

RONALD W. REAGAN LIBRARY
THE WHITE HOUSE
WASHINGTON

December 19, 1985

MR. PRESIDENT:

Attached for your approval is H.J. Res. 465 - making further continuing appropriations for the fiscal year 1986, and for other purposes. Approval is recommended by all of your senior staff. It must be signed this evening.

Please return this bill to the ushers after you have signed it.

We expect one more bill, the cigarette tax extension, later tonight. This bill must be signed this evening.

Our best guess on the adjournment calls to you from Dole and O'Neill is 10:00 p.m. for the House and later for the Senate.



David L. Chew



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

December 19, 1985

Received S.S.

DEC 19 PM 3:41



MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill H.J. Res. 465 -- Further Continuing Appropriations for 1986
Sponsor: Rep. Whitten (D), Mississippi

Last Day for Action

December 31, 1985 - Tuesday.

Signature as soon as possible is recommended in order to avoid unnecessary disruption of government activities. Current appropriations for affected agencies will expire on December 19.

Purpose

Provides continuing appropriations for the remainder of the fiscal year for seven regular appropriations bills and various other authorities and appropriations.

Agency Recommendations

Office of Management and Budget

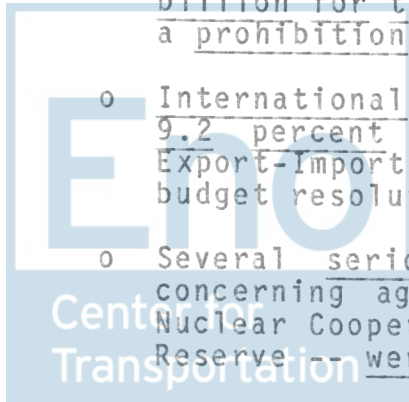
Approval

Other affected agencies

Approval assumed

Highlights

- o Spending for the five domestic bills is \$51.9 billion, \$2.9 billion below the 1985 enacted level.
- o Funding for defense programs is \$281.2 billion, a level \$4.6 billion higher than the House bill. The enrolled bill provides \$126 million for chemical weapons and \$2.75 billion for the Strategic Defense Initiative. Included is a prohibition on ASAT testing.
- o International security assistance programs are reduced by 9.2 percent in order to finance the continuation of Export-Import Bank direct lending within the Congressional budget resolution benchmark.
- o Several seriously objectionable language provisions -- concerning agricultural lending, the U.S.-China Peaceful Nuclear Cooperation Agreement, and the Strategic Petroleum Reserve -- were deleted in conference.



APPROVED

DEC 19 1985

Summary of Congressional Action on Discretionary Spending

	(BA in billions of dollars)				
	1985 Enacted	Adm. Benchmark	Enrolled Bill	Cong. change from:	
				1985	Benchmark
Domestic Bills ^{1/}	54.7	50.8	51.9	-2.8	+1.1
Defense.....	276.1	286.2	280.9	+4.8	-5.3
Foreign Aid.....	20.8	15.0	15.0	-5.8	+
Total.....	351.7	351.9	347.8	-3.9	-4.1

*/ \$500 thousand or less.

1/ Includes obligation limitations.

Discussion

I. DOMESTIC APPROPRIATION BILLS

The continuing resolution provides funding for five domestic appropriation bills that have not been enacted. These bills total \$51.9 billion, \$1.1 higher than the Congressional budget resolution and \$2.8 billion below the 1985 enacted level.

Agriculture. The Agriculture Appropriation bill provides \$7.9 billion for discretionary programs in new budget authority and \$9.8 billion for new direct and guaranteed loan programs. In response to our stringent objections to the funding levels in the original conference agreement, the conferees agreed to a 0.6% across-the-board reduction, achieving further savings of \$45 million. The enrolled resolution is \$55 million below the House-passed rate. Unlike most years, this bill provides full year funding for the Food Stamp program.

District of Columbia. The enrolled resolution provides \$567 million for the Federal payment to the District of Columbia, a level \$34 million higher than the Congressional budget resolution. This increase is for a criminal justice initiative.

Interior. The Interior portion of the resolution provides \$8,810 million for discretionary programs, \$100 million and \$265 million below the House and Senate passed bills, respectively. Similar to the Agriculture bill, the conferees agreed to 0.6% across-the-board reduction, achieving savings of \$49 million. The largest single increase in this bill is \$400 million for a three-year clean coal technology demonstration program. The bill also provides a total of \$113 million to continue Strategic Petroleum Reserve (SPR) facilities construction. An



objectionable Senate provision, which would have rescinded \$160 million and effectively required adding 6 million barrels of oil to SPR by barter, was deleted in conference.

The continuing resolution also provides for rescission of all funds available to the Synthetic Fuels Corporation, with the exception of funds already legally committed. This language leaves in doubt the fate of a \$327 million loan guarantee to the Union Oil Company for a Colorado project.

Transportation. The Transportation bill provides \$25.2 billion in new budget authority and obligation limitations for discretionary programs, \$0.1 billion over the Congressional budget resolution, but \$0.7 billion below the House-passed level. Unlike earlier versions of the bill, both the Coast Guard and the Federal Aviation Administration are funded at satisfactory levels such that vital Coast Guard and air safety programs will not be compromised. Although the bill mandates that the Department of Transportation enter into and conclude negotiations for three specific mass transportation projects, earlier language requiring release of all "new start" funds within 90 days was deleted at the urging of the Administration.

Treasury/Postal. The Treasury/Postal bill contained in the continuing resolution is an improvement to the bill you vetoed on November 15 in two respects: (1) a highly objectionable provision prohibiting the implementation of OPM performance-based regulations has been deleted; and (2) reductions of \$118 million have been achieved.

Domestic Add-ons. During Senate consideration of the bill, miscellaneous provisions were adopted adding over \$160 million in 1986. Most of these increases, including \$55 million for emergency veterans job training and \$25 million for child abuse prevention training, were deleted in conference.

The bill also provides funding at an acceptable level for a variety of programs for which funding was not provided in enacted appropriation bills due to a lack of authorization, including activities of the Public Health Service, family planning assistance, and migration and refugee assistance.

The bill appropriates \$2.4 billion for EPA, Construction grants. The Administration continues to oppose appropriation of funds for EPA's waste treatment grant program until proposed program reform legislation is enacted. Balances from prior year funding are adequate to continue ongoing projects until authorization.

II. DEFENSE AND FOREIGN ASSISTANCE

Defense. The enrolled bill provides \$280.9 billion for discretionary spending in the Defense Appropriation bill, \$5.3 billion below the Congressional budget resolution, but \$4.8 billion above the 1985 enacted level. In addition, the conferees agreed to set aside \$6.3 billion in prior year unobligated balances for anticipated requirements, such as the military pay raise, military retirement, and the Mariner fund. Funding for the Strategic Defense Initiative is \$2.75 billion, consistent with the Defense authorization bill. After heavy dissent in the conference, the House agreed to provide \$126 million for binary chemical weapons. The most objectionable provision in the Defense bill is the prohibition on ASAT testing.

While the Administration was successful in deleting most of the House provisions on procurement reform, the enrolled bill contains one objectionable provision concerning the definition of allowable costs payable to defense contractors.

Foreign Assistance. The enrolled bill provides \$15.0 billion for foreign assistance programs. While the total amount is consistent with your request and the Congressional budget resolution, the bill shifts nearly \$1 billion from the major security assistance programs to the Export-Import Bank for continuation of the Bank's direct loan program. The State and Defense Departments advise that the ten percent cuts below your request level for military assistance for Greece and Turkey are particularly unsatisfactory. Although the security aid reduction verges on the unacceptable, it would serve no useful purpose to veto the bill under the current end-of-session circumstances.

III. LANGUAGE PROVISIONS

Several provisions to which the Administration seriously objected were deleted in conference. These provisions would have:

- Set CCC price support loans at a "fair return" level, adding significantly to the cost of our farm programs.
- Mandated that the Secretary of Agriculture provide interest and principal deferral of existing indebtedness for borrowers who were hurt by embargoes of agricultural products over the last decade.

- Restricted the use of funds for licensing or approval for exports under the U.S.-China Peaceful Nuclear Cooperation Agreement in a way that would have undermined the Agreement, done serious damage to U.S.-China relations, and severely set back progress we have made with the Chinese in the nonproliferation area.

Like most full-year continuing resolutions, the enrolled bill contains numerous language provisions that do not relate directly to appropriations. These include provisions that:

- increase the honoraria Senators can earn from 30% to 40% of their salary, an increase of \$7,500/year.
- authorize the President to deny most-favored nation status to Afghanistan.
- prohibit implementation of regulations dealing with "insider trading."
- mandate that the Administrator of Veterans Affairs delegate authority to local hospital directors to administer at least 25 major construction projects from FY 85-86 appropriations.

Several provisions present serious constitutional or foreign policy problems. A signing statement is being prepared for your consideration to address these matters.


Recommendation

The continuing resolution represents months of continual work with the Congress on 1986 appropriations. While it is not ideal -- providing somewhat more for domestic spending and less for defense than the Congressional budget resolution benchmark -- it is a long-fought and acceptable compromise. As was clear from the defeat of an earlier version of this bill by the House, the levels of defense spending contained in the resolution before you reflect the highest level of funding that will be transmitted for your signature. Additionally, domestic spending from the defeated bill has been reduced by \$150 million. Overall, we have achieved savings of \$2.8 billion for domestic programs from the 1985 enacted level. The levels provided in this resolution also represent an acceptable level from which to begin reductions required by the Gramm-Rudman-Hollings legislation.

I recommend that you sign the enrolled bill.

Eno

Center for
Transportation



James C. Miller III
Director