHO/EOP
Clifford J. Gabriel/OSTP/EOP
Thomas L. Freedman/OPD/EOP

Message Copied To:



Kate P. Donovan
09/24/98 05:13:06 PM

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Record Type: Record

To: Laura Emmett/WHO/EOP, Elena Kagan/OPD/EOP

cc:

Subject: 2nd revision of Agriculture letter

----- Forwarded by Kate P. Donovan/OMB/EOP on 09/24/98 05:10 PM -----



Kate P. Donovan
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To: See the distribution list at the bottom of this message

cc:

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Chairman
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U.S. House of Representatives
Washington, D.C. 20515

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Food and Drug Administration

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

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

Food Safety Initiative

The Administration is deeply concerned that neither the House nor the Senate has fully

funded the President's request for Food And Drug Administration (FDA) and USDA activities to enhance food safety, providing only \$16.8 million and \$68.9 million, respectively, of the \$96 million the President has requested for these activities. American consumers enjoy the world's safest food supply, but too many Americans get sick, and in some cases die, from preventable food-borne diseases. The President's initiative would expand food safety research, risk assessment capabilities, education, surveillance activities, and food import inspections. The Administration will work with Congress to explore options to offset the additional cost needed to fully fund the President's request.

Disaster Assistance

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

Women, Infants, and Children

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

Civil Rights

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

However, in a number of areas, the House and Senate have reduced funds to assist the most needy farmers and residents of rural communities. Neither the House nor the Senate has provided the requested increase for the Outreach for Socially Disadvantaged Farmers program, which was a key recommendation of the USDA Civil Rights Action Team (CRAT) report last

year. With the additional \$7 million requested, USDA could support 35 projects to assist 10,000 small family farms and stem the decline in the number of minority farmers and ranchers. We urge the conferees to provide the full request.

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

Rural Development Funding

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

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

Agriculture Research

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

The Administration strongly objects to the House's elimination of the \$120 million in competitively-awarded research funds authorized in the Agricultural Research, Extension and

Education Reform Act of 1998. These funds would finance vital investments in food and agricultural genome research, food safety and technology, human nutrition, and agricultural biotechnology. We urge the conferees to support these important research efforts by restoring funds to the level requested.

Climate Change and Clean Water Initiatives and Conservation Programs

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

In addition, neither the House nor the Senate has included the Administration's requested increase of \$23 million for the Natural Resources Conservation Service (NRCS) to implement the President's Clean Water Action Plan to help State and local organizations hire watershed coordinators, document baseline conditions, and target resources to farmers requesting assistance. The Plan, developed by USDA and EPA, outlines a strategy on how to correct water quality problems, including polluted run-off, across the Nation. The Administration urges the conferees to provide these necessary funds to the NRCS.

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

Language Provisions

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

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

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

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

The Administration objects to section 741 of the House-passed bill that would allow Federally tax-exempt financing in conjunction with rural multi-family housing guarantees. Guarantees of tax-exempt obligations are an inefficient way of allocating Federal credit. Assistance to borrowers, through the tax exemption and the guarantee, provides interest savings to the borrower that are smaller than the tax revenue loss to the Government, and the cost to the taxpayer is, therefore, greater than the benefit to the borrower.

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

Other Issues

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

The House reduces by \$10 million and the Senate by \$20 million the President's request for the mandatory Emergency Food Assistance Program (TEFAP), which purchases commodities for individuals greatly in need of assistance. Given reported increases in need for food assistance through food banks and soup kitchens, the Administration is concerned that

this reduction from the authorized level would mean less food will reach the most vulnerable Americans. In addition, food rescue and gleaning is a priority area that deserves additional funding in the USDA budget. The budget proposes \$20 million for this initiative to encourage greater private sector and community based involvement in food rescue.

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

The House has provided only \$2 million of the requested \$22 million increase for the Inspector General as part of the Administration's law enforcement initiative, and the Senate has not provided any of the requested funds. The USDA initiative would save taxpayers millions of dollars lost through fraud in the food and nutrition programs as well as in USDA disaster, multi-family housing, and other programs. The initiative would also improve the integrity of many USDA programs. The Administration urges the conferees to increase funds for this important initiative.

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

Sincerely,

Jacob J. Lew
Director

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

Budget - Appropriations Letters FY99

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

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 4194, the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, FY 1999, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

The Administration appreciates efforts by the Congress to accommodate the President's priorities within the 302(b) allocation. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by providing savings through user fees and certain mandatory programs to help finance discretionary spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. We want to work with the Congress on mutually-agreeable mandatory and other offsets that could be used to increase funding for high-priority discretionary programs such as National Service, environmental protection, and safe and affordable housing for low-income households.

Both the House- and the Senate-passed versions of the bill include requested funding for many of the Administration's priorities, and we appreciate the efforts of the House and Senate in this regard. Regrettably, there are a number of Presidential priorities that remain underfunded. In particular, the Administration is deeply concerned that the House-passed bill provides no funding for National Service and that both the House- and Senate-passed versions include significant cuts to the President's request for the Environmental Protection Agency's (EPA's) Hazardous Substance Superfund and significantly underfund the President's request for the Department of Housing and Urban Development's Welfare-to-Work and other incremental housing vouchers. The Administration is also very concerned about problematic language in the House and Senate versions of the bill regarding

the Kyoto Protocol and strongly objects to the House's addition of significant portions of H.R. 2, the Housing Opportunity and Responsibility Act of 1997, which includes unacceptable provisions such as those relaxing income targeting. If the bill were to be presented to the President without responding to these concerns, the President's senior advisers would recommend that he veto the bill.

Below is a discussion of the Administration's specific concerns with the bill, as passed by the House and by the Senate. We look forward to working with you to resolve these concerns as the bill moves forward.

Corporation for National and Community Service

The Administration strongly objects to the House's termination of the Corporation for National and Community Service, one of the Administration's top priorities, and is deeply concerned that the Senate-passed bill would freeze funding for the Corporation at the FY 1998 level, \$74 million below the President's request and continue restrictive appropriation language. Eliminating funding for the Corporation would deny more than 49,000 Americans the opportunity to serve as AmeriCorps members in projects such as America Reads, the Administration's effort to raise student literacy through the use of tutors to supplement the school day activities. In addition, over one million students of all ages would forego the chance to participate in service learning activities in their schools and neighborhoods. The Administration urges the Congress to fully fund the Corporation for National and Community Service at the requested level of \$502 million and adopt the requested appropriations language.

Department of Housing and Urban Development

The Administration strongly opposes the inclusion of H.R. 2, the Public Housing Reform and Responsibility Act of 1997, in the House-passed bill. By changing the income targeting at admission for public and Section 8 assisted housing, H.R. 2 would shift subsidies from the poorest families, many of whom are working, to families with incomes sufficient to have greater housing choices. Such provisions would increase homelessness and hardship at a time when many low income Americans cannot afford even basic housing and are unacceptable. The Administration supports reasonable measures to encourage a range of incomes in public housing and thereby reduce concentrations of poverty. The Administration can find no rationale, however, for relaxing the income targeting of Section 8 subsidies that can be used throughout a community. We must not allow those with the most desperate housing needs to be left out in the name of housing reform.

The overall level of funding provided by both the House and the Senate bills for the Department of Housing and Urban Development (HUD) is generally consistent with the Administration's request, including the funding provided to

renew all expiring Section 8 contracts. The Administration also appreciates the Senate's decision to end the ninety-day delay in reissuing of Section 8 certificates/vouchers on turnover and encourages the conferees to strike the House's ninety-day delay provision.

Despite the House's decision to fund 17,000 incremental welfare-to-work housing vouchers, the Administration is disappointed that both the House and the Senate have failed to provide adequate funding for the President's request for 103,000 incremental vouchers, including 50,000 vouchers to assist families moving from welfare to work and 34,000 vouchers to assist homeless individuals and families in their efforts to secure permanent housing. With millions of families needing to make the transition from welfare to work, and many low income Americans with unmet housing needs, the Administration believes it is critical for the Congress to fund the entire requested number of welfare-to-work housing vouchers.

The Administration also encourages the conferees to fund fully the President's request for \$400 million for an Economic Development Initiative (EDI) Community Empowerment Fund to generate 280,000 job opportunities in distressed communities. The House has cut the request by \$350 million, providing only \$50 million, and the Senate has provided \$85 million, with over 75 percent earmarked for specific projects. The Administration objects to the list of specific, earmarked projects in the Senate-passed bill for the EDI program. We look forward to working with the conferees to maximize the level of funds awarded to projects based on a consideration of merits and need. The Administration also urges the conferees to approve the proposed request for Brownfields redevelopment.

The Administration strongly opposes the House's \$21 million reduction for Housing Opportunities for Persons with AIDS (HOPWA) and urges the conferees to restore funding to the requested level, \$225 million. We believe a reduction to this critical program at a time of significant medical advances for the treatment of AIDS is shortsighted and will result in a significant number of the qualified caseload being denied essential housing and other related assistance.

The Administration appreciates the House and Senate's decision to increase funding for Homeless Assistance Grants above FY 1998 levels and urges the conferees to approve the Senate level. However, we strongly urge the conferees to strike the Senate's rigid set-aside for permanent housing, which would reduce the ability of each local entity to adopt the most effective response to the homeless challenge unique to that area identified in its Continuum of Care Plan. Further, the Administration is encouraged by the funding level provided by the House for Regional Opportunity Counseling, a voluntary effort to expand housing and employment opportunities available to low-income families.

The Administration is pleased with the support the House has expressed for an audit-based enforcement initiative for the Fair Housing Initiatives program, which would reduce the level of housing discrimination. We urge the conferees to adopt the House recommendation for this critical fair housing initiative and to provide the Administration's full request for Fair Housing. The Administration also supports the

House funding level for the Partnership for Advancing Technologies in Housing and urges that funding also be included to support Regional Connections as requested in the President's budget.

The Administration appreciates the Congress' decision to raise the limit on FHA single-family loans to 87 percent of the GSE "conforming limit." The Administration urges the conferees to provide even greater homeownership opportunities by adopting its original request to raise FHA's loan limit to 100 percent of the GSE "conforming limit." This would yield another \$700 million in savings over five years.

The Administration is disappointed that the House and the Senate have failed to adopt the Administration's proposal to reform HUD's single-family property disposition program, which would produce substantial savings. The proposal would streamline and transform FHA's now lengthy, labor-intensive disposition process into one that would take advantage of private sector efficiencies, while maintaining HUD's long-standing mission of revitalizing distressed neighborhoods. Enactment of this proposal would yield over \$500 million in net present value savings in fiscal year 1999.

The Administration objects to the Senate's reduction in resources for the Office of Federal Housing Enterprise Oversight (OFHEO). OFHEO provides crucial taxpayer protection through its financial supervision of Fannie Mae and Freddie Mac.

Environmental Protection Agency

The Administration has several major concerns with the House and Senate marks for the Environmental Protection Agency (EPA). In particular, the Administration strongly objects to the \$593 million, or 28-percent, reduction made by both the House and the Senate to the President's request for Superfund, which would delay cleanups at sites nationwide and needlessly jeopardize public health. In addition, the Administration opposes the Senate's restrictive bill language that would hamper achievement of brownfield cleanups by preventing their use for revolving loan funds. The Administration urges the conferees to restore Superfund to the requested level and to delete the restrictive brownfields language.

The Administration strongly opposes the House's \$106 million reduction and the Senate's \$91 million reduction in the EPA request for the Climate Change Technology Initiative. This high-priority program should be funded fully to cut energy usage, save consumers money, and reduce greenhouse gas emissions. We will work with the Congress to restore funding to the requested level.

The Administration strongly opposes House bill and report language related

to the Kyoto Protocol. While the Administration could not and would not implement the Protocol until it is ratified, the bill language (and Senate report language) could be interpreted broadly to prevent EPA activities that limit greenhouse gases -- for example, through enhancing energy efficiency -- even though they are authorized under current law. In addition, the Administration objects to Senate report language requiring a detailed Government Performance and Results Act (GPRA) plan concerning climate change activities. Such a plan would be premature and would appear to require the Administration to set goals for implementing the Kyoto Protocol before it has been ratified by the Senate. The Administration opposes this and other such riders because they abuse the legislative process by denying the public and Members of Congress the opportunity to examine and debate these proposals openly.

The Administration urges the conferees to provide the full \$50 million request to help improve water quality in Boston Harbor and prevent beach closings. The Administration appreciates House action to provide full funding for EPA's part of the President's Clean Water Action Plan, which is designed to prevent pollution run-off and protect public health. We urge the conferees to maintain the House funding level in the final bill.

The Administration is concerned with the large number of unrequested, earmarked projects in both the House- and Senate-passed versions of the bill. This is especially troublesome when the House and the Senate have reduced funding for several high-priority Administration initiatives, including right-to-know programs, Montreal Protocol, GLOBE, and Mexican border wastewater treatment funding.

Council on Environmental Quality

The Administration appreciates the modest increases over the FY 1998 level provided by the House and Senate for the Council on Environmental Quality (CEQ). However, we strongly believe that in order to allow CEQ to carry out its environmental mission and reinvention efforts, the full requested level should be provided, and language prohibiting use of detailees should be deleted.

Department of Veterans Affairs

The Administration appreciates the responsiveness of the House and the Senate to several of the President's key initiatives for the Department of Veterans Affairs (VA). Still, three key areas of concern remain:

- Earmarked Funding for New York/New Jersey Health Care Network. The Administration appreciates the Senate's strong support of the Veterans Equitable Resource Allocation (VERA) formula, which bases network resource allocations on workload and local cost factors. The Administration urges the

conferees to strike House report language that directs VA to provide an additional \$20 million to the New York/New Jersey VA health care network. The VERA formula has begun to shift resources from the Northeast to the underfunded South and Southwest. Allocating additional funding to the New York/New Jersey network would mean less for these other under-funded networks.

- New National Cemetery in Eastern Kentucky. The Administration objects to House report language urging that a new cemetery be established and that VA use whatever advance planning funds may be necessary to initiate the planning phase and to prepare a progress report. The eastern Kentucky area was not identified in the 1987 or 1994 reports to Congress as an area of the country most in need of a national cemetery. Other areas of the country have larger concentrations of veterans, and most veterans residing in the eastern half of Kentucky are already served by three open national cemeteries in Kentucky (Camp Nelson, Lebanon, and Mill Springs) and one in Tennessee (Mountain Home).
- Changes to the funding mechanism for adjudication office. The Administration prefers the language of the Senate bill with regard to the funding mechanism for VA's newly-created Office of Resolution Management and Office of Employment Discrimination Complaint Adjudication. The House-passed bill includes language that would change the funding mechanism for these two offices from reimbursable, as requested in the President's budget and included in the Senate bill, to specific transfers of estimated amounts. The House provision would reduce the incentive for VA managers to control the costs associated with the processing of EEO complaints, and it would lessen the coordinated arrangements that reimbursable services foster.

Community Development Financial Institutions Fund

We strongly urge the conferees to fund the Community Development Financial Institutions Fund at the requested level, \$125 million. The reductions to the President's request of \$45 million and \$70 million in the House and Senate versions of the bill, respectively, would severely reduce the Fund's ability to leverage investments, loans, and financial services in the country's most distressed communities.

National Aeronautics and Space Administration (NASA)

The Administration is deeply concerned with reductions made by the House to the requests for the International Space Station, Space Shuttle, and Earth Science programs and strongly urges the conferees to support full funding for these

activities. We also are concerned about the increased number of appropriation accounts for the International Space Station and other activities included in the Senate-passed bill. The redirection of key resources to implement this change could threaten NASA's Year 2000 conversion effort and pose an audit risk.

The Administration is prepared to work with the Congress to control development costs of the Space Station while also providing the resource flexibility within the Human Space Flight account to deal with unanticipated requirements, particularly additional contingency steps that may be called for in light of continuing resource problems of the Russian government. In addition, we are concerned with House language prohibiting the use of funds for the Triana project and urge the conferees to strike this provision. Finally, the Administration is troubled that both the House- and Senate-passed versions of the bill contain a very large number of unrequested, site-specific earmarks, which would have the effect of circumventing the competitive, peer review process.

Federal Emergency Management Agency

The Administration appreciates the level of funding provided by the House and Senate for the Federal Emergency Management Agency. However, we believe that the reductions (\$20 million in the House and \$25 million in the Senate) to the President's request for pre-disaster mitigation grants are shortsighted. These grants would help reduce the costs of future disasters by leveraging local and private-sector support for enhanced mitigation efforts at the State and community level. We urge the Congress to fund fully the President's request for this important initiative. In addition, the Administration is pleased that the Senate-passed bill includes \$8 million in response to the President's June 8th request for funding to help States and communities prepare for potential terrorist incidents involving chemical and/or biological weapons. We urge the Congress to approve requested emergency funding for FEMA Disaster Relief.

National Science Foundation

Given the budget constraints faced by the House and Senate, the Administration appreciates the strong support shown for the National Science Foundation (NSF). The Administration is firmly convinced that support for the Foundation's research and education programs is a critically important investment in the future well-being of the Nation. Therefore, the Administration urges the conferees to fund fully the President's request for all of NSF's activities. Additionally, the Administration remains concerned about the number and specificity of funding earmarks, which in some cases come dangerously close to infringing on an open, merit-based review and decision-making process. Finally, the

Administration strongly supports both the Polar Cap Observatory and the GLOBE program and urges the conferees to provide the budget request for each of these activities.

Neighborhood Reinvestment Corporation

The Administration is pleased that the House-passed version of the bill would provide the President's full request for the Neighborhood Reinvestment Corporation (NRC), and we urge the conferees to adopt the House position. The NRC has a proven, successful record of leveraging private sector resources to promote homeownership and helping strengthen America's communities. This funding would provide an additional \$25 million for a homeownership initiative that seeks to create 10,000 new homeowners through FY 2000.

Other Issues

- San Francisco Restriction. The Administration strongly objects to the amendment which requires the City of San Francisco not to use any Federal funds to implement a local ordinance. This is an unfunded mandate. Legislating through the use of Federal funds against a single ordinance in a single city would be contrary to the most basic principles of Federalism underlying our system of Government. The amendment would impose a burdensome administrative requirement on the City, requiring it to set up a system to separately track expenditures to ensure that no Federal funds were used to implement one particular City ordinance.
- Consumer Product Safety Commission. The Administration opposes bill language in the House-passed bill that would block the Consumer Product Safety Commission's (CPSC's) ability to promulgate rules to reduce the flammability of upholstered furniture. This language intrudes upon CPSC's ability, as well the ability of other agencies, to carry out their responsibilities. Furthermore, these efforts to block the development of a new safety standard represent a threat to public health.
- American Battle Monuments Commission. The Administration is concerned that the Senate-passed bill includes an earmark of \$2.5 million for restoration of the Liberty Memorial in Kansas City, Missouri. (The Liberty Memorial has been estimated to need \$60 million to \$75 million in restoration funding.) This earmark would set an undesirable precedent. Currently, ABMC's program maintains memorials to American Armed Forces where they served overseas, not in local communities around the country. The Smithsonian's Save Outdoor Sculpture program has identified the Liberty Memorial as one of 43 domestic World War I and II outdoor monuments and memorials in need of immediate repair. The ABMC program is not the appropriate place to

fund this kind of domestic public works program. We recommend that the conferees remove this earmark from ABMC's language.

- Section 41, Open Season for Certain Alaska Native Veterans for Allotments. The Administration supports suitable legislation that would renew the opportunity for an allotment for Alaska Native veterans who missed the opportunity because of Vietnam War service in 1970 and 1971. However, section 41 of the Senate-passed bill would extend benefits beyond those who missed an opportunity due to service; would unreasonably delay adjudication and conveyance of pending Native or State applications under existing entitlements and claims; would unreasonably open special Conservation System Units set aside by Congress (such as parks, scenic rivers, refuges, and national wilderness areas) to private inholdings and development; and, would raise inequities among Alaska Natives. The Administration strongly objects to this provision, as written.
- Ship Scrapping. The Administration supports the Senate Appropriations Committee's goal of ensuring a safe and environmentally sound ship scrapping policy. The specific requirements in the Senate version of the bill, however, raise implementation issues such as EPA's certification of the enforcement of other countries' laws. The Administration believes that a starting point to develop a more workable approach to achieve these protection aims would be to build on the recommendations of the Interagency Ship Scrapping Review Panel. The Administration is committed to working with Congress to resolve these concerns and to finding mutually acceptable solutions that achieve these important objectives.

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

Sincerely,

Jacob J. Lew
Director



Kate P. Donovan
09/14/98 07:07:25 PM



Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: DRAFT TRANSPORTATION APPROPRIATIONS LETTER

Below is the draft Transportation FY99 Appropriations letter. The House is expected to appoint conferees at 10:30am tomorrow (Tuesday, 9/15). Obey's staff has asked to have the letter at that time. Therefore, please provide comments/clearance by 9:30am tomorrow. Thank you.

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

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 4328, the Department of Transportation and Related Agencies Appropriations Bill, FY 1999, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

The Administration appreciates that both the House and Senate have made efforts to accommodate many of the President's priorities in their respective action on the bill. However, the allocation is simply insufficient to make the necessary investments in programs funded by this bill. As a result, a variety of critical programs are underfunded. The only way to achieve the appropriate investment level is to offset discretionary spending by using savings in other areas. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by making savings in mandatory and other programs available to help finance this spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs together with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. The Administration urges the Congress to consider such mandatory savings proposals for other priority discretionary programs, including those funded through this bill.

The Administration is concerned that both versions of the bill could seriously disrupt air transportation safety and vital Federal Aviation Administration (FAA) and Coast Guard modernization programs, compromise highway safety, and delay Amtrak's progress towards operating self-sufficiency. The conferees could accommodate some of the funding increases

recommended below by adhering more closely to the President's request for the Airport Grants program, High Speed Rail, Coast Guard Alteration of Bridges, and other programs. Both the House and the Senate versions of the bill also include some objectionable language provisions.

The Administration's specific concerns with both the House and Senate versions of the bill are discussed below.

Essential Operations

The Administration strongly urges the conferees to fully fund the request for Coast Guard and FAA operations. The House has funded Coast Guard Operating Expenses at \$72 million below the requested level and reallocated funds among programs. The House version would force the Coast Guard to lay up certain cutters and aircraft and decommission one of the Nation's three polar icebreakers, thereby compromising the integrity of our Exclusive Economic Zone and leaving critically depleted fish stocks under-protected. The Senate level of \$2,762 million would better enable the Coast Guard to carry out its many important missions.

Likewise, we ask the conferees to restore funding for FAA Operations. The House version is \$56 million below the requested level, the Senate version \$50 million below. The full requested level of \$5,631 million is needed to ensure that the FAA can continue to provide current service and can hire the security personnel and safety inspectors needed to meet the demands of increased air travel. The Administration also objects to Senate earmarks for low priority programs, such as subsidies for contract towers that are not cost-beneficial.

Coast Guard and FAA Modernization

The Administration urges the conferees to fully fund the request for Coast Guard and FAA modernization to ensure that the equipment and infrastructure necessary to fulfill critical missions in the future are available. The Administration is particularly concerned about language in the Senate version intended to limit outlays for FAA Facilities and Equipment. We question whether this provision can be implemented and are concerned about its detrimental programmatic effects.

Funding below the requested level for the FAA's capital program could delay National Airspace System Modernization. In particular, we urge full funding of the Host Computer replacement and other Year 2000 conversion activities. The conferees also are encouraged to restore funding for the Flight 2000 program, eliminated by the House and virtually eliminated by the Senate. This program is a key element of the FAA's plans for a transition to a more efficient, user-involved, satellite-based air traffic control system to meet the air traffic needs of the next century. The conferees are requested to fund the \$100 million for explosive detection systems from the FAA Facilities and Equipment account, not the Airport Improvement Program account, to ensure these critical systems are actually purchased and then deployed where they are most needed.

The Administration requests that the conferees fund the Coast Guard Acquisition, Construction, and Improvements account at the requested level of \$443 million and refrain from directing funds to unrequested projects that increase operating costs. The mix of projects requested in the President's budget will reduce the Coast Guard's future operating costs, improve mission performance, and upgrade facilities and housing for Coast Guard personnel. The reductions of \$54 million made by the House and \$17 million made by the Senate would have harmful long-term effects on the Coast Guard's capability. We also urge the conferees to fully fund the President's request for the Nationwide Global Positioning System and for adding a second civil signal to the Global Positioning System.

Amtrak Capital Grants

The Administration strongly encourages the conferees to adopt the House funding level of \$609 million for Amtrak capital grants and the Senate provision that would allow Amtrak to invest these capital funds flexibly, as is presently done by Federal Transit Administration grantees. Amtrak is an essential component of the Nation's inter-city transportation system, and it needs both adequate funding and flexibility to carry through on the bipartisan, five-year reform plan envisioned by the Amtrak Reform and Accountability Act of 1997. Also, neither the House nor the Senate has provided the requested \$12 million to complete the Federal contribution to the renovation of Penn Station.

Project Labor Agreements

An acceptable compromise was reached between the Administration and the Senate on Section 322 of the Senate-passed bill. The Administration understands that there may be attempts to unravel this agreement. If the conference bill includes different language than the Senate-passed bill, it could jeopardize enactment of the bill. We strongly urge the conferees to retain the Senate language.

National Highway Traffic Safety Administration

To protect the safety of automobile travelers adequately, the Administration asks that the conferees work with the authorizing committees and provide an additional \$12 million for high-priority National Highway Traffic Safety Administration programs. These vehicle safety and consumer information activities are essential to providing consumers with up-to-date safety information, conducting critical research on advanced air bag systems and the biomechanics of injury, and developing improved crash test dummies.

Access-to-Jobs

The Administration requests that the conferees provide an additional \$50 million to fully fund the President's request of \$100 million for the Access-to-Jobs program. This program is an important component of the Administration's welfare reform effort. The additional resources are essential to helping more individuals in communities around the country make a successful transition from welfare to work.

Office of the Secretary and Civil Rights

The Administration urges the conferees to provide the President's requested \$62 million for the Office of the Secretary and to drop the new account structures and limitations on political appointees contained in both versions of the bill. These provisions would undermine the Secretary's ability to manage the Department effectively by, among other things, causing a reduction-in-force. The Administration is also greatly concerned about the Senate's 20-percent reduction to the funding request for the Office of Civil Rights, a level that is below FY 1998. This reduction would significantly hamper the Department's ability to enforce laws that prohibit discrimination in Federally operated or assisted transportation programs.

The provision in both the House and Senate versions of the bill that requires congressional approval of assessments to be levied by the Transportation Administrative Service Center on other departmental entities constitutes a legislative veto. The Administration will interpret this provision to require notification only, since any other interpretation would contradict the Supreme Court ruling in INS vs. Chadha.

Earmarks

The Senate bill earmarks nearly 400 transit projects, the House bill nearly 300. In addition, both versions earmark many airport, Intelligent Transportation System (ITS), and rail projects. Consistent with our objections to TEA-21, the Administration believes that projects should be funded based upon their merit and that funds should not be directed to low-priority projects that cannot meet established selection criteria.

Language Provisions

The Administration strongly opposes section 341 of the Senate bill, which would allow helicopters to operate and land on Federally-owned lands in Alaska, including wilderness areas. This would be harmful to species and habitat and disrupt Congress' carefully crafted balance on this issue in the Alaska National Interest Land Conservation Act (ANILCA). Under ANILCA, helicopter landings are permitted for emergency reasons and, on a case-by-case basis, for non-emergency use in non-wilderness areas. The Secretaries of the Interior and Agriculture have previously recommended that bills containing similar provisions be vetoed.

The Administration requests that the conferees delete the language in both versions of the bill that would prohibit the Coast Guard and the FAA from evaluating options for collecting fees for their services. User fees may be a critical means in the future for ensuring that the Coast Guard and the FAA have adequate resources to meet their operating and capital needs without significantly reducing other vital transportation programs.

The Administration is concerned that language in the Senate bill prohibiting obligation

of funds for the FAA's Wide Area Augmentation System (WAAS) until it is certified as a sole means of navigation would suspend the WAAS program prematurely. The Administration appreciates the Senate's concerns but believes that these concerns relate more to Phases II and III of the WAAS program than to Phase I. It does not make sense to forego the substantial benefits of WAAS Phase I now that they are so close to being achieved. The Administration requests that the conferees either eliminate the Senate language or amend it to prohibit obligation of funds for WAAS-Phases II and III prior to the requested certifications.

The Administration is pleased that the House recognizes the need to review the Coast Guard's roles and missions but objects to its proposed panel. This proposal would add significant administrative and procedural requirements to the process and delay the Deepwater contract by at least a year. The Administration's advisory council would provide an objective, third-party assessment of the Coast Guard's roles and missions in a time frame consistent with the planned Deepwater procurement.

The Administration strongly objects to the House bill's prohibition of any future changes to automobile fuel economy (CAFE) standards. This significant policy issue should be addressed analytically through the process in place under Federal law and not preemptively settled through the appropriations process.

The Administration urges deletion of the Senate provision pertaining to expedited Supreme Court review of decisions concerning the Department's Disadvantaged Business Enterprise programs as this provision would disrupt and delay pending court cases and send the wrong kind of cases directly to the Supreme Court.

Finally, the Administration objects to the language in the Senate version of the bill that directs the National Transportation Safety Board to reimburse the State of New York for both extraordinary and routine costs associated with the crash of TWA 800. The Administration believes that the State and local counties of New York should be reimbursed only for extraordinary expenses incurred as a result of the crash. They should not receive a windfall by being reimbursed for routine activities that would have occurred absent the crash.

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

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Frank R. Wolf,

Budget - approps
Letters 1999



Kate P. Donovan
09/09/98 06:42:23 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: URGENT: HOUSE FOREIGN OPERATIONS LETTER

Below is the draft House Letter regarding the Foreign Operations Appropriations bill. Markup is tomorrow (Thurs. 9/10) at 10am; therefore, we need your comments/clearance by 7:30pm tonight (sorry for the short notice). Thank you.

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

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 1999, as reported by the House Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Administration appreciates efforts by the Subcommittee to accommodate certain of the President's priorities within the 302(b) allocation. However, the allocation is simply insufficient to make the necessary investments in programs funded by this bill. As a result, a number of key programs are seriously under-funded, which raises issues of congressional support for an effective foreign policy, a strong national security policy, and continued economic prosperity. In addition, and of grave concern, the major portion of the request for the International Monetary Fund is not approved, and there are a number of objectionable restrictions on the funding that is provided in the bill. If the bill were presented to the President in its current form, the President's senior advisers would recommend that he veto the bill.

This legislation is a critical element of America's national security budget. At the dawn of a new century, America faces unique challenges and unprecedented opportunities to strengthen our national security, enhance our global leadership, extend the reach of our democratic values, and deepen our own prosperity. The challenges we face are formidable. If this bill in its current form were to become law, however, it would erode our ability to promote effectively critical American interests at home and abroad. It would require us to walk away from problems that can and must be solved. The responsibility for safeguarding

our national security and exercising U.S. leadership must be foremost when allocating scarce fiscal resources. We urge the Congress to provide the leadership needed to keep America safe, strong, and prosperous.

The only way to achieve the appropriate investment level for the programs funded through this bill is to offset discretionary spending by using savings in other areas. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by making savings through user fees and certain mandatory programs to help finance this spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. In addition, this year, as in the past, such mandatory offsets have been approved by the House and Senate in other appropriations bills. We want to work with the Congress on mutually-agreeable mandatory and other offsets that could be used to increase funding for high-priority discretionary programs, including those funded by this bill.

International Monetary Fund

While the Administration welcomes the Subcommittee's efforts to provide funding for the International Monetary Fund's (IMF's) New Arrangements to Borrow (NAB), we are extremely concerned by the Subcommittee's failure to include in its bill the requested appropriation for the \$14.5 billion U.S. share of the IMF's critically needed quota increase. Since February of this year, the President has repeatedly called on Congress to approve the full amount of his \$18 billion budget request for the IMF. To reject or delay this funding not only would undermine America's leadership in the world; it also would expose American workers, savers, farmers, and businesses to unacceptable economic risks.

The IMF's financial resources are nearing historic lows, necessitating the recent activation of the IMF's emergency credit lines, the General Arrangements to Borrow (GAB), for the first time in twenty years. Without the entire \$18 billion in new funding, composed of the quota increase and the U.S. share of the New Arrangements to Borrow (NAB), the IMF -- and hence the United States and the world -- will remain vulnerable if new, escalating, or spreading systemic crises occur. To protect America's economic strength, Congress must act now to pass the full quota.

The Subcommittee's bill proposes several conditions on IMF funding that, while directed at objectives we share, are unworkable in their current form and, therefore, would have the effect of delaying indefinitely the availability of these critical resources to the IMF. We urge the Congress to respond to these concerns as the bill moves through the process.

New Independent States

As recent events have indicated, the incomplete, peaceful transition of the

New Independent States (NIS) to stable, market democracies is vital to the U.S. national security. The Congress has shared this view and provided considerable support for this program in the past. The current political/economic situation in Russia highlights how great the stakes are for the United States to continue to help Russia achieve this peaceful transition. The enormous economic potential of the Caspian Basin represents great opportunities to advance our mutual goals. Therefore, the cuts embodied in the Subcommittee's funding level for USAID assistance programs to the NIS are especially unfortunate. These cuts would make it extremely difficult to push for market reforms and support democratic forces across the region. With respect to continued restrictions on U.S. assistance to Azerbaijan, the Administration strongly favors repeal. These restrictions are a disincentive for securing peace in the Caucasus and do not serve U.S. national interests.

Middle East Assistance

The Administration welcomes the efforts of the Subcommittee to work with us in encouraging changes in traditional levels of assistance to countries in the Middle East. We believe that Israel's initiative to reduce Economic Support Fund (ESF) assistance provides an important basis on which to build future assistance programs that meet our needs in the Middle East and beyond. However, due to the very constrained funding levels for international affairs programs, the Administration has proposed an accelerated approach to the reduction of Israel's ESF. We would encourage the Committee to give strong consideration to such an approach as the bill proceeds through the process.

Economic Support Fund

The Administration is concerned with the overall funding level for the Economic Support Fund (ESF) account. At the Subcommittee mark, the account would not nearly have sufficient resources to continue supporting economic and political stability in Latin America, and in other emerging democracies in Africa and Asia. We strongly encourage the Committee to support a higher funding level for the ESF account as the bill moves forward. In addition, the restrictions on assistance to Haiti need to be balanced with a national interest waiver to ensure that the President has sufficient flexibility to pursue our national interests.

Global Environment Facility

The Administration is concerned with the refusal of the Subcommittee to fund the President's request for the Global Environment Facility (GEF), which is helping to reduce long-term environmental risks that will affect all Americans. The \$300 million request for GEF (of which \$192.5 million is arrears) is needed to assure that the GEF does not run out of resources in FY 1999. Concerns that funding the GEF would prejudice debate on the Kyoto Climate Protocol are misplaced: the new replenishment agreement is funded at the same level as the prior one, and the GEF will continue with precisely the same broad work program that it had prior to Kyoto. The GEF is among the best vehicles that the United States has to

encourage developing countries to shoulder greater responsibility for protecting both the local and global environment. It is manifestly in our interests to clear our arrears and keep the GEF running, and the Administration strongly urges the Committee to restore funding for this critical program.

Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)

The Administration is concerned with the \$64 million, or 30 percent, cut to the \$216 million request for NADR. This reduction would undermine the multi-prong effort that NADR supports to reduce the proliferation threat to U.S. national and global security. Lack of funding for the Comprehensive Test Ban Treaty (CTBT) Preparatory Commission would harm U.S. national security interests as it would eliminate planned improvements in our ability to monitor nuclear testing worldwide. The recent Indian and Pakistani tests are a stark reminder of the importance of this monitoring. As well, we would be forced to reduce support for NIS science centers, demining efforts, and other related activities.

Korean Peninsula Energy Development Organization (KEDO)

The Agreed Framework reached between the United States and the Democratic Peoples Republic of Korea in 1994 remains the key tool with which we are able to engage with North Korea on a range of bilateral and multilateral issues, including missile tests. In addition to the unacceptable certification language and funding cuts currently in the bill, we would strongly oppose additional congressional cuts in, or elimination of U.S. funds for KEDO. These cuts would allow North Korea to blame the United States for not fulfilling our commitment to the Agreed Framework and, in essence, give the North an "out" to begin reprocessing fissile material currently monitored under international safeguards. Such an action would seriously destabilize security on the Korean peninsula, place U.S. troops in greater danger, and exacerbate the Asian financial crisis.

Peacekeeping Operations

The Subcommittee has reduced the \$83 million request for Peacekeeping Operations (PKO) by 25 percent. PKO provides vital assistance and support for many important national security and foreign policy activities, including commitments in Bosnia and Haiti, conflicts in Africa, and potential trouble spots such as in the Balkans. This reduction would severely limit the President's ability to respond to these and other evolving events.

Trade and Investment Financing

The Administration appreciates the Subcommittee's effort to increase substantially the funding for the Export-Import Bank and to support the Overseas Private Investment Corporation and the Trade and Development Agency (TDA). However, Export-Import Bank funding still falls short of the level needed to meet the expected demand of U.S. exporters in FY 1999. Support for TDA, at 17 percent below the President's request, is insufficient to

allow the agency to remain engaged around the world, especially given its growing program in the Caspian region.

U.S. Agency for International Development (USAID) Operating Expenses

The Administration is concerned with the \$24 million cut in the request for USAID Operating Expenses. This reduction would not only make it impossible for USAID to carry out Presidential initiatives in Africa and Latin America, but also would interfere with the agency's ability to manage its ongoing programs effectively, including congressional priorities in areas such as infectious diseases and child survival, as well as to address management priorities. In particular, this reduction, combined with the House action striking the emergency fund in the Treasury and General Government Appropriation bill, would make it difficult for USAID to implement fully its Year 2000 conversion. Even if USAID were to begin closing missions and eliminating additional positions immediately, the fixed costs of doing so would prevent AID from achieving the savings necessary in FY 1999 to respond to this cut. For these reasons, we urge the Committee to restore funding for USAID Operating Expenses.

International Disaster Assistance

In light of the continuing needs created by both natural disasters and ongoing civil conflicts, we urge the Committee to provide a higher level of funding for this account. The Subcommittee mark would cripple our efforts to respond expeditiously and effectively to countries in transition from crisis caused by political and ethnic conflict and could undercut our ability to address man-made and natural disasters.

U.S. Agency for International Development Credit Programs

The Administration is concerned that the Subcommittee has not funded the modest \$6 million request for credit subsidy for the Urban Environment (UE) credit program, or provided transfer authority for USAID's Development Credit Authority (DCA). As the Congress and the Administration agreed in the FY 1998 appropriations legislation, USAID has taken substantial steps towards developing the capacity to manage both its existing and future credit portfolios. We urge the Committee to restore the transfer authority for the DCA and the subsidy request for the UE program. Failure to do so would limit the ability of USAID to use credit to promote development in urban areas and to encourage the development of needed private sector financial mechanisms.

U.S. Agency for International Development Child Survival, Diseases, and Basic Education

The prohibition on the use of funds from the Child Survival and Disease Programs Fund for non-project assistance, which is specifically authorized in the Foreign Assistance Act, would weaken USAID's current leadership position with bilateral and multilateral donors

to encourage and support policy reforms in sub-Saharan African countries.

Exchange Stabilization Fund

The Subcommittee bill contains a provision that would limit the President's flexibility to utilize the Exchange Stabilization Fund as necessary to protect America's economic and security interests. For this reason, and because the Exchange Stabilization Fund is not germane to the purposes of this appropriations bill, the Administration opposes this provision.

Treasury International Affairs Technical Assistance Program

The Administration is disappointed that the Subcommittee has not funded the \$5 million request for this program, which could significantly enhance the transition to stronger private sector-led growth and more efficient, transparent, and better supervised financial institutions in emerging economies, including reforming countries in Africa and financial crisis countries in Asia. Given the large potential benefits and modest cost of this program, which provides technical assistance in tax policy, development of domestic capital markets, and privatization of state enterprises, we urge the Committee to fund the request.

International Organizations and Programs (IO&P): U.N. Population Fund (UNFPA)

The Subcommittee bill reduces the request for IO&P by \$55 million and, unfortunately, eliminates funding for UNFPA, which provides support for women in family planning matters in a number of countries not served by U.S. assistance programs. UNFPA does not fund abortions. The overall reduction in IO&P would limit U.S. ability to participate and support a number of international organizations.

Peace Corps

The Administration regrets that the bipartisan Peace Corps initiative to fund 10,000 volunteers by the year 2000 has not received the full request of \$270 million from the Subcommittee. However, we are heartened by report language stating that the Subcommittee is prepared to approve a further increase should there be a reallocation of funds later in the appropriations process.

Community Adjustment and Investment Program (CAIP)

The Administration is concerned with the Subcommittee's failure to fund the Community Adjustment and Investment Program, a program initially funded through the North American Development Bank, a multilateral development bank. The CAIP was established to help communities affected by adverse trade patterns associated with implementation of the North American Free Trade Agreement. To date, the program has assisted in more than 120 loans in 20 states, leveraging private sector financing of over \$70 million. The \$37 million requested would significantly bolster the CAIP's ability to continue this work, as well as to

support technical assistance, grants, and micro-lending. The Administration urges the Committee to restore funding for this innovative program.

Year 2000 Conversion

In the FY 1999 Budget, the President requested more than \$1 billion for Year 2000 (Y2K) computer conversion, including specific amounts in the requests for the agencies funded in this bill. In addition, the budget anticipated that additional requirements would emerge over the course of the year and included an allowance for emergencies and other unanticipated needs. On September 2nd, the President transmitted to the Congress a request for \$3.25 billion in FY 1998 contingent emergency funding for Y2K computer conversion activities. This supplemental request would create a funding mechanism that is consistent with both the needs anticipated in the President's budget and the Senate's action creating a \$3.25 billion contingent emergency reserve to provide the resources and the flexibility necessary to respond to critical unanticipated Y2K-related requirements. It is essential that this contingent emergency funding be enacted as quickly as possible, whether through the Treasury/General Government bill or another legislative measure moving through the process earlier, particularly in light of the decision of several Subcommittees, including the Subcommittee on Foreign Operations, not to fully fund the base requests of a number of agencies for Y2K conversion. We urge Congress to leave as much as possible of the reserve unallocated so that funds are available to address emerging needs.

We look forward to working with you to address our mutual concerns.

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Sonny Callahan,
and The Honorable Nancy Pelosi

Message Sent To:



Kate P. Donovan
09/10/98 10:54:35 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: DRAFT DOD APPROPRIATIONS CONFEREES LETTER

Below is the draft conferees letter for the Defense Appropriations bill. We aim to finalize the letter later this evening. Please provide comments/clearance by 6pm tonight. Thank you.

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

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 4103, the Department of Defense Appropriations Bill, FY 1999, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

Both the House and the Senate have provided requested funding for many of the Administration's priorities. In particular, we appreciate the Senate's full funding of contingency operations in Bosnia at the requested level and as emergency funding. We intend to work with the Congress to ensure that full funding for Bosnia and related military readiness priorities is approved.

The Administration strongly opposes any provision, such as section 8106 in the House version of the bill, that could be read to require prior congressional authorization of actions taken by the President pursuant to his authority under the Constitution. The President must be able to act decisively to protect U.S. national security and foreign policy interests. This provision would send the wrong signal to the world about U.S. resolve to enforce Iraqi compliance with sanctions, to sustain SFOR operations in Bosnia, and to deter Serbian President Milosevic from attacks on the people of Kosovo. The President's senior national security advisers would recommend veto of a bill with such a provision that could be interpreted to restrict the President's exercise of constitutional authority.

The Administration regrets the Senate's inclusion of a provision that would prohibit the President from deploying U.S. forces to Yugoslavia, Albania, or Macedonia without first

consulting with and reporting to Congress. We are opposed to any provision that could, as a practical matter, serve to constrain the President from acting in our national security and foreign policy interest, or that would require consultation and reporting that could delay the immediate and effective action of U.S. forces. The Administration has every intent to consult with Congress in such situations, but imposing a legislated ban in the absence of consultation may be read by the Serbian leadership and others as preventing the President from acting to protect U.S. interests. The Administration strongly urges the conferees to exclude this provision from the final bill.

Funding for Bosnia Contingency Operations

The Administration appreciates the Senate's inclusion of emergency funding for our ongoing operations in Bosnia. A U.S. military presence, albeit at lower force levels, is critical for continued progress in implementing the Dayton Peace Accords. Moreover, a secure funding source for these operations at the start of the fiscal year will allow the Department to manage its readiness accounts effectively throughout the year. The Administration strongly urges the Congress to approve this funding to support U.S. troops in Bosnia and protect military readiness.

Funding for Defense Programs

Both the House and the Senate provide large increases for procurement and RDT&E programs that are not in DoD's long-range plans and are of questionable value to the Department's modernization efforts. These programs are funded at the expense of other priority programs. For example, the Senate bill adds \$255 million for three unrequested C-130J airlift aircraft, \$94 million for the Space Based Laser program, and \$50 million for advance procurement of the LHD-8 amphibious ship, which will require extensive funding in later years to complete. The House bill adds \$86 million for modifications to B-2 bombers, \$398 million for seven unrequested C-130J aircraft, and \$60 million for two F-16 fighter aircraft. Both the House and the Senate have added substantial unrequested funding -- \$220 million and \$287 million, respectively -- for National Guard and Reserve Equipment (not including C-130J aircraft).

Instead of funding unrequested programs, we urge the conferees to fully fund the Administration's request for key modernization programs, including the following:

Fighter Aircraft. The House has cut the Air Force F-22 program by \$70 million. This reduction would result in programmatic delays and significantly increase overall costs. The House also has cut the Navy F/A-18E/F program by \$220 million, which would delay deployment of the first operational aircraft and force the Navy to keep older, less capable aircraft in the fleet.

Aerostat Program. The House and the Senate have reduced the aerostat program by \$104 million and \$59 million, respectively. The House cut would terminate the program, while the Senate cut would delay the program significantly.

Chemical Agents and Munitions Destruction Program. The House cut of \$59 million and the Senate cut of \$75 million could delay a program that is on schedule to meet our obligations under the Chemical Weapons Convention.

Defense Environmental Restoration. The House cut of \$35 million and the Senate cut of \$24 million would delay by a year or more needed cleanup activities at several installations, undermining confidence in DoD's commitment to the program and possibly worsening environmental conditions.

Shipbuilding. The House and Senate have decreased funding by \$90 million and \$116 million, respectively, in research and development for the CVX-78, the next-generation aircraft carrier. The House has reduced R&D funding by \$69 million for the next-generation destroyer, the DD-21. Such deep reductions in these programs would jeopardize the Navy's ability to develop the new technologies necessary to achieve life-cycle cost savings.

Computing Systems and Communications Technology/Networks. The House has reduced funding for this program by \$34 million. Funding at the requested level is required for the development of flexible network tools to support troop deployments.

Comanche Reconnaissance Attack Helicopter. The Senate has cut requested funding by \$18.6 million. This reduction would delay new design integration into the first prototype aircraft and flight testing of the second prototype aircraft, thereby slowing the entire program and increasing the schedule risk.

Cooperative Threat Reduction Program. The House has decreased funding by \$25 million from the requested level. This cut would delay construction of a chemical weapons destruction facility required to dismantle the Russian chemical weapons stockpile.

Defense Threat Reduction Agency. The Senate's \$27 million O&M cut takes savings over and above those already assumed in the request due to consolidation. This cut would require program reductions in areas such as training for arms control inspection escorts and could cause fewer arms control mock inspection and force protection vulnerability assessments.

Global Positioning System(GPS). The Senate has reduced GPS user equipment development by \$31 million. This equipment is a critical element of the Administration's strategy to make GPS more available for civilian navigational uses.

Electronic Commerce/Electronic Data Interchange and the Global Combat Support System. The House has reduced the Defense Information Systems Agency budget by

\$11 million, which would adversely affect the Department's ability to improve business efficiencies and provide electronic capabilities to the warfighter.

Basic Defense Research Programs. The House has cut \$58 million from programs that lay the foundation for tomorrow's military superiority.

Funding for Intelligence Programs

The Administration objects to the Senate's significant reduction to the request for intelligence funding. The Senate's reduction would impede the Administration's efforts to maintain and strengthen our intelligence capabilities. The Administration urges the conferees to appropriate the full amount of the President's request to ensure that the Intelligence Community can meet the most pressing needs of our national policy makers and combatant commanders.

Year 2000 Reserve Funds

In the FY 1999 Budget, the President requested more than \$1 billion for Year 2000 (Y2K) computer conversion, including specific amounts in the requests for the agencies funded in this bill. In addition, the budget anticipated that additional requirements would emerge over the course of the year and included an allowance for emergencies and other unanticipated needs. On September 2nd, the President transmitted to the Congress a request for \$3.25 billion in FY 1998 contingent emergency funding for Y2K computer conversion activities. This supplemental request would create a funding mechanism that is consistent with both the needs anticipated in the President's budget and the Senate's action creating a \$3.25 billion contingent emergency reserve to provide the resources and the flexibility necessary to respond to critical unanticipated Y2K-related requirements. It is essential that this contingent emergency funding be enacted as quickly as possible, whether through the Treasury/General Government bill or another legislative measure moving through the process earlier, particularly in light of the decision of several Subcommittees not to fully fund the base requests of a number of agencies for Y2K conversion. We urge Congress to leave as much as possible of the reserve unallocated so that funds are available to address emerging needs.

Operation and Maintenance (O&M) Adjustments

The Administration appreciates the emphasis placed by the House and Senate on preserving military readiness by funding critical readiness accounts. Force readiness could be threatened, however, by reductions made by both the House and Senate to requested funding for administration and support, civilian and military personnel under-execution, information technology, and management headquarters programs. These cuts far exceed achievable savings and would cause substantial and costly disruptions to DoD operations by diverting other O&M funds to cover must-pay

requirements. Equally threatening are undistributed reductions to Contractor Advisory and Assistance Services. Cuts to these services would severely inhibit the Department's efforts to become more efficient through contracting for services that the private sector can provide most effectively, such as support for the Y2K conversion efforts.

The President's request is tightly constructed within the discretionary caps agreed to in the Bipartisan Budget Agreement. Adjustments must be carefully evaluated to ensure that DoD has sufficient funding available for its O&M programs. In addition, the Administration is concerned about additional restrictions that would hinder a field level commander's abilities to meet emerging mission requirements quickly in a constantly changing environment. We would like to work with the conferees to identify appropriate mechanisms for ensuring adequate congressional and Administration oversight of operations programs.

Overseas Humanitarian, Disaster, and Civic Assistance

The Administration regrets the \$7.2 million cut by the House and the \$13 million cut by the Senate to the President's request for the Overseas Humanitarian, Disaster, and Civic Assistance account. During FY 1997, these funds were used by U.S. forces to assist 15 countries in de-mining efforts, to execute 130 assistance and disaster relief transport missions, and to procure 300,000 Humanitarian Daily Rations. Each year, we have unanticipated requirements that drain the fund, leaving our military commanders no resources to handle emergencies. The Administration urges the conferees to restore funding to the President's requested level. This will allow U.S. forces to respond appropriately and expeditiously to unanticipated global emergencies.

Warsaw Initiative (Partnership for Peace) Funding

The Senate's \$15.4 million reduction to the Warsaw Initiative program could result in the cancellation or diminution of planned Partnership for Peace-related activities, with attendant adverse political and diplomatic repercussions. Growth in the DoD Warsaw Initiative program results from our successful encouragement of Partner participation in both joint exercises and interoperability programs. U.S. interests in securing Central European and NIS democratization require continued DoD engagement, which can only be accomplished with the full funding of the President's request. The Administration urges the conferees to accept the House position.

Funding for Landmines and Humanitarian De-mining Technologies

The House's \$5.5 million cut to the Remote Anti-Armor Mine System and \$9.0 million cut to the humanitarian de-mining R&D effort would disrupt progress on both of these priority programs and would delay production decisions critical to the President's initiative. Furthermore, while the Senate version fully funds the Antipersonnel Landmines alternative R&D, it includes restrictive language which would introduce new programs with different funding and scheduling requirements.

This introduction would unacceptably delay the ongoing APL alternative effort. The Administration urges the conferees to adopt the Senate position without the restrictive language provisions.

Dual Use R&D

Both the House and Senate bills significantly reduce the Administration's request for the Dual Use Applications Program (DUAP) and the Commercial Operations and Support Savings Initiative (COSSI). The House has cut DUAP by \$6 million and COSSI by \$42 million. The Senate has cut DUAP and COSSI by \$30 million each. These dual-use technology development and commercial technology insertion programs will help lower production and support costs, increase performance, and modernize many DoD systems more readily than could be done through use of DoD-unique technologies. The Administration encourages the conferees to adopt the House position for DUAP and to fully fund the Administration's request for COSSI.

Next Generation Internet

The Senate has provided only \$30 million for Next Generation Internet (NGI) funding, \$10 million less than requested. Funding this program will support research into high-rate data networking technologies that will be needed by DoD's information-intensive systems in the near future. The Administration urges the conferees to adopt the House position.

Advanced Concept Technology Demonstrations (ACTDs)

The House has reduced the request for core ACTD funding by \$35 million, to \$81 million. The Senate has reduced the request by \$6 million. This program is structured to address the urgent military needs of the joint warfighter and is vital to the congressionally-directed Joint Warfighting Program recently established at U.S. Atlantic Command. The House reduction would limit the Department's ability to test new defense system concepts early in the development phase, when changes to these systems are relatively inexpensive and provide the greatest payoff. The Administration urges the conferees to adopt the Senate position.

Infrastructure Protection

The Administration is concerned about the \$69.9 million cut made by the Senate to the Joint Infrastructure Protection program. This cut would delay action to reduce DoD and national infrastructure vulnerabilities to cyber attacks, as required by Presidential Decision Directive 63. The Administration urges the conferees to adopt the House position.

National Performance Review (NPR)

The House's drastic NPR funding cut would undermine DoD's drive to improve its business operations. The Administration urges elimination of the provision limiting DoD's support of the NPR.

Restrictive Language Issues

The Senate version of the bill contains objectionable language concerning restrictions on the issuing of visas. The Administration believes that any new visa restrictions should be addressed through an orderly process of amending the Immigration and Nationality Act when it is clear that existing grounds of inadmissibility are insufficient, and not through funding restrictions. In addition, visa restrictions should be subject to appropriate waivers. The waiver provisions in the proposed legislation would unduly restrict the President's authority to conduct foreign relations and the ability of the United States to honor its legal commitments to the United Nations. The Administration strongly urges the conferees to delete these provisions.

We look forward to working with you to address our mutual concerns.

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable C.W. Bill Young,
The Honorable John P. Murtha, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, and The Honorable Daniel K. Inouye

Message Sent To: _____

September x, 1998
(Senate Floor)

**S. 2334 -- FOREIGN OPERATIONS, EXPORT FINANCING,
AND RELATED PROGRAMS APPROPRIATIONS BILL, FY 1999**

(Sponsors: Stevens (R), Alaska; McConnell (R), Kentucky)

This Statement of Administration Policy provides the Administration's views on S. 2334, the Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 1999, as reported by the Senate Appropriations Committee. Your consideration of the Administration's views would be appreciated.

The Administration appreciates efforts by the Committee to accommodate many of the President's priorities within the limited 302(b) allocation available, and commends the Committee for its support of key funding priorities such as the International Monetary Fund (IMF). However, the allocation is simply insufficient to make the necessary investments in programs funded by this bill. As a result, a number of key programs are seriously under-funded. To have an effective foreign policy, a strong national security policy, and to promote continued economic prosperity, it is essential that additional resources be made available to the Subcommittee. In addition, there are a number of objectionable restrictions on funding in the bill and a significant number of earmarks that, combined with the reduced funding level, would seriously limit the Administration's ability to conduct foreign policy. For these reasons, if the bill were presented to the President in its current form, the President's senior advisers would recommend that he veto the bill. We hope to reach consensus on these issues as the bill moves forward.

This legislation is a critical element of America's national security budget. At the dawn of a new century, America faces unique challenges and unprecedented opportunities to strengthen our national security, enhance our global leadership, extend the reach of our democratic values, and deepen our own prosperity. The challenges we face are formidable. If this bill in its current form were to become law, however, it would erode our ability to promote critical American interests at home and abroad effectively. The responsibility of safeguarding our national security and exercising U.S. leadership cannot be secured within the resources available to the Subcommittee. We urge the Congress to provide the resources needed to keep America safe, strong, and prosperous.

The only way to achieve the appropriate investment level for the programs funded through this bill is to offset discretionary spending by using savings in other areas. The President's FY 1999 Budget proposes levels of discretionary spending for FY 1999 that conform to the Bipartisan Budget Agreement by making savings through user fees and certain mandatory

programs to help finance this spending. In the Transportation Equity Act, Congress -- on a broad, bipartisan basis -- took similar action in approving funding for surface transportation programs paid for with mandatory offsets. We want to work with the Congress on mutually-agreeable mandatory and other offsets that could be used to increase funding for high-priority discretionary programs, including those funded by this bill.

International Monetary Fund

The Administration welcomes and commends the Committee's efforts to provide funding for both the International Monetary Fund's (IMF's) New Arrangements to Borrow and quota increase. The Administration believes that the immediate approval of these requests is necessary to provide the IMF with the resources it needs to protect the international financial system -- and therefore the U.S. economy -- against the risk of new, escalating, or spreading crises. As recent events, including the new stabilization program for Russia, clearly demonstrate, the IMF's need for additional resources grows more urgent by the day.

The Administration is concerned, however, with some of the provisions of the Committee-reported bill as currently drafted. The Administration is in agreement with many of the underlying objectives as policies that the United States should vigorously promote at the IMF and looks forward to working with the Congress to address these issues in a manner consistent with our goals.

New Independent States

As recent events have indicated, the incomplete peaceful transition of the New Independent States (NIS) to stable, market-based democracies is vital to the U.S. national security. The Congress has shared this view and provided considerable support for this program in the past. The current political/economic situation in Russia indicates how great the stakes are for the United States to continue to help Russia achieve this peaceful transformation. The enormous economic potential of the Caspian Basin represents great opportunities to advance our mutual goals. The Administration commends the Committee for providing resources above the House level. However, the cuts embodied in the Committee's funding level for USAID assistance programs to the NIS would result in a funding level that is \$30 million below the FY 1998 level and \$185 million below the request.

These cuts would make it extremely difficult to push for market reforms and support democratic forces across the region. Further, the prohibition on all assistance to Russia -- not just the government -- pending certification of termination of all nuclear reactor and ballistic missile technology cooperation with Iran, is so rigid as to impede the Administration's ability to ensure that termination. This would hold programs designed to foster the private sector across Russia hostage to Government policy in Moscow. In addition, the numerous country earmarks would make it more difficult for the Administration to shift assistance to take advantage of new opportunities such as the election of reform-minded governments, peace agreements settling ethnic disputes, or helping leverage reforms by coordination of our assistance with international

financial institutions. The Administration strongly favors repeal of continued restrictions on U.S. assistance to Azerbaijan. These restrictions operate as a disincentive to securing peace in the Caucasus, and they do not serve U.S. national interests.

Middle East Assistance

The Administration welcomes the efforts of the Committee to work with us in encouraging changes in traditional levels of assistance to countries in the Middle East. We believe that Israel's initiative to reduce Economic Support Fund (ESF) assistance provides an important basis on which to build future assistance programs that meet our needs in the Middle East and beyond. However, due to the very constrained funding levels for international affairs programs, the Administration has proposed an accelerated approach to the reduction of Israel's ESF. We would encourage the Senate to give strong consideration to such an approach as the bill proceeds through the process.

We are very concerned about the deletion of current authority to allow the Palestine Liberation Organization (PLO) to maintain an office in Washington, D.C. This would severely undermine our ability to facilitate dialogue between Israel and the Palestinians at what is an extremely sensitive juncture of the peace process. Finally, we favor maintaining a Foreign Military Financing funding level of \$1.3 billion for Egypt in FY 1999.

Export-Import Bank

The Administration appreciates the Committee's effort to increase the funding for the Export-Import Bank (Ex-Im Bank) substantially. The funding increase represents a vote of confidence in the Bank's mission to sustain U.S. jobs and exports that would not otherwise go forward. However, the bill falls short of the level needed to meet anticipated U.S. exporter demand in FY 1999.

The Administration is concerned with the language prohibiting disbursements of Ex-Im Bank credits to programs or enterprises that are majority owned or managed by State entities. The Administration wants to promote private sector development in Russia and other NIS countries. The Administration shares the Committee's goal of supporting private sector businesses in the region and would like to work with the Committee to develop responses to the difficult issue of how to work with governments in the transition period from command to free markets. However, the proposed language would imperil almost \$4 billion in U.S. exports tied to current and probable transactions, provoking substantial litigation and undermining the credibility of Ex-Im Bank's financing support for U.S. exporters.

The Administration is opposed to an amendment that may be offered that would require the Ex-Im Bank to approve transactions that did not conform to its environmental guidelines if a foreign government offered -- or indicated -- support for the transaction. This "least common-denominator" amendment could effectively eliminate the guidelines, as virtually every case involving the guidelines is potentially subject to foreign competition. Both in the G-8 and the

Organization for Economic Cooperation and Development (OECD), the United States has made real progress in getting other countries to take a serious look at the impact of export credit financing on the environment. If the Ex-Im Bank's environmental guidelines are eliminated due to this amendment, the United States' leadership and credibility on these issues would be significantly threatened and progress on these issues would be substantially hindered.

Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)

The Administration is concerned with the \$46 million, or 21 percent, cut to the \$216 million request for NADR, but greatly appreciates the Committee's support for the Korean Peninsular Energy Development Organization. Unfortunately, the NADR reduction undermines the multi-prong effort that NADR supports to reduce the proliferation threat to U.S. national and global security. Lack of funding for the Comprehensive Test Ban Treaty (CTBT) Preparatory Commission would harm U.S. national security interests as it would eviscerate planned improvements in our ability to monitor nuclear testing worldwide. The recent Indian and Pakistani tests are a stark reminder of the importance of this monitoring. As well, we would be forced to reduce support for demining efforts, NIS science centers, and other related activities. The Commission and its International Monitoring System should be funded, regardless of ratification of the CTBT.

Global Environment Facility

The Administration is concerned with the refusal of the Committee to fully fund the request for the Global Environment Facility (GEF), which is helping to reduce long-term environmental risks that will affect all Americans. The full \$300 million request for GEF (of which \$192.5 million is for arrears) is needed to assure that GEF does not run out of resources in FY 1999. Concerns that funding GEF would prejudice debate on the Kyoto Climate Protocol are misplaced: the new replenishment agreement is funded at the same level as the prior one, and GEF will continue with precisely the same broad work program that it had prior to Kyoto. The GEF is among the best vehicles that the U.S. has to encourage developing countries to shoulder greater responsibility for protecting both the local and global environment. Under the terms of the bipartisan Balanced Budget Act, the Senate can fully fund the arrearage request without making reductions to other programs funded in the bill. It is manifestly in our interests to clear our arrears and keep GEF running, and the Administration strongly urges the Senate to restore funding for this critical program.

Economic Support Fund

The Administration is concerned with the overall funding level for the Economic Support Fund (ESF). At the Committee mark, the Fund would be cut by 50 percent of the funds necessary to support economic and political stability in Latin America, as well as other emerging democracies in Africa and Asia. We strongly encourage the Senate to support a higher funding level for the ESF as the bill moves forward.

Excessive conditions on aid to Haiti, even with a national security waiver, would undercut our efforts to achieve a democratic, self-sustaining Haiti with an honest, independent judiciary.

Peacekeeping Operations

The Committee has reduced the \$83 million request for Peacekeeping Operations (PKO) by 17 percent. PKO provides vital assistance and support for many important national security and foreign policy activities, including commitments in Bosnia and Haiti, conflicts in Africa, and potential trouble spots such as in the Balkans. This reduction would limit the President's ability to respond to these and other evolving events.

Central and Eastern Europe

The Administration appreciates the continued support of the Senate for our efforts to achieve a lasting peace in the Balkans. The assistance programs are essential to meet the goals of the Dayton agreement, including the ability of refugees and displaced persons to return to their homes, reintegration of multi-ethnic communities and institutions, and helping the citizens of the region decide their futures through free and fair elections. The 11-percent reduction to the request for assistance to Bosnia is of concern because it would reduce our ability to react to unforeseen problems or opportunities. This lack of flexibility could impair our ability to reach the goals outlined above and, in turn, would pose a potential problem in terms of reducing our troop levels, a goal shared by the Administration and the Congress. Finally, restrictions in the bill intended to prevent war criminals from benefitting from U.S. assistance, though well-intentioned, would prove extremely difficult to administer. We look forward to working with the Senate to make this language more workable.

Additional reductions in the assistance program for the rest of the region are problematic as well. These reductions come at a time when we are working to phase out assistance. FY 1999 is planned to be the last year for new funding in Lithuania, Poland, and Slovakia, and the year in which we planned to begin capitalizing a joint public-private partnership to help sustain democracy after U.S. bilateral assistance is phased out.

African Development Fund

The Administration is deeply concerned with the \$150 million cut to the request for the African Development Fund, which provides resources for the poorest countries in SubSaharan Africa, including the entire request to fund the annual commitment of \$67 million and \$83 million in arrears. Funding the request is necessary to support the reform measures underway for the past three years at the African Development Bank and Fund. The Administration strongly urges the Senate to restore funding for this critical program.

Community Adjustment and Investment Program

The Administration is very concerned with the Committee's failure to fund the Community Adjustment and Investment Program (CAIP), a program initially funded through the North American Development Bank, a multilateral development bank. The CAIP was established to help communities affected by adverse trade patterns associated with implementation of the North American Free Trade Agreement. To date, the program has assisted in more than 120 loans in 20 States, leveraging private sector financing of over \$70 million. The \$37 million requested would significantly bolster CAIP's ability to continue this work, as well as to support technical assistance, grants, and micro-lending. The Administration strongly urges the Senate to restore funding for this innovative program.

Asian Development Fund

The Administration appreciates the Committee's support for the Asian Development Fund, reflected in the \$187 million funding of arrears. Nevertheless, the Committee's mark excludes the \$100 million request to fund our annual commitment to the Asian Development Fund; thus, it would result in substantial net new arrears to the Fund. The Administration is committed to clearing up current arrears and to avoiding the creation of new arrears. The Asia Development Fund has played an important role in addressing the Asian economic crisis. The Administration strongly urges the Senate to fund the Administration's request of \$150 million towards arrears and \$100 million towards the annual commitment.

Peace Corps

The Administration is deeply concerned with the \$49 million cut to the request for the Peace Corps. This reduction, to a level \$5 million below the FY 1998 funding level, would not only preclude the Peace Corps initiative to fund 10,000 volunteers by the year 2000, but would require the Peace Corps to reduce costs equivalent to closing six country programs and reducing the number of volunteers by 500. The Administration strongly encourages the Senate to support a higher funding level for the Peace Corps.

Treasury Debt Restructuring

The \$25 million funding level for international debt restructuring is inadequate to finance anticipated debt restructuring for some of the poorest countries in FY 1999, especially debt relief proposed under the President's new Africa Initiative. The Administration's \$72 million request was made on the basis of debt reduction anticipated for up to 14 countries to receive debt relief through the Paris Club group of official creditors or through the Africa Initiative's bilateral concessional debt reduction component. If this \$25 million funding level were enacted, the Administration would be unable to provide debt relief to a number of sub-Saharan African countries likely to be eligible under the Africa Initiative.

U.S. Agency for International Development (USAID) Development Assistance

While the Administration appreciates the Committee's provision (after permitted transfers) of an amount for USAID Development Assistance very close to the President's request, we are concerned about the multitude of earmarks, which would make it difficult to fully fund the shared assistance priorities of the President and Congress in regions such as Africa and Latin America. In particular, while the Administration is committed to helping Indonesia through its current economic crisis, we are concerned that the Committee's earmark for Indonesia, by reducing the President's flexibility, may actually impede our efforts to respond most effectively to the changing nature of the Asian economic crisis. The Administration is concerned about new onerous language related to climate change, including additional procedural requirements and the omission of existing language that provides "notwithstanding" authority for activities intended to reduce global greenhouse gas emissions.

International Narcotics Control

The Administration is deeply concerned about the \$53 million reduction to the \$275 million request for International Narcotics Control. Such a reduction would negatively impact country programs, especially in the Andean region, that are aimed at reducing the supply of cocaine. The reduction would force the redirection of available resources to cocaine producing countries at the expense of heroin reduction efforts in Southeast Asia.

International Organizations and Programs

The Committee bill reduces the request for International Organizations and Programs by \$44 million, which would limit significantly U.S. ability to participate and support a number of international organizations, particularly those involved with global environmental activities.

U.S. Agency for International Development (USAID) Operating Expenses

The Administration appreciates the Committee's effort to provide a small increase above the FY 1998 enacted level for USAID Operating Expenses. However, we are concerned that this level will not allow USAID to complete the Year 2000 conversion and implement other necessary management improvements while implementing the President's initiatives in Africa and Latin America and effectively managing its ongoing programs, including congressional priorities in areas such as infectious diseases and child survival. Therefore, we urge the Senate to provide additional funding for USAID Operating Expenses.

U.S. Agency for International Development (USAID) Operating Expenses: Inspector General

The Administration appreciates the Committee's effort to provide a small increase above the FY 1998 enacted level for Operating Expenses for the Office of the USAID Inspector General. However, we are concerned that this level will not provide sufficient funding to allow

the Inspector General to carry out fully his increased audit responsibilities under the GPRA and GMRA while also responding to the increased costs of providing security for USAID in the Ronald Reagan Building. Therefore, we urge the Senate to provide additional funding for the USAID Inspector General.

U.S. Agency for International Development (USAID) Credit Programs

The Administration is concerned that the Committee has reduced the requested subsidy amount for the Urban Environment (UE) credit program and has not provided transfer authority for USAID's Development Credit Authority (DCA). As the Congress and the Administration agreed in the FY 1998 appropriations legislation, USAID has taken substantial steps towards developing the capacity to manage both its existing and future credit portfolios. We urge the Senate to restore the transfer authority for the DCA and increase funding for the UE program. Failure to do so would limit the ability of USAID to use credit to promote development in urban areas and to encourage the development of needed private sector financial mechanisms.

Overseas Private Investment Corporation

The Administration is pleased the Committee has provided full program funding for the Overseas Private Investment Corporation (OPIC). However, we are concerned with the provision of the bill that would withhold one-half of the agency's administrative budget. The Administration is working closely with the Committee to resolve any outstanding issues and notes that withholding funds would impede the agency's efforts to support American business and promote U.S. foreign policy.

African Development Foundation

The Committee has reduced the \$14 million request for the African Development Foundation (ADF) by 43 percent. Through its grants program, ADF supports community-based, self-help initiatives in Africa. This reduction would severely limit the ability of the Foundation to respond to the development needs at the grassroots level in Africa. The Administration urges the Senate to fund this program at the requested level.

Year 2000 Conversion

The need to conform with Year 2000 (Y2K) conversion requirements mandates the additional investments in information technology and credit management that are included in the requests for USAID Operating Expenses, Peace Corps, and the other agencies funded in this bill. It is essential to make Y2K funding available quickly and flexibly. We appreciate the action of the Senate Appropriations Committee to provide an emergency fund in the Treasury/General Government bill for such purposes. We urge Congress to leave as much as possible of the reserve unallocated so that funds are available to address emerging needs.