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ID Doc Type	Document Description	No of Pages	Doc Date	Restrictions
263619 MEMO	PLATT TO POINDEXTER, RE SIG ON INTERNATIONAL AFFAIRS FUNDING FOR FY 1987	5	6/6/1986	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

June 9, 1986

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

FROM : LEG, Kelly C. Kammerer *Kelly*

SUBJECT: This Week in Congress

I. Overview

Congress will enter a critical phase in the budget and appropriation process this week as it attempts to wrap up the budget conference and complete action on the FY 1986 urgent supplemental appropriations bill.

Should the conference on the FY 1987 budget resolution be completed, it would set the stage for the House Appropriations Subcommittees to begin marking up the thirteen appropriation bills for FY 1987. The Obey Subcommittee is expected to be among the first subcommittees to report their recommendations for foreign assistance funding in FY 1987.

As an indication of the overall slippage in the Congressional budget and appropriation process, the House Appropriations Committee has acknowledged that, as a result of the budget resolution delays, it will not be able to meet the Gramm Rudman deadline of June 30 for House passage of the thirteen FY 1987 appropriation bills.

Among the major AID-related Congressional actions expected this week are the following: completion of the budget resolution conference, including the budget recommendation for International Affairs; conference on the FY 1986 urgent supplemental appropriations bill, which includes funding for the Philippines, Haiti, Ireland and the Inman package on embassy security; and Senate Foreign Relations Committee markup of the authorization for supplemental funds for the Philippines and Ireland.

II. Major Events This Week

A. Budget Conference

The House-Senate conference on the FY 1987 budget resolution is expected to be completed this week. Although considerable progress was made last week on domestic issues, the conferees are not expected to resolve the major areas of disagreement, i.e. Defense funding, revenue levels, International Affairs, until this week. Function 150 (International Affairs) will not come up in conference until Tuesday. It is expected that the conferees' recommendations for Function 150 will be shaped by the compromise reached between the Administration and Congressional leadership on revenue levels for FY 1987.

In an effort to highlight his support for International Affairs, the President last week wrote to the House and Senate Budget Committee Chairmen, urging that they recommend a strong level of funding for Function 150 and stressed the importance of U.S. foreign assistance programs.

The following table compares the budget levels for Function 150:

FY 1987 International Affairs (\$ billions)

	<u>Budget Authority</u>	<u>Outlays</u>
President	22.6	18.6
Senate	17.9	14.2
House	17.0	13.8

B. Supplemental Conference

The House-Senate conference on H.R. 4515, the FY 1986 Urgent Supplemental Appropriations bill, is expected to take place on Wednesday, June 11. Among the major AID-related conference items are: funding levels and/or source of funds for the Philippines, Haiti, Ireland and the Inman package on embassy security. Another key item which could affect AID funding in FY 1987 is the Senate recommendation that unused FY 1986 budget authority for the Ex-Im Bank be carried over and remain available through FY 1987.

The Administration has indicated that H.R. 4515 could be vetoed by the President if the conference report contains such controversial items as the House provision to repeal the President's authority to defer spending money already appropriated by Congress.

C. Obey Subcommittee Markup

The HAC Subcommittee on Foreign Operations has indicated that it may mark up the FY 1987 foreign assistance appropriations bill this week. However, despite Chairman Obey's desire to have his Subcommittee mark up soon, there are two major constraints this week: (1) the conference on the FY 1986 supplemental bill will absorb the time of key members and staff of the House and Senate Appropriations Committees; and (2) Chairman Whitten prefers that the HAC Subcommittees not mark up until the budget resolution conference has been completed and he has formally given the Subcommittees their 302(b) allocations. The latter figure is the ceiling for each Subcommittee funding recommendations.

D. Senate Foreign Relations Committee Markup

The Senate Foreign Relations Committee has tentatively scheduled a business meeting for Thursday, June 12, at 2:00 p.m. The Committee plans to mark up a bill by Chairman Lugar which would provide \$100 million of supplemental ESF and \$50 million of supplemental MAP for the Philippines in FY 1986 and \$100 million of supplemental ESF for FY 1987.

Markup of the Irish aid legislation may also be brought up at the meeting. The Committee will consider Chairman Lugar's bill to provide \$10 million of ESF in FY 1986 and \$10 million in FY 1987 for Ireland. The House version which would provide \$50 million for both FY 1986 and FY 1987 may also be considered.

III. Hearings and Briefings

A. South Africa

On Tuesday, June 10, the House Foreign Affairs Committee (Chairman Fascell) will mark up H.R. 4868, the Antiapartheid Act, which would prohibit loans to, other investments in, and certain loans with respect to South Africa because of the continuation of that country's apartheid policy. The markup will be held at 10:00 a.m., in Room 2172 Rayburn Building.

On June 10, 2:00 p.m., the House Banking Subcommittee on Financial Institutions Supervision, Regulation and Insurance (Chairman St. Germain) will hold a hearing on the above bill (H.R. 4868) in Room 2128 Rayburn Building.

Also at 2:00 p.m. that day, the House Foreign Affairs Subcommittee on Africa (Chairman Wolpe) will hold a hearing on

H.Res. 373, legislation urging the Government of South Africa to indicate its willingness to engage in meaningful dialogue with that country's black majority. The hearing will be held in Room 2255 Rayburn Building.

B. Mexico Hearing

On Tuesday, June 10, the Senate Foreign Relations Subcommittee on Western Hemisphere Affairs (Chairman Helms) will hold a hearing on Mexico. Witnesses will be Senators Wilson and Gramm, Rep. Kolbe, Bill Simon and Paul Craig Roberts. The hearing will be at 10:00 a.m. in Room SD-419.

C. Nicaraguan Contra Aid

On Wednesday, June 11, the House Foreign Affairs Subcommittee on Western Hemisphere Affairs (Chairman Barnes) will hold hearings on providing assistance to the Nicaraguan contras, at 10:00 a.m., in Room 2172 Rayburn, and 2:00 p.m., in Room 2255 Rayburn.

D. House Select Hunger Committee Staff Briefing

On Wednesday, June 11, Marty Dagata, LAC/CAR, will brief staff of the House Select Hunger Committee prior to Chairman Leland's CODEL trip to Haiti. The meeting will be at 10:30 a.m. in House Annex 2.

IV. Signing Ceremony

On Thursday, June 12, the Administrator will attend a ceremony with Senators Dole and Kassebaum, at which a \$25 million contract between AID, the University of Kansas and Georgetown University will be signed. The two universities will manage the Central American Peace Scholarship Program for Panama.

V. Congressional Notifications

Last week, the HAC released its holds on the Bolivia Economic Stabilization and Recovery project (511-0570) and the Philippines Budget Support Program (492-0404).

During the week holds were placed on the following projects: Chad Budgetary Support for Development Ministries (677-0052) by the HFAC; Mali Semi-arid Tropics Research, Phase II (688-0226) by the SAC; and 21 Peru projects by the SAC.

Earlier SAC holds remain in effect on five projects in Africa (three in Zimbabwe and one each in Somalia and Djibouti) and eleven in Asia (two in the Philippines, four ANE Regional, three in Indonesia, and one each in Bangladesh and Sri Lanka).

cc: Jay Morris
Marshall Brown
Allison Herrick
Dick Meyer
Sarah Tinsley

LEG:MO'Sullivan:fdc:6/6/86:x78441:1472F

Committee on Appropriations

302(b) Allocation
 Discretionary
 New Budget Authority
 (in millions of dollars)

PRELIMINARY DRAFT

<u>Subcommittee</u>	FY 1986 Current Level (1)	FY 1987 President's Request	FY 1987 Tentative 302 Allocation
<u>Agriculture</u>	\$42,501	\$41,797	\$44,900
<u>Commerce-Justice-State</u>	11,198	15,691	12,600
<u>Defense</u>	270,354	298,751	263,404*
<u>District of Columbia</u>	530	560	561
<u>Energy and Water Development</u>	14,485	15,868	15,548
<u>Foreign Operations</u>	13,967	15,429	11,691*
<u>HUD-Independent Agencies</u>	39,170	28,107	40,200
<u>Interior</u>	7,763	6,575	8,500
<u>Labor-HHS-Education</u>	32,100	29,072	35,668
<u>Legislative</u>	629	765	675
<u>Military Construction</u>	8,082	10,137	8,353*
<u>Transportation</u>	9,631	6,651	9,900
<u>Treasury-Postal Service</u>	6,730	6,767	7,717
<u>Rescissions</u>	-6,900		-6,042
<u>Reserve (unauthorized items and other)</u>	---	---	\$3,670
<u>Total -----</u>	\$450,240	\$476,170	\$457,345

(1) CBO current level plus effect of sequestration.

* Level assumed in House Budget Resolution with distribution of unallocated cut.

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90408
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

June 13, 1986

MEMORANDUM FOR NICHOLAS PLATT
Executive Secretary
Department of State

SUBJECT: International Affairs Funding for FY 1987 (U)

Thank you for your memorandum to Admiral Poindexter, dated June 6, 1986, reporting on the results of the first two meetings of the SIG on International Affairs Funding for FY 1987. Concerning legislative strategy for the budget conference, the Presidential letters to Chairmen Domenici and Gray have already been sent. The other elements of the strategy -- phone calls by Secretaries Shultz and Baker to Domenici and Gray -- should be implemented immediately. (C)

Your memorandum correctly points out the importance of moving quickly following agreement on a budget resolution to assure a fair allocation to Function 150 activities in the 302(b) process. Once overall allocations to Function 150 are assured, however, the Administration will need to consider what funding priorities within Function 150 to urge the appropriations subcommittees to adopt. The SIG will be an important forum for devising and implementing strategies for these stages in the process. (C)



Rodney B. McDaniel
Executive Secretary

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Declassify: OADR

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DECLASSIFIED
Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2002
BY NARA HM, DATE 6/27/25

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SYSTEM II
90408 ADD-ON

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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ACTION

June 10, 1986

MEMORANDUM FOR RODNEY B. McDANIEL

THRU: STEPHEN I. DANZANSKY

FROM: STEPHEN P. FARRAR

SUBJECT: International Affairs Funding for FY 1987

SIGNED

The State report requested in the May 29 Poindexter memo creating a SIG on International Affairs Funding for FY 1987 is at Tab II.

The report recommends that Shultz and Baker make telephone calls in an effort to get the highest possible level for Function 150 in the budget resolution conference, but reflects disagreement over whether the Administration should attempt to influence the conference to provide adequate funding for the Inman package and for USIA and BIB. Secretary Shultz has decided that top priority should be given to protecting these activities. However, Defense objects to trading off military assistance for this purpose, and Treasury objects to sacrificing the multilateral development banks. The State report merely lists agency positions and drops the issue. Moreover, the State report does not identify the cost of the Shultz option, which I estimate to be about \$500 million in budget authority and \$200 million in outlays.

Given the shortcomings of the State report, the issue is what (if anything) the NSC should do to forge an Administration position in time to influence the conference, which may take up the issue tomorrow (Wednesday). I believe that "no action" is our best position because:

- State's emphasis on the Inman package is misplaced. The package can be scaled back sharply using start-up funds derived from the 1986 supplemental. While USIA and BIB do need additional funding, cutting foreign aid to fund Inman would damage our foreign policy.
- Without Administration action, the conferees are likely to agree to add \$100 million in 1987 outlays to the Function 150 total, notionally to correct an underfunding for the Inman package in the Senate budget resolution. In the 302(b) allocation process, these additional funds will go to the Commerce, Justice, State appropriations subcommittee. That subcommittee has jurisdiction over USIA and BIB in addition to Inman and other State-related activities. The Administration can intervene at that stage to argue that some of the \$100 million should be used to take care of USIA and BIB.

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Sec.3.4(b), E.O. 12858, as amended
White House Guidelines, Sept 11, 2003
BY NARA LM, DATE 6/27/25

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2

We should, however, acknowledge the State report, urge prompt action on the recommended phone calls, and underscore the importance of using the SIG in upcoming stages of the process.

RECOMMENDATION

That you sign the memo at Tab I to State.

Approve J

Disapprove _____

pm2
Peter Rodman concurs.

Attachments

Tab I

Memo to State

Tab A - Incoming from State

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WILLIAM H. GRAY III, PENNSYLVANIA
CHAIRMAN

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STEVEN L. PRUITT,
EXECUTIVE DIRECTOR
226-7200

U.S. House of Representatives

COMMITTEE ON THE BUDGET

Washington, DC 20515

June 24, 1986

408635 4
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JACK F. KEMP, NEW YORK
LYNN MARTIN, ILLINOIS
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VIN WEBER, MINNESOTA
HANK BROWN, COLORADO
BEAU BOULTER, TEXAS

MARTHA H. PHILLIPS,
MINORITY STAFF DIRECTOR

The President
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D.C. 20500

Dear Mr. President:

Thank you for your letter of June 4, regarding the 1987 funding levels for the International Affairs function of the budget.

I certainly appreciate and share many of your concerns about the need to provide adequately for foreign aid and other programs in this area.

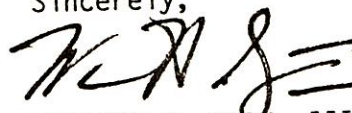
Since I have also served for a number of years as a Member of the Appropriations Subcommittee on Foreign Operations, I am quite familiar with the broad range of high priority national security issues involved in the development of adequate budget plans in this function.

Consequently, I was deeply concerned when it became apparent that significant budget reductions would have to be made in all functions of the budget, including the International Affairs area, if we were to meet the goal of reducing the deficit without resorting to additional taxes. Since 1981, spending for international affairs activities has grown by over 30 percent. Within that total, spending for security assistance has increased by over 83 percent. I believe that overall restraint in the spending levels for this function must be exercised, as has been accomplished in the domestic functions of the budget. In addition, I believe we can use this period to reexamine our priorities for foreign assistance.

In closing, let me reiterate my understanding and appreciation of your budget concerns in the area of International Affairs. I also hope that you understand and appreciate the House's concern with the massive Federal deficits facing our country.

With best wishes,

Sincerely,



WILLIAM H. GRAY, III
Chairman

SUMMARY OF CONFERENCE AGREEMENT

BUDGET RESOLUTION FOR FISCAL YEAR 1987

PREPARED BY SENATE BUDGET COMMITTEE STAFF

JUNE 26, 1986

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copy to [unclear]

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SUMMARY OF RECONCILIATION SAVINGS IN BUDGET RESOLUTION CONFERENCE AGREEMENT BY SENATE COMMITTEE

(In millions of dollars)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
Agriculture, Nutrition, and Forestry.....	-55	-555	-49	-549	-43	-543
Banking, Housing, and Urban Affairs.	642	-1658	—	-523	164	-546
Commerce, Science, and Transportation.....	-50	-50	-50	-50	-50	-50
Energy and Natural Resources.....	-1025	-1217	-400	-421	-400	-412
Environment and Public Works.....	-1883	-291	-2343	-1123	-2823	-1674
Finance.....	—	-850	—	-1495	—	-1790
Governmental Affairs.....	-100	-100	-100	-100	-100	-100
Labor and Human Resources.....	-25	-604	-150	-449	-250	-141
Small Business.....	-438	-343	-399	-55	-223	-14
Total reconciled spending.....	-2934	-5668	-3491	-4765	-3725	-5270
Reconciled revenues:						
Finance.....		3500		2600		2400
Total, reconciled deficit reduction.....	-2934	-9168	-3491	-7365	-3725	-7670

DETAIL OF RECONCILIATION SAVINGS IN BUDGET RESOLUTION CONFERENCE AGREEMENT BY SENATE COMMITTEE

(In millions of dollars)

SENATE COMMITTEE/FUNCTION/PROGRAM	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
Agriculture, Nutrition, and Forestry:						
450: Rural development insurance fund loan asset sales.....	-55	-55	-49	-49	-43	-43
920: Loan asset sales.....	—	-500	—	-500	—	-500
Subtotal.....	-55	-555	-49	-549	-43	-543
Banking, Housing, and Urban Affairs:						
370: Rural housing loans.....	642	-1158	—	-23	164	-46
920: Loan asset sales.....	—	-500	—	-500	—	-500
Subtotal.....	642	-1658	—	-523	164	-546
Commerce, Science, and Transportation:						
400: Coast Guard user fees.....	-50	-50	-50	-50	-50	-50
Energy and Natural Resources:						
270: Federal Energy Regulatory Commission user fees.....	-31	-31	-56	-56	-56	-56
950: Oil overcharge funds.....	-994	-1186	-344	-365	-344	-356
Subtotal.....	-1025	-1217	-400	-421	-400	-412

DETAIL OF RECONCILIATION SAVINGS IN BUDGET RESOLUTION CONFERENCE AGREEMENT BY SENATE COMMITTEE

(In millions of dollars)

SENATE COMMITTEE/FUNCTION/PROGRAM	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
Environment and Public Works:						
270: User fees.....	-100	-100	-100	-100	-100	-100
400: Federal-aid highways.....	-1783	-191	-2243	-1023	-2723	-1574
Subtotal.....	-1883	-291	-2343	-1123	-2823	-1674
Finance:						
570: Medicare provider payment reforms.....	—	-550	—	-1200	—	-1500
800: Customs user fees.....	—	-300	—	-295	—	-290
Subtotal.....	—	-850	—	-1495	—	-1790
Revenues:						
Unspecified increase.....		3500		2600		2400
Governmental Affairs:						
550: Unspecified savings.....	-100	-100	-100	-100	-100	-100
Labor and Human Resources:						
500: Education loan asset sales.	—	-579	—	-314	—	94
500: Guaranteed student loans...	-25	-25	-150	-135	-250	-235
Subtotal.....	-25	-604	-150	-449	-250	-141

DETAIL OF RECONCILIATION SAVINGS IN BUDGET RESOLUTION CONFERENCE AGREEMENT BY SENATE COMMITTEE

(In millions of dollars)

SENATE COMMITTEE/FUNCTION/PROGRAM	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
<u>Small Business:</u>						
450: SBA disaster loan asset sales.....	-438	-343	-399	-55	-223	-14

FY 1987 BUDGET RESOLUTION CONFERENCE AGREEMENT

SUMMARY (\$ billions)

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Budget Authority	1,093.50	1,166.45	1,215.80
Outlays	995.00	1,045.40	1,078.95
Revenues	852.40	929.75	1,001.10
Deficit	142.60	115.65	77.95 ⁹⁰

- o Provides for a basic level of funding for both defense and domestic programs without requiring additional revenues above those requested by the President.
- o Provides for a deficit of \$143 billion in FY 1987 which meets the Gramm-Rudman-Hollings deficit target of \$144.
- o Provides for defense and other programs to be set aside in a contingency fund which would not be available until legislation had been enacted that would raise sufficient revenues or otherwise reduce outlays so that this new spending would not increase the deficit.
- o Provides for a contingency fund allowing the President to request up to \$299 billion in budget authority and \$282 in outlays for defense. The basic budget contains \$292.15 billion in budget authority and \$279.15 in outlays for defense.
- o Provides adequate funding for basic domestic programs and reserves a portion of the contingency fund for new nondefense or international affairs initiatives, including embassy security and the space shuttle, to meet critical national needs.
- o Provides for savings in medicare, loan asset sales and GSLs which were contained in the Senate-passed resolution.
- o Provides for increased funding in key domestic programs including education, health care, biomedical research, infant mortality, science and technology programs, WIC, aid to the homeless, coast guard and law enforcement which are at or above the Senate passed levels.
- o Reconciles \$3.5 billion in revenues for FY 1987 and \$5.4 billion in spending for FY 1987 and a total of \$8.5 billion in revenues and \$14.8 billion in spending over the three budget years.

FUNCTION: Revenues

(\$ billions)

	<u>FY 1987</u> REV	<u>FY 1988</u> REV	<u>FY 1989</u> REV
House-passed	857.20	941.20	1,011.90
Senate-passed	857.20	941.20	1,011.90
Conference	852.40	929.75	1,001.10

Key Provisions of Conference Agreement:

- o Raises revenues by \$6 billion above the revenue baseline for FY 1987.
- o Represents a decrease of \$4.8 billion from the Senate and House passed resolutions for FY 1987.
- o Non-reconciled amounts are in contingency fund, totalling \$27 billion over 3 years.
- o Assumes \$700 million from Superfund revenues, \$1.8 billion from IRS compliance initiatives, and \$3.5 billion in general unspecified revenue increases for FY 1987.

Reconciliation Provision:

- o Reconciles \$3.5 billion in FY 1987 and \$8.5 billion over the three years which is the same level proposed by the President.

FUNCTION 050: National Defense

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	285.00	276.20	295.50	281.40	306.50	290.50
Senate-passed	300.95	281.96	312.15	291.75	327.15	305.14
Conference	292.15	279.15	304.10	285.40	316.70	297.95

Key Provisions of Conference Agreement:

- o Provides \$292.15 billion in budget authority and \$279.15 billion in outlays for defense in FY 1987. This is 2 percent above the FY 1986 post-sequester level.
- o Provides that up to \$7 billion in additional defense budget authority may be appropriated subject to the procedures established for the contingency reserve.

Reconciliation Provision:

None.

FUNCTION 150: International Affairs

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	17.00	13.80	17.30	13.55	15.90	12.85
Senate-passed	17.85	14.20	18.05	14.15	17.30	13.55
Conference	17.45	14.00	17.70	13.85	16.60	13.20

Key Provisions of Conference Agreement:

- o Assumes embassy security programs of \$1.1 billion in budget authority in FY 1986-87.
- o Assumes FY 1987 foreign aid 10 percent below FY 1986 post-sequester levels.

Reconciliation Provision:

None.

4

FUNCTION 250: General Science, Space and Technology
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	8.80	8.75	8.80	8.75	8.80	8.65
Senate-passed	9.30	9.10	9.40	9.20	10.00	9.50
Conference	9.10	8.90	9.15	9.10	9.40	9.15

Key Provisions of Conference Agreement:

- o Includes a freeze on spending for NASA.
- o Provides an additional \$0.2 billion for science and technology programs. Outyear funding profile will allow for continued development of the manned space station.
- o Accepts Senate approach that a replacement for the shuttle orbiter Challenger may be funded as a contingency if additional revenues or offsetting savings are enacted.

Reconciliation Provision:

None.

FUNCTION 270: Energy

(\$ billions)

	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	BA	0	BA	0	BA	0
House-passed	4.90	4.85	4.65	4.15	4.80	3.75
Senate-passed	4.65	4.60	5.95	5.65	5.75	5.15
Conference	4.85	3.50	2.90	2.85	5.35	4.75

Key Provisions of Conference Agreement:

- o REA. The conference agreement assumes enactment of the REA refinancing provision, which is part of the House-passed conference report on the Supplemental Appropriation bill. This provision reduces FY 1987 outlays by \$1.4 billion.
- o Naval Petroleum Reserve (NPR). Assumes the sale of the NPR in FY 1988.
- o Fees. Assumes the Senate Environment and Public Works Committee enacts legislation to increase fee receipts by \$100 million annually over the next three years.
- o FERC Fees: Assumes an increase in Federal Energy Regulatory Commission (FERC) fees.

Reconciliation Provisions:

- o Fee increases assumed in this function are reconciled.
- o Savings for the sale of the NPR are not reconciled.

FUNCTION 300: Natural Resources and Environment

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	11.95	12.25	12.00	12.15	11.80	12.20
Senate-passed	12.50	12.60	12.60	12.60	12.40	12.70
Conference	12.40	12.60	12.50	12.55	12.30	12.65

Key Provisions of Conference Agreement:

- o Assumes navigation user fees as revenues rather than offsetting receipts.
- o Drops the U.S. Geological Survey cost recovery assumptions.
- o Drops grazing, mineral leasing, recreation and sportfishing license user fees assumptions.
- o Drops reductions for the Bureau of Reclamation and Forest Service road construction.
- o Assumes approximately a 4% across-the-board reduction.

Reconciliation Provisions:

None.

FUNCTION 350: Agriculture

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	23.80	23.55	26.00	24.80	25.30	21.55
Senate-passed	23.80	23.50	26.10	24.90	25.30	21.60
Conference	23.80	23.50	26.10	24.90	25.30	21.60

Key Provisions of Conference Agreement:

- o House recedes to the Senate for function 350.
- o Maintains funding for all agricultural research and services programs at their FY 1986 post-sequester levels.
- o Provides an increase of \$150 million in budget authority and \$130 million in outlays for a new farm credit initiative in FY 1987.
- o Provides current policy funding of \$18.0 billion in FY 1987 for the CCC price support programs and maintains current funding for other farm income stabilization programs.

Reconciliation Provision:

None

FUNCTION 370: Commerce and Housing Credit

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	9.80	2.20	9.35	5.10	7.55	1.30
Senate-passed	10.00	3.55	10.50	6.29	7.50	1.39
Conference	10.30	2.05	10.80	6.55	8.20	2.00

Key Provisions of Conference Agreement:

- o Senate accepts House proposal for rural housing loan sales, reducing FY 1987 outlays \$1.0 billion below the Senate-passed resolution.
- o House recedes to Senate on higher limits for FHA mortgage insurance. This higher level of activity will increase receipts and therefore reduce outlays.
- o House recedes to Senate on postal subsidies. House had assumed a \$0.1 billion reduction below the freeze, while the Senate had assumed a freeze.
- o Senate recedes to House on SBA business assistance, while accepting other reductions assumed by the House for commerce-related activities. Together, these items would increase FY 1987 outlays less than \$50 million over the Senate-passed resolution.
- o Senate accepts 2.5 percent reduction in House resolution.

Reconciliation Provision:

- o The Committee on Banking, Housing and Urban Affairs is instructed to reduce outlays by \$1.2 billion in FY 1987.

FUNCTION 400: Transportation

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	24.60	25.50	26.35	26.45	26.30	26.35
Senate-passed*	25.45	26.45	26.50	26.70	26.60	26.80
Conference	25.35	25.85	26.80	26.95	26.90	26.90

* The Senate total is adjusted to reflect receipts from the Conrail sale in function 400. The Senate-passed budget has the Conrail receipts in function 950.

Key Provisions of Conference Agreement:

- o Highways: The House and Senate split the difference on highway programs.
- o Aviation: The House recedes to the Senate position of increases for selected aviation programs.
- o Coast Guard: The House recedes to the Senate's higher levels for Coast Guard operations and construction programs.
- o Coast Guard User fees: The conference agreement assumes \$50 million a year in Coast Guard user fees. Through reconciliation, the Commerce Committee has discretion to achieve these savings through Coast Guard user fees or from other programs under the Committee's jurisdiction.
- o NASA Aeronautical R&D: The conference agreement cuts NASA aeronautical R&D by 20%.
- o Conrail: The agreement assumes the sale of Conrail at a price of \$1.9 billion.
- o All Other: The Senate recedes on a portion of the House's across-the-board cut.

Reconciliation Provision:

- o The lower highway program obligations are reconciled.
- o Assumes \$50 million a year from new Coast Guard user fees (the Commerce Committee may achieve these savings through user fees or other programs under their jurisdiction).

FUNCTION 450: Community and Regional Development

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	6.30	7.00	6.45	7.05	6.50	6.60
Senate-passed	6.90	7.20	7.20	7.00	7.10	6.80
Conference	6.20	7.00	6.55	7.10	6.60	6.70

Key Provisions of Conference Agreement:

- o Assumes a freeze for the discretionary appropriated accounts in this function in FY 1987-1989 and a 2.5 percent across-the-board reduction beyond the freeze in FY 1987.
- o Assumes a 10 percent reduction for urban development action grants (UDAG), rental housing development grants (HoDAG), rental rehabilitation grants, and the Economic Development Administration.
- o Assumes that the President's proposed deferrals for community development block grants (CDBG), the Economic Development Administration (EDA), and the rehabilitation loan fund are overturned.
- o Assumes an FY 1986 supplemental for the Federal Emergency Management Agency's disaster relief programs.

Reconciliation Provision:

- o Assumes loan asset sales for both the Farmer's Home Administration's Rural Development Insurance Fund (RDIF) and the Small Business Administration's Disaster Loan Fund.

4

FUNCTION 500: Education, Training, Employment and Social Services
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	33.75	30.60	32.85	32.30	33.80	33.10
Senate-passed	33.23	30.56	30.28	31.25	30.18	30.60
Conference	33.45	30.55	30.30	31.45	30.40	30.90

Key Provisions of Conference Agreement:

- o Increases funding for all education programs (except guaranteed student loans) to the FY 1986 appropriated level plus inflation, and further increase math and science education.
- o Provides \$200 million in FY 1987 for new education competitiveness initiatives, in addition to the \$400 million for math/science in the Senate-passed resolution.
- o Assumes reform of guaranteed student loans as in the House-passed resolution.
- o Increases funding for education of the handicapped by \$265 million to extend services to infants and increase the federal contribution of total spending per pupil to 10 percent.
- o Sells college housing loans and higher education facilities loans to the private sector.
- o Increases funding for the Job Training Partnership Act (JTPA) by \$344 million over the FY 1986 level, including \$64 million for Job Corps.
- o Reduces the community services block grant (CSBG) by 10 percent.

Reconciliation Provision:

- o Reconciles savings of \$25 million in BA and \$604 million in outlays.
- o Assumes education loan asset sales and reform of guaranteed student loan program.

FUNCTION 550: Health

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	38.65	38.35	40.50	40.70	42.70	42.80
Senate-passed	38.60	38.32	40.52	40.56	42.52	42.38
Conference	38.60	38.30	40.50	40.55	42.50	42.40

Key Provisions of Conference Agreement:

- o Includes initiatives in medicaid for infant mortality, elderly, and state relief, which cost \$108 million in BA and outlays in FY 1987 and \$680 million in BA and outlays in FY 1987-89.
- o Includes no administrative savings in medicaid program.
- o Assumes unspecified savings in the federal employee health benefit program or other programs under the jurisdiction of the Senate Governmental Affairs Committee of \$100 million in BA and outlays per year.
- o Adds \$600 million in BA in FY 1987 over a freeze level for discretionary health programs.

Reconciliation Provision:

- o Reconciles \$300 million in BA and outlays in FY 1987-89 in unspecified Governmental Affairs Committee programs.

FUNCTION 570: Medicare

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	83.00	73.40	91.40	81.85	101.45	91.35
Senate-passed	82.90	72.80	90.90	80.50	100.80	88.80
Conference	83.00	73.25	91.40	81.45	101.45	90.90

Key Provisions of Conference Agreement:

- o Saves \$550 million in FY 1987 and \$3.2 billion in FY 1987-89 in medicare outlays to be achieved through provider payment reform.
- o Adds \$250 million in FY 1987 and \$1.0 billion in FY 1987-89 to limit future increases in the hospital deductible.

Reconciliation Provision:

- o Reconciles medicare program savings of \$550 million in FY 1987 and \$3.2 billion in FY 1987-89.

FUNCTION 600: Income Security

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	165.25	121.40	172.90	127.20	176.50	130.60
Senate-passed	161.35	121.45	169.26	127.73	173.11	132.42
Conference	163.50	121.75	175.10	128.00	179.50	132.95

Key Provisions of Conference Agreement:

- o Assumes payment of COLA's at the actual rate of inflation, assumed to be 2 percent.
- o Assumes enacted conference agreement on the supplemental retirement plan for federal employees.
- o Assumes additional funds for WIC, H.R. 7, Puerto Rico nutrition assistance and aid to the homeless.
- o Assumes baseline level for subsidized housing and capital grant financing for public housing.
- o Freezes unemployment insurance administrative costs at the FY 1986 level.
- o Assumes LIHEAP funding higher than the baseline level (\$1.986 billion in BA in 1987).

Reconciliation Provision:

- o None

4

FUNCTION 650: Social Security
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	226.65	209.35	257.00	223.25	281.40	238.55
Senate-passed	228.37	209.39	260.47	223.20	286.49	238.57
Conference	227.05	209.35	259.80	223.25	285.10	238.55

Key Provisions of Conference Agreement

- o Assumes payment of COLAs to social security beneficiaries at the actual rate of inflation, assumed to be 2 percent.
- o Agreement includes enacted conference agreement on the supplemental retirement plan for Federal employees.

Reconciliation Provisions

- o None

FUNCTION 700: Veterans Benefits and Services
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	27.05	26.70	27.45	27.05	27.30	26.90
Senate-passed	27.05	26.50	27.30	26.90	27.40	27.10
Conference	27.00	26.55	27.30	26.90	27.30	26.90

Key Provisions of Conference Agreement

- o Assumes full cost-of-living increases for veterans compensation and pension benefits currently estimated to be 2 percent.
- o Assumes a freeze for most discretionary appropriated accounts in this function in FY 1987-1989. The major exception is veterans medical care.
- o Assumes full inflation for veterans medical care and provides additional funding for high priority health care programs in FY 1987.
- o Assumes the President's request for VA major construction with additional funding for facilities in Florida, Pennsylvania and Virginia.

Reconciliation Provisions

- o None

FUNCTION 750: Administration of Justice
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	7.20	7.15	7.15	7.25	7.25	7.35
Senate-passed	7.20	7.15	7.10	7.10	7.00	7.10
Conference	7.20	7.15	7.10	7.10	7.00	7.10

Key Provisions of Conference Agreement

- o The conference agreement's totals provide increases above a freeze level totalling \$0.4 billion in BA in FY 1987 for the programs of the Customs Service, Drug Enforcement Administration, Immigration and Naturalization Service, Secret Service, and Bureau of Alcohol, Tobacco and Firearms
- o The Senate recedes to the House's function totals for BA and outlays in FY 1987.
- o In the outyears, the House recedes to the Senate's functional totals.

Reconciliation Provisions

- o None

FUNCTION 800: General Government
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	5.75	5.65	6.15	6.05	6.15	6.20
Senate-passed	5.47	5.39	5.94	5.94	6.07	6.07
Conference	5.50	5.45	6.00	6.00	6.10	6.10

Key Provisions of Conference Agreement

- o Assumes an increase of \$50 million in BA and outlays in each year over the Senate-passed totals for this function.
- o Includes increases in IRS to improve taxpayer compliance.
- o Assumes unspecified cuts of \$0.2 billion in BA and outlays in FY 1987

Reconciliation Provisions

- o Reconciles the Finance Committee for savings in FY 1987-1989 from the imposition of additional Customs user fees beyond those of COBRA (\$300 million in FY 1987, \$295 million in FY 1988, and \$290 million in FY 1989).

FUNCTION 850: General Purpose Fiscal Assistance

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	0	BA	0	BA	0
House-passed	1.85	2.65	1.90	1.90	2.00	2.00
Senate-passed	2.00	2.80	2.00	2.00	2.10	2.10
Conference	1.95	2.75	1.95	1.95	2.05	2.05

Key Provisions of Conference Agreement:

- o Functional totals do not assume continued funding for general revenue sharing.
- o Language allows general revenue sharing (GRS) to be funded in FY 1987 subject to the following two conditions:
 - (1) an authorization is enacted into law; and
 - (2) legislation is enacted ensuring that any appropriation would not increase the deficit (legislative language included in resolution).

Reconciliation Provision

- o None

4

FUNCTION 900: Net Interest
(\$ billions)

	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	BA	0	BA	0	BA	0
House-passed	143.50	143.50	151.50	151.50	148.95	148.95
Senate-passed	143.94	143.94	151.95	151.95	149.76	149.76
Conference	143.65	143.65	152.30	152.30	150.65	150.65

Key Provisions of Conference Agreement:

- o The conference levels of net interest reflect gross interest paid to service the public debt as well as offsetting interest receipts.

Reconciliation Provision:

None.

FUNCTION 920: Allowances

(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	O	BA	O	BA	O
House-passed	0.55	0.60	1.60	1.70	2.65	2.85
Senate-passed	0.50	0.50	1.95	2.00	2.10	2.25
Conference	0.90	-0.05	3.45	2.55	4.75	3.90

Key Provisions of Conference Agreement:

- o Assumes 3 percent pay raises in all years for civilian agency workers (with partial absorption by federal agencies).
- o Assumes 2.5 percent across-the-board cut in travel for all agencies.
- o Assumes additional costs to civilian agencies for the supplemental retirement system for new federal workers.
- o Does not assume any delay in waiting period for within-grade pay increases.
- o Assumes unspecified asset sales saving \$1.0 billion per year in outlays.

Reconciliation Provision

- o Reconciles the outlay savings from the unspecified asset sales.

FUNCTION 950: Undistributed Offsetting Receipts
(\$ billions)

	FY 1987		FY 1988		FY 1989	
	BA	0	BA	0	BA	0
House-passed	-41.05	-41.25	-44.80	-44.80	-47.70	-47.70
Senate-passed	-42.10	-42.10	-46.10	-46.10	-45.80	-45.80
Conference	-40.35	-40.35	-45.60	-45.60	-48.55	-48.55

Key Provisions of Conference Agreement:

- o Assumes recoupment of \$2.45 billion in oil overcharge funds over three years.
- o Assumes savings from enactment of supplemental retirement system for new Federal workers.

Reconciliation Provision:

- o Assumes the recoupment of \$2.45 billion over the next 3 years (\$1.25 billion in FY 1987) is reconciled.

FUNCTIONAL ANALYSIS
(IN BILLIONS OF DOLLARS)

	HOUSE PASSED (05/08/86)			SENATE PASSED (5/02/86)			CONFERENCE AGREEMENT		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
BUDGET AUTHORITY.....	1,086.35	1,159.65	1,205.35	1,101.260	1,170.011	1,220.868	1,093.35	1,166.45	1,215.85
OUTLAYS.....	994.25	1,047.05	1,076.15	1,001.212	1,051.223	1,083.993	995.00	1,045.40	1,079.00
REVENUES.....	857.20	941.20	1,011.90	857.212	941.164	1011.918	852.40	929.75	1,001.10
DEFICIT.....	137.05	105.85	64.25	144.000	110.059	72.075	142.60	115.65	77.90
FUNCTION									
050 NATIONAL DEFENSE:									
BUDGET AUTHORITY.....	285.00	295.50	306.50	300.953	312.154	327.153	292.15	304.10	316.70
OUTLAYS.....	276.20	281.40	290.50	281.962	291.753	305.135	279.15	285.40	297.95
150 INTERNATIONAL AFFAIRS:									
BUDGET AUTHORITY.....	17.00	17.30	15.90	17.856	18.047	17.297	17.45	17.70	16.60
OUTLAYS.....	13.80	13.55	12.85	14.205	14.134	13.557	14.00	13.85	13.20
250 GENERAL SCIENCE, SPACE & TECHNOLOGY:									
BUDGET AUTHORITY.....	8.80	8.75	8.80	9.280	9.385	10.048	9.10	9.15	9.40
OUTLAYS.....	8.75	8.75	8.65	9.097	9.168	9.502	8.90	9.10	9.15
270 ENERGY:									
BUDGET AUTHORITY.....	4.90	4.65	4.80	4.666	5.971	5.771	4.85	2.90	5.35
OUTLAYS.....	4.85	4.15	3.75	4.612	5.647	5.153	3.50	2.85	4.75
300 NATURAL RESOURCES & ENVIRONMENT:									
BUDGET AUTHORITY.....	11.95	12.00	11.80	12.500	12.599	12.399	12.40	12.50	12.30
OUTLAYS.....	12.25	12.15	12.20	12.600	12.599	12.699	12.60	12.55	12.65
350 AGRICULTURE:									
BUDGET AUTHORITY.....	23.80	26.00	25.30	23.800	26.100	25.300	23.80	26.10	25.30
OUTLAYS.....	23.55	24.80	21.55	23.500	24.900	21.600	23.50	24.90	21.60
370 COMMERCE & HOUSING CREDIT:									
BUDGET AUTHORITY.....	9.80	9.35	7.55	10.004	10.503	7.508	10.30	10.80	8.20
OUTLAYS.....	2.20	5.10	1.30	3.547	6.293	1.394	2.05	6.55	2.00
400 TRANSPORTATION:									
BUDGET AUTHORITY.....	24.60	26.35	26.30	26.795	26.493	26.592	25.35	26.80	26.90
OUTLAYS.....	25.50	26.45	26.35	27.795	26.693	26.792	25.85	26.95	26.90
450 COMMUNITY & REGIONAL DEVELOPMENT:									
BUDGET AUTHORITY.....	6.30	6.45	6.50	6.891	7.191	7.090	6.20	6.55	6.60
OUTLAYS.....	7.00	7.05	6.60	7.196	6.992	6.792	7.00	7.10	6.70
500 EDUCATION, TRAINING, EMPLOYMENT & SOCIAL SERVICES:									
BUDGET AUTHORITY.....	33.75	32.85	33.80	33.229	30.278	30.177	33.45	30.30	30.40
OUTLAYS.....	30.60	32.30	33.10	30.558	31.247	30.645	30.55	31.45	30.90
550 HEALTH:									
BUDGET AUTHORITY.....	38.65	40.50	42.70	38.598	40.523	42.523	38.60	40.50	42.50
OUTLAYS.....	38.35	40.70	42.80	38.324	40.556	42.379	38.30	40.55	42.40
570 MEDICARE:									
BUDGET AUTHORITY.....	83.00	91.40	101.45	82.900	90.900	100.800	83.00	91.40	101.45
OUTLAYS.....	73.40	81.85	91.35	72.800	80.500	88.800	73.25	81.45	90.90
600 INCOME SECURITY:									
BUDGET AUTHORITY.....	165.25	172.90	176.50	161.350	169.263	173.110	163.50	175.10	179.50
OUTLAYS.....	121.40	127.20	130.60	121.450	127.733	132.417	121.75	128.00	132.95
650 SOCIAL SECURITY:									
BUDGET AUTHORITY.....	226.65	257.00	281.40	228.370	260.468	286.487	227.05	259.80	285.10
OUTLAYS.....	209.35	223.25	238.55	209.388	223.197	238.568	209.35	223.25	238.55
700 VETERANS BENEFITS & SERVICES:									
BUDGET AUTHORITY.....	27.05	27.45	27.30	27.042	27.307	27.403	27.00	27.30	27.30
OUTLAYS.....	26.70	27.05	26.90	26.458	26.907	27.103	26.55	26.90	26.90
750 ADMINISTRATION OF JUSTICE:									
BUDGET AUTHORITY.....	7.20	7.15	7.25	7.199	7.099	6.999	7.20	7.10	7.00
OUTLAYS.....	7.15	7.25	7.35	7.167	7.099	7.099	7.15	7.10	7.10
800 GENERAL GOVERNMENT:									
BUDGET AUTHORITY.....	5.75	6.15	6.15	5.469	5.937	6.071	5.50	6.00	6.10
OUTLAYS.....	5.65	6.05	6.20	5.387	5.937	6.071	5.45	6.00	6.10
850 GENERAL PURPOSE FISCAL ASSISTANCE:									
BUDGET AUTHORITY.....	1.85	1.90	2.00	2.000	2.000	2.100	1.95	1.95	2.05
OUTLAYS.....	2.65	1.90	2.00	2.800	2.000	2.100	2.75	1.95	2.05
900 NET INTEREST:									
BUDGET AUTHORITY.....	143.50	151.50	148.95	143.936	151.953	149.763	143.65	152.30	150.65
OUTLAYS.....	143.50	151.50	148.95	143.936	151.953	149.763	143.65	152.30	150.65
920 ALLOWANCES:									
BUDGET AUTHORITY.....	0.55	1.60	2.65	0.517	1.936	2.087	0.90	3.45	4.75
OUTLAYS.....	0.60	1.70	2.85	0.525	2.011	2.234	-0.05	2.55	3.90
950 UNDISTRIBUTED OFFSETTING RECEIPTS:									
BUDGET AUTHORITY.....	-39.00	-37.10	-38.25	-42.095	-46.096	-45.810	-40.05	-45.35	-48.30
OUTLAYS.....	-39.20	-37.10	-38.25	-42.095	-46.096	-45.810	-40.25	-45.35	-48.30

Foreign Aid 5
-DoD Budget

THE WHITE HOUSE

WASHINGTON

Dear Bob:

I am writing to express my deep concern regarding large reductions in our defense program recommended by the House Budget Committee. The Committee has proposed that my request for defense budget authority in 1987 be reduced by \$35 billion, from \$320B to \$285B.

The Committee-proposed level amounts to nearly a six percent real decline from FY86 levels. The FY86 level for defense was itself a six percent decline from the FY85 budget. Thus, the Committee's proposal amounts to almost a twelve percent real decline from the FY85 defense budget.

Bob, a twelve percent real decline in defense spending is hardly the "leveling-off" depicted by some. The Committee recommendations, if approved, would cripple the combat readiness of our conventional forces and take unacceptable risks with our national security at time when the immense Soviet military build-up continues uninterrupted. This radical anti-defense budget would tear down much of what we have built, together, these past five years, and return us to that era of the 1970's when the national defense was neglected, and our country paid world-wide and dearly for that neglect. Has the Congress so soon forgotten the consequences of short-changing national defense? I cannot believe the American people -- given the facts -- would approve of what the House Budget Committee would have us do. Its recommendations, taken together, represent nothing less than a breach of faith with our common duty to protect this nation.

While the impact of a \$35 billion reduction in FY87 would be severe, this Administration would seek to protect, to the extent possible, those programs and capabilities most vital to our national defense. These include the strategic modernization program, which also includes the Strategic Defense Initiative and improvements in command-and-control; our military personnel and the current force structure; and sensitive classified programs. Even so, there is no possibility that the large improvements in military personnel and readiness that have been achieved to date could be sustained in the face of a \$35 billion reduction recommended by the House Budget Committee. It would be very difficult to support the increases in size of U.S. forces already approved by the Congress; and program terminations and cancellation of proposed new starts would be unavoidable.

We would have to cut an entire Division from the Army, an Aircraft Carrier Battle Group, and tactical fighter wings from both the Air Force and the Navy. Termination of critical mobility programs such as the C-17 airlifter would further postpone the capability we need to deploy forces rapidly over long distances. Other critical programs would be terminated as well. These would include programs like a new field artillery support vehicle, the Army helicopter improvement program, a new 120mm mortar and ammunition, the AV-8B and A6E/F attack aircraft, the F-15, the JSTARS new surveillance aircraft, the TR-1 reconnaissance aircraft, and a number of other needed programs.

We would have to stretch-out or shelve research and development for over 50 programs. In addition, stretch-outs in the procurement of over 25 weapon systems would result not only in later than planned deployment but also in rising costs because of production inefficiencies. Programs like the M-1 tank, the Bradley fighting vehicle, F-16 and F-18 fighters, the EA-6B electronic warfare aircraft, the SSN-688 and SSN-21 class attack submarines, the CG-47 AEGIS cruisers, and many military

construction programs would be affected. As you can see, planned and required force expansion across the spectrum of military capability would have to be cut back.

Munitions cutbacks would reduce our ability to sustain forces in combat. We would see direct impact on programs like the GBU-15 bomb, Maverick, Harm, Tomahawk, Sparrow and Patriot missiles, light weight multipurpose ammunition, and ammunition mobilization facilities. Reductions in spare parts, support equipment, and communications equipment would lead to lower operational readiness. Depot maintenance capability would be reduced. Ship repair backlogs would increase. Operations accounts already severely cut in 1986 would not increase sufficiently to support forces and equipment; or satisfy essential readiness and training needs. In short, the impact on our defense capability would be pervasive and severe across the board.

In the final analysis, it is Congress that will determine specific funding levels for the programs I have discussed. While the priorities I have outlined are clear, it is impossible for me to predict the results of authorization and appropriation action. If such cuts are sustained, however, an action clearly damaging to our national security, I will make every effort to see them carried out in the manner I have outlined.

The accomplishments of the past five years are now in jeopardy because of the defense reductions being considered in Congress. Congress approved and set in motion our program for rebuilding America's military strength. It would be wasteful and irresponsible to cut short this program by denying the funding necessary to carry it out. We did not spend the last five years making our military more competitive and America secure again, only to undo it all in our second term. We must not return to the

short-sighted and discredited policies of the past which destroyed the confidence of our military personnel, undermined our military capabilities, and jeopardized America's security. The threat has not changed; this only increases the risk.

The decisions we make about our defense budget today determine the strength with which we can underwrite our security for years to come. The threat we anticipate, unfortunately, continues to grow. The House Budget Committee's proposed level for defense spending would increase the risk to each one of us by reversing the progress we have made and causing the gap between our national security requirements and our military capabilities to widen once again.

I know you and your colleagues will appreciate the profound importance of these issues to our defense and foreign policy as you consider the implications of the Budget Committee's recommendation.

Sincerely,

The Honorable Robert H. Michel
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

~~SECRET~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 2050E

Sachs 6
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file: fn. ARSIS.

July 25, 1986

~~SECRET~~

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: ^{RMS} RICHARD M. SAUNDERS
HOWARD R. TEICHER *ART*

SUBJECT: Foreign Assistance Budget

This memo summarizes our current security assistance problem and recommends action you should take to contain earmark damage.

The Problem

Congressman Obey's markup of the FY 1987 Foreign Assistance Budget makes a bad situation worse. The \$13 billion for security assistance set by the concurrent budget resolution was inadequate to begin with. Although Obey maintains this level, he has earmarked funds for Israel, Egypt, Ireland, and Pakistan at the FY87 request level. This is 4.3 percent above the FY86 post sequester earmarks. Along with other earmarks contained in the FY86/87 authorization bill, this ties up about half the \$13 billion in budget authority and will force us to cut non-earmarked foreign assistance programs by up to 50 percent.

At these levels, we will fail to meet our commitments in many base rights and other high-priority countries and will have to terminate most programs in Africa, Latin America, and elsewhere. As State's Wednesday press guidance said, this will lead to a foreign policy and international security crisis.

Strategy

Although our long-term strategy must focus on how to distribute the pain of the reduced foreign assistance budget levels, we must focus our immediate attention on the earmarks. We need a strategy now, before action by the full House Committee and the Senate Subcommittee, on assistance levels for Israel, Egypt, and Pakistan. Rolling them back to the FY86 post-sequester level or cutting them in proportion to the overall cuts in the foreign assistance budget would significantly improve our ability to meet other needs.

~~SECRET~~

Declassify on: OADR

~~SECRET~~

DECLASSIFIED
Sec. 34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2008
BY NARA *LM*, DATE *6/27/25*

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2

State -- particularly Bill Schneider -- has been doing good work in making our case on the Hill. However, at this critical juncture, it would be desirable to broaden and elevate our efforts to influence the budget. The Whitehead SIG may be a good mechanism to do this.

Immediate Actions

Over the next several weeks, we must develop an Administration position on the priority of foreign assistance within the overall budget and on various programs within Function 150. For now, however, we should immediately establish an Administration position on earmarks within the concurrent budget resolution levels so that the money we do receive is not preemptively committed. To this end, we believe you should call Secretary Shultz to underscore the seriousness of the situation, to start developing an Administration position on earmarks, and to reenergize the Whitehead SIG. Talking points are attached at Tab I.

Peter ^{WZ} Rodman, ^{not Available} Stephen Farrar, and ^{RHS for} Lynn Sachs concur.

RECOMMENDATION

That you call Secretary Shultz, using the talking points at Tab I to urge him to develop ways to address the earmarking issue.

Approve _____

Disapprove _____

Attachment

Tab I - Talking Points

~~SECRET~~

~~SECRET~~

TAB

I

~~SECRET~~

~~SECRET~~

TALKING POINTS

- The Obey markup of the 1987 Foreign Assistance Budget contains earmarks that will be very hard to live with. Funding Israel, Egypt, and Pakistan at FY87 request levels will force us to cut other programs up to 50 or 60 percent -- with obvious foreign policy consequences.
- We must develop an Administration policy on earmarks before Obey's markup goes to the Full Committee and before Senator Kasten's Subcommittee meets.
- Alternatives might include rolling back earmarks to the FY86 post-sequester levels, or cutting them proportionately with other cuts in the foreign assistance budget.
- At the same time, we should reenergize our search for non-budget offsets that may make aid reductions more palatable to Israel and Egypt.
- While Bill Schneider is doing a great job on these issues, we need to broaden and reinforce his efforts. Perhaps this is a good time to convene the Whitehead SIG and put it to work at developing an Administration strategy for dealing with the Obey markup and the remaining steps of the legislative process.

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Declassify on: OADR

~~SECRET~~

DECLASSIFIED
Sec.34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2003
BY NARA *NM* DATE *6/27/25*

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-- Also, I think that you should call Congressman Whitten and Senator Kasten and ask for their help in preserving our flexibility in the foreign assistance process.

~~SECRET~~

~~SECRET~~

House Panel's \$13 Billion Bill:

Four Countries Are Exempted From Major Foreign Aid Cuts

Israel, Egypt, Pakistan and Northern Ireland would be the only countries exempted from sharp foreign aid cuts under a fiscal 1987 appropriations bill approved by a House subcommittee on July 24.

The bill includes \$13 billion for foreign economic, military and development aid programs, about \$2 billion less than President Reagan requested. The bill was based on a standard cut from Reagan's of 9.7 percent — the amount needed to reach budget targets set by Congress. But the exemptions had the effect of pushing the overall cuts to 13 percent. Some countries and programs face cuts of up to 50 percent, because more than half the bill is set aside for mandatory spending and a handful of politically popular programs.

The House Appropriations Subcommittee on Foreign Operations approved the bill by voice vote in a closed session. Nearly all its provisions were drafted by Chairman David R. Obey, D-Wis., who said he had to make big reductions because of the administration-supported Gramm-Rudman-Hollings budget-cutting law (PL 99-177) and the fiscal 1987 congressional budget resolution (S Con Res 120). (*Gramm-Rudman, 1985 Almanac p. 459; budget, Weekly Report p. 1440*)

Responding to recent complaints by Secretary of State George P. Shultz that Congress is cutting too deeply into foreign aid, Obey said: "I didn't make these numbers. If he doesn't like it, he can pick up the phone and call a guy named Ronald Reagan."

Republicans objected vigorously to the spending priorities that Obey set but made no attempt to change them. Ranking Republican Jack F. Kemp, R-N.Y., said he would wait until later in the legislative process to offer changes. Obey had the backing of all subcommittee Democrats, who outnumbered Republicans 9-5.

William Schneider Jr., under secretary of state for security assistance, also complained about the bill, telling reporters that Obey had provided too much money for "a large number of

low-priority, foreign aid pet rocks" while giving short shrift to aid programs for many key U.S. allies.

Since taking office in 1981, Reagan has requested big increases in economic and military aid for countries friendly to the United States, particularly Central American countries and others, such as Turkey, where U.S. military bases are located. Each year, the House Foreign Operations Subcommittee has reduced Reagan's requests and shifted some money to international economic development efforts to which Reagan had assigned a lower priority.

The tussle between the two sets of

"I didn't make these numbers. If he [Secretary of State Shultz] doesn't like it, he can pick up the phone and call a guy named Ronald Reagan."

—Rep. David R. Obey, D-Wis.

priorities is likely to be even rougher than usual this year because of the overall pressure to cut the federal budget deficit.

Special Consideration

Obey said there was "no dissent" among subcommittee Democrats to exempting Israel, Egypt, Pakistan and Northern Ireland from budget cuts. Republicans and the administration agreed with exempting the first three countries but challenged the inclusion of Ulster. Largely because of the intervention of Speaker Thomas P. O'Neill Jr., D-Mass., the House has supported a five-year, \$250 million aid program to encourage progress toward sectarian peace in Northern Ireland. (*Weekly Report p. 626*)

The three major exemptions eat up nearly half of the entire aid bill: \$3 billion in economic and military aid for Israel, \$2.1 billion for Egypt and \$670 million for Pakistan.

Obey said the United States still

has a commitment to provide significant chunks of aid to Israel and Egypt because they signed a peace treaty in 1979. Pakistan deserves special treatment because of its support for guerrillas battling the Soviet occupation of neighboring Afghanistan, he said.

Political considerations also played a major role. Because of the influence of the pro-Israel lobby and of underlying support in Congress, Israel long has received the most favored treatment of all foreign-aid recipients. Egypt is second, because it is the only Arab country to have signed a treaty with Israel. Pakistan has gotten special breaks, in part, because of the strong advocacy of subcommittee member Charles Wilson, D-Texas, who has visited that country several times.

The Obey subcommittee also accorded special treatment to several programs such as the Peace Corps, overseas narcotics control and U.S. contributions to UNICEF and other United Nations activities. Those were the programs that Schneider, the State Department's top foreign aid official, called "pet rocks." For those programs, the subcommittee voted all the money Reagan had requested or, in some cases, even more.

If the subcommittee's overall cuts are applied across the board, the administration would have to make the following reductions in two major programs for countries not protected from cuts: 32 percent in the Economic Support Fund and 51 percent in Foreign Military Sales loans. Schneider said the administration probably would not apply cuts evenly, and would instead give money to countries with U.S. bases while cutting off most aid to African and South American countries.

To enforce the cuts, the bill establishes a \$10.6 billion ceiling on budget "outlays" — the amount actually spent from the Treasury. However, congressional sources raised doubts about whether the ceiling can be enforced; without such a ceiling, the entire thrust of the bill could be jeopardized.

On other issues, the panel:

- Established several new anti-narcotics efforts, including a new \$20 million fund to reward countries that make special attempts to control narcotics production.

- Set aside \$912 million for direct loans by the Export-Import Bank. Reagan had proposed eliminating the loan program and replacing it with an off-budget program to subsidize interest rates on loans to encourage U.S. exports. (*Ex-Im Bank, p. 1688*) ■

—By John Felton

THE WHITE HOUSE

WASHINGTON

July 28, 1986

MEMORANDUM FOR:

RODNEY McDANIEL

FROM:

KATHY RATTE JAFFKE *KRJ*

SUBJECT:

P.L. 480 Funds

In the attached letter, Congressman David Obey expresses concern over the possibility that P.L. 480 funds will be transferred to provide the \$300 million in assistance for Central America.

Will Ball has asked me to task this inquiry to NSC for a response AS SOON AS POSSIBLE. Therefore, I would appreciate your assistance in providing a DIRECT response to Mr. Obey's July 14 letter to the President.

Thanks very much for your prompt attention to this request.

cc: Records Management - FYI (ID# 409472)

CHAIRMAN:
JOINT ECONOMIC COMMITTEECHAIRMAN:
FOREIGN OPERATIONS
APPROPRIATIONS SUBCOMMITTEEMEMBER:
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEES: LABOR-HHS-EDUCATION
LEGISLATIVEWASHINGTON OFFICE:
2217 RAYBURN HOUSE OFFICE
BUILDING
PHONE: 202-225-3365
EXECUTIVE ASSISTANT:
LYLE STITTDISTRICT OFFICE:
FEDERAL BUILDING
317 FIRST STREET
WAUSAU, WI 54401
PHONE: 715-842-5606DISTRICT REPRESENTATIVE:
JERRY MADISONFIELD REPRESENTATIVE:
MARTIN HANSON

Congress of the United States

House of Representatives

Washington, DC 20515

July 14, 1986

The Honorable Ronald Reagan
President
The White House
Washington, D.C. 20500

Dear Mr. President

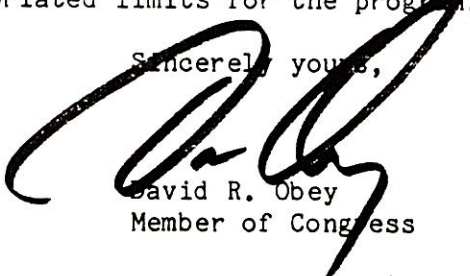
Legislation recently passed by the House contains language which would provide \$300 million for assistance to Central American democracies (Costa Rica, El Salvador, Guatemala and Honduras) with provisions to transfer funds from other Foreign Assistance and Agriculture programs to this account.

I understand that in order to fund this new assistance program the Administration is proposing to transfer \$75 million from PL-480 title II Food for Peace, effectively eliminating all obligations of PL-480 funds for the remainder of the current fiscal year. I further understand that there is about \$130 million of unobligated funds available for PL-480 title I and title II programs for the current fiscal year.

As you know, title II of PL-480 is a major agricultural export program. In light of the Farm Bill of 1985 and the Administration's stated goal of reducing agricultural product surpluses largely through exports, it appears to make little sense for one agency of the U.S. government to be promoting agricultural exports while another is curtailing one of our most important farm export programs.

As a strong supporter of programs designed to promote America's agricultural exports to the benefit of American farmers and the domestic farm economy, I would be grateful if you could explain the Administration's current policy with respect to obligations for PL-480 cargo for the remainder of this year. If there is a policy to hold up new obligations for PL-480, I would urge you to lift these restraints immediately so that shipments can continue to move forward up to the appropriated limits for the program.

Sincerely yours,



David R. Obey
Member of Congress

THE WHITE HOUSE

WASHINGTON

July 18, 1986

Dear Mr. Obey:

On President Reagan's behalf, I would like to acknowledge your July 14 letter regarding the obligation of P.L. 480 funds for the remainder of this fiscal year.

We appreciate receiving your comments and we share your concern over the economic hardships facing our Nation's agricultural sector. Let me assure you that your views have been noted and conveyed to the President's advisers in this area. I have asked that your letter be reviewed promptly and you can expect an additional response in the near future.

With best wishes,

Sincerely,

William L. Ball, III
Assistant to the President

The Honorable David R. Obey
House of Representatives
Washington, D.C. 20515

7/26 KJ:

This is a serious &
important letter from
the Subcommittee Chairman.

Pls. ask NSC to do a
reply ASAP. & No interim.

WJ

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Lyne

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

INFORMATION

July 9, 1986
*Draft memo -
connects?
Steve*

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: STEPHEN I. DANZANSKY

FROM: STEPHEN P. FARRAR

SUBJECT: Status of International Affairs Budget Crisis

Two new factors will have important effects on the Function 150 budget crisis: the recent Supreme Court decision and the upcoming Mid-Session Update.

Supreme Court Decision: By declaring the Gramm-Rudman process unconstitutional, the Supreme Court has forced Congress to enact annual legislation to adhere to the deficit reduction targets through 1991. The first test will be passing legislation to implement the 1986 sequestration of 1986 funds. This must be done before August recess.

It is too soon to tell how the 1987 appropriations bills will be affected. One early indicator will be whether Jamie Whitten adjusts his 302(b) guidance to the appropriations subcommittees to tie to the budget resolution. His initial guidance was too high for domestic programs and too low for defense and international affairs. The upcoming elections will almost force Congress to adhere to the \$144 B deficit target, but post-election attempts at circumvention are a near certainty. While it may be possible to seek a supplemental for Function 150 after November, the Gramm-Rudman law still requires outlay offsets for spending increases.

Mid-Session Update: In early August, OMB will transmit its required update of economic projections and budget estimates for the coming fiscal year. The update must by law be consistent with the Gramm-Rudman deficit ceilings. Initial estimates show a 1987 deficit -- based on the President's request -- well above \$144 B, perhaps by as much as 5 percent. To help pare the deficit, OMB may propose reducing the Function 150 request from \$22.6 B to about \$19.4 B. This would recognize that the initial request is unattainable but leave room for seeking a supplemental if a window appears later in the year. I believe this approach makes sense.

Other Factors: We are also working with State and OMB to identify options for adhering to the budget resolution ceiling. However, the Administration will need to think hard before going supporting these lower allocations for fear of compromising its ability to seek a supplemental later.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 29, 1986

~~SECRET~~

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM:

RICHARD M. SAUNDERS *rus*
HOWARD R. TEICHER *HRT*

SUBJECT:

Foreign Assistance Budget -- The Earmarks Issue

This memo summarizes our current security assistance problem and recommends action you should take to contain earmark damage.

The Problem

Congressman Obey's markup of the FY 1987 Foreign Assistance Budget makes a bad situation worse. The \$13 billion for security assistance set by the concurrent budget resolution was inadequate to begin with. Although Obey maintains this level, he has earmarked funds for Israel, Egypt, Ireland, and Pakistan at the FY87 request level. This is 4.3 percent above the FY86 post sequester earmarks. Along with other earmarks contained in the FY86/87 authorization bill, this ties up about half the \$13 billion in budget authority and will force us to cut non-earmarked foreign assistance programs by up to 50 percent.

At these levels, we will fail to meet our commitments in many base rights and other high-priority countries and will have to terminate most programs in Africa, Latin America, and elsewhere. As State's Wednesday press guidance said, this will lead to a foreign policy and international security crisis.

Strategy

Although our long-term strategy must focus on how to obtain higher funding levels and to distribute the pain of the reduced foreign assistance budget levels, we must focus immediate attention on the earmarks. We need a strategy now, before action by the full House Committee and the Senate Subcommittee, on assistance levels for Israel, Egypt, and Pakistan. Ideally, we should make the case to Congress that any earmarking is inappropriate at present budget levels. Alternatively, rolling earmarks back to the FY86 post-sequester level or cutting them in proportion to the overall cuts in the foreign assistance budget would significantly improve our ability to meet other needs.

~~SECRET~~

Declassify on: OADR

~~SECRET~~

DECLASSIFIED
Sec.34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2008
BY NARA *LM* DATE *6/27/25*

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2

Immediate Actions

Over the next several weeks, we must develop an Administration position on the priority of foreign assistance within the overall budget and on various programs within Function 150. For now, however, we should immediately establish an Administration position on earmarks within the concurrent budget resolution levels so that the money we do receive is not preemptively committed. To this end, we believe you should call Secretary Shultz to underscore your view of the seriousness of the situation and to start developing an Administration position on earmarks. Talking points are attached at Tab I.

^{pus} Peter Rodman, ^{SRF} Stephen Farrar, and ^{pus} Lynn Sachs concur.

RECOMMENDATION

That you call Secretary Shultz, using the talking points at Tab I to urge him to develop ways to address the earmarking issue.

Approve _____

Disapprove _____

Attachment

Tab I - Talking Points

~~SECRET~~

~~SECRET~~

TAB

I

~~SECRET~~

~~SECRET~~

TALKING POINTS

- The House Subcommittee markup of the 1987 Foreign Assistance Budget contains earmarks that will be very hard to live with. Funding Israel, Egypt, and Pakistan at FY87 request levels will force us to cut other programs up to 50 or 60 percent -- with obvious foreign policy consequences.
- We must develop an Administration policy on earmarks before these earmarks become ingrained in future committee actions in the House and Senate, or subsequent floor action on this bill or on a continuing resolution.
- We should consider ways to eliminate all earmarks if congress refuses to raise foreign assistance funding. Other alternatives might include rolling back earmarks to the FY86 post sequester levels, or cutting them proportionately with other cuts in the foreign assistance budget.
- At the same time, we should reenergize our search for non-budget offsets that may make aid reductions more palatable to Israel and Egypt.
- Also, I think that you should call Congressman Whitten and Senator Kasten and ask for their help in preserving our flexibility in the foreign assistance process.

~~SECRET~~

Declassify on: OADR

~~SECRET~~

DECLASSIFIED
Sec 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 12, 2009
BY NARA LM DATE 6/27/25

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506
July 31, 1986ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: RICHARD M. SAUNDERS *RMS*
~~for~~ HOWARD R. TEICHER *HT*

SUBJECT: 1987 Foreign Assistance Appropriation Bill

Jim Miller has sent a letter (Tab II) to members of the House Appropriations Committee saying that he will recommend veto of the 1987 Foreign Assistance Appropriation Bill. His objections to the bill are:

- inadequate funding levels in security assistance programs;
- numerous earmarks and transfers which limit flexibility; and
- a \$10.6 billion limitation in FY 1987 outlays.

Although we were not aware of this letter before it was sent to the Hill, we agree with its general assessment of the appropriations bill. The bill's overall level is far too low to begin with, its earmarks will prevent us from meeting our commitments in base rights countries and Central America, while forcing us to terminate other security assistance programs, and the outlays cap will be unworkable.

Congressman Obey was extremely upset by the letter. Bill Schneider has talked to committee members in an attempt to smooth things over while still conveying our overall feelings about the bill.

We should not weigh in on the Hill at this time. However, we should have contingency press guidance prepared if the issue comes up in the next few days. Draft press guidance is attached at Tab I.

We have informal concurrence from OMB and State/T.

Unavailable for SF
Karna Small, ~~for~~ Steve Farrar, Ron Sable, and Lynn Sachs concur.

RECOMMENDATION

That you approve the contingency press guidance at Tab I.

Approve *[Signature]*

Disapprove _____

Attachments

Tab I - Press Guidance

Tab II - Miller Letter to Congressman Conte

DRAFT PRESS GUIDANCE

- We have serious concerns with the House Appropriations Committee markup of the Foreign Operations Appropriation Bill. Funding levels are far below the Administration's request, the bill contains overly restrictive earmarks and other provisions, and it has structural elements which present programmatic difficulties.

- The net effect of these provisions is to gut our foreign and security assistance programs. Unless significant changes can be made, we will be unable to meet many important commitments and may face foreign policy and international security crises.

- We hope that we can work with the Congress to overcome these difficulties. Only by cooperation in the design and funding of the foreign assistance program can we fulfill our foreign policy goals, while still retaining the flexibility we need to protect our international security.

(If asked whether the President will veto this bill: We do not expect it to come to that. The President will evaluate the bill in final form.)



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

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JUL 31 1986

Honorable Silvio Conte
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

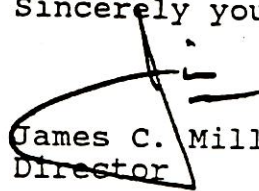
Dear Sil:

The Administration objects strongly to the 1987 Foreign Assistance Appropriation bill in its present form. The Subcommittee has adopted inadequate funding levels in security assistance and other programs, numerous earmarks and transfers, and substantial reporting and certification requirements that, together, severely limit the President's ability to achieve U.S. foreign policy objectives. The major funding problems are the severe reductions in the security assistance accounts. Economic Support Fund (ESF), Military Assistance (MAP), and Foreign Military Sales Credit (FMSCR) funding have been reduced by over \$2.6 billion from the President's request. This reduction, as well as the earmarks, will force the President to cut assistance very severely.

In addition, the House Subcommittee has included a particularly troublesome provision (Section 556) limiting expenditures for FY 1987 at \$10,641 million. This section must be deleted. The Administration opposes the provision because it would cause micro-managing of outlays, would be utterly unworkable, and would cause further program disruption.

Unless the changes noted above are made, I will recommend veto of the bill.

Sincerely yours,


James C. Miller III
Director

IDENTICAL LETTERS SENT TO HONORABLE JAMIE L. WHITTEN,
HONORABLE DAVID OBEY, AND HONORABLE JACK KEMP



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

JUL 31 1986

Honorable Silvio Conte
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

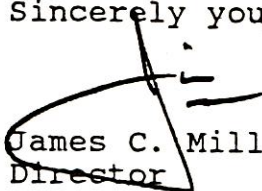
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Sincerely yours,


James C. Miller III
Director

IDENTICAL LETTERS SENT TO HONORABLE JAMIE L. WHITTEN,
HONORABLE DAVID OBEY, AND HONORABLE JACK KEMP

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506
July 31, 1986

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: RICHARD M. SAUNDERS *RMS*
~~FOR~~ HOWARD R. TEICHER *HT*

SUBJECT: 1987 Foreign Assistance Appropriation Bill

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Although we were not aware of this letter before it was sent to the Hill, we agree with its general assessment of the appropriations bill. The bill's overall level is far too low to begin with, its earmarks will prevent us from meeting our commitments in base rights countries and Central America, while forcing us to terminate other security assistance programs, and the outlays cap will be unworkable.

Congressman Obey was extremely upset by the letter. Bill Schneider has talked to committee members in an attempt to smooth things over while still conveying our overall feelings about the bill.

We should not weigh in on the Hill at this time. However, we should have contingency press guidance prepared if the issue comes up in the next few days. Draft press guidance is attached at Tab I.

We have informal concurrence from OMB and State/T.

Unavailable for SF
Karna Small, Steve Farrar, Ron Sable, and Lynn Sachs concur.

RECOMMENDATION

That you approve the contingency press guidance at Tab I.

Approve _____

Disapprove _____

Attachments

Tab I - Press Guidance

Tab II - Miller Letter to Congressman Conte

TAB

I

DRAFT PRESS GUIDANCE

- We have serious concerns with the House Appropriations Committee markup of the Foreign Operations Appropriation Bill. Funding levels are far below the Administration's request, the bill contains overly restrictive earmarks and other provisions, and it has structural elements which present programmatic difficulties.
- The net effect of these provisions is to gut our foreign and security assistance programs. Unless significant changes can be made, we will be unable to meet many important commitments and may face foreign policy and international security crises.
- We hope that we can work with the Congress to overcome these difficulties. Only by cooperation in the design and funding of the foreign assistance program can we fulfill our foreign policy goals, while still retaining the flexibility we need to protect our international security.

(If asked whether the President will veto this bill: We do not expect it to come to that. The President will evaluate the bill in final form.)

TAB

II



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

5672

JUL 31 1986

Honorable Silvio Conte
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Sil:

The Administration objects strongly to the 1987 Foreign Assistance Appropriation bill in its present form. The Subcommittee has adopted inadequate funding levels in security assistance and other programs, numerous earmarks and transfers, and substantial reporting and certification requirements that, together, severely limit the President's ability to achieve U.S. foreign policy objectives. The major funding problems are the severe reductions in the security assistance accounts. Economic Support Fund (ESF), Military Assistance (MAP), and Foreign Military Sales Credit (FMSCR) funding have been reduced by over \$2.6 billion from the President's request. This reduction, as well as the earmarks, will force the President to cut assistance very severely.

In addition, the House Subcommittee has included a particularly troublesome provision (Section 556) limiting expenditures for FY 1987 at \$10,641 million. This section must be deleted. The Administration opposes the provision because it would cause micro-managing of outlays, would be utterly unworkable, and would cause further program disruption.

Unless the changes noted above are made, I will recommend veto of the bill.

Sincerely yours,


James C. Miller III
Director

IDENTICAL LETTERS SENT TO HONORABLE JAMIE L. WHITTEN,
HONORABLE DAVID OBEY, AND HONORABLE JACK KEMP