AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 1, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,657 million of 13-week bills to be issued March 4, 1993 and to mature June 3, 1993 were accepted today (CUSIP: 912794D27).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.93% | 2.99% | 99.259 |
| High | 2.97% | 3.04% | 99.249 |
| Average | 2.97% | 3.04% | 99.249 |

Tenders at the high discount rate were allotted 97%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 21,140 | 21,140 |
| New York | 36,039,470 | 10,330,340 |
| Philadelphia | 8,685 | 8,685 |
| Cleveland | 27,425 | 27,425 |
| Richmond | 206,940 | 56,190 |
| Atlanta | 28,615 | 16,505 |
| Chicago | 1,095,985 | 186,105 |
| St. Louis | 8,220 | 8,220 |
| Minneapolis | 5,705 | 5,705 |
| Kansas City | 19,555 | 19,555 |
| Dallas | 13,870 | 13,870 |
| San Francisco | 551,265 | 146,115 |
| Treasury | 817,565 | 817,565 |
| TOTALS | $38,844,440 | $11,657,420 |
| **Type** | | |
| Competitive | $34,422,910 | $7,235,890 |
| Noncompetitive | 1,268,700 | 1,268,700 |
| Subtotal, Public | $35,691,610 | $8,504,590 |
| Federal Reserve | 2,779,730 | 2,779,730 |
| Foreign Official Institutions | 373,100 | 373,100 |
| TOTALS | $38,844,440 | $11,657,420 |

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 1, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,734 million of 26-week bills to be issued March 4, 1993 and to mature September 2, 1993 were accepted today (CUSIP: 912794F58).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.03% | 3.12% | 98.468 |
| High | 3.05% | 3.14% | 98.458 |
| Average | 3.05% | 3.14% | 98.458 |

Tenders at the high discount rate were allotted 40%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 15,205 | 15,205 |
| New York | 37,433,275 | 10,461,505 |
| Philadelphia | 7,625 | 7,625 |
| Cleveland | 25,505 | 25,505 |
| Richmond | 421,690 | 181,690 |
| Atlanta | 35,355 | 27,755 |
| Chicago | 1,528,170 | 151,570 |
| St. Louis | 9,990 | 9,990 |
| Minneapolis | 5,040 | 5,040 |
| Kansas City | 24,005 | 24,005 |
| Dallas | 12,165 | 12,165 |
| San Francisco | 738,945 | 215,745 |
| Treasury | 596,665 | 596,665 |
| TOTALS | $40,853,635 | $11,734,465 |
| **Type** | | |
| Competitive | $36,675,620 | $7,556,450 |
| Noncompetitive | 931,215 | 931,215 |
| Subtotal, Public | $37,606,835 | $8,487,665 |
| Federal Reserve | 2,750,000 | 2,750,000 |
| Foreign Official Institutions | 496,800 | 496,800 |
| TOTALS | $40,853,635 | $11,734,465 |

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
March 1, 1993

CONTACT: Office of Financing
202/219-3350

## TREASURY TO AUCTION CASH MANAGEMENT BILL

The Treasury will auction approximately $11,000 million of 48-day Treasury cash management bills to be issued March 5, 1993.

Competitive tenders will be received at all Federal Reserve Banks and Branches. Noncompetitive tenders will not be accepted. Tenders will not be received at the Bureau of the Public Debt, Washington, D. C.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

LB-57

**HIGHLIGHTS OF TREASURY OFFERING**
**OF 48-DAY CASH MANAGEMENT BILL**

March 1, 1993

| | |
|---|---|
| **Offering Amount** . . . . . . | $11,000 million |
| **Description of Offering:** | |
| Term and type of security . | 48-day Cash Management Bill |
| CUSIP number . . . . . . . | 912794 C3 6 |
| Auction date . . . . . . . | March 3, 1993 |
| Issue date . . . . . . . . | March 5, 1993 |
| Maturity date . . . . . . . | April 22, 1993 |
| Original issue date . . . . | October 22, 1992 |
| Currently outstanding . . . | $23,274 million |
| Minimum bid amount . . . . | $1,000,000 |
| Multiples . . . . . . . . . | $1,000,000 |
| Minimum to hold amount . . | $10,000 |
| Multiples . . . . . . . . . | $5,000 |
| **Submission of Bids:** | |
| Noncompetitive bids . . . . | Not accepted |
| Competitive bids . . . | (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.<br>(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.<br>(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders. |
| **Maximum Recognized Bid at a Single Yield** . . . | 35% of public offering |
| **Maximum Award** . . . . . . . | 35% of public offering |
| **Receipt of Tenders:** | |
| Noncompetitive tenders . . | Not accepted |
| Competitive tenders . . . . | Prior to 1:00 p.m. Eastern time on auction day |
| **Payment Terms** . . . . . . . | Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date |

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
March 2, 1993

CONTACT: Office of Financing
202/219-3350

## TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $23,200 million, to be issued March 11, 1993. This offering will result in a paydown for the Treasury of about $450 million, as the maturing 13-week and 26-week bills are outstanding in the amount of $23,638 million. In addition to the maturing 13-week and 26-week bills, there are $13,800 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $8,522 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,972 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $3,463 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

## HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS

March 2, 1993

| | | |
|---|---|---|
| **Offering Amount** . . . . . . . . . . . | $11,600 million | $11,600 million |
| **Description of Offering:** | | |
| Term and type of security . . . . . | 91-day bill | 182-day bill |
| CUSIP number . . . . . . . . . . . . | 912794 D4 3 | 912794 F6 6 |
| Auction date . . . . . . . . . . . . | March 8, 1993 | March 8, 1993 |
| Issue date . . . . . . . . . . . . . | March 11, 1993 | March 11, 1993 |
| Maturity date . . . . . . . . . . . . | June 10, 1993 | September 9, 1993 |
| Original issue date . . . . . . . . . | December 10, 1992 | March 11, 1993 |
| Currently outstanding . . . . . . . | $12,291 million | --- |
| Minimum bid amount . . . . . . . . | $10,000 | $10,000 |
| Multiples . . . . . . . . . . . . . . | $ 5,000 | $ 5,000 |

**The following rules apply to all securities mentioned above:**

Submission of Bids:

Noncompetitive bids . . . . . . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . . . . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . . . . . 35% of public offering

Maximum Award . . . . . . . . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . . Prior to 12:00 noon Eastern time on auction day

Competitive tenders . . . . . . . . . Prior to 1:00 p.m. Eastern time on auction day

Payment Terms . . . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 3, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 48-DAY BILLS

Tenders for $11,091 million of 48-day bills to be issued March 5, 1993 and to mature April 22, 1993 were accepted today (CUSIP: 912794C36).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.97% | 3.02% | 99.604 |
| High | 2.98% | 3.03% | 99.603 |
| Average | 2.97% | 3.02% | 99.604 |

Tenders at the high discount rate were allotted 2%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 0 | 0 |
| New York | 51,525,000 | 7,780,500 |
| Philadelphia | 0 | 0 |
| Cleveland | 0 | 0 |
| Richmond | 3,100,000 | 3,000,100 |
| Atlanta | 25,000 | 500 |
| Chicago | 1,620,000 | 308,200 |
| St. Louis | 0 | 0 |
| Minneapolis | 0 | 0 |
| Kansas City | 0 | 0 |
| Dallas | 0 | 0 |
| San Francisco | 530,000 | 1,600 |
| Treasury | 0 | 0 |
| TOTALS | $56,800,000 | $11,090,900 |
| **Type** | | |
| Competitive | $56,800,000 | $11,090,900 |
| Noncompetitive | 0 | 0 |
| Subtotal, Public | $56,800,000 | $11,090,900 |
| Federal Reserve | 0 | 0 |
| Foreign Official Institutions | 0 | 0 |
| TOTALS | $56,800,000 | $11,090,900 |

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POOL REPORT:TREASURY SECRETARY BENTSEN INTERVIEW WITH REGIONAL NEWSPAPER REPORTERS

March 3, 1993

q. how important is bipartisan support for the economic plan?
"I think it is important. and I hope very much that as we develop the passage of this that you'll see more bipartisan support than you're seeing now... This president has made some very tough political choices and I think that Democrats and hopefully Republicans will respond to it as they look at trying to develop alternatives and see how difficult it is."

q. have any senate republicans expressed support?
Bentsen said he had talked to some Republicans who have expressed support for various parts of the package, adding "that's not surprising.

q. how open are you to compromise to get republican support?
"I've been negotiating with those folks up there for a long time, I never did turn over all my cards."

q. is the administration actively looking for further spending cuts?
"We're looking at all the options and trying to fully understand them. That doesn't necessarily mean we're going to do any further before presentation. But I'm sure that you're going see from the congressional side options offered. We want to understand and anticipate what they might be and have a reasonable study of them so you don't have a top of the head reaction to them."

q. accuracy of treasury revenue projections?
"Historically you've seen differences between joint tax committee and treasury in both republican and democratic administrations ... that's not new."
"As we go along, glitches will develop. We know that. When you run computers 24 hours a day and try to put a package together, there will be some things that will have to be corrected as you go along. Overall I see our estimates as good. It was interesting to note insofar as the deficit itself in '97 there was an incredible common situation as far as the number. I think it was only a billion dollars apart."

q. are you worried rich will be trying to pre-empt increased taxes by going to tax shelters?
"They're going to find it much more difficult than they have in the past. As we drafted this thing we had that concern in mind." He pointed to the passive loss provision and the limits placed on how who can take advantage of it.

q. push back effective rate of tax date to jan 1, 94.
"That's something that as we work with congress and the leadership there insofar as putting this package together, we're consult with them on that one. That does not commit us.

That is a matter of negotiation."

q. what about effect of package on overall economy? won't it depress growth to raise taxes and cut spending?

"Go ahead and add the rest of it -- and the stimultant and a substantial reduction in interest rates -- an amazing reduction -- frankly better than we had anticipated. ... It must be over 80 basis points. And as I listen to Alan Greenspan talking about 10 basis points being equivalent to 10 billion (dollar stimulus). We're talking about an enormous stimulus taking place here. We don't get credit for that on the part of CBO."

q. what happens if the bond market turns around?

"We've got some cushion haven't we? It's gone down a remarkable amount. If they give back 20 basis points, we're still looking at 50 basis points."

q. should health care be put together with economic package in congress.

""I'm not about to tell the leadership of the senate or the house how to package this thing ... we're going to keep our options open."

q. Bank regulation reform?

"I will tell you that what you've seen is a coordinated effort between the FDIC and the Federal Reserve and Treasury working together to see if we can eliminate some of the red tape and make more credit available, particularly to small business. We think we have some proposals that the president will be seriously interested in but it's up to him to make the decision."

q. Should we read anything into the delay in announcing these measures?, ie that there are difficulties?

"No."

q. minivans?

"We have not made a decision of that. It's under review...We have ben apprised of the opinions of various countries that have been exporting to us."

q. excise tax on imported cars to level playing field as far as helth care costs?

"We've made no such judgement."

q. are you considering it?

no comment

q. Waco situation?

"There was incredible bravery on the part of a number of ATF people on that. They have good training. We have had marvelous cooperation between the FBI and ATF.... The ATF is still carrying on a good part of the negotiations.

"Obvously when all of this is through, then you always go in when you have a major operation like that and evaluate it after the fact as to its effectiveness."

q. what has your role been?

"I talked to the governor twice (sunday night). The last time I tried to go to sleep and she got me up. ... And I talked to the president. I talked to the head of the FBI. I talked to the head of the ATF. I spent a good part of the night as they were talking about the Bradley's coming out trying to be assured that they did not get out in front too much to spook those people inside where they might do something drastic. We were always concerned about a Jonestown possibility. So I was very much involved."

q. what were clinton's concerns?

"We were sharing concerns that we'd be in a defensive mode at that point. We were concerned particularly about the women and children that were in there."

q. when did you hear about it?

"On Friday they called Treasury and apprised Treasury. Their intentions had been cleared with the us district attorney and with the head of the ATF here. Treasury itself was advised on Friday while I was on the plane to london."

q. jobs and recovery?

"There is a very major emphasis on jobs (in Clinton package). That's our concern. What you've seen is some recovery taking place, but jobs have not responded. We're doing all we can to push that."

q. bank regulation changes purely administrative?

"yes, at this point ... What you see that the president will present does not mean the end of the process. I think that over the months to come you'll see a continuation of those things, as we further study, that we think will give us further progress as far as the availability of credit."

q. will package come before end of March?

"I certainly expect the president to say something before the end of March."

q. will package include reduction of underwriting standards?

"Not a reduction of underwriting standards, but a clarifying of underswriting standrads and an attempt to get rid of redundancy there."

q. Treasury's relationship with the fed?

"I've said there's broad agreement on the goal for sustained growth without inflation."

"I think we have a good relationship. I have reinstated the weekly meetings with the chairman of the Federal Reserve."

"The way that we worked together at the G7 meeting was very helpful. His council was valuable and helful to me. We've been friends for a long time."

q. is there any understanding on easy money for tight fiscal policy?

"No, no, no. You don't lock up that with the Federal Reserve and I understand that. They preserve their independence and they should."

q. russia?

"We're deeply concerned about the stability of Russia and the high inflation. They were making some progress on their reforms up through May of last year and subsequent to that inflation began to mount. We're deeply concerned that we not end up in hyperinflation. We're concerned about the flight of capital. We're looking at a possible rescheduling that is realistic, that the Russians can meet and with conditions that we expect to be abided by."

q. are further sales of grain conditional on rescheduling?

"They've got to pay some of what they have in arrears. I think yesterday they agreed to some.

q. but we still have a lot of money owed to us?

"Absolutely. In this process of doing a rescheduling we must not ignore the Ukraine. I think that's important that they be part of the equation, part of the agreement. We made that point at the G7 meeting."

q. Waco -- who will make decision on how to end it -- will it be by president?

"I think that the settlement would be at the scene, by the people negotiating."

q. who is in charge down there?

"The fbi is in charge. One of the principal negotiators there is an ATF man. It's still a stand-off."

q. any hopes for breakthrough?

"They anticipated a breakthough yesterday, around noon. You're dealing with a man who has no sense of what we think of as responsibility?"

q. who's been briefing president?

the FBI.

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 4, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $14,344 million of 52-week bills to be issued March 11, 1993 and to mature March 10, 1994 were accepted today (CUSIP: 912794J47).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.08% | 3.20% | 96.886 |
| High | 3.10% | 3.22% | 96.866 |
| Average | 3.09% | 3.21% | 96.876 |

Tenders at the high discount rate were allotted 40%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 17,140 | 17,140 |
| New York | 37,322,780 | 13,473,580 |
| Philadelphia | 9,260 | 9,260 |
| Cleveland | 122,125 | 122,125 |
| Richmond | 23,940 | 23,940 |
| Atlanta | 15,090 | 13,290 |
| Chicago | 1,486,335 | 162,035 |
| St. Louis | 8,275 | 8,275 |
| Minneapolis | 4,915 | 4,915 |
| Kansas City | 22,105 | 22,105 |
| Dallas | 5,785 | 5,785 |
| San Francisco | 590,260 | 192,260 |
| Treasury | 289,020 | 289,020 |
| TOTALS | $39,917,030 | $14,343,730 |
| Type | | |
| Competitive | $35,600,825 | $10,027,525 |
| Noncompetitive | 557,305 | 557,305 |
| Subtotal, Public | $36,158,130 | $10,584,830 |
| Federal Reserve | 3,250,000 | 3,250,000 |
| Foreign Official Institutions | 508,900 | 508,900 |
| TOTALS | $39,917,030 | $14,343,730 |

An additional $476,100 thousand of bills will be issued to foreign official institutions for new cash.

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PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
March 4, 1993

Contact: Peter Hollenbach
(202) 219-3302

**PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR FEBRUARY 1993**

Treasury's Bureau of the Public Debt announced activity figures for the month of February 1993, of securities within the Separate Trading of Registered Interest and Principal of Securities program, (STRIPS).

Dollar Amounts in Thousands

| | |
|---|---|
| Principal Outstanding (Eligible Securities) | $680,104,710 |
| Held in Unstripped Form | $509,200,660 |
| Held in Stripped Form | $170,904,050 |
| Reconstituted in February | $11,702,440 |

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form." These can also be obtained through a recorded message on (202) 874-4023.

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## TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, FEBRUARY 28, 1993
### (In thousands)

| Loan Description | Maturity Date | Principal Amount Outstanding | | | Reconstituted This Month[1] |
|---|---|---|---|---|---|
| | | Total | Portion Held in Unstripped Form | Portion Held in Stripped Form | |
| 5.8% Note C 1994 | 11 15 94 | $6 658 554 | $4 789 754 | $1 868 800 | 0 |
| 1 4% Note A 1995 | 2 15 95 | 6 933 861 | 5 597 701 | 1 336 160 | 102 240 |
| 1 4% Note B 1995 | 5 15 95 | 7 127 086 | 4 660 846 | 2 466 240 | 0 |
| 1 2% Note C 1995 | 8 15 95 | 7 955 901 | 5 442 301 | 2 513 600 | 60 800 |
| 1 2% Note D 1995 | 11 15 95 | 7 318 550 | 4 211 350 | 3 107 200 | 61 200 |
| 7 8% Note A 1996 | 2 15 96 | 8 416 709 | 7 599 109 | 817 600 | 30 400 |
| 3 8% Note C 1996 | 5 15 96 | 20 085 643 | 19 452 043 | 633 600 | 89 600 |
| 1 4% Note D 1996 | 11 15 96 | 20 258 810 | 18 222 810 | 2 036 000 | 0 |
| 1 2% Note A 1997 | 5 15 97 | 9 921 237 | 8 555 637 | 1 365 600 | 35 200 |
| 5 8% Note B 1997 | 8 15 97 | 9 362 836 | 8 305 236 | 1 057 600 | 38 400 |
| 7 8% Note C 1997 | 11 15 97 | 9 808 329 | 7 541 129 | 2 267 200 | 182 400 |
| 1 8% Note A 1998 | 2 15 98 | 9 159 068 | 8 784 988 | 374 080 | 0 |
| % Note B 1998 | 5 15 98 | 9 165 387 | 7 965 187 | 1 200 200 | 28 000 |
| 1 4% Note C 1998 | 8 15 98 | 11 342 646 | 10 633 846 | 708 800 | 48 000 |
| 7 8% Note D 1998 | 11 15 98 | 9 902 875 | 8 459 675 | 1 443 200 | 83 200 |
| 7 8% Note A 1999 | 2 15 99 | 9 719 623 | 9 310 023 | 409 600 | 48 000 |
| 1 8% Note B 1999 | 5 15 99 | 10 047 103 | 8 563 903 | 1 483 200 | 264 000 |
| % Note C 1999 | 8 15 99 | 10 163 644 | 9 912 144 | 251 500 | 0 |
| 3% Note C 1999 | 11 15 99 | 10 773 960 | 10 031 560 | 742 400 | 1 900 |
| 1 2% Note A 2000 | 2 15 00 | 10 673 033 | 10 492 233 | 180 800 | 0 |
| 7 8% Note B 2000 | 5 15 00 | 10 496 230 | 9 637 030 | 859 200 | 43 200 |
| 8 3 4% Note C 2000 | 8 15 00 | 11 080 646 | 10 861 926 | 218 720 | 26 080 |
| 8 1 2% Note D 2000 | 11 15 00 | 11 519 682 | 11 132 082 | 387 600 | 15 200 |
| 7 3 4% Note A 2001 | 2 15 01 | 11 312 802 | 11 246 402 | 66 400 | 0 |
| 8% Note B 2001 | 5 15 01 | 12 398 083 | 12 085 058 | 313 025 | 0 |
| 7 7 8% Note C 2001 | 8 15 01 | 12 339 185 | 12 182 385 | 156 800 | 0 |
| 7 1 2% Note D 2001 | 11 15 01 | 24 226 102 | 24 220 902 | 5 200 | 0 |
| 7 1 2% Note A 2002 | 5 15 02 | 11 714 397 | 11 460 797 | 253 600 | 0 |
| 6 3 8% Note B 2002 | 8 15 02 | 23 859 015 | 23 822 215 | 36 800 | 0 |
| 6 1 4% Note A 2003 | 2 15 03 | 11 970 143 | 11 970 143 | 0 | 0 |
| 11 5 8% Bond 2004 | 11 15 04 | 8 301 806 | 5 185 006 | 3 116 800 | 520 000 |
| 12% Bond 2005 | 5 15 05 | 4 260 758 | 3 140 208 | 1 120 550 | 160 600 |
| 10 3 4% Bond 2005 | 8 15 05 | 9 269 713 | 8 755 313 | 514 400 | 297 600 |
| 9 3 8% Bond 2006 | 2 15 06 | 4 755 916 | 4 755 276 | 640 | 0 |
| 11 3 4% Bond 2009 14 | 11 15 14 | 6 005 584 | 2 622 384 | 3 383 200 | 309 600 |
| 11 1 4% Bond 2015 | 2 15 15 | 12 667 799 | 3 319 479 | 9 348 320 | 527 680 |
| 10 5 8% Bond 2015 | 8 15 15 | 7 149 916 | 2 213 596 | 4 936 320 | 858 240 |
| 9 7 8% Bond 2015 | 11 15 15 | 6 899 859 | 2 538 259 | 4 361 600 | 1 761 600 |
| 9 1 4% Bond 2016 | 2 15 16 | 7 266 854 | 6 110 054 | 1 156 800 | 141 600 |
| 7 1 4% Bond 2016 | 5 15 16 | 18 823 551 | 18 149 151 | 674 400 | 0 |
| 7 1 2% Bond 2016 | 11 15 16 | 18 864 448 | 17 734 368 | 1 130 080 | 314 000 |
| 8 3 4% Bond 2017 | 5 15 17 | 18 194 169 | 5 009 049 | 13 185 120 | 373 280 |
| 8 7 8% Bond 2017 | 8 15 17 | 14 016 858 | 6 861 658 | 7 155 200 | 326 400 |
| 9 1 8% Bond 2018 | 5 15 18 | 8 708 639 | 2 441 439 | 6 267 200 | 235 200 |
| 9% Bond 2018 | 11/15/18 | 9 032 870 | 1 392 070 | 7 640 800 | 350 000 |
| 8 7 8% Bond 2019 | 2 15/19 | 19 250 798 | 5 311 598 | 13 939 200 | 579 200 |
| 8 1 8% Bond 2019 | 8/15/19 | 20 213 832 | 13 523 912 | 6 689 920 | 37 440 |
| 8 1 2% Bond 2020 | 2 15 20 | 10 228 868 | 3 618 068 | 6 610 800 | 193 200 |
| 8 3 4% Bond 2020 | 5 15/20 | 10 158 883 | 2 224 003 | 7 934 880 | 25 120 |
| 8 3 4% Bond 2020 | 8 15 20 | 21 418 606 | 3 923 566 | 17 495 040 | 793 280 |
| 7 8% Bond 2021 | 2 15 21 | 11 113 373 | 10 039 773 | 1 073 600 | 102 400 |
| 8 1 8% Bond 2021 | 5 15 21 | 11 958 888 | 4 935 208 | 7 023 680 | 105 280 |
| 8 1 8% Bond 2021 | 8 15 21 | 12 163 482 | 9 557 082 | 2 606 400 | 396 800 |
| 8% Bond 2021 | 11 15 21 | 32 798 394 | 18 407 219 | 14 391 175 | 1 633 200 |
| 4% Bond 2022 | 8 15 22 | 10 352 790 | 9 815 190 | 537 600 | 0 |
| 5 8% Bond 2022 | 11 15 22 | 10 699 626 | 10 650 026 | 49 600 | 0 |
| 1 8% Bond 2023 | 2 15 23 | 9 817 290 | 9 817 290 | 0 | 0 |
| Total | | 680 104 710 | 509 200 660 | 170 904 050 | 11 702 440 |

[1]Effective May 1, 1987 securities held in stripped form were eligible for reconstitution to their unstripped form

Note: On the 4th workday of each month a recording of Table VI will be available after 3:00 pm eastern time. The telephone number is (202) 874-4023 ~~The balances in this table are subject to audit and~~ subsequent adjustments

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 8, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,699 million of 13-week bills to be issued March 11, 1993 and to mature June 10, 1993 were accepted today (CUSIP: 912794D43).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.96% | 3.02% | 99.252 |
| High | 2.98% | 3.04% | 99.247 |
| Average | 2.98% | 3.04% | 99.247 |

Tenders at the high discount rate were allotted 50%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 22,220 | 22,220 |
| New York | 38,213,030 | 9,793,475 |
| Philadelphia | 9,090 | 9,090 |
| Cleveland | 43,135 | 43,135 |
| Richmond | 235,255 | 182,755 |
| Atlanta | 38,225 | 31,725 |
| Chicago | 1,762,960 | 252,460 |
| St. Louis | 7,940 | 7,940 |
| Minneapolis | 6,375 | 6,375 |
| Kansas City | 26,710 | 26,710 |
| Dallas | 15,755 | 15,755 |
| San Francisco | 1,168,110 | 438,610 |
| Treasury | 869,170 | 869,170 |
| TOTALS | $42,417,975 | $11,699,420 |
| **Type** | | |
| Competitive | $37,709,965 | $6,991,410 |
| Noncompetitive | 1,391,055 | 1,391,055 |
| Subtotal, Public | $39,101,020 | $8,382,465 |
| Federal Reserve | 2,621,655 | 2,621,655 |
| Foreign Official Institutions | 695,300 | 695,300 |
| TOTALS | $42,417,975 | $11,699,420 |

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AUCTION RESULTS
# PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 8, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,676 million of 26-week bills to be issued March 11, 1993 and to mature September 9, 1993 were accepted today (CUSIP: 912794F66).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.07% | 3.16% | 98.448 |
| High | 3.09% | 3.18% | 98.438 |
| Average | 3.09% | 3.18% | 98.438 |

Tenders at the high discount rate were allotted 86%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 17,465 | 17,465 |
| New York | 39,381,615 | 10,588,535 |
| Philadelphia | 5,570 | 5,570 |
| Cleveland | 29,890 | 29,890 |
| Richmond | 27,910 | 22,910 |
| Atlanta | 52,850 | 36,010 |
| Chicago | 2,126,845 | 121,305 |
| St. Louis | 10,380 | 10,380 |
| Minneapolis | 6,945 | 6,945 |
| Kansas City | 27,165 | 27,165 |
| Dallas | 9,870 | 9,870 |
| San Francisco | 664,555 | 205,255 |
| Treasury | 594,330 | 594,330 |
| TOTALS | $42,955,390 | $11,675,630 |
| **Type** | | |
| Competitive | $38,678,175 | $7,398,415 |
| Noncompetitive | 967,815 | 967,815 |
| Subtotal, Public | $39,645,990 | $8,366,230 |
| Federal Reserve | 2,650,000 | 2,650,000 |
| Foreign Official Institutions | 659,400 | 659,400 |
| TOTALS | $42,955,390 | $11,675,630 |

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


Embargoed until delivered
Expected about 1:30 p.m.
March 9, 1993


Contact: Chris Peacock
(202)622-2930


Remarks As Prepared For Delivery
The Honorable Lloyd Bentsen
Secretary of the Treasury
1993 Greater New York Savings Bonds Committee
New York, New York

Thanks to all of you for coming out and making New York number one in the country in savings bonds sales.

And thanks especially to Mayor Dinkins. I know how busy the Mayor is, and I want to say what a great job everyone is doing here to get the World Trade Center up and running.

I can tell you that this city has the full support of President Clinton and we're doing everything we can in the Treasury's Bureau of Alcohol, Tobacco and Firearms to investigate this disaster and to take steps to ensure it doesn't happen again.

Well, President Clinton has made it fashionable to give long speeches, but I'll try to be on the short side today.

You have to get back to work, and I have a plane to catch -- a commercial flight.

I don't know if you saw it, but last week the New York Times did a piece about my schedule at the G-7 meeting. I flew commercial from Washington to New York to London, met with my fellow finance ministers for seven hours, and then flew back home the same way -- all within a 40-hour period.

I had to laugh because the Times said it was a gruelling schedule for a 72-year-old man. A reporter in his 40s wrote that.

But for me, well, it was a quick way to pick up 9,600 frequent flier miles for the Treasury!

Today, I want to talk about savings bonds, and I want to talk about the President's Economic Plan. There's a very easy way to tie the two together. A couple numbers do it.

You see, for 52 years millions of Americans have invested a total of $300 billion in savings bonds. Think about how many kids went to college, think about how many families went on vacation, think about how many homes were built because Americans put away money every week to buy an EE bond. 52 years, $300 billion.

Well, here's the tie in. The government now borrows $300 billion every 52 weeks, just to pay our bills.

Let me repeat that: it took millions of Americans 52 years to save in bonds what we as a nation now borrow every 52 weeks.

Frightening, isn't it?

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In my opinion it's a national disaster. The American people know it, and that's why they are praising President Clinton's efforts to try to change our economy.

The President, Vice President Gore, all my colleagues in the Cabinet -- we've gone around the country and world to explain the plan. And we're finding a lot of enthusiasm.

I've talked to families who are struggling and small businessmen and women who can't get loans, and they're committed.

I've talked to school children, and they're committed. They don't want to be paying off bills for the next 40 years that we created.

The news from the markets has been very encouraging. When we proposed the package we expected some reduction in long-term interest rates by the bond market, but the reaction has been beyond our anticipation. Long-term bond rates have fallen nearly 38 basis points since the plan was announced and nearly 100 basis points since the election.

The lower rates will have enormous benefits for the economy. There will be a significant reduction in debt service costs for Treasury. Consumers will be able to finance mortgages and other purchases more cheaply. Businesses will be able to invest in more plants and equipment because they can borrow at lower rates and because of our proposed investment tax credit, which I'll talk about in a minute. With greater investment our productivity will rise, leading to higher-wage jobs for our workers.

I take all of this as a sign that the markets understand the seriousness of our program. We're making some tough choices to really bring the deficit down. But we really don't have any choice in this. If we do nothing now, the deficit in a decade will be $653 billion.

It is gratifying for me to see the strong support in Congress for the plan, and the fast pace in which Congress is moving on it. The Senate Budget Committee is starting today to mark up the budget resolution. The House Budget Committee starts marking it up tomorrow. Gridlock is gone.

It was also gratifying for me to attend the G-7 meeting, where the foreign finance ministers had praise for the plan. For years they've been telling the United States: "Get your deficit down." Finally they're seeing a serious attempt, and they appreciate it. The U.S. is in the strongest leadership position it has been in more than a decade, I think.

Of course, we still need support from big business -- that means we need your help.

First, we need you to sell more savings bonds. And second, we need your help on the Economic Plan.

Now, I don't know who scheduled me to speak 10 days after we lowered the savings bonds minimum guarantee from 6 to 4 percent -- something we hadn't done since 1986.

But let me explain this: we had to do it because our rates were too high, and the Office of Management and Budget says it will save us a couple billion dollars.

Savings bonds are good for the Treasury because they are a low-cost way to finance the public debt -- and they're good for Americans, because we don't save enough in this country.

Americans don't even save 5 percent of their incomes. Americans save half of what a typical family in Germany saves, and just one third of what a family in Japan saves.

And in spite of the rate cuts, I still think savings bonds are an easy sell. The rates are still competitive compared to CDs and other bonds. They can be cashed in any time after six months from purchase. There are no commission or maintenance fees. They offer tax advantages.

And they are easy to buy. Thanks to your efforts and others across the country, we have an army of 500,000 volunteers in businesses and government agencies ready to help out.

Last calendar year, more than $17 billion in sales were completed -- our highest year ever -- and I hope we can do just as well in 1993.

One more thing about savings bonds. Each time an American buys a bond, he or she is directly investing in our future. They are saying this country is worth investing in.

And that's what the President's Economic Plan is all about: investing in America.

We've taken a cue from business. You can't grow your business -- you can't survive in business today -- unless you invest in it. Isn't the first question you ask every year -- "How much should we invest in product and plant?" Isn't it the CEO's job to think about the future?

How many times have you heard the American government, this trillion dollar enterprise, talk about its long-term investment plans?

Actually, we're taking two cues from business. You pick up the paper every day, and you read how American companies are downsizing. How they are closing operations, shutting down plants, and doing anything they can to get lean and mean to compete.

When in the last 10 years have you picked up a paper to read about the downsizing of government? Not very often, I'm afraid, and usually the attempts have failed because of gridlock.

Well, the two cues -- investing and downsizing -- we've put into our Economic Plan. We think it's a good plan for America, and in this case, what's good for America will be good for business, too. I really believe that.

Let me take you through the plan -- briefly.

First, we have a moderate, $30-billion stimulus to speed up the recovery.

Why have a stimulus? Some people are saying it's not necessary because the economic news has been better and job growth picked up in February. But we think it's necessary because the economy is still operating far short of its capacity. The stimulus package can help to move the economy back towards its potential.

Yes, employment rose in February, but we still have nearly 9 million Americans unemployed. A full 8 percent of New Yorkers are unemployed. In New Jersey, unemployment is 7.8 percent. We are operating well below capacity, so there is little chance that the stimulus package will overheat the economy or rekindle inflationary pressures -- as some may worry.

In fact, roughly half the $30-billion stimulus will go to enhance growth and to jump-start the economy. We'll increase spending for highways and mass transit systems, for example. We'll create the equivalent of about 500,000 full-time jobs overall.

The other half of the $30 billion will go toward tax incentives to stimulate private sector investments -- your investments. For large businesses, we have a temporary 7 percent incremental investment tax credit. And for small businesses, there's a permanent investment tax credit that starts at 7 percent and phases down to 5 percent in two years.

Second, we want to expand America's capacity to produce, long term.

We haven't kept up in our investments in our infrastructure, in a quality work force, or in modern plants and equipment that produce our goods.

Just as an example, in the 1960s, public investment was 4.5 percent of Gross Domestic Product. But in the 1970s it was only 3.3 percent. And by the 1980s, it had fallen to 2.6 percent.

Or here's a better example for business. Private investment as a share of GDP is 15.5 percent in the United States. In Japan, it's 32 percent -- 32 percent!

How do we expect American businesses to compete globally, if we don't invest like the rest of the world?

So we have a lot of plans to shift these trends. We plan to extend the research and development tax credit permanently. We plan to increase investment incentives for small businesses, and modify the alternative minimum tax depreciation schedule, something that will especially help capital-intensive businesses.

We plan over $4 billion for worker retraining and defense conversion. We plan to start a National Service Corps, so American youth can pay off college with community service work.

You don't need a bunch of drop-outs knocking on your doors for employment. You need educated future workers.

We will be investing by 1997 nearly $19 billion a year in things that are important to productivity and growth -- like transportation and technology.

All our investments make sense. They are the sorts of spending that will remove our own impediments to competition.

The third and final part of the plan is deficit reduction. This year, we will pay 14 percent of the federal budget for interest. 14 cents on every dollar buys us nothing. It just pays for our past sins. All we get back is canceled checks. If we do nothing, in a decade it will be 20 percent.

We have a list of 150 ways to cut government spending. Every segment of the budget -- defense, non-defense, entitlements -- is included.

By 1997, a $37 billion savings in defense expenditures, $20 billion in non-defense spending, and $41 billion in entitlements.

President Clinton is cutting the White House staff by 25 percent. By 1997, we're cutting the cost of running our departments and agencies by 14 percent.

Believe me, I personally feel the effects at Treasury. These are honest cuts. The kinds that you make every day in business -- we're finally making in government.

Of course, there are two ways to solve our deficit problem. Yes, we're downsizing, but we also need to raise revenues. There's no way of getting around that. By 1997, when the plan is in full operation, roughly half the savings will come from spending cuts and half from revenues. In the years beyond, the proportion of spending cuts remains at least that high.

In raising revenues, we're trying to restore equity in the system, both in the personal income tax rates and in corporate rates.

On the corporate side, the marginal rate is going up from 34 percent to 36 percent on the largest companies.

Please keep corporate tax rates in perspective. The rate is 50 percent in Germany, and in Japan it is 40 percent. In 1950, more than a quarter of our government's revenues came from corporate taxes. Now, it's just 9 percent. Our proposed increase is relatively modest.

To be sure there is tax fairness for everyone, we will ensure that foreign businesses pay the taxes they owe in the United States. To do this, we have a series of international compliance reforms. And, a related provision restricts the ability of foreign-owned U.S. corporations to avoid tax on their earnings distributed as interest.

Finally, to raise revenue, we have a broad-based energy tax. A tax that will also improve our environment by effectively taxing pollution and reducing dependence on foreign oil by encouraging conservation.

The President is very concerned about how all of these taxes effect families and businesses. Obviously they are going to effect everyone differently. Many of you in this room I'm sure will be paying more personally on April 15, 1994. Some of your businesses will be paying more.

But in the end, I think we need to look at how this effects a middle-income family, earning, say, $40,000. You see middle-income families are the customers who buy your products, and if they are unemployed, they don't make very good customers.

And do you know what in 1997 the net impact on the entire revenue package will have per week on a family earning $40,000?

$4. One trip per week across the George Washington Bridge.

Every day when I come to work at the Treasury Building I pass a statue of Alexander Hamilton -- this country's first Treasury Secretary, and a man who served with George Washington in battle and in office. When I pass his statue, I think about the history of this great country. I think about all the sacrifices that our founding fathers and every generation that followed have made for America.

We always did it for our kids, didn't we? We always did it so the next generation will have things better than we had them.

Maybe our package means one trip a week across the George Washington Bridge for some ... maybe many trips for others ... maybe thousands of trips for still others ... but I think in the end we can all come together and sacrifice together to keep this country great. That's what America is all about.

Thank you very much. And one more thing: remember to sell those savings bonds.

# # #

# TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960


FOR RELEASE AT 2:30 P.M.
March 9, 1993


CONTACT: Office of Financing
202/219-3350


TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $23,200 million, to be issued March 18, 1993. This offering will result in a paydown for the Treasury of about $175 million, as the maturing weekly bills are outstanding in the amount of $23,377 million.

Federal Reserve Banks hold $5,222 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $1,973 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

## HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS

| | | March 9, 1993 |
|---|---|---|
| **Offering Amount** . . . . . . . . . . . . | $11,600 million | $11,600 million |
| **Description of Offering:** | | |
| Term and type of security . . . . . | 91-day bill | 182-day bill |
| CUSIP number . . . . . . . . . . . . . | 912794 D5 0 | 912794 F7 4 |
| Auction date . . . . . . . . . . . . . | March 15, 1993 | March 15, 1993 |
| Issue date . . . . . . . . . . . . . | March 18, 1993 | March 18, 1993 |
| Maturity date . . . . . . . . . . . . . | June 17, 1993 | September 16, 1993 |
| Original issue date . . . . . . . . . | December 17, 1992 | March 18, 1993 |
| Currently outstanding . . . . . . . . | $12,244 million | --- |
| Minimum bid amount . . . . . . . . . | $10,000 | $10,000 |
| Multiples . . . . . . . . . . . . . . . | $ 5,000 | $ 5,000 |

**The following rules apply to all securities mentioned above:**

Submission of Bids:

Noncompetitive bids . . . . . . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . . . . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . . . . . 35% of public offering

Maximum Award . . . . . . . . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . . Prior to 12:00 noon Eastern time on auction day

Competitive tenders . . . . . . . . . Prior to 1:00 p.m. Eastern time on auction day

Payment Terms . . . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

# TREASURY NEWS

Department of the Treasury    Washington, D.C.    Telephone 202-622-2960


Embargoed until delivery
Expected about 10 a.m.
March 10, 1993

Testimony of Treasury Secretary Lloyd Bentsen
Before the House Ways & Means Committee

Chairman Rostenkowski, members of the Committee:

It's a pleasure to join you this morning. For me it's always a special occasion to come before Chairman Rostenkowski, with whom I worked so closely for so many years while in Congress. I look forward to a continued close relationship with all of you.

I have the greatest respect for the work of this committee. It is here that much of the heavy lifting in our government begins. This year will present you with many difficult challenges, but I am confident that you will meet them.

We have reached a turning point in our economic history, and we cannot step back. In the past few weeks the President has detailed a comprehensive plan to restore American economic growth and leadership. It needs your input and we welcome that. I am confident that you will find that time invested in working with this Administration will produce results for all of us and for the nation.

We have a singular opportunity to strengthen our economy, improve our standard of living, and revitalize the American job-producing machine.

On the evening of February 17th, President Clinton presented his vision and plan to you, and to the millions of Americans watching at home. The reception was gratifying, and the momentum has continued to build.

From the moment we began talking about our plan we expected that long-term interest rates would come down. In all candor, the decline has been beyond our expectations. Although there may be some fluctuations, there already has been a pay-off. We're saving on debt service costs. Americans are saving money on their home mortgages and credit cards. Businesses are finding it cheaper to finance new plants and equipment, and our investment tax credit proposals will help encourage that sort of expansion.



LB-65

I'm also gratified at the strong support we are getting in Congress, and I applaud the Budget Committees for acting with such dispatch on our program. In addition, the response from overseas has been enthusiastic.

Eleven days ago in London I met with one of the toughest audiences: the representatives of the six major industrialized nations which, together with the United States, make up the G-7 group. These are the countries whose financial markets are closely connected to our own, and whose purchases are important for our exporters. Working together should open markets and lead to the type of sustained growth that could increase demand for American goods across the board.

The support I saw in London for this program was clear and strong. Where economic growth is concerned, national interests and international imperatives coincide. And growth is what the Administration's economic plan will bring: growth in jobs, growth in investment, and growth in productivity and incomes.

For the United States, a major obstacle to growth has been our budget deficit. And it is the seriousness of President Clinton's deficit reduction package that has triggered much of the support and economic optimism both here and abroad. I'd like to discuss that with you first and then move on to the closely related subjects of our stimulus and investment plans.

I. Reducing the Deficit

Deficit reduction is the key to a reduction in U.S. long term interest rates, economic stability, and long-term productivity and income growth here at home. Our trading partners have long urged us to reduce our large and growing budget deficits. Now we offer deeds, not just words. And they can count on an investment-led U.S. recovery to offer additional opportunities for their exports.

At home, the deficit affects every American, every day. It is not some abstract concept debated by economists. It means higher interest payments on mortgages and credit cards. It lowers our investment and our standard of living. It touches us all.

The large deficits we face seriously impede investment. When the economy is fully employed, every dollar we borrow as a government to finance consumption is a dollar that is unavailable to the private sector to finance investment. This drain on our saving has caused our rates of private investment to fall far below those of our major trading partners. You can see this in the first chart.

The willingness of foreign investors to provide funds has compensated for much of the depressed level of savings in this country that reflects, in part, our budget deficit. But this means that we may be drawing on financial resources badly needed elsewhere in the world. It also means that our children are going to have to repay some of the fruits of our investment to lenders in Europe and Japan, rather than keeping them at home.

Large annual deficits also produce a mountain of debt, and the interest on that debt accounts for an ever increasing share of the government budget. These increasing interest payments squeeze out important government spending. With this mounting interest burden, it is not surprising that our spending on public infrastructure is only a third that of Japan's and well below that of other major industrialized countries. You can see the problem in the next chart.

We must reduce the federal deficit to lessen the government's drain on national saving, to free up funds for investment, to leave room in the budget for critical domestic programs, to restore our leadership in the world economy, and to make our nation less dependent on foreign capital.

President Clinton's deficit reduction plan takes a bold step in bringing the deficit under control. In 1997, when the provisions are fully phased in, this plan will reduce the annual deficit by $140 billion. We welcome the additional steps to by members of the House and Senate Budget Committees to further cut spending and increase the deficit reduction that the plan will produce.

The president made hard choices on spending, and he made sure that the deficit reduction plan is balanced. In 1997, when the plan is fully operational, half the savings will come from spending cuts and half from revenues. In the years beyond, the proportion of spending cuts remains at least that high. Furthermore, if the Congress adopts the additional spending cuts that have been suggested by members, I anticipate this ratio will be higher than 50 percent in spending cuts.

This administration's deficit reduction plan differs from previous plans in a number of respects -- and here I really can speak from experience. I know what it's like to receive a proposal from the Executive Branch that promises vague cuts and then asks Congress to make all the tough choices.

This package doesn't use the rhetoric of across-the-board cuts, while dodging the reality of who gets hit; it offers 150 specific cuts. Furthermore, the savings in this plan are all permanent, not temporary. Finally, this plan is not based on a "rosy scenario," but rather works off the more conservative economic forecasts of the Congressional Budget Office.

Let me just give you a few of the details on the plan. We have taken the first steps to changing our economic course within the federal government itself. It is only fair that if we ask America to contribute, we make our contribution first. Through 1997, we're cutting the cost of running our departments and agencies by 14 percent. I'm taking my share of these cuts at Treasury.

Major cuts will be made in domestic non-defense discretionary categories, reducing spending by $20 billion in 1997. And, we will see $37 billion savings with prudent reductions in defense expenditures.

The fair and equitable changes we propose in entitlement programs will save $41 billion a year by 1997. Let me give you a few examples of the entitlement cuts we have made.

In the area of farm subsidies, I understand the troubles that our farmers put up with to provide us with the best agricultural products in the world. But we need to make some changes. There are some people who farm, who also earn more than $100,000 a year from activities that have nothing to do with feeding or clothing Americans. That $100,000 is a good income, anywhere in America. We will end agricultural price supports to these individuals. It's only fair that subsidies end for those who do not need them.

Our plan also will make prudent cuts in the Medicare provider payments without, and let me repeat that, without reducing the care available to Medicare beneficiaries. Our plan does not raise premiums. And hopefully, it may reduce out-of-pocket costs for Medicare beneficiaries.

The largest and most sensitive entitlement program of all is, of course, Social Security. We propose <u>no change</u> in Social Security benefits or the cost-of-living increases. But for upper-income recipients, the plan increases the percentage of their Social Security benefits subject to tax, from 50 percent to 85 percent. This brings their tax treatment more in line with the tax treatment of private pensions. Revenues from this proposal go into the Medicare trust fund, a trust fund that is expected to be in trouble in the next decade without this funding.

Now, let me turn to the revenue side of the deficit reduction package. Here, the President's plan moves to restore equity to our tax system. Throughout in the 1980s, our most wealthy citizens benefitted disproportionately in relation to middle income working families. As the chart shows, the wealthiest 1 percent of Americans saw their income go up nearly 50 percent while their effective tax rate fell by nearly 25 percent. The President's plan reverses that pattern.

The revenue changes we propose restore greater progressivity to the individual tax system. Families with about $180,000 in adjusted gross income will have their rate increased from 31 percent to 36 percent. Furthermore a surtax of 10 percent is levied on those with taxable incomes of $250,000 or more. These changes will affect only the wealthiest 1.2 percent of American taxpayers. These rate changes won't touch middle income Americans at all.

Higher-income workers will also be required to increase their payments under the Medicare tax. The proposal eliminates the current cap of $135,000 on earnings subject to the Hospital Insurance portion of the payroll tax. Revenues from this proposal also will go into the Medicare trust fund, further extending its period of solvency.

In addition, we are asking corporations to pay their fair share. Forty years ago, over a quarter of government revenues came from the corporate tax. Now it's just 9 percent. We propose raising the top rate from 34 percent to 36 percent for corporations with incomes over $10 million. This change will affect only 2,700 large corporations out of 2.2 million.

In dealing with corporate tax provisions, our plan also recognizes that there are some deductions, such as business meals, entertainment and club dues, that should be reduced or eliminated.

We also will make certain that foreign businesses pay the taxes they owe in the United States. To do this, the package has a series of international compliance reforms. The principal provision would require multinational enterprises to establish their transfer pricing methodology before they file their tax returns.

To ensure that we get the most revenue possible from our existing taxes, the package also includes a series of domestic compliance measures. The tax gap -- the difference between what people owe in taxes and what is actually paid -- is a persistently large number. Much of this is attributed to unreported income, often by business. The package has several provisions -- ones that raise over $2 billion in 1997 -- to help us get at this problem.

Finally, the plan also includes a broad-based energy tax. This proposal has three important goals: improving our environment by effectively taxing pollution, reducing dependence on foreign oil, and cutting the deficit.

The president carefully considered how the energy tax will affect Americans. Our program is intended to be as regionally neutral as possible. We chose a BTU tax rather than going after any specific fuel, like imported oil, or gasoline, or coal.

We will apply this tax to fossil fuels -- coal, oil and natural gas -- and we will work with you for a system to collect it effectively and efficiently.

Along with our energy tax, we propose extending the 2.5-cents-per-gallon tax on motor fuel, which was set to expire in 1995. This money will go towards replenishing the highway trust fund, for investing in our public infrastructure.

In this country, we have relied on cheap energy for years. Even with our energy tax, our rates will be far below the tax rates charged by many of our G-7 partners. For example even with the new taxes, the price of a gallon of gasoline in the United States will be roughly $1.20. In France and Germany that gallon of gasoline costs nearly $4.

The president has been very concerned about how the energy tax will affect American families. With the Earned Income Tax Credit, and with changes to the Food Stamp and the Low Income Home Energy Assistance Program, families with incomes of $30,000 or less pay no, or virtually no additional tax under our revenue plans.

In fact, if you look at the next chart, you will see that on average, a family with an income of $40,000 will pay just $17 a month more in 1997 when all of our changes are in place. Let me remind you, lower interest rates are already saving Americans $60, $80, $100 a month or more on new and refinanced mortgages, so these tax changes are, for many people, already more than paid for.

While raising taxes is never easy, let me put the magnitude of this tax increase in perspective. The next chart shows the total tax burden in the United States compared to that in other industrialized countries. The figures include all taxes raised by all levels of government. You can see that even once the new taxes are introduced, the United States' tax revenues as a percent of GDP are the lowest among the G-7 partners. For us the figure will be about 33 percent. For the Germans, it's more than 43 percent. Even for the Japanese, it is nearly 35 percent.

II. Speeding Recovery From the Recession and Increasing Investment

Deficit reduction will make an important contribution to our long-term economic health. But we also need to take immediate action to create jobs and to stimulate investment spending. Thus, we are proposing a modest stimulus for the immediate problems facing us, and an investment package to shift America's priorities towards the future.

February's employment results were better than expected, and we welcome them. But nearly 9 million people are still unemployed, and a record number of people have been out of work for extended periods of time. In California the unemployment rate is pushing 10 percent. Even with the good February numbers, job growth in this recovery is meager compared to the comparable stage in previous recoveries. With a large number of people out of work, and underutilized factories, we are operating well below our capacity. With so much excess capacity, inflationary pressures are largely absent. Clearly there is both the need and the opportunity to achieve high rates of real growth.

Roughly half the money in the stimulus goes for tax incentives to stimulate private sector investment. Specifically, the plan includes a temporary 7 percent incremental investment tax credit for large businesses, and a permanent investment tax credit -- phasing down from 7 percent to 5 percent in two years -- on investments by small businesses. Small businesses are vital to our economy, since they are the major source of new jobs.

The other half of the stimulus accelerates spending for programs that serve the twin objectives of enhancing long-term growth and jump-starting the economy. For example, it increases spending for highways and mass transit systems, and it invests in disadvantaged youth by creating roughly 700,000 jobs this summer.

On a full-year equivalent basis, the stimulus plan will create 500,000 new jobs overall. Americans need jobs now and they deserve them.

In addition, too often we have seen businesses which create jobs having trouble getting the credit they need to expand. The Treasury Department Comptroller General -- in cooperation with the Federal Reserve and the FDIC -- is working to alleviate the "credit crunch," and free up capital for small and medium-sized businesses.

The president will be having something to say this afternoon about our steps to relieve this impediment to our recovery.

The stimulus package, and our efforts to alleviate the credit crunch are what must be done to tackle today's challenge. Yet we all know that that's only half the battle.

Our investment package is designed to reverse the nation's stagnating productivity and wage growth. As the chart shows, the growth in output per worker has practically ground to a halt over the last two decades, and real wages have barely budged at all. As a result, average Americans have seen little increase in their living standards. This means that simply recovering from the recession is not good enough. We not only need to create more jobs, we also need better jobs with higher wages.

There is little doubt that under-investment -- in private business capital, in public infrastructure, and in the skills of the American work force -- has contributed to slow productivity growth and stagnant wages.

As I said before, America devotes a much smaller share of its Gross Domestic Product to public and private investment than other developed countries. We have also neglected investment in our citizens. For example, our students repeatedly score below their counterparts in other developed countries on math and science tests.

More investment is critical to improving productivity, wages, and living standards. The investment package contains two major efforts to improve both public and private investment.

The investment package will start shifting the composition of the federal budget from consumption to investment. It will expand America's capacity to produce, and offer better opportunities to workers. It will bear fruit long after the current recovery has been firmly established. The package includes both tax incentives and public investment expenditures.

The tax side of the investment package includes two important provisions for small business, since small companies are the major source of new jobs. First, small business will continue to enjoy the permanent investment tax credit that is introduced in the stimulus package. Second, we propose that investors in small corporations be able to exclude 50 percent of the gain on stock held more than 5 years. This exclusion is carefully targeted to benefit small growth companies and to avoid abuse.

Both small and large capital-intensive corporations paying the minimum tax will benefit from the simplified and enhanced depreciation provisions included in the stimulus package. This proposal substantially enhances the investment incentives for these taxpayers by using the shorter regular tax depreciable lives for minimum tax as well as regular tax purposes. This proposal builds on important work done in this area by this committee under the guidance of Chairman Rostenkowski

In addition, the tax side of the package permanently and retroactively reinstates several provisions that expired last June. For example, we make permanent the research and development tax credit to let business better plan future research investments. To stimulate investment in housing for low-income families, we propose a permanent extension of both the low-income housing credit and the mortgage revenue bond provisions.

Since investment in people is as important as investment in machines, the targeted jobs tax credit is made permanent and expanded to include youth apprenticeship programs. In addition, the general exclusion for employer-provided educational assistance is permanently extended.

This part of the program also authorizes the establishment of enterprise zones. While the details are still being refined, the purpose is to provide incentives to hire and train workers, and to improve the physical capital of some of our nation's most distressed urban and rural areas.

These tax incentives in the investment package for the private sector are then reinforced by increased public investment in a wide range of physical capital and workers, both of which are critical for productivity and growth. The investments reaffirm the investment themes President Clinton articulated during the campaign.

Chairman Rostenkowski, members of the committee: We have presented detailed, enforceable, credible program which will strengthen our economy and make a significant impact on deficit reduction.

It will create jobs. It will make and encourage the investment in America, and in Americans, that will produce the economic growth and revitalization we need to strengthen our position of world leadership. And, it will allow us to again be certain we can pass on a better way of life to our children and grandchildren.

Throughout my public life I've worked with many of you in this room on the economic problems of our country -- budget deficits, trade deficits, a growing debt, and the other issues we have faced.

Today we stand at a crossroads. Down one path lies an economy with restored vitality, an economy that again is the strong and vibrant force that has made us a world leader. Down the other path is delay and divisiveness, and a price in economic pain that grows worse the longer we wait to act.

This committee will play a leadership role in determining which course we chose.

You can be assured that this administration will work cooperatively with you. Our approach is not one of confrontation. There is nothing to be gained that way, and the job is too important. It took difficult decisions to put this package together, and it will require equally courageous decisions by each of you. Together, we have the opportunity to make a difference for our future, and we must seize it.

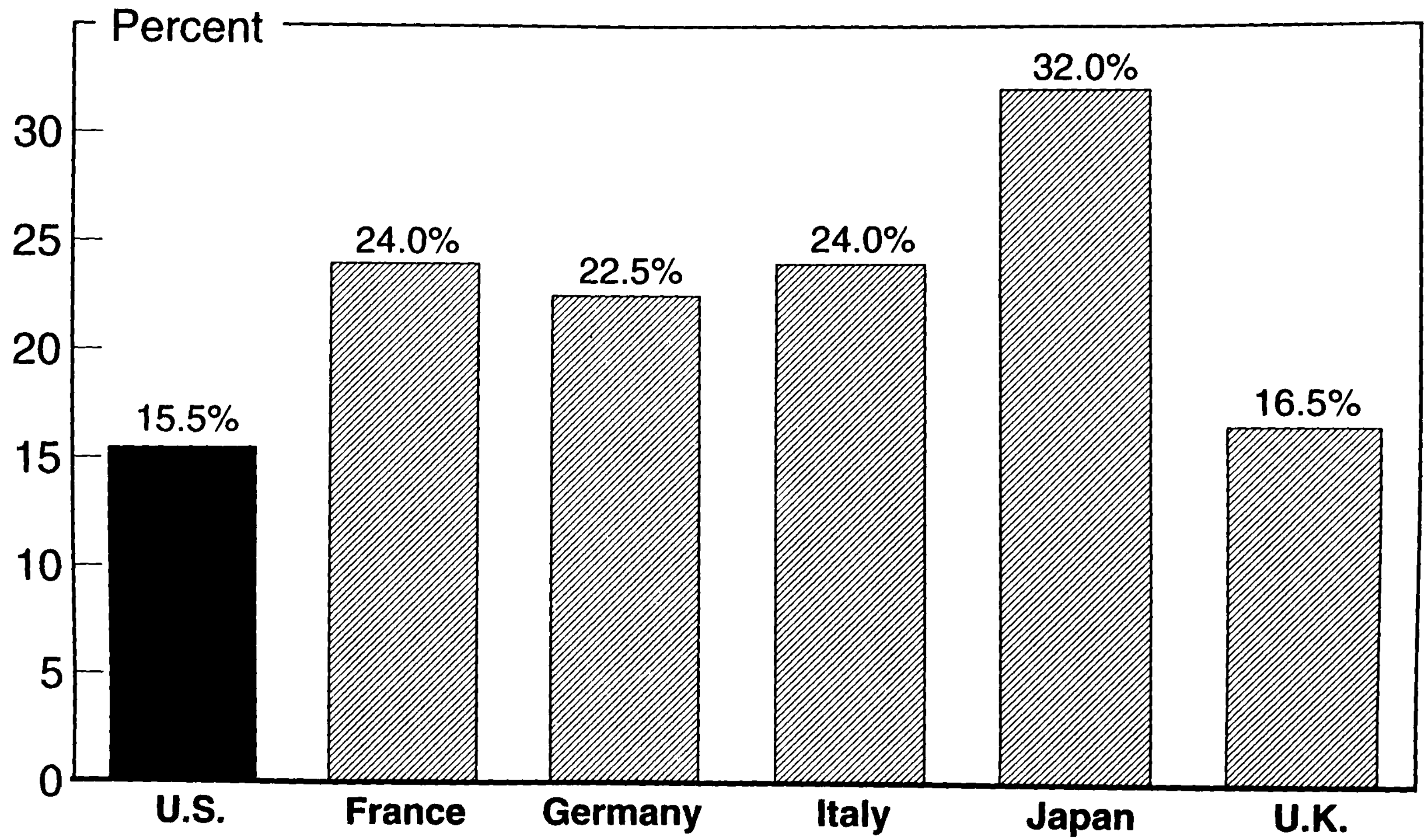
Thank you very much.

* * *

# CHARTS TO ACCOMPANY SECRETARY BENTSEN'S TESTIMONY BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

MARCH 10, 1993

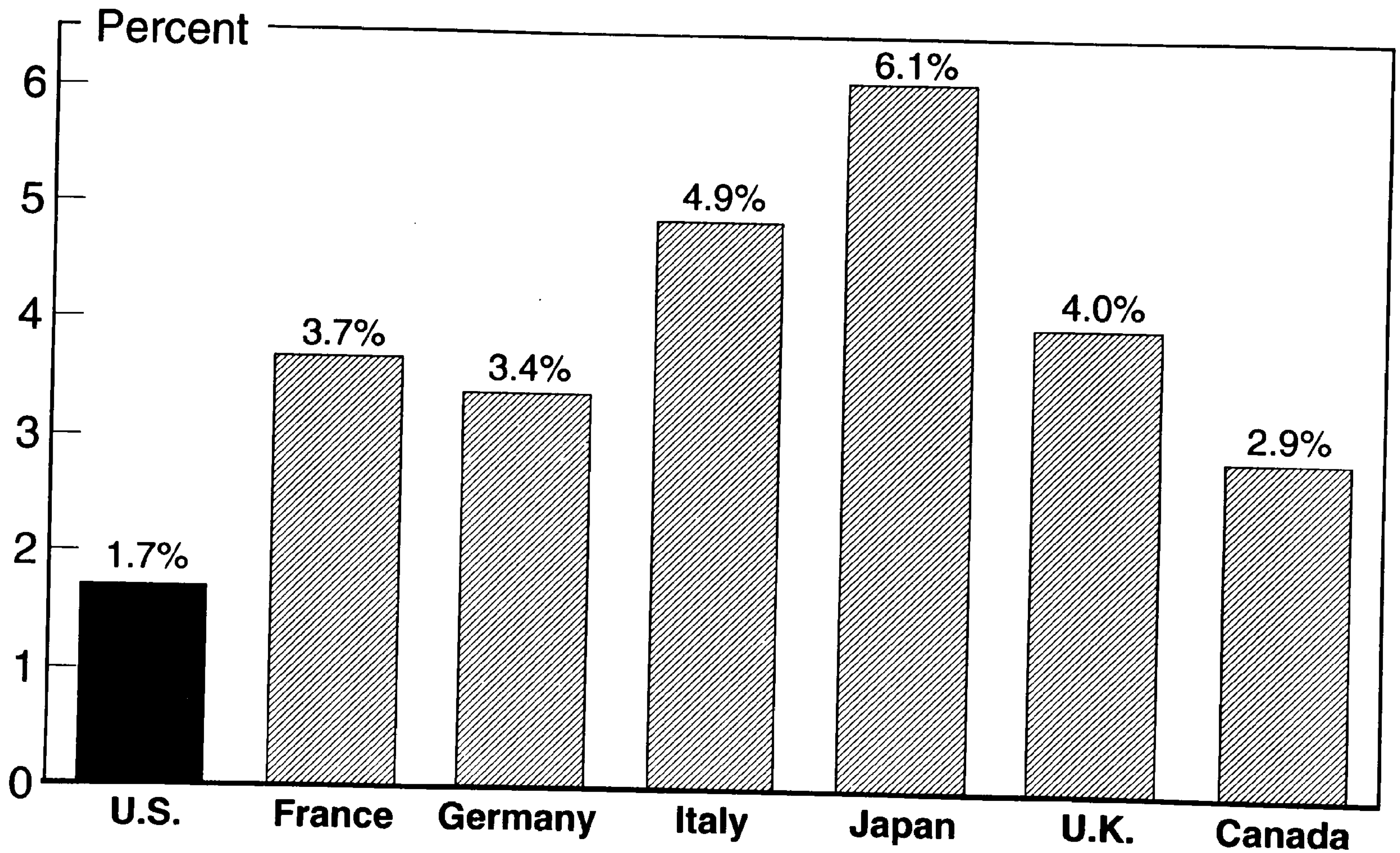
# U. S. Invests Less Than Its Competitors




Gross average annual private investment as a percent of GDP, 1980-92

Source: OMB

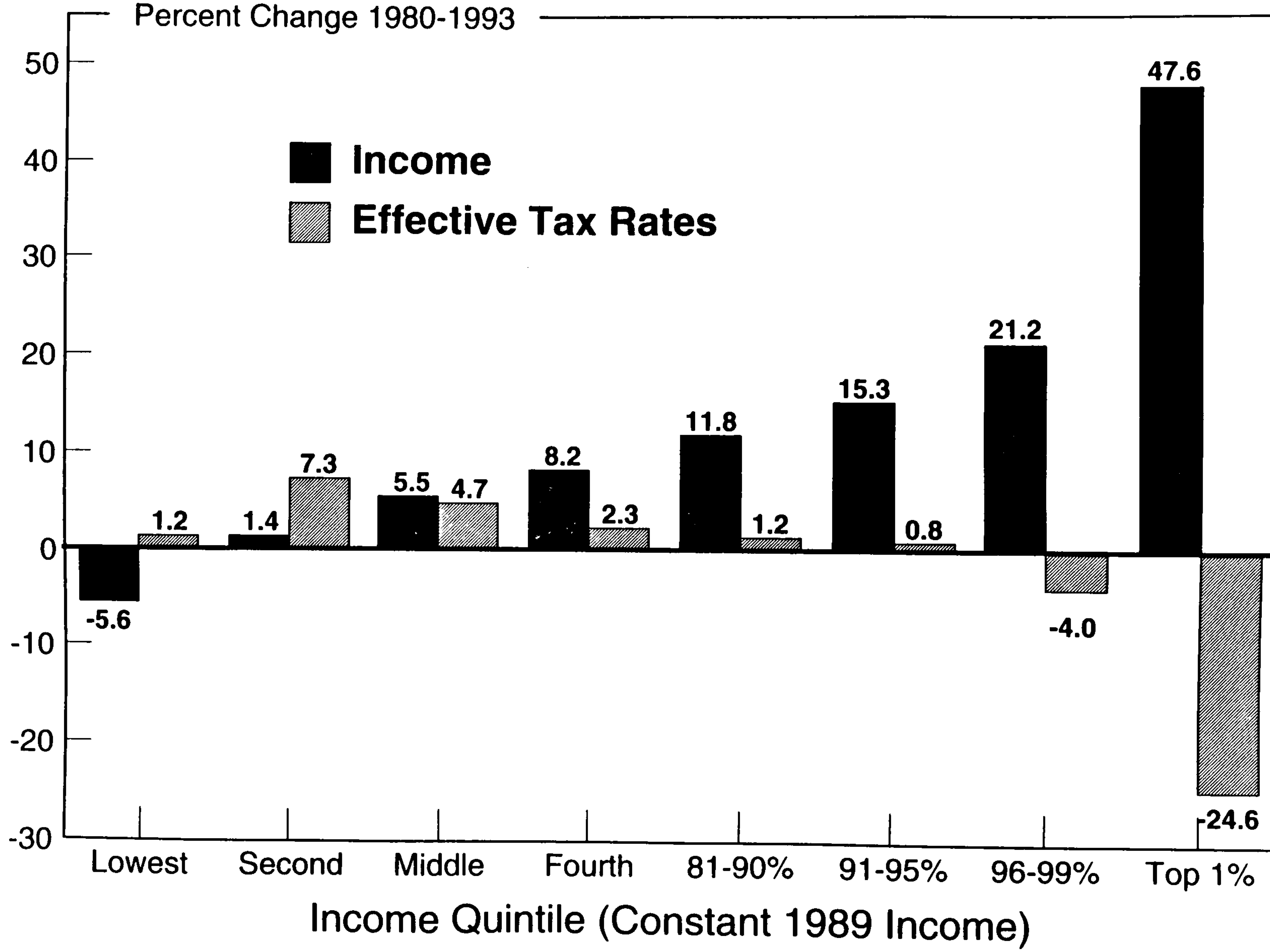
# U.S. Public Investment Is the Lowest of the G-7 Countries




Public investment as a percent of GDP, 1990

Source: OECD

# Affluent Have Not Been Paying Their Fair Share




Source: 1992 Green Book.

# Energy Tax Will Cost the Average Family Only $17 Per Month In 1997

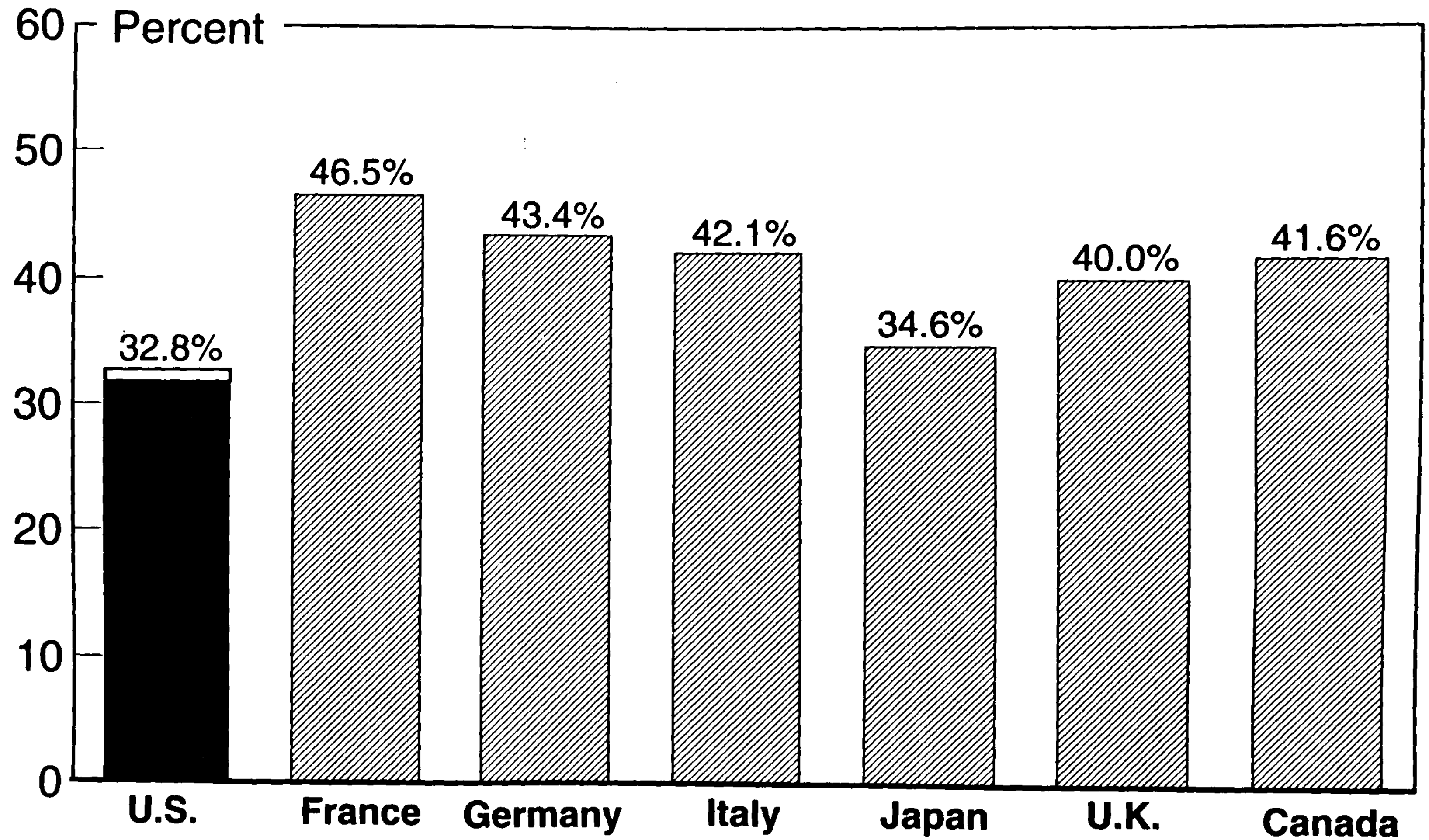
| Family Economic Class ($) | Number of Families (Millions) | Average Monthly Energy Tax - 1997 |
|---|---|---|
| 0 - 10,000 | 14.9 | -1 |
| 10 - 20,000 | 18.4 | 0 |
| 20 - 30,000 | 16.0 | 2 |
| **30 - 50,000** | **22.4** | **17** |
| 50 - 75,000 | 17.9 | 36 |
| 75 - 100,000 | 9.9 | 49 |
| 100 - 200,000 | 8.8 | 76 |
| 200,000 - Over | 2.4 | 1,198 |

## Other Benefits

- Reduces Pollution
- Conserves Finite Resources
- Lessens Dependence on Foreign Sources of Energy

Source: Department of the Treasury

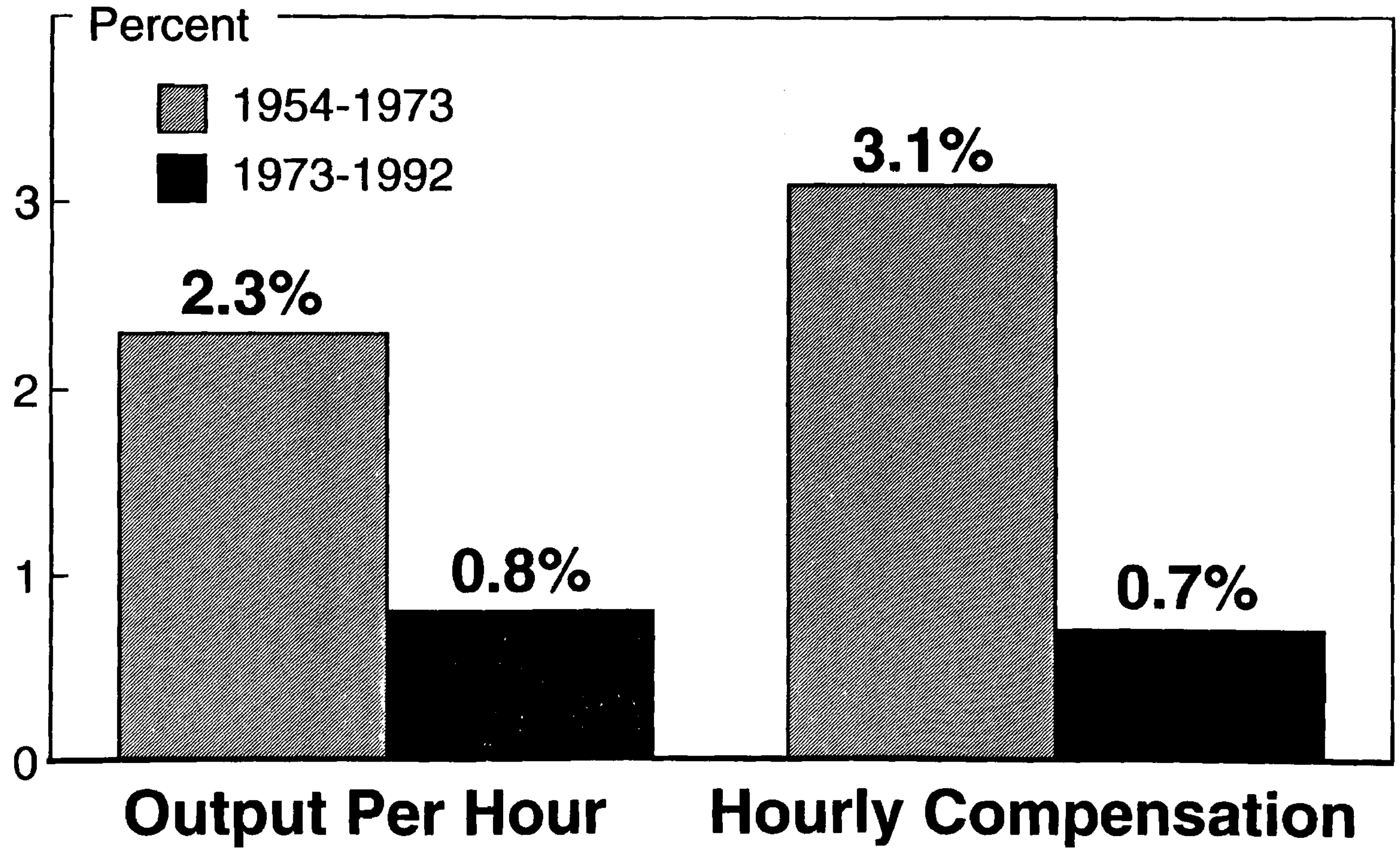
# U.S. Taxes Still Lower Than International Competitors




Government receipts as a percent of GDP, 1990

Source: OECD

# Output Per Hour and Real Compensation Per Hour Have Grown Slowly




Note: Compensation and output per hour are for the total economy.
Source: Department of Labor

Office of the Comptroller of the Currency
Joint Release 0 5 9 Federal Deposit Insurance Corporation
Federal Reserve Board
Office of Thrift Supervision

# Interagency Policy Statement on Credit Availability

**March 10, 1993**

The four federal regulators of banks and thrifts -- the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision -- today announced a program directed at dealing with problems of credit availability, especially for small and medium-sized businesses.

The program will focus on the five areas in which the agencies will take action designed to alleviate the apparent reluctance by banks and thrifts to lend. Those areas are:

- Lending to Small- and Medium-sized Businesses
- Real Estate Lending and Appraisals
- Appeals of Examination Decisions and Complaint Handling
- Examination Processes and Procedures
- Paperwork and Regulatory Burden.

The agencies intend to complete virtually all of the changes proposed in the program within the next few months. As the specifics of any change are finalized, that change will be made and published while details of other changes are in the process of being finalized.

A complete statement about the actions the agencies have planned is attached. The statement reaffirms the agencies' belief that it is in the interest of lenders, borrowers and the general public that creditworthy borrowers have access to credit.

This policy statement will be distributed to all federally examined banks and thrifts and to all regulatory agency offices and examiners.

**Office of the Comptroller of the Currency**
**Federal Deposit Insurance Corporation**
**Federal Reserve Board**
**Office of Thrift Supervision**

# Interagency Policy Statement on Credit Availability

**March 10, 1993**

Problems with the availability of credit over the last few years have been especially significant for small- and medium-sized businesses and farms. This reluctance to lend may be attributed to many factors, including general trends in the economy; a desire by both borrowing and lending institutions to improve their balance sheets; the adoption of more rigorous underwriting standards after the losses associated with some laxities in the 1980s; the relative attractiveness of other types of investments; the impact of higher capital requirements, supervisory policies, and examination practices; and the increase in regulation mandated by recent legislation — specifically, the Financial Institutions Reform Recovery and Enforcement Act (FIRREA) and the Federal Deposit Insurance Corporation Improvement Act (FDICIA).

The four federal regulators of banks and thrifts — the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision — recognize that in the last several years the buildup of certain regulations and practices has become overly burdensome. Indeed, those regulations and practices may have, in some cases, stifled lending, particularly to small- and medium-sized businesses that met prudent underwriting standards.

It is in the interest of lenders, borrowers, and the general public that creditworthy loans be made. Since economic growth, especially job growth, is fueled primarily by small- and medium-sized businesses, credit availability to those borrowers is especially important. Accordingly, the agencies are working on the details of a new program to help ensure that regulatory policies and practices do not needlessly stand in the way of lending. Loans to creditworthy borrowers should be made whenever possible, as long as they are fully consistent with safe and sound banking practices.

## Background

The new program is one aspect of an overall effort by the agencies to evaluate carefully and react appropriately to risk in the United States financial services industry. That overall effort envisions substantial oversight, in some cases more than we have now, in areas that pose greater risk to the system. By the same token, regulatory burden will be reduced where risk is low, especially for strong, well-managed banks and thrifts. This program is also part of a broader effort to ensure equal credit opportunity for all Americans and to make credit and other financial services available to low- and moderate-income neighborhoods and disadvantaged rural areas.

## The Program

The new program involves a variety of regulatory and other administrative changes which have been agreed to in principle by the agencies. These changes fall into five categories, each of which is discussed below.

**Timing.** The agencies will work to complete virtually all of the changes outlined below within the next three months. Once the specifics of any of the changes are agreed upon, that change will be made and published, while distribution of other changes remains to be made.

### 1. Eliminating Impediments to Loans to Small- and Medium-Sized Businesses

**Reducing Documentation.** Strong and well-managed banks and thrifts will be permitted to make and carry a basket of loans with minimal documentation requirements, consistent with applicable law. To ensure that these loans are made to small- and medium-sized businesses, there will be a ceiling on the size of such loans and limits on the aggregate of such loans a bank may make.

**Encouraging Use of Judgment\Borrower's Reputation.** The agencies will issue guidance to make it clear that banks and thrifts are encouraged to make loans to small- and medium-sized businesses, particularly loans in the basket discussed above, and to use their judgment in broadly assessing the creditworthy nature of the borrower — general reputation and good character as well as financial condition may be elements in making these judgments. Reliance on a broad range of factors when making a credit determination is especially important.

**Other Assets Especially Mentioned.** Improper use of the category of Other Assets Especially Mentioned (OAEM) may inhibit lending to small- and medium-sized businesses. Accordingly, the agencies will clarify that examination and rating procedures do not group OAEM loans with classified loans.

## 2. Reducing Appraisal Burden and Improving the Climate for Real Estate

The experience of the last decade has underscored the importance of sound underwriting standards and effective supervision for commercial real estate loans. Nonetheless, in certain instances regulatory burdens may be adversely affecting loans to sound borrowers. This may be particularly so in the case of loans secured by real estate that are primarily used for non-real estate business purposes. Real estate collateral is often pledged for loans to small- and medium-sized companies that have few other tangible assets.

**Using Real Estate Appraisals Prudently.** In some cases currently required real estate appraisals may not add to the safety and soundness of the credit decision. Indeed, in some cases, appraisals may prove so expensive that they make a sound small- or medium-sized business loan uneconomical. Accordingly, the agencies will make changes to their rules relating to real estate appraisals along the following lines:

- **Accept Additional Collateral**
  When real estate is offered as additional collateral for a business loan, both the time and expense involved in obtaining an appraisal from a certified or licensed real estate appraiser may discourage a bank or thrift from taking the collateral, may increase the cost of credit significantly, or even may cause the loan not to be made. In some such cases, the real estate appraisal requirement is counterproductive from a safety and soundness perspective. Moreover, the constraint on credit flows to sound businesses may be substantial. Accordingly, the agencies will alter their real estate appraisal rules so as not to require an appraisal by a licensed or certified appraiser for such loans.

- **Reexamine Appraisal Thresholds**
  Appraisals conducted by licensed and certified real estate appraisers, even on real estate of modest value can be quite costly. In the case of a smaller loan, the requirement of an appraisal by a licensed or certified real estate appraiser may make a sound loan uneconomical. Accordingly, the agencies will reexamine their existing rules to make certain that thresholds below which formal appraisals are not needed are reasonable.

- **Limit Periodic Appraisals**
  In some cases real estate appraisals have been required after a loan has been made, and in circumstances where the appraisal did not add to the safety and soundness of the loan. Accordingly, the agencies will work to make certain that real estate appraisals are required after a loan is made only when clearly needed for safety and soundness purposes, provided of course, that all requirements under law have been met.

**Changing Rules on Financing of Other Real Estate Owned.** Currently, accounting and other rules may discourage banks and thrifts from providing financing to borrowers who wish to purchase real estate classified as Other Real Estate Owned. The agencies will review rules relating to the reporting treatment and classification of such loans and make appropriate changes to facilitate financing to creditworthy borrowers, consistent with safe and sound banking and accounting practices.

**Reviewing In Substance Foreclosure Rules.** The inappropriate use of in substance foreclosure rules have required foreclosure valuation treatment of loans when borrowers were current on principal and interest payments and could reasonably be expected to repay the loan in a timely fashion. The agencies will work with the appropriate authorities to alter that treatment and to coordinate a change in accounting principles and reporting standards.

**Avoiding Liquidation Values on Real Estate Loans.** Loans secured by real estate should be evaluated based on the borrower's ability to pay over time, rather than a presumption of immediate liquidation. The agencies will work with their examination staffs to ensure that real estate loans are evaluated in accordance with agency policy.

### 3. Enhancing and Streamlining Appeals and Complaint Processes

**Appeals.** It is important for bankers to have an avenue by which they can obtain a review of an examiner's decision when they wish. For that reason, each of the agencies has established an appeals process. To ensure the effectiveness of those processes, each agency will take appropriate steps to ensure that its appeals process is fair and effective.

In particular, each agency will ensure that its process provides a fair and speedy review of examination complaints and that there is no retribution against either the bank or the examiner as the result of an appeal.

**Complaints.** Each of the agencies has a process to handle more general complaints from the institutions they regulate and from the general public. Although the volume of such complaints can be high, each agency recognizes that reviewing and responding to these complaints is an important element of proper supervision. The agencies are particularly concerned that complaints of discriminatory lending practices be handled with the utmost seriousness and on an expedited basis.

Accordingly, the agencies will review their complaint processes to improve both the care with which complaints are scrutinized and the timeliness of responses.

### 4. Improving Examination Process and Procedures

**Reducing the Burden of the Examination Process.** A proper examination of a bank or thrift by its very nature involves some disruption to the examined institution. Such disruptions, however, are costly to the institution and can interfere with its credit functions. It is highly desirable that examination disruptions be minimized.

Accordingly, the agencies have agreed to intensify efforts to minimize such disruptions and, in particular, to take the following steps: (i) eliminate duplication in examinations by multiple agencies, unless clearly required by law, (ii) increase coordination of examinations among the agencies when duplication is required, and (iii) establish procedures to centralize and streamline examination in multibank organizations.

**Refocusing the Examination Process.** If examinations are to fulfill their functions in the areas of safety and soundness, fair lending, and consumer protection compliance, it is important constantly to reexamine the elements of the examination to determine whether the process is effective. Similarly, regulations and interpretations must continually be assessed to determine whether they are fulfilling these functions.

To improve the regulatory process, the agencies have agreed to heighten their emphasis in examinations on risk to the institution and to issues involving fair lending in place of areas that have become less productive over time. Agency policies and procedures will be reviewed with this focus in mind.

**Reducing Regulatory Uncertainty.** Uncertainty is part of the regulatory burden that banks and thrifts face and that contributes to their reluctance to make some credits available. This uncertainty can stem from ambiguous language in regulations and interpretations, from delays in publishing regulations and interpretations, and from failures to follow uniform examination standards that clearly reflect agency policies.

Accordingly, the agencies will review their regulations and interpretations to minimize ambiguity wherever possible and will step up efforts to publish regulations and interpretations required by law or sound regulatory practice. In addition, the agencies will reemphasize to their examiners to follow agency policies and guidelines carefully and accurately in carrying out examinations and reviewing applications. The agencies will make every effort to ensure that examination and application processing is performed uniformly across the country.

### 5. Continuing Further Efforts and Reducing Burden

**Further Efforts.** Additional items will be reviewed for possible change. One item that will be reviewed relates to the treatment of partially charged-off loans. Under current practice delinquent loans that have been partially charged off cannot be returned to performing status even when the borrower is able to, and fully intends to, pay the remaining interest and principal to the bank in a timely fashion. The agencies will work to develop common standards for determining when a loan may be returned to accrual status.

**Paperwork Burden.** No good is served by forcing banks to bear an excessive regulatory paperwork burden. Accordingly, the agencies have begun and will continue to review *all* paperwork requirements to eliminate duplication and other excesses that do not contribute substantially to safety and soundness.

**Regulatory Burden.** It is not paperwork alone that unnecessarily burdens banks and thrifts. Regulations and interpretations also may be unnecessarily burdensome. In some cases the passage of time has made regulations outmoded. In other cases the regulations may not have fulfilled their goals.

Accordingly, the agencies also have begun and will continue to review *all* regulations and interpretations to minimize burden while maintaining safety and soundness standards.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR IMMEDIATE RELEASE
March 11, 1993


CONTACT: Scott Dykema
202-622-2960


**TREASURY EXPOSES YUGOSLAV SHIPPING FRONTS**

The Treasury Department today named 25 shipping firms and front companies that are circumventing economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro).

These shipping companies operate Yugoslavia's entire maritime fleet. Their assets and vessels within U.S. jurisdiction are blocked, including assets held in overseas branches of American banks. Any economic transactions with these companies by U.S. persons, including American firms and individuals anywhere in the world are prohibited.

As part of a U.S.-led allied effort to tighten economic sanctions against Yugoslavia, Treasury is naming the maritime firms as "Specially Designated Nationals" (SDNs) of Yugoslavia. These 25 firms and 55 ships they control will be added to a previously released list of 416 blocked Yugoslav entities. U.S. persons are barred from doing business with any SDNs.

"Yugoslavia has continued to trade through its maritime fleet in flagrant violation of U.N. sanctions. Publication of these names sends a clear signal: The United States will deny the Serbs and Montenegrins any benefit of regular international commerce," said R. Richard Newcomb, Director of Treasury's Office of Foreign Assets Control (OFAC).

These 25 Yugoslav-controlled maritime firms have attempted to hide Yugoslav ownership of many of the 55 vessels they own, manage, or operate by using foreign front companies, changing vessel names, and reflagging ships. Milena Ship Management Co. Ltd. and Rigel Shipmanagement Ltd. are key examples. These two Montenegrin-owned Maltese firms alone manage 40 ocean-going bulk and general cargo vessels controlled by Yugoslavia.

Other actions being taken to tighten the sanctions include: freezing of additional assets in U.S. banks, naming of additional Yugoslav SDNs in Europe, and new agreements by American allies to take additional steps to cut off illicit trade and financial transfers benefitting Yugoslavia.

All told, Treasury has frozen some $525 million in Yugoslav assets since the sanctions were imposed May 30, 1992, $25 million of which has been blocked in recent days. Seven Yugoslav ships detained last summer in U.S. ports remain blocked.


(more)

Violations of the Yugoslav embargo carry maximum criminal penalties of $500,000 per count for corporations and $250,000 for individuals, plus prison sentences of up to 10 years for individuals and participating corporate officers. OFAC also may levy administrative civil penalties of up to $10,000 per violation.

This Yugoslav SDN list may be expanded or amended at any time, as new information becomes available to the Treasury Department. Persons with information on individuals or firms owned or controlled by Yugoslavia may call 202-622-2420. All calls will be kept confidential.

-30-

DEPARTMENT OF THE TREASURY
WASHINGTON

MAR 08 1993

# OFFICE OF FOREIGN ASSETS CONTROL
# FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO) SANCTIONS REGULATIONS

## GENERAL NOTICE NO. 3

## NOTIFICATION OF ADDITIONAL BLOCKED FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO) ENTITIES, SPECIALLY DESIGNATED NATIONALS, AND MERCHANT VESSELS IN WHICH THEY HAVE AN INTEREST

On July 6, 1992, the Treasury Department released General Notice No. 1, entitled, "Notification of Status of Yugoslav Entities", which contained the names of 284 entities owned or presumed to be controlled by the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) (the "FRY (S&M)"). On January 15, 1993, General Notice No. 2 expanded the list to a total of 416 entities. This General Notice No. 3 adds further identifying information for one previously listed entity, adds 24 more entities (six within the FRY (S&M) and 18 without) to the list, and publishes the names and identifying characteristics of 55 merchant vessels in which the Government of the FRY (S&M) has an interest.

These additions to the list incorporate, without distinction, 18 entities located outside of the FRY (S&M) which the Treasury Department deems to be Specially Designated Nationals ("SDN's") of the FRY (S&M). All the entities appearing are owned by or presumed to be controlled by the Government of the FRY (S&M) and therefore are blocked by Sections 1 and 2 of Executive Order 12808 and Section 1 of Executive Order 12810.

In addition, six of the new entities listed are located in the FRY (S&M) and are thus subject to the transfer restrictions contained in Section 2(g) of Executive Order 12810. Section 2(g) prohibits transfers to or for the benefit of either the Government of the FRY (S&M) or individuals or entities located in the FRY (S&M).

The 55 merchant vessels listed have been determined by the Treasury Department to be vessels in which a majority or controlling interest is held by a person or entity in, or operating from, the FRY (S&M), even though the vessels may be registered or flagged in another state. Executive Order 12831 of January 15, 1993 ("Additional Measures With Respect to the Federal Republic of Yugoslavia (Serbia and Montenegro)") prohibits transactions relating to any such vessel.

U.S. persons are prohibited from engaging in transactions with these entities or vessels unless the transactions are licensed by the Office of Foreign Assets Control. Additionally, all assets within U.S. jurisdiction owned or controlled by these entities, including the vessels themselves, are blocked. U.S. persons are prohibited from the unlicensed provision of port services to FRY (S&M)-interest vessels. U.S. persons are not prohibited, however, from paying funds owed to these entities into blocked accounts held in the names of the blocked entities in domestic U.S. financial institutions.

WARNING: These lists are not all-inclusive and will be updated from time to time. All entities located or organized in Serbia and Montenegro, or under Serbian or Montenegrin control in third countries (including the former Yugoslav republics), and such entities' foreign subsidiaries, are presumed to be controlled by the Government of the FRY (S&M).

Issued: March 8, 1993

Richard Newcomb

R. Richard Newcomb
Director
Office of Foreign Assets Control

**ADDITIONAL BLOCKED ENTITIES AND SPECIALLY DESIGNATED NATIONALS OF THE FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO)**

ARENAL SHIPPING S.A.
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Hajduk Veljkov Venac 46, 11000 Belgrade, Serbia

BAR OVERSEAS SHIPPING LTD.
Valletta, Malta
c/o Rigel Shipmanagement Ltd.
Second Floor, Regency House, Republic Street, Valletta, Malta

BEOGRADSKA PLOVIDBA
(a.k.a. BEOPLOV)
Lenjinov Bulevar 165A, 11070 Novi Beograd, Serbia

BOKA OCEAN SHIPPING CORPORATION
Monrovia, Liberia
c/o Jugoslavenska Oceanska Plovidba
BB, Njegoseva, P.O. Box 18, 85330 Kotor, Montenegro

GLIMMER MARITIME S.A.
Panama City, Panama
c/o Beogradska Plovidba
Lenjinov Bulevar 165A, Novi Beograd, 11070 Belgrade, Serbia

JUGOSLAVENSKA OCEANSKA PLOVIDBA
(a.k.a. JOP)
(a.k.a. JUGOOCEANIJA)
(a.k.a. YUGOSLAV OCEAN LINES)
BB, Njegoseva, P.O. Box 18, 85330 Kotor, Montenegro

KOMUNALNO PODUZECE
5, Hercegovacke Brigada, 81340 Herceg-Novi, Montenegro

KOTOR OVERSEAS SHIPPING LTD.
Valletta, Malta
c/o Jugoslavenska Oceanska Plovidba
BB, Njegoseva, P.O. Box 18, 85330 Kotor, Montenegro

LITALIA SHIPPING S.A.
Panama City, Panama
c/o Beogradska Plovidba
Lenjinov Bulevar 165A, Novi Beograd, 11070 Belgrade, Serbia

LOVCEN OVERSEAS SHIPPING LTD.
Valletta, Malta
c/o Rigel Shipmanagement Ltd.
Second Floor, Regency House, Republic Street, Valletta, Malta

LUKA BAR-PREDUZECE
81350 Bar, Montenegro

MILENA SHIP MANAGEMENT CO. LTD.
(a.k.a. MILENA LINES)
Masons Building, 86, The Strand, Sliema, Malta

MONTENEGRO OVERSEAS NAVIGATION LTD.
Panama City, Panama
c/o Prekookeanska Plovidba
P.O. Box 87, Marsala Tita 46, 85000 Bar, Montenegro

MOSTOGRADNJA-GRADJEVNO PREDUZECE
Vlajkoviceva 19A, 11000 Belgrade, Serbia

NOVI SHIPPING COMPANY S.A.
Panama City, Panama
c/o Beogradska Plovidba
Lenjinov Bulevar 165A, Novi Beograd, 11070 Belgrade, Serbia

OCEANIC BULK SHIPPING S.A.
Panama City, Panama
c/o Jugoslavenska Oceanska Plovidba
BB, Njegoseva, P.O. Box 18, 85330 Kotor, Montenegro

OKTOIH OVERSEAS SHIPPING LTD.
Valletta, Malta
c/o Rigel Shipmanagement Ltd.
Second Floor, Regency House, Republic Street, Valletta, Malta

PREKOOKEANSKA PLOVIDBA
P.O. Box 87, Marsala Tita 46, 85000 Bar, Montenegro

RIGEL SHIPMANAGEMENT LTD.
Second Floor, Regency House, Republic Street, Valletta, Malta

ROAD TOWN SHIPPING S.A.
Panama City, Panama
c/o Beogradska Plovidba
Lenjinov Bulevar 165A, Novi Beograd, 11070 Belgrade, Serbia

SOUTH ADRIATIC BULK SHIPPING LTD.
Valletta, Malta
c/o Jugoslavenska Oceanska Plovidba
BB, Njegoseva, P.O. Box 18, 85330 Kotor, Montenegro

SOUTH CROSS SHIPPING LTD.
(f.k.a. MONTENEGRO OCEAN SHIPPING)
Valletta, Malta
c/o Milena Ship Management Co. Ltd.
Masons Building, 86, The Strand, Sliema, Malta

SUNBOW MARITIME S.A.
Panama City, Panama
c/o Beogradska Plovidba
Lenjinov Bulevar 165A, Novi Beograd, 11070 Belgrade, Serbia

ZETA OCEAN SHIPPING LTD.
Valletta, Malta
c/o Jugoslavenska Oceanska Plovidba
BB, Njegoseva, P.O. Box 18, 85330 Kotor, Montenegro

**VESSELS IN WHICH THE GOVERNMENT OF THE FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO) HAS AN INTEREST**

| Vessel Name | Callsign | Ship Type | GT | Flag | Registered Owner |
|---|---|---|---|---|---|
| ADMIRAL ZMAJEVIC | 9HTX3 | General Dry Cargo | 8,569 | Malta | South Adriatic Bulk Shipping Ltd. |
| AIRE F (f.k.a. OBOD) | 9HTG3 | General Dry Cargo | 13,651 | Malta | Oktoih Overseas Shipping Ltd. |
| ALBA | J8FM9 | RO/RO Cargo | 915 | Saint Vincent | Montenegro Overseas Navigation Ltd. |
| BAR | 9HSU3 | Bulk Carrier | 17,460 | Malta | Bar Overseas Shipping Ltd. |
| BAYAMO (f.k.a. NIKSIC) | 9HTF3 | Bulk Carrier | 9,916 | Malta | Lovcen Overseas Shipping Ltd. |
| BLUE STAR (f.k.a. JUGOVO) | J8FN4 | Ore/Oil Carrier | 53,029 | Saint Vincent | Road Town Shipping S.A. |
| BOR | 9HSX3 | Bulk Carrier | 6,951 | Malta | Lovcen Overseas Shipping Ltd. |
| BRISA (f.k.a. IVANGRAD) | 9HTB3 | General Dry Cargo | 13,651 | Malta | Oktoih Overseas Shipping Ltd. |
| BUDVA | 9HUH3 | Bulk Carrier | 17,397 | Malta | South Adriatic Bulk Shipping Ltd. |
| BULK STAR (f.k.a. JUGOMETAL) | J8FN8 | Ore/Bulk/ Oil Carrier | 79,279 | Saint Vincent | Litalia Shipping S.A. |
| C. BLANCO (f.k.a. BIJELO POLJE) | 9HSW3 | Bulk Carrier | 17,460 | Malta | Bar Overseas Shipping Ltd. |
| CESTAR | Unknown | RO/RO Cargo/Ferry | 121 | Yugo-slavia | Mostogradnja-Grad-jevno Preduzece |
| CRNA GORA | 9HUL3 | Bulk Carrier | 36,223 | Malta | Zeta Ocean Shipping Ltd. |
| DAN (f.k.a. GOLD STAR) (f.k.a. AVALA) | J8FN7 | Bulk Carrier | 27,069 | Denmark (Saint Vincent) | Leonela Shipping (Sunbow Maritime S.A.) |
| DURMITOR | 9HUR3 | General Dry Cargo | 12,375 | Malta | South Cross Shipping Ltd. |
| GUANA (f.k.a. KOLASIN) | Unknown | Bulk Carrier | 9,916 | Malta | Lovcen Overseas Shipping Ltd. |
| HANUMAN (f.k.a. BOKA) | 9HUQ3 | General Dry Cargo | 13,688 | Malta | South Adriatic Bulk Shipping Ltd. |

| Vessel Name | Callsign | Ship Type | GT | Flag | Registered Owner |
|---|---|---|---|---|---|
| HERCEG NOVI | 9HUN3 | General Dry Cargo | 9,698 | Malta | South Cross Shipping Ltd. |
| IGALO | YUFC | Ferry | 299 | Yugoslavia | Komunalno Poduzece |
| KAMENARI | Unknown | RO/RO Cargo/Ferry | 161 | Yugoslavia | Komunalno Poduzece |
| KAPETAN MARTINOVIC | 9HTY3 | General Dry Cargo | 8,569 | Malta | South Adriatic Bulk Shipping Ltd. |
| KOLUBARA 1 | Unknown | Dredger | 958 | Yugoslavia | Bagersko Brodarsko Preduzece |
| KORDUN | 9HSQ3 | General Dry Cargo | 38,551 | Malta | Kotor Overseas Shipping Ltd. |
| KOSMAJ | 9HSP3 | Bulk Carrier | 38,550 | Malta | Kotor Overseas Shipping Ltd. |
| LEPETANE | Unknown | RO/RO Cargo/Ferry | 132 | Yugoslavia | Komunalno Poduzece |
| LOVCEN | 9HTU3 | General Dry Cargo | 12,375 | Malta | South Cross Shipping Ltd. |
| MARIEL (f.k.a. BEOGRAD) | 9HSV3 | Bulk Carrier | 15,396 | Malta | Lovcen Overseas Shipping Ltd. |
| MOA (f.k.a. VIRPAZAR) | 9HTM3 | General Dry Cargo | 9,201 | Malta | Bar Overseas Shipping Ltd. |
| MONTE (f.k.a. KOMOVI) | 9HTD3 | General Dry Cargo | 9,183 | Malta | Bar Overseas Shipping Ltd. |
| MORACA | 9HTE3 | General Dry Cargo | 13,651 | Malta | Oktoih Overseas Shipping Ltd. |
| MOSLAVINA | 9HTW3 | General Dry Cargo | 11,771 | Malta | South Adriatic Bulk Shipping Ltd. |
| NIPE (f.k.a. ULCINJ) | 9HTL3 | Bulk Carrier | 9,028 | Malta | Lovcen Overseas Shipping Ltd. |
| ORE STAR (f.k.a. SMEDEREVO) | J8FN9 | Ore/Oil Carrier | 86,401 | Saint Vincent | Glimmer Maritime S.A. |
| ORJEN | 9HSO3 | Bulk Carrier | 38,551 | Malta | Kotor Overseas Shipping Ltd. |
| PERAST | Unknown | RO/RO Cargo/Ferry | 131 | Yugoslavia | Komunalno Poduzece |

| Vessel Name | Callsign | Ship Type | GT | Flag | Registered Owner |
|---|---|---|---|---|---|
| PLAYA (f.k.a. CETINJE) | 9HSY3 | Bulk Carrier | 9,028 | Malta | Lovcen Overseas Shipping Ltd. |
| POMORAC | 3EIE4 | Bulk Carrier | 20,904 | Panama | Oceanic Bulk Shipping S.A. |
| PRVI FEBRUAR | 9HTZ3 | Bulk Carrier | 17,233 | Malta | South Adriatic Bulk Shipping Ltd. |
| RADNIK | 3ELK3 | Bulk Carrier | 17,882 | Panama | Oceanic Bulk Shipping S.A. |
| RAMA (f.k.a. KUPRES) (a.k.a. IRENE OLDENDORFF) | 9HUP3 | General Dry Cargo | 13,688 | Cyprus (Malta) | New Owner Unknown (South Adriatic Bulk Shipping Ltd.) |
| RIO B (f.k.a. PIVA) | 9HTH3 | General Dry Cargo | 9,324 | Malta | Bar Overseas Shipping Ltd. |
| RIO G (f.k.a. TARA) | 9HTK3 | General Dry Cargo | 9,201 | Malta | Bar Overseas Shipping Ltd. |
| RISAN | 9HUD3 | General Dry Cargo | 9,698 | Malta | Zeta Ocean Shipping Ltd. |
| RUMIJA | 9HTI3 | General Dry Cargo | 8,954 | Malta | Lovcen Overseas Shipping Ltd. |
| SERIFOS (f.k.a. LAKE STAR) (f.k.a. SKADARLIJA) | JIFN3 | Bulk Carrier | 15,847 | Panama (Saint Vincent) | Brilliant Night Shipping S.A. (Novi Shipping Company S.A.) |
| SLAVEN | YTMP | Tanker | 126 | Yugo-slavia | Komunalno Poduzece |
| SOZINA | YTCS | Tug | 169 | Yugo-slavia | Luka Bar-Preduzece |
| SUMADIJA | 9HUI3 | Bulk Carrier | 17,939 | Malta | South Adriatic Bulk Shipping Ltd. |
| SUTJESKA | 9HSN3 | Bulk Carrier | 38,551 | Malta | Kotor Overseas Shipping Ltd. |
| SVETI STEFAN | 9HTJ3 | Pax/RO/RO Cargo/Ferry | 1,637 | Malta | Lovcen Overseas Shipping Ltd. |
| TIVAT | 9HUM3 | General Dry Cargo | 9,698 | Malta | Zeta Ocean Shipping Ltd. |
| TOPOLICA | Unknown | Tug | 169 | Yugo-slavia | Luka Bar-Preduzece |

| Vessel Name | Callsign | Ship Type | GT | Flag | Registered Owner |
|---|---|---|---|---|---|
| TRINAESTI JULI (a.k.a. 13th JULY) | 9HTQ3 | Bulk Carrier | 17,233 | Malta | Zeta Ocean Shipping Ltd. |
| VEDADO (f.k.a. DANILOVGRAD) | 9HSZ3 | Ore Carrier | 15,396 | Malta | Lovcen Overseas Shipping Ltd. |
| ZETA | 9HTV3 | General Dry Cargo | 9,862 | Malta | South Cross Shipping Ltd. |

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

March 15, 1993

Contact: Michelle Smith
(202) 622-2960

## Bentsen Accepts Casey's Resignation; Announces Interim CEO of the Resolution Trust Corporation

Treasury Secretary Lloyd Bentsen, on behalf of the President, today accepted the resignation of Al Casey as chief executive officer of the Resolution Trust Corporation (RTC) effective today.

The Administration is currently searching for a permanent replacement for Mr. Casey. President Clinton has named Deputy Secretary of the Treasury Roger Altman interim chief executive officer of the RTC until a new chief executive officer of the RTC can be put in place. Mr. Altman's responsibilities at RTC will be in addition to his Treasury duties.

"We appreciate Al's efforts as CEO of the RTC over the past year and a half and the progress made there on a number of challenging fronts," Secretary Bentsen said. Mr. Casey has expressed his desire to return to Texas as soon as possible and to resume teaching at Southern Methodist University.

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AUCTION RESULTS
# PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 15, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,713 million of 13-week bills to be issued March 18, 1993 and to mature June 17, 1993 were accepted today (CUSIP: 912794D50).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.99% | 3.06% | 99.244 |
| High | 3.00% | 3.06% | 99.242 |
| Average | 3.00% | 3.06% | 99.242 |

$2,380,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 58%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 21,050 | 21,050 |
| New York | 40,580,010 | 10,660,180 |
| Philadelphia | 4,705 | 4,705 |
| Cleveland | 30,980 | 30,970 |
| Richmond | 131,495 | 89,495 |
| Atlanta | 14,280 | 13,860 |
| Chicago | 1,492,725 | 106,405 |
| St. Louis | 10,200 | 10,200 |
| Minneapolis | 11,590 | 10,135 |
| Kansas City | 20,090 | 20,090 |
| Dallas | 16,190 | 16,190 |
| San Francisco | 620,850 | 62,450 |
| Treasury | 667,105 | 667,105 |
| TOTALS | $43,621,270 | $11,712,835 |
| Type | | |
| Competitive | $38,612,095 | $6,703,660 |
| Noncompetitive | 1,144,495 | 1,144,495 |
| Subtotal, Public | $39,756,590 | $7,848,155 |
| Federal Reserve | 2,622,380 | 2,622,380 |
| Foreign Official Institutions | 1,242,300 | 1,242,300 |
| TOTALS | $43,621,270 | $11,712,835 |

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 15, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,648 million of 26-week bills to be issued March 18, 1993 and to mature September 16, 1993 were accepted today (CUSIP: 912794F74).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.11% | 3.20% | 98.428 |
| High | 3.12% | 3.21% | 98.423 |
| Average | 3.12% | 3.21% | 98.423 |

Tenders at the high discount rate were allotted 97%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 15,760 | 15,760 |
| New York | 37,039,285 | 10,881,020 |
| Philadelphia | 3,465 | 3,465 |
| Cleveland | 25,735 | 25,735 |
| Richmond | 22,580 | 22,580 |
| Atlanta | 14,475 | 13,475 |
| Chicago | 1,512,380 | 61,150 |
| St. Louis | 9,740 | 9,740 |
| Minneapolis | 3,570 | 3,570 |
| Kansas City | 26,185 | 26,185 |
| Dallas | 5,930 | 5,930 |
| San Francisco | 584,785 | 156,035 |
| Treasury | 422,930 | 422,930 |
| TOTALS | $39,686,820 | $11,647,575 |
| Type | | |
| Competitive | $35,877,440 | $7,838,195 |
| Noncompetitive | 766,280 | 766,280 |
| Subtotal, Public | $36,643,720 | $8,604,475 |
| Federal Reserve | 2,600,000 | 2,600,000 |
| Foreign Official Institutions | 443,100 | 443,100 |
| TOTALS | $39,686,820 | $11,647,575 |

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Embargoed until delivered
Expected about 10:00 a.m.
March 16, 1993

STATEMENT OF THE HONORABLE LLOYD BENTSEN
CHAIRMAN, THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD
BEFORE THE HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
TUESDAY, MARCH 16, 1993
2129 RAYBURN HOUSE OFFICE BUILDING

Mr. Chairman, members of the Committee:

I am pleased to testify today on the Administration's objectives for the savings and loan cleanup and the funds that will be necessary to fulfill the government's deposit insurance commitment.

This is my first appearance before this Committee as Secretary of the Treasury. Mr. Chairman, you and I have worked together for many years as colleagues and fellow Texans. I look forward to continuing our productive relationship. And Congressman Leach, I congratulate you on becoming ranking member of the Committee. This Committee has many new members, and I look forward to working with all of you in a truly bipartisan spirit.

With me today are Oversight Board members Alan Greenspan, Chairman of the Federal Reserve Board; Philip Jackson, Adjunct Professor at Birmingham Southern College and former Governor of the Federal Reserve Board; Robert Larson, Chairman of Taubman Realty Group; Roger Altman, Deputy Secretary of the Treasury and interim CEO of the RTC; Jonathan Fiechter, Acting Director of the Office of Thrift Supervision; and Andrew Hove, Acting Chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Peter Monroe, President of the Oversight Board. William Roelle, RTC Senior Vice President and Chairman of the RTC's Executive Committee, and Lamar Kelly, RTC Senior Vice President for Asset Management and Sales, are present to help respond to your questions.

We are here to begin the process of crafting legislation to fund the Resolution Trust Corporation and permit it to complete its portion of the savings and loan cleanup. This has been a bipartisan issue from the start. Just as one of President Bush's first proposals to Congress was a plan to deal with the savings and loan crisis, my first appearance before this Committee demonstrates this Administration's commitment to funding the RTC and to closing this chapter of our country's financial history.

Mr. Chairman, let me state right at the start, that this Administration is committed to fulfilling our government's commitment to savings and loan depositors under the Federal deposit insurance program. There has been a lot of confusion about this program. It has been labelled a "bailout." That is dead wrong. This is a program for people -- millions of Americans who, over the years, have placed their savings in insured institutions in confidence that the Government would honor its insurance pledge. Not a dollar has gone to "bail out" bankrupt S&Ls or to pay off their shareholders. The funds are to be used solely to protect depositors.

Let me also tell you that I know, from personal experience, that a vote to fund the RTC is a tough vote. It is a tough vote for you just as it was for me as a Senator. But I also know that this is a vote for depositors, for the safety of our financial institutions, and that if we fail to meet this obligation, we will pay a far greater price, and deservedly so.

I also know that many of you cannot vote to fund the RTC unless dramatic improvements are made in its operations. I will tell you plainly, on the record, that we intend to make such improvements.

In August, 1989, this Committee and the Congress responded to the need to defend our financial system by passing the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). That was a bipartisan effort, and, for all its troubles, it has worked.

On the day FIRREA passed, the thrift industry consisted of over 3,000 institutions, more than 260 of which were in conservatorship. It was losing more than $1 billion a year. Its return on assets was negative. Its deposit insurance fund was bankrupt.

Let me show you a few charts.

Pursuant to FIRREA, 21.8 million depositor accounts have been made whole by the Resolution Trust Corporation [See Chart I]. The size of the average account protected was $9,000. RTC has closed 654 insolvent savings and loan institutions, which is equal to 89 percent of the total of 737 institutions that have been seized [See Chart II]. The RTC has taken possession of about $438 billion of assets, and has sold or collected about $337 billion of that amount, at an average return of 92% of book value [See Chart III].

Under its affordable housing program RTC has closed sales of almost 14,000 homes to low and moderate income homeowners -- enough to create a small city [See Chart IV]. In addition, the RTC has closed sales of 350 multifamily properties with 30,000 units, of which over 11,500 have been dedicated for occupancy by lower income, and very low income, families.

The Department of Justice has sent 685 individuals, including many thrift executives, directors and officers, to jail for crimes against the country and the taxpayer. While the record on court-ordered restitutions from criminals is not good, civil recoveries obtained by the RTC, FDIC and OTS now total more than $1 billion [See Chart V].

## The Task Ahead

While much has been accomplished, much remains to be done. The task ahead consists of four parts: (1) protecting depositors, (2) selling assets at best possible prices, (3) ensuring that the RTC is run efficiently, and (4) closing down the RTC in a planned and orderly way, as soon as feasible.

Eighty-three insolvent institutions, with about 4.3 million depositor accounts, are now operating under the conservatorship of the RTC. RTC is obligated to operate them, at a daily loss to the taxpayer and in competition with the healthy thrifts and banks in their communities, until Congress votes funds to pay their depositors and close them. And, as the Acting Director of the Office of Thrift Supervision can tell you, OTS will continue to transfer additional thrifts to the RTC for closure.

The existence of current and additional conservatorships means unnecessary extra costs to the taxpayer that must be stopped as quickly as possible by funding the RTC. The history of the savings and loan debacle shows us that refusing to provide funds to close insolvent thrifts simply means greater losses for the taxpayers.

Protecting the depositors in existing and new conservatorships is only one part of the job remaining to be done.

The second task, managing the sale of the remaining assets, is just as important. I said earlier that the RTC has achieved an impressive record in its asset sales to date. But the remaining assets of more than $100 billion, together with assets to be received from institutions placed in conservatorship before September 30, this year, consist substantially of the hardest-to-sell land and real property, and non-performing mortgages. We can limit the potential loss to the taxpayer if these assets are managed, marketed and sold carefully.

The third task relates to RTC management. We have an overriding responsibility to the taxpayers to change the way the RTC does business. We must ensure that the RTC is managed in the most efficient and responsible way according to the best management practice, under a carefully considered business plan. We must now take action to protect the public against needless expense in the RTC's management of its contractors, to prevent fraud and waste, and to correct deficiencies found by the RTC's auditors. And we must use the best available information systems to identify and track assets and provide RTC management with accurate, timely information.

And finally, we must plan for closing the RTC as soon as possible without impairing RTC operations, ensuring an orderly transition of RTC personnel and systems to the FDIC. I have asked Mr. Hove and RTC's new leadership to establish a joint FDIC/RTC task force both to be sure FDIC has sufficient resources to manage the Savings Association Insurance Fund, and to plan for the return of RTC personnel, and the transfer of its systems, to the FDIC.

## Improving RTC Management

Let me turn to the matter of RTC's efficiency.

As Chairman of the Oversight Board I pledge to use the Board and its staff to improve RTC management practices in order to earn taxpayer trust in the RTC and to effect savings to reduce the deficit.

Mr. Casey has resigned as the CEO of the RTC, and we are very grateful to him for his leadership and for his service to the country in this difficult and complex job. The President has replaced him, on an interim basis, with Mr. Roger Altman, Deputy Secretary of the Treasury, under the Vacancies Act. Under the terms of that Act Mr. Altman will serve as long as necessary within the constraints of the Vacancies Act, or until the President can appoint a permanent RTC CEO. Mr. Altman has a number of other responsibilities but will provide leadership for the RTC during this transition period, and will begin to put in place as soon as possible the programs I will describe for you today.

To put these programs in the proper context, it is important to keep in mind that the RTC has been in existence for less than four years, has seized over 730 institutions, and taken possession of over $400 billion in assets. Any organization, public or private, that reaches this size so quickly is bound to have operations that need to be improved.

To demonstrate this Administration's dedication to improving RTC efficiency, I have asked the interim CEO to begin to implement the following administrative actions. These initiatives are intended to strengthen the RTC's management in a number of critical areas. They will take time to put in place, but we will begin them now [See Chart VI].

<u>First, strengthen internal controls against waste, fraud, and abuse</u>: RTC will conduct a thorough evaluation of all of its internal accounting and administrative control systems, identify the weaknesses, and develop ways to fix them. Let me explain.

Internal controls are the systems that an organization relies on for (1) reliable financial recording and reporting and (2) ensuring efficiency and preventing fraud, waste, and abuse in operations. Reports on the results of the evaluation, with a plan for correcting weaknesses, will be made to Congress, the President, the Oversight Board, OMB, and GAO as required by law. This action, perhaps more than any other, is the taxpayers' first line of defense against waste, fraud and abuse in all RTC programs, including affordable housing. Had these systems been sufficiently strong, Western Storm and the HomeFed incident would not likely have occurred.

Second, respond to problems flagged by auditors: RTC will implement a system -- such as is required under OMB guidelines for other government agencies -- to provide prompt, systematic, and effective followup on the findings and recommendations contained in the reports issued by the GAO and RTC's own Inspector General. When audits uncover problems, this is the system relied upon to correct them so that they do not recur. RTC must not repeat its mistakes after the auditors have brought them to management's attention. A thorough audit followup system should assure that the recommendations of auditors receive prompt attention.

Third, prepare a comprehensive business plan for the balance of the cleanup: I have directed that the RTC prepare a comprehensive business plan for the balance of the cleanup. The plan will include RTC's strategy for the sale of its remaining assets, many of which are hard-to-sell real estate and non-performing loans. The Oversight Board will review the plan and strategy in an effort to maximize the return to the taxpayer from the sale of these assets.

Fourth, expand opportunities for minorities and women: I have asked the interim CEO to have the RTC officer with responsibility for minority and women's programs report directly to him, and I have asked that he attempt to develop ways to provide more opportunities for minority and women-owned businesses in the management and disposition of RTC assets. I have also asked that RTC make improved efforts to preserve contracting and asset acquisition opportunities for minorities, women, small businesses and small investors.

Fifth, improve RTC's Professional Liability Section: I have asked that the interim CEO review and recommend improvements in the organization and staffing of the RTC's Professional Liability Section (PLS). These are the RTC lawyers who pursue claims, on the taxpayers' behalf, against thrift managers and others who contributed to the losses through negligence or misconduct. We are committed to building a PLS that operates in a professional and competent manner subject to appropriate management review.

<u>Sixth, improve management information systems</u>: I have asked the interim CEO to take action to improve RTC's management information systems, so that RTC has complete information on its assets and that its management information needs are met.

<u>Seventh, strengthen contractor systems and contractor oversight</u>: I have asked that the RTC review and strengthen its contracting systems, and improve oversight of its private sector contractors. RTC has tens of thousands of contractors working on many types of assets. It must make every effort to ensure that the taxpayers' money is being spent for appropriate and timely services, and that the RTC is getting what it's paying for.

<u>Eighth, appoint a Chief Financial Officer</u>: Consistent with strong Congressional interest in establishing independent chief financial officers for all the agencies, I have asked that RTC appoint a Chief Financial Officer who does not have other operating responsibilities.

<u>Finally, appoint an audit committee</u>: I intend to appoint an audit committee of the Oversight Board to monitor and advise on RTC's improvement of its internal controls, to monitor its followup on the recommendations of its auditors, and to consider special audit and accounting issues as they arise.

In summary, the program I have outlined is very ambitious. Achieving results will take time and hard work. But we intend to place the RTC on a sound management footing and give renewed emphasis to one of its central objectives: maximizing savings to the taxpayer.

The final important task ahead is to put the RTC out of business as quickly as we can -- perhaps well before December, 1996, the date contained in FIRREA.

## Funds Needed

I have told you how this Administration plans to improve RTC operations to win taxpayer trust, and to win your trust. I now must ask you for prompt passage of the Thrift Depositor Protection Act of 1993, which I am sending to the Speaker of the House and the President of the Senate. This bill provides an additional $45 billion to permit the RTC to resume its work of closing insolvent savings and loans and protecting their depositors, and to fund the Savings Association Insurance Fund (SAIF).

Let me review briefly the history of RTC funding [See Chart VII]. FIRREA, which was enacted on August 9, 1989, provided $50 billion for the RTC. In March, 1991, the RTC Funding Act provided another $30 billion. In December, 1991, the RTC Refinancing, Restructuring and Improvement Act provided another $25 billion, but this act prevented any use of these funds after April 1, 1992. Because of this restriction the RTC was able to use only $6.7 billion, bringing the total of RTC loss funding to $86.7 billion. Of this amount the RTC has retained a reserve of $2.3 billion, for emergency uses, from funds provided by FIRREA and the March Refunding Act.

Last year the Senate passed a bill providing $43 billion for RTC. The House, however, defeated a measure that would have provided $18 billion. Thus the RTC has been without sufficient funds to resolve institutions for almost a year.

Our request for funds consists of two parts, $28 billion to fund the RTC and $17 billion to fund the SAIF. Passage of our combined request, when added to the $87 billion already provided, would bring the total of all RTC/SAIF funding up to $132 billion for the 1989-1998 period. The table in Attachment I gives a more detailed picture of these estimates.

I should note that if RTC does not use all the funds provided to it, the unused portion can be transferred to SAIF. And of course, if the full amount provided is not needed, it will not be drawn from the Treasury.

How does this compare with previous projections? The last Administration estimated that the cost of the cleanup would fall in a range of $100 billion to $160 billion. At its appearance before this Committee in July last year, the Oversight Board estimated that the cost could fall close to the middle of the range, or about $130 billion. Our request today for $45 billion would bring total RTC/SAIF funding to an amount close to that estimated by the Board last year.

## Funding the SAIF

Our request goes beyond the Board's request last year because it includes an amount to cover losses of SAIF. Let me explain why this is necessary. Until this year the savings and loan industry's premium assessments have been used to help defray the cost of the 1988 Deals. In January, this year, the industry's net assessments began to flow to the SAIF. Thus, by October 1, this year, the SAIF will have about $1.1 billion in reserves.

Foreseeing that industry contributions would be insufficient to permit SAIF to take over after the RTC completed its work, FIRREA authorized further provision of funds by Congress to properly capitalize SAIF. Consistent with the concept in FIRREA that SAIF will need public funding, we are recommending that SAIF be provided up to $17 billion to be used to cover future industry losses. This should allow SAIF to accumulate an expected $1.2

billion to $1.4 billion of annual net assessment income so as to reach over $7 billion in 1998 as required by FIRREA.

Mr. Chairman, one of the questions I have most frequently been asked is, will $45 billion be enough to complete the cleanup? In candor, I must say that no one can know for certain because no one can foresee with certainty trends in the economy, in interest rates, and in regional real estate markets out until 1998. But we have made a very earnest attempt to estimate the costs. We hope that we will use less than $45 billion, but we believe our request is sufficient to complete the job, once and for all, so that we will not come back to you to ask again for funds.

## Why Funds Are Needed

It has been suggested that if the RTC has been able to operate since April last year without funding, there is no need to vote such funds now.

This may be an appealing idea, but it is at best misleading.

RTC needs funds to close the existing 83 conservatorships and to protect the depositors in those institutions. Failure to close the conservatorships means that these insolvent institutions will continue to operate in the private sector at a further, unnecessary, loss to the taxpayer.

This is because, for practical purposes, insured deposits at conservatorships are federal government borrowings. When compared with the cost of direct Treasury borrowings, insured deposits are an expensive way for the government to borrow money. If there were to be another delay in funding of one year, the additional cost to the taxpayer, just for existing conservatorships, would be approximately $1 billion.

This estimate does not take into account additional conservatorships to be transferred to RTC, nor the adverse effects on other thrifts of competing with conservatorships, nor the cost of keeping RTC's conservatorship and resolution programs in place longer than otherwise necessary.

Losses due to delays in funding until this time are estimated at about $1.1 billion.

This financial hemorrhage must not be allowed to continue. Enough has been lost already. It is unfair to the taxpayers, it places an unnecessary drain on our financial system, and it prevents the RTC from completing its work and closing up shop. Funding must be provided: inevitably, the depositors must be paid.

## Conclusion

Mr. Chairman, I said that there are four major remaining tasks to accomplish before the savings and loan cleanup can be completed: protect depositors in existing and additional conservatorships, sell remaining assets, improve RTC management efficiency, and close the RTC quickly, in an orderly way.

I have also indicated that this Administration is determined that improving RTC management efficiency will be a top priority and a continuing objective. I have spelled out a number of ways in which we will accomplish this objective through administrative actions and Oversight Board review. These will take time to implement fully, but we are committed to the effort. Our purpose is to complete the cleanup quickly, at least cost, with maximum returns to the taxpayers on assets sales. We intend to nominate a new CEO who shares our determination and is committed to achieve each of these objectives and who will effect an orderly termination of the RTC.

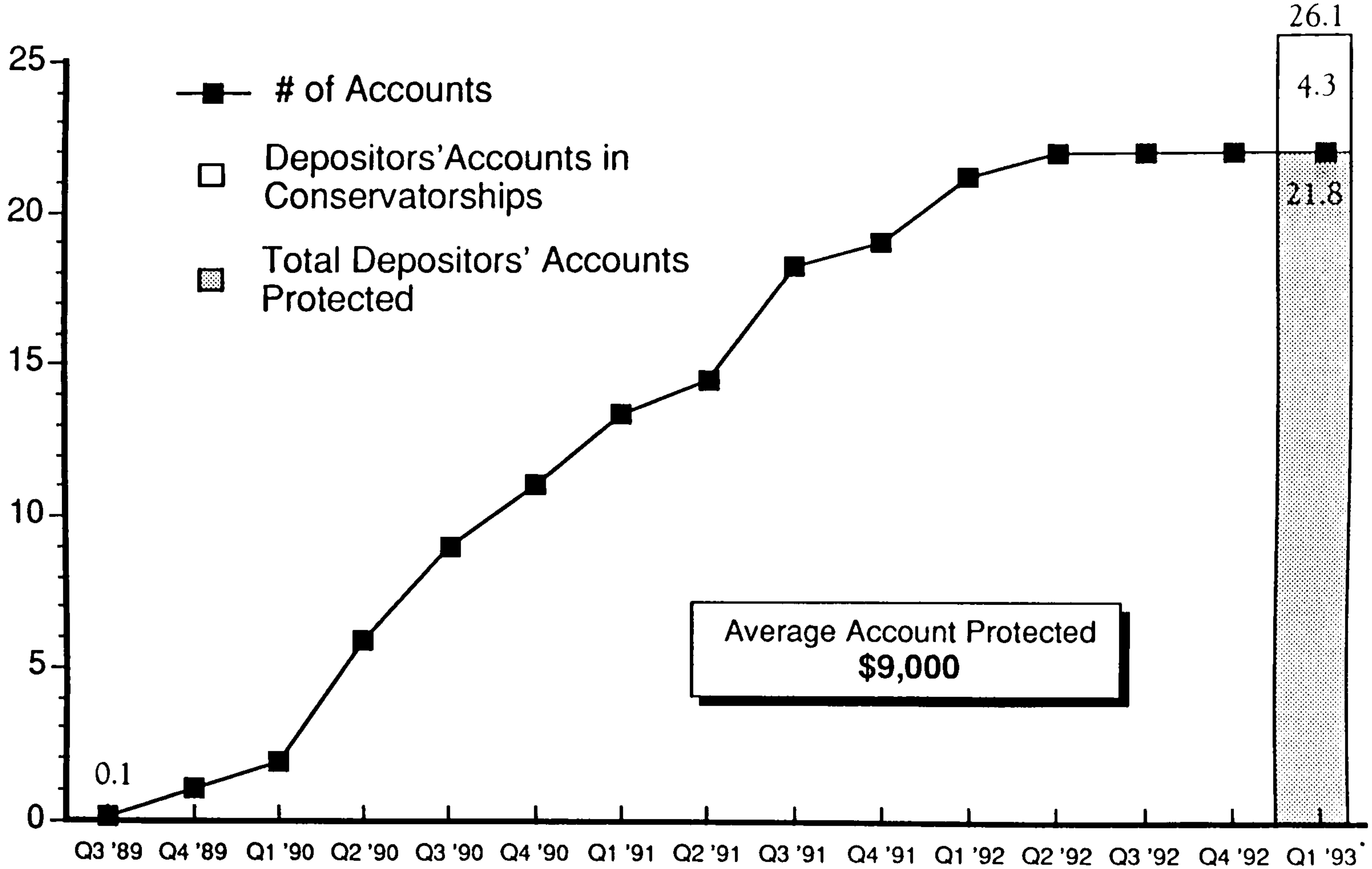
We ask that this Committee and the Congress respond with swift approval of the funding request contained in the Thrift Depositor Protection Act. With the provision of these funds the remaining insolvent thrifts can be resolved, their depositors protected, and, finally, the Resolution Trust Corporation can be closed.

I do not want to conclude without thanking you, Chairman Gonzalez, for your willingness to hold these hearings and to move legislation. You have made it clear from the beginning of the session that you and your Committee were ready to go to work on this issue, and we appreciate that. As I said at the outset we are ready to work with you, Congressman Leach, and all the members of this Committee to write responsible legislation that will let us bring an end to the savings and loan cleanup in the same bipartisan spirit with which we began it in FIRREA.

This concludes my prepared statement. Responses to the questions required by FIRREA to be addressed at these appearances are contained in Attachment II to the statement.

# 21.8 Million Depositors Protected
**(# Millions)**

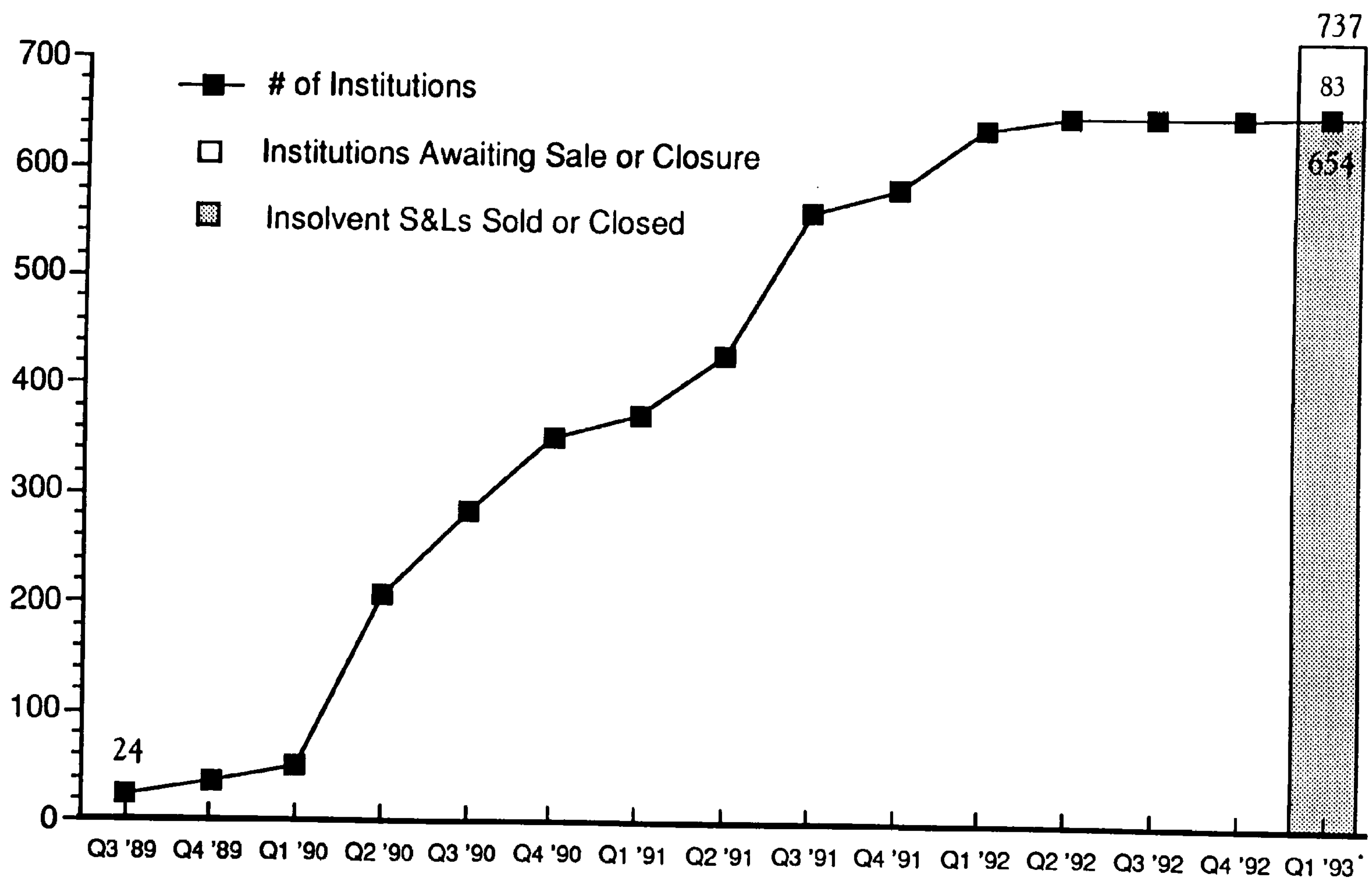
**Inception through March 8, 1993**




* Quarter to date.
Note: Figures represent cumulative depositors' accounts protected
Source: RTC Office of Corporate Communications; TFR

# 654 S&Ls Resolved

**Inception through March 8, 1993**




* Quarter to date.

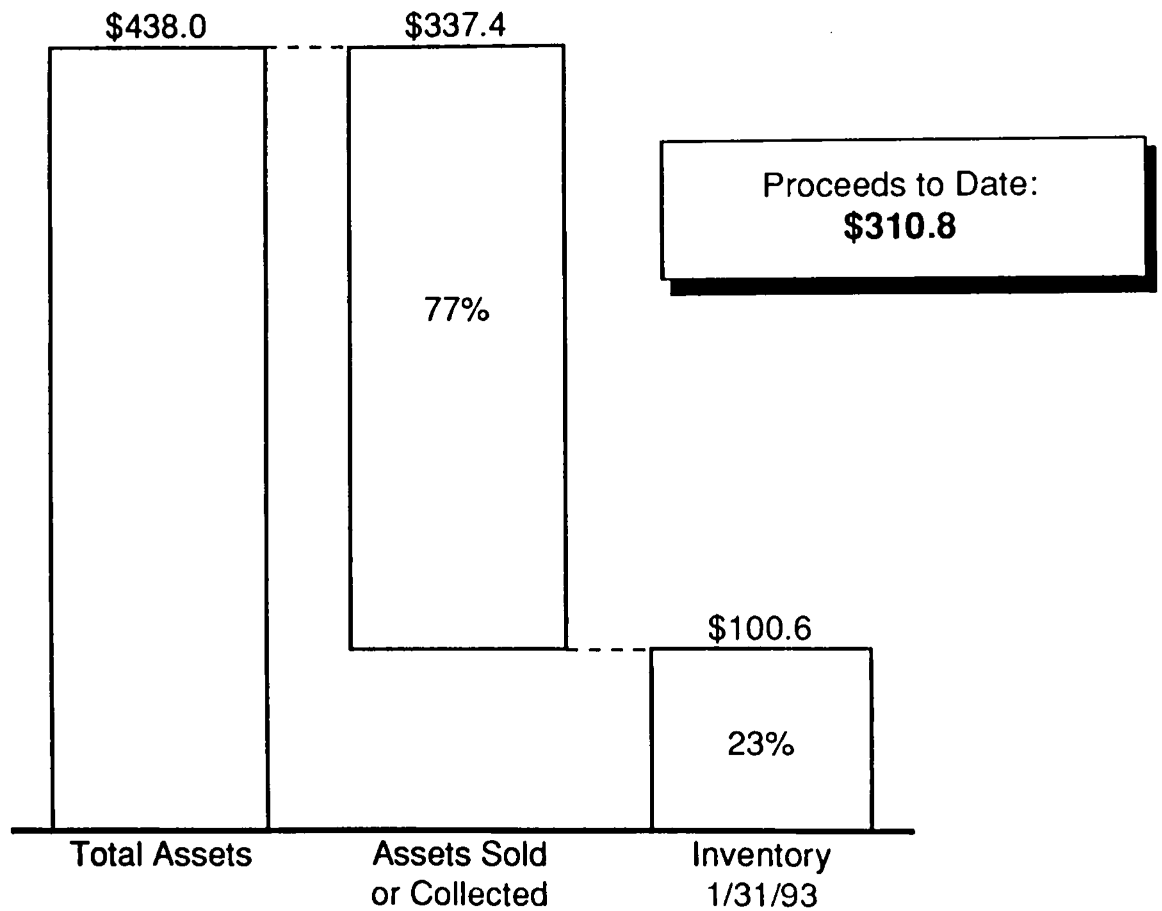
Note: Figures represent cumulative RTC resolutions

Source: RTC Review; OB Analysis

# Three-Fourths of RTC Assets Are Already Sold

**(Book Value – $ Billions)**

**Inception through January 31, 1993**

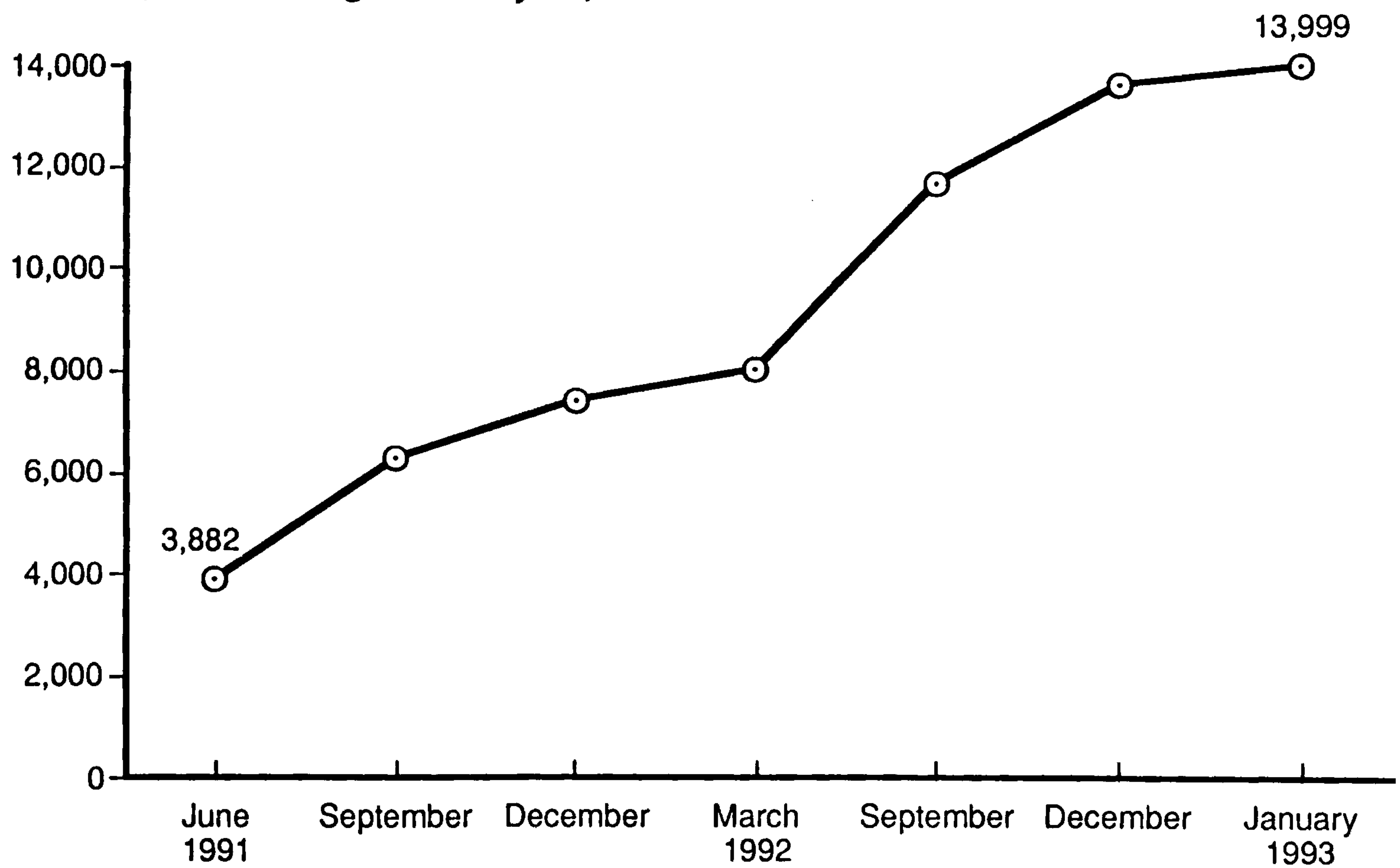



Source: RTC Review

CHART IV

## Affordable Housing Has Created Almost 14,000 Homeowners*

**Single Family Closed Sales****
**June 30, 1991 through January 31, 1993**




* Data revised to include Closed Sales only.
** Sales of both receivership and conservatorship properties.
Source: RTC – AHD Program

# Prosecutions, Fines and Recoveries
## ($ Millions)

### "Major" S&L prosecutions (Department of Justice)*:

| | |
|---|---|
| **Defendants Charged** | 1,358 |
| Convicted | 1,062 |
| Awaiting Sentence | 184 |
| Suspended Sentence | 209 |
| Sentenced to Prison | 685 |
| **CEO's, Board Chairmen, Presidents, Directors, and other officers** | |
| Charged | 390 |
| Convicted | 324 |
| Acquitted | 18 |

### Criminal Restitutions**:

| | Ordered | Collected |
|---|---|---|
| **Total†** | **$490** | **$34** |

### Civil Recoveries**:

Includes professional liability recoveries, civil money penalties, and administrative adjudications

| | |
|---|---|
| **Total††** | **$1,017** |

* October 1, 1988–November 30, 1992. "Major" defined as (a) fraud or loss of $100,000 or more, or (b) defendant was officer, director, or shareholder/owner, or (c) schemes involved multiple borrowers in same institution.
** September 30, 1992.
† Includes criminal restitutions ordered and collected by the FSLIC Resolution Fund, BIF, and RTC.
†† Includes civil recoveries collected by RTC, FSLIC Resolution Fund, and OTS.

# Administrative Reforms

- Strengthen internal controls against waste, fraud, and abuse.
- Respond to problems flagged by auditors.
- Prepare Business Plan/Asset Sales Strategy.
- Expand opportunities for minorities and women.
- Improve RTC's Professional Liability Section.
- Improve management information systems.
- Strengthen contracting systems and contractor oversight.
- Appoint a Chief Financial Officer.
- Appoint Oversight Board Audit Committee.

# RTC Funding History

| | | |
|---|---|---|
| August 9, 1989 (FIRREA, PL 101–73) | | $50 billion |
| March 23, 1991 (RTC Funding Act, PL 102–18) | | $30 billion |
| December 12, 1991 (RTC Refinancing, Restructuring… Act, PL 102–233) | | $25 billion* |
| March 26, 1992 (RTC Funding Act of 1992, S2482) | Passed (52–42) | $43 billion (Lift 4/1/92 limit; added $25 billion) |
| April 1, 1992 (RTC Funding Limitation, HR 4704) | Defeated (125–298) | $18 billion (Lift 4/1/92 limitation) |

| | |
|---|---|
| Total Loss Funds Enacted | $105.0 billion |
| Loss Funds Expired | (18.3 billion) |
| Loss Funds (total) Available for RTC Use | $86.7 billion |
| Loss Funds Used to Date | 84.4 billion |
| Loss Funds Reserve Remaining | 2.3 billion |

* Up to $25 billion until 4/1/92; by 4/1/92 RTC expended only about $6.7 billion and authority to spend $18.3 billion expired

Attachment I

# RTC/SAIF Estimated Loss Fund Usage

## As of March 10, 1993

| | A | B<br># of Cases | C<br>Gross Assets* | D<br>Point Estimate of Loss | E<br>Likely High Estimated Loss | F<br>Add. Funds Needed for High Estimated Loss |
|---|---|---|---|---|---|---|
| 1 | RTC Resolutions (As of March 5, 1993) | 654 | $337 | $85 | $91 | $4 |
| 2 | RTC Conservatorships and Probable Cases† | 118 | $105 | $19 | $21 | $21 |
| 3 | **Total RTC Probable Cases** | **772** | **$442** | **$104** | **$112** | **$25** |
| 4 | RTC or SAIF — Likely to Fail within the next 6–12 months | 52 | $19 | $2 | $3 | $3 |
| 5 | SAIF — Possible SAIF Cases after September 30, 1993** | 105 | $93 | $13 | $17 | $17 |
| 6 | **Total Cases — 1989–1998** | **929** | **$554** | **$119** | **$132** | **$45** |

($ Billions)

Note: The "additional funds needed" numbers take into account the $87 billion already provided to the RTC to date. The point estimate assumes a midrange loss rate averaging 24% of assets. The likely high estimated loss is derived using higher loss rates averaging 28%.

* Asset data for resolved and conservatorships are as of the quarter prior to takeover. Data for remaining caseload are as of December 31, 1992.

** The 105 institutions listed here have $66 billion in assets and are possible cases through 1995. Since additional failures are possible in 1996–1998, the gross assets were increased to $93 billion to include additional failures of 1% of the assets of the thrift industry for each year in 1996, 1997, and 1998.

† As of March 5, 1993, there were 83 thrifts in RTC conservatorships with $74 billion in assets at takeover. There are 35 additional thrifts with $31 billion in assets listed by OTS as probable RTC cases before October 1, 1993.

| Requirements Established in FIRREA for Semi-Annual Appearances | Comments |
|---|---|
| I. Report on the progress made during the 6-month period covered by the semi-annual report in resolving institutions insured by the FSLIC prior to FIRREA, and for which a conservator or receiver has been appointed after 12/31/88 and before 10/1/93. These institutions are referenced below as those described in subsection (b)(3)(A). | During the six month period, the RTC resolved 12 institutions with $15 billion of assets. On September 30, 1992 there were 69 conservatorships with $34 billion of assets waiting for resolution. During the six month period, conservatorship and receivership assets decreased $8.0 billion in book value. |
| II. Provide an estimate of the short-term and long-term cost to the United States Government of obligations issued or incurred during such period. | We interpret this requirement to address RTC short-term borrowings from the Federal Financing Bank ("FFB") and long-term borrowings from Resolution Funding Corporation ("REFCORP").<br><br>During the reporting period, the RTC decreased issued and outstanding obligations from $57 to $47 billion in the form of short-term working capital borrowings from the FFB. Approximately $1.0 billion in interest expenses were incurred in connection with the issuance of these obligations during such period. Repayment of these obligations will come from currently appropriated loss funds and RTC recoveries from receiverships. We expect that proceeds from the disposition of RTC assets will be sufficient to repay these short-term obligations.<br><br>REFCORP issued its last obligation in January, 1991. The total amount outstanding is the full $30 billion of obligations authorized by FIRREA, with average maturities of 33 years and average yield of 8.76%. Total interest on REFCORP obligations is expected to be a nominal $87.9 billion. The Treasury share of this interest is expected to be a nominal $78 billion. |
| III. Report on the progess made during such period in selling assets of institutions described in subsection (b)(3)(A) and the impact such sales are having on the local markets in which such assets are located. | As of September 30, 1992, the RTC had sold and collected approximately $309 billion (book value) of assets which was 74% of assets seized by that date. The proceeds from these asset reductions totaled $287 billion. To date, there is no evidence that RTC sales have had an adverse impact on local real estate markets. A survey conducted by RTC's National Advisory Board concluded that the RTC does not appear to affect real estate prices, but that RTC activities may create a "psychological overhang" in the markets, causing local buyers to delay decisions. This observation is consistent with independent reports. The RTC will continue however, to monitor the impact of its sales activity in local markets through the input of its Regional Advisory Boards. |

| Requirements Established in FIRREA for Semi-Annual Appearances | Comments |
|---|---|
| IV. Describe the costs incurred by the Corporation in issuing obligations, managing and selling assets acquired by the Corporation. | We have interpreted this requirement to address the assets of receiverships and conservatorships which are under the management of the RTC.<br><br>The total amount paid to private contractors during the April-September period was $1,208 million, of which $764 million represents fees paid under receivership management contracts and $125.2 million represents issuance costs incurred in connection with the securitization program.<br><br>After the appointment of RTC as conservator, association employees continue to perform asset management functions under the supervision of the RTC Managing Agent. These staff are already supplemented by outside contractors hired and paid for by the institution for services for which the institution would typically contract in the normal course of business. Accordingly, we have excluded such costs for the purposes of this calculation. |
| V. Provide and estimate of income of the Corporation from assets acquired by the Corporation | In its corporation capacity, the RTC's only substantial source of "income" is interest on advances made by the Corporation to conservatorships and receiverships. The RTC accrued $292 million of interest income on advances and loans to conservatorships and receiverships in the six months ended September 30, 1992. Dividends are not included in income because they are a reduction in RTC's claims against the assets of the receiverships, thus a return of capital, and not income. However, dividends received by the RTC during the period totalled $14.6 billion. |
| VI. Provide an assessment of any potential source of additional funds for the Corporation. | The only remaining sources of additional funds to the Corporation are the secured borrowings for working capital from the FFB and the $5 billion line of credit from the Treasury provided in FIRREA. Unused loss funds total $2.3 billion which are being held for both contingencies and emergencies. There are no other funds currently available to the RTC. |
| VII. Provide an estimate of the remaining exposure of the United States Government in connection with institutions described in subsection (b)(3)(A) which, in the Oversight Board's estimation, will require assistance or liquidation after the end of such period. | The estimate of the total resolution cost to be borne by the RTC in connection with those institutions described in subsection (b)(3)(A) is projected to be up to $115 billion. The RTC recognized approximately $84 billion for estimated losses from inception through September 30, 1992. |

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR RELEASE AT 2:30 P.M.
March 16, 1993


CONTACT: Office of Financing
202/219-3350


## TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $22,400 million, to be issued March 25, 1993. This offering will result in a paydown for the Treasury of about $450 million, as the maturing weekly bills are outstanding in the amount of $22,841 million.

Federal Reserve Banks hold $4,522 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $1,673 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

## HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS

March 16, 1993

| | | |
|---|---|---|
| **Offering Amount** | $11,200 million | $11,200 million |
| **Description of Offering:** | | |
| Term and type of security | 91-day bill | 182-day bill |
| CUSIP number | 912794 D6 8 | 912794 E3 4 |
| Auction date | March 22, 1993 | March 22, 1993 |
| Issue date | March 25, 1993 | March 25, 1993 |
| Maturity date | June 24, 1993 | September 23, 1993 |
| Original issue date | December 24, 1992 | September 24, 1992 |
| Currently outstanding | $12,709 million | $14,889 million |
| Minimum bid amount | $10,000 | $10,000 |
| Multiples | $ 5,000 | $ 5,000 |

**The following rules apply to all securities mentioned above:**

Submission of Bids:

Noncompetitive bids . . . . . . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . . . . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . . . . 35% of public offering

Maximum Award . . . . . . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern time on auction day

Competitive tenders . . . . . . . . Prior to 1:00 p.m. Eastern time on auction day

Payment Terms . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE UPON DELIVERY
EXPECTED ABOUT 8 P.M. EST
March 16, 1993

REMARKS OF TREASURY SECRETARY BENTSEN
ELECTRONIC INDUSTRIES ASSOCIATION
WASHINGTON, D.C.

I'm delighted to be able to join you tonight. The EIA, and its members in every sector of the industry, have made an important contribution to the technological advances we have seen and enjoyed over the years. Since the founding of the original Radio Manufacturers Association nearly six decades ago, you have touched the lives of every American, and made them better.

It's also a particular pleasure to be here to see my good friend John Roach get the association's Medal Of Honor. John has done a lot for his industry, and for the economy of my state of Texas. He truly deserves this award.

I was thinking about all the products the members of the association make, and I got to thinking about when I was a B-24 pilot in World War II.

I marvel at how much technology has changed since I was flying. You know, back then we had these old scratchy radios that you tuned by turning a dial. Now we've got satellite telephones on our commercial planes, and TV screens and computers at our seats.

Back then, we were navigating with DF radios, shooting the stars and using time and distance calculations to figure out where we were. Today, Global Positioning Systems will tell you where you are -- within meters, and in three dimensions no less.

And now we've got auto-land systems and fly-by-wire jets, like the F-16 that's built in a state I'm quite fond of. You don't have to wrestle planes around anymore like we did.

Things have changed, for the better.

And that's what I want to talk to you about tonight. Making a change in America, for the better.

I think by now you're familiar with the highlights of President Clinton's economic program, but there's some fine print that bears discussing.

Obviously, there are three parts: the stimulus, the investment package, and the deficit reduction program. I'd like to start with the deficit reduction package, because that's the part that has had the most immediate impact on all of our lives.

It is a core element of our program to return the growth to our economy that your i dustry needs and every American wants.

The polls tell us that there is very strong public support for the president's plan. Congress is working on it rapidly. The simple act of talking about getting our deficit under control has brought long term interest rates down. Now that our plan is before Congress, those rates have fallen even more. In fact, they're down about a full percentage point since the election.

This is saving the government billions of dollars in borrowing costs. It's already saving Americans each time a new home is sold or an existing mortgage is refinanced. And it's saving your businesses. You can look forward to paying less for the money you need to expand operations and modernize.

It has also brought us renewed respect, leadership and leverage in the international economic arena, where our major trading partners are delighted that we're putting our economic house in order.

Our government borrows more each year than this association has in total sales. We'd like to see that situation reversed.

President Clinton has proposed 150 very specific cuts in federal spending, along with changes in the income taxes and an energy tax to cut our deficit by at least $140 billion by 1997.

We made our cuts in a clear, out-in-the-open manner. We named exactly what will be trimmed. Nothing was sacrosanct.

From the outset, our plan had an equal balance between spending cuts and increased revenue. By the time Congress is done, the package may end up having a greater percentage of spending cuts. It could have an even more significant affect upon our deficit.

The increase we are seeking in corporate taxes is, frankly, minimal -- two percent.

We have to keep these rates in perspective. Let me give you a couple of examples: Our top federal corporate rate will be 36 percent. In Germany, the rate is 50 percent. In Japan, it's 40 percent.

When you take all taxes at all levels into consideration, we're still at the low end of the scale: Tax collections as a percentage of Gross Domestic Product are just under 33 percent in this country. In Germany, it's well over 43 percent.

It's the same thing when you look at energy taxes: After our tax is phased in, a gallon of gasoline will cost about $1.20 in this country. Consumers in France and Germany today pay almost $4 for a gallon of gasoline, and about 75 percent of that $4 per gallon is tax.

We've had it easy for years, and the contribution we're asking almost everyone to make in this area is a fair request, particularly when you consider that this will help cut down on pollution, reduce our dependence on imported energy supplies, and contribute in a major way toward reducing our deficit.

Our plan to get the deficit down has won the confidence of the markets recently, chiefly the bond market. They see what hopefully others realize: this administration has a long range strategy for investing in America to restore economic growth -- growth in jobs, productivity, income and investment.

Our stimulus package is a precursor to our long range investment program. We're in a recovery, but what bothers me about the recovery is that far too few new jobs are being created.

Our stimulus attacks our immediate problems with infrastructure improvements that will remove some of our impediments to staying competitive. At the same time, it will create about 500,000 new jobs. Not only that, but it also offers some needed tax incentives to begin the task of improving our long term investment in our economy, both in the public and private sector.

The regulatory steps we announced last week to help ease the credit crunch also should help spur the investment in the economy that we are seeking.

It is our long range investment plan that will build the base of high-wage, high-technology jobs -- in industries like yours -- that will help solidify our economic position in the world.

We have a serious underinvestment problem, both in our infrastructure and in the skills of our workers. Japan's average annual private investment is 32 percent of its GDP. What is it in the United States? Less than half that, just 15.5 percent.

It's exactly the same story when you look at public investment, only worse. Our public investment as a percentage of GDP is 1.7 percent. In Japan, it's 6.1 percent. There's a lesson here for all of us, and this administration is heeding it.

We have a package of government investments in our infrastructure, which simply must be improved to help us remain competitive in world markets. And we have plans to invest in Americans, so that we have a well-trained and well-educated, healthy work force. Investments in job training, in fully funding Head Start, in a national service program, and in apprenticeship programs will produce the employees you need.

We also want to induce industry to invest in the future, and we have a variety of incentives to make this course of action more attractive.

One of the more important facets of the plan is our decision to make permanent the research and experimentation tax credit. This will make it far easier to plan research investments on a long term basis, rather than worrying whether the credit will expire, and when it will expire.

We also want to reduce capital gains for long-term investments in small businesses. In addition, both small and large capital-intensive corporations paying the minimum tax will benefit from our simplified and enhanced depreciation provisions, which are also included in the stimulus package.

We will make permanent for small businesses the investment tax credit that's in the stimulus package. And, we want to let investors in small corporations exclude up to half of the gain on stock they hold more than five years.

This is a program that looks to our future. But more will be done. The president and vice president recently announced a high technology initiative. It will give us more competitive businesses, more effective government, better educational programs, and enhanced technical leadership.

In it will be elements such as antitrust reforms to permit joint production ventures. That builds upon the 1984 National Cooperative Research and Development Act that you were involved with. It has been a success, and important ventures like Sematech have come from it.

At the Commerce Department, they plan to expand the advanced technology program to provide matching grants for industry-led research and development consortia. We want to invest in applied research in manufacturing, aerospace, biotechnology and advanced materials, to help you look through the test tube as you take on the marketplace.

We intend to establish a national network of manufacturing extension centers to help small and medium-sized businesses gain access to technology. We hope to increase the partnership between industry and our national laboratories.

A major priority in this package is the development of a national information infrastructure to develop the technology to apply supercomputing and high-speed networking to a variety of applications in our society.

We also intend to increase the research spending at the National Institutes of Standards and Technology.

We're also going to upgrade the IRS computers, although I know not everyone will consider that a good thing.

Hand in hand with this new technology effort is our program to assist the firms that helped us win the Cold War make the transition toward greater production of consumer goods. Many of you feel the effects of reduced defense spending, and we're taking an activist role in trying to assist with the transition.

As you know, President Clinton was at a Westinghouse plant in Maryland just last week to discuss this issue.

Not only have we freed up the money appropriated last year for defense conversion, we added $400 million. For the current fiscal year alone we have about $600 million in worker retraining and transition assistance. There is money to help communities feeling the effects of the drop in defense business.

We're changing the name and focus of the Defense Advanced Research Projects Agency, so it does more in the area of dual-use technology. And, our investments in new civilian technology and research and development should help create new jobs.

Over five years, our technology initiatives and defense conversion efforts will total about $20 billion.

This plan is good for business. It's good for America, and it's good for the world. As our recovery proceeds, our actions can help the economies of our major trading partners. If trading systems are open and fair -- and we're working to ensure they are -- the growth in other nations will good for exports.

The economists tell me that for every percentage point rise in the growth rate of our trading partners, we get a boost of about $15 billion or $20 billion in exports. And each $1 billion of that generates something on the order of 20,000 jobs.

Our economic program will bring down our deficit, create the new jobs and business opportunities our economy needs, improve our competitiveness, and build upon the technology lead that our nation -- and this industry in particular -- has established.

We are at a crossroads in our economic history. The path President Clinton has selected will lead us to an American economy with restored vitality, an economy that again is the strong and vibrant force that made us a world leader.

Thank you very much.

* * *

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

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March 17, 1993

TESTIMONY OF ROGER ALTMAN
DEPUTY SECRETARY OF THE TREASURY
BEFORE THE SUBCOMMITTEE
ON COMMERCE, CONSUMER, AND MONETARY AFFAIRS
COMMITTEE ON GOVERNMENT OPERATIONS
WEDNESDAY, MARCH 17, 1993

Mr. Chairman and members of the subcommittee:

I am very pleased to appear here today to discuss the regulatory burdens experienced by financial institutions in lending to business and consumers. This is a particularly timely session. Last week President Clinton addressed these same issues when he unveiled the Administration's plan to strengthen our economy by breaking the back of the credit crunch. The President knows that businesses and consumers need access to credit and he has made this one of his highest priorities.

The Treasury Department helped develop the President's plan with the four federal bank and thrift regulatory agencies. Along with Treasury, these agencies fully endorse the plan and are working hard to implement it within the next three months.

## BACKGROUND

Let me begin by emphasizing one overriding principle in the President's plan: we must not and will not sacrifice the safety and soundness of our financial system in any way. We will not go back to the policies of forbearance that contributed to the savings and loan problems of the last decade. Instead, we believe that by avoiding regulatory excess and duplication and focusing instead on the real risks to our financial institutions our new plan will actually increase the safety of insured financial institutions.

Our new plan will not reduce attention to proper reserves for problem loans, and it will not lower capital requirements established in accordance with international standards. Our plan will improve the health of our financial institutions: it will not cause a single bank to fail; it will not cost the deposit insurance fund a single dollar.

This plan is not just aimed at banks. As you know, banks have just concluded one of their most successful years in history, with record profitability and record additions to capital.

We wanted a job and business growth plan that addresses the needs of our country's most distressed areas where a lack of credit has seriously hampered business opportunity and job growth. These areas are especially reliant on small and medium sized businesses which are the real engines for growth in our economy and which employ nearly two-thirds of all American workers. Between 1988 and 1990, while large corporations were cutting jobs, small business created four-point-one million new jobs.

Yet, in the last two years, small business job growth has lagged and this slowdown is one reason we still have 9 million unemployed Americans. And we know that one key factor in this slowdown is the lack of available credit.

It's not enough, however, to have more lending, if it's not more fair lending. By freeing regulators from unproductive and redundant efforts, the President's plan will make resources more readily available to ensure that fair lending standards are met and that there is meaningful compliance with the Community Reinvestment Act.

## THE PLAN

Let me now provide you with some of the details on the five parts of this plan: first, small and medium sized business credit; second, lending related to real estate; third, fair and effective appeals and complaint processes; fourth, improvements to examination process and procedures; and, fifth, ongoing efforts to reduce regulatory and paperwork burdens.

### Small and Medium Sized Business Credit

The plan takes two important steps to address the credit needs of small and medium-sized businesses. First, it allows the better rated and better capitalized banks to devote some of their asset portfolios to loans that can be made with a minimum of documentation. These loans will be of limited size, and the aggregate amount of these loans will not exceed a set percentage of the lender's capital.

We devised this plan after consulting with small business owners and hearing their concerns. The plan recognizes the fact that to stay competitive, the small borrower must often act quickly to obtain credit to develop new products and services or lose potential business. We also heard that most small businesses do not have a large staff or the expensive equipment needed to generate the complex documentation too often required to obtain a loan.

In the past, these kinds of businesses received loans from bankers who used their knowledge of the community, the particular business of the borrower, and often too, the borrower's own reputation, as a basis for the credit decision. The Administration's plan allows our country's best bankers to cut through the red tape and again use their judgment to make these kinds of loans. It does, however, insert a greater degree of control, in order to ensure that we do not jeopardize safety and soundness.

Another problem facing small and medium sized businesses is that too often their loans have been incorrectly placed in the category of so-called "Other Assets Especially Mentioned," for minor problems that do not affect whether or not the loan is recoverable. Worse still, loans in this category are lumped in with loans where collection is truly doubtful. This practice has discouraged lenders from making loans to small business.

Our plan will help cure this problem and further encourage loans to small and medium sized businesses. Our bank and thrift regulators will establish examination and rating procedures for all banks that more accurately define loans in this "other mentioned" category, and then more accurately differentiate this category of loans from higher-risk classifications.

## Real Estate Lending

I think we all have learned a lesson about commercial real estate loans, but it is also clear that the regulatory burdens in this area have become excessive. The current regulatory burden is particularly heavy for loans secured by real estate where the loan is primarily used for a business purpose. This is an especially severe problem since small- and medium-sized companies often only have real estate to offer as collateral.

To restore the balance in this area, bank and thrift regulators will make a variety of changes to their existing rules. For example, the bank regulators will modify a number of unnecessarily regulations and practices relating to real estate appraisals. In a number of cases these appraisals are so expensive that they make a small or medium-sized business loan uneconomical to the bank and too high-priced for the borrower. Perversely, these appraisals often add little to the safety of the credit.

Let me give you a few examples of what the plan will do. First, when real estate is additional collateral for loans for non-real estate related purposes we will eliminate the appraisal requirement; second, we will raise the thresholds below which appraisals are not needed to reasonable levels; and, finally, we will cut back rules requiring periodic appraisals of the same property so that such appraisals are required only when safety and soundness is really at stake.

It's time to change this system especially since often these appraisal requirements cause banks to make a loan without all the available collateral, thus putting the banks in a less safe position. In other cases, banks have decided just not to make loans to good customers. Our new plan will change this, increasing safety and loan availability while decreasing needless expense and effort.

## Appeals Process and Complaints Generally

The regulatory agencies work hard to do a thorough and fair job in supervising the nation's banks. Yet employees of the agencies, like everyone else, sometimes make mistakes. Bankers fear that challenging such mistakes will cause retribution, and this fear has caused some bankers to be unwilling to use the available appeals procedures. Efforts to date by bank regulators have not resolved this problem.

We also know that both bankers and consumers are often frustrated by rules and regulations that appear arbitrary and yet there has been no way to complain effectively. Our plan will change this.

To encourage lending decisions to be made that are neither overly lenient nor overly conservative, and to inject a greater element of fairness into the supervisory process, the bank regulatory agencies will make significant revisions to their appeals procedures. Similarly, very significant changes will be made in complaint procedures so that bankers, bank customers and the general public will have an effective avenue of complaint.

We know that if we want these reforms to work we have to listen carefully to our constituents -- borrowers and lenders alike. We want to be able to respond quickly and effectively to criticism to provide the best possible service. We are confident that an improved appeals and complaint processes will help us do just that.

## <u>Examination Process & Procedures</u>

The Administration is fortunate to have a fine corps of bank and thrift examiners who believe that bank and thrift examinations must ensure safety and soundness. Yet it is also clear that sometimes redundant and disruptive examinations add unnecessary expenses and delays and hinder the ability of banks and thrifts to do their jobs.

Let me give you an example. We know of one case where over 30 examiners from three federal bank and thrift regulatory agencies spent over a year examining one subsidiary entity of a large bank holding company. How big was this subsidiary? Well, it employed a total of 150 people. This kind of excess and redundancy does not add to safety and soundness and simply cannot continue.

The President's plan addresses this problem. It provides that in the future, the bank and thrift regulators will (i) eliminate duplication in examinations by multiple regulators, unless such duplication or so-called back-up examinations are clearly required by law; (ii) increase coordination of examinations by regulatory agencies in those cases where duplication is required; and (iii) establish procedures to centralize and streamline examination in multi-bank organizations.

Equally important, bank and thrift regulators have agreed to shift their priorities to analysis of real risk to the institution and to issues involving fair lending.

## <u>Paperwork Burden/Further Efforts</u>

Finally, our Administration knows that no good is served by forcing banks to bear an excessive regulatory paperwork burden. You may have seen that during his remarks last week the President held up a loan file for one loan that contained a full three to four inches of required documents. That simply makes no sense. We believe that loans like that one can been safely made with a small fraction of the amount of paper.

So we intend to work hard over the coming days and weeks to reduce this needless burden. The federal bank and thrift regulators will sit down within the coming week to begin the arduous but important process of reviewing <u>all</u> paperwork requirements to eliminate duplication and other excess.

## CONCLUSION

Let me just close by saying that the Treasury Department recognizes the importance to this country of addressing the credit needs of small and medium-sized businesses and consumers while at the same time maintaining the safety and soundness of our banking and systems.

We believe that this plan deserves constant attention and rapid implementation so let me reassure you that bank and thrift regulators are already meeting to put this plan in place. I am pleased that I have had the opportunity to discuss elements of this plan with you today.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Expected about 10:00 a.m.
March 17, 1993

STATEMENT OF THE HONORABLE LLOYD BENTSEN
CHAIRMAN, THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WEDNESDAY, MARCH 17, 1993
534 DIRKSEN SENATE OFFICE BUILDING

Mr. Chairman, members of the Committee:

I am pleased to testify today on the Administration's objectives for the savings and loan cleanup and the funds that will be necessary to fulfill the government's deposit insurance commitment.

This is my first appearance before this Committee as Secretary of the Treasury. Mr. Chairman, you and I have worked together for many years as colleagues, as I have with most of the members of this Committee, and I look forward to continuing our relationship. And Senator D'Amato, I congratulate you on becoming ranking member of the Committee. This committee has some new members, and I look forward to working with all of you in a truly bipartisan spirit.

With me today are Oversight Board members Alan Greenspan, Chairman of the Federal Reserve Board; Philip Jackson, Adjunct Professor at Birmingham Southern College and former Governor of the Federal Reserve Board; Robert Larson, Chairman of Taubman Realty Group; Roger Altman, Deputy Secretary of the Treasury and interim CEO of the RTC; Jonathan Fiechter, Acting Director of the Office of Thrift Supervision; and Andrew Hove, Acting Chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Peter Monroe, President of the Oversight Board. William Roelle, RTC Senior Vice President and Chairman of the RTC's Executive Committee, and Lamar Kelly, RTC Senior Vice President for Asset Management and Sales, are present to help respond to your questions.

We are here to begin the process of crafting legislation to fund the Resolution Trust Corporation and permit it to complete its portion of the savings and loan cleanup. This has been a bipartisan issue from the start. Just as one of President Bush's first proposals to Congress was a plan to deal with the savings and loan crisis, my first appearance before this Committee demonstrates this Administration's commitment to funding the RTC and to closing this chapter of our country's financial history.

Mr. Chairman, let me state right at the start, that this Administration is committed to fulfilling our government's commitment to savings and loan depositors under the Federal deposit insurance program. There has been a lot of confusion about this program. It has been labelled a "bailout." That is dead wrong. This is a program for people -- millions of Americans who, over the years, have placed their savings in insured institutions in confidence that the Government would honor its insurance pledge. Not a dollar has gone to "bail out" bankrupt S&Ls or to pay off their shareholders. The funds are to be used solely to protect depositors.

Let me also tell you that I know, from personal experience, that a vote to fund the RTC is a tough vote. It is a tough vote for you just as it was for me. But I also know that this is a vote for depositors, for the safety of our financial institutions, and that if we fail to meet this obligation, we will pay a far greater price, and deservedly so.

I also know that many of you cannot vote to fund the RTC unless dramatic improvements are made in its operations. I will tell you plainly, on the record, that we intend to make such improvements.

In August, 1989, this Committee and the Congress responded to the need to defend our financial system by passing the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). That was a bipartisan effort, and, for all its troubles, it has worked.

On the day FIRREA passed, the thrift industry consisted of over 3,000 institutions, more than 260 of which were in conservatorship. It was losing more than $1 billion a year. Its return on assets was negative. Its deposit insurance fund was bankrupt.

Let me show you a few charts.

Pursuant to FIRREA, 21.8 million depositor accounts have been made whole by the Resolution Trust Corporation [See Chart I]. The size of the average account protected was $9,000. RTC has closed 654 insolvent savings and loan institutions, which is equal to 89 percent of the total of 737 institutions that have been seized [See Chart II]. The RTC has taken possession of about $438 billion of assets, and has sold or collected about $337 billion of that amount, at an average return of 92% of book value [See Chart III].

Under its affordable housing program RTC has closed sales of almost 14,000 homes to low and moderate income homeowners -- enough to create a small city [See Chart IV]. In addition, the RTC has closed sales of 350 multifamily properties with 30,000 units, of which over 11,500 have been dedicated for occupancy by lower income, and very low income, families.

The Department of Justice has sent 685 individuals, including many thrift executives, directors and officers, to jail for crimes against the country and the taxpayer. While the record on court-ordered restitutions from criminals is not good, civil recoveries obtained by the RTC, FDIC and OTS now total more than $1 billion [See Chart V].

## The Task Ahead

While much has been accomplished, much remains to be done. The task ahead consists of four parts: (1) protecting depositors, (2) selling assets at best possible prices, (3) ensuring that the RTC is run efficiently, and (4) closing down the RTC in a planned and orderly way, as soon as feasible.

Eighty-three insolvent institutions, with about 4.3 million depositor accounts, are now operating under the conservatorship of the RTC. RTC is obligated to operate them, at a daily loss to the taxpayer and in competition with the healthy thrifts and banks in their communities, until Congress votes funds to pay their depositors and close them. And, as the Acting Director of the Office of Thrift Supervision can tell you, OTS will continue to transfer additional thrifts to the RTC for closure.

The existence of current and additional conservatorships means unnecessary extra costs to the taxpayer that must be stopped as quickly as possible by funding the RTC. The history of the savings and loan debacle shows us that refusing to provide funds to close insolvent thrifts simply means greater losses for the taxpayers.

Protecting the depositors in existing and new conservatorships is only one part of the job remaining to be done.

The second task, managing the sale of the remaining assets, is just as important. I said earlier that the RTC has achieved an impressive record in its asset sales to date. But the remaining assets of more than $100 billion, together with assets to be received from institutions placed in conservatorship before September 30, this year, consist substantially of the hardest-to-sell land and real property, and non-performing mortgages. We can limit the potential loss to the taxpayer if these assets are managed, marketed and sold carefully.

The third task relates to RTC management. We have an overriding responsibility to the taxpayers to change the way the RTC does business. We must ensure that the RTC is managed in the most efficient and responsible way according to the best management practice, under a carefully considered business plan. We must now take action to protect the public against needless expense in the RTC's management of its contractors, to prevent fraud and waste, and to correct deficiencies found by the RTC's auditors. And we must use the best available information systems to identify and track assets and provide RTC management with accurate, timely information.

And finally, we must plan for closing the RTC as soon as possible without impairing RTC operations, ensuring an orderly transition of RTC personnel and systems to the FDIC. I have asked Mr. Hove and RTC's new leadership to establish a joint FDIC/RTC task force both to be sure FDIC has sufficient resources to manage the Savings Association Insurance Fund, and to plan for the return of RTC personnel, and the transfer of its systems, to the FDIC.

## Improving RTC Management

Let me turn to the matter of RTC's efficiency.

As Chairman of the Oversight Board I pledge to use the Board and its staff to improve RTC management practices in order to earn taxpayer trust in the RTC and to effect savings to reduce the deficit.

Mr. Casey has resigned as the CEO of the RTC, and we are very grateful to him for his leadership and for his service to the country in this difficult and complex job. The President has replaced him, on an interim basis, with Mr. Roger Altman, Deputy Secretary of the Treasury, under the Vacancies Act. Under the terms of that Act Mr. Altman will serve as long as necessary within the constraints of the Vacancies Act, or until the President can appoint a permanent RTC CEO. Mr. Altman has a number of other responsibilities but will provide leadership for the RTC during this transition period, and will begin to put in place as soon as possible the programs I will describe for you today.

To put these programs in the proper context, it is important to keep in mind that the RTC has been in existence for less than four years, has seized over 730 institutions, and taken possession of over $400 billion in assets. Any organization, public or private, that reaches this size so quickly is bound to have operations that need to be improved.

To demonstrate this Administration's dedication to improving RTC efficiency, I have asked the interim CEO to begin to implement the following administrative actions. These initiatives are intended to strengthen the RTC's management in a number of critical areas. They will take time to put in place, but we will begin them now [See Chart VI].

<u>First, strengthen internal controls against waste, fraud, and abuse</u>: RTC will conduct a thorough evaluation of all of its internal accounting and administrative control systems, identify the weaknesses, and develop ways to fix them. Let me explain.

Internal controls are the systems that an organization relies on for (1) reliable financial recording and reporting and (2) ensuring efficiency and preventing fraud, waste, and abuse in operations. Reports on the results of the evaluation, with a plan for correcting weaknesses, will be made to Congress, the President, the Oversight Board, OMB, and GAO as required by law. This action, perhaps more than any other, is the taxpayers' first line of defense against waste, fraud and abuse in all RTC programs, including affordable housing. Had these systems been sufficiently strong, Western Storm and the HomeFed incident would not likely have occurred.

Second, respond to problems flagged by auditors: RTC will implement a system -- such as is required under OMB guidelines for other government agencies -- to provide prompt, systematic, and effective followup on the findings and recommendations contained in the reports issued by the GAO and RTC's own Inspector General. When audits uncover problems, this is the system relied upon to correct them so that they do not recur. RTC must not repeat its mistakes after the auditors have brought them to management's attention. A thorough audit followup system should assure that the recommendations of auditors receive prompt attention.

Third, prepare a comprehensive business plan for the balance of the cleanup: I have directed that the RTC prepare a comprehensive business plan for the balance of the cleanup. The plan will include RTC's strategy for the sale of its remaining assets, many of which are hard-to-sell real estate and non-performing loans. The Oversight Board will review the plan and strategy in an effort to maximize the return to the taxpayer from the sale of these assets.

Fourth, expand opportunities for minorities and women: I have asked the interim CEO to have the RTC officer with responsibility for minority and women's programs report directly to him, and I have asked that he develop ways to provide more opportunities for minority and women-owned businesses in the management and disposition of RTC assets. I have also asked that RTC make improved efforts to preserve contracting and asset acquisition opportunities for minorities, women, small businesses and small investors.

Fifth, improve RTC's Professional Liability Section: I have asked that the interim CEO review and recommend improvements in the organization and staffing of the RTC's Professional Liability Section (PLS). These are the RTC lawyers who pursue claims, on the taxpayers' behalf, against thrift managers and others who contributed to the losses through negligence or misconduct. We are committed to building a PLS that operates in a professional and competent manner subject to appropriate management review.

<u>Sixth, improve management information systems</u>: I have asked the interim CEO to take action to improve RTC's management information systems, so that RTC has complete information on its assets and that its management information needs are met.

<u>Seventh, strengthen contractor systems and contractor oversight</u>: I have asked that the RTC review and strengthen its contracting systems, and improve oversight of its private sector contractors. RTC has tens of thousands of contractors working on many types of assets. It must make every effort to ensure that the taxpayers' money is being spent for appropriate and timely services, and that the RTC is getting what it's paying for.

<u>Eighth, appoint a Chief Financial Officer</u>: Consistent with strong Congressional interest in establishing independent chief financial officers for all the agencies, I have asked that RTC appoint a Chief Financial Officer who does not have other operating responsibilities.

<u>Finally, appoint an audit committee</u>: I intend to appoint an audit committee of the Oversight Board to monitor and advise on RTC's improvement of its internal controls, to monitor its followup on the recommendations of its auditors, and to consider special audit and accounting issues as they arise.

In summary, the program I have outlined is very ambitious. Achieving results will take time and hard work. But we intend to place the RTC on a sound management footing and give renewed emphasis to one of its central objectives: maximizing savings to the taxpayer.

The final important task ahead is to put the RTC out of business as quickly as we can -- perhaps well before December, 1996, the date contained in FIRREA.

## Funds Needed

I have told you how this Administration plans to improve RTC operations to win taxpayer trust, and to win your trust. I now must ask you for prompt passage of the Thrift Depositor Protection Act of 1993, which I sent to the Speaker of the House and the President of the Senate yesterday. This bill provides an additional $45 billion to permit the RTC to resume its work of closing insolvent savings and loans and protecting their depositors, and to fund the Savings Association Insurance Fund (SAIF).

Let me review briefly the history of RTC funding [See Chart VII]. FIRREA, which was enacted on August 9, 1989, provided $50 billion for the RTC. In March, 1991, the RTC Funding Act provided another $30 billion. In December, 1991, the RTC Refinancing, Restructuring and Improvement Act provided another $25 billion, but this act prevented any use of these funds after April 1, 1992. Because of this restriction the RTC was able to use only $6.7 billion, bringing the total of RTC loss funding to $86.7 billion. Of this amount the RTC has retained a reserve of $2.3 billion, for emergency uses, from funds provided by FIRREA and the March Refunding Act.

As you know, Mr. Chairman, with your leadership the Senate last year passed a bill providing $43 billion for RTC. The House, however, defeated a measure that would have provided $18 billion. Thus the RTC has been without sufficient funds to resolve institutions for almost a year.

Our request for funds consists of two parts, $28 billion to fund the RTC and $17 billion to fund the SAIF. Passage of our combined request, when added to the $87 billion already provided, would bring the total of all RTC/SAIF funding up to $132 billion for the 1989-1998 period. The table in Attachment I gives a more detailed picture of these estimates.

I should note that if RTC does not use all the funds provided to it, the unused portion can be transferred to SAIF. And of course, if the full amount provided is not needed, it will not be drawn from the Treasury.

How does this compare with previous projections? The last Administration estimated that the cost of the cleanup would fall in a range of $100 billion to $160 billion. At its appearance before this Committee in July last year, the Oversight Board estimated that the cost could fall close to the middle of the range, or about $130 billion. Our request today for $45 billion would bring total RTC/SAIF funding to an amount close to that estimated by the Board last year.

## Funding the SAIF

Our request goes beyond the Board's request last year because it includes an amount to cover losses of SAIF. Let me explain why this is necessary. Until this year the savings and loan industry's premium assessments have been used to help defray the cost of the 1988 Deals. In January, this year, the industry's net assessments began to flow to the SAIF. Thus, by October 1, this year, the SAIF will have about $1.1 billion in reserves.

Foreseeing that industry contributions would be insufficient to permit SAIF to take over after the RTC completed its work, FIRREA authorized further provision of funds by Congress to properly capitalize SAIF. Consistent with the concept in FIRREA that SAIF will need public funding, we are recommending that SAIF be provided up to $17 billion to be used to cover future industry losses. This should allow SAIF to accumulate an expected $1.2 billion to $1.4 billion of annual net assessment income so as to reach over $7 billion in 1998 as required by FIRREA.

Mr. Chairman, one of the questions I have most frequently been asked is, will $45 billion be enough to complete the cleanup? In candor, I must say that no one can know for certain because no one can foresee with certainty trends in the economy, in interest rates, and in regional real estate markets out until 1998. But we have made a very earnest attempt to estimate the costs. We hope that we will use less than $45 billion, but we believe our request is sufficient to complete the job, once and for all, so that we will not come back to you to ask again for funds.

## Why Funds Are Needed

It has been suggested that if the RTC has been able to operate since April last year without funding, there is no need to vote such funds now.

This may be an appealing idea, but it is at best misleading.

RTC needs funds to close the existing 83 conservatorships and to protect the depositors in those institutions. Failure to close the conservatorships means that these insolvent institutions will continue to operate in the private sector at a further, unnecessary, loss to the taxpayer.

This is because, for practical purposes, insured deposits at conservatorships are federal government borrowings. When compared with the cost of direct Treasury borrowings, insured deposits are an expensive way for the government to borrow money. If there were to be another delay in funding of one year, the additional cost to the taxpayer, just for existing conservatorships, would be approximately $1 billion.

This estimate does not take into account additional conservatorships to be transferred to RTC, nor the adverse effects on other thrifts of competing with conservatorships, nor the cost of keeping RTC's conservatorship and resolution programs in place longer than otherwise necessary.

Losses due to delays in funding until this time are estimated at about $1.1 billion.

This financial hemorrhage must not be allowed to continue. Enough has been lost already. It is unfair to the taxpayers, it places an unnecessary drain on our financial system, and it prevents the RTC from completing its work and closing up shop. Funding must be provided: inevitably, the depositors must be paid.

## Conclusion

Mr. Chairman, I said that there are four major remaining tasks to accomplish before the savings and loan cleanup can be completed: protect depositors in existing and additional conservatorships, sell remaining assets, improve RTC management efficiency, and close the RTC quickly, in an orderly way.

I have also indicated that this Administration is determined that improving RTC management efficiency will be a top priority and a continuing objective. I have spelled out a number of ways in which we will accomplish this objective through administrative actions and Oversight Board review. These will take time to implement fully, but we are committed to the effort. Our purpose is to complete the cleanup quickly, at least cost, with maximum returns to the taxpayers on assets sales. We intend to nominate a new CEO who shares our determination and is committed to achieve each of these objectives and who will effect an orderly termination of the RTC.

We ask that this Committee and the Congress respond with swift approval of the funding request contained in the Thrift Depositor Protection Act. With the provision of these funds the remaining insolvent thrifts can be resolved, their depositors protected, and, finally, the Resolution Trust Corporation can be closed.

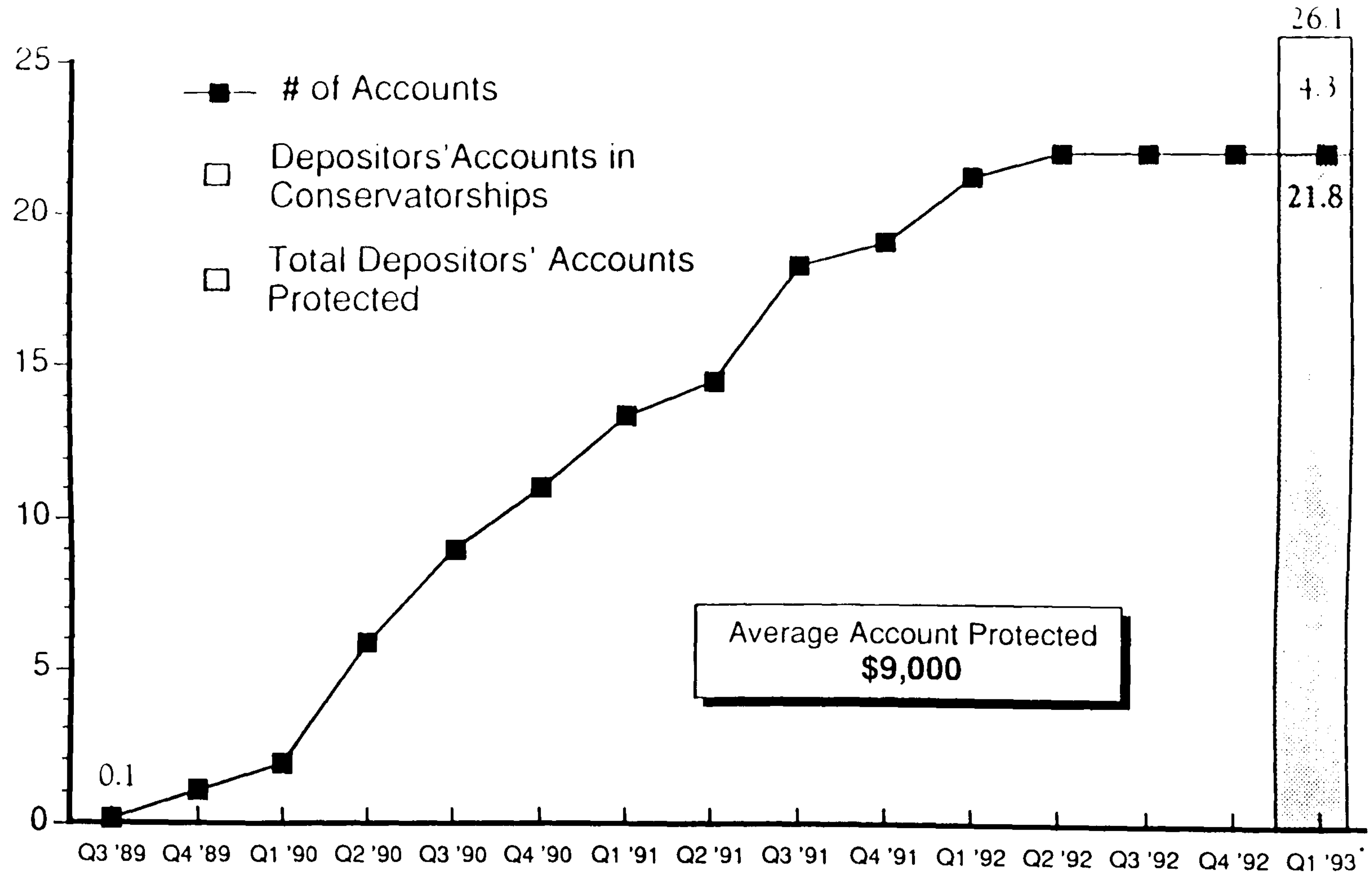
I do not want to conclude without thanking you, Chairman Riegle, for your willingness to hold these hearings and to move legislation. You have made it clear from the beginning of the session that you and your Committee were ready to go to work on this issue, and we appreciate that. As I said at the outset we are ready to work with you, Senator D'Amato, and all the members of this Committee to write responsible legislation that will let us bring an end to the savings and loan cleanup in the same bipartisan spirit with which we began it in FIRREA.

This concludes my prepared statement. Responses to the questions required by FIRREA to be addressed at these appearances are contained in Attachment II to the statement.

# 21.8 Million Depositors Protected

(# Millions)

Inception through March 8, 1993



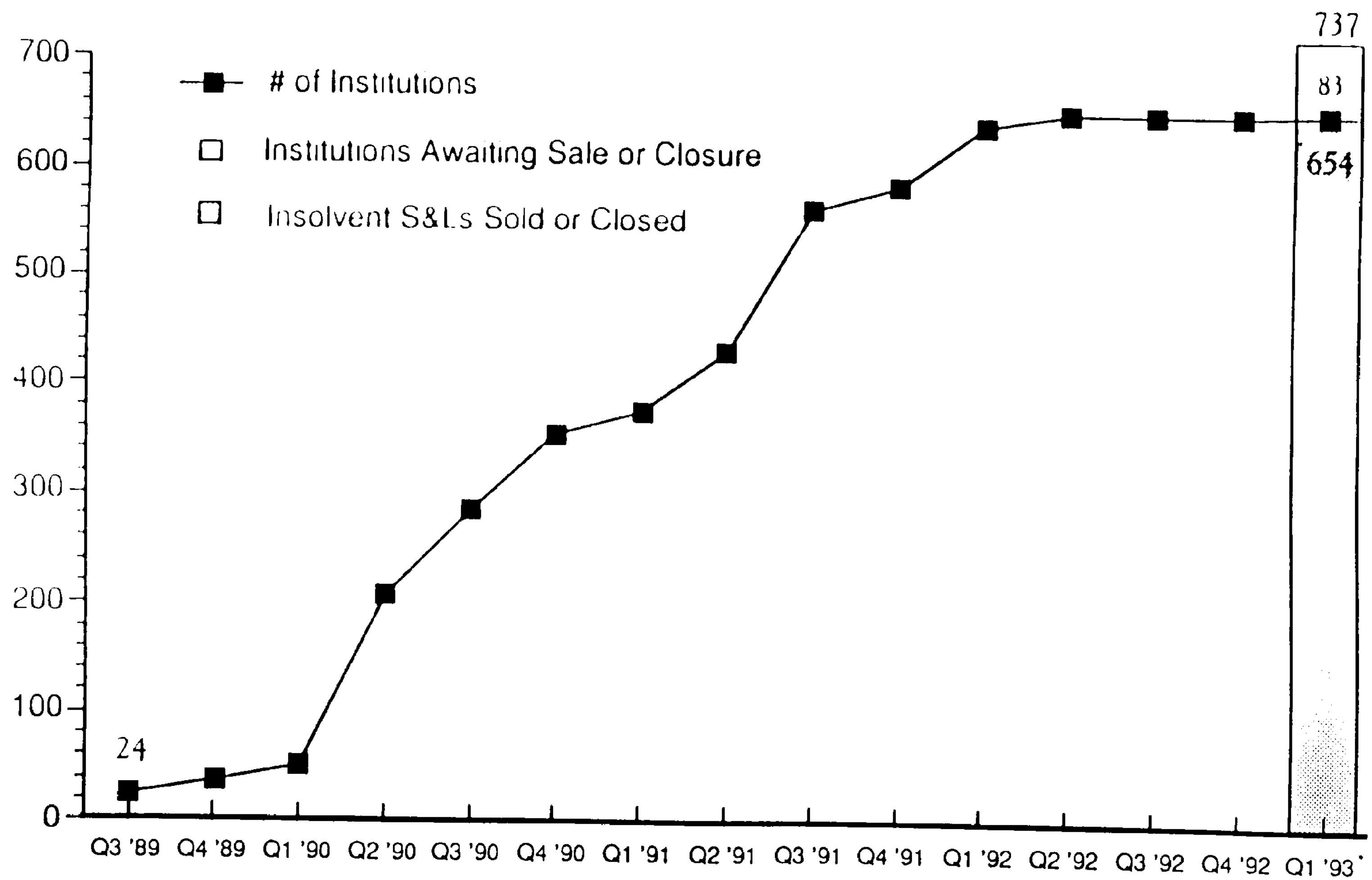

* Quarter to date.

Note: Figures represent cumulative depositors' accounts protected

Source: RTC Office of Corporate Communications; TFR

# 654 S&Ls Resolved

## Inception through March 8, 1993

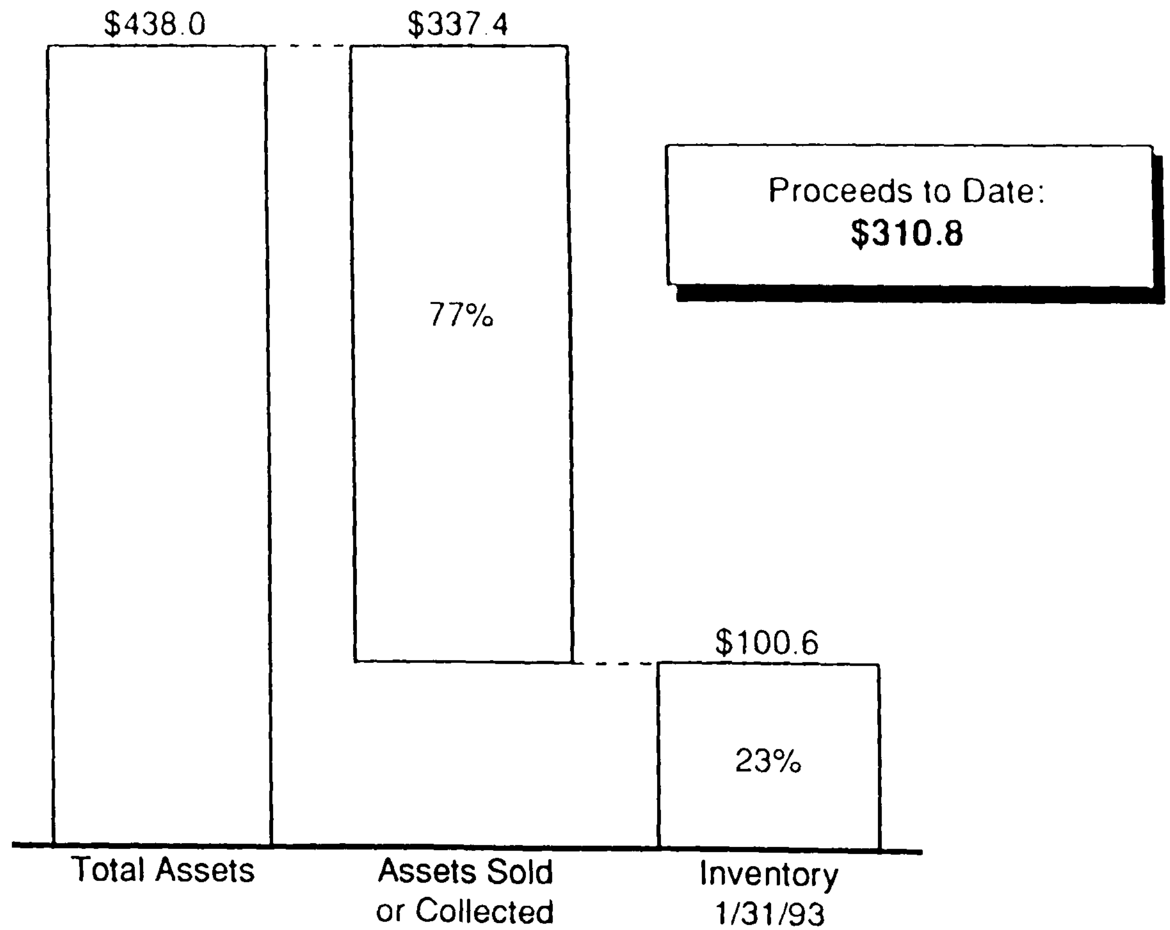



* Quarter to date.
Note: Figures represent cumulative RTC resolutions
Source: RTC Review; OB Analysis

# Three-Fourths of RTC Assets Are Already Sold

(Book Value – $ Billions)

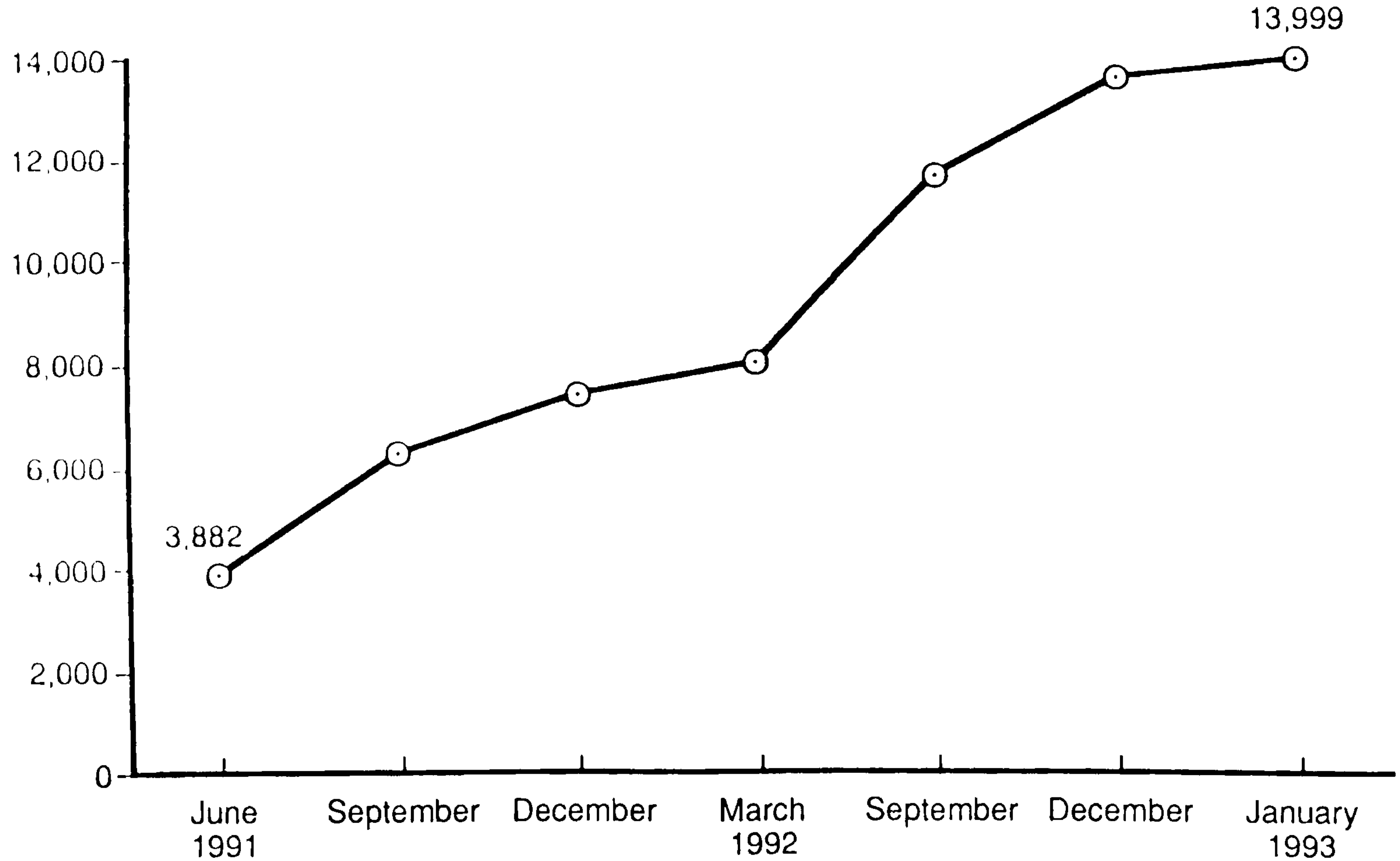
Inception through January 31, 1993




Source: RTC Review

## Affordable Housing Has Created Almost 14,000 Homeowners*

**Single Family Closed Sales****
**June 30, 1991 through January 31, 1993**




* Data revised to include Closed Sales only.
** Sales of both receivership and conservatorship properties.
Source: RTC – AHD Program

# Prosecutions, Fines and Recoveries
## ($ Millions)

### "Major" S&L prosecutions (Department of Justice)*:

| | |
|---|---|
| **Defendants Charged** | 1,358 |
| Convicted | 1,062 |
| Awaiting Sentence | 184 |
| Suspended Sentence | 209 |
| Sentenced to Prison | 685 |
| **CEO's, Board Chairmen, Presidents, Directors, and other officers** | |
| Charged | 390 |
| Convicted | 324 |
| Acquitted | 18 |

### Criminal Restitutions**:

| | Ordered | Collected |
|---|---|---|
| **Total†** | **$490** | **$34** |

### Civil Recoveries**:

Includes professional liability recoveries, civil money penalties, and administrative adjudications

**Total††** **$1,017**

* October 1, 1988–November 30, 1992. "Major" defined as (a) fraud or loss of $100,000 or more, or (b) defendant was officer, director, or shareholder/owner, or (c) schemes involved multiple borrowers in same institution

** September 30, 1992

† Includes criminal restitutions ordered and collected by the FSLIC Resolution Fund, BIF, and RTC

†† Includes civil recoveries collected by RTC, FSLIC Resolution Fund, and OTS

# Administrative Reforms

- Strengthen internal controls against waste, fraud, and abuse.
- Respond to problems flagged by auditors.
- Prepare Business Plan/Asset Sales Strategy.
- Expand opportunities for minorities and women.
- Improve RTC's Professional Liability Section.
- Improve management information systems.
- Strengthen contracting systems and contractor oversight.
- Appoint a Chief Financial Officer.
- Appoint Oversight Board Audit Committee.

# RTC Funding History

| | | |
|---|---|---|
| August 9, 1989 (FIRREA, PL 101-73) | | $50 billion |
| March 23, 1991 (RTC Funding Act, PL 102-18) | | $30 billion |
| December 12, 1991 (RTC Refinancing, Restructuring... Act, PL 102-233) | | $25 billion* |
| March 26, 1992 (RTC Funding Act of 1992, S2482) | Passed (52-42) | $43 billion (Lift 4/1/92 limit; added $25 billion) |
| April 1, 1992 (RTC Funding Limitation, HR 4704) | Defeated (125-298) | $18 billion (Lift 4/1/92 limitation) |

| | |
|---|---|
| Total Loss Funds Enacted | $105.0 billion |
| Loss Funds Expired | (18.3 billion) |
| Loss Funds (total) Available for RTC Use | $86.7 billion |
| Loss Funds Used to Date | 84.4 billion |
| Loss Funds Reserve Remaining | 2.3 billion |

* Up to $25 billion until 4/1/92; by 4/1/92 RTC expended only about $6.7 billion and authority to spend $18.3 billion expired

Attachment I

# RTC/SAIF Estimated Loss Fund Usage

## As of March 10, 1993

| | A | B<br># of Cases | C<br>Gross Assets* | D<br>Point Estimate of Loss | E<br>Likely High Estimated Loss | F<br>Add. Funds Needed for High Estimated Loss |
|---|---|---|---|---|---|---|
| 1 | RTC Resolutions (As of March 5, 1993) | 654 | $337 | $85 | $91 | $4 |
| 2 | RTC Conservatorships and Probable Cases† | 118 | $105 | $19 | $21 | $21 |
| 3 | **Total RTC Probable Cases** | **772** | **$442** | **$104** | **$112** | **$25** |
| 4 | RTC or SAIF — Likely to Fail within the next 6–12 months | 52 | $19 | $2 | $3 | $3 |
| 5 | SAIF — Possible SAIF Cases after September 30, 1993** | 105 | $93 | $13 | $17 | $17 |
| 6 | **Total Cases — 1989–1998** | **929** | **$554** | **$119** | **$132** | **$45** |

($ Billions)

Note: The "additional funds needed" numbers take into account the $87 billion already provided to the RTC to date. The point estimate assumes a midrange loss rate averaging 24% of assets. The likely high estimated loss is derived using higher loss rates averaging 28%.

* Asset data for resolved and conservatorships are as of the quarter prior to takeover. Data for remaining caseload are as of December 31, 1992.

** The 105 institutions listed here have $66 billion in assets and are possible cases through 1995. Since additional failures are possible in 1996–1998, the gross assets were increased to $93 billion to include additional failures of 1% of the assets of the thrift industry for each year in 1996, 1997, and 1998.

† As of March 5, 1993, there were 83 thrifts in RTC conservatorships with $74 billion in assets at takeover. There are 35 additional thrifts with $31 billion in assets listed by OTS as probable RTC cases before October 1, 1993.

Attachment II

| Requirements Established in FIRREA for Semi-Annual Appearances | Comments |
|---|---|
| I. Report on the progress made during the 6-month period covered by the semi-annual report in resolving institutions insured by the FSLIC prior to FIRREA, and for which a conservator or receiver has been appointed after 12/31/88 and before 10/1/93 These institutions are referenced below as those described in subsection (b)(3)(A). | During the six month period, the RTC resolved 12 institutions with $15 billion of assets. On September 30, 1992 there were 69 conservatorships with $34 billion of assets waiting for resolution. During the six month period, conservatorship and receivership assets decreased $8 0 billion in book value. |
| II. Provide an estimate of the short-term and long-term cost to the United States Government of obligations issued or incurred during such period. | We interpret this requirement to address RTC short-term borrowings from the Federal Financing Bank ("FFB") and long-term borrowings from Resolution Funding Corporation ("REFCORP").<br><br>During the reporting period, the RTC decreased issued and outstanding obligations from $57 to $47 billion in the form of short-term working capital borrowings from the FFB Approximately $1 0 billion in interest expenses were incurred in connection with the issuance of these obligations during such period Repayment of these obligations will come from currently appropriated loss funds and RTC recoveries from receiverships We expect that proceeds from the disposition of RTC assets will be sufficient to repay these short-term obligations<br><br>REFCORP issued its last obligation in January, 1991. The total amount outstanding is the full $30 billion of obligations authorized by FIRREA, with average maturities of 33 years and average yield of 8 76%. Total interest on REFCORP obligations is expected to be a nominal $87 9 billion The Treasury share of this interest is expected to be a nominal $78 billion |
| III. Report on the progess made during such period in selling assets of institutions described in subsection (b)(3)(A) and the impact such sales are having on the local markets in which such assets are located. | As of September 30, 1992, the RTC had sold and collected approximately $309 billion (book value) of assets which was 74% of assets seized by that date The proceeds from these asset reductions totaled $287 billion To date, there is no evidence that RTC sales have had an adverse impact on local real estate markets A survey conducted by RTC's National Advisory Board concluded that the RTC does not appear to affect real estate prices, but that RTC activities may create a "psychological overhang" in the markets, causing local buyers to delay decisions This observation is consistent with independent reports. The RTC will continue |

| Requirements Established in FIRREA for Semi-Annual Appearances | Comments |
| --- | --- |
| IV. Describe the costs incurred by the Corporation in issuing obligations, managing and selling assets acquired by the Corporation | We have interpreted this requirement to address the assets of receiverships and conservatorships which are under the management of the RTC<br><br>The total amount paid to private contractors during the April-September period was $1,208 million, of which $764 million represents fees paid under receivership management contracts and $125.2 million represents issuance costs incurred in connection with the securitization program.<br><br>After the appointment of RTC as conservator, association employees continue to perform asset management functions under the supervision of the RTC Managing Agent. These staff are already supplemented by outside contractors hired and paid for by the institution for services for which the institution would typically contract in the normal course of business. Accordingly, we have excluded such costs for the purposes of this calculation |
| V. Provide and estimate of income of the Corporation from assets acquired by the Corporation | In its corporation capacity, the RTC's only substantial source of "income" is interest on advances made by the Corporation to conservatorships and receiverships. The RTC accrued $292 million of interest income on advances and loans to conservatorships and receiverships in the six months ended September 30, 1992. Dividends are not included in income because they are a reduction in RTC's claims against the assets of the receiverships, thus a return of capital, and not income. However, dividends received by the RTC during the period totalled $14.6 billion. |
| VI. Provide an assessment of any potential source of additional funds for the Corporation. | The only remaining sources of additional funds to the Corporation are the secured borrowings for working capital from the FFB and the $5 billion line of credit from the Treasury provided in FIRREA. Unused loss funds total $2.3 billion which are being held for both contingencies and emergencies. There are no other funds currently available to the RTC. |
| VII. Provide an estimate of the remaining exposure of the United States Government in connection with institutions described in subsection (b)(3)(A) which, in the Oversight Board's estimation, will require assistance or liquidation after the end of such period | The estimate of the total resolution cost to be borne by the RTC in connection with those institutions described in subsection (b)(3)(A) is projected to be up to $115 billion. The RTC recognized approximately $84 billion for estimated losses from inception through September 30, 1992 |

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
March 17, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES
TOTALING $26,250 MILLION

The Treasury will auction $15,250 million of 2-year notes and $11,000 million of 5-year notes to refund $21,006 million of publicly-held securities maturing March 31, 1993, and to raise about $5,250 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $2,602 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,460 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED MARCH 31, 1993

March 17, 1993

| | | |
|---|---|---|
| <u>Offering Amount</u> | $15,250 million | $11,000 million |
| <u>Description of Offering</u>: | | |
| Term and type of security | 2-year notes | 5-year notes |
| Series | Series U-1995 | Series L-1998 |
| CUSIP number | 912827 K2 7 | 912827 K3 5 |
| Auction date | March 24, 1993 | March 25, 1993 |
| Issue date | March 31, 1993 | March 31, 1993 |
| Dated date | March 31, 1993 | March 31, 1993 |
| Maturity date | March 31, 1995 | March 31, 1998 |
| Interest rate | Determined based on the highest accepted bid | Determined based on the highest accepted bid |
| Yield | Determined at auction | Determined at auction |
| Interest payment dates | September 30 and March 31 | September 30 and March 31 |
| Minimum bid amount | $5,000 | $1,000 |
| Multiples | $5,000 | $1,000 |
| Accrued interest payable by investor | None | None |
| Premium or discount | Determined at auction | Determined at auction |

**<u>The following rules apply to all securities mentioned above</u>:**

<u>Submission of Bids</u>:

Noncompetitive bids . . . . . . . . Accepted in full up to $5,000,000 at the highest accepted yield

Competitive bids . . . . . . . . .
(1) Must be expressed as a yield with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

<u>Maximum Recognized Bid at a Single Yield</u> . . . . . . . . 35% of public offering

<u>Maximum Award</u> . . . . . . . . . . . . . 35% of public offering

<u>Receipt of Tenders</u>:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern time on auction day

Competitive tenders . . . . . . . . Prior to 1:00 p.m. Eastern time on auction day

<u>Payment Terms</u> . . . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

# TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960


FOR IMMEDIATE RELEASE
March 17, 1993


CONTACT: Scott Dykema
(202) 622-2960


**STATEMENT BY SECRETARY LLOYD BENTSEN**

RE: Meeting with Polish Finance Minister Jerzy Osiatynski

"We had a very productive meeting today. Since it began the painful process of democratic and economic reform, Poland has shown courage in sticking with a tough, forward-looking program. This program is paying off: inflation is under control, growth is rebounding, a new private sector is thriving, and Poland is poised to gain access to foreign capital. The United States is delighted to have played a role in Poland's efforts and continues to support reform. I hope the lessons learned by Poland will be applied successfully by other countries struggling to build market economics and durable democracies."

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LB-76

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

**EMBARGOED UNTIL DELIVERY**
**(Expected about 10 a.m.)**

**STATEMENT OF LAWRENCE H. SUMMERS**
**NOMINEE FOR**
**UNDER SECRETARY FOR INTERNATIONAL AFFAIRS**
**DEPARTMENT OF THE TREASURY**
**BEFORE THE SENATE COMMITTEE ON FINANCE**
**March 18, 1993**

Mr. Chairman, distinguished members of the Senate Finance Committee, ladies and gentlemen:

I welcome the opportunity to appear before you today as President Clinton's nominee to be Under Secretary of the Treasury for International Affairs.

If confirmed for the position of Under Secretary, I will look forward to serving President Clinton and Secretary Bentsen, and to working with you and your colleagues in the Congress to promote and defend the economic well-being of the United States.

President Clinton has committed his Administration to a policy of engaged, enlightened, and hard-headed economic internationalism to go along with his program of domestic renewal. We are living in an era of increasing global economic interdependence, where national economies are interconnected as never before, and domestic and foreign policies are inextricably linked. We have the chance to free up billions spent on national defense, to promote free elections and free economies from Poland to Peru, and to realize the vast potential of global economic integration. The nations of the world have the opportunity to grow and prosper together -- or stagnate and scapegoat apart.

The Under Secretary of the Treasury for International Affairs is charged with helping the President and the Secretary design and implement American international economic strategy. The Under Secretary's responsibilities include the development and implementation of policies in the areas of international macroeconomic policy coordination, exchange rate policy, trade and investment policy, international debt strategy, and U.S. participation in international financial institutions. The Under Secretary also serves as the G-7 Financial Deputy, with primary responsibility for coordinating economic policy with other industrial nations, and as the financial "Sherpa" in preparation for the annual Economic Summit.

There are many aspects to the job, but what I would like to do this morning, Mr. Chairman and Members of the Committee, is outline for you four critical policy areas that will be at the top of my agenda if I am confirmed.

First, we must improve macroeconomic coordination between the United States and its G-7 partners. The U.S. economy is likely to grow far more rapidly than the economies of Europe and Japan over the next year or two. While we can take satisfaction from our recovery, slow growth abroad means slower growth for U.S. exports and rising trade imbalances.

Secretary Bentsen has taken the initiative to revive the policy coordination process -- which is important to the restoration of global growth and employment. The President's economic program has brought us new respect in the international economic arena. And it will strengthen our hand in encouraging our major trading partners to take complementary actions to strengthen growth in their own countries. The Secretary began this effort in London. Both he and the President have made it clear that they hope to see real progress by the time of the Economic Summit in Tokyo.

Second, we must work to promote international economic integration and to insure that its benefits are shared fairly among nations. There is no alternative to economic integration. As President Clinton said at American University, the United States must compete -- not retreat.

This means we must promote exports, because exports are the path to economic growth and to the creation of better jobs in the United States. For America to expand exports, foreign markets must be open. Good Uruguay Round and NAFTA agreements will make a major contribution to the health of our economy and to that of our trading partners.

But concluding trade treaties is not enough. Where serious barriers to U.S. exports remain, we must vigorously enforce existing trade law to remove them. The trading practices of those nations that run chronic and increasing surpluses with most regions of the world are obviously of particular concern.

If confirmed, I will place particular emphasis on promoting financial market liberalization in Asia, Latin America, and Europe. Our financial institutions are world class innovators. They will succeed where they are given the opportunity to compete. I will also work to ensure that American firms are not victimized by exchange rate manipulation. And Treasury will insist on ensuring that just as our market is generally open to foreign friends that wish to invest here, foreign markets will be open to American investment.

Third, we must do what we can to ensure the success of Russia's democratic and economic reform effort. Political scientists offer this critical lesson of history: democracies do not make war on each other. To this important political science maxim, an economist would attach a critical corollary: democracies cannot survive hyperinflation. These twin truths are overriding considerations when we confront American interests in securing the success of the embattled reform effort underway in Russia. Russia is perilously close to hyperinflation, and unless Russia's leaders can reassert macroeconomic discipline, the country could go the way of Weimar Germany or the Junta's Argentina.

The Clinton Administration is already fully engaged in devising and implementing, in cooperation with our allies, an effective economic assistance package for Russia and the other states of the former Soviet Union. The Treasury department brings crucial economic perspectives to the table on matters concerning stabilization policy, debt, technical assistance, and economic restructuring. The task of rebuilding the Russian economy is the greatest economic restructuring job since the Marshall Plan. If confirmed, I will work, under Secretary Bentsen's leadership, with the rest of the Administration and Congress to ensure that the United States does all that it possibly can to support the political and economic transition in Russia at this historic moment.

Fourth, we must work to support sustainable and environmentally responsible development in the developing world. With 1 billion people trying to survive on less than $1 a day, this is a moral imperative. It is also an economic imperative as the developing world represents the fastest-growing market for U.S. exports. And it is a security imperative because prosperous nations are most likely to be peaceful ones.

The Secretary of the Treasury is the U.S. Governor of the International Financial Institutions -- the IMF, the World Bank, and the regional development banks. These institutions afford the United States extraordinary leverage. The World Bank, for example, has committed over $220 billion to the less developed world over the last 40 years, while U.S. contributions to the Bank have cost the taxpayers less than $2.0 billion over the same period.

If these institutions are to serve U.S. interests in the Third World, they must be much more than financial institutions. They must make a real, as well as a rhetorical commitment to helping the poor and protecting the environment. The Treasury Department will break with tradition to ensure that the U.S. representatives to these institutions draw on the expertise of environment and development communities, as well as the financial community.

In his welcoming address to the employees of the Treasury Department, Secretary Bentsen said that as the Departments of State and Defense were the guarantors of <u>military</u> security during the Cold War, the Treasury Department must be the guarantor of America's <u>economic</u> security in the post-Cold War world. It is a distinct privilege and honor to have been asked by Secretary Bentsen and nominated by the President to serve at Treasury during this critical time. Mr. Chairman and members, if confirmed, I look forward to working with you. Thank you.

THE SECRETARY OF THE TREASURY



WASHINGTON

March 18, 1993



The Honorable Robert C. Byrd
President Pro Tempore
United States Senate
Washington, D.C. 20510

Dear Bob:

I am writing to request action by Congress on legislation to increase the statutory limit on the public debt. Currently, our best estimate is that the Treasury will run out of cash and room under the current $4,145.0 billion debt limit on April 7 as social security recipients and others attempt to cash their checks.

The April 7 date reflects the most accurate information we have on the outlook for changes in cash and debt over the coming weeks, absent extraordinary actions. We will let you know if this date changes materially, but believe it is very important that legislation to increase the debt limit pass before the upcoming Congressional recess.

To avoid unnecessary uncertainty in financial markets and dislocations in the Treasury's usual pattern of auction announcements, it would be best if Congressional action on the debt limit could occur by March 26. This date marks the scheduled announcement of the regular 52-week Treasury bill that is to be auctioned on April 1 for settlement on April 8.

We are requesting that the debt limit be increased to $4,370.0 billion on a temporary basis through September 30, 1993. I urge Congress to act in a timely manner on a debt limit increase in order to avoid financial market disruptions, which would tend to raise the Treasury's cost of financing. Of course, a more significant delay could risk default on the Government's securities, with its adverse consequences on the financial markets, the Federal deficit, and the U.S. economy.

Sincerely,

Lloyd

Lloyd M. Bentsen

NOTE: Identical copies were sent to the following:
Sen. Byrd
Sen. Mitchell
Sen. Dole
Sen. Moynihan
Sen. Packwood
Sen. Sasser
Sen. Domenici
Cong. Foley
Cong. Gephardt
Cong. Michel
Cong. Rostenkowski
Cong. Archer

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
March 18, 1993

CONTACT: Scott Dykema
(202) 622-2960

## TREASURY MAKES SHORT-TERM BRIDGE LOAN TO PERU

The U.S. Treasury Department today announced participation in a short-term multilateral bridge loan for Peru to clear Peru's arrears to the International Monetary Fund and the World Bank.

The multilateral loan totaled $900 million, of which the U.S. share was $470 million. The U.S. share was repaid today.

-30-

LB-78

ALTERNATE EXECUTIVE DIRECTOR
ROOM 13-320
0411

INTERNATIONAL MONETARY FUND

NEWS BRIEF

FOR IMMEDIATE RELEASE

Number 93/3 March 18, 1993

## *Camdessus Praises Peru: **First Success** Under IMF Arrears Strategy*

After today's meeting of the Executive Board on Peru, Mr. Michel Camdessus, Managing Director of the IMF, made the following statement:

"I welcome today's action of the Executive Board restoring Peru's eligibility to use the resources of the IMF and committing the institution's financial support for the country's three-year economic reform program. Peru's successful completion of its 'rights-accumulation' program is a tribute to its courage, vision, and determination to work towards a better future with the support of the international community.

Peru is the first country to regain access to the international financial community through the IMF's rights accumulation approach to eliminate payments arrears with the institution. It is my hope that Peru's example will inspire other countries in similar circumstances to implement sound economic policies deserving international support. Today's action is nothing short of an important achievement for international cooperation."

# Monthly Treasury Statement

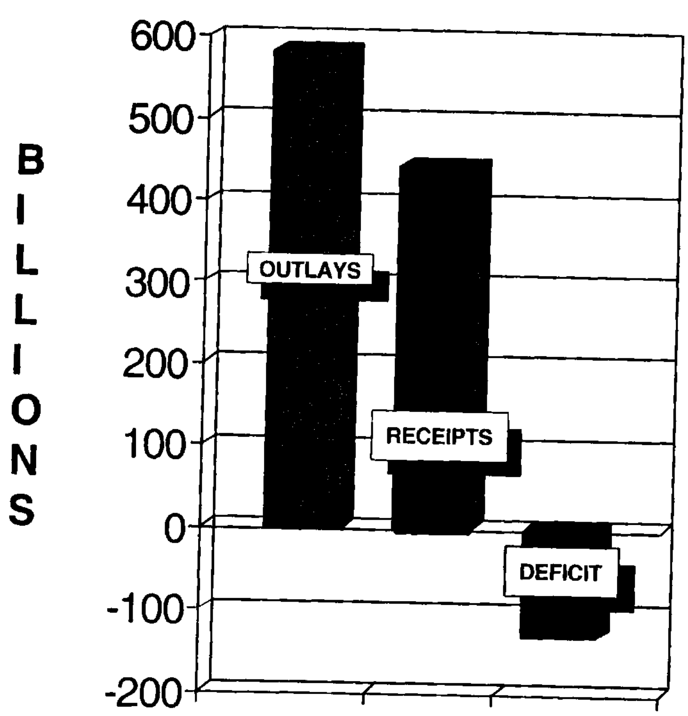
of Receipts and Outlays
of the United States Government

For Fiscal Year 1993 Through **February 28, 1993,** and Other Periods

## Highlight

Accelerated electronic income tax return filing and a 5% increase in eligible Earned Income Credit (EIC) recipients increased the EIC reporting by $2,385 million through February 1993, compared to the same period last year.

**RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT THROUGH FEBRUARY 1993**




**Contents**




Compiled and Published by

*Department of the Treasury*
*Financial Management Service*

# Introduction

The *Monthly Treasury Statement of Receipts and Outlays of the United States Government (MTS)* is prepared by the Financial Management Service, Department of the Treasury, and after approval by the Fiscal Assistant Secretary of the Treasury, is normally released on the 15th workday of the month following the reporting month. The publication is based on data provided by Federal entities, disbursing officers, and Federal Reserve banks.

**Audience**

The *MTS* is published to meet the needs of: Those responsible for or interested in the cash position of the Treasury; Those who are responsible for or interested in the Government's budget results; and individuals and businesses whose operations depend upon or are related to the Government's financial operations.

**Disclosure Statement**

This statement summarizes the financial activities of the Federal Government and off-budget Federal entities conducted in accordance with the Budget of the U.S. Government, i.e., receipts and outlays of funds, the surplus or deficit, and the means of financing the deficit or disposing of the surplus. Information is presented on a modified cash basis: receipts are accounted for on the basis of collections; refunds of receipts are treated as deductions from gross receipts; revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays; and interest on the public debt (public issues) is recognized on the accrual basis. Major information sources include accounting data reported by Federal entities, disbursing officers, and Federal Reserve banks.

**Triad of Publications**

The *MTS* is part of a triad of Treasury financial reports. The *Daily Treasury Statement* is published each working day of the Federal Government. It provides data on the cash and debt operations of the Treasury based upon reporting of the Treasury account balances by Federal Reserve banks. The *MTS* is a report of Government receipts and outlays, based on agency reporting. The *U.S. Government Annual Report* is the official publication of the detailed receipts and outlays of the Government. It is published annually in accordance with legislative mandates given to the Secretary of the Treasury.

**Data Sources and Information**

The Explanatory Notes section of this publication provides information concerning the flow of data into the *MTS* and sources of information relevant to the *MTS*.

## Table 1. Summary of Receipts, Outlays, and the Deficit/Surplus of the U.S. Government, Fiscal Years 1992 and 1993, by Month

[$ millions]

| Period | Receipts | Outlays | Deficit/Surplus (−) |
|---|---|---|---|
| **FY 1992** | | | |
| October | 78,068 | 114,660 | 36,592 |
| November | 73,194 | 117,878 | 44,684 |
| December | 103,662 | 106,199 | 2,537 |
| January | 104,091 | 119,755 | 15,664 |
| February | 62,056 | 111,230 | 49,174 |
| March | 72,917 | 123,629 | 50,712 |
| April | 138,430 | 123,821 | −14,609 |
| May | 62,244 | 109,029 | 46,786 |
| June | 120,909 | 117,126 | −3,783 |
| July | 79,074 | 122,220 | 43,146 |
| August | 78,216 | 102,918 | 24,702 |
| September | 118,338 | 112,938 | −5,400 |
| **Year-to-Date** | **1,091,200** | **1,381,404** | **290,203** |
| **FY 1993** | | | |
| October | 76,832 | 125,620 | 48,788 |
| November | 74,633 | 107,363 | 32,730 |
| December | 113,756 | 152,701 | 38,945 |
| January | 112,809 | 82,996 | −29,812 |
| February | 66,194 | 113,788 | 47,594 |
| **Year-to-Date** | **444,223** | **582,468** | **138,245** |

**Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, February 1993 and Other Periods**

[$ millions]

| Classification | This Month | Current Fiscal Year to Date | Budget Estimates Full Fiscal Year[1] | Prior Fiscal Year to Date (1992) | Budget Estimates Next Fiscal Year (1994)[1] |
|---|---|---|---|---|---|
| Total on-budget and off-budget results: | | | | | |
| Total receipts | 66,194 | 444,223 | 1,162,934 | 421,072 | 1,253,101 |
| On-budget receipts | 41,093 | 327,247 | 838,919 | 306,513 | 906,370 |
| Off-budget receipts | 25,100 | 116,975 | 324,015 | 114,559 | 346,731 |
| Total outlays | 113,788 | 582,468 | 1,503,886 | 569,723 | 1,527,340 |
| On-budget outlays | 89,332 | 478,217 | 1,238,659 | 470,958 | 1,250,928 |
| Off-budget outlays | 24,456 | 104,251 | 265,227 | 98,765 | 276,412 |
| Total surplus (+) or deficit (−) | −47,594 | −138,245 | −340,952 | −148,650 | −274,239 |
| On-budget surplus (+) or deficit (−) | −48,239 | −150,969 | −399,740 | −164,445 | −344,558 |
| Off-budget surplus (+) or deficit (−) | +644 | +12,724 | +58,788 | +15,794 | +70,319 |
| Total on-budget and off-budget financing | 47,594 | 138,245 | 340,952 | 148,650 | 274,239 |
| Means of financing: | | | | | |
| Borrowing from the public | 30,689 | 103,828 | 342,265 | 122,797 | 274,796 |
| Reduction of operating cash, increase (−) | 27,227 | 39,690 | ...... | 24,602 | ...... |
| By other means | −10,321 | −5,273 | −1,313 | 1,252 | −557 |

[1]These figures are based on the *Mid-Session Review: The President's Budget and Economic Growth Agenda* released by the Office of Management and Budget on July 24, 1992.

... No Transactions.
Note: Details may not add to totals due to rounding.

**Figure 1. Monthly Receipts, Outlays, and Budget Deficit/Surplus of the U.S. Government, Fiscal Years 1992 and 1993**

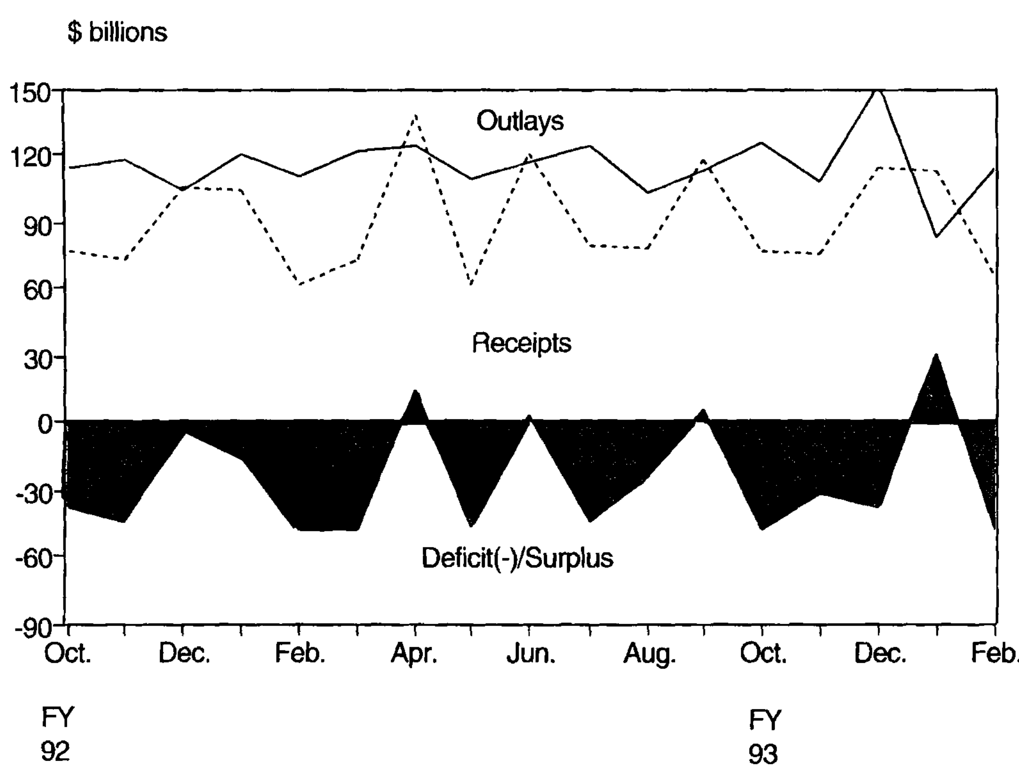


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1992 and 1993

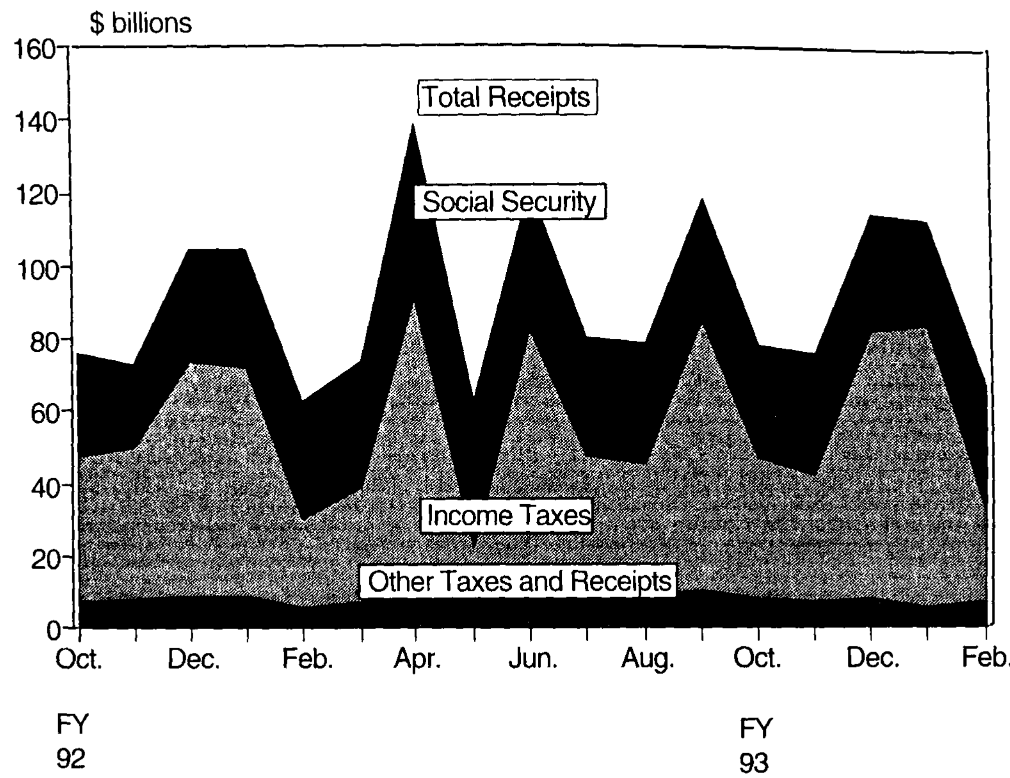
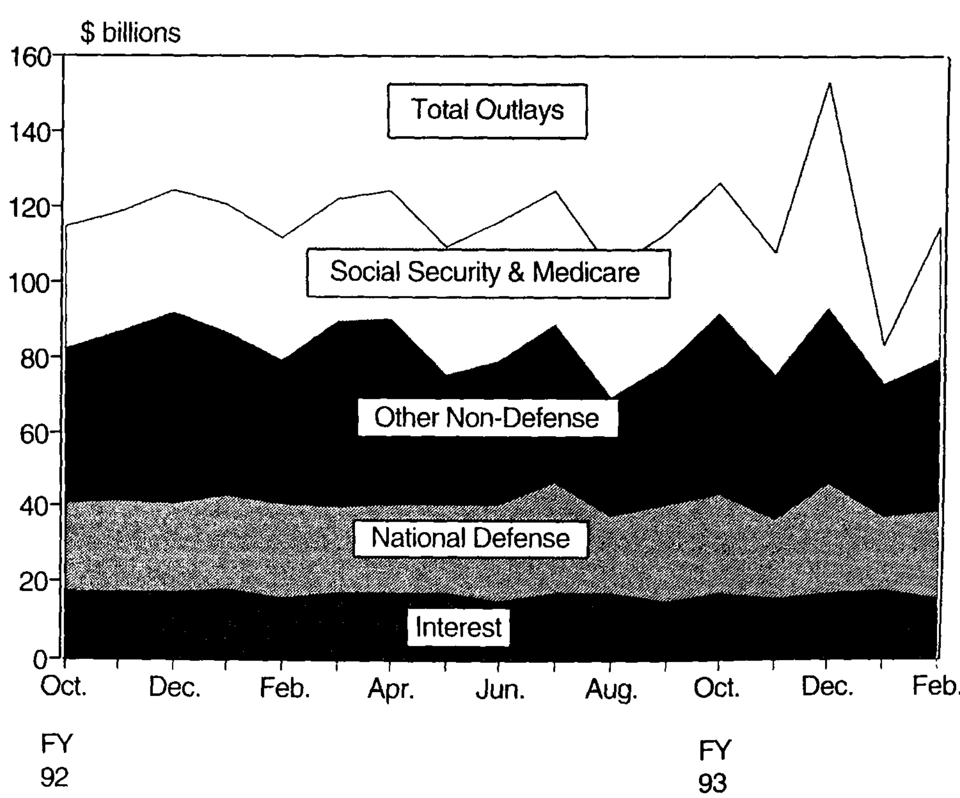



Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1992 and 1993



## Table 3. Summary of Receipts and Outlays of the U.S. Government, February 1993 and Other Periods

[$ millions]

| Classification | This Month | Current Fiscal Year to Date | Comparable Prior Period | Budget Estimates Full Fiscal Year[1] |
|---|---|---|---|---|
| **Budget Receipts** | | | | |
| Individual income taxes | 23,947 | 219,206 | 197,146 | 506,981 |
| Corporation income taxes | 792 | 30,528 | 27,474 | 112,159 |
| Social insurance taxes and contributions: | | | | |
| Employment taxes and contributions (off-budget) | 25,100 | 116,975 | 114,559 | 324,015 |
| Employment taxes and contributions (on-budget) | 6,522 | 32,508 | 32,476 | 89,832 |
| Unemployment insurance | 2,259 | 6,652 | 6,056 | 25,528 |
| Other retirement contributions | 369 | 1,944 | 1,961 | 5,109 |
| Excise taxes | 3,342 | 18,415 | 18,221 | 48,037 |
| Estate and gift taxes | 822 | 4,650 | 4,304 | 12,842 |
| Customs duties | 1,347 | 7,364 | 7,082 | 18,075 |
| Miscellaneous receipts | 1,695 | 5,980 | 11,793 | 20,357 |
| **Total Receipts** | **66,194** | **444,223** | **421,072** | **1,162,934** |
| **(On-budget)** | **41,093** | **327,247** | **306,513** | **838,919** |
| **(Off-budget)** | **25,100** | **116,975** | **114,559** | **324,015** |
| **Budget Outlays** | | | | |
| Legislative Branch | 195 | 1,024 | 1,029 | 2,785 |
| The Judiciary | 157 | 858 | 813 | 2,792 |
| Executive Office of the President | 12 | 87 | 83 | 255 |
| Funds Appropriated to the President | 862 | 7,483 | 6,066 | 11,580 |
| Department of Agriculture | 4,389 | 28,224 | 26,341 | 62,337 |
| Department of Commerce | 202 | 1,235 | 1,034 | 2,882 |
| Department of Defense—Military | 22,003 | 115,786 | 118,708 | 278,006 |
| Department of Defense—Civil | 2,459 | 12,405 | 11,636 | 29,260 |
| Department of Education | 2,714 | 13,289 | 12,444 | 30,781 |
| Department of Energy | 1,266 | 6,700 | 6,579 | 16,232 |
| Department of Health and Human Services, except Social Security | 22,184 | 113,032 | 105,189 | 290,789 |
| Department of Health and Human Services, Social Security | 25,061 | 120,159 | 113,093 | 296,912 |
| Department of Housing and Urban Development | 1,764 | 10,426 | 10,076 | 26,128 |
| Department of the Interior | 477 | 2,639 | 2,679 | 6,544 |
| Department of Justice | 677 | 4,448 | 4,109 | 10,366 |
| Department of Labor | 3,797 | 18,268 | 17,178 | 38,914 |
| Department of State | 247 | 2,412 | 2,101 | 5,209 |
| Department of Transportation | 2,158 | 13,397 | 12,887 | 34,512 |
| Department of the Treasury: | | | | |
| Interest on the Public Debt | 16,813 | 127,037 | 127,190 | 307,463 |
| Other | 4,152 | 4,494 | 222 | 3,312 |
| Department of Veterans Affairs | 2,626 | 14,145 | 15,263 | 34,180 |
| Environmental Protection Agency | 383 | 2,281 | 2,425 | 6,156 |
| General Services Administration | 383 | 142 | 156 | 1,320 |
| National Aeronautics and Space Administration | 1,008 | 5,781 | 5,831 | 14,086 |
| Office of Personnel Management | 2,886 | 14,878 | 14,609 | 37,499 |
| Small Business Administration | 41 | 291 | 208 | 392 |
| Other independent agencies: | | | | |
| Resolution Trust Corporation | −622 | −8,787 | −8,194 | 42,457 |
| Other | −1,166 | 4,427 | 12,340 | 30,251 |
| Allowances | ...... | ...... | ...... | ...... |
| Undistributed offsetting receipts: | | | | |
| Interest | −530 | −40,377 | −37,704 | −81,975 |
| Other | −2,809 | −13,716 | −14,669 | −37,539 |
| **Total outlays** | **113,788** | **582,468** | **569,723** | **1,503,886** |
| **(On-budget)** | **89,332** | **478,217** | **470,958** | **1,238,659** |
| **(Off-budget)** | **24,456** | **104,251** | **98,765** | **265,227** |
| **Surplus (+) or deficit (−)** | **−47,594** | **−138,245** | **−148,650** | **−340,952** |
| **(On-budget)** | **−48,239** | **−150,969** | **−164,445** | **−399,740** |
| **(Off-budget)** | **+644** | **+12,724** | **+15,794** | **+58,788** |

[1]These figures are based on the *Mid-Session Review: The President's Budget and Economic Growth Agenda*, released by the Office of Management and Budget on July 24, 1992.

... No Transactions.
Note: Details may not add to totals due to rounding.

## Table 4. Receipts of the U.S. Government, February 1993 and Other Periods

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Receipts | Refunds (Deduct) | Receipts | Gross Receipts | Refunds (Deduct) | Receipts | Gross Receipts | Refunds (Deduct) | Receipts |
| **Individual income taxes:** | | | | | | | | | |
| Withheld | 33,652 | | | 185,696 | | | 179,670 | | |
| Presidential Election Campaign Fund | 4 | | | 5 | | | 6 | | |
| Other | 967 | | | 48,442 | | | 34,739 | | |
| **Total—Individual income taxes** | **34,623** | **10,677** | **23,947** | **234,143** | **14,937** | **219,206** | **214,415** | **17,269** | **197,146** |
| **Corporation income taxes** | **2,510** | **1,719** | **792** | **36,804** | **6,276** | **30,528** | **34,775** | **7,301** | **27,474** |
| **Social insurance taxes and contributions:** | | | | | | | | | |
| Employment taxes and contributions: | | | | | | | | | |
| Federal old-age and survivors ins. trust fund: | | | | | | | | | |
| Federal Insurance Contributions Act taxes | 21,629 | ...... | 21,629 | 106,885 | ...... | 106,885 | 103,468 | ...... | 103,468 |
| Self-Employment Contributions Act taxes | 1,041 | ...... | 1,041 | −1,229 | ...... | −1,229 | −15 | ...... | −15 |
| Deposits by States | (* *) | ...... | (* *) | −9 | ...... | −9 | 2 | ...... | 2 |
| Other | (* *) | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | (* *) |
| Total—FOASI trust fund | 22,670 | ...... | 22,670 | 105,647 | ...... | 105,647 | 103,454 | ...... | 103,454 |
| Federal disability insurance trust fund: | | | | | | | | | |
| Federal Insurance Contributions Act taxes | 2,318 | ...... | 2,318 | 11,459 | ...... | 11,459 | 11,082 | ...... | 11,082 |
| Self-Employment Contributions Act taxes | 112 | ...... | 112 | −129 | ...... | −129 | 23 | ...... | 23 |
| Receipts from railroad retirement account | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Deposits by States | (* *) | ...... | (* *) | −1 | ...... | −1 | (* *) | ...... | (* *) |
| Other | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—FDI trust fund | 2,430 | ...... | 2,430 | 11,329 | ...... | 11,329 | 11,105 | ...... | 11,105 |
| Federal hospital insurance trust fund: | | | | | | | | | |
| Federal Insurance Contributions Act taxes | 5,846 | ...... | 5,846 | 31,090 | ...... | 31,090 | 30,739 | ...... | 30,739 |
| Self-Employment Contributions Act taxes | 334 | ...... | 334 | −187 | ...... | −187 | 103 | ...... | 103 |
| Receipts from Railroad Retirement Board | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Deposits by States | (* *) | ...... | (* *) | −3 | ...... | −3 | 1 | ...... | 1 |
| Total—FHI trust fund | 6,180 | ...... | 6,180 | 30,900 | ...... | 30,900 | 30,843 | ...... | 30,843 |
| Railroad retirement accounts: | | | | | | | | | |
| Rail industry pension fund | 190 | (* *) | 190 | 890 | 7 | 883 | 874 | 2 | 872 |
| Railroad Social Security equivalent benefit | 153 | ...... | 153 | 726 | ...... | 726 | 761 | ...... | 761 |
| Total—Employment taxes and contributions | 31,623 | (* *) | 31,623 | 149,491 | 7 | 149,483 | 147,037 | 2 | 147,035 |
| Unemployment insurance: | | | | | | | | | |
| State taxes deposited in Treasury | 1,540 | ...... | 1,540 | 4,881 | ...... | 4,881 | 4,254 | ...... | 4,254 |
| Federal Unemployment Tax Act taxes | 683 | 11 | 672 | 1,703 | 31 | 1,672 | 1,737 | 36 | 1,701 |
| Railroad unemployment taxes | 23 | ...... | 23 | 47 | ...... | 47 | 85 | ...... | 85 |
| Railroad debt repayment | 24 | ...... | 24 | 53 | ...... | 53 | 16 | ...... | 16 |
| Total—Unemployment insurance | 2,270 | 11 | 2,259 | 6,684 | 31 | 6,652 | 6,092 | 36 | 6,056 |
| Other retirement contributions: | | | | | | | | | |
| Federal employees retirement – employee contributions | 362 | ...... | 362 | 1,905 | ...... | 1,905 | 1,918 | ...... | 1,918 |
| Contributions for non-federal employees | 7 | ...... | 7 | 39 | ...... | 39 | 43 | ...... | 43 |
| Total—Other retirement contributions | 369 | ...... | 369 | 1,944 | ...... | 1,944 | 1,961 | ...... | 1,961 |
| **Total—Social insurance taxes and contributions** | **34,261** | **11** | **34,251** | **158,119** | **39** | **158,080** | **155,090** | **38** | **155,052** |
| **Excise taxes:** | | | | | | | | | |
| Miscellaneous excise taxes[1] | 1,692 | 48 | 1,644 | 11,066 | 194 | 10,872 | 8,971 | 228 | 8,743 |
| Airport and airway trust fund | 305 | ...... | 305 | 191 | 5 | 186 | 2,089 | 7 | 2,082 |
| Highway trust fund | 1,344 | ...... | 1,344 | 7,194 | 99 | 7,095 | 7,311 | 176 | 7,135 |
| Black lung disability trust fund | 49 | ...... | 49 | 262 | ...... | 262 | 260 | ...... | 260 |
| **Total—Excise taxes** | **3,390** | **48** | **3,342** | **18,714** | **299** | **18,415** | **18,631** | **411** | **18,221** |
| **Estate and gift taxes** | **851** | **29** | **822** | **4,772** | **123** | **4,650** | **4,434** | **130** | **4,304** |
| **Customs duties** | **1,403** | **57** | **1,347** | **7,672** | **307** | **7,364** | **7,404** | **322** | **7,082** |
| **Miscellaneous Receipts:** | | | | | | | | | |
| Deposits of earnings by Federal Reserve banks | 1,517 | ...... | 1,517 | 4,457 | ...... | 4,457 | 10,402 | ...... | 10,402 |
| All other | 312 | [2]134 | 178 | 1,659 | 136 | 1,523 | 1,392 | 2 | 1,391 |
| **Total — Miscellaneous receipts** | **1,829** | **134** | **1,695** | **6,116** | **136** | **5,980** | **11,795** | **2** | **11,793** |
| **Total — Receipts** | **78,869** | **12,675** | **66,194** | **466,339** | **22,116** | **444,223** | **446,544** | **25,472** | **421,072** |
| **Total — On-budget** | **53,768** | **12,675** | **41,093** | **349,364** | **22,116** | **327,247** | **331,985** | **25,472** | **306,513** |
| **Total — Off-budget** | **25,100** | ...... | **25,100** | **116,975** | ...... | **116,975** | **114,559** | ...... | **114,559** |

[1] Includes amounts for windfall profits tax pursuant to P.L. 96-223.
[2] Represents a transfer from miscellaneous receipts to a deposit fund for payment of transportation audit suits against the General Services Administration.

... No Transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Legislative Branch:** | | | | | | | | | |
| Senate | 47 | (* *) | 47 | 187 | (* *) | 186 | 179 | (* *) | 178 |
| House of Representatives | 59 | (* *) | 59 | 307 | (* *) | 306 | 322 | 1 | 321 |
| Joint items | 6 | ...... | 6 | 32 | ...... | 32 | 34 | ...... | 34 |
| Congressional Budget Office | 2 | ...... | 2 | 9 | ...... | 9 | 9 | ...... | 9 |
| Architect of the Capitol | 16 | 2 | 14 | 101 | 7 | 94 | 95 | 6 | 89 |
| Library of Congress | 23 | ...... | 23 | 130 | ...... | 130 | 112 | ...... | 112 |
| Government Printing Office: | | | | | | | | | |
| Revolving fund (net) | 2 | ...... | 2 | 20 | ...... | 20 | 36 | ...... | 36 |
| General fund appropriations | 9 | ...... | 9 | 43 | ...... | 43 | 45 | ...... | 45 |
| General Accounting Office | 30 | ...... | 30 | 182 | ...... | 182 | 181 | ...... | 181 |
| United States Tax Court | 2 | ...... | 2 | 13 | ...... | 13 | 13 | ...... | 13 |
| Other Legislative Branch agencies | 2 | ...... | 2 | 14 | ...... | 14 | 13 | ...... | 13 |
| Proprietary receipts from the public | ...... | 1 | −1 | ...... | 3 | −3 | ...... | 2 | −2 |
| Intrabudgetary transactions | (* *) | ...... | (* *) | −3 | ...... | −3 | −1 | ...... | −1 |
| **Total—Legislative Branch** | **198** | **3** | **195** | **1,034** | **10** | **1,024** | **1,039** | **10** | **1,029** |
| **The Judiciary:** | | | | | | | | | |
| Supreme Court of the United States | 4 | ...... | 4 | 11 | ...... | 11 | 14 | ...... | 14 |
| Courts of Appeals, District Courts, and other judicial services | 147 | (* *) | 147 | 833 | (* *) | 833 | 785 | (* *) | 785 |
| Other | 6 | ...... | 6 | 14 | ...... | 14 | 14 | ...... | 14 |
| **Total—The Judiciary** | **157** | **(* *)** | **157** | **858** | **(* *)** | **858** | **813** | **(* *)** | **813** |
| **Executive Office of the President:** | | | | | | | | | |
| Compensation of the President and the White House Office | 3 | ...... | 3 | 16 | ...... | 16 | 14 | ...... | 14 |
| Office of Management and Budget | 3 | ...... | 3 | 22 | ...... | 22 | 21 | ...... | 21 |
| Other | 6 | ...... | 6 | 49 | ...... | 49 | 48 | ...... | 48 |
| **Total—Executive Office of the President** | **12** | **......** | **12** | **87** | **......** | **87** | **83** | **......** | **83** |
| **Funds Appropriated to the President:** | | | | | | | | | |
| International Security Assistance: | | | | | | | | | |
| Guaranty reserve fund | 103 | 74 | 29 | 424 | 238 | 185 | 499 | 300 | 199 |
| Foreign military financing grants | 121 | ...... | 121 | 2,818 | ...... | 2,818 | 2,035 | ...... | 2,035 |
| Economic support fund | 76 | ...... | 76 | 1,971 | ...... | 1,971 | 1,412 | ...... | 1,412 |
| Military assistance | (* *) | ...... | (* *) | −6 | ...... | −6 | 13 | ...... | 13 |
| Peacekeeping Operations | ...... | ...... | ...... | 14 | ...... | 14 | 17 | ...... | 17 |
| Other | 4 | ...... | 4 | 14 | ...... | 14 | 14 | ...... | 14 |
| Proprietary receipts from the public | ...... | 93 | −93 | ...... | 199 | −199 | ...... | 202 | −202 |
| Total—International Security Assistance | 304 | 168 | 137 | 5,235 | 437 | 4,798 | 3,991 | 502 | 3,489 |
| International Development Assistance: | | | | | | | | | |
| Multilateral Assistance: | | | | | | | | | |
| Contributions to the International Development Association | ...... | ...... | ...... | 367 | ...... | 367 | 465 | ...... | 465 |
| International organizations and programs | 10 | ...... | 10 | 154 | ...... | 154 | 137 | ...... | 137 |
| Other | 71 | ...... | 71 | 311 | ...... | 311 | 304 | ...... | 304 |
| Total—Multilateral Assistance | 81 | ...... | 81 | 832 | ...... | 832 | 906 | ...... | 906 |
| Agency for International Development: | | | | | | | | | |
| Functional development assistance program | 80 | ...... | 80 | 527 | ...... | 527 | 644 | ...... | 644 |
| Sub-Saharan Africa development assistance | 44 | ...... | 44 | 271 | ...... | 271 | 209 | ...... | 209 |
| Operating expenses | 52 | ...... | 52 | 195 | ...... | 195 | 174 | ...... | 174 |
| Payment to the Foreign Service retirement and disability fund | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Other | 55 | 5 | 50 | 227 | 25 | 202 | 266 | 20 | 246 |
| Proprietary receipts from the public | ...... | 64 | −64 | ...... | 361 | −361 | ...... | 341 | −341 |
| Intrabudgetary transactions | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—Agency for International Development | 231 | 69 | 161 | 1,220 | 386 | 834 | 1,293 | 361 | 932 |
| Peace Corps | 16 | ...... | 16 | 80 | ...... | 80 | 87 | ...... | 87 |
| Overseas Private Investment Corporation | 2 | 25 | −23 | 39 | 106 | −68 | 161 | 153 | 9 |
| Other | 7 | 2 | 4 | 34 | 3 | 31 | 34 | 3 | 31 |
| Total—International Development Assistance | 337 | 97 | 239 | 2,205 | 496 | 1,710 | 2,481 | 517 | 1,965 |
| International Monetary Programs | 51 | ...... | 51 | 695 | ...... | 695 | −86 | ...... | −86 |
| Military Sales Programs: | | | | | | | | | |
| Special defense acquisition fund | 16 | 34 | −18 | 109 | 109 | (* *) | 100 | 116 | −15 |
| Foreign military sales trust fund | 1,056 | ...... | 1,056 | 5,110 | ...... | 5,110 | 5,015 | ...... | 5,015 |
| Kuwait civil reconstruction trust fund | (* *) | ...... | (* *) | 5 | ...... | 5 | 143 | 54 | 89 |
| Proprietary receipts from the public | ...... | 607 | −607 | ...... | 4,847 | −4,847 | ...... | 4,392 | −4,392 |
| Other | 3 | ...... | 3 | 13 | ...... | 13 | 1 | ...... | 1 |
| **Total—Funds Appropriated to the President** | **1,768** | **906** | **862** | **13,371** | **5,889** | **7,483** | **11,646** | **5,580** | **6,066** |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Agriculture:** | | | | | | | | | |
| Agricultural Research Service | 50 | ...... | 50 | 305 | ...... | 305 | 293 | ...... | 293 |
| Cooperative State Research Service | 36 | ...... | 36 | 179 | ...... | 179 | 173 | ...... | 173 |
| Extension Service | 33 | ...... | 33 | 168 | ...... | 168 | 164 | ...... | 164 |
| Animal and Plant Health Inspection Service | 38 | ...... | 38 | 199 | ...... | 199 | 162 | ...... | 162 |
| Food Safety and Inspection Service | 39 | ...... | 39 | 196 | ...... | 196 | 188 | ...... | 188 |
| Agricultural Marketing Service | 69 | ...... | 69 | 449 | 1 | 448 | 435 | 4 | 431 |
| Soil Conservation Service | 64 | ...... | 64 | 354 | ...... | 354 | 329 | ...... | 329 |
| Agricultural Stabilization and Conservation Service: | | | | | | | | | |
| Conservation programs | 14 | ...... | 14 | 1,726 | ...... | 1,726 | 1,690 | ...... | 1,690 |
| Other | 73 | ...... | 73 | 300 | ...... | 300 | 270 | ...... | 270 |
| Foreign assistance programs | 109 | ...... | 109 | 214 | ...... | 214 | 241 | ...... | 241 |
| Farmers Home Administration: | | | | | | | | | |
| Public enterprise funds: | | | | | | | | | |
| Agricultural credit insurance fund | 23 | 171 | −148 | 308 | 1,084 | −776 | 557 | 1,314 | −757 |
| Rural housing insurance fund | 157 | 214 | −57 | 1,161 | 1,264 | −103 | 1,763 | 1,231 | 532 |
| Rural development insurance fund | 32 | 23 | 8 | 332 | 211 | 122 | 378 | 202 | 176 |
| Other | 4 | (* *) | 4 | 15 | 2 | 13 | 9 | 1 | 7 |
| Salaries and expenses | 46 | ...... | 46 | 253 | ...... | 253 | 245 | ...... | 245 |
| Rural water and waste disposal grants | 13 | ...... | 13 | 98 | ...... | 98 | 73 | ...... | 73 |
| Other | 7 | ...... | 7 | 42 | ...... | 42 | 34 | ...... | 34 |
| Total—Farmers Home Administration | 283 | 408 | −126 | 2,209 | 2,560 | −351 | 3,058 | 2,748 | 310 |
| Rural Electrification Administration | 218 | 152 | 66 | 968 | 1,570 | −603 | 883 | 1,172 | −288 |
| Federal Crop Insurance Corporation | 60 | 4 | 56 | 409 | 314 | 95 | 614 | 257 | 357 |
| Commodity Credit Corporation: | | | | | | | | | |
| Price support and related programs | 1,443 | 530 | 912 | 12,164 | 2,823 | 9,340 | 9,711 | 2,341 | 7,371 |
| National Wool Act Program | 1 | ...... | 1 | 4 | ...... | 4 | 3 | ...... | 3 |
| Food and Nutrition Service: | | | | | | | | | |
| Food stamp program | 2,061 | ...... | 2,061 | 10,190 | ...... | 10,190 | 9,491 | ...... | 9,491 |
| State child nutrition payments | 540 | ...... | 540 | 2,912 | ...... | 2,912 | 2,773 | ...... | 2,773 |
| Women, infants and children programs | 248 | ...... | 248 | 1,238 | ...... | 1,238 | 1,140 | ...... | 1,140 |
| Other | 134 | ...... | 134 | 373 | ...... | 373 | 333 | ...... | 333 |
| Total—Food and Nutrition Service | 2,983 | ...... | 2,983 | 14,713 | ...... | 14,713 | 13,737 | ...... | 13,737 |
| Forest Service: | | | | | | | | | |
| National forest system | 91 | ...... | 91 | 575 | ...... | 575 | 564 | ...... | 564 |
| Forest service permanent appropriations | 13 | ...... | 13 | 158 | ...... | 158 | 159 | ...... | 159 |
| Other | 70 | ...... | 70 | 557 | ...... | 557 | 501 | ...... | 501 |
| Total—Forest Service | 174 | ...... | 174 | 1,291 | ...... | 1,291 | 1,224 | ...... | 1,224 |
| Other | 47 | 2 | 45 | 260 | 13 | 247 | 269 | 13 | 256 |
| Proprietary receipts from the public | ...... | 98 | −98 | ...... | 453 | −453 | ...... | 570 | −570 |
| Intrabudgetary transactions | −150 | ...... | −150 | −150 | ...... | −150 | ...... | ...... | ...... |
| **Total—Department of Agriculture** | **5,583** | **1,195** | **4,389** | **35,959** | **7,735** | **28,224** | **33,446** | **7,105** | **26,341** |
| **Department of Commerce:** | | | | | | | | | |
| Economic Development Administration | 20 | 1 | 19 | 106 | 10 | 96 | 33 | 16 | 17 |
| Bureau of the Census | 20 | ...... | 20 | 152 | ...... | 152 | 138 | ...... | 138 |
| Promotion of Industry and Commerce | 24 | ...... | 24 | 126 | ...... | 126 | 125 | ...... | 125 |
| Science and Technology: | | | | | | | | | |
| National Oceanic and Atmospheric Administration | 130 | 1 | 129 | 739 | 10 | 729 | 664 | 12 | 652 |
| Patent and Trademark Office | −2 | ...... | −2 | 29 | ...... | 29 | 25 | ...... | 25 |
| National Institute of Standards and Technology | 9 | ...... | 9 | 91 | ...... | 91 | 85 | ...... | 85 |
| Other | 5 | 3 | 2 | 35 | 15 | 20 | 34 | ...... | 34 |
| Total—Science and Technology | 142 | 3 | 138 | 894 | 25 | 869 | 807 | 12 | 796 |
| Other | 10 | ...... | 10 | 41 | ...... | 41 | 26 | ...... | 26 |
| Proprietary receipts from the public | ...... | 10 | −10 | ...... | 48 | −48 | ...... | 66 | −66 |
| Intrabudgetary transactions | (* *) | ...... | (* *) | (* *) | ...... | (* *) | −2 | ...... | −2 |
| Offsetting governmental receipts | ...... | ...... | ...... | ...... | ...... | ...... | ...... | (* *) | (* *) |
| **Total—Department of Commerce** | **216** | **14** | **202** | **1,319** | **83** | **1,235** | **1,127** | **93** | **1,034** |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Defense—Military:** | | | | | | | | | |
| Military personnel: | | | | | | | | | |
| Department of the Army | 2,178 | ...... | 2,178 | 11,798 | ...... | 11,798 | 14,027 | ...... | 14,027 |
| Department of the Navy | 1,870 | ...... | 1,870 | 11,325 | ...... | 11,325 | 12,601 | ...... | 12,601 |
| Department of the Air Force | 1,608 | ...... | 1,608 | 8,860 | ...... | 8,860 | 9,257 | ...... | 9,257 |
| Total—Military personnel | 5,656 | ...... | 5,656 | 31,982 | ...... | 31,982 | 35,885 | ...... | 35,885 |
| Operation and maintenance: | | | | | | | | | |
| Department of the Army | 1,860 | ...... | 1,860 | 10,042 | ...... | 10,042 | 11,675 | ...... | 11,675 |
| Department of the Navy | 2,033 | ...... | 2,033 | 9,346 | ...... | 9,346 | 10,850 | ...... | 10,850 |
| Department of the Air Force | 1,862 | ...... | 1,862 | 9,498 | ...... | 9,498 | 10,582 | ...... | 10,582 |
| Defense agencies | 1,399 | ...... | 1,399 | 7,185 | ...... | 7,185 | 3,698 | ...... | 3,698 |
| Total—Operation and maintenance | 7,154 | ...... | 7,154 | 36,072 | ...... | 36,072 | 36,804 | ...... | 36,804 |
| Procurement: | | | | | | | | | |
| Department of the Army | 788 | ...... | 788 | 4,715 | ...... | 4,715 | 5,370 | ...... | 5,370 |
| Department of the Navy | 2,364 | ...... | 2,364 | 11,780 | ...... | 11,780 | 13,181 | ...... | 13,181 |
| Department of the Air Force | 2,245 | ...... | 2,245 | 10,816 | ...... | 10,816 | 11,330 | ...... | 11,330 |
| Defense agencies | 338 | ...... | 338 | 1,451 | ...... | 1,451 | 1,433 | ...... | 1,433 |
| Total—Procurement | 5,736 | ...... | 5,736 | 28,763 | ...... | 28,763 | 31,316 | ...... | 31,316 |
| Research, development, test, and evaluation: | | | | | | | | | |
| Department of the Army | 497 | ...... | 497 | 2,429 | ...... | 2,429 | 2,350 | ...... | 2,350 |
| Department of the Navy | 643 | ...... | 643 | 2,925 | ...... | 2,925 | 2,917 | ...... | 2,917 |
| Department of the Air Force | 1,056 | ...... | 1,056 | 5,652 | ...... | 5,652 | 5,301 | ...... | 5,301 |
| Defense agencies | 734 | ...... | 734 | 3,651 | ...... | 3,651 | 3,387 | ...... | 3,387 |
| Total—Research, development, test and evaluation | 2,930 | ...... | 2,930 | 14,657 | ...... | 14,657 | 13,955 | ...... | 13,955 |
| Military construction: | | | | | | | | | |
| Department of the Army | 53 | ...... | 53 | 392 | ...... | 392 | 321 | ...... | 321 |
| Department of the Navy | 36 | ...... | 36 | 369 | ...... | 369 | 404 | ...... | 404 |
| Department of the Air Force | 70 | ...... | 70 | 527 | ...... | 527 | 378 | ...... | 378 |
| Defense agencies | 92 | ...... | 92 | 616 | ...... | 616 | 441 | ...... | 441 |
| Total—Military construction | 251 | ...... | 251 | 1,904 | ...... | 1,904 | 1,544 | ...... | 1,544 |
| Family housing: | | | | | | | | | |
| Department of the Army | 112 | ...... | 112 | 530 | ...... | 530 | 608 | ...... | 608 |
| Department of the Navy | 87 | ...... | 87 | 340 | ...... | 340 | 309 | ...... | 309 |
| Department of the Air Force | 71 | ...... | 71 | 340 | ...... | 340 | 344 | ...... | 344 |
| Defense agencies | 6 | 2 | 5 | 34 | 4 | 30 | 14 | (* *) | 14 |
| Revolving and management funds: | | | | | | | | | |
| Department of the Army | 39 | ...... | 39 | 106 | ...... | 106 | −3 | ...... | −3 |
| Department of the Navy | 43 | ...... | 43 | 44 | ...... | 44 | 24 | ...... | 24 |
| Department of the Air Force | ...... | ...... | ...... | ...... | ...... | ...... | 9 | ...... | 9 |
| Defense agencies | 11 | (* *) | 11 | 2,193 | 1 | 2,192 | 2,212 | (* *) | 2,212 |
| Trust funds: | | | | | | | | | |
| Department of the Army | (* *) | ...... | (* *) | (* *) | (* *) | (* *) | (* *) | ...... | (* *) |
| Department of the Navy | 5 | 1 | 4 | 22 | 8 | 14 | 20 | 9 | 12 |
| Department of the Air Force | 1 | 3 | −2 | 13 | 17 | −4 | 16 | 17 | −1 |
| Defense agencies | 43 | ...... | 43 | −2 | ...... | −2 | −41 | ...... | −41 |
| Proprietary receipts from the public: | | | | | | | | | |
| Department of the Army | ...... | 55 | −55 | ...... | 219 | −219 | ...... | −141 | 141 |
| Department of the Navy | ...... | −47 | 47 | ...... | 225 | −225 | ...... | 191 | −191 |
| Department of the Air Force | ...... | 56 | −56 | ...... | 223 | −223 | ...... | 178 | −178 |
| Defense agencies | ...... | −1 | 1 | ...... | 76 | −76 | ...... | 109 | −109 |
| Intrabudgetary transactions: | | | | | | | | | |
| Department of the Army | 3 | ...... | 3 | 107 | ...... | 107 | 230 | ...... | 230 |
| Department of the Navy | −421 | ...... | −421 | 412 | ...... | 412 | 492 | ...... | 492 |
| Department of the Air Force | 1 | ...... | 1 | 38 | ...... | 38 | 22 | ...... | 22 |
| Defense agencies: | | | | | | | | | |
| Defense cooperation account | (* *) | ...... | (* *) | −2 | ...... | −2 | −199 | ...... | −199 |
| Other | 346 | ...... | 346 | −950 | ...... | −950 | −385 | ...... | −385 |
| Offsetting governmental receipts: | | | | | | | | | |
| Department of the Army | ...... | ...... | ...... | ...... | 7 | −7 | ...... | 5 | −5 |
| Defense agencies: | | | | | | | | | |
| Defense cooperation account | ...... | (* *) | (* *) | ...... | 37 | −37 | ...... | 4,099 | −4,099 |
| **Total—Department of Defense—Military** | **22,073** | **70** | **22,003** | **116,602** | **816** | **115,786** | **123,175** | **4,467** | **118,708** |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Defense—Civil** | | | | | | | | | |
| Corps of Engineers: | | | | | | | | | |
| Construction, general | 73 | ...... | 73 | 439 | ...... | 439 | 447 | ...... | 447 |
| Operation and maintenance, general | 96 | ...... | 96 | 556 | ...... | 556 | 600 | ...... | 600 |
| Other | 123 | ...... | 123 | 795 | ...... | 795 | 494 | ...... | 494 |
| Proprietary receipts from the public | ...... | 7 | −7 | ...... | 65 | −65 | ...... | 69 | −69 |
| Total—Corps of Engineers | 292 | 7 | 285 | 1,790 | 65 | 1,725 | 1,541 | 69 | 1,473 |
| Military retirement: | | | | | | | | | |
| Payment to military retirement fund | ...... | ...... | ...... | 12,273 | ...... | 12,273 | 11,169 | ...... | 11,169 |
| Retired pay | ...... | ...... | ...... | ...... | ...... | ...... | (* *) | ...... | (* *) |
| Military retirement fund | 2,152 | ...... | 2,152 | 10,578 | ...... | 10,578 | 10,049 | ...... | 10,049 |
| Intrabudgetary transactions | ...... | ...... | ...... | −12,273 | ...... | −12,273 | −11,169 | ...... | −11,169 |
| Education benefits | 15 | ...... | 15 | 79 | ...... | 79 | 76 | ...... | 76 |
| Other | 8 | (* *) | 8 | 29 | 2 | 28 | 44 | 2 | 43 |
| Proprietary receipts from the public | ...... | 1 | −1 | ...... | 4 | −4 | ...... | 4 | −4 |
| **Total—Department of Defense—Civil** | **2,468** | **9** | **2,459** | **12,476** | **71** | **12,405** | **11,711** | **74** | **11,636** |
| **Department of Education:** | | | | | | | | | |
| Office of Elementary and Secondary Education: | | | | | | | | | |
| Compensatory education for the disadvantaged | 626 | ...... | 626 | 2,788 | ...... | 2,788 | 2,696 | ...... | 2,696 |
| Impact aid | 98 | ...... | 98 | 560 | ...... | 560 | 422 | ...... | 422 |
| School improvement programs | 132 | ...... | 132 | 658 | ...... | 658 | 671 | ...... | 671 |
| Chicago litigation settlement | 2 | ...... | 2 | 7 | ...... | 7 | 5 | ...... | 5 |
| Indian education | 8 | ...... | 8 | 32 | ...... | 32 | 29 | ...... | 29 |
| Educational excellence | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—Office of Elementary and Secondary Education | 866 | ...... | 866 | 4,045 | ...... | 4,045 | 3,823 | ...... | 3,823 |
| Office of Bilingual Education and Minority Languages Affairs | 18 | ...... | 18 | 76 | ...... | 76 | 81 | ...... | 81 |
| Office of Special Education and Rehabilitative Services: | | | | | | | | | |
| Special education | 288 | ...... | 288 | 1,175 | ...... | 1,175 | 980 | ...... | 980 |
| Rehabilitation services and disability research | 170 | ...... | 170 | 837 | ...... | 837 | 855 | ...... | 855 |
| Special institutions for persons with disabilities | 10 | ...... | 10 | 56 | ...... | 56 | 39 | ...... | 39 |
| Office of Vocational and Adult Education | 120 | ...... | 120 | 614 | ...... | 614 | 451 | ...... | 451 |
| Office of Postsecondary Education: | | | | | | | | | |
| College housing loans | 3 | 1 | 3 | 4 | 30 | −26 | 4 | 30 | −26 |
| Student financial assistance | 854 | ...... | 854 | 3,891 | ...... | 3,891 | 3,569 | ...... | 3,569 |
| Guaranteed student loans | 308 | ...... | 308 | 1,943 | ...... | 1,943 | 2,029 | ...... | 2,029 |
| Higher education | 44 | ...... | 44 | 337 | ...... | 337 | 337 | ...... | 337 |
| Howard University | 15 | ...... | 15 | 84 | ...... | 84 | 81 | ...... | 81 |
| Other | 1 | ...... | 1 | 5 | ...... | 5 | 2 | ...... | 2 |
| Total—Office of Postsecondary Education | 1,225 | 1 | 1,224 | 6,263 | 30 | 6,234 | 6,022 | 30 | 5,992 |
| Office of Educational Research and Improvement | 23 | ...... | 23 | 151 | ...... | 151 | 116 | ...... | 116 |
| Departmental management | −2 | ...... | −2 | 115 | ...... | 115 | 127 | ...... | 127 |
| Proprietary receipts from the public | ...... | 2 | −2 | ...... | 14 | −14 | ...... | 19 | −19 |
| **Total—Department of Education** | **2,716** | **3** | **2,714** | **13,333** | **44** | **13,289** | **12,494** | **50** | **12,444** |
| **Department of Energy:** | | | | | | | | | |
| Atomic energy defense activities | 839 | ...... | 839 | 4,410 | ...... | 4,410 | 4,674 | ...... | 4,674 |
| Energy programs: | | | | | | | | | |
| General science and research activities | 110 | ...... | 110 | 584 | ...... | 584 | 542 | ...... | 542 |
| Energy supply, R and D activities | 210 | ...... | 210 | 1,092 | ...... | 1,092 | 1,149 | ...... | 1,149 |
| Uranium supply and enrichment activities | 92 | ...... | 92 | 453 | ...... | 453 | 602 | ...... | 602 |
| Fossil energy research and development | 29 | ...... | 29 | 159 | ...... | 159 | 165 | ...... | 165 |
| Energy conservation | 43 | ...... | 43 | 191 | ...... | 191 | 173 | ...... | 173 |
| Strategic petroleum reserve | 24 | ...... | 24 | 136 | ...... | 136 | 77 | ...... | 77 |
| Nuclear waste disposal fund | 8 | ...... | 8 | 113 | ...... | 113 | 131 | ...... | 131 |
| Other | 8 | (* *) | 7 | 82 | 1 | 80 | 232 | 2 | 230 |
| Total—Energy programs | 524 | (* *) | 523 | 2,809 | 1 | 2,808 | 3,072 | 2 | 3,070 |
| Power Marketing Administration | 180 | 125 | 55 | 829 | 549 | 280 | 581 | 535 | 45 |
| Departmental administration | 32 | ...... | 32 | 186 | ...... | 186 | 186 | ...... | 186 |
| Proprietary receipts from the public | ...... | 147 | −147 | ...... | 826 | −826 | ...... | 1,262 | −1,262 |
| Intrabudgetary transactions | −37 | ...... | −37 | −153 | ...... | −153 | −126 | ...... | −126 |
| Offsetting governmental receipts | ...... | (* *) | (* *) | ...... | 5 | −5 | ...... | 9 | −9 |
| **Total—Department of Energy** | **1,538** | **272** | **1,266** | **8,081** | **1,381** | **6,700** | **8,387** | **1,808** | **6,579** |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month Gross Outlays | This Month Applicable Receipts | This Month Outlays | Current Fiscal Year to Date Gross Outlays | Current Fiscal Year to Date Applicable Receipts | Current Fiscal Year to Date Outlays | Prior Fiscal Year to Date Gross Outlays | Prior Fiscal Year to Date Applicable Receipts | Prior Fiscal Year to Date Outlays |
|---|---|---|---|---|---|---|---|---|---|
| **Department of Health and Human Services, except Social Security:** | | | | | | | | | |
| Public Health Service: | | | | | | | | | |
| Food and Drug Administration | 56 | (* *) | 56 | 290 | 2 | 288 | 293 | 2 | 291 |
| Health Resources and Services Administration | 229 | ...... | 229 | 838 | ...... | 838 | 703 | ...... | 703 |
| Indian Health Service | 140 | ...... | 140 | 644 | ...... | 644 | 615 | ...... | 615 |
| Centers for Disease Control | 105 | ...... | 105 | 529 | ...... | 529 | 417 | ...... | 417 |
| National Institutes of Health: | | | | | | | | | |
| Cancer research | 156 | ...... | 156 | 790 | ...... | 790 | 881 | ...... | 881 |
| Heart, lung, and blood research | 98 | ...... | 98 | 492 | ...... | 492 | 463 | ...... | 463 |
| Diabetes, digestive and kidney diseases | 42 | ...... | 42 | 265 | ...... | 265 | 259 | ...... | 259 |
| Neurological disorders and stroke | 47 | ...... | 47 | 240 | ...... | 240 | 210 | ...... | 210 |
| Allergy and infectious diseases | 77 | ...... | 77 | 392 | ...... | 392 | 359 | ...... | 359 |
| General medical sciences | 67 | ...... | 67 | 344 | ...... | 344 | 312 | ...... | 312 |
| Child health and human development | 33 | ...... | 33 | 206 | ...... | 206 | 199 | ...... | 199 |
| Other research institutes | 155 | ...... | 155 | 646 | ...... | 646 | 484 | ...... | 484 |
| Research resources | 28 | ...... | 28 | 138 | ...... | 138 | 141 | ...... | 141 |
| Other | 24 | ...... | 24 | 129 | ...... | 129 | 191 | ...... | 191 |
| Total—National Institutes of Health | 727 | ...... | 727 | 3,640 | ...... | 3,640 | 3,499 | ...... | 3,499 |
| Alcohol, Drug Abuse, and Mental Health Administration | 230 | ...... | 230 | 1,162 | ...... | 1,162 | 1,093 | ...... | 1,093 |
| Agency for Health Care Policy and Research | 4 | ...... | 4 | 14 | ...... | 14 | 40 | ...... | 40 |
| Assistant secretary for health | 55 | ...... | 55 | 266 | ...... | 266 | 78 | ...... | 78 |
| Total—Public Health Service | 1,546 | (* *) | 1,546 | 7,383 | 2 | 7,381 | 6,739 | 2 | 6,737 |
| Health Care Financing Administration: | | | | | | | | | |
| Grants to States for Medicaid | 6,003 | ...... | 6,003 | 30,111 | ...... | 30,111 | 26,868 | ...... | 26,868 |
| Payments to health care trust funds | 3,740 | ...... | 3,740 | 18,316 | ...... | 18,316 | 17,604 | ...... | 17,604 |
| Federal hospital insurance trust fund: | | | | | | | | | |
| Benefit payments | 7,332 | ...... | 7,332 | 35,144 | ...... | 35,144 | 31,696 | ...... | 31,696 |
| Administrative expenses and construction | 91 | ...... | 91 | 421 | ...... | 421 | 510 | ...... | 510 |
| Interest on normalized tax transfers | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Quinquennial transfers to the general fund from FHI | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—FHI trust fund | 7,423 | ...... | 7,423 | 35,565 | ...... | 35,565 | 32,205 | ...... | 32,205 |
| Federal supplementary medical insurance trust fund: | | | | | | | | | |
| Benefit payments | 3,675 | ...... | 3,675 | 20,571 | ...... | 20,571 | 20,533 | ...... | 20,533 |
| Administrative expenses and construction | 137 | ...... | 137 | 529 | ...... | 529 | 629 | ...... | 629 |
| Total—FSMI trust fund | 3,811 | ...... | 3,811 | 21,101 | ...... | 21,101 | 21,162 | ...... | 21,162 |
| Other | 5 | ...... | 5 | 198 | ...... | 198 | 8 | ...... | 8 |
| Total—Health Care Financing Administration | 20,984 | ...... | 20,984 | 105,290 | ...... | 105,290 | 97,848 | ...... | 97,848 |
| Social Security Administration: | | | | | | | | | |
| Payments to Social Security trust funds | 9 | ...... | 9 | 3,071 | ...... | 3,071 | 2,851 | ...... | 2,851 |
| Special benefits for disabled coal miners | 68 | ...... | 68 | 336 | ...... | 336 | 345 | ...... | 345 |
| Supplemental security income program | 1,973 | ...... | 1,973 | 9,075 | ...... | 9,075 | 8,655 | ...... | 8,655 |
| Total—Social Security Administration | 2,049 | ...... | 2,049 | 12,482 | ...... | 12,482 | 11,851 | ...... | 11,851 |
| Administration for children and families: | | | | | | | | | |
| Family support payments to States | 1,492 | ...... | 1,492 | 6,648 | ...... | 6,648 | 6,513 | ...... | 6,513 |
| Low income home energy assistance | 180 | ...... | 180 | 804 | ...... | 804 | 646 | ...... | 646 |
| Refugee and entrant assistance | 40 | ...... | 40 | 155 | ...... | 155 | 117 | ...... | 117 |
| Community Services Block Grant Act Programs | 37 | ...... | 37 | 177 | ...... | 177 | 188 | ...... | 188 |
| Payments to States for afdc work programs | 55 | ...... | 55 | 289 | ...... | 289 | 217 | ...... | 217 |
| Interim assistance to States for legalization | 15 | ...... | 15 | 55 | ...... | 55 | 248 | ...... | 248 |
| Payments to States for day care assistance | 26 | ...... | 26 | 112 | ...... | 112 | ...... | ...... | ...... |
| Social services block grant | 245 | ...... | 245 | 1,232 | ...... | 1,232 | 1,096 | ...... | 1,096 |
| Acf service programs | 306 | ...... | 306 | 1,543 | ...... | 1,543 | 1,595 | ...... | 1,595 |
| Payments to States for foster care and adoption assistance | 231 | ...... | 231 | 962 | ...... | 962 | 1,051 | ...... | 1,051 |
| Other | ...... | ...... | ...... | (* *) | ...... | (* *) | (* *) | ...... | (* *) |
| Total—Administration for children and families | 2,626 | ...... | 2,626 | 11,979 | ...... | 11,979 | 11,670 | ...... | 11,670 |
| Office of the Secretary | 20 | ...... | 20 | 242 | ...... | 242 | 56 | ...... | 56 |
| Proprietary receipts from the public | ...... | 1,301 | −1,301 | ...... | 6,027 | −6,027 | ...... | 5,370 | −5,370 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Health and Human Services, except Social Security:—Continued** | | | | | | | | | |
| Intrabudgetary transactions: | | | | | | | | | |
| Quinquennial transfers to the general fund | | | | | | | | | |
| From FHI, FOASI, and FDI | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Payments for health insurance for the aged: | | | | | | | | | |
| Federal hospital insurance trust fund | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Federal supplementary medical insurance trust fund | −3,740 | ...... | −3,740 | −18,320 | ...... | −18,320 | −17,687 | ...... | −17,687 |
| Payments for tax and other credits: | | | | | | | | | |
| Federal hospital insurance trust fund | ...... | ...... | ...... | 4 | ...... | 4 | 82 | ...... | 82 |
| Other | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| **Total—Department of Health and Human Services, except Social Security** | **23,485** | **1,301** | **22,184** | **119,061** | **6,029** | **113,032** | **110,560** | **5,371** | **105,189** |
| **Department of Health and Human Services, Social Security (off-budget):** | | | | | | | | | |
| Federal old-age and survivors insurance trust fund: | | | | | | | | | |
| Benefit payments | 22,130 | ...... | 22,130 | 108,629 | ...... | 108,629 | 102,763 | ...... | 102,763 |
| Administrative expenses and construction | 100 | ...... | 100 | 744 | ...... | 744 | 767 | ...... | 767 |
| Payment to railroad retirement account | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Interest expense on interfund borrowings | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Interest on normalized tax transfers | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Quinquennial transfers to the general fund from FOASI | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—FOASI trust fund | 22,230 | ...... | 22,230 | 109,373 | ...... | 109,373 | 103,530 | ...... | 103,530 |
| Federal disability insurance trust fund: | | | | | | | | | |
| Benefit payments | 2,754 | ...... | 2,754 | 13,503 | ...... | 13,503 | 12,057 | ...... | 12,057 |
| Administrative expenses and construction | 86 | ...... | 86 | 357 | ...... | 357 | 368 | ...... | 368 |
| Payment to railroad retirement account | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Interest on normalized tax transfers | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Quinquennial transfers to the general fund from FDI | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—FDI trust fund | 2,840 | ...... | 2,840 | 13,860 | ...... | 13,860 | 12,425 | ...... | 12,425 |
| Proprietary receipts from the public | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | (* *) | (* *) |
| Intrabudgetary transactions[1] | −9 | ...... | −9 | −3,073 | ...... | −3,073 | −2,862 | ...... | −2,862 |
| **Total—Department of Health and Human Services, Social Security(off-budget)** | **25,061** | **(* *)** | **25,061** | **120,160** | **(* *)** | **120,159** | **113,093** | **(* *)** | **113,093** |
| **Department of Housing and Urban Development:** | | | | | | | | | |
| Housing programs: | | | | | | | | | |
| Public enterprise funds: | | | | | | | | | |
| Federal housing administration fund | 567 | 528 | 39 | 3,072 | 2,380 | 692 | 4,329 | 3,491 | 839 |
| Housing for the elderly or handicapped fund | −1 | 58 | −59 | 393 | 257 | 136 | 566 | 272 | 294 |
| Other | 31 | 5 | 26 | 137 | 28 | 109 | 12 | 29 | −17 |
| Rent supplement payments | 5 | ...... | 5 | 23 | ...... | 23 | 23 | ...... | 23 |
| Homeownership assistance | 7 | ...... | 7 | 31 | ...... | 31 | 36 | ...... | 36 |
| Rental housing assistance | 53 | ...... | 53 | 275 | ...... | 275 | 269 | ...... | 269 |
| Rental housing development grants | −1 | ...... | −1 | 13 | ...... | 13 | 5 | ...... | 5 |
| Low-rent public housing | 23 | ...... | 23 | 391 | ...... | 391 | 401 | ...... | 401 |
| Public housing grants | 203 | ...... | 203 | 975 | ...... | 975 | 823 | ...... | 823 |
| College housing grants | 1 | ...... | 1 | 8 | ...... | 8 | 9 | (* *) | 9 |
| Lower income housing assistance | 892 | ...... | 892 | 4,465 | ...... | 4,465 | 4,543 | ...... | 4,543 |
| Section 8 contract renewals | 199 | ...... | 199 | 907 | ...... | 907 | 519 | ...... | 519 |
| Portability program fees | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Special purpose grants | 4 | ...... | 4 | 10 | ...... | 10 | 5 | ...... | 5 |
| Other | 2 | ...... | 2 | 10 | ...... | 10 | 6 | ...... | 6 |
| Total—Housing programs | 1,984 | 591 | 1,393 | 10,712 | 2,665 | 8,048 | 11,548 | 3,792 | 7,756 |
| Public and Indian Housing programs: | | | | | | | | | |
| Payments for operation of low-income housing projects | 195 | ...... | 195 | 933 | ...... | 933 | 858 | ...... | 858 |
| Low-rent public housing—Loans and other expenses | 4 | 1 | 3 | 107 | 21 | 86 | 117 | 23 | 94 |
| Total—Public and Indian Housing programs | 199 | 1 | 197 | 1,040 | 21 | 1,019 | 975 | 23 | 953 |
| Government National Mortgage Association: | | | | | | | | | |
| Management and liquidating functions fund | ...... | (* *) | (* *) | ...... | 2 | −2 | (* *) | 2 | −2 |
| Guarantees of mortgage-backed securities | 133 | 220 | −87 | 557 | 766 | −209 | 755 | 905 | −149 |
| Participation sales fund | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—Government National Mortgage Association | 133 | 220 | −87 | 557 | 768 | −211 | 755 | 907 | −152 |
| Community Planning and Development: | | | | | | | | | |
| Public enterprise funds | 8 | 10 | −2 | 34 | 45 | −11 | 93 | 45 | 48 |
| Community Development Grants | 217 | ...... | 217 | 1,334 | ...... | 1,334 | 1,269 | ...... | 1,269 |
| Other | 25 | ...... | 25 | 115 | ...... | 115 | 85 | ...... | 85 |
| Total—Community Planning and Development | 251 | 10 | 241 | 1,484 | 45 | 1,439 | 1,447 | 45 | 1,402 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Housing and Urban Development:—Continued** | | | | | | | | | |
| Management and Administration | 37 | ...... | 37 | 225 | ...... | 225 | 207 | ...... | 207 |
| Other | 5 | ...... | 5 | 13 | ...... | 13 | 17 | ...... | 17 |
| Proprietary receipts from the public | ...... | 21 | −21 | ...... | 107 | −107 | ...... | 107 | −107 |
| **Total—Department of Housing and Urban Development** | **2,608** | **844** | **1,764** | **14,031** | **3,605** | **10,426** | **14,949** | **4,873** | **10,076** |
| **Department of the Interior:** | | | | | | | | | |
| Land and minerals management: | | | | | | | | | |
| Bureau of Land Management: | | | | | | | | | |
| Management of lands and resources | 41 | ...... | 41 | 224 | ...... | 224 | 219 | ...... | 219 |
| Fire protection | 7 | ...... | 7 | 57 | ...... | 57 | 60 | ...... | 60 |
| Other | 13 | ...... | 13 | 89 | ...... | 89 | 138 | ...... | 138 |
| Minerals Management Service | 54 | (* *) | 54 | 290 | 1 | 289 | 262 | ...... | 262 |
| Office of Surface Mining Reclamation and Enforcement | 22 | ...... | 22 | 126 | ...... | 126 | 127 | ...... | 127 |
| Total—Land and minerals management | 137 | (* *) | 137 | 786 | 1 | 784 | 806 | ...... | 806 |
| Water and science: | | | | | | | | | |
| Bureau of Reclamation: | | | | | | | | | |
| Construction program | 16 | ...... | 16 | 107 | ...... | 107 | 122 | ...... | 122 |
| Operation and maintenance | 19 | ...... | 19 | 112 | ...... | 112 | 94 | ...... | 94 |
| Other | 23 | 8 | 16 | 195 | 58 | 137 | 248 | 54 | 194 |
| Geological Survey | 39 | ...... | 39 | 255 | ...... | 255 | 254 | ...... | 254 |
| Bureau of Mines | 15 | 3 | 11 | 80 | 12 | 68 | 83 | 12 | 71 |
| Total—Water and science | 112 | 11 | 101 | 748 | 70 | 678 | 800 | 66 | 734 |
| Fish and wildlife and parks: | | | | | | | | | |
| United States Fish and Wildlife Service | 84 | ...... | 84 | 471 | ...... | 471 | 400 | ...... | 400 |
| National Park Service | 89 | ...... | 89 | 608 | ...... | 608 | 532 | ...... | 532 |
| Total—Fish and wildlife and parks | 173 | ...... | 173 | 1,079 | ...... | 1,079 | 932 | ...... | 932 |
| Bureau of Indian Affairs: | | | | | | | | | |
| Operation of Indian programs | 110 | ...... | 110 | 569 | ...... | 569 | 436 | ...... | 436 |
| Indian tribal funds | 60 | ...... | 60 | 87 | ...... | 87 | 193 | ...... | 193 |
| Other | 17 | 2 | 15 | 112 | 6 | 106 | 164 | 6 | 157 |
| Total—Bureau of Indian Affairs | 187 | 2 | 185 | 768 | 6 | 762 | 793 | 6 | 786 |
| Territorial and international affairs | 4 | ...... | 4 | 147 | ...... | 147 | 189 | ...... | 189 |
| Departmental offices | 16 | ...... | 16 | 55 | ...... | 55 | 37 | ...... | 37 |
| Proprietary receipts from the public | ...... | 138 | −138 | ...... | 859 | −859 | ...... | 720 | −720 |
| Intrabudgetary transactions | −2 | ...... | −2 | −8 | ...... | −8 | −80 | ...... | −80 |
| Offsetting governmental receipts | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | 4 | −4 |
| **Total—Department of the Interior** | **628** | **150** | **477** | **3,574** | **936** | **2,639** | **3,477** | **797** | **2,679** |
| **Department of Justice:** | | | | | | | | | |
| Legal activities | 212 | ...... | 212 | 1,366 | ...... | 1,366 | 1,407 | ...... | 1,407 |
| Federal Bureau of Investigation | 130 | ...... | 130 | 783 | ...... | 783 | 696 | ...... | 696 |
| Drug Enforcement Administration | −3 | ...... | −3 | 285 | ...... | 285 | 335 | ...... | 335 |
| Immigration and Naturalization Service | 117 | ...... | 117 | 603 | ...... | 603 | 502 | ...... | 502 |
| Federal Prison System | 170 | 7 | 163 | 882 | 37 | 845 | 905 | 30 | 875 |
| Office of Justice Programs | 70 | ...... | 70 | 392 | ...... | 392 | 320 | ...... | 320 |
| Other | 54 | ...... | 54 | 550 | ...... | 550 | 161 | ...... | 161 |
| Intrabudgetary transactions | −2 | ...... | −2 | −182 | ...... | −182 | −5 | ...... | −5 |
| Offsetting governmental receipts | ...... | 65 | −65 | ...... | 193 | −193 | ...... | 183 | −183 |
| **Total—Department of Justice** | **749** | **72** | **677** | **4,678** | **230** | **4,448** | **4,322** | **213** | **4,109** |
| **Department of Labor:** | | | | | | | | | |
| Employment and Training Administration: | | | | | | | | | |
| Training and employment services | 284 | ...... | 284 | 1,554 | ...... | 1,554 | 1,492 | ...... | 1,492 |
| Community Service Employment for Older Americans | 27 | ...... | 27 | 154 | ...... | 154 | 171 | ...... | 171 |
| Federal unemployment benefits and allowances | 11 | ...... | 11 | 66 | ...... | 66 | 55 | ...... | 55 |
| State unemployment insurance and employment service operations | −26 | ...... | −26 | 16 | ...... | 16 | 61 | ...... | 61 |
| Payments to the unemployment trust fund | 1,050 | ...... | 1,050 | 4,270 | ...... | 4,270 | ...... | ...... | ...... |
| Advances to the unemployment trust fund and other funds | ...... | ...... | ...... | 250 | ...... | 250 | 100 | ...... | 100 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Labor:—Continued** | | | | | | | | | |
| Unemployment trust fund: | | | | | | | | | |
| Federal-State unemployment insurance: | | | | | | | | | |
| State unemployment benefits | 3,176 | ...... | 3,176 | 15,130 | ...... | 15,130 | 13,795 | ...... | 13,795 |
| State administrative expenses | 310 | ...... | 310 | 1,434 | ...... | 1,434 | 1,265 | ...... | 1,265 |
| Federal administrative expenses | 10 | ...... | 10 | 50 | ...... | 50 | 49 | ...... | 49 |
| Veterans employment and training | 14 | ...... | 14 | 70 | ...... | 70 | 72 | ...... | 72 |
| Repayment of advances from the general fund | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Railroad unemployment insurance | 8 | ...... | 8 | 31 | ...... | 31 | 42 | ...... | 42 |
| Other | 2 | ...... | 2 | 9 | ...... | 9 | 11 | ...... | 11 |
| Total—Unemployment trust fund | 3,519 | ...... | 3,519 | 16,723 | ...... | 16,723 | 15,233 | ...... | 15,233 |
| Other | 7 | ...... | 7 | 32 | ...... | 32 | 32 | ...... | 32 |
| Total—Employment and Training Administration | 4,874 | ...... | 4,874 | 23,063 | ...... | 23,063 | 17,144 | ...... | 17,144 |
| Pension Benefit Guaranty Corporation | 72 | [2]328 | −257 | 328 | 697 | −370 | 324 | 380 | -56 |
| Employment Standards Administration: | | | | | | | | | |
| Salaries and expenses | 25 | ...... | 25 | 110 | ...... | 110 | 95 | ...... | 95 |
| Special benefits | 109 | ...... | 109 | −413 | ...... | −413 | −382 | ...... | −382 |
| Black lung disability trust fund | 53 | ...... | 53 | 254 | ...... | 254 | 258 | ...... | 258 |
| Other | 9 | ...... | 9 | 54 | ...... | 54 | 52 | ...... | 52 |
| Occupational Safety and Health Administration | 25 | ...... | 25 | 113 | ...... | 113 | 127 | ...... | 127 |
| Bureau of Labor Statistics | 22 | ...... | 22 | 123 | ...... | 123 | 81 | ...... | 81 |
| Other | 39 | ...... | 39 | 155 | ...... | 155 | 183 | ...... | 183 |
| Proprietary receipts from the public | ...... | (* *) | (* *) | ...... | 1 | −1 | ...... | 1 | −1 |
| Intrabudgetary transactions | −1,102 | ...... | −1,102 | −4,821 | ...... | −4,821 | −322 | ...... | −322 |
| **Total—Department of Labor** | **4,125** | **329** | **3,797** | **18,967** | **699** | **18,268** | **17,559** | **381** | **17,178** |
| **Department of State:** | | | | | | | | | |
| Administration of Foreign Affairs: | | | | | | | | | |
| Salaries and expenses | 62 | ...... | 62 | 776 | ...... | 776 | 772 | ...... | 772 |
| Acquisition and maintenance of buildings abroad | 3 | ...... | 3 | 181 | ...... | 181 | 120 | ...... | 120 |
| Payment to Foreign Service retirement and disability fund | ...... | ...... | ...... | 119 | ...... | 119 | 113 | ...... | 113 |
| Foreign Service retirement and disability fund | 34 | ...... | 34 | 168 | ...... | 168 | 157 | ...... | 157 |
| Other | 11 | ...... | 11 | 46 | ...... | 46 | 32 | ...... | 32 |
| Total—Administration of Foreign Affairs | 110 | ...... | 110 | 1,291 | ...... | 1,291 | 1,193 | ...... | 1,193 |
| International organizations and Conferences | 40 | ...... | 40 | 882 | ...... | 882 | 719 | ...... | 719 |
| Migration and refugee assistance | 79 | ...... | 79 | 312 | ...... | 312 | 207 | ...... | 207 |
| International narcotics control | 13 | ...... | 13 | 55 | ...... | 55 | 56 | ...... | 56 |
| Other | 5 | ...... | 5 | 37 | ...... | 37 | 39 | ...... | 39 |
| Proprietary receipts from the public | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | (* *) | (* *) |
| Intrabudgetary transactions | (* *) | ...... | (* *) | −165 | ...... | −165 | −113 | ...... | −113 |
| Offsetting governmental receipts | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| **Total—Department of State** | **248** | **(* *)** | **247** | **2,412** | **(* *)** | **2,412** | **2,102** | **(* *)** | **2,101** |
| **Department of Transportation:** | | | | | | | | | |
| Federal Highway Administration: | | | | | | | | | |
| Highway trust fund: | | | | | | | | | |
| Federal-aid highways | 837 | ...... | 837 | 6,136 | ...... | 6,136 | 5,621 | ...... | 5,621 |
| Other | 15 | ...... | 15 | 62 | ...... | 62 | 43 | ...... | 43 |
| Other programs | 15 | ...... | 15 | 86 | ...... | 86 | 63 | ...... | 63 |
| Total—Federal Highway Administration | 867 | ...... | 867 | 6,285 | ...... | 6,285 | 5,727 | ...... | 5,727 |
| National Highway Traffic Safety Administration | 19 | ...... | 19 | 100 | ...... | 100 | 93 | ...... | 93 |
| Federal Railroad Administration: | | | | | | | | | |
| Grants to National Railroad Passenger Corporation | ...... | ...... | ...... | 262 | ...... | 262 | 245 | ...... | 245 |
| Other | 31 | 2 | 28 | 154 | 8 | 146 | 134 | 6 | 128 |
| Total—Federal Railroad Administration | 31 | 2 | 28 | 416 | 8 | 408 | 379 | 6 | 373 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Transportation:—Continued** | | | | | | | | | |
| Federal Transit Administration: | | | | | | | | | |
| Formula grants | 177 | ...... | 177 | 721 | ...... | 721 | 885 | ...... | 885 |
| Discretionary grants | 78 | ...... | 78 | 518 | ...... | 518 | 512 | ...... | 512 |
| Other | 29 | ...... | 29 | 159 | ...... | 159 | 201 | ...... | 201 |
| Federal Aviation Administration: | | | | | | | | | |
| Operations | 144 | ...... | 144 | 773 | ...... | 773 | 956 | ...... | 956 |
| Airport and airway trust fund: | | | | | | | | | |
| Grants-in-aid for airports | 158 | ...... | 158 | 902 | ...... | 902 | 702 | ...... | 702 |
| Facilities and equipment | 145 | ...... | 145 | 744 | ...... | 744 | 701 | ...... | 701 |
| Research, engineering and development | 15 | ...... | 15 | 73 | ...... | 73 | 85 | ...... | 85 |
| Operations | 190 | ...... | 190 | 950 | ...... | 950 | 879 | ...... | 879 |
| Total—Airport and airway trust fund | 508 | ...... | 508 | 2,668 | ...... | 2,668 | 2,366 | ...... | 2,366 |
| Other | (* *) | (* *) | (* *) | (* *) | 1 | −1 | (* *) | (* *) | (* *) |
| Total—Federal Aviation Administration | 653 | (* *) | 652 | 3,441 | 1 | 3,440 | 3,322 | (* *) | 3,322 |
| Coast Guard: | | | | | | | | | |
| Operating expenses | 98 | ...... | 98 | 920 | ...... | 920 | 1,025 | ...... | 1,025 |
| Acquisition, construction, and improvements | 10 | ...... | 10 | 87 | ...... | 87 | 161 | ...... | 161 |
| Retired pay | 35 | ...... | 35 | 185 | ...... | 185 | 177 | ...... | 177 |
| Other | 78 | (* *) | 78 | 135 | 2 | 132 | 111 | 2 | 109 |
| Total—Coast Guard | 222 | (* *) | 221 | 1,327 | 2 | 1,324 | 1,473 | 2 | 1,471 |
| Maritime Administration | 102 | 46 | 56 | 460 | 170 | 291 | 442 | 265 | 177 |
| Other | 32 | 1 | 30 | 170 | 5 | 165 | 138 | 7 | 131 |
| Proprietary receipts from the public | ...... | (* *) | (* *) | ...... | 1 | −1 | ...... | 2 | −2 |
| Intrabudgetary transactions | (* *) | ...... | (* *) | −3 | ...... | −3 | ...... | ...... | ...... |
| Offsetting governmental receipts | ...... | 1 | −1 | ...... | 9 | −9 | ...... | 4 | −4 |
| **Total—Department of Transportation** | **2,210** | **51** | **2,158** | **13,593** | **196** | **13,397** | **13,174** | **287** | **12,887** |
| **Department of the Treasury:** | | | | | | | | | |
| Departmental offices: | | | | | | | | | |
| Exchange stabilization fund | −119 | 1 | −120 | −412 | 5 | −417 | −782 | 7 | −789 |
| Other | −74 | ...... | −74 | 4 | ...... | 4 | −11 | ...... | −11 |
| Financial Management Service: | | | | | | | | | |
| Salaries and expenses | 18 | ...... | 18 | 93 | ...... | 93 | 91 | ...... | 91 |
| Payment to the Resolution Funding Corporation | ...... | ...... | ...... | 1,164 | ...... | 1,164 | 1,164 | ...... | 1,164 |
| Claims, judgements, and relief acts | 130 | ...... | 130 | 260 | ...... | 260 | 464 | ...... | 464 |
| Other | 10 | ...... | 10 | 86 | ...... | 86 | 80 | ...... | 80 |
| Total—Financial Management Service | 158 | ...... | 158 | 1,603 | ...... | 1,603 | 1,799 | ...... | 1,799 |
| Federal Financing Bank | −102 | ...... | −102 | 121 | ...... | 121 | 118 | ...... | 118 |
| Bureau of Alcohol, Tobacco and Firearms: | | | | | | | | | |
| Salaries and expenses | 37 | ...... | 37 | 156 | ...... | 156 | 139 | ...... | 139 |
| Internal revenue collections for Puerto Rico | 18 | ...... | 18 | 93 | ...... | 93 | 105 | ...... | 105 |
| United States Customs Service | 142 | ...... | 142 | 738 | ...... | 738 | 764 | ...... | 764 |
| Bureau of Engraving and Printing | −4 | ...... | −4 | 10 | ...... | 10 | −19 | ...... | −19 |
| United States Mint | 10 | ...... | 10 | 47 | ...... | 47 | 35 | ...... | 35 |
| Bureau of the Public Debt | 16 | ...... | 16 | 109 | ...... | 109 | 75 | ...... | 75 |
| Internal Revenue Service: | | | | | | | | | |
| Processing tax returns and assistance | 113 | ...... | 113 | 627 | ...... | 627 | 606 | ...... | 606 |
| Tax law enforcement | 318 | ...... | 318 | 1,537 | ...... | 1,537 | 1,450 | ...... | 1,450 |
| Information system | 125 | ...... | 125 | 503 | ...... | 503 | 401 | ...... | 401 |
| Payment where earned income credit exceeds liability for tax | 3,947 | ...... | 3,947 | 4,206 | ...... | 4,206 | 1,821 | ...... | 1,821 |
| Health insurance supplement to earned income credit | 260 | ...... | 260 | 276 | ...... | 276 | 164 | ...... | 164 |
| Refunding internal revenue collections, interest | 133 | ...... | 133 | 730 | ...... | 730 | 1,299 | ...... | 1,299 |
| Other | 16 | ...... | 16 | 56 | (* *) | 56 | 80 | 2 | 78 |
| Total—Internal Revenue Service | 4,913 | ...... | 4,913 | 7,935 | (* *) | 7,935 | 5,822 | 2 | 5,821 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of the Treasury:—Continued** | | | | | | | | | |
| United States Secret Service | 41 | ...... | 41 | 220 | ...... | 220 | 199 | ...... | 199 |
| Comptroller of the Currency | 27 | 108 | −81 | 149 | 197 | −48 | 145 | 175 | −30 |
| Office of Thrift Supervison | 16 | 87 | −71 | 96 | 101 | −5 | 111 | 151 | −40 |
| Interest on the public debt: | | | | | | | | | |
| Public issues (accrual basis) | 15,635 | ...... | 15,635 | 84,927 | ...... | 84,927 | 88,062 | ...... | 88,062 |
| Special issues (cash basis) | 1,178 | ...... | 1,178 | 42,110 | ...... | 42,110 | 39,128 | ...... | 39,128 |
| Total—Interest on the public debt | 16,813 | ...... | 16,813 | 127,037 | ...... | 127,037 | 127,190 | ...... | 127,190 |
| Other | 5 | ...... | 5 | 24 | ...... | 24 | 17 | ...... | 17 |
| Proprietary receipts from the public | ...... | 413 | −413 | ...... | 948 | −948 | ...... | 966 | −966 |
| Receipts from off-budget federal entities | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Intrabudgetary transactions | −249 | ...... | −249 | −4,837 | ...... | −4,837 | −6,735 | ...... | −6,735 |
| Offsetting governmental receipts | ...... | 73 | −73 | ...... | 311 | −311 | ...... | 260 | −260 |
| **Total—Department of the Treasury** | **21,646** | **682** | **20,965** | **133,093** | **1,561** | **131,532** | **128,973** | **1,560** | **127,412** |
| **Department of Veterans Affairs:** | | | | | | | | | |
| Veterans Health Administration: | | | | | | | | | |
| Medical care | 1,122 | ...... | 1,122 | 5,620 | ...... | 5,620 | 5,539 | ...... | 5,539 |
| Other | 18 | 21 | −2 | 457 | 105 | 352 | 241 | 106 | 134 |
| Veterans Benefits Administration: | | | | | | | | | |
| Public enterprise funds: | | | | | | | | | |
| Loan guaranty revolving fund | 196 | 646 | −450 | 835 | 827 | 8 | 574 | 570 | 4 |
| Other | 327 | 53 | 275 | 694 | 327 | 367 | 347 | 291 | 56 |
| Compensation and pensions | 1,422 | ...... | 1,422 | 6,899 | ...... | 6,899 | 7,984 | ...... | 7,984 |
| Readjustment benefits | 74 | ...... | 74 | 388 | ...... | 388 | 334 | ...... | 334 |
| Post-Vietnam era veterans education account | 9 | ...... | 9 | 47 | ...... | 47 | 69 | ...... | 69 |
| Insurance funds: | | | | | | | | | |
| National service life | 86 | ...... | 86 | 401 | ...... | 401 | 844 | ...... | 844 |
| United States government life | 1 | ...... | 1 | 7 | ...... | 7 | 16 | ...... | 16 |
| Veterans special life | 11 | 4 | 8 | 51 | 88 | −37 | 83 | 87 | −5 |
| Other | 4 | ...... | 4 | −9 | ...... | −9 | −9 | ...... | −9 |
| Total—Veterans Benefits Administration | 2,131 | 702 | 1,429 | 9,313 | 1,242 | 8,071 | 10,242 | 949 | 9,293 |
| Construction | 51 | (* *) | 51 | 239 | (* *) | 239 | 264 | ...... | 264 |
| Departmental administration | 74 | ...... | 74 | 453 | ...... | 453 | 435 | ...... | 435 |
| Proprietary receipts from the public: | | | | | | | | | |
| National service life | ...... | 31 | −31 | ...... | 166 | −166 | ...... | 177 | −177 |
| United States government life | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | (* *) | (* *) |
| Other | ...... | 14 | −14 | ...... | 416 | −416 | ...... | 221 | −221 |
| Intrabudgetary transactions | −2 | ...... | −2 | −7 | ...... | −7 | −4 | ...... | −4 |
| **Total—Department of Veterans Affairs** | **3,395** | **769** | **2,626** | **16,075** | **1,929** | **14,145** | **16,716** | **1,453** | **15,263** |
| **Environmental Protection Agency:** | | | | | | | | | |
| Salaries and expenses | 7 | ...... | 7 | 83 | ...... | 83 | 488 | ...... | 488 |
| Abatement, control, and compliance | 84 | ...... | 84 | 509 | ...... | 509 | 349 | 3 | 345 |
| Construction grants | 129 | ...... | 129 | 810 | ...... | 810 | 1,003 | ...... | 1,003 |
| Hazardous substance superfund | 92 | ...... | 92 | 531 | ...... | 531 | 515 | ...... | 515 |
| Other | 86 | 1 | 85 | 442 | 16 | 426 | 395 | 16 | 379 |
| Proprietary receipts from the public | ...... | 14 | −14 | ...... | 76 | −76 | ...... | 56 | −56 |
| Intrabudgetary transactions | ...... | ...... | ...... | ...... | ...... | ...... | −250 | ...... | −250 |
| Offsetting governmental receipts | ...... | (* *) | (* *) | ...... | 3 | −3 | ...... | ...... | ...... |
| **Total—Environmental Protection Agency** | **397** | **14** | **383** | **2,375** | **94** | **2,281** | **2,500** | **75** | **2,425** |
| **General Services Administration:** | | | | | | | | | |
| Real property activities | 381 | ...... | 381 | 199 | ...... | 199 | 180 | ...... | 180 |
| Personal property activities | −17 | ...... | −17 | −67 | ...... | −67 | −3 | ...... | −3 |
| Information Resources Management Service | 4 | ...... | 4 | −11 | ...... | −11 | −30 | ...... | −30 |
| Federal property resources activities | 1 | ...... | 1 | 8 | ...... | 8 | 7 | ...... | 7 |
| General activities | 14 | ...... | 14 | 13 | ...... | 13 | 16 | ...... | 16 |
| Proprietary receipts from the public | ...... | (* *) | (* *) | ...... | 1 | −1 | ...... | 14 | −14 |
| **Total—General Services Administration** | **383** | **(* *)** | **383** | **143** | **1** | **142** | **170** | **14** | **156** |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **National Aeronautics and Space Administration:** | | | | | | | | | |
| Research and development | 494 | ...... | 494 | 2,805 | ...... | 2,805 | 2,576 | ...... | 2,576 |
| Space flight, control, and data communications | 366 | ...... | 366 | 2,118 | ...... | 2,118 | 2,250 | ...... | 2,250 |
| Construction of facilities | 25 | ...... | 25 | 225 | ...... | 225 | 190 | ...... | 190 |
| Research and program management | 121 | ...... | 121 | 626 | ...... | 626 | 810 | ...... | 810 |
| Other | 1 | ...... | 1 | 6 | ...... | 6 | 5 | ...... | 5 |
| **Total—National Aeronautics and Space Administration** | **1,008** | ...... | **1,008** | **5,781** | ...... | **5,781** | **5,831** | ...... | **5,831** |
| **Office of Personnel Management:** | | | | | | | | | |
| Government payment for annuitants, employees health benefits | 279 | ...... | 279 | 1,444 | ...... | 1,444 | 1,359 | ...... | 1,359 |
| Payment to civil service retirement and disability fund | ...... | ...... | ...... | ...... | ...... | ...... | (* *) | ...... | (* *) |
| Civil service retirement and disability fund | 2,894 | ...... | 2,894 | 14,191 | ...... | 14,191 | 13,768 | ...... | 13,768 |
| Employees health benefits fund | 1,130 | 1,249 | −120 | 5,780 | 6,069 | −288 | 5,622 | 5,689 | −68 |
| Employees life insurance fund | 110 | 299 | −189 | 540 | 1,074 | −533 | 481 | 1,048 | −567 |
| Retired employees health benefits fund | 1 | 1 | (* *) | 3 | 3 | (* *) | 4 | 4 | (* *) |
| Other | 25 | ...... | 25 | 82 | ...... | 82 | 139 | ...... | 139 |
| Intrabudgetary transactions: | | | | | | | | | |
| Civil service retirement and disability fund: | | | | | | | | | |
| General fund contributions | ...... | ...... | ...... | ...... | ...... | ...... | (* *) | ...... | (* *) |
| Other | −3 | ...... | −3 | −18 | ...... | −18 | −23 | ...... | −23 |
| **Total—Office of Personnel Management** | **4,435** | **1,549** | **2,886** | **22,023** | **7,146** | **14,878** | **21,350** | **6,741** | **14,609** |
| **Small Business Administration:** | | | | | | | | | |
| Public enterprise funds: | | | | | | | | | |
| Business loan and investment fund | 56 | 43 | 13 | 356 | 307 | 50 | 464 | 347 | 118 |
| Disaster loan fund | 21 | 45 | −24 | 226 | 211 | 15 | 221 | 219 | 2 |
| Other | 3 | 1 | 3 | 24 | 7 | 17 | 24 | 10 | 15 |
| Other | 49 | (* *) | 49 | 209 | (* *) | 209 | 74 | (* *) | 73 |
| **Total—Small Business Administration** | **129** | **88** | **41** | **815** | **524** | **291** | **783** | **575** | **208** |
| **Other independent agencies:** | | | | | | | | | |
| Action | 11 | ...... | 11 | 83 | ...... | 83 | 77 | ...... | 77 |
| Board for International Broadcasting | 17 | ...... | 17 | 100 | ...... | 100 | 91 | ...... | 91 |
| Corporation for Public Broadcasting | ...... | ...... | ...... | 319 | ...... | 319 | 327 | ...... | 327 |
| District of Columbia: | | | | | | | | | |
| Federal payment | ...... | ...... | ...... | 698 | ...... | 698 | 691 | ...... | 691 |
| Other | ...... | ...... | ...... | 2 | 24 | −22 | 5 | 37 | −32 |
| Equal Employment Opportunity Commission | 15 | (* *) | 15 | 87 | (* *) | 87 | 76 | ...... | 76 |
| Export-Import Bank of the United States | 103 | 88 | 15 | 469 | 952 | −483 | 684 | 841 | −157 |
| Federal Communications Commission | 9 | 3 | 6 | 52 | 14 | 38 | 47 | 22 | 25 |
| Federal Deposit Insurance Corporation: | | | | | | | | | |
| Bank insurance fund | 293 | 3,328 | −3,035 | 4,188 | 8,256 | −4,067 | 10,138 | 6,457 | 3,681 |
| Savings association insurance fund | 2 | 391 | −389 | −7 | 409 | −416 | −7 | 17 | −24 |
| FSLIC resolution fund | 855 | 76 | 779 | 1,618 | 658 | 960 | 2,833 | 1,100 | 1,733 |
| Federal Emergency Management Agency: | | | | | | | | | |
| Public enterprise funds | 71 | 12 | 59 | 171 | 158 | 14 | 145 | 131 | 15 |
| Disaster relief | 133 | ...... | 133 | 822 | ...... | 822 | 242 | ...... | 242 |
| Emergency management planning and assistance | 21 | ...... | 21 | 81 | ...... | 81 | 115 | ...... | 115 |
| Other | 28 | ...... | 28 | 125 | ...... | 125 | 115 | ...... | 115 |
| Federal Housing Finance Board | 1 | 1 | (* *) | 6 | 3 | 3 | 5 | 13 | −8 |
| Federal Trade Commission | 6 | ...... | 6 | 36 | ...... | 36 | 30 | ...... | 30 |
| Interstate Commerce Commission | 4 | ...... | 4 | 17 | ...... | 17 | 16 | ...... | 16 |
| Legal Services Corporation | 59 | ...... | 59 | 177 | ...... | 177 | 152 | ...... | 152 |
| National Archives and Records Administration | 4 | (* *) | 4 | 90 | (* *) | 90 | 53 | (* *) | 53 |
| National Credit Union Administration: | | | | | | | | | |
| Credit union share insurance fund | −10 | 26 | −36 | 47 | 314 | −267 | 223 | 419 | −196 |
| Central liquidity facility | 10 | 10 | ...... | 57 | 57 | ...... | 217 | 321 | −105 |
| Other | 8 | 2 | 6 | 10 | 45 | −35 | −28 | 1 | −29 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Other independent agencies:—Continued** | | | | | | | | | |
| National Endowment for the Arts | 15 | ...... | 15 | 77 | ...... | 77 | 75 | ...... | 75 |
| National Endowment for the Humanities | 13 | ...... | 13 | 61 | ...... | 61 | 54 | ...... | 54 |
| National Labor Relations Board | 12 | ...... | 12 | 69 | ...... | 69 | 65 | ...... | 65 |
| National Science Foundation | 207 | ...... | 207 | 949 | ...... | 949 | 865 | ...... | 865 |
| Nuclear Regulatory Commission | 37 | 17 | 20 | 181 | 206 | −25 | 202 | 210 | −7 |
| Panama Canal Commission | 40 | 44 | −4 | 206 | 219 | −13 | 207 | 209 | −2 |
| Postal Service: | | | | | | | | | |
| Public enterprise funds (off-budget) | 3,963 | [3]3,973 | −10 | 20,129 | 20,590 | −461 | 19,103 | 19,847 | −744 |
| Payment to the Postal Service fund | ...... | ...... | ...... | 100 | ...... | 100 | 276 | ...... | 276 |
| Railroad Retirement Board: | | | | | | | | | |
| Federal windfall subsidy | 24 | ...... | 24 | 122 | ...... | 122 | 130 | ...... | 130 |
| Federal payments to the railroad retirement accounts | (* *) | ...... | (* *) | 30 | ...... | 30 | 119 | ...... | 119 |
| Regional rail transportation protective account | (* *) | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | (* *) |
| Rail industry pension fund: | | | | | | | | | |
| Advances from FOASDI fund | −94 | ...... | −94 | −442 | ...... | −442 | −427 | ...... | −427 |
| OASDI certifications | 91 | ...... | 91 | 442 | ...... | 442 | 427 | ...... | 427 |
| Administrative expenses | 5 | ...... | 5 | 31 | ...... | 31 | 30 | ...... | 30 |
| Interest on refunds of taxes | (* *) | ...... | (* *) | 5 | ...... | 5 | (* *) | ...... | (* *) |
| Supplemental annuity pension fund | 248 | ...... | 248 | 1,198 | ...... | 1,198 | 1,156 | ...... | 1,156 |
| Other | 1 | ...... | 1 | 5 | ...... | 5 | 3 | ...... | 3 |
| Intrabudgetary transactions: | | | | | | | | | |
| Social Security equivalent benefit account | 385 | ...... | 385 | 1,939 | ...... | 1,939 | 1,893 | ...... | 1,893 |
| Payments from other funds to the railroad retirement trust funds | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Other | ...... | ...... | ...... | −30 | ...... | −30 | −119 | ...... | −119 |
| Total—Railroad Retirement Board | 660 | ...... | 660 | 3,301 | ...... | 3,301 | 3,212 | ...... | 3,212 |
| Resolution Trust Corporation | 470 | 1,092 | −622 | 7,950 | 16,737 | −8,787 | 16,741 | 24,935 | −8,194 |
| Securities and Exchange Commission | 3 | ...... | 3 | 34 | ...... | 34 | 46 | ...... | 46 |
| Smithsonian Institution | 30 | ...... | 30 | 159 | ...... | 159 | 151 | ...... | 151 |
| Tennessee Valley Authority | 549 | 476 | 72 | 3,456 | 2,551 | 905 | 917 | 300 | 617 |
| United States Information Agency | 82 | (* *) | 82 | 430 | (* *) | 430 | 396 | 6 | 389 |
| Other | 68 | 39 | 29 | 589 | 106 | 483 | 559 | 105 | 454 |
| **Total—Other independent agencies** | **7,791** | **9,579** | **−1,788** | **46,939** | **51,299** | **−4,360** | **59,116** | **54,970** | **4,146** |
| **Undistributed offsetting receipts:** | | | | | | | | | |
| Other interest | ...... | ...... | ...... | ...... | (* *) | (* *) | ...... | (* *) | (* *) |
| Employer share, employee retirement: | | | | | | | | | |
| Legislative Branch: | | | | | | | | | |
| United States Tax Court: | | | | | | | | | |
| Tax court judges survivors annuity fund | ...... | ...... | ...... | (* *) | ...... | (* *) | (* *) | ...... | (* *) |
| The Judiciary: | | | | | | | | | |
| Judicial survivors annuity fund | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Department of Defense—Civil: | | | | | | | | | |
| Military retirement fund | −1,062 | ...... | −1,062 | −5,455 | ...... | −5,455 | −6,814 | ...... | −6,814 |
| Department of Health and Human Services: | | | | | | | | | |
| Federal old-age and survivors insurance fund (off-budget): | | | | | | | | | |
| Federal employer contributions | −490 | ...... | −490 | −2,186 | ...... | −2,186 | −2,036 | ...... | −2,036 |
| Payments for military service credits | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Federal disability insurance trust fund (off-budget): | | | | | | | | | |
| Federal employer contributions | −52 | ...... | −52 | −233 | ...... | −233 | −220 | ...... | −220 |
| Payments for military service credits | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Federal hospital insurance trust fund: | | | | | | | | | |
| Federal employer contributions | −190 | ...... | −190 | −947 | ...... | −947 | −913 | ...... | −913 |
| Payments for military service credits | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Department of State: | | | | | | | | | |
| Foreign Service retirement and disability fund | −8 | ...... | −8 | −43 | ...... | −43 | −39 | ...... | −39 |
| Office of Personnel Management: | | | | | | | | | |
| Civil service retirement and disability fund | −762 | ...... | −762 | −3,856 | ...... | −3,856 | −3,718 | ...... | −3,718 |
| Independent agencies: | | | | | | | | | |
| Court of veterans appeals retirement fund | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| Total—Employer share, employee retirement | −2,564 | ...... | −2,564 | −12,720 | ...... | −12,720 | −13,740 | ...... | −13,740 |

## Table 5. Outlays of the U.S. Government, February 1993 and Other Periods—Continued

[$ millions]

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Undistributed offsetting receipts:—Continued** | | | | | | | | | |
| Interest received by trust funds: | | | | | | | | | |
| The Judiciary: | | | | | | | | | |
| Judicial survivors annuity fund | (* *) | ...... | (* *) | -4 | ...... | -4 | -8 | ...... | -8 |
| Department of Defense—Civil: | | | | | | | | | |
| Corps of Engineers | (* *) | ...... | (* *) | -4 | ...... | -4 | -6 | ...... | -6 |
| Military retirement fund | -239 | ...... | -239 | -4,842 | ...... | -4,842 | -4,378 | ...... | -4,378 |
| Education benefits fund | -11 | ...... | -11 | -30 | ...... | -30 | -32 | ...... | -32 |
| Soldiers' and airmen's home permanent fund | -1 | ...... | -1 | -9 | ...... | -9 | -1 | ...... | -1 |
| Other | (* *) | ...... | (* *) | (* *) | ...... | (* *) | ...... | ...... | ...... |
| Department of Health and Human Services: | | | | | | | | | |
| Federal old-age and survivors insurance trust fund (off-budget) | -42 | ...... | -42 | -12,518 | ...... | -12,518 | -10,772 | ...... | -10,772 |
| Federal disability insurance trust fund (off-budget) | -11 | ...... | -11 | -510 | ...... | -510 | -557 | ...... | -557 |
| Federal hospital insurance trust fund | -9 | ...... | -9 | -5,219 | ...... | -5,219 | -4,856 | ...... | -4,856 |
| Federal supplementary medical insurance trust fund | -12 | ...... | -12 | -893 | ...... | -893 | -809 | ...... | -809 |
| Department of Labor: | | | | | | | | | |
| Unemployment trust fund | -10 | ...... | -10 | -1,337 | ...... | -1,337 | -1,991 | ...... | -1,991 |
| Department of State: | | | | | | | | | |
| Foreign Service retirement and disability fund | (* *) | ...... | (* *) | -268 | ...... | -268 | -252 | ...... | -252 |
| Department of Transportation: | | | | | | | | | |
| Highway trust fund | -5 | ...... | -5 | -750 | ...... | -750 | -778 | ...... | -778 |
| Airport and airway trust fund | -3 | ...... | -3 | -558 | ...... | -558 | -634 | ...... | -634 |
| Oil spill liability trust fund | -36 | ...... | -36 | -39 | ...... | -39 | -3 | ...... | -3 |
| Department of Veterans Affairs: | | | | | | | | | |
| National service life insurance fund | (* *) | ...... | (* *) | -538 | ...... | -538 | -539 | ...... | -539 |
| United States government life Insurance Fund | (* *) | ...... | (* *) | -5 | ...... | -5 | -6 | ...... | -6 |
| Environmental Protection Agency | (* *) | ...... | (* *) | (* *) | ...... | (* *) | (* *) | ...... | (* *) |
| National Aeronautics and Space Administration | (* *) | ...... | (* *) | -1 | ...... | -1 | -1 | ...... | -1 |
| Office of Personnel Management: | | | | | | | | | |
| Civil service retirement and disability fund | -38 | ...... | -38 | -12,426 | ...... | -12,426 | -11,669 | ...... | -11,669 |
| Independent agencies: | | | | | | | | | |
| Railroad Retirement Board | -107 | ...... | -107 | -480 | ...... | -480 | -392 | ...... | -392 |
| Other | -2 | ...... | -2 | -6 | ...... | -6 | 3 | ...... | 3 |
| Other | -2 | ...... | -2 | 58 | ...... | 58 | -23 | ...... | -23 |
| Total—Interest received by trust funds | -530 | ...... | -530 | -40,377 | ...... | -40,377 | -37,704 | ...... | -37,704 |
| Rents and royalties on the outer continental shelf lands | ...... | 245 | -245 | ...... | 997 | -997 | ...... | 928 | -928 |
| Sale of major assets | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... |
| **Total—Undistributed offsetting receipts** | **-3,094** | **245** | **-3,338** | **-53,097** | **997** | **-54,093** | **-51,445** | **928** | **-52,373** |
| **Total outlays** | **131,933** | **18,145** | **113,788** | **673,744** | **91,276** | **582,468** | **667,150** | **97,427** | **569,723** |
| **Total on-budget** | **103,504** | **14,172** | **89,332** | **548,902** | **70,685** | **478,217** | **548,539** | **77,581** | **470,958** |
| **Total off-budget** | **28,429** | **3,973** | **24,456** | **124,842** | **20,591** | **104,251** | **118,611** | **19,847** | **98,765** |
| **Total surplus (+) or deficit** | | | **-47,594** | | | **-138,245** | | | **-148,650** |
| **Total on-budget** | | | **-48,239** | | | **-150,969** | | | **-164,445** |
| **Total off-budget** | | | **+644** | | | **+12,724** | | | **+15,794** |

**MEMORANDUM**

Receipts offset against outlays [$ millions]

| | Current Fiscal Year to Date | Comparable Period Prior Fiscal Year |
|---|---|---|
| Proprietary receipts | 17,201 | 15,947 |
| Receipts from off-budget federal entities | ...... | ...... |
| Intrabudgetary transactions | 97,547 | 90,737 |
| Governmental receipts | 770 | 4,775 |
| Total receipts offset against outlays | 115,519 | 111,459 |

[1]Includes FICA and SECA tax credits, non-contributory military service credits, special benefits for the aged, and credit for unnegotiated OASI benefit checks.
[2]Includes a decrease in net outlays of $97 million for amortization of zero coupon bonds.
[3]The Postal Service accounting is composed of 28-day accounting periods. To conform with the MTS calendar-month reporting basis utilized by all other Federal agencies, the MTS reflects actual USPS results through 2/5 and estimates for $1,246 million through 2/28.

... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

## Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, February 1993 and Other Periods

[$ millions]

| Assets and Liabilities Directly Related to Budget Off-budget Activity | Net Transactions (−) denotes net reduction of either liability or asset accounts | | | Account Balances Current Fiscal Year | | |
|---|---|---|---|---|---|---|
| | This Month | Fiscal Year to Date | | Beginning of | | Close of This month |
| | | This Year | Prior Year | This Year | This Month | |
| **Liability accounts:** | | | | | | |
| Borrowing from the public: | | | | | | |
| Public debt securities, issued under general Financing authorities: | | | | | | |
| Obligations of the United States, issued by: | | | | | | |
| United States Treasury | 29,803 | 132,383 | 163,755 | 4,049,621 | 4,152,200 | 4,182,004 |
| Federal Financing Bank | ...... | ...... | ...... | 15,000 | 15,000 | 15,000 |
| Total, public debt securities | 29,803 | 132,383 | 163,755 | 4,064,621 | 4,167,200 | 4,197,004 |
| Plus premium on public debt securities | −4 | −24 | 243 | 1,032 | 1,013 | 1,008 |
| Less discount on public debt securities | −76 | −656 | −1,226 | 81,090 | 80,511 | 80,435 |
| Total public debt securities net of Premium and discount | 29,875 | 133,014 | 165,224 | 3,984,565 | 4,087,704 | 4,117,579 |
| Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C) | 476 | 911 | −2,069 | 18,250 | 18,686 | 19,162 |
| Total federal securities | 30,351 | 133,926 | 163,155 | 4,002,815 | 4,106,390 | 4,136,741 |
| Deduct: | | | | | | |
| Federal securities held as investments of government accounts (see Schedule D) | −434 | 29,812 | 41,789 | 1,016,453 | 1,046,699 | 1,046,265 |
| Less discount on federal securities held as investments of government accounts | −97 | −286 | 1,431 | 12,415 | 12,225 | 12,129 |
| Net federal securities held as investments of government accounts | −337 | 30,097 | 40,358 | 1,004,038 | 1,034,473 | 1,034,136 |
| Total borrowing from the public | 30,689 | 103,828 | 122,797 | 2,998,777 | 3,071,916 | 3,102,605 |
| Accrued interest payable to the public | −13,758 | −6,792 | −4,874 | 44,212 | 51,178 | 37,420 |
| Allocations of special drawing rights | −28 | −474 | 63 | 7,216 | 6,771 | 6,742 |
| Deposit funds | −115 | −272 | −593 | 6,422 | 6,265 | 6,150 |
| Miscellaneous liability accounts (includes checks outstanding etc.) | 3,443 | −225 | 3,787 | 2,143 | −1,525 | 1,918 |
| **Total liability accounts** | **20,231** | **96,066** | **121,180** | **3,058,770** | **3,134,605** | **3,154,836** |
| **Asset accounts (deduct)** | | | | | | |
| Cash and monetary assets: | | | | | | |
| U.S. Treasury operating cash:[1] | | | | | | |
| Federal Reserve account | −4,222 | −19,236 | −2,451 | 24,586 | 9,572 | 5,350 |
| Tax and loan note accounts | −23,005 | −20,454 | −22,151 | 34,203 | 36,754 | 13,749 |
| Balance | −27,227 | −39,690 | −24,602 | 58,789 | 46,326 | 19,099 |
| Special drawing rights: | | | | | | |
| Total holdings | 105 | −3,460 | 299 | 12,111 | 8,546 | 8,651 |
| SDR certificates issued to Federal Reserve banks | ...... | 2,000 | ...... | −10,018 | −8,018 | −8,018 |
| Balance | 105 | −1,460 | 299 | 2,093 | 528 | 633 |
| Reserve position on the U.S. quota in the IMF: | | | | | | |
| U.S. subscription to International Monetary Fund: | | | | | | |
| Direct quota payments | ...... | 12,063 | ...... | 19,699 | 31,762 | 31,762 |
| Maintenance of value adjustments | −153 | −1,950 | 231 | 6,692 | 4,895 | 4,741 |
| Letter of credit issued to IMF | −17 | −9,096 | −183 | −15,381 | −24,460 | −24,477 |
| Dollar deposits with the IMF | 5 | −22 | −9 | −73 | −100 | −95 |
| Receivable/Payable (−) for interim maintenance of value adjustments | 103 | 1,256 | −145 | −1,167 | −14 | 88 |
| Balance | −63 | 2,250 | −105 | 9,770 | 12,083 | 12,020 |
| Loans to International Monetary Fund | ...... | ...... | ...... | (* *) | (* *) | (* *) |
| Other cash and monetary assets | 385 | 210 | 17,093 | 23,842 | 23,667 | 24,052 |
| Total cash and monetary assets | −26,800 | −38,689 | −7,316 | 94,494 | 82,604 | 55,804 |
| Net activity, guaranteed loan financing | −383 | −1,464 | −7 | −826 | −1,907 | −2,290 |
| Net activity, direct loan financing | 131 | 1,068 | 487 | 2,447 | 3,385 | 3,516 |
| Miscellaneous asset accounts | −287 | −2,973 | −20,501 | −1,411 | −4,097 | −4,383 |
| **Total asset accounts** | **−27,339** | **−42,058** | **−27,337** | **94,704** | **79,985** | **52,646** |
| **Excess of liabilities (+) or assets (−)** | **+47,570** | **+138,124** | **+148,517** | **+2,964,066** | **+3,054,620** | **+3,102,189** |
| Transactions not applied to current year's surplus or deficit (see Schedule a for Details) | 25 | 122 | 133 | ...... | 97 | 122 |
| **Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (−))** | **+47,594** | **+138,245** | **+148,650** | **+2,964,066** | **+3,054,717** | **+3,102,311** |

[1]Major sources of information used to determine Treasury's operating cash income include the Daily Balance Wires from Federal Reserve Banks, reporting from the Bureau of Public Debt, electronic transfers through the Treasury Financial Communication System and reconciling wires from Internal Revenue Centers. Operating cash is presented on a modified cash basis; deposits are reflected as received and withdrawals are reflected as processed.

...... No Transactions

(* *) Less than $500,000

Note: Details may not add to totals due to rounding

## Table 6. Schedule A—Analysis of Change in Excess of Liabilities of the U.S. Government, February 1993 and Other Periods

[$ millions]

| Classification | This Month | Fiscal Year to Date: This Year | Fiscal Year to Date: Prior Year |
|---|---|---|---|
| **Excess of liabilities beginning of period:** | | | |
| Based on composition of unified budget in preceding period | 3,054,620 | 2,964,066 | 2,673,445 |
| Adjustments during current fiscal year for changes in composition of unified budget: | | | |
| Reclassification of the Disaster Assistance Liquidating Account, FEMA, to a budgetary status | ...... | (* *) | ...... |
| Revisions by federal agencies to the prior budget results | ...... | (* *) | 680 |
| Excess of liabilities beginning of period (current basis) | 3,054,620 | 2,964,066 | 2,674,125 |
| Budget surplus (−) or deficit: | | | |
| Based on composition of unified budget in prior fiscal yr | 47,594 | 138,245 | 148,650 |
| Changes in composition of unified budget | ...... | ...... | ...... |
| Total surplus (−) or deficit (Table 2) | 47,594 | 138,245 | 148,650 |
| Total-on-budget (Table 2) | 48,239 | 150,969 | 164,445 |
| Total-off-budget (Table 2) | −644 | −12,724 | −15,794 |
| Transactions not applied to current year's surplus or deficit: | | | |
| Seigniorage | −25 | −122 | −133 |
| Profit on sale of gold | ...... | ...... | (* *) |
| Total-transactions not applied to current year's Surplus or deficit | −25 | −122 | −133 |
| **Excess of liabilities close of period** | **3,102,189** | **3,102,189** | **2,822,642** |

## Table 6. Schedule B—Securities isued by Federal Agencies Under Special Financing Authorities, February 1993 and Other Periods

[$ millions]

| Classification | Net Transactions (−) denotes net reduction of either Liability accounts: This Month | Fiscal Year to Date: This Year | Fiscal Year to Date: Prior Year | Account Balances Current Fiscal Year: Beginning of This Year | Beginning of This Month | Close of This month |
|---|---|---|---|---|---|---|
| **Agency securities, issued under special financing authorities:** | | | | | | |
| Obligations of the United States, issued by: | | | | | | |
| Export-Import Bank of the United States | ...... | ...... | ...... | (* *) | (* *) | (* *) |
| Federal Deposit Insurance Corporation: | | | | | | |
| Bank insurance fund | ...... | ...... | −1 | 93 | 93 | 93 |
| FSLIC resolution fund | ...... | −194 | −3,756 | 1,137 | 943 | 943 |
| Obligations guaranteed by the United States, issued by: | | | | | | |
| Department of Defense: | | | | | | |
| Family housing mortgages | (* *) | (* *) | (* *) | 7 | 7 | 7 |
| Department of Housing and Urban Development: | | | | | | |
| Federal Housing Administration | 7 | −64 | 36 | 301 | 231 | 237 |
| Department of the Interior: | | | | | | |
| Bureau of Land Management | ...... | ...... | ...... | 13 | 13 | 13 |
| Department of Transportation: | | | | | | |
| Coast Guard: | | | | | | |
| Family housing mortgages | ...... | ...... | ...... | (* *) | (* *) | (* *) |
| Obligations not guaranteed by the United States, issued by: | | | | | | |
| Legislative Branch: | | | | | | |
| Architect of the Capitol | 1 | 6 | −3 | 162 | 167 | 168 |
| Department of Defense: | | | | | | |
| Homeowners assistance mortgages | ...... | ...... | ...... | 1 | 1 | 1 |
| Department of Housing and Urban Development: | | | | | | |
| Government National Mortgage Association | ...... | ...... | ...... | ...... | ...... | ...... |
| Independent agencies: | | | | | | |
| National Archives and Records Administration | ...... | ...... | ...... | 302 | 302 | 302 |
| Postal Service | ...... | ...... | ...... | 220 | 220 | 220 |
| Tennessee Valley Authority | 468 | 1,163 | 1,655 | 16,015 | 16,710 | 17,178 |
| **Total, agency securities** | **476** | **911** | **−2,069** | **18,250** | **18,686** | **19,162** |

... No Transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

## Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, February 1993 and Other Periods

[$ millions]

| Classification | Transactions | | | Account Balances Current Fiscal Year | | |
|---|---|---|---|---|---|---|
| | This Month | Fiscal Year to Date | | Beginning of | | Close of This month |
| | | This Year | Prior Year | This Year | This Month | |
| **Borrowing from the Treasury:** | | | | | | |
| Funds Appropriated to the President: | | | | | | |
| Agency for International Development: | | | | | | |
| Housing and other credit guaranty programs | ...... | ...... | ...... | 125 | 125 | 125 |
| Overseas Private Investment Corporation | ...... | ...... | (* *) | (* *) | (* *) | (* *) |
| Department of Agriculture: | | | | | | |
| Foreign assistance programs | 3 | 34 | ...... | 70 | 101 | 104 |
| Commodity Credit Corporation | 1,021 | −1,728 | −3,648 | 17,282 | 14,533 | 15,553 |
| Farmers Home Administration: | | | | | | |
| Agriculture credit insurance fund | 41 | 144 | −6,937 | 5,526 | 5,629 | 5,670 |
| Self-help housing land development fund | ...... | (* *) | ...... | ...... | (* *) | (* *) |
| Rural housing insurance fund | 101 | 209 | −2,567 | 1,989 | 2,098 | 2,199 |
| Rural development insurance fund | 7 | 21 | −516 | 1,545 | 1,558 | 1,565 |
| Rural development loan fund | (* *) | 1 | ...... | (* *) | 2 | 2 |
| Federal Crop Insurance Corporation: | | | | | | |
| Federal crop insurance corporation fund | ...... | ...... | ...... | 113 | 113 | 113 |
| Rural Electrification Administration: | | | | | | |
| Rural communication development fund | ...... | ...... | ...... | 25 | 25 | 25 |
| Rural electrification and telephone revolving fund | 7 | 63 | ...... | 7,905 | 7,960 | 7,967 |
| Rural Telephone Bank | 2 | 2 | ...... | 763 | 763 | 765 |
| Federal ship financing fund, NOAA | ...... | −2 | ...... | 2 | ...... | ...... |
| Department of Education: | | | | | | |
| Guaranteed student loans | ...... | ...... | ...... | 2,090 | 2,090 | 2,090 |
| College housing and academic facilities fund | ...... | ...... | ...... | 156 | 156 | 156 |
| College housing loans | ...... | ...... | ...... | 524 | 524 | 524 |
| Department of Energy: | | | | | | |
| Isotope production and distribution fund | 1 | 3 | 4 | 9 | 11 | 12 |
| Bonneville power administration fund | 200 | 400 | ...... | 1,906 | 2,106 | 2,306 |
| Department of Housing and Urban Development: | | | | | | |
| Housing programs: | | | | | | |
| Federal Housing Administration | ...... | ...... | −7,323 | ...... | ...... | ...... |
| Housing for the ederly and handicapped | ...... | 185 | 1,079 | 8,774 | 8,959 | 8,959 |
| Public and Indian housing: | | | | | | |
| Low-rent public housing | ...... | ...... | ...... | 50 | 50 | 50 |
| Department of the Interior: | | | | | | |
| Bureau of Reclamation Loans | ...... | 2 | ...... | 2 | 4 | 4 |
| Bureau of Mines, Helium Fund | ...... | ...... | ...... | 252 | 252 | 252 |
| Bureau of Indian Affairs: | | | | | | |
| Revolving funds for loans | 1 | 2 | 3 | 8 | 8 | 10 |
| Department of Justice: | | | | | | |
| Federal prison industries, incorporated | ...... | ...... | ...... | 20 | 20 | 20 |
| Department of State: | | | | | | |
| Repatriation loans | −1 | −1 | (* *) | 1 | 1 | ...... |
| Department of Transportation: | | | | | | |
| Federal Railroad Administration: | | | | | | |
| Railroad rehabilitation and improvement financing funds | ...... | 8 | ...... | ...... | 8 | 8 |
| Settlements of railroad litigation | ...... | ...... | ...... | −39 | −39 | −39 |
| Amtrak corridor improvement loans | ...... | 1 | ...... | 2 | 2 | 2 |
| Regional rail reorganization program | ...... | ...... | ...... | 39 | 39 | 39 |
| Federal Aviation Administration: | | | | | | |
| Aircraft purchase loan guarantee program | (* *) | (* *) | −1 | (* *) | (* *) | (* *) |
| Department of the Treasury: | | | | | | |
| Federal Financing Bank revolving fund | −3,096 | −16,459 | −11,496 | 149,422 | 136,059 | 132,962 |
| Department of Veterans Affairs: | | | | | | |
| Loan guaranty revolving fund | ...... | −678 | 371 | 921 | 243 | 243 |
| Guaranty and indemnity fund | ...... | 8 | 6 | 40 | 49 | 49 |
| Direct loan revolving fund | ...... | (* *) | (* *) | 1,730 | 1,730 | 1,730 |
| Vocational rehabilitation revolving fund | (* *) | (* *) | 1 | 1 | 1 | 1 |
| Environmental Protection Agency: | | | | | | |
| Abatement, control, and compliance loan program | 1 | 2 | ...... | 1 | 3 | 3 |
| Small Business Administration: | | | | | | |
| Business loan and revolving fund | ...... | ...... | (* *) | 11 | 11 | 11 |

## Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, February 1993 and Other Periods—Continued

[$ millions]

| Classification | Transactions | | | Account Balances Current Fiscal Year | | |
|---|---|---|---|---|---|---|
| | This Month | Fiscal Year to Date | | Beginning of | | Close of This month |
| | | This Year | Prior Year | This Year | This Month | |
| **Borrowing for the Treasury:—Continued** | | | | | | |
| Other independent agencies: | | | | | | |
| Export-import of the United States | −3 | 25 | ...... | 88 | 117 | 114 |
| Federal Emergency Management Agency: | | | | | | |
| National insurance development fund | 1 | 8 | ...... | 18 | 26 | 26 |
| Pennsylvania Avenue Development Corporation: | | | | | | |
| Land aquisition and development fund | ...... | 3 | 7 | 73 | 76 | 76 |
| Railroad Retirement Board: | | | | | | |
| Railroad retirement account | ...... | ...... | ...... | 2,128 | 2,128 | 2,128 |
| Social Security equivalent benefit account | 249 | 1,245 | 1,187 | 2,670 | 3,666 | 3,915 |
| Smithsonian Institution: | | | | | | |
| John F. Kennedy Center parking facilities | ...... | ...... | ...... | 20 | 20 | 20 |
| Tennessee Valley Authority | ...... | ...... | ...... | 150 | 150 | 150 |
| **Total agency borrowing from the Treasury financed through public debt securities issued** | **−1,465** | **−16,502** | **−29,830** | **206,410** | **191,373** | **189,908** |
| **Borrowing from the Federal Financing Bank:** | | | | | | |
| Funds Appropriated to the President: | | | | | | |
| Foreign military sales | −15 | −86 | −86 | 4,344 | 4,273 | 4,258 |
| Department of Agriculture: | | | | | | |
| Rural Electrification Administration | −1 | −107 | −103 | 22,742 | 22,636 | 22,635 |
| Farmers Home Administration: | | | | | | |
| Agriculture credit insurance fund | ...... | ...... | −130 | 12,858 | 12,858 | 12,858 |
| Rural housing insurance fund | ...... | ...... | −2,030 | 26,446 | 26,446 | 26,446 |
| Rural development insurance fund | ...... | ...... | ...... | 3,675 | 3,675 | 3,675 |
| Department of Defense: | | | | | | |
| Department of the Navy | ...... | ...... | ...... | 1,624 | 1,624 | 1,624 |
| Defense agencies | ...... | −48 | −48 | −48 | −96 | −96 |
| Department of Education: | | | | | | |
| Student Loan Marketing Association | ...... | −30 | −30 | 4,820 | 4,790 | 4,790 |
| Department of Health and Human Services, Except Social Security: | | | | | | |
| Medical facilities guarantee and loan fund | −3 | −4 | ...... | 124 | 123 | 120 |
| Department of Housing and Urban Development: | | | | | | |
| Low rent housing loans and other expenses | ...... | −52 | −50 | 1,853 | 1,801 | 1,801 |
| Community Development Grants | −1 | −28 | −8 | 174 | 147 | 146 |
| Department of Interior: | | | | | | |
| Territorial and international affairs | ...... | −28 | −1 | 51 | 23 | 23 |
| Department of Transportation: | | | | | | |
| Federal Railroad Administration | (* *) | −1 | −1 | 19 | 19 | 18 |
| Department of the Treasury: | | | | | | |
| Financial Management Service | ...... | −51 | ...... | 125 | 74 | 74 |
| General Services Administration: | | | | | | |
| Federal buildings fund | 66 | 477 | 19 | 699 | 1,110 | 1,176 |
| National Aeronautics and Space Administration: | | | | | | |
| Space flight, control and data communications | ...... | ...... | −33 | ...... | ...... | ...... |
| Small Business Administration: | | | | | | |
| Business loan and investment fund | −8 | −47 | −84 | 782 | 742 | 734 |
| Independent agencies: | | | | | | |
| Export-Import Bank of the United States | ...... | −490 | −1,458 | 7,692 | 7,202 | 7,202 |
| Federal Deposit Insurance Corporation: | | | | | | |
| Bank insurance fund | −2,500 | −5,660 | 3,572 | 10,160 | 7,000 | 4,500 |
| National Credit Union Administration | ...... | ...... | −104 | ...... | ...... | ...... |
| Pennsylvania Avenue Development Corporation | 7 | 23 | 15 | 78 | 93 | 101 |
| Postal Service | ...... | 537 | ...... | 9,903 | 10,440 | 10,440 |
| Resolution Trust Corporation | −997 | −10,548 | −9,064 | 46,536 | 36,984 | 35,987 |
| Tennessee Valley Authority | −143 | 813 | −1,872 | 9,592 | 8,922 | 8,779 |
| Washington Metropolitan Transit Authority | ...... | ...... | ...... | 177 | 177 | 177 |
| **Total borrowing from the Federal Financing Bank** | **−3,595** | **−16,958** | **−11,496** | **164,427** | **151,064** | **147,469** |

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase of agency financial assets, by the acquisition of agency debt securities, and by direct loans on behalf of an agency. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to agencies in lieu of agencies borrowing directly through Treasury or issuing their own securities.

... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

## Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, February 1993 and Other Periods

[$ millions]

| Classification | Net Purchases or Sales (−) | | | Securities Held as Investments Current Fiscal Year | | |
|---|---|---|---|---|---|---|
| | This Month | Fiscal Year to Date | | Beginning of | | Close of This month |
| | | This Year | Prior Year | This Year | This Month | |
| **Federal funds:** | | | | | | |
| Department of Agriculture | −1 | −1 | −3 | 5 | 5 | 4 |
| Department of Commerce | (* *) | 3 | −1 | 8 | 11 | 11 |
| Department of Defense—Military: | | | | | | |
| Defense cooperation account | (* *) | −1,996 | 1,581 | 2,032 | 36 | 36 |
| Department of Energy | 66 | 163 | 285 | 3,513 | 3,610 | 3,675 |
| Department of Housing and Urban Development: | | | | | | |
| Housing programs: | | | | | | |
| Federal housing administration fund: | | | | | | |
| Public debt securities | −38 | −460 | −62 | 5,858 | 5,435 | 5,398 |
| Government National Mortgage Association: | | | | | | |
| Management and liquidating functions fund: | | | | | | |
| Public debt securities | (* *) | 2 | 2 | 6 | 8 | 8 |
| Agency securities | ...... | ...... | ...... | 60 | 60 | 60 |
| Guarantees of mortgage-backed securities: | | | | | | |
| Public debt securities | 86 | 191 | 167 | 2,699 | 2,804 | 2,890 |
| Agency securities | ...... | (* *) | 2 | 62 | 62 | 62 |
| Other | (* *) | 5 | −1 | 245 | 250 | 250 |
| Department of the Interior: | | | | | | |
| Public debt securities | 30 | 205 | 1,369 | 2,333 | 2,509 | 2,538 |
| Department of Labor | 110 | 34 | 1,486 | 15,480 | 15,405 | 15,515 |
| Department of Transportation | 10 | 44 | 56 | 781 | 815 | 825 |
| Department of the Treasury | −4 | 1,769 | 838 | 3,462 | 5,235 | 5,231 |
| Department of Veterans Affairs: | | | | | | |
| Canteen service revolving fund | ...... | −2 | ...... | 43 | 41 | 41 |
| Guaranty and indemnity fund | ...... | ...... | −107 | ...... | ...... | ...... |
| Veterans reopened insurance fund | −2 | 15 | −2 | 509 | 527 | 525 |
| Servicemen's group life insurance fund | ...... | −25 | (* *) | 198 | 173 | 173 |
| Independent agencies: | | | | | | |
| Export-Import Bank of the United States | 38 | 430 | 246 | 88 | 480 | 518 |
| Federal Emergency Management Agency: | | | | | | |
| National insurance development fund | 57 | −32 | 124 | 543 | 453 | 510 |
| Federal Deposit Insurance Corporation: | | | | | | |
| Bank insurance fund | 545 | −1,550 | 287 | 4,664 | 2,570 | 3,115 |
| FSLIC resolution fund: | | | | | | |
| Public debt securities | −781 | −470 | −724 | 1,319 | 1,630 | 849 |
| Savings association insurance fund | 389 | 416 | 24 | 340 | 367 | 756 |
| National Credit Union Administration | 30 | 302 | 225 | 2,392 | 2,665 | 2,694 |
| Postal Service | 188 | 725 | 2,016 | 4,679 | 5,216 | 5,404 |
| Tennessee Valley Authority | 1 | −464 | −745 | 2,239 | 1,774 | 1,775 |
| Other | 42 | 55 | 87 | 765 | 778 | 820 |
| Other | −7 | 168 | −154 | 2,410 | 2,585 | 2,578 |
| Total public debt securities | 759 | −470 | 6,993 | 56,611 | 55,383 | 56,141 |
| Total agency securities | ...... | (* *) | 2 | 123 | 123 | 123 |
| **Total Federal funds** | **759** | **−470** | **6,994** | **56,734** | **55,505** | **56,264** |
| **Trust funds:** | | | | | | |
| Legislative Branch: | | | | | | |
| Library of Congress | −1 | 3 | 5 | 1 | 5 | 4 |
| United States Tax Court | (* *) | (* *) | (* *) | 4 | 4 | 4 |
| Other | (* *) | (* *) | (* *) | 27 | 27 | 27 |
| The Judiciary: | | | | | | |
| Judicial retirement funds | 2 | 12 | 12 | 193 | 203 | 205 |
| Department of Agriculture | 1 | (* *) | 1 | 6 | 5 | 5 |
| Department of Commerce | ...... | (* *) | (* *) | (* *) | (* *) | (* *) |
| Department of Defense—Military | −12 | 864 | (* *) | 160 | 1,036 | 1,024 |
| Department of Defense—Civil: | | | | | | |
| Military retirement fund | −808 | 11,157 | 11,953 | 87,753 | 99,718 | 98,910 |
| Other | 50 | 211 | 361 | 1,098 | 1,259 | 1,309 |

## Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, February 1993 and Other Periods—Continued

[$ millions]

| Classification | Net Purchases or Sales (−) | | | Securities Held as Investments Current Fiscal Year | | |
|---|---|---|---|---|---|---|
| | This Month | Fiscal Year to Date | | Beginning of | | Close of This month |
| | | This Year | Prior Year | This Year | This Month | |
| **Trust Funds—Continued** | | | | | | |
| Department of Health | | | | | | |
| Department of Health and Human Services, except Social Security: | | | | | | |
| Federal hospital insurance trust fund: | | | | | | |
| Public debt securities | −560 | 2,236 | 5,495 | 120,647 | 123,443 | 122,883 |
| Federal supplementary medical insurance trust fund | 868 | 3,440 | 1,546 | 18,534 | 21,106 | 21,974 |
| Other | 10 | 29 | 56 | 621 | 640 | 650 |
| Department of Health and Human Services, Social Security: | | | | | | |
| Federal old-age and survivors insurance trust fund: | | | | | | |
| Public debt securities | 932 | 13,846 | 15,497 | 306,524 | 319,439 | 320,370 |
| Federal disability insurance trust fund | −343 | −1,637 | −495 | 12,918 | 11,624 | 11,281 |
| Department of the Interior: | | | | | | |
| Public debt securities | −67 | −196 | 76 | 336 | 206 | 140 |
| Department of Labor: | | | | | | |
| Unemployment trust fund | −197 | 4,495 | −6,850 | 35,133 | 30,835 | 30,638 |
| Other | 42 | 3 | −41 | 52 | 13 | 55 |
| Department of State: | | | | | | |
| Foreign Service retirement and disability fund | −20 | 269 | 263 | 5,999 | 6,288 | 6,268 |
| Other | ...... | 12 | (* *) | (* *) | 12 | 12 |
| Department of Transportation: | | | | | | |
| Highway trust fund | 339 | 977 | 1,652 | 20,962 | 21,599 | 21,939 |
| Airport and airway trust fund | −256 | −2,065 | 257 | 15,090 | 13,282 | 13,025 |
| Other | 37 | 106 | 108 | 1,399 | 1,469 | 1,505 |
| Department of the Treasury | 83 | 49 | 51 | 184 | 150 | 233 |
| Department of Veterans Affairs: | | | | | | |
| General post fund national homes | 1 | 5 | 1 | 34 | 38 | 39 |
| National service life insurance: | | | | | | |
| Public debt securities | −54 | 308 | −125 | 11,310 | 11,672 | 11,619 |
| Government life insurance fund | −1 | −1 | −9 | 134 | 134 | 133 |
| Veterans special life insurance fund | −8 | 38 | 5 | 1,406 | 1,451 | 1,443 |
| Environmental Protection Agency | 154 | 233 | 382 | 4,456 | 4,535 | 4,689 |
| National Aeronautics and Space Administration | (* *) | (* *) | (* *) | 16 | 16 | 16 |
| Office of Personnel Management: | | | | | | |
| Civil service retirement and disability fund: | | | | | | |
| Public debt securities | −1,766 | 4,030 | 3,623 | 284,430 | 290,225 | 288,459 |
| Employees health benefits fund | 121 | 246 | 74 | 5,993 | 6,119 | 6,240 |
| Employees life insurance fund | 155 | 500 | 575 | 12,604 | 12,949 | 13,104 |
| Retired employees health benefits fund | (* *) | (* *) | (* *) | 1 | 1 | 1 |
| Independent agencies: | | | | | | |
| Harry S. Truman memorial scholarship trust fund | 1 | 1 | −17 | 47 | 47 | 48 |
| Japan-United States Friendship Commission | (* *) | (* *) | (* *) | 17 | 17 | 17 |
| Railroad Retirement Board | 106 | 101 | 330 | 11,527 | 11,522 | 11,628 |
| Other | −1 | −1 | 7 | 104 | 105 | 104 |
| Total public debt securities | −1,193 | 30,282 | 34,795 | 959,719 | 991,193 | 990,001 |
| **Total trust funds** | **−1,193** | **30,282** | **34,795** | **959,719** | **991,193** | **990,001** |
| **Grand total** | **−434** | **29,812** | **41,789** | **1,016,453** | **1,046,699** | **1,046,265** |

... No Transactions
(* *) Less than $500,000.

Note: Investments are in public debt securities unless otherwise noted.
Note: Details may not add to totals due to rounding

## Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1993

[$ millions]

| Classification | Oct. | Nov. | Dec. | Jan. | Feb. | March | April | May | June | July | Aug. | Sept. | Fiscal Year To Date | Comparable Period Prior F.Y. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Receipts:** | | | | | | | | | | | | | | |
| Individual income taxes | 37,287 | 33,097 | 51,171 | 73,704 | 23,947 | | | | | | | | 219,206 | 197,146 |
| Corporation income taxes | 2,096 | 1,478 | 22,950 | 3,212 | 792 | | | | | | | | 30,528 | 27,474 |
| Social insurance taxes and contributions: | | | | | | | | | | | | | | |
| Employment taxes and contributions | 28,135 | 30,264 | 31,252 | 28,209 | 31,623 | | | | | | | | 149,483 | 147,035 |
| Unemployment insurance | 1,034 | 2,270 | 245 | 844 | 2,259 | | | | | | | | 6,652 | 6,056 |
| Other retirement contributions | 426 | 366 | 421 | 363 | 369 | | | | | | | | 1,944 | 1,961 |
| Excise taxes | 3,670 | 4,082 | 4,014 | 3,307 | 3,342 | | | | | | | | 18,415 | 18,221 |
| Estate and gift taxes | 1,027 | 954 | 959 | 888 | 822 | | | | | | | | 4,650 | 4,304 |
| Customs duties | 1,666 | 1,503 | 1,539 | 1,310 | 1,347 | | | | | | | | 7,364 | 7,082 |
| Miscellaneous receipts | 1,491 | 618 | 1,206 | 971 | 1,695 | | | | | | | | 5,980 | 11,793 |
| **Total—Receipts this year** | **76,832** | **74,633** | **113,756** | **112,809** | **66,194** | | | | | | | | **444,223** | ...... |
| **(On-budget)** | **55,056** | **51,219** | **89,660** | **90,220** | **41,093** | | | | | | | | **327,247** | ...... |
| **(Off-budget)** | **21,776** | **23,414** | **24,096** | **22,589** | **25,100** | | | | | | | | **116,975** | ...... |
| *Total—Receipts prior year* | *78,068* | *73,194* | *103,662* | *104,091* | *62,056* | | | | | | | | ...... | *421,072* |
| *(On budget)* | *57,216* | *50,898* | *80,172* | *79,937* | *38,290* | | | | | | | | ...... | *306,513* |
| *(Off budget)* | *20,852* | *22,296* | *23,490* | *24,155* | *23,766* | | | | | | | | ...... | *114,559* |
| **Outlays** | | | | | | | | | | | | | | |
| Legislative Branch | 204 | 211 | 193 | 221 | 195 | | | | | | | | 1,024 | 1,029 |
| The Judiciary | 135 | 162 | 183 | 221 | 157 | | | | | | | | 858 | 813 |
| Executive Office of the President | 18 | 22 | 14 | 21 | 12 | | | | | | | | 87 | 83 |
| Funds Appropriated to the President: | | | | | | | | | | | | | | |
| International Security Assistance | 334 | 3,393 | 521 | 414 | 137 | | | | | | | | 4,798 | 3,489 |
| International Development Assistance | 629 | 260 | 216 | 366 | 239 | | | | | | | | 1,710 | 1,965 |
| Other | 270 | −27 | 77 | 171 | 486 | | | | | | | | 975 | 613 |
| Department of Agriculture: | | | | | | | | | | | | | | |
| Foreign assistance, special export programs and Commodity Credit Corporation | 1,653 | 2,277 | 3,344 | 1,263 | 1,022 | | | | | | | | 9,558 | 7,615 |
| Other | 5,397 | 3,347 | 3,301 | 3,253 | 3,367 | | | | | | | | 18,666 | 18,725 |
| Department of Commerce | 290 | 285 | 228 | 231 | 202 | | | | | | | | 1,235 | 1,034 |
| Department of Defense: | | | | | | | | | | | | | | |
| Military: | | | | | | | | | | | | | | |
| Military personnel | 9,210 | 3,613 | 9,118 | 4,385 | 5,656 | | | | | | | | 31,982 | 35,885 |
| Operation and maintenance | 6,526 | 7,265 | 8,140 | 6,986 | 7,154 | | | | | | | | 36,072 | 36,804 |
| Procurement | 5,698 | 5,327 | 6,974 | 5,027 | 5,736 | | | | | | | | 28,763 | 31,316 |
| Research, development, test, and evaluation | 3,002 | 2,752 | 3,337 | 2,636 | 2,930 | | | | | | | | 14,657 | 13,955 |
| Military construction | 393 | 427 | 500 | 333 | 251 | | | | | | | | 1,904 | 1,544 |
| Family housing | 219 | 218 | 264 | 263 | 275 | | | | | | | | 1,239 | 1,275 |
| Revolving and management funds | 905 | 109 | 676 | 559 | 93 | | | | | | | | 2,342 | 2,241 |
| Defense cooperation account | −30 | −3 | −3 | −2 | (* *) | | | | | | | | −38 | −4,299 |
| Other | 25 | 240 | −59 | −1,248 | −91 | | | | | | | | −1,133 | −13 |
| Total Military | 25,947 | 19,949 | 28,946 | 18,941 | 22,003 | | | | | | | | 115,786 | 118,708 |
| Civil | 2,493 | 2,506 | 2,509 | 2,438 | 2,459 | | | | | | | | 12,405 | 11,636 |
| Department of Education | 2,334 | 2,675 | 2,664 | 2,903 | 2,714 | | | | | | | | 13,289 | 12,444 |
| Department of Energy | 1,714 | 1,391 | 1,549 | 780 | 1,266 | | | | | | | | 6,700 | 6,579 |
| Department of Health and Human Services, except Social Security: | | | | | | | | | | | | | | |
| Public Health Service | 1,438 | 1,476 | 1,573 | 1,348 | 1,546 | | | | | | | | 7,381 | 6,737 |
| Health Care Financing Administration: | | | | | | | | | | | | | | |
| Grants to States for Medicaid | 6,215 | 5,592 | 6,320 | 5,981 | 6,003 | | | | | | | | 30,111 | 26,868 |
| Federal hospital ins. trust fund | 7,299 | 6,555 | 8,117 | 6,171 | 7,423 | | | | | | | | 35,565 | 32,205 |
| Federal supp. med. ins. trust fund | 4,851 | 3,773 | 4,985 | 3,680 | 3,811 | | | | | | | | 21,101 | 21,162 |
| Other | 3,247 | 3,270 | 7,723 | 529 | 3,746 | | | | | | | | 18,514 | 17,612 |
| Social Security Administration | 4,691 | 386 | 3,483 | 1,874 | 2,049 | | | | | | | | 12,482 | 11,851 |
| Administration for children and families | 2,178 | 2,132 | 2,507 | 2,536 | 2,626 | | | | | | | | 11,979 | 11,670 |
| Other | −4,271 | −4,269 | −9,835 | −705 | −5,021 | | | | | | | | −24,100 | −22,918 |
| Department of Health and Human Services, Social Security: | | | | | | | | | | | | | | |
| Federal old-age and survivors ins. trust fund | 21,530 | 21,508 | 43,838 | 267 | 22,230 | | | | | | | | 109,373 | 103,530 |
| Federal disability ins. trust fund | 2,771 | 2,638 | 5,145 | 465 | 2,840 | | | | | | | | 13,860 | 12,425 |
| Other | −1,523 | −5 | −21 | −1,515 | −9 | | | | | | | | −3,074 | −2,862 |

## Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1993—Continued

[$ millions]

| Classification | Oct. | Nov. | Dec. | Jan. | Feb. | March | April | May | June | July | Aug. | Sept. | Fiscal Year To Date | Comparable Period Prior F.Y. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Outlays—Continued** | | | | | | | | | | | | | | |
| Department of Housing and Urban Development | 2,591 | 2,053 | 2,232 | 1,786 | 1,764 | | | | | | | | 10,426 | 10,076 |
| Department of the Interior | 698 | 500 | 447 | 517 | 477 | | | | | | | | 2,639 | 2,679 |
| Department of Justice | 1,215 | 913 | 849 | 794 | 677 | | | | | | | | 4,448 | 4,109 |
| Department of Labor: | | | | | | | | | | | | | | |
| Unemployment trust fund | 3,041 | 3,119 | 3,459 | 3,584 | 3,519 | | | | | | | | 16,723 | 15,233 |
| Other | 626 | −288 | 410 | 521 | 277 | | | | | | | | 1,546 | 1,945 |
| Department of State | 900 | 365 | 529 | 371 | 247 | | | | | | | | 2,412 | 2,101 |
| Department of Transportation: | | | | | | | | | | | | | | |
| Highway trust fund | 1,479 | 1,486 | 1,320 | 1,061 | 852 | | | | | | | | 6,199 | 5,664 |
| Other | 1,454 | 1,490 | 1,645 | 1,302 | 1,307 | | | | | | | | 7,198 | 7,223 |
| Department of the Treasury: | | | | | | | | | | | | | | |
| Interest on the public debt | 17,978 | 22,506 | 51,678 | 18,062 | 16,813 | | | | | | | | 127,037 | 127,190 |
| Other | 137 | −904 | 536 | 575 | 4,152 | | | | | | | | 4,494 | 222 |
| Department of Veterans Affairs: | | | | | | | | | | | | | | |
| Compensation and pensions | 2,623 | 79 | 2,694 | 80 | 1,422 | | | | | | | | 6,899 | 7,984 |
| National service life | 37 | 27 | 51 | 65 | 55 | | | | | | | | 235 | 667 |
| United States government life | 1 | 1 | 2 | 2 | 1 | | | | | | | | 7 | 16 |
| Other | 1,400 | 1,610 | 1,377 | 1,470 | 1,147 | | | | | | | | 7,004 | 6,596 |
| Environmental Protection Agency | 439 | 511 | 510 | 437 | 383 | | | | | | | | 2,281 | 2,425 |
| General Services Administration | 165 | −478 | 734 | −662 | 383 | | | | | | | | 142 | 156 |
| National Aeronautics and Space Administration | 1,098 | 1,317 | 1,266 | 1,092 | 1,008 | | | | | | | | 5,781 | 5,831 |
| Office of Personnel Management | 3,090 | 2,586 | 2,986 | 3,330 | 2,886 | | | | | | | | 14,878 | 14,609 |
| Small Business Administration | 113 | 95 | 44 | −1 | 41 | | | | | | | | 291 | 208 |
| Independent agencies: | | | | | | | | | | | | | | |
| Fed. Deposit Ins. Corp.: | | | | | | | | | | | | | | |
| Bank insurance funds | 97 | 232 | −848 | −514 | −3,035 | | | | | | | | −4,067 | 3,681 |
| Savings association fund | (* *) | 1 | −3 | −26 | −389 | | | | | | | | −416 | −24 |
| FSLIC resolution fund | −87 | 339 | 30 | −102 | 779 | | | | | | | | 960 | 1,733 |
| Postal Service: | | | | | | | | | | | | | | |
| Public enterprise funds (off-budget) | −452 | 327 | 349 | −677 | −10 | | | | | | | | −461 | −744 |
| Payment to the Postal Service fund | 69 | ...... | ...... | 30 | ...... | | | | | | | | 100 | 276 |
| Resolution Trust Corporation | −2,578 | −3,628 | −1,392 | −566 | −622 | | | | | | | | −8,787 | −8,194 |
| Tennessee Valley Authority | 271 | 307 | 115 | 140 | 72 | | | | | | | | 905 | 617 |
| Other independent agencies | 2,326 | 1,195 | 1,345 | 1,125 | 1,416 | | | | | | | | 7,408 | 6,801 |
| Undistributed offsetting receipts: | | | | | | | | | | | | | | |
| Employer share, employee retirement | −2,498 | −2,511 | −2,522 | −2,624 | −2,564 | | | | | | | | −12,720 | −13,740 |
| Interest received by trust funds | −443 | −4,952 | −34,461 | 9 | −530 | | | | | | | | −40,377 | −37,704 |
| Rents and royalties on outer continental shelf lands | −12 | −442 | −261 | −36 | −245 | | | | | | | | −997 | −928 |
| Other | (* *) | (* *) | ...... | (* *) | ...... | | | | | | | | (* *) | (* *) |
| **Totals this year:** | | | | | | | | | | | | | | |
| **Total outlays** | **125,620** | **107,363** | **152,701** | **82,996** | **113,788** | | | | | | | | **582,468** | ...... |
| **(On-budget)** | **103,780** | **83,444** | **116,640** | **85,022** | **89,332** | | | | | | | | **478,217** | ...... |
| **(Off-budget)** | **21,841** | **23,919** | **36,061** | **−2,025** | **24,456** | | | | | | | | **104,251** | ...... |
| **Total-surplus (+) or deficit (−)** | **−48,788** | **−32,730** | **−38,945** | **+29,812** | **−47,594** | | | | | | | | **−138,245** | ...... |
| **(On-budget)** | **−48,724** | **−32,225** | **−26,980** | **+5,198** | **−48,239** | | | | | | | | **−150,969** | ...... |
| **(Off-budget)** | **−65** | **−505** | **−11,965** | **+24,614** | **+644** | | | | | | | | **+12,724** | ...... |
| **Total borrowing from the public** | **−1,552** | **61,969** | **21,078** | **−8,355** | **30,689** | | | | | | | | **103,828** | **122,797** |
| *Total-outlays prior year* | *114,660* | *117,878* | *106,199* | *119,755* | *111,230* | | | | | | | | ...... | *569,723* |
| *(On-budget)* | *94,671* | *95,584* | *95,500* | *97,195* | *88,008* | | | | | | | | ...... | *470,958* |
| *(Off-budget)* | *19,990* | *22,294* | *10,699* | *22,561* | *23,222* | | | | | | | | ...... | *98,765* |
| *Total-surplus (+) or deficit (−) prior year* | *−36,592* | *−44,684* | *−2,537* | *−15,664* | *−49,174* | | | | | | | | ...... | *−148,650* |
| *(On-budget)* | *−37,454* | *−44,687* | *−15,328* | *−17,258* | *−49,717* | | | | | | | | ...... | *−164,445* |
| *(Off-budget)* | *+862* | *+3* | *+12,792* | *+1,594* | *+544* | | | | | | | | ...... | *15,794* |

... No transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

# Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of February 28, 1993

[$ millions]

| Classification | This Month | | | Fiscal Year to Date | | | Securities held as Investments Current Fiscal Year | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Beginning of | | Close of This Month |
| | Receipts | Outlays | Excess | Receipts | Outlays | Excess | This Year | This Month | |
| **Trust receipts, outlays, and investments held:** | | | | | | | | | |
| Airport | 308 | 508 | −201 | 744 | 2,668 | −1,924 | 15,090 | 13,282 | 13,025 |
| Black lung disability | 49 | 53 | −4 | 263 | 254 | 9 | ...... | ...... | ...... |
| Federal disability insurance | 2,494 | 2,840 | −347 | 12,203 | 13,860 | −1,657 | 12,918 | 11,624 | 11,281 |
| Federal employees life and health | ...... | −299 | 299 | ...... | −667 | 667 | 18,598 | 19,069 | 19,345 |
| Federal employees retirement | 1,174 | 2,928 | −1,755 | 18,679 | 14,359 | 4,320 | 290,626 | 296,721 | 294,937 |
| Federal hospital insurance | 6,405 | 7,423 | −1,018 | 37,265 | 35,565 | 1,700 | 120,647 | 123,443 | 122,883 |
| Federal old-age and survivors insurance | 23,211 | 22,230 | 981 | 123,293 | 109,373 | 13,920 | 306,524 | 319,439 | 320,370 |
| Federal supplementary medical insurance | 5,025 | 3,811 | 1,214 | 25,021 | 21,101 | 3,921 | 18,534 | 21,106 | 21,974 |
| Highways | 1,349 | 942 | 408 | 7,845 | 6,822 | 1,023 | 20,962 | 21,599 | 21,939 |
| Military advances | 607 | 1,056 | −449 | 4,847 | 5,110 | −263 | ...... | ...... | ...... |
| Railroad retirement | 474 | 636 | −162 | 2,170 | 3,179 | −1,008 | 11,527 | 11,522 | 11,628 |
| Military retirement | 1,301 | 2,152 | −851 | 22,570 | 10,578 | 11,992 | 87,753 | 99,718 | 98,910 |
| Unemployment | 3,345 | 3,519 | −175 | 12,750 | 16,723 | −3,973 | 35,133 | 30,835 | 30,638 |
| Veterans life insurance | 32 | 95 | −63 | 711 | 371 | 339 | 12,850 | 13,257 | 13,195 |
| All other trust | 767 | 304 | 463 | 3,194 | 1,392 | 1,802 | 8,556 | 9,579 | 9,876 |
| **Total trust fund receipts and outlays and investments held from Table 6-D** | **46,541** | **48,200** | **−1,659** | **271,555** | **240,687** | **30,867** | **959,719** | **991,193** | **990,001** |
| Less: Interfund transactions | 8,171 | 8,171 | ...... | 93,083 | 93,083 | ...... | | | |
| Trust fund receipts and outlays on the basis of Tables 4 & 5 | 38,369 | 40,029 | −1,659 | 178,472 | 147,605 | 30,867 | | | |
| **Total Federal fund receipts and outlays** | **29,865** | **75,799** | **−45,935** | **277,373** | **446,485** | **−169,113** | | | |
| Less: Interfund transactions | 17 | 17 | ...... | 96 | 96 | ...... | | | |
| Federal fund receipts and outlays on the basis of Table 4 & 5 | 29,848 | 75,783 | −45,935 | 277,277 | 446,389 | −169,113 | | | |
| Less: offsetting proprietary receipts | 2,023 | 2,023 | ...... | 11,526 | 11,526 | ...... | | | |
| **Net budget receipts & outlays** | **66,194** | **113,788** | **−47,594** | **444,223** | **582,468** | **−138,245** | | | |

...... No transactions

Note: Interfund receipts and outlays are transactions between Federal funds and trust funds such as Federal payments and contributions, and interest and profits on investments in Federal securities. They have no net effect on overall budget receipts and outlays since the receipts side of such transactions is offset against bugdet outlays. In this table, Interfund receipts are shown as an adjustment to arrive at total receipts and outlays of trust funds respectively.

Note: Details may not add to totals due to rounding.

## Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, February 1993 and Other Periods

[$ millions]

| Classification | This Month | Fiscal Year To Date | Comparable Period Prior Fiscal Year |
|---|---|---|---|
| **RECEIPTS** | | | |
| Individual income taxes | 23,947 | 219,206 | 197,146 |
| Corporation income taxes | 792 | 30,528 | 27,474 |
| Social insurance taxes and contributions: | | | |
| Employment taxes and contributions | 31,623 | 149,483 | 147,035 |
| Unemployment insurance | 2,259 | 6,652 | 6,056 |
| Other retirement contributions | 369 | 1,944 | 1,961 |
| Excise taxes | 3,342 | 18,415 | 18,221 |
| Estate and gift taxes | 822 | 4,650 | 4,304 |
| Customs | 1,347 | 7,364 | 7,082 |
| Miscellaneous | 1,695 | 5,980 | 11,793 |
| **Total** | **66,194** | **444,223** | **421,072** |
| **NET OUTLAYS** | | | |
| National defense | 22,903 | 120,540 | 123,905 |
| International affairs | 1,253 | 9,728 | 7,939 |
| General science, space, and technology | 1,325 | 7,313 | 6,975 |
| Energy | 399 | 2,075 | 1,860 |
| Natural resources and environment | 1,282 | 9,336 | 8,955 |
| Agriculture | 1,145 | 10,188 | 8,344 |
| Commerce and housing credit | −3,532 | −11,917 | −1,699 |
| Transportation | 2,093 | 13,353 | 13,158 |
| Community and Regional Development | 690 | 3,793 | 3,151 |
| Education, training, employment and social services | 4,068 | 20,501 | 19,636 |
| Health | 8,053 | 39,513 | 35,469 |
| Medicare | 9,935 | 50,654 | 48,010 |
| Income security | 21,317 | 88,714 | 81,571 |
| Social Security | 25,070 | 123,230 | 115,944 |
| Veterans benefits and services | 2,649 | 14,258 | 15,389 |
| Administration of justice | 1,060 | 5,915 | 5,581 |
| General government | 994 | 6,068 | 6,298 |
| Interest | 15,893 | 82,921 | 83,907 |
| Undistributed offsetting receipts | −2,809 | −13,716 | −14,669 |
| **Total** | **113,788** | **582,468** | **569,723** |

Note: Details may not add to totals due to rounding.

# Explanatory Notes

**1. Flow of Data Into Monthly Treasury Statement**

*The Monthly Treasury Statement (MTS)* is assembled from data in the central accounting system. The major sources of data include monthly accounting reports by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. These reports detail accounting transactions affecting receipts and outlays of the Federal Government and off-budget Federal entities, and their related effect on the assets and liabilities of the U.S. Government. Information is presented in the *MTS* on a modified cash basis.

**2. Notes on Receipts**

Receipts included in the report are classified into the following major categories: (1) budget receipts and (2) offsetting collections (also called applicable receipts). Budget receipts are collections from the public that result from the exercise of the Government's sovereign or governmental powers, excluding receipts offset against outlays. These collections, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections are from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) offsetting collections credited to appropriations or fund accounts, and (2) offsetting receipts (i.e., amounts deposited in receipt accounts). Collections credited to appropriation or fund accounts normally can be used without appropriation action by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without being appropriated. They are subdivided into two categories: (1) proprietary receipts—these collections are from the public and they are offset against outlays by agency and by function, and (2) intragovernmental funds—these are payments into receipt accounts from Governmental appropriation or funds accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts. The transactions may be intrabudgetary when the payment and receipt both occur within the budget or from receipts from off-budget Federal entities in those cases where payment is made by a Federal entity whose budget authority and outlays are excluded from the budget totals.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions, where the payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions, where the payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions, where the payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, by subfunction, or by agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by off-budget Federal entities) as employers into employees retirement funds, (2) interest received by trust funds, (3) rents and royalties on the Outer Continental Shelf lands, and (4) other interest (i.e., interest collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

**3. Notes on Outlays**

Outlays are generally accounted for on the basis of checks issued by Government disbursing officers, and cash payments made. Certain intragovernmental outlays do not require issuance of checks. An example would be charges made against appropriations representing a part of employees' salaries which are withheld for individual income taxes, and for savings bond allotments. Outlays are stated net of offsetting collections and refunds representing reimbursements as authorized by law, refunds of money previously expended, and receipts of revolving and management funds. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of acconting. Budgetary outlays of subsidy and administrative expenses are recorded in the program account. Interest on the public debt (public issues) is recognized on the accrual basis. Outlays of off-budget Federal entities and activity of the financing and liquidating accounts subject to credit reform are excluded from budget outlay totals.

**4. Processing**

The data on payments and collections are reported by account symbol into the central accounting system. In turn, the data are extracted from this system for use in the preparation of the *MTS*.

There are two major checks which are conducted to assure the consistency of the data reported:

1. Verification of payment data. The monthly payment activity reported by Federal entities on their Statements of Transactions is compared to the payment activity of Federal entities as reported by disbursing officers.
2. Verification of collection data. Reported collections appearing on Statements of Transactions are compared to deposits as reported by Federal Reserve banks.

**5. Other Sources of Information About Federal Government Financial Activities**

- *A Glossary of Terms Used in the Federal Budget Process, March 1981* (Available from the U.S. General Accounting Office, Gaithersburg, Md. 20760). This glossary provides a basic reference document of standardized definitions of terms used by the Federal Government in the budgetmaking process.

- *Daily Treasury Statement* (Available from GPO, Washington, D.C. 20402, on a subscription basis only). *The Daily Treasury Statement* is published each working day of the Federal Government and provides data on the cash and debt operations of the Treasury.

- *Monthly Statement of the Public Debt of the United States* (Available from GPO, Washington, D.C. 20402 on a subscription basis only). This publication provides detailed information concerning the public debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, by subscription or single copy). Quarterly. Contains a mix of narrative, tables, and charts on Treasury issues, Federal financial operations, international statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 __* (Available from GPO, Washington, D.C. 20402). This publication is a single volume which provides budget information and contains:

  *-Appendix, The Budget of the United States Government, FY 19__*
  *-The United States Budget in Brief, FY 19 __*
  *-Special Analyses*
  *-Historical Tables*
  *-Management of the United States Government*
  *-Major Policy Initiatives*

- *United States Government Annual Report and Appendix* (Available from Financial Management Service, U.S. Department of the Treasury, Washington, D.C. 20227). This annual report represents budgetary results at the summary level. The appendix presents the individual receipt and appropriation accounts at the detail level.

## Scheduled Release

**The release date for the March 1993 Statement will be 2:00 pm EST April 21, 1993.**

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 783-3238. The subscription price is $27.00 per year (domestic), $33.73 per year (foreign).
No single copies are sold.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960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March 22, 1993


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REMARKS OF THE HONORABLE LLOYD BENTSEN
SECRETARY OF THE TREASURY
BEFORE THE NATIONAL ASSOCIATION OF HOME BUILDERS
WASHINGTON, D.C.

When I came to Treasury I thought I'd be speaking less than I did as a Senator. But I'm finding I'm speaking more -- in fact, maybe four or five times a week, which is a pretty heavy load.

And I was wondering: "Why all of the sudden the increased demand?" But after I picked up the paper last week, I figured it out.

You see, to come to speak to groups like this you can get one of three Texans who hold or held the title Treasury Secretary -- Jim Baker, John Connally, or myself.

Now I come free. I don't know what John Connally charges, but I read where Jim Baker just signed up to go on the circuit for a fee that is, well, almost the price of a new house!

So I guess that's why I'm here talking to home builders. But let me warn you: with me, you get what you pay for!

First off, let me say thank you for supporting the President's Economic Plan. When one of the most important industries in the country backs your economic plan, that says a lot -- believe me. President Clinton appreciates it, and so do I.

I heard what you're going to tell the Congress. And it's the same message Americans across the country are saying. We don't mind paying higher taxes, because we believe serious deficit reduction is good for the country -- and it's causing interest rates to go down.

That's your bottom line -- interest rates. I know you're concerned about timber prices. I know you're concerned about construction safety reform. But the bottom line in housing and autos or any big durable goods always has been and always will be interest rates.

You know the numbers better than I. During the recession, when 30-year interest rates were 10 percent, a monthly mortgage on a $100,000 house was $875 --that's principal and interest. Now, with a 7 1/2 percent rate, the monthly mortgage on the same house is $700. I don't know an American who doesn't like pocketing an extra $175 -- per month.

In fact, with 175 bucks a month, an American could fully fund an IRA -- think about what that could do to the savings rate in this country.

Well, you're here for a legislative conference. So today I'd like to make an observation about government and about this town.

I've been around a few years. I've seen the ups and downs. I've seen government work.

I saw the 1940s and '50s -- when America crafted the strategic and military renaissance that eventually won us the cold war. I saw the '60s, when our government sparked a scientific renaissance that put a man on the moon.

And I've seen government not work. I remember that a few years after Herbert Hoover triumphantly proclaimed the Depression ended, another President acknowledged that a third of this nation was ill-housed. I've lived through the gridlock of the last decade. I've lived through the frustration of crafting bills that I thought would help people, and politics got in the way, and no one was ever helped.

Well, here's my observation -- and it's the thought I want to leave you with this afternoon: right now, our government is doing major remodeling. And the place never looked better.

We're not a developer who can pick a plot in the country, start from scratch, and build a dream house.

We're not a manufacturing company that can find a green field in Timbuktu, put up a plant, hire a new work force, train them to their ways, and build a world-class product.

Life's easy when you can start from a clean piece of paper with no restrictions and no history.

It doesn't work that way in government. We start with more than 4.8 million workers. We start more than $4 trillion in debt. We start with a structure that is 200 years old. We start with a foundation of 535 congressmen and a President and a Cabinet and a judicial branch that is hard to change.

About the best we can do in Washington is get the paint brushes out, buy the plywood, and tune into Tim Allen's Home Improvement!

Last year, the people said let's remodel Congress. They sent us 124 new faces. And I'll tell you I'm impressed with many of them because they aren't finger pointing or running away from problems that aren't theirs.

I was on the Hill last week testifying for the RTC, and a new Congressman from New Jersey looked me in the eye and said: I wasn't here when the S&L problem was created. But speaking for the new members, we recognize that we have to face the problem. We have to take responsibility.

I can't tell you how pleased I was to hear him say that. Gridlock is gone and grinding out legislation is in.

I see major remodeling of the Executive Branch. I sit at Cabinet meetings, and I'm impressed with the freshness of the ideas.

I see a willingness to tackle problems that never have been tackled -- i.e. health care. Under Mrs. Clinton's leadership, we want to find ways to control health care costs and provide coverage for every American.

President Clinton came to the Treasury Building last week to talk to our civil servants, and what stood out in my mind was the energy level in that room. I saw motivated workers with one goal: "Let's make government work better."

I went to a G-7 meeting last month with my fellow finance ministers from around the world, and it was gratifying to see their reaction to the new United States.

For years, they've been telling us: "Get your deficit down." Finally, they're seeing a serious attempt, and they appreciate it. The U.S. is in the strongest economic leadership position it has been in more than a decade.

At the center of the remodelling efforts is the President's economic plan -- passed by the House last week and up for a vote in the Senate this week.

It has three parts -- first, a stimulus to speed up the recovery; second, an investment package to expand America's capacity to produce, long-term; and third, deficit reduction.

There are some who look at the numbers at the end of the month and say things are getting better. Housing starts went up 2.5 percent in February. Employment rose. Why do we need a stimulus?

Employment rose, but we still have 9 million Americans unemployed -- and unemployed Americans won't be shopping for new homes this spring, I guarantee you that. We are operating well below capacity in this country.

The stimulus will jump-start the economy. We'll create half a million new jobs in the short run and we hope 8 million new jobs over the life of the economic plan.

And we hope to stimulate private-sector investments, with investment tax credits for business, large and small.

Second, we want to expand America's capacity to produce, long term.

We haven't kept up in our investments in our infrastructure, in a quality work force, or in modern plants and equipment that produce our goods.

Just as an example, in the 1960s, public investment was 4.5 percent of Gross Domestic Product. But in the 1970s it was only 3.3 percent. And by the 1980s, it had fallen to 2.6 percent.

Here's another example. Private investment as a share of GDP is 15.5 percent in the United States. In Japan, it's percent -- 32 percent! How do we expect American businesses to compete globally, if we don't invest like the rest of the world?

So we have a lot of plans to shift these trends. We plan to extend the research and development tax credit permanently.

We plan to increase investment incentives for small businesses, and modify the alternative minimum tax depreciation schedule, something that will especially help capital-intensive businesses.

We plan to invest in worker retraining and defense conversion. We'll invest in things that are important to productivity and growth -- like transportation and technology.

We plan to start a National Service Corps, so American youth can pay off college with community service work. Aren't many of your potential first-time home buyers college graduates?

Well, tell me, how can they afford a down payment or mortgage payments, when they have car payments ... and credit card payments ... and $25,000 in student loans to repay?

I remember the first speech I ever gave on the floor of the Senate was for a program to put youth into work-study programs that help pay for college expenses. And that was back in 1971, when four years at a public college was $6,000 not $25,000.

And we have many programs aimed at investments in real estate -- programs that will directly help you.

We plan to extend mortgage revenue bonds to make housing more affordable to lower- and middle-income families. The same with the low-income housing credit -- we want to extend that, permanently.

We want to provide passive loss relief for certain real estate activities. The passive loss rules are in place to curb tax shelters, but we need to be fair to real estate professionals, and this will help them out.

We also want to make it easier for pension funds to invest in real estate, so we have several steps in mind that will facilitate this.

I know many of you are small, independent business people -- which means your health-care insurance is self-provided. Big companies can generally deduct, as an employee compensation expense, the full cost of any health insurance coverage. You can't.

So we plan to extend the 25 percent deduction for you. I have a feeling you'd like to see it at 100 percent, but this is a start until we complete our comprehensive health care proposals.

And one other thing that will help you is our credit crunch package. Two weeks ago we announced regulatory steps to make credit more available. It was unheard of, but we got the Federal Reserve, FDIC, Comptroller of the Currency, and Office of Thrift Supervision all working together.

In the past, regulators and examiners have virtually forced the banks to liquidate real estate rather than to get on-going market value. And redundant appraisals have added to the costs of real estate loans. You're going to start seeing some changes.

The third and final part of the plan is deficit reduction. This year, we will pay 14 percent of the federal budget for interest. 14 cents on every dollar buys us nothing. All we get back is canceled checks. If we do nothing, settle for the status quo, in a decade it will be 20 percent.

We have a list of 150 ways to cut government spending. Every segment of the budget -- defense, non-defense, entitlements -- is included. And Congress wants us to find even more ways. President Clinton is cutting the White House staff by 25 percent.

By 1997, we're cutting the cost of running our departments and agencies by 14 percent. Believe me, I personally feel the effects at Treasury. These are honest cuts. The kinds that you make every day in business -- we're finally making in government.

But along with the downsizing, we have to raise revenues. There's no way of getting around that. And in raising revenues, we're trying to restore equity in the system, both in the personal income tax rates and in corporate rates.

For the wealthiest 1.2 percent of American taxpayers (the people who make over $180,000) their taxes will increase from 31 to 36 percent. These rate changes won't touch the average American household.

The increase we are seeking in corporate taxes is, frankly, minimal -- 2 percent. Please keep corporate tax rates in perspective. The rate in Germany is now 50 percent ... in Japan it is now 40 percent ... and after our increase is phased in, it will still be only 36 percent here.

To be sure there is tax fairness for everyone, we will ensure that foreign businesses pay the taxes they owe in the United States. To do this, we have a series of international compliance reforms. And, a related provision restricts the ability of foreign-owned U.S. corporations to avoid tax on their earnings distributed as interest.

Finally, to raise revenue, we have a broad-based energy tax. A tax that will also improve our environment by effectively taxing pollution and reducing dependence on foreign oil by encouraging conservation.

Let me tell you what it means at the gas pump. After our energy tax is phased in, a gallon of gasoline will cost about $1.20 in this country. I don't know if you've been to Europe lately, but it gets a little expensive there if you say: "fill'er up." Consumers in France and Germany now pay almost 4 bucks for a gallon of gasoline, and about 75 percent of that is tax.

If you recall, at the beginning of the speech, I told you what your bottom line was. At rates of 10 percent on a $100,000 mortgage, Americans pay $875 a month. At 7 1/2 percent rates, they're paying $700 a month. A savings of $175 a month.

Well, let me tell you what our bottom line is. The average American family earning $40,000 will pay an additional $17 a month in energy taxes. Now say this is the same family that has the $100,000 mortgage, they will save 10 times in interest costs what the energy tax will cost them. You can't find a better deal.

Americans know it. That's why they've been so supportive of our remodeling efforts.

And the bond market knows we're serious about deficit reduction. That's why we've seen long-term interest rates at their lowest level in 30 years.

You know, when you're 22 you dream about building a home. When you're 42 you dream about building your dream home. And when you're my age, well, I can dream about re-building America's home.

I don't know if you saw it, but the other day the New York Post ran a picture of Alexander Hamilton shedding a tear. Hamilton started the paper, and I guess the reporters there thought that he'd be disappointed if he saw its condition now.

Well, Alexander Hamilton also was the first Treasury Secretary of the United States. I think if he saw our books, he wouldn't be shedding one tear, he'd be shedding a sea of tears. He wouldn't like to know that we're $4 trillion in hock.

But I bet Alexander Hamilton would also have a smile on his face.

You see, he'd be glad to know that a new President and a new Congress are remodeling the place.

And he'd be glad to know that builders like you -- all over this country -- are keeping the American dream alive of having every American own their own home.

Thank you very much. And have a nice stay in Washington.

# # #

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
March 22, 1993

Contact: Chris Peacock
(202) 622-2930

## SELECTION OF CUSTOMS COMMISSIONER ANNOUNCED

Treasury Secretary Lloyd Bentsen announced Monday that the President intends to nominate George J. Weise to be Commissioner of the U.S. Customs Service.

Weise, 44, has been staff director of the Subcommittee on Trade of the House Ways and Means Committee since 1989. He received an M.B.A. from George Washington University, a J.D. from the University of Maryland School of Law, and a B.S. from the University of Maryland.

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LB-80

# TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960


## Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of February 1993.

As indicated in this table, U.S. reserve assets amounted to 72,847 million at the end of February 1993, up from 71,962 million in January 1993.

### U.S. Reserve Assets
(in millions of dollars)

| End of Month | Total Reserve Assets | Gold Stock 1/ | Special Drawing Rights 2/3/ | Foreign Currencies 4/ | Reserve Position in IMF 2/ |
|---|---|---|---|---|---|
| 1993 | | | | | |
| January | 71,962 | 11,055 | 8,546 | 40,282 | 12,079 |
| February | 72,847 | 11,055 | 8,651 | 41,120 | 12,021 |

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.

LB-81

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 22, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,220 million of 13-week bills to be issued March 25, 1993 and to mature June 24, 1993 were accepted today (CUSIP: 912794D68).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.93% | 2.99% | 99.259 |
| High | 2.94% | 3.00% | 99.257 |
| Average | 2.94% | 3.00% | 99.257 |

Tenders at the high discount rate were allotted 66%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 21,300 | 21,300 |
| New York | 45,661,985 | 10,194,175 |
| Philadelphia | 10,195 | 9,195 |
| Cleveland | 32,465 | 32,465 |
| Richmond | 33,075 | 33,075 |
| Atlanta | 61,985 | 35,965 |
| Chicago | 1,611,565 | 33,165 |
| St. Louis | 13,095 | 13,095 |
| Minneapolis | 5,610 | 5,610 |
| Kansas City | 22,265 | 22,265 |
| Dallas | 14,140 | 14,140 |
| San Francisco | 910,900 | 70,400 |
| Treasury | 735,295 | 735,295 |
| TOTALS | $49,133,875 | $11,220,145 |
| Type | | |
| Competitive | $44,784,025 | $6,870,295 |
| Noncompetitive | 1,243,330 | 1,243,330 |
| Subtotal, Public | $46,027,355 | $8,113,625 |
| Federal Reserve | 2,321,810 | 2,321,810 |
| Foreign Official Institutions | 784,710 | 784,710 |
| TOTALS | $49,133,875 | $11,220,145 |

An additional $6,790 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 22, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,204 million of 26-week bills to be issued March 25, 1993 and to mature September 23, 1993 were accepted today (CUSIP: 912794E34).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.04% | 3.13% | 98.463 |
| High | 3.05% | 3.14% | 98.458 |
| Average | 3.05% | 3.14% | 98.458 |

Tenders at the high discount rate were allotted 73%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 23,425 | 23,425 |
| New York | 37,258,495 | 10,049,495 |
| Philadelphia | 5,195 | 5,195 |
| Cleveland | 31,800 | 31,800 |
| Richmond | 22,330 | 22,330 |
| Atlanta | 53,195 | 48,605 |
| Chicago | 1,721,910 | 21,910 |
| St. Louis | 7,885 | 7,885 |
| Minneapolis | 7,195 | 7,195 |
| Kansas City | 28,925 | 28,925 |
| Dallas | 5,905 | 5,905 |
| San Francisco | 916,915 | 344,515 |
| Treasury | 606,525 | 606,525 |
| TOTALS | $40,689,700 | $11,203,710 |
| **Type** | | |
| Competitive | $36,613,640 | $7,127,650 |
| Noncompetitive | 991,170 | 991,170 |
| Subtotal, Public | $37,604,810 | $8,118,820 |
| Federal Reserve | 2,200,000 | 2,200,000 |
| Foreign Official Institutions | 884,890 | 884,890 |
| TOTALS | $40,689,700 | $11,203,710 |

An additional $2,410 thousand of bills will be issued to foreign official institutions for new cash.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Statement of Honorable Roger C. Altman
Chief Executive Officer, Resolution Trust Corporation
Before the Subcommittee on General Oversight
of the
Committee on Banking, Finance and Urban Affairs
March 23, 1993
2222 Rayburn House Office Building

Chairman Flake, members of the Subcommittee, it is a pleasure to be with you today as you begin your examination of the Resolution Trust Corporation's minority and women owned business program.

It is my understanding that your Subcommittee will hear testimony today about the participation of Minority and Women Owned Businesses (MWOBs), and Minority and Women Owned Law Firms (MWOLFs) in RTC contracting.

Let me say at the outset, Mr. Chairman, that Secretary Bentsen and I are fully committed to expanding opportunities for minority and women owned businesses in all RTC activities.

As you know, I was appointed interim Chief Executive Officer of the RTC on March 15 under the Vacancies Act of 1966, as amended. The search for my replacement as RTC CEO is currently underway.

Since I was appointed on March 15, I have participated as a member of the Thrift Depositor Protection Oversight Board in hearings before the House and Senate Banking Committees, on March 16 and 17.

At these hearings I joined with Secretary Bentsen, the Chairman of the Oversight Board, as he set forth the nine management reforms that I am now beginning to implement. These reforms are far-reaching and will take time to accomplish fully. Each of them is important. Collectively they will contribute to earning public confidence in, and respect for the RTC. Secretary Bentsen and I are completely committed to this effort, and we intend that the new CEO we nominate will share our determination to achieve each of these objectives.

A key element of our reform package is to expand opportunities for minority and women owned businesses in all RTC activities, including the management and disposition of RTC assets. In taking on this assignment I have the great advantage of having the assistance of Ms. Johnnie B. Booker, Assistant Vice President of the RTC for Minority and Women's Programs, and your next witness this morning.

Since late December, 1991, when she joined the RTC, Ms. Booker has been working to centralize and strengthen RTC's efforts to enlarge minority and women participation in its work. She has made real progress. In her statement today she will describe in detail the quantitative measures of that progress:

the number of contract awards, and the dollar amount of the fees, received by all minorities and by non-minority women. She will also describe the programs she has put in place to reach out to minority and women owned businesses and to expand their participation in RTC's work.

As you know I have asked Ms. Booker to report directly to me in my new capacity, and it is my intention that she continue to report directly to whomever succeeds me. This more immediate reporting relationship demonstrates our commitment to this effort and I hope that it will also bring results.

Mr. Chairman, I came here today for two reasons. First, I came to affirm my strong commitment to expanding opportunities for minority and women owned businesses in all RTC programs.

I also came to hear from you and other members of your Subcommittee. I value this opportunity to have your ideas about the RTC and to have your observations and your suggestions for improving our activities in this area.

Thank you for the opportunity to be with you.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
March 23, 1993

CONTACT: Office of Financing
202/219-3350

## TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $22,400 million, to be issued April 1, 1993. This offering will result in a paydown for the Treasury of about $300 million, as the maturing weekly bills are outstanding in the amount of $22,697 million.

Federal Reserve Banks hold $5,440 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,558 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

## HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS

March 23, 1993

| | | |
|---|---|---|
| **Offering Amount** . . . . . . . . . . . | $11,200 million | $11,200 million |
| **Description of Offering:** | | |
| Term and type of security . . . . . | 91-day bill | 182-day bill |
| CUSIP number . . . . . . . . . . . . | 912794 D7 6 | 912794 F8 2 |
| Auction date . . . . . . . . . . . . | March 29, 1993 | March 29, 1993 |
| Issue date . . . . . . . . . . . . . | April 1, 1993 | April 1, 1993 |
| Maturity date . . . . . . . . . . . . | July 1, 1993 | September 30, 1993 |
| Original issue date . . . . . . . . . | July 2, 1992 | April 1, 1993 |
| Currently outstanding . . . . . . . | $27,426 million | --- |
| Minimum bid amount . . . . . . . . . | $10,000 | $10,000 |
| Multiples . . . . . . . . . . . . . . | $ 5,000 | $ 5,000 |

**The following rules apply to all securities mentioned above:**

Submission of Bids:

Noncompetitive bids . . . . . . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . . . . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . . . . . 35% of public offering

Maximum Award . . . . . . . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . . Prior to 12:00 noon Eastern time on auction day

Competitive tenders . . . . . . . . . Prior to 1:00 p.m. Eastern time on auction day

Payment Terms . . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2960
FFB 202-622-2450

For Immediate Release March 23, 1993

# FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of February 1993.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $147.5 billion on February 28, 1993, posting a decrease of $3,594.4 million from the level on January 31, 1993. This net change was the result of decreases in holdings of agency debt of $3,496.7 million, in holdings of agency assets of $3.4 million, and in holdings of agency-guaranteed loans of $94.3 million. FFB made 21 disbursements in February.

Attached to this release are tables presenting FFB February loan activity and FFB holdings as of February 28, 1993.

**FEDERAL FINANCING BANK**
**FEBRUARY 1993 ACTIVITY**

| BORROWER | DATE | AMOUNT OF ADVANCE | FINAL MATURITY | INTEREST RATE (semi-annual) | INTEREST RATE (not semi-annual) |
|---|---|---|---|---|---|
| GOVERNMENT - GUARANTEED LOANS | | | | | |
| GENERAL SERVICES ADMINISTRATION | | | | | |
| Oakland Office Building | 2/1 | $ 6,543,834.00 | 01/31/94 | 3.524% | |
| ICTC Building | 2/2 | 3,717,915.12 | 11/15/93 | 3.414% | |
| Foley Square Courthouse | 2/8 | 8,662,213.00 | 12/11/95 | 4.661% | |
| ICTC Building | 2/19 | 3,664,094.22 | 11/15/93 | 3.315% | |
| Miami Law Enforcement | 2/19 | 679,710.00 | 07/01/93 | 3.143% | |
| Oakland Office Building | 2/19 | 5,872,469.00 | 01/31/94 | 3.404% | |
| Memphis IRS Service Center | 2/24 | 304,748.87 | 01/03/95 | 3.968% | |
| Foley Square Office Bldg. | 2/25 | 8,061,766.00 | 12/11/95 | 4.464% | |
| GSA Refinancing Loan | 2/26 | 35,610,000.00 | 03/02/98 | 4.703% | |
| RURAL ELECTRIFICATION ADMINISTRATION | | | | | |
| Guam Telephone Auth. #371 | 2/9 | 1,006,000.00 | 12/31/14 | 6.659% | 6.604% qtr. |
| @Medina Electric Coop. #113 | 2/11 | 1,357,899.49 | 12/31/13 | 6.662% | 6.607% qtr. |
| @Gulf Telephone Co. #050 | 2/18 | 571,761.41 | 12/31/13 | 6.529% | 6.477% qtr. |
| @Gulf Telephone Co. #050 | 2/18 | 238,959.00 | 12/31/13 | 6.529% | 6.477% qtr. |
| @Gulf Telephone Co. #050 | 2/18 | 268,641.37 | 06/30/98 | 4.955% | 4.925% qtr. |
| @Gulf Telephone Co. #050 | 2/18 | 469,948.35 | 12/31/13 | 6.529% | 6.477% qtr. |
| Randolph Electric #359 | 2/24 | 500,000.00 | 12/31/25 | 6.443% | 6.392% qtr. |
| Oconto Electric Coop. #369 | 2/26 | 550,000.00 | 12/31/25 | 6.727% | 6.671% qtr. |
| TENNESSEE VALLEY AUTHORITY | | | | | |
| Seven States Energy Corporation | | | | | |
| Note A-93-5 | 2/26 | 150,000,000.00 | 03/23/93 | 3.149% | |
| Note A-93-6 | 2/26 | 50,000,000.00 | 04/02/93 | 3.149% | |
| Note A-93-7 | 2/26 | 73,000,000.00 | 04/13/93 | 3.149% | |
| Note A-93-8 | 2/26 | 57,382,266.99 | 04/20/93 | 3.149% | |

@interest rate buydown

FEDERAL FINANCING BANK
(in millions)

| Program | February 28, 1993 | January 31, 1993 | Net Change 2/1/93-2/28/93 | FY '93 Net Change 10/1/92-2/28/93 |
|---|---|---|---|---|
| Agency Debt: | | | | |
| Export-Import Bank | $ 7,202.3 | $ 7,202.3 | $ 0.0 | $ -490.2 |
| Federal Deposit Insurance Corporation | 4,500.0 | 7,000.0 | -2,500.0 | -5,660.0 |
| Resolution Trust Corporation | 35,987.4 | 36,984.1 | -996.7 | -10,548.5 |
| Tennessee Valley Authority | 6,825.0 | 6,825.0 | 0.0 | -350.0 |
| U.S. Postal Service | 10,439.9 | 10,439.9 | 0.0 | 536.5 |
| sub-total* | 64,954.6 | 68,451.2 | -3,496.7 | -16,512.2 |
| Agency Assets: | | | | |
| Farmers Home Administration | 42,979.0 | 42,979.0 | 0.0 | 0.0 |
| DHHS-Health Maintenance Org. | 55.2 | 55.2 | 0.0 | 0.0 |
| DHHS-Medical Facilities | 59.9 | 63.1 | -3.2 | -4.4 |
| Rural Electrification Admin.-CBO | 4,598.9 | 4,598.9 | 0.0 | 0.0 |
| Small Business Administration | 3.4 | 3.6 | -0.2 | -0.7 |
| sub-total* | 47,696.5 | 47,699.9 | -3.4 | -5.0 |
| Government-Guaranteed Loans: | | | | |
| DOD-Foreign Military Sales | 4,258.1 | 4,272.3 | -14.2 | -86.2 |
| DEd.-Student Loan Marketing Assn. | 4,790.0 | 4,790.0 | 0.0 | -30.0 |
| DEPCO-Rhode Island | 74.3 | 74.3 | 0.0 | -50.7 |
| DHUD-Community Dev. Block Grant | 146.2 | 147.2 | -1.0 | -28.2 |
| DHUD-Public Housing Notes | 1,801.0 | 1,801.0 | 0.0 | -52.3 |
| General Services Administration + | 1,276.9 | 1,203.8 | 73.1 | 500.0 |
| DOI-Guam Power Authority | 0.0 | 0.0 | 0.0 | -27.0 |
| DOI-Virgin Islands | 23.1 | 23.1 | 0.0 | -0.6 |
| DON-Ship Lease Financing | 1,528.3 | 1,528.3 | 0.0 | -47.9 |
| Rural Electrification Administration | 18,035.7 | 18,037.1 | -1.5 | -107.3 |
| SBA-Small Business Investment Cos. | 118.2 | 121.3 | -3.2 | -25.3 |
| SBA-State/Local Development Cos. | 612.3 | 616.6 | -4.3 | -21.4 |
| TVA-Seven States Energy Corp. | 1,954.0 | 2,096.9 | -142.9 | -462.8 |
| DOT-Section 511 | 18.1 | 18.5 | -0.4 | -0.9 |
| DOT-WMATA | 177.0 | 177.0 | 0.0 | 0.0 |
| sub-total* | 34,813.2 | 34,907.4 | -94.3 | -440.5 |
| grand-total* | $147,464.2 | $151,058.6 | $-3,594.4 | $-16,957.7 |

*figures may not total due to rounding
+does not include capitalized interest

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NOT FOR PUBLIC DISTRIBUTION

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 24, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $15,259 million of 2-year notes, Series U-1995, to be issued March 31, 1993 and to mature March 31, 1995 were accepted today (CUSIP: 912827K27).

The interest rate on the notes will be 3 7/8%. All competitive tenders at yields lower than 3.92% were accepted in full. Tenders at 3.92% were allotted 59%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 3.92%, with an equivalent price of 99.914. The median yield was 3.89%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 3.79%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 25,505 | 25,505 |
| New York | 33,331,665 | 13,884,655 |
| Philadelphia | 18,245 | 18,240 |
| Cleveland | 29,940 | 29,940 |
| Richmond | 96,460 | 84,460 |
| Atlanta | 41,585 | 31,570 |
| Chicago | 1,086,930 | 260,930 |
| St. Louis | 39,910 | 39,910 |
| Minneapolis | 27,385 | 27,385 |
| Kansas City | 73,925 | 73,925 |
| Dallas | 10,815 | 10,815 |
| San Francisco | 684,405 | 379,405 |
| Treasury | 392,255 | 392,255 |
| TOTALS | $35,859,025 | $15,258,995 |

The $15,259 million of accepted tenders includes $999 million of noncompetitive tenders and $14,260 million of competitive tenders from the public.

In addition, $428 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,602 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

REMARKS AS PREPARED FOR DELIVERY
EMBARGOED UNTIL DELIVERY
EXPECTED ABOUT 3:30 P.M.
MARCH 24, 1993

## REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
## THE COUNCIL ON COMPETITIVENESS
## WASHINGTON, D.C.

We share a number of common interests -- we being the Clinton administration and you -- and at the outset of my remarks I want to congratulate the Council on the important contribution you've made to the debate on how to restore vitality to our economy.

You recognize, as does this administration, that changes are needed, that the status quo is unacceptable. Together we're going to strengthen our position as a world leader and provide an improving standard of living for our citizens.

We're well on the way to making a major change in the economic direction of this country. Last week the House passed our stimulus and the outlines of our program in the budget resolution. The Senate's working on it now. We're making rapid progress.

Even before we put the first line of our program on paper we began to see results. The bond market has been enthusiastic about our plan, and since November long term rates are down about a full percentage point.

Americans are benefitting already. Those who bought a new home or refinanced a mortgage are saving substantial amounts of money. Corporations are paying less to finance expansion and modernization. And the government is realizing significant savings in interest payments as we refinance our debt.

The stimulus portion of our program is the precursor to our longer range plan for restoring economic growth, encouraging investment, producing jobs, and strengthening our leadership position in world affairs. Some question its wisdom. I don't. Let me tell you why.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

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Americans are benefitting already. Those who bought a new home or refinanced a mortgage are saving substantial amounts of money. Corporations are paying less to finance expansion and modernization. And the government is realizing significant savings in interest payments as we refinance our debt.

The stimulus portion of our program is the precursor to our longer range plan for restoring economic growth, encouraging investment, producing jobs, and strengthening our leadership position in world affairs. Some question its wisdom. I don't. Let me tell you why.

First, $30 billion is not that much in a $6 trillion economy. But more importantly, this recovery has been positively anemic in terms of job creation. The recovery is two years old this month, but we still have 9 million Americans unemployed -- an unemployment rate of 7 percent. If this were a typical recovery, we'd have seen job growth of about 6.5 percent by now, but it is just 0.8 percent. Too much of our manufacturing capacity is idle.

Our stimulus is intended to cement the success of this third effort to break free of recession. It also is designed as the building block of a longer term effort to restore growth and efficiency, and thus competitiveness, to our economy.

We will concentrate on rebuilding our infrastructure, with a program that will create about 500,000 jobs.

And, as both a short term and a long term encouragement to business to invest in research, we are permanently and retroactively extending the research and experimentation tax credit. We're extending temporarily the incremental investment tax credit for large businesses, and installing for small businesses a permanent investment tax credit that drops from 7 percent to 5 percent in two years.

Also, we're simplifying the Alternative Minimum Tax. There now are three depreciation schedules for the tax, but our plan will use just one schedule. And that schedule has a shorter period for depreciation. This should benefit many capital-intensive businesses.

In addition, by working together, the Federal Reserve, the Comptroller of the Currency, the FDIC and the Office of Thrift Supervision have taken some significant regulatory steps to ease the credit crunch that small and medium-sized businesses have been facing.

The bulk of our job growth will be coming from firms like these, and the easier we can make it for them to get access to capital, the easier it will be for them to grow.

These actions are the forerunners of longer range steps to make the economy stronger by bringing down our deficits, freeing up capital for investment, and encouraging investment.

I want to talk first about our investment program. The deficit reduction plan will free money for investing. It is that investment which will strengthen our economic position over the long term.

The object, of course, is to restore to our economy the growth and momentum that will lead us into the next century in charge of our destiny. We don't want to find ourselves a decade from now with hemorrhaging deficits that weaken our nation.

Any of you who have tried to cure insomnia by watching reruns on C-SPAN will recall that I have a number of charts that show in very stark terms just how much of what I like to call an investment deficit we have in this country.

Let me review a few of those numbers. Personal savings by Americans fell in 1992. The rate is about 4.5 percent right now. The rate in Germany is twice that. In Japan, it's three times that. In fact, let me quote back to you a figure from one of your own publications: In July of last year, you reported that the average household savings in Japan was $45,000, but in the United States it was just $4,200.

Our private investment, when measured against Gross Domestic Product, is just over 15 percent. In Japan, it's 32 percent. Likewise, our public investment is also the lowest among the G-7 countries -- 1.7 percent of GDP against 6.1 percent for Japan.

These aren't just abysmal numbers. They're an indictment of ourselves for neglecting our nation. Fortunately, this administration, from President Clinton on down, recognizes that we must make changes to turn around the direction in which our economy is heading. I'm proud to say that we're receiving wide-spread support, from Americans, from Congress, from the financial markets, and from our trading partners.

With our investment program, we are seeking to encourage private investment in the areas that will create quality jobs, to make targeted investments in our infrastructure, and to invest in programs that will give us the better educated, healthier, more productive work force we need.

We recognize that people, workers, are our nation's most valuable asset. Our package includes $16 billion to follow through on the president's commitment to provide lifelong learning opportunities for Americans.

It includes money for things such as Head Start, the Women, Infants and Children's program, and childhood immunization. These expenditures will save us money in the long run.

We have $4.6 billion to help dislocated workers -- the people affected by the corporate downsizing we're seeing. There's a youth employment training component, along additional adult job training initiatives, and the National Service program. In addition, our extension of the Earned Income Tax Credit will ensure that working families stay above the poverty line.

One of the elements that interests me in particular is the apprenticeship program. There are high school students who don't intend to go to college, but they need good technical skills to get decent-paying jobs in some of the more complicated occupations. We want to give them that training.

A German industrialist once visited me in my Senate office and told me that a similar program was one of the major reasons Germany's work force is so productive. We intend to make certain these young men and women are equipped with the skills they need for today's jobs.

Our program has a number of elements designed to encourage our businesses -- both large and small -- to make the investments they need to both create jobs and improve their competitive position.

If you recall, the stimulus package contains the permanent small business investment tax credit, which by extension is part of our longer term program. The same is true of our simplification of the Alternative Minimum Tax. We're making the research and experimentation tax credit permanent, which should take uncertainty out of the planning process.

And there's a new capital gains exclusion for investors in small businesses, which we're now defining as companies capitalized up to $50 million. Individuals who sold qualified small business stock after five years could see a capital gains rate of just 14 percent, and that's the lowest rate since the 1930s.

We also are permanently extending the exclusion for employer-provided educational assistance. We want to encourage employers to provide their workers with educational assistance that will improve our productivity.

Now, the program that will give our corporations access to the capital they need to invest in the modern plants and equipment that will help us lead in world economic circles, is our deficit reduction plan.

I'm delighted at how rapidly it's moving through Congress. The national demand to reduce the deficit has encouraged my former colleagues to propose even deeper cuts to that deficit.

When we set out our plan, it had an equal amount in budget cuts and revenue increases. Now it's likely to be weighted more heavily toward spending cuts.

The obvious immediate impact is the sharp reduction in long term interest rates. The other impact will be a government that four years from now is running far more efficiently, and drawing fewer dollars out of the capital marketplace to finance our deficits and pay interest on our debts.

All of government is cut under our plan: defense, non-defense discretionary spending, and even entitlements. These are real cuts, not a black box of choices that we're telling Congress to pick from. The president is reducing the size of the White House staff, and taking 100,000 positions out of the federal work force. We expect to cut the cost of government 14 percent over four years.

Why? Because we're tired of paying deficits that now exceed $300 billion a year. Because we're paying $200 billion each year in interest on our debt, and getting nothing but canceled checks for it. Let me tell you, if we don't do anything, in a decade our annual deficit will be more than $650 billion. And our options will be fewer, and far more difficult.

Cutting the cost of government is half the equation. It is essential to raise revenues. Therefore, we've decided to raise our top individual tax rate to 36 percent. It is only fair, considering that in the past decade the wealthiest 1 percent of Americans saw their income rise by nearly half, but their effective tax rate fall by 25 percent. We're also putting a surcharge of 10 percent taxable personal income of over $250,000.

The tax rate for our largest corporations is going to go up by just 2 percent. The top rate in Germany is 50 percent. In Japan, it's 40 percent.

There's also our energy tax, but we worked hard to construct it in such a way that it is a fair tax across our regions. And the object isn't just to help reduce the deficit. It's to effectively tax pollution and thus make our environment cleaner, and to help reduce our dependence on foreign energy supplies. We will reduce oil imports from a politically volatile region by 350,000 barrels per day.

The cost of our tax changes to a family with income of $40,000 -- once everything is fully phased in -- is $17 a month. Refinancing a $100,000 mortgage down from 10 percent to 7.5 percent will save you $175 a month, so many folks are ahead of the game already. They could save as much as 10 times the cost of the energy tax.

This program -- a stimulus, an investment package and a deficit reduction package -- will bring down our annual deficits by at least $140 billion a year by 1997, but at that point rising health care costs will again start driving our deficits back up. That's why we have the task force that Mrs. Clinton is directing working on this important problem. Talk about a competitiveness issue. This is the fastest rising expense for everyone in government and industry alike.

A recent University of Michigan study tells us that among our Big Three automakers, on average $1,100 of the cost of building a new vehicle is health insurance expenses for the manufacturers and suppliers. That's $500 more than comparable costs in Japan. Attacking health care cost growth will provide an additional improvement in our competitiveness.

We've laid out an aggressive program to attack our economic ills and make this a stronger nation. We're doing what no administration has done -- simultaneously reducing the deficit and increasing investment. Our plan is winning support both here, and abroad, where our G-7 partners think it's about time we do what they've been telling us to do for years.

I want to end with a little story. On Monday, a group of youngsters from Arizona gave me a check for more than $2,200 they collected to help reduce our debt. They showed remarkable responsibility, and an understanding of our problems.

We have a unique opportunity now to exercise our responsibility to put our economy on a path to renewed strength and leadership. That path will make certain we can pass on a better way of life to the generation represented by the youngsters who brought me that check. The time to act is now.

Thank you very much.

* * *

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 25, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $11,008 million of 5-year notes, Series L-1998, to be issued March 31, 1993 and to mature March 31, 1998 were accepted today (CUSIP: 912827K35).

The interest rate on the notes will be 5 1/8%. All competitive tenders at yields lower than 5.19% were accepted in full. Tenders at 5.19% were allotted 44%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 5.19%, with an equivalent price of 99.717. The median yield was 5.15%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.05%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 31,493 | 31,473 |
| New York | 27,113,124 | 10,420,719 |
| Philadelphia | 18,439 | 18,439 |
| Cleveland | 26,554 | 26,554 |
| Richmond | 298,292 | 48,292 |
| Atlanta | 25,286 | 20,241 |
| Chicago | 947,067 | 119,067 |
| St. Louis | 21,760 | 21,760 |
| Minneapolis | 13,647 | 13,622 |
| Kansas City | 33,371 | 33,371 |
| Dallas | 10,831 | 10,831 |
| San Francisco | 384,057 | 72,831 |
| Treasury | 171,090 | 171,090 |
| TOTALS | $29,095,011 | $11,008,290 |

The $11,008 million of accepted tenders includes $789 million of noncompetitive tenders and $10,219 million of competitive tenders from the public.

In addition, $1,128 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,000 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

LB-90

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Embargoed Until Delivery
(Approximately 11 a.m.)
March 26, 1993

**STATEMENT OF LAWRENCE H. SUMMERS**
**NOMINEE FOR**
**UNDER SECRETARY FOR INTERNATIONAL AFFAIRS**
**DEPARTMENT OF THE TREASURY**
**BEFORE THE SENATE BANKING COMMITTEE**
**MARCH 26, 1993**

Mr. Chairman, distinguished members of the Senate Banking Committee, ladies and gentlemen. I come before you today as President Clinton's nominee to be the Under Secretary of the Treasury for International Affairs. It is an honor to be here. If I am confirmed, I look forward to serving President Clinton and Secretary Bentsen and to working with the Committee on the critical international economic issues of the day.

President Clinton has introduced a domestic economic plan that will do more to advance American foreign policy than the negotiation of a new treaty, the production of a new weapon, or the extension of additional security assistance. The President set the tone of the Administration's international vision in his speech to American University last month when he said that "only a prosperous America can prepare us for new global challenges". By restoring fiscal responsibility and promoting long term investment and growth, the President is seeking to build a more competitive America, to maintain and enhance the leadership we exercise in the global community into the 21st century.

The Under Secretary of the Treasury for International Affairs is charged with helping the President and the Secretary formulate and implement U.S. international economic strategy. The Under Secretary's responsibilities include the formulation of policies in the areas of macroeconomic policy coordination, exchange rate policy, trade and investment policy, international debt strategy, and U.S. participation in international financial institutions. The Under Secretary also serves as the G-7 Financial Deputy, with primary responsibility for coordinating economic policy between other industrial nations, and as the financial "Sherpa" in preparation for the annual Economic Summit.

At my confirmation hearing before the Senate Finance Committee last week, I outlined <u>four</u> critical policy areas in my portfolio: macroeconomic coordination among the industrialized democracies;

efforts to open foreign markets to U.S. exports of goods and services; ensuring the success of Russia's democratic and economic reform effort; and promoting environmentally sustainable and humane development strategies.

Today, with your permission Mr. Chairman, I would like to expand upon two specific issues of particular interest and importance to the Banking Committee: the Administration's efforts (1) to realize greater international macroeconomic coordination; and (2) to liberalize international financial markets.

First, this Administration is determined to reinvigorate the macroeconomic coordination process among the Group of Seven major industrial countries. We are committed to this process because we recognize that the United States cannot grow and prosper alone in the world. We now have a particularly important stake in the G-7 process. With the projected reductions in the U.S. budget deficit, we also have an opportunity to address the trade deficit. The best way to bring down our external deficit is through growth in exports. And the best way to achieve export growth is to restore growth in foreign markets.

Secretary Bentsen's approach to reviving the G-7 process has three critical elements. First, he emphasizes that our international credibility depends on the credibility of our domestic economic program. Policy coordination cannot succeed if the United States simply depends on other countries to rescue us from our domestic failures. President Clinton's commitment to deficit reduction, to domestic renewal, and to increasing the productivity of the U.S. economy dramatically strengthens the Secretary's position at the G-7 negotiating table. The Administration's economic program matches to a remarkable degree the prescription offered to us for years by our major economic partners.

Second, the Secretary has made it clear that discrete, private communications are likely to be more effective in improving cooperation than the public hectoring that has occasionally colored our exchanges in the past. He also has taken the initiative to inject a new element of informality into the process. The G-7 has spent too much time in the past negotiating the placement of commas in communiques and too little time charting a course to return the global economy to prosperity. We hope this will change.

The third element in the Secretary's approach is a recognition that policy coordination does not mean the pursuit of common policies in each country. The policies we pursue must reflect the specific conditions in each of our economies and our own national interests. Fortunately, where economic growth is concerned, national imperatives and international interests increasingly coincide.

The U.S. economy is likely to grow more rapidly than our major trading partners over the next two years. While we can take some satisfaction from this, slow growth abroad means slower growth for U.S. exports and rising trade imbalances. This is why it is important that our major economic partners take actions in the short term to strengthen growth in their own economies. Secretary Bensten and the President have both made it clear that they hope to see real progress by the time of the Economic Summit in Tokyo.

The second policy area I would like to focus on is Treasury's efforts to open foreign markets to U.S. financial institutions. Secretary Bentsen expressed concern in his confirmation hearings that some foreign countries still do not give U.S. banks and securities firms a fair opportunity to compete in their financial markets. The Treasury Department is committed to defending the interests of the U.S. financial community in these markets.

Promoting financial liberalization abroad is important not just for our banks and securities firms. It is important to our manufacturing companies as well. Because by promoting deregulation in foreign financial markets we help ensure that foreign manufacturers do not benefit from artificially low costs of capital. Financial deregulation and liberalization in Japan, for example, has helped deprive Japanese manufacturers of the competitive benefits derived from regulated deposit interest rates.

Treasury is engaged in a global effort that combines multilateral negotiations in the Uruguay Round of the GATT with a broad number of bilateral financial market talks. Much of these efforts will be concentrated in the major financial markets of East Asia, where U.S. firms face a number of challenges to market access. In Japan, for example, U.S. investment banks remain effectively excluded from the corporate underwriting business dominated by the big four Japanese houses, and U.S. fund managers have been allowed to compete for only a tiny fraction of the pension fund business. In Korea, to cite just one other case, the Finance Ministry is drafting a blueprint for deregulation and liberalization, but it is not yet clear whether this plan will address critical restrictions on the foreign financial community, such as limits on access to local currency funding and foreign exchange controls.

Our financial service institutions are world class innovators. They will prosper where they are given the opportunity to compete. The financial market in the U.S. is so open and competitive, that, to paraphrase Frank Sinatra, if our firms can make it here, they can make it anywhere.

Mr. Chairman and distinguished members, the Department of the Treasury is working to implement President Clinton's vision of an engaged, enlightened, and hard-headed internationalism to complement his program of domestic renewal. Secretary Bentsen has said that as the departments of State and Defense were the guarantors of military security during the Cold War, the Treasury Department must be the guarantor of economic security in the post-Cold War world. If confirmed, I look forward to serving at Treasury during this historic period and to working with each of you. Thank you.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR RELEASE AT 2:30 P.M.
March 26, 1993

CONTACT: Office of Financing
202/219-3350

## TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $14,250 million of 52-week Treasury bills to be issued April 8, 1993. This offering will not provide new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,247 million. In addition to the maturing 52-week bills, there are $22,747 million of maturing 13-week and 26-week bills. The disposition of this latter amount will be announced next week.

The Treasury will postpone the auction unless it has assurance of enactment of legislation to raise the statutory debt limit before the scheduled auction date of April 1, 1993. It may be necessary to change the date of the auction depending on the timing of enactment of legislation.

Federal Reserve Banks hold $8,312 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $1,967 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $720 million of the maturing 52-week issue.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

LB-92

## HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS

March 26, 1993

| | |
|---|---|
| <u>**Offering Amount**</u> . . . . . . | $14,250 million |
| <u>**Description of Offering:**</u> | |
| Term and type of security . | 364-day bill |
| CUSIP number . . . . . . . | 912794 J8 8 |
| Auction date . . . . . . . | April 1, 1993 |
| Issue date . . . . . . . . | April 8, 1993 |
| Maturity date . . . . . . . | April 7, 1994 |
| Original issue date . . . . | April 8, 1993 |
| Maturing amount. . . . . . . | $14,247 million |
| Minimum bid amount . . . . | $10,000 |
| Multiples . . . . . . . . . | $5,000 |
| <u>**Submission of Bids:**</u> | |
| Noncompetitive bids . . . . | Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids |
| Competitive bids . . . | (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.<br>(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position are $2 billion or greater.<br>(3) Net long position must be reported one half-hour prior to the closing time for receipt of competitive bids. |
| <u>**Maximum Recognized Bid at a Single Yield**</u> . . . | 35% of public offering |
| <u>**Maximum Award**</u> . . . . . . . | 35% of public offering |
| <u>**Receipt of Tenders:**</u> | |
| Noncompetitive tenders . . | Prior to 12:00 noon Eastern time on auction day. |
| Competitive tenders . . . . | Prior to 1:00 p.m. Eastern time on auction day. |
| <u>**Payment Terms**</u> . . . . . . . | Full payment with tender or by charge to a funds account on issue date |

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR RELEASE AT 12:00 NOON
March 29, 1993


CONTACT: Office of Financing
202/219-3350


## TREASURY TO AUCTION CASH MANAGEMENT BILL

The Treasury will auction approximately $15,000 million of 5-day Treasury cash management bills to be issued April 2, 1993.

Based on our current estimates, the short maturity on the cash management bill is necessary to ensure that the public debt will not exceed the statutory limit on April 7th.

Competitive tenders will be received at all Federal Reserve Banks and Branches. Noncompetitive tenders will not be accepted. Tenders will not be received at the Bureau of the Public Debt, Washington, D. C.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

**HIGHLIGHTS OF TREASURY OFFERING**
**OF 5-DAY CASH MANAGEMENT BILL**

March 29, 1993

| | |
|---|---|
| <u>**Offering Amount**</u> . . . . . . | $15,000 million |

<u>**Description of Offering:**</u>

| | |
|---|---|
| Term and type of security . | 5-day Cash Management Bill |
| CUSIP number . . . . . . . | 912794 T7 9 |
| Auction date . . . . . . . | March 31, 1993 |
| Issue date . . . . . . . . | April 2, 1993 |
| Maturity date . . . . . . . | April 7, 1993 |
| Original issue date . . . . | April 2, 1993 |
| Currently outstanding . . . | --- |
| Minimum bid amount . . . . | $1,000,000 |
| Multiples . . . . . . . . . | $1,000,000 |
| Minimum to hold amount . . | $10,000 |
| Multiples . . . . . . . . . | $5,000 |

<u>**Submission of Bids:**</u>

| | |
|---|---|
| Noncompetitive bids . . . . | Not accepted |
| Competitive bids . . . | (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.<br>(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.<br>(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders. |

| | |
|---|---|
| <u>**Maximum Recognized Bid at a Single Yield**</u> . . . | 35% of public offering |
| <u>**ximum Award**</u> . . . . . . . | 35% of public offering |

<u>**ceipt of Tenders:**</u>

| | |
|---|---|
| ncompetitive tenders . . | Not accepted |
| mpetitive tenders . . . . | Prior to 1:00 p.m. Eastern time on auction day |

| | |
|---|---|
| <u>**yment Terms**</u> . . . . . . . | Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date |

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 29, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,248 million of 13-week bills to be issued April 1, 1993 and to mature July 1, 1993 were accepted today (CUSIP: 912794D76).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.94% | 3.00% | 99.257 |
| High | 2.96% | 3.02% | 99.252 |
| Average | 2.96% | 3.02% | 99.252 |

Tenders at the high discount rate were allotted 32%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 20,360 | 20,360 |
| New York | 38,056,740 | 10,108,700 |
| Philadelphia | 5,470 | 5,470 |
| Cleveland | 22,530 | 22,530 |
| Richmond | 31,335 | 31,335 |
| Atlanta | 45,120 | 26,080 |
| Chicago | 1,622,960 | 168,960 |
| St. Louis | 9,850 | 9,850 |
| Minneapolis | 6,010 | 5,705 |
| Kansas City | 16,830 | 16,830 |
| Dallas | 13,930 | 13,930 |
| San Francisco | 546,485 | 46,475 |
| Treasury | 771,795 | 771,795 |
| TOTALS | $41,169,415 | $11,248,020 |
| Type | | |
| Competitive | $36,212,935 | $6,291,540 |
| Noncompetitive | 1,220,645 | 1,220,645 |
| Subtotal, Public | $37,433,580 | $7,512,185 |
| Federal Reserve | 2,739,935 | 2,739,935 |
| Foreign Official Institutions | 995,900 | 995,900 |
| TOTALS | $41,169,415 | $11,248,020 |

LB-94

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 29, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,240 million of 26-week bills to be issued April 1, 1993 and to mature September 30, 1993 were accepted today (CUSIP: 912794F82).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.03% | 3.12% | 98.468 |
| High | 3.05% | 3.14% | 98.458 |
| Average | 3.04% | 3.13% | 98.463 |

Tenders at the high discount rate were allotted 19%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 19,680 | 19,680 |
| New York | 37,305,100 | 10,270,840 |
| Philadelphia | 2,140 | 2,140 |
| Cleveland | 21,615 | 21,615 |
| Richmond | 23,650 | 23,650 |
| Atlanta | 47,425 | 25,555 |
| Chicago | 1,862,755 | 92,105 |
| St. Louis | 10,340 | 10,340 |
| Minneapolis | 3,530 | 3,530 |
| Kansas City | 23,540 | 23,540 |
| Dallas | 10,045 | 10,045 |
| San Francisco | 960,485 | 93,185 |
| Treasury | 643,830 | 643,830 |
| TOTALS | $40,934,135 | $11,240,055 |
| **Type** | | |
| Competitive | $36,087,785 | $6,393,705 |
| Noncompetitive | 972,650 | 972,650 |
| Subtotal, Public | $37,060,435 | $7,366,355 |
| Federal Reserve | 2,700,000 | 2,700,000 |
| Foreign Official Institutions | 1,173,700 | 1,173,700 |
| TOTALS | $40,934,135 | $11,240,055 |

LB-95

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

EMBARGOED UNTIL 10:00 A.M.
March 30, 1993

STATEMENT OF
SAMUEL Y. SESSIONS
DEPUTY ASSISTANT SECRETARY
(TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
WAYS AND MEANS SUBCOMMITTEE ON SELECT REVENUE MEASURES
AND THE
WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES
U.S. HOUSE OF REPRESENTATIVES

Chairman Rangel, Chairman Matsui, and Members of the Subcommittees:

I am pleased to have this opportunity to present testimony today concerning elements of the President's welfare reform program. I will focus on three proposals that were included in the revenue component of the budget plan. These proposals are: (i) the expansion and simplification of the earned income tax credit (EITC), (ii) the expansion and permanent extension of the targeted jobs tax credit (TJTC), and (iii) the permanent extension of the exclusion from income of employer-provided educational assistance. An important objective of all of these proposals is to provide individuals, especially those with low incomes, with incentives to work and to invest in their human capital. As a consequence, these provisions -- particularly the expansion of the EITC and the extension of the TJTC -- may help make work a more attractive alternative to welfare. Other witnesses will comment today on other aspects of the President's agenda for welfare reform.

## EXPANDING AND SIMPLIFYING THE EITC

### Current Law

The EITC is a refundable income tax credit available to a low-income individual who has a qualifying child, has earned income, and meets certain adjusted gross income (AGI) thresholds. The EITC has three components: (i) a basic credit (which is adjusted for family size), (ii) a supplemental young child credit for workers with a child under the age of one, and (iii) a supplemental credit for certain health insurance premium expenses covering qualified children. The basic credit and supplemental credits phase in and phase out at certain income levels. These income levels are adjusted for changes in the cost of living. A table summarizing the basic elements of the EITC under current law and the Administration's proposal is attached to my testimony.

Basic Credit

The basic credit is determined by multiplying an individual's earned income by a credit percentage. For a family with only one qualifying child, the credit percentage for 1994 is 23 percent. (The discussion of current law that follows focuses on 1994 in order to facilitate comparison with the Administration's proposal.) The basic credit amount increases as income increases, up to a maximum income threshold. For 1994, the income threshold is projected to be $7,990. Therefore, if there is only one qualifying child, the maximum basic credit amount for 1994 is projected to be $1,838 (23% of $7,990).

The basic credit is reduced and eventually phases out once AGI (or, if greater, earned income) exceeds a certain phase-out threshold. For 1994, the phase-out threshold is projected to be $12,580. The phase-out is accomplished by reducing the basic credit by a phase-out percentage. In 1994, for a family with only one qualifying child, the basic credit is reduced by an amount equal to 16.43 percent of the excess of AGI (or, if greater, earned income) over $12,580.

The basic credit is completely phased out and is no longer available to taxpayers with incomes above the end of the phase-out range. In 1994, this income level is projected to be $23,760. The projected phase-out range of $12,580 to $23,760 is the same for the basic credit, the family size adjustment and the two supplemental credits.

The income thresholds for both the phase-in and phase-out ranges are adjusted for changes in the cost of living. In the foregoing discussion, I have indicated the inflation-adjusted income thresholds projected for 1994. For 1993, the basic EITC rate is 18.5 percent for a worker with one child. The corresponding phase-out rate is 13.21 percent. The phase-out range for 1993 starts at $12,200 and ends at $23,050.

Basic Credit with Family Size Adjustment

If there are two or more qualifying children, the basic credit percentage and phase-out percentage are increased. For 1994, the basic credit percentage for families with two or more children is increased to 25 percent. For 1994, this is projected to result in a maximum basic credit of $1,998 (25% of $7,990).

The phase-out percentage for families with two or more qualifying children is increased to 17.86 percent. As indicated above, this percentage is applied to phase out the credit over a projected income range of $12,580 to $23,760.

For 1993, the basic EITC rate is 19.5 percent for a worker with two or more children. The 1993 phase-out rate is 13.93 percent.

Supplemental Young Child Credit

The supplemental young child credit is available to an individual with a qualifying child who has not attained the age of one as of the close of the calendar year. This supplemental credit increases the basic credit by 5 percentage points. For 1994, the maximum supplemental young child is projected to be $400 (5% of $7,990) for qualifying taxpayers.[1]

Families receiving the supplemental young child credit are also subject to a higher phase-out percentage. The phase-out percentage for these families is 3.57 percentage points higher that it would otherwise be.

The supplemental young child credit and the child and dependent care tax credit may not be claimed for the same child.

Supplemental Health Insurance Credit

The supplemental health insurance credit is available for premiums paid to provide health insurance coverage of a qualifying child. This supplemental credit increases the basic credit by 6 percentage points, but the increased amount may not exceed the actual amount expended for such health insurance premiums. The amount of the expenses against which the credit is allowed are not deductible as medical expenses. For 1994, the maximum supplemental health insurance credit is projected to be $479 (6% of $7,990) for qualifying taxpayers.[2]

This supplemental credit also increases the phase-out percentage, in this case by 4.285 percentage points.

**Reasons for Change**

In 1991, 14.2 percent of the population had income below the poverty level. About 5 million individuals lived in households containing a full-time, year-round worker and yet were counted among the nation's poor. Many others worked during the year but were unable to earn sufficient amounts to escape poverty.

The Federal government assists low-income workers in a number of ways. Employers are required to pay at least the minimum wage. Through expenditures for job training and education, the Federal government promotes the long-term earning capacity of workers. The Federal government also directly supplements the earnings of low-income

[1] For 1993, the maximum supplemental young child credit is $388 (5% of $7,750).

[2] For 1993, the maximum supplemental health insurance credit is $465 (6% of $7,750).

persons through the tax and transfer systems. Most low-income persons are eligible for food stamps, while those who both work and have children may be entitled to the EITC.

Reliance on the minimum wage alone results in income above the poverty level only for full-time, single workers. In combination, a minimum-wage job, food stamp benefits, and the EITC lift a single parent with one or two children above the poverty level. However, the income (including the EITC and food stamps) of a family of four with only one full-time, minimum wage worker falls below the official poverty threshold. The Administration is committed to pulling more working families out of poverty, while providing individuals who are currently outside of the workforce with greater incentives to work.

The effectiveness of the EITC is hindered by its complexity. A major source of that complexity is contained in the rules for determining eligibility for the two supplemental credits.

## The Administration's Proposal

The Administration's proposal would expand the EITC and increase the credit by the amount necessary to lift a four-person family out of poverty. The increase in the credit amount would take place over a two-year period and be completed by 1995. As under current law, the income thresholds for both the phase-in and phase-out ranges would be adjusted each year for changes in the cost-of-living. (To facilitate the comparison with current law, I will focus on our proposal as fully phased-in for 1995 and thereafter by reference to 1994 dollars.)

### Basic Credit

Under the Administration's proposal, the basic credit when fully phased-in would be increased for families with one child to 34.4 percent of the first $6,000 of earned income (in 1994 dollars). Therefore, where there is only one qualifying child, the maximum basic credit amount would be $2,062 (34.4% of $6,000).[3]

The basic credit would continue to be phased-out once AGI (or, if greater, earned income) exceeds a certain phase-out threshold. Under the Administration's proposal, the phase-out range for families with one child would begin at $11,000, a lower level than current law, but would end at $23,760, the same as projected under current law. The phase-out percentage would be 16.16 percent.

[3] For 1994, the Administration's proposal would increase the basic credit to 26.6 percent of the first $6,000 of earned income.

Basic Credit with Family Size Adjustment

For families with two or more qualifying children, the basic credit percentage and phase-out percentage would also be increased under the Administration's proposal. When fully phased-in (in 1994 dollars), the basic credit percentage would be increased to 39.7 percent of the first $8,500 of earned income. Filers with earnings between $8,500 and $11,000 would be entitled to the maximum credit of $3,371 (39.7% of $8,500).

The phase-out percentage would also be increased to 19.83 percent. As in the case of the credit for families with one child, the credit would be phased out starting at $11,000. However, the phase-out range for families with two or more children would extend to $28,000, an increase of $4,240 over current law.[4]

Supplemental Young Child Credit

Under the Administration's proposal, the supplemental young child credit would be replaced with the increase in the basic credit described above.

Supplemental Health Insurance Credit

Under the Administration's proposal, the supplemental health insurance credit would also be replaced with the increase in the basic credit described above. In addition, as is well known, the Administration is in the process of developing a comprehensive health care proposal.

Credit for Childless Workers

Under the Administration's proposal, the EITC would be extended for the first time to low-income workers who do not have children. Qualifying workers must be age 22 or older and may not be claimed as a dependent on another taxpayer's return. For these workers, the basic credit would be 7.65 percent of their first $4,000 of earned income. In 1994, the phase-out range for these workers would be between $5,000 and $9,000 of AGI (or, if greater, earned income). The phase-out percentage would also be 7.65 percent.

**Effects of Proposal**

When combined with other forms of federal assistance to low-income workers (in particular, the minimum wage and food stamps), the proposed increase in EITC would lift many families containing a full-time worker out of poverty. For example, the "poverty gap"

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[4] Under the Administration's proposal, for 1994 the credit rate would be increased to 31.6 percent of the first $8,500 of earned income, and the phase-out percentage would be 15.8 percent. The phase-out range would extend from $11,000 to $28,000.

-- the difference between the official poverty threshold and the sum of earnings (after the employee share of social security taxes), EITC amounts, and food stamp allotments -- would be eliminated for four-person families. For larger families the poverty gap would be reduced.

The increase in the rate of the EITC, together with lowering the earnings level at which the maximum credit is reached, would provide a larger credit to low-income families in the current-law phase-in ranges. This combination would provide low-income families, particularly those outside of the workforce, a greater incentive to work.

In addition, the increase in the EITC, together with the Administration's proposals to expand food stamps and to provide low-income home energy assistance, will help offset the impact of the energy tax on millions of low-income families.

The repeal of the supplemental young child and health insurance credits would relieve low-income filers of significant filing and computational burdens. The Administration also is in the process of developing a health care proposal that will address the health care needs of low-income families in a more comprehensive manner.

## PERMANENT EXTENSION, AND EXPANSION TO INCLUDE YOUTH APPRENTICESHIP, OF THE TJTC

### Current Law

The targeted jobs tax credit is available to employers on an elective basis for hiring individuals from nine targeted groups. The targeted groups consist of individuals who are economically disadvantaged, recipients of payments under means-tested transfer programs, or disabled.

The credit generally is equal to 40 percent of the first $6,000 of qualified first-year wages paid to a member of a targeted group. Thus, the maximum credit generally is $2,400 per individual. With respect to economically disadvantaged summer youth employees, however, the credit is equal to 40 percent of up to $3,000 of wages, for a maximum credit of $1,200.

The credit is not available for wages paid to a targeted group member unless the individual either (1) is employed by the employer for at least 90 days (14 days in the case of economically disadvantaged summer youth employees), or (2) has completed at least 120 hours of work performed for the employer (20 hours in the case of economically disadvantaged summer youth employees). The employer's deduction for wages must be reduced by the amount of the credit claimed. The credit expired on June 30, 1992.

Reasons for Change

The targeted jobs tax credit is intended to encourage employers to hire workers who otherwise may be unable to find employment and to subsidize training costs. Job creation incentives are required in the current economic climate. In addition, a significant number of youth in the United States lack the necessary skills to meet requirements for entry level positions and, therefore, are unprepared to make the transition from school to the workforce.

The Administration's Proposal

The proposal would permanently extend the targeted jobs tax credit. The provision is effective for individuals who begin work for the employer after June 30, 1992. In addition, the targeted jobs tax credit would be expanded to include youth apprentices beginning work after December 31, 1993, in connection with qualified youth apprenticeship programs certified after that date. The certification would be made by a local educational agency or other designated local agency.

A youth apprentice would be any individual aged 16 through 20 who was enrolled in a qualified youth apprenticeship program beginning in the eleventh or twelfth grade. A program would be considered to be a qualified youth apprenticeship program only if it is a planned program of structured job training designed to integrate academic instruction provided by an educational institution and work-based learning.

Before a youth apprentice began work, the employer would have to receive or request a certification from the local educational agency or other designated local agency that the individual was enrolled in a qualified youth apprenticeship program. In addition, the employer would have to receive periodic written assurances that the youth apprentice was making satisfactory progress in completing the program.

Because the youth apprenticeship program is designed for part-time workers, the credit would equal 40 percent of up to $3,000 of first-year wages, for a maximum credit of $1,200. In addition, the number of apprentices that employers could take into account in computing the credit would be subject to an annual cap. From 1994 through 1998, 805,000 youth apprentices could be taken into account in computing the credit (i.e., 125,000 in 1994; 140,000 in 1995; 160,000 in 1996; 180,000 in 1997; and 200,000 in 1998).

## MAKING THE EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE PERMANENT

Current Law

Under current law, the value of employer-provided educational assistance is included in an employee's income and employment tax wages unless the cost of the assistance would qualify as a deductible expense of the employee if the employee had incurred the expense directly. Education costs incurred by an employee are generally deductible if they maintain or improve the employee's skills in his or her current job and do not qualify the employee for a new trade or business. Thus, for example, the cost of retraining for a new job is generally not deductible. As a result, such retraining is generally taxable to the employee when paid for by his or her employer.

Under prior law, amounts paid by an employer with respect to an employee under an educational assistance program were excluded from the employee's gross income and employment tax wages to the extent that the value of the assistance did not exceed $5,250 per year, regardless of whether the expense would otherwise have been deductible. Such programs were subject to nondiscrimination rules to ensure that the assistance was not provided primarily to higher-paid employees. The educational assistance exclusion expired for benefits provided after June 30, 1992.

<u>Reasons for Change</u>

The exclusion encourages employers to provide, and employees to take advantage of, educational assistance and thereby increases the country's productivity. In addition, the absence of the exclusion imposes significant administrative burdens on employers, workers, and the IRS by forcing them to distinguish between job-related expenses (which are excludable from gross income under current law when paid by the employer) and other employer-provided educational expenses.

The absence of the exclusion may have a relatively greater effect on lower-income and lower-skilled individuals. As noted above, without the exclusion the value of employer-provided educational assistance is excludable from gross income and employment-tax wages only if the education directly relates to the employee's current job and does not qualify the employee for a different trade or business. Higher-income, higher-skilled individuals may more easily satisfy these requirements because of the breadth of their prior training and current job responsibilities.

<u>The Administration's Proposal</u>

The proposal would permanently extend the general exclusion for employer-provided educational assistance. The provision is effective for benefits provided after June 30, 1992.

* * *

This concludes my prepared remarks. I would be pleased to respond to your questions.

## Earned Income Tax Credit Parameters Under Current Law and Administration's Proposal

1994 Dollars

| | Credit Rate | Plateau Beginning Point | Plateau End Point | Maximum Credit | Phase-out Rate | Income Cut-off |
|---|---|---|---|---|---|---|
| | | *Current Law* | | | | |
| 1994 and after | | | | | | |
| Families with one child | 23% | $7,990 | $12,580 | $1,838 | 16.43% | $23,760 |
| Families with two or more children | 25% | $7,990 | $12,580 | $1,998 | 17.86% | $23,760 |
| Health Insurance Supplement | 6% | $7,990 | $12,580 | $479 | 4.285% | $23,760 |
| Young Child Supplement | 5% | $7,990 | $12,580 | $400 | 3.57% | $23,760 |
| | | *Administration's Proposal* | | | | |
| 1994 | | | | | | |
| Families with one child | 26.6% | $7,750 | $11,000 | $2,062 | 16.16% | $23,760 |
| Families with two or more children | 31.6% | $8,500 | $11,000 | $2,685 | 15.80% | $28,000 |
| Workers without children | 7.65% | $4,000 | $5,000 | $306 | 7.65% | $9,000 |
| 1995 and after | | | | | | |
| Families with one child | 34.4% | $6,000 | $11,000 | $2,062 | 16.16% | $23,760 |
| Families with two or more children | 39.7% | $8,500 | $11,000 | $3,371 | 19.83% | $28,000 |
| Workers without children | 7.65% | $4,000 | $5,000 | $306 | 7.65% | $9,000 |

Department of the Treasury
Office of Tax Analysis

March 30, 1993

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

ADDRESS BY LAWRENCE H. SUMMERS
UNDER SECRETARY-DESIGNATE OF THE TREASURY AND
TEMPORARY ALTERNATE GOVERNOR FOR THE UNITED STATES
AT THE ANNUAL MEETING OF THE
INTER-AMERICAN DEVELOPMENT BANK
HAMBURG, GERMANY
MARCH 30, 1993

Distinguished Governors, Mr. President, delegates and friends: I am extremely pleased to be here in this historic city of Hamburg and among so many friends of the Americas. I want to thank our German hosts for their gracious hospitality which has added so much to the quality of our deliberations. I also want to offer our warmest congratulations to President Enrique Iglesias on his recent reelection as President of the Inter-American Development Bank.

Together, we look to the Inter-American Development Bank to be a catalyst for sustaining and deepening the truly historic social and economic trends in the Latin American region that have occurred over the last several years. We look to the IDB as an institutional commitment of our hemispheric partnership for prosperity.

As President Clinton's nominee to be the Under Secretary for International Affairs at the Department of the Treasury, I welcome this opportunity to underscore the commitment of President Clinton and Secretary Bentsen to this strong and growing relationship with Latin America and the Caribbean. Presidents from Roosevelt to Clinton have understood the shared destiny of our peoples. The new Administration in Washington sees Latin America as a partner, and we are working closely with our Congress to shape the many dimensions of our partnership.

Our countries and cultures have much in common. We are a young, vibrant hemisphere with an optimistic outlook. We believe in markets, yet we also believe that governments have an appropriate role to play. We have common interests in the areas of trade, investment and debt. We share similar views of problems and solutions. We are not plagued by the negative aspects of nationalism, and we believe in the promise of the modern state. Our hemisphere has a new generation of post-Cold War leaders, leaders committed to democratic principles.

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[1]As presented by James H. Fall, Deputy Assistant Secretary of the Treasury.

For both Latin America and the United States, the early 1980s were marred by high interest rates and record debts; the 1990s offer the promise of the opposite, low interest rates and reduced debts. The 1980s saw regional disputes over contras, commandantes, and human rights; the 1990s will be devoted to promoting greater regional integration. The early 1980s witnessed protectionism, government-led growth and burdensome regulation in Latin America, but the 1990s can be a decade of mutual accord over hemispheric growth, political plurality, and environmental sustainability.

There is a distinct echo in the reform efforts underway in Argentina, Chile, Mexico, and elsewhere in Latin America and President Clinton's economic plan for domestic renewal. Each effort was thought to be politically impossible, but each actually has received a broad base of public support. President Clinton's program and the Latin American reform plans also share an activist approach to economic policy, with a two-pronged approach marrying pro-growth and anti-poverty measures.

The President's plan has a number of critical components. First, the President proposed the most serious deficit reduction package in the history of the United States. By 1997, when the provisions of the plan are fully phased in, the annual deficit will be reduced by $140 billion. Second, the package includes short-term stimulus measures to sustain and push forward the nascent recovery. Third, the package includes an investment component to start shifting the composition of the federal budget from consumption to investment. Finally, the President's plan includes a broad-based energy tax. This will not only help cut the deficit but will promote environmental standards by effectively taxing pollution.

The domestic economic plan will advance American foreign policy. By restoring fiscal responsibility and promoting long-term investment and growth, the United States is setting a strong economic foundation for the 21st century.

The President's plan was designed to create jobs and spur growth at home, but there are powerful benefits in its adoption for all the Americas. The plan will be good for Latin America in several important respects. It will secure financial stability and growth in the United States economy, offering larger markets for Latin exports. United States imports from Latin America and the Caribbean were $70 billion for 1992, with the prospect of reaching $100 billion by the end of the century. A one percent increase in U.S. GDP would boost regional non-fuel exports by $1 billion, and the secondary effects of that export growth would boost regional GDP by a further $2 billion.

Lower long-term world interest rates will have a major impact on Latin America. A one percentage point reduction in interest rates would reduce annual debt service by at least $1 billion on the $430 billion in Latin American and Caribbean debt. The economic plan has already had a significant impact on long-term rates.

A new focus on our national infrastructure and a promotion of high-tech, high-wage industries, sharpens U.S. competitiveness and strengthens our trade. This Administration is committed to the maintenance of a free and fair trading system among the Americas, and elsewhere, that will promote global export opportunities for all. We believe in the benefits of an open trading system. Where barriers to trade exist, we will work vigorously to enforce existing agreements or, where necessary, negotiate new ones.

In his recent speech at American University in Washington, D.C., the President stated his desire for a strong Uruguay Round agreement that will not only eliminate tariffs on goods, but will also secure financial market liberalization on a global scale. And we will work to ensure that just as our market is generally open to foreign friends that wish to invest in America, foreign markets should also be open to American investment.

The President has also pledged his strong support for the new North American Free Trade Agreement. To finalize NAFTA, we are working with Canada and Mexico to reach key understandings in the areas of environmental quality and workers' rights. And we hope to be able to negotiate and extend the benefits of NAFTA to other nations as well.

The President's vision of a new economic prosperity will reinforce and accelerate three positive trends in Latin America: 1) a redefined role of the state; 2) financial stability; and 3) political openness. Let me touch on each of these:

> **Redefined role of the state**: There are serious efforts now underway to de-regulate for higher productivity, a willingness to abolish tariffs, a desire to accept technology and allow market access to foreign firms, a drive towards privatization and a commitment to regional integration. These are mutually reinforcing actions that imply and mean less state intrusion in economies.
>
> **Financial stabilization**: This is a crucial ingredient for regional economic growth. Latin America's finance ministries have rationalized government spending, cut deficits, improved tax collection, and, in some cases, introduced fairness into the tax code. Exchange rates

are now more responsive to market forces. Inflation has been cut. As a result, real GDP growth rates in 1992 are up by roughly 10% in Chile, Argentina, and Venezuela, and up by 3% in Mexico.

**Political openness**: A new political process is ascendant in Latin America. Popular, democratic elections and institutions are the rule rather than the exception. The entire region is more open -- politically, culturally, socially and commercially. In the last two years, intraregional trade has exploded. As both democracy and capitalism are under siege in the former communist states, the appeal and credibility of these ideas depend importantly on whether Latin America continues to succeed. The revolution in economics in Latin America is no less sensational than the revolution in Russia, and the immediate prognosis is far better in Latin America.

There has been profound progress and revolutionary change in Latin America and the Caribbean over the last several years. The Enterprise for the Americas Initiative (EAI) reflected a bipartisan U.S. approach to help speed these changes. We continue to support its goals in the areas of debt, investment and trade. The IDB's Investment Sector Loan Program has made a major contribution to the reform effort across the hemisphere. The foreign debt problems affecting the region have been reduced to manageable proportions with the help of the IDB. The IDB has played a major role in the EAI and will continue to do so in developing investment sector loans and administering the Multilateral Investment Fund.

Indeed, much remains to be done. Many countries' physical infrastructure is deteriorating, and in several countries the extent of poverty and suffering has increased. Millions still struggle to scratch out a living on less than $1 a day. Distorted income distribution remains a potential source of serious social conflict. In some places, the richest twenty percent of the population controls over twenty-five times the wealth of the poorest twenty percent. And inflation continues to pose a threat, having refused, even in the best cases, to drop back to single digits. Political and social inequality persists where economic reforms have not been accompanied by the modernization of political institutions.

Several important countries in the region, including Brazil and Peru, face serious political and economic challenges. If the fledgling market reforms are to be sustained, Latin leaders must address critical issues, including the alleviation of poverty, human rights, environmental protection, and removing government impediments to innovation and growth.

To redress these problems, some would call for a return to state ownership and a massive redistribution of wealth. But statist economies and government-dominated enterprises are a thing of the past. The fact is that over time, state control has done more to damage their people than fair, efficient and open markets ever did. The legacy of state economies is a series of failed governments, repressed democracies, damaged environments, economic stagnation and poverty. We cannot go back. Governments clearly have a necessary role to play in ensuring economic vitality and realizing human potential. But governments must get out of those areas where markets and the private sector work better.

Look at a success story. Chile is an excellent example of a country that has implemented far-reaching macroeconomic reforms, encouraged the development of the private sector and markets, in part through an aggressive privatization program. Now the government can concentrate its resources on the social sector. As Minister Foxley stated here in Hamburg on Sunday, the Alwyn Administration will spend $6 billion on social programs this year, a thirty percent increase over 1991. Chile's wide-ranging reforms have led to a substantial increase in economic growth. Chile has demonstrated the political will to make social programs a priority. This is a good example for other countries and it is a good example for the Bank.

We believe the Bank must now play a far more aggressive role in advancing human welfare by supporting better programs in basic education, health and sanitation. The Bank can be in the vanguard in ensuring that education is broadly available, especially to the poor. A vibrant private sector can assume greater responsibility for university education, freeing scarce public resources for primary education. We believe the Bank also has a critical role in advancing health care: there are too many big hospitals that benefit the elite in Latin America and too few primary health care facilities for the poor and in rural areas. The Bank can help address judicial reform and important issues such as land tenure.

For the Eighth Replenishment, the United States is asking the IDB to advance the quality of its lending program. We are asking the Bank -- and more importantly its member governments -- to maintain a strong commitment to structural reform and the private sector. We are also asking the Bank to strengthen its commitment to environmental protection and to support social programs. There is no reason why structural adjustment and environmental integrity cannot go hand in hand, and the U.S. will work closely with member countries and Bank officials to help realize this potential.

We are asking that the Inter-American Development Bank become a leading force for transparency and accountability in public finance. We ask the Bank to seek public participation in all its development activities and decisions, especially among the people who will be affected. We believe that the Bank should be an institutional leader in providing prompt public access to project information in donor and borrowing countries.

We are also asking the Bank Group to further rationalize its lending practices, streamline its management operations and increase the professionalization of its staff. We believe the Multilateral Investment Fund must remain a lean operation and the Inter-American Investment Corporation should restructure its management to achieve cost savings. We believe the Bank itself can reduce overhead expenses, and we encourage the Board of Directors to lead the way in reducing its own costs. Finally, we believe that the Bank and its members, both within the Western Hemisphere and beyond, should change the way they view the Bank and the allocation of its resources. Notions of fixed allotments and lending targets, along with inappropriate use of concessional and grant funds should be retired once and for all.

Governors and Friends, we believe this Bank can move to the forefront of social, environmental and economic development for the region. We depart Hamburg with full confidence that Latin America and the Caribbean are on a path to sound social and economic development.

I thank you again for your warm hospitality, and I look forward to working with you all in a spirit of close cooperation in the months and years ahead.

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR IMMEDIATE RELEASE
March 30, 1993


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## TREASURY DEPARTMENT ANNOUNCES PENALTY AGAINST DEXTER CREDIT UNION

The Department of the Treasury announced today that it has collected a negotiated civil money penalty of $80,000 from Dexter Credit Union, Central Falls, Rhode Island for failures to file Currency Transaction Reports (CTRs) as required by the Bank Secrecy Act (BSA). The violations, which occurred in 1987, were identified by the Internal Revenue Service (IRS).

In announcing the penalty, Deputy Assistant Secretary John P. Simpson stated, "In the past year, Treasury has assessed BSA civil money penalties against banks, a credit union, currency exchanges, check cashers and casinos. This reflects Treasury's continued efforts to enforce and ensure BSA compliance by all types of financial institutions."

The civil money penalty agreed to by the credit union was based upon failures to comply with the requirements of the BSA. The Treasury has no evidence that the credit union or any of its employees or officers engaged in any criminal activities in connection with these violations.

The BSA requires banks, credit unions and other financial institutions to keep certain records, file CTRs on currency transactions in excess of $10,000 and file reports on the international transportation of currency, travelers checks and other monetary instruments in bearer form. The purpose of these records is to assist the government in combatting money laundering as well for use in civil, criminal, tax and regulatory investigations.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
March 30, 1993

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TREASURY ANNOUNCES PENALTY AGAINST CHICAGO-RUSH CURRENCY EXCHANGE, INC.

The Department of the Treasury announced today that Chicago-Rush Currency Exchange, Inc., a check cashing service in Chicago, Illinois, has paid a civil money penalty of $15,000 in settlement of allegations that it failed to report to the Internal Revenue Service (IRS) currency transactions as required by the Bank Secrecy Act (BSA). The violations each involved purchase of money orders in excess of $10,000 in cash. This case was developed through a BSA compliance examination conducted by the Internal Revenue Service.

John P. Simpson, Deputy Assistant Secretary for Regulatory, Tariff and Trade Enforcement, who announced the penalty, said, "The penalty represents a complete settlement of Chicago-Rush's BSA civil liability for these violations. Treasury encourages all financial institutions to implement effective Bank Secrecy Act compliance programs."

The collection of a civil money penalty from Chicago-Rush Currency Exchange, Inc. for BSA violations reflects Treasury's continuing and enhanced effort to enforce BSA compliance by nonbank financial institutions such as check cashers, currency dealers and exchangers, issuers and redeemers of money orders and traveler's checks, and transmitters of funds.

The BSA requires banks and other nonbank financial institutions to keep certain records, to file currency transaction reports with the Treasury on all cash transactions by or through the financial institution in excess of $10,000, and, under some circumstances, to file reports on the international transportation of currency, traveler's checks, and other monetary instruments in bearer form. The purpose of the reports and records required under the BSA is to assist the government's efforts in criminal, tax and regulatory investigations and proceedings.

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# PUBLIC DEBT NEWS

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March 30, 1993

Contact: Peter Hollenbach
(202) 219-3302

## CUBES PROGRAM TO REOPEN JUNE 1, 1993

Treasury's Bureau of the Public Debt announced today that it is re-opening the Coupons Under Book-Entry Safekeeping (CUBES) program on June 1, 1993. The reopening of the CUBES program offers holders of coupons previously stripped from bearer Treasury securities the opportunity to convert those coupons to book-entry form. Eligible coupons may be submitted for conversion to CUBES during a six month period beginning June 1, 1993 and ending November 30, 1993. All non-callable coupons with payment dates after January 1, 1994 are eligible for conversion.

Some 1.4 million coupons with a value of $4.7 billion are outstanding and eligible for conversion to book-entry. Conversion to CUBES benefits holders of coupons and the Treasury. Switching to book-entry CUBES allows holders of these payments to eliminate the risk and expense associated with safeguarding paper coupons. CUBES provides on-line trading of the book-entry holdings contributing to market efficiency.

Depository institutions may present coupons for conversion at the Federal Reserve Bank of New York (FRBNY). Institutions wishing to participate in the CUBES program should contact the FRBNY at (212) 720-6972/73 as soon as possible to obtain information on how to present the coupons.

Under the CUBES program, depository institutions that have notified the FRBNY of their intention to participate can convert stripped Treasury coupons during the period from June 1 through November 30, 1993. No trading of CUBES balances will be permitted for the twelve (12) business days from the deposit of the coupons to allow for verification and approval of the submission by Treasury. Entities other than depository institutions that hold stripped Treasury coupons and wish to convert those coupons to book-entry form under the CUBES program must arrange for such conversion through a depository institution.

Participating institutions will be charged a fee of $4 per coupon and will bear the full cost and risk associated with the delivery of the coupons to the Federal Reserve Bank of New York.

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PA-118

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
March 30, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $22,400 million, to be issued April 8, 1993. This offering will result in a paydown for the Treasury of about $350 million, as the maturing 13-week and 26-week bills are outstanding in the amount of $22,747 million. In addition to the maturing 13-week and 26-week bills, there are $14,247 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

The Treasury will postpone the auction unless it has assurance of enactment of legislation to raise the statutory debt limit before the scheduled auction date of April 5, 1993. It may be necessary to change the date of the auction depending on the timing of enactment of legislation.

Federal Reserve Banks hold $8,312 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $1,780 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,060 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. These are the first bill issues which may be purchased and held in multiples of $1,000, for bills in amounts above the minimum purchase amount of $10,000, as was previously announced on January 26, 1993. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

LB-100

# HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS

March 30, 1993

| | | |
|---|---|---|
| **Offering Amount** . . . . . . . . . . . | $11,200 million | $11,200 million |
| **Description of Offering:** | | |
| Term and type of security . . . . . | 91-day bill | 182-day bill |
| CUSIP number . . . . . . . . . . . . | 912794 E7 5 | 912794 F9 0 |
| Auction date . . . . . . . . . . . . | April 5, 1993 | April 5, 1993 |
| Issue date . . . . . . . . . . . . . | April 8, 1993 | April 8, 1993 |
| Maturity date . . . . . . . . . . . . | July 8, 1993 | October 7, 1993 |
| Original issue date . . . . . . . . . | January 7, 1993 | April 8, 1993 |
| Currently outstanding . . . . . . . | $22,747 million | --- |
| Minimum bid amount . . . . . . . . | $10,000 | $10,000 |
| Multiples . . . . . . . . . . . . . . | $ 1,000 | $ 1,000 |

**The following rules apply to all securities mentioned above:**

Submission of Bids:

Noncompetitive bids . . . . . . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . . . . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . . . . . 35% of public offering

Maximum Award . . . . . . . . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . . . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 31, 1993

CONTACT: Peter Hollenbach
(202) 219-3302
or
L. Richard Keyser
(202) 708-1591

# TREASURY AUTHORIZES HUD CALL OF FHA INSURANCE FUND DEBENTURES

The Departments of Treasury and Housing and Urban Development announced today the call of all Federal Housing Administration (FHA) debentures, outstanding as of March 31, 1993, with interest rates of 7 percent or higher. Debentures that have been registered on the books of the Federal Reserve Bank of Philadelphia as of March 31, 1993, are considered, "outstanding." The date of the call for the redemption of the more than $210 million in debentures is July 1, 1993, with the semi-annual interest due July 1, paid along with the debenture principal.

Debenture owners of record as of March 31, 1993, will be notified by mail of the call and given instructions for submission. Those owners who cannot locate the debentures should contact the Federal Reserve Bank of Philadelphia (215) 574-6684 for assistance.

No transfers or denominational exchanges in debentures covered by this call will be made on or after April 1, 1993, nor will any special redemption purchases be processed. This does not affect the right of the holder to sell or assign the debentures.

The Federal Reserve Bank of Philadelphia has been designated to process the redemptions and to pay final interest on the called debentures. To ensure timely payment of principal and interest on the debentures, they should be received by June 1, 1992, at:

The Federal Reserve Bank of Philadelphia
Securities Division
P.O. Box 90
Philadelphia, PA 19105-0090

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PA--119

NR 93-19

*Joint Release*

**Office of the Comptroller of the Currency**
**Federal Deposit Insurance Corporation**
**Federal Reserve Board**
**Office of Thrift Supervision**

# Interagency Policy Statement on Documentation of Loans

**March 30, 1993**

The four federal regulators of banks and thrifts — the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision — today announced further details on the implementation of their March 10 program to increase credit availability. Today's policy statement outlines changes in the area of loan documentation.

The strongest banks and thrifts, those with regulatory ratings of 1 or 2 and with adequate capital, will now be able to make and carry some loans to small- and medium-sized businesses and farms with only minimal documentation. The total of such loans at an institution will be limited to an amount equal to 20 percent of its total capital. Eligible banks and thrifts will be encouraged to make these based on their own best judgment as to the creditworthiness of the loans and the necessary documentation. These loans will be evaluated solely on the basis of performance and will be exempt from examiner criticism of documentation.

Each minimal documentation loan is subject to a maximum loan size of $900,000 or 3 percent of the lending institution's total capital, whichever is less. If a borrower has multiple loans in the exempt portion of the portfolio, those loans must be aggregated before the maximum is applied. Loans to institution insiders — executive officers, directors, and principal shareholders — are ineligible for inclusion, as are loans that are already delinquent.

The package also offers some relief for banks that do not qualify for the program, and for loans that are not in the exempt portion of a bank's portfolio. The policy statement also includes guidelines which provide institutions some additional flexibility in applying their documentation policies for small- and medium-sized business and farm loans without examiner criticism.

Today's initiatives are directed at eliminating unnecessary documentation and reducing costs to lending institutions and the time it takes to respond to credit applications. OTS will soon issue a regulation to amend its current loan documentation requirements to comply with the statement. For banks, the program requires no change in existing regulations and is effective with today's release.

The complete program is being mailed to all regulated institutions and all examiners, and additional copies are available from the agencies.

**Office of the Comptroller of the Currency**
**Federal Deposit Insurance Corporation**
**Federal Reserve Board**
**Office of Thrift Supervision**

# Interagency Policy Statement on Documentation for Loans to Small- and Medium-sized Businesses and Farms

**March 30, 1993**

## Introduction

Problems with the availability of credit over the last few years have been especially significant in the area of small- and medium-sized business and farm lending. This reluctance to lend may be attributed to many factors, including general trends in the economy; a desire by both borrowing and lending institutions to improve their balance sheets; the adoption of more rigorous underwriting standards after the losses associated with some laxities in the 1980s; the relative attractiveness of other types of investments; the impact of higher capital requirements, supervisory policies, and examination practices; and the increase in regulation mandated by recent legislation — specifically, the Financial Institutions Reform, Recovery, and Enforcement Act and the Federal Deposit Insurance Corporation Improvement Act.

The four federal banking agencies — the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision — expect small- and medium-sized business and farm loans, like all credits, to be made consistent with sound underwriting policies and loan administration procedures. The agencies are concerned, however, that institutions may perceive that the agencies are requiring a level of documentation to support sound small- and medium-sized business and farm loans that is in excess of what is necessary to making a sound credit decision. Unnecessary documentation raises the cost of lending to small- and medium-sized businesses and farms, results in delays in bank lending decisions, and may discourage good borrowers from applying. The agencies believe that the elimination of unnecessary documentation for loans to small- and medium-sized businesses and farms will reduce costs to the institution and the time it takes to respond to credit applications from small- and medium-sized businesses and farms without adversely affecting the institution's safety and soundness.

The federal banking agencies expect financial institutions to maintain documentation standards that are consistent with prudent banking policies. However, the maintenance of documentation beyond that necessary for a credit officer to make a sound credit decision and to justify that decision to the institution's management adds to loan administration costs without improving the credit quality of the institution. Unnecessary documentation impedes the institution from responding in a timely and prudent manner to the legitimate credit needs of small- and medium-sized businesses and farms in its community. Accordingly, the agencies are taking steps to correct any misunderstanding of regulatory requirements and to reduce regulatory impediments to lending to creditworthy small- and medium-sized businesses and farms.

## Documentation Exemption for Small- and Medium-sized Business and Farm Loans

Well- or adequately capitalized institutions with a satisfactory supervisory rating will be permitted to identify a portion of their portfolio of small- and medium-sized business and farm loans that will be evaluated solely on performance and will be exempt from examiner criticism of documentation. While bank and thrift management will retain responsibility for the credit quality assessment and loan loss allowance for these loans, the lending institution will not be subject to criticism for the documentation of these loans.

This exemption will be available only to institutions that are well- or adequately capitalized institutions under each agency's regulations implementing section 38 of the Federal Deposit Insurance Act and that are rated CAMEL or MACRO 1 or 2. These institutions are by definition those that have demonstrated sound judgment and good underwriting skills; moreover, their strong capital position insulates the deposit insurance funds from potential losses that may be incurred through small- and medium-sized business and farm lending.

To qualify for the exemption, each loan may not exceed the lesser of $900,000 or three percent of the institution's total capital, and the aggregate value of the loans may not exceed 20 percent of its total capital. In addition, loans selected for this exemption by an institution must not be delinquent as of the selection date, and each institution must comply with applicable lending limits and other laws and regulations in making these loans. Furthermore, such loans may not be made to an insider.

Small- and medium-sized business and farm loans that do not meet the criteria for exemption set forth in this policy statement would continue to be reviewed and classified in accordance with the agencies' existing policies.

The details of the exemption are as follows:

- **Documentation exemption.** Each institution eligible for the exemption provided in this policy statement may assign eligible loans, subject to the aggregate limit on such eligible loans, to an exempt portion of the portfolio. Loans assigned to this exempt portion will not be reviewed for the completeness of their documentation during the examination of the institution. Assignments of loans to the exempt portion shall be made in writing, and an aggregate list or accounting segregation of the assigned loans shall be maintained, including the performance status of each loan.

- **Restrictions on loans in the exempted portion of the portfolio.** The institution must fully evaluate the collectibility of these loans in determining the adequacy of its allowance for loan and lease losses (ALLL) or general valuation allowance (GVA) attributable to such loans and include this evaluation in its internal records of its assessment of the adequacy of its ALLL or GVA. Once a loan in the exempt portion of the portfolio becomes more than 60 days past due, the loan may be reviewed and classified by an examiner; however, any decision to classify would be based on credit quality and not on the level of documentation.

- **Eligible institutions.** An institution is eligible for the documentation exemption if (1) pursuant to the regulations adopted by the appropriate federal banking agency under section 38 of the FDI Act, the institution qualifies as well- or adequately capitalized, and (2) during its most recent report of examination, the institution was assigned a composite CAMEL or MACRO rating of 1 or 2.

- **Ineligible loans.** Loans to any executive officer, director, or principal shareholder of the institution, or any related interest of that person, may not be included in the basket of loans.

- **Aggregate limit on loans.** The aggregate value of all loans assigned to the basket of loans provided for in the exemption may not exceed 20 percent of the institution's total capital (as defined in the capital adequacy standards of the appropriate agency).

- **Limit on value of individual loan.** A loan, or group of loans to one borrower, assigned to the basket of loans provided for in the exemption may not exceed $900,000 or 3 percent of the institution's total capital (as defined in the capital adequacy standards of the appropriate agency), whichever is the smaller amount.

- **Transition from eligibility to ineligibility.** An institution that has properly assigned loans to the exempt portion of its portfolio pursuant to this statement but subsequently fails to qualify as an eligible institution may not add new loans (including renewals) to this category.

## Treatment of Small- and Medium-sized Business and Farm Loans Not Qualifying for Exemption

The agencies will continue current examination practices with regard to documentation of small- and medium-sized business and farm loans at institutions not qualifying for the exemption and loans at qualifying institutions that are not assigned to the exempt basket. The guiding principle of agency review will continue to be that each insured depository institution should maintain documentation that provides its management with the ability to:

(a) make an informed lending decision and to assess risk as necessary on an ongoing basis;

(b) identify the purpose of the loan and the source of repayment;

(c) assess the ability of the borrower to repay the indebtedness in a timely manner;

(d) ensure that a claim against the borrower is legally enforceable; and

(e) demonstrate appropriate administration and monitoring of a loan.

In prescribing the documentation necessary to support a loan, an institution's policies should take into account the size and complexity of the loan, legal requirements, and the needs of management and other relevant parties (such as loan guarantors).

In applying these standards, the agencies will continue to recognize the difficulty and cost of obtaining some documents from small- and medium-sized businesses and farms. These difficulties and costs could result in some deviations from an institution's own loan documentation policy for small- and medium-sized business and farm lending. Such deviations are frequently based on past experience with the customer. In such cases, the loan will not be criticized if the examiner concurs that sufficient information exists to serve as a basis for an informed credit decision.

## Implementation

This policy statement will take effect immediately upon issuance. However, the agencies will monitor how qualifying institutions implement its provisions and how those institutions and the loans they designate for inclusion in the exempt basket perform. Changes to this policy statement may be made based on the agencies' experience.

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 31, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 5-DAY BILLS

Tenders for $15,141 million of 5-day bills to be issued April 2, 1993 and to mature April 7, 1993 were accepted today (CUSIP: 912794T79).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.06% | 3.07% | 99.958 |
| High | 3.07% | 3.14% | 99.957 |
| Average | 3.07% | 3.14% | 99.957 |

Tenders at the high discount rate were allotted 75%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 0 | 0 |
| New York | 60,640,000 | 15,141,250 |
| Philadelphia | 0 | 0 |
| Cleveland | 0 | 0 |
| Richmond | 1,995,000 | 0 |
| Atlanta | 0 | 0 |
| Chicago | 1,700,000 | 0 |
| St. Louis | 0 | 0 |
| Minneapolis | 0 | 0 |
| Kansas City | 0 | 0 |
| Dallas | 0 | 0 |
| San Francisco | 1,000,000 | 0 |
| Treasury | 0 | 0 |
| TOTALS | $65,335,000 | $15,141,250 |
| **Type** | | |
| Competitive | $65,335,000 | $15,141,250 |
| Noncompetitive | 0 | 0 |
| Subtotal, Public | $65,335,000 | $15,141,250 |
| Federal Reserve | 0 | 0 |
| Foreign Official Institutions | 0 | 0 |
| TOTALS | $65,335,000 | $15,141,250 |

LB-101

# TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960


FOR IMMEDIATE RELEASE
April 1, 1993


CONTACT: Michelle Smith
202/622-2960


## TREASURY POSTPONES AUCTION OF 52-WEEK BILLS

The Treasury Department announced that it is postponing the auction of 52-week bills originally scheduled for today. This action is being taken because legislation to increase the statutory debt limit has not been enacted.

Investors are advised to look for notice of rescheduling of this auction in the financial press or to contact their local Federal Reserve Bank or Branch for such information.

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LB-102

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

STATEMENT BY THE SECRETARY
APRIL 1, 1993

It is our intention that the energy tax be borne fairly and equitably across the country and that the tax promote conservation as well as increased reliance on domestic energy, not foreign oil.

If the tax is to effectively promote energy conservation, it must be borne by the ultimate consumer. The Administration is continuing to explore methods of assuring that the tax is in fact passed through to those who use the energy.

LB-103

# THE ADMINISTRATION'S MODIFIED BTU ENERGY TAX PROPOSAL

## OBJECTIVES

Deficit Reduction. The energy tax will raise $22 billion in FY 1997 (the first fiscal year the tax is fully phased in) and over $70 billion for the FY 1994-1998 period.[1]

- This revenue will help reduce the deficit and put the government on a pay-as-you-go basis for needed public programs.

Reduction of Environmental Damages. The energy tax will improve the environment.

- The tax will provide an incentive to use clean burning natural gas.
- The tax will contribute to the Rio Summit goal, agreed to by the United States, of returning greenhouse gas emissions to their 1990 levels by the year 2000.
- Smog, acid rain, and toxic wastes will all be reduced.
- The risk of oil spills will be reduced.

Energy Conservation. The energy tax when fully phased in will reduce projected growth in energy consumption by over 7 percent.

Reduced Dependence on Foreign Sources of Energy. The energy tax will reduce U.S. dependence on foreign oil.

- The tax is projected to reduce oil imports in year 2000 by more than 400,000 barrels a day.

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[1] The revenue estimates for the energy tax are net of the "income offset," which is the reduction in income and employment taxes because GDP and the price level are assumed to be unchanged in making the estimates (the assumption is standard for making all Budget estimates, including all revenue estimates). The effects of the energy tax on product prices and consumers shown below are not reduced by the "income offset."

## EFFECT ON CONSUMERS

Monthly direct energy expenditures (gasoline, home heating oil, electric bill, and natural gas) for typical four-person families

| Family Economic Income | Tax on Monthly Direct Energy Expenditures July 1, 1994 | July 1, 1996 |
|---|---|---|
| $ 25,000 | $ 2.78* | $ 8.33* |
| 40,000 | 3.17 | 9.50 |
| 60,000 | 3.56 | 10.67 |

* Does not take into account offsets for increases in the earned income tax credit (EITC). For a family of four with $25,000 of income, all from wages, the proposed increase in the EITC, when fully phased in (1995), will be $595 per year ($49.58 per month), more than offsetting the energy tax.

Residential energy prices

| | 1994 Price (Before Tax) | Tax July 1, 1994 | | Tax July 1, 1996 | |
|---|---|---|---|---|---|
| | | Amount | Percent of Price | Amount | Percent of Price |
| Electric Bill (monthly) | $ 67.60 | $ .740 | 1.1 % | $ 2.219 | 3.3 % |
| Home Heating Oil (gallon) | 1.04 | .012 | 1.2 | .036 | 3.5 |
| Natural Gas (mcf) | 6.51 | .088 | 1.4 | .265 | 4.1 |
| Gasoline (gallon) | 1.31 | .025 | 1.9 | .075 | 5.7 |

## OFFSETS FOR LOW-INCOME FAMILIES

The impact of the tax on low- and some moderate-income families is offset by other features of the Administration's program.

- The earned income tax credit is expanded.
- Funding for the Low Income Home Energy Assistance Program (LIHEAP) is increased.
- Funding for Food Stamps is increased.

## COMPETITIVENESS

- U.S. energy prices, even when the tax is fully phased in, will remain the lowest or second lowest (depending on the type of energy) in the G-7 countries.

- The price effects of the energy tax would be very small.

  -- For manufacturing as a whole, the energy tax (when fully phased in) will increase costs an average of only 0.1 percent.

  -- Even in very energy-intensive industries, such as aluminum smelting, the energy tax (when fully phased in) will raise costs less than 4 percent.

    -- Many energy-intensive industries are also capital intensive, so may benefit from the proposed alternative minimum tax relief and investment credit.

- The deficit reduction impact of the energy tax should reduce interest rates, thus reducing the cost of capital to U.S. business and improving the competitiveness of U.S. firms.

## REGIONAL BALANCE

The proposed energy tax is better balanced regionally than alternative energy taxes such as an increase in the gasoline tax or an oil import fee.

- While the tax burden on a given region may be higher than the national average on a per capita basis, it is often lower than the national average as a percentage of income.

- The tax does not have a disproportionate impact on coal producing regions (as a carbon tax would have).

- The tax does not have a disproportionate effect on farm states.

## ENERGY PRODUCERS

- Reduced oil consumption is projected to come almost entirely from imports.

  -- The reduction in U.S. consumption will be spread over world oil production, with little effect on domestic production.

- Natural gas production will continue to increase.

- Coal production, led by growing export demand, will continue to increase.

- Prices received by energy producers will decline only slightly -- less than 1 percent.

Department of the Treasury
Office of Tax Policy
April 1993

# FREQUENTLY ASKED QUESTIONS REGARDING THE ADMINISTRATION'S PROPOSED MODIFIED BTU TAX

## COMPARISON OF BTU TAX AND ALTERNATIVES

Question: Why did the Administration include an energy tax in the economic package?

Answer: The energy tax is more likely than any alternative revenue measure to advance a combination of policy goals.

- The energy tax would raise revenues to help reduce the deficit and put the government on a pay-as-you-go basis for needed public programs.
- The energy tax would reduce environmental damages, promote energy conservation, and reduce dependence on foreign sources of energy. The tax would encourage energy efficiency and fuel mix choices better reflecting the true environmental and security costs of energy use.
- The energy tax would help move the U.S. economy from income-based to consumption-based taxation, with attendant benefits to saving and investment.

Question: Why was a Btu form of energy tax selected?

Answer: The Administration considered many energy tax options, but chose the modified Btu tax for its relative neutrality on a regional basis, its environmental and energy security benefits, and its balanced impact on market shares of energy sources.

- An ad valorem tax would exaggerate the effects of sudden changes in energy prices.
- A gasoline tax, an oil import fee or a carbon tax would have a disproportionate economic impact on some regions (a carbon tax would also have a disproportionate impact on one energy source, coal, which was recently affected by the Clean Air Act Amendments of 1990).
- An oil import fee would cause prices to increase by much more than the tax and might, if applied to refined products, violate our trade agreements and treaties.

## OIL SUPPLEMENT

Question: What is the purpose of the extra tax on oil?

Answer: Without the extra tax on oil, natural gas would be disfavored because the tax would be higher, as a percentage of price, than the tax on petroleum products.

Natural gas is a clean-burning fuel, and abundant supplies of natural gas are available domestically.

Oil use (particularly in the form of motor fuels) contributes to air pollution. The rising level of oil imports risks environmental damages due to oil spills and is an energy security concern.

## COMPUTATION OF BTU CONTENT

Question: Why is a national average Btu heat content used to calculate the rate for natural gas and oil, but not for coal? Does the Btu content of natural gas differ?

Answer: Coal differs radically in Btu heat content depending upon whether it is bituminous, sub-bituminous, lignite, or anthracite, and even within each of these types of coal. Therefore, a national average would significantly disadvantage some coal while providing an advantage for others. In addition, coal is sold by Btu content and actual measurement of Btus would not create a new administrative burden.

In contrast, refined petroleum products are not sold by Btu content and Btu variation within a specific product is not significant.

In the past, natural gas has not been sold by Btu content but natural gas does vary somewhat. The trend is to measure shipments in therms, a measurement of heat content, so specific measurement may be administrable in the future.

## PROPANE

Question: How will propane be treated under the Btu tax?

Answer: Liquefied petroleum gases (including propane) and natural gasoline will be taxed at the basic rate of $0.257 per million Btus, the same rate that applies to natural gas.

The oil supplement will not apply to these products, even when they are produced from oil.

The Btu content used to determine the tax will be the national average Btu content for each fuel.

## HOME HEATING OIL

Question: Why was home heating oil exempted from the oil supplement, and should oil used to produce electricity for residential air conditioning be similarly exempted?

Answer: Under the Administration's proposal, residential use of heating oil is taxed at the same rate as other fuels used for residential heating (natural gas and propane).

- Taxing home heating oil at the higher oil rate would impose a disproportionate burden on many families, particularly in the Northeast where switching to natural gas or propane for home heating is often not a practical option.
- A similar oil supplement exemption was not provided for oil used to produce electricity for air conditioning because the tax is intended to encourage utilities and industrial users to reduce oil usage.
- Without the oil supplement the tax would have the opposite effect.
- In any event, there is no practical way to determine when oil is used to produce electricity that will be used for residential air conditioning.

## ALTERNATIVE FUELS

Question: Is biomass subject to tax?

Answer: The energy tax applies only to fossil fuels (i.e., coal, petroleum products, and natural gas) and hydro- and nuclear-generated electricity. Biomass fuels are not subject to the tax.

Biomass includes any material (other than a fossil fuel) that is derived from living matter and used as fuel. Thus, biomass includes ethanol, landfill gas, sugarcane waste, and wood waste.

Question: Why are certain fuels, including ethanol and methanol, excluded from the Btu tax?

Answer: The energy tax is not imposed on oxygenates, such as ethanol, methanol, ETBE, and MTBE (feedstocks used in their production are also exempt).

- Ethanol and ETBE are derived in whole or part from renewable energy sources. While methanol and MTBE are not, the Administration believes that all oxygenates should be treated in the same manner to avoid distortions in the oxygenate market.

- This exemption is consistent with the Administration's objective of encouraging the use of alternative fuels. All of the oxygenates, when mixed with gasoline, promote cleaner burning and reduce our dependence on foreign oil.

- Note that the gasoline mixed with oxygenates is taxed at the oil rate (i.e., the basic rate plus the oil supplement). Thus, oxygenated fuels are taxed at a higher rate than other alternative fuels, such as propane and natural gas, which are taxed at the basic rate.

## FLOOR STOCKS TAX

Question: What is the floor stocks tax and who will be liable?

Answer: Floor stocks taxes would be imposed on July 1, 1994, and on the date of each subsequent rate change (including an index change). The tax would apply to coal, natural gas, and refined petroleum products (including liquefied petroleum gases and natural gasoline).

A floor stocks tax would be imposed if the product is held, beyond the point at which the energy tax is normally imposed, for sale or for use as fuel. All exemptions from the energy tax would apply, and a reasonable de minimis rule would be provided.

The person holding the taxable product on the date the tax is imposed would be liable for the tax and would remit the tax directly to the Government. The applicable energy tax rates would apply.

## USE TAX

Question: What energy uses will be subject to the use tax and who will be liable?

Answer: A use tax will be imposed on fuel uses of taxable products on which the energy tax has not been imposed and on fuel uses of crude oil. This tax would apply to fuel use of products that have not reached the point at which tax is normally imposed, to nonexempt use of products purchased under a claim of exemption, and to nonresidential use of home heating oil as a fuel.

The use tax would not apply to crude oil or natural gas used, on the premises where it is extracted, to extract crude oil or natural gas. In addition, the use tax would not apply to crude oil used in a refinery or to natural gas used in a natural gas processing or fractionation plant. However, oil or natural gas consumed in a pipeline would be subject to the use tax.

The person using the product would be liable for the tax and would remit the tax directly to the Government. The applicable energy tax rates would apply.

**HYDROELECTRICITY**

Question: Why is hydroelectricity included in the tax?

Answer: Although environmental considerations influenced the design of the tax, it is a deficit reduction measure. Exempting hydroelectric power would lose substantial revenue over the budget period.

A tax on hydroelectric power is necessary for regional balance.

- It would not be appropriate to ask other regions of the country to pay a tax on their residential energy costs while exempting regions in which residential energy costs are currently the lowest.

Many hydroelectric power projects have benefitted from substantial Federal subsidies.

Some hydroelectric power projects may have adverse environmental effects.

**FEEDSTOCK EXEMPTION**

Question: What feedstocks were exempted from the tax and why? What are the mechanics of the feedstock exemption?

Answer: Fossil fuels used as a feedstock are exempt from tax.

- In making petrochemicals, the atoms of the feedstock hydrocarbons become the atoms of the polymers and other products. This is the meaning of "feedstock" in the Administration's proposal.

- The feedstock exemption does not apply to fossil fuels used solely as a fuel in the manufacture of petrochemicals or other products.

An exemption for feedstock uses is consistent with a tax on energy. Feedstock uses generally do not involve energy production or carbon dioxide emissions.

The mechanics of the feedstock exemption are still being developed. Tax-free transfers of feedstocks would be permitted in appropriate circumstances. In all other cases, the exemption would be provided through downstream credits or refunds.

Question: Should electricity used in the production of aluminum be classified as a feedstock?

Answer: In making petrochemicals, the atoms of the feedstock hydrocarbons become the atoms of the polymers and other products. This is the meaning of "feedstock" in the Administration's proposal.

Aluminum smelting uses direct current electricity to split aluminum oxide into aluminum metal and oxygen. The molten aluminum collects at the bottom of the cell where it is drawn off periodically. Electricity contributes the energy that causes the chemical reaction to occur.

In contrast to petrochemical manufacture, the hydrocarbon atoms of the fuel used to produce electricity used in aluminum smelting are not preserved in a product, but rather are burned to raise steam, turn a turbine, and generate electricity.

The Administration is continuing to study the impact of the tax on electricity in the aluminum smelting process.

**ENHANCED OIL RECOVERY**

Question: Will the tax unfairly burden enhanced oil recovery production?

Answer: The tax is designed to minimize its effects on enhanced oil recovery.

- The tax is not imposed on crude oil or natural gas used, on the premises where it is extracted, to produce additional crude oil, whether through enhanced oil recovery techniques or otherwise.

- The tax is not imposed on natural gas used in enhanced oil recovery of heavy oil.

## GOVERNMENTAL EXEMPTIONS

Question: How will municipal power projects be impacted by the tax? Should they be exempted?

Answer: Municipal power projects will be subject to tax in the same manner as investor-owned utilities.

It would be unfair to provide preferential treatment, in the form of a tax exemption, to end users who are served by municipal power projects while end users who are served by investor-owned utilities bear the full burden of the tax.

An exemption for municipal power projects would be inconsistent with the goals of encouraging energy conservation and the use of clean-burning, domestic fuels.

Question: Why was fuel used by the Department of Defense included in the tax base?

Answer: The tax does not include exemptions based on the character of the purchaser of an otherwise taxable product. Thus, fuel and electricity purchased by the Department of Defense will be subject to tax.

An exemption for the Defense Department would detract from the Administration's goal of encouraging energy conservation and the use of clean-burning domestic fuels.

To the extent the tax captures the environmental and energy security costs associated with energy use, those costs should be reflected in the Defense Department's budget.

## COLLECTION POINT

Question: What are the justifications for the point of collecting the tax for each fuel?

Answer: The tax on each fuel is collected at a point that satisfies three criteria.

- The point of collection minimizes the number of taxpayers (or tax collectors). This reduces administrative burdens on both the IRS and taxpayers.

- The point is sufficiently far downstream to ensure that imported products and domestic products are taxed at the same rate. It is for this reason, for example, that petroleum products are taxed at the refinery tailgate rather than at refinery input.

- The point is sufficiently far downstream to ensure that fixed-price contracts do not prevent passthrough of the tax to the end user.

Question: Many energy companies and utilities argue it would be better to put the tax on the ultimate consumer, which seems to be consistent with the Administration's energy conservation goals. Why wasn't the tax imposed on the end user?

Answer: The tax is generally imposed (or collected) upstream from the end user to reduce administrative burdens by minimizing the number of taxpayers (or tax collectors).

- For example, taxing natural gas when it is received by the local distribution company (instead of imposing the tax on LDC customers) removes approximately 60 million taxpayers from the system. This should significantly reduce IRS collection problems.

The tax must also be imposed upstream, particularly in the case of electricity, to encourage energy efficiency and fuel switching.

- Electric utilities and their regulators would have no incentive to change current fuel-use patterns if, instead of taxing fuel used by the utility, a tax on electricity were imposed on the ultimate consumer.

**PASSTHROUGH**

Question: What method does the Administration intend to use to ensure passthrough of the tax by utilities?

Answer: Historically, a "normalization" requirement has been used to prevent the passthrough of the tax benefits of accelerated depreciation to the end user. A utility that attempted to pass the benefits through to end users was not allowed to use accelerated depreciation. The Administration is studying a similar denial of tax benefits to encourage passthrough of the energy tax to the end user.

In order to meet some of the Administration's' objectives of the energy tax, namely energy conservation and energy security, the energy tax should be allowed to be passed on to the end user.

The Administration is considering methods to achieve this objective and has invited comments from the public.

Question: Will the Btu tax put independent power producers with long-term contracts that restrict passthrough at a competitive disadvantage?

Answer: The energy tax provides a special rule to insure that independent power producers would not be competitively disadvantaged by this tax. The Btu tax will impose a special tax on electricity that an independent power producer provides to a utility under a fixed-price contract entered into before the date of enactment.

The tax would be equal to the tax on the fossil fuel used to generate the electricity (or, in the case of electricity from a source other than fossil fuels, to the tax generally applicable to electricity from that source). The tax would be imposed at the utility that receives the electricity; the utility would be liable for the tax and would remit the tax directly to the Government. The independent power producer would not be liable for any tax on the electricity and would receive a credit for any energy tax on fossil fuels used to generate the electricity.

## INTERNATIONAL COMPETITIVENESS

Question: How will the Btu tax affect U.S. exports?

Answer: The Btu tax will raise manufacturing production costs by an average of just 0.1 percent. This is unlikely to hurt the competitive position of most U.S. exporters.

- Other elements of the Administration's economic proposals, especially deficit reduction, have already reduced interest rates and thus will reduce capital costs for exporting industries.

- Even after the Btu tax is fully phased in, the cost of energy will remain the lowest or second lowest (depending on the type of energy) in the G-7 countries.

Question: Are energy imports treated in the same manner as domestic production in all cases?

Answer: Imported coal, natural gas, and refined petroleum products will be taxed at the same rate as equivalent domestic products.

Imported electricity will generally be taxed at the same rate as domestic electricity generated from hydro- or nuclear power.

- Importers of fossil-fuel-generated electricity will be permitted to pay tax based on the actual amount of fossil fuel required to generate the electricity.

- Both domestic and imported electricity generated from solar, wind, or geothermal power are exempt from tax.

## ENERGY-INTENSIVE INDUSTRIES

Question: Why didn't the Administration provide relief for energy-intensive industries?

Answer: Two of the Administration's objectives in proposing the tax--increased energy efficiency and conservation and increased energy security--would not be attained to the extent tax relief were granted to energy-intensive industries. Further, providing certain industries any form of tax relief would require higher taxes on other energy uses.

U.S. energy prices, even after imposition of the energy tax would be the lowest or second lowest (depending on the type of energy) in the G-7 countries.

The deficit reduction impact of the energy tax should reduce interest rates, thus reducing the cost of capital to all U.S. business. This would particularly benefit the energy-intensive industries which also tend to be capital-intensive. Moreover, the Administration's proposed investment tax credit and alternative minimum tax relief should also have a favorable impact on these industries.

## LOW-INCOME HOUSEHOLDS

Question: How will the energy tax affect low income households?

Answer: The impact of the energy tax should be looked at in the context of the whole Administration program.

- The expansion of the earned income tax credit (EITC) will provide substantial relief to working poor families and more than offset increased costs attributable to the energy tax. For a family of four with $25,000 of income, all from wages, the proposed increase in the EITC, when fully phased in (1995), will be $595 per year ($49.58 per month), more than offsetting the energy tax.

- The Administration's proposal increases funding for the low income home energy assistance program (LIHEAP) by $1 billion per year. (This amount is phased in with the energy tax.)

- The Administration's proposal increases funding for the Food Stamp program by $1.755 billion per year. (This amount is phased in with the energy tax.)

- The Administration's spending proposals include over $100 million per year in weatherization assistance, primarily for low-income households. This funding will provide for the weatherization of over 500,000 houses over the budget period.

- The Administration's proposal would extend the low-income housing credit and the authority to issue mortgage revenue bonds. These programs increase the availability and affordability of housing for low-income and middle-income households.

Department of the Treasury
Office of Tax Policy
April 1993

**SUPPLEMENT TO SUMMARY
OF THE
ADMINISTRATION'S REVENUE PROPOSALS**

Department of the Treasury
April 1993

## SUPPLEMENT TO SUMMARY OF THE ADMINISTRATION'S REVENUE PROPOSALS

This report supplements and modifies certain of the revenue proposals described in the "Summary of the Administration's Revenue Proposals" released by the Treasury Department on February 25, 1993. Details regarding the modified Btu energy tax proposal were separately released by the Treasury Department on April 1, 1993.

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## PROVIDE TARGETED CAPITAL GAINS EXCLUSION

### Proposal

Investors who hold qualified small business stock for at least 5 years would be permitted to exclude 50 percent of gains realized on the disposition of their stock. A qualified small business is a subchapter C corporation with less than $50 million of aggregate capitalization from January 1, 1993, through the date the taxpayer acquires stock in the corporation, that uses substantially all of its assets in the active conduct of a trade or business during substantially all of the taxpayer's holding period. Certain activities, including personal service, banking, leasing, real estate, farming, mineral extraction, and hospitality businesses, cannot be qualified small businesses. Qualified small business stock must be acquired by an individual taxpayer (either directly or through an investment partnership or other pass-through entity) after December 31, 1992, and at its original issue (either directly from the corporation or through an underwriter). Subchapter C corporations that hold stock in a qualified small business would not qualify for the exclusion.

Individuals would be allowed to exclude 50 percent of capital gains realized upon the disposition of qualified small business stock held over 5 years, and would apply their current statutory rate on capital gains (either 15 or 28 percent) to the reduced amount of taxable gain. Gain eligible for the exclusion would be limited to the greater of ten times the investor's basis in the stock or $10 million for each qualified small business. One half of any exclusion claimed would be treated as a tax preference item under the individual alternative minimum tax.

The proposal includes safeguards to prevent large corporations from securing the exclusion for their shareholders by spinning off new subsidiaries, to prevent existing small corporations from redeeming outstanding shares in hopes of reissuing qualified small business stock, to prevent the use of shell corporations to avoid the requirement that stock be purchased at its original issue, and to prevent investors from securing the exclusion for certain transfers, including the transfer of unrealized gains on appreciated assets to a qualified small business.

## EXPANSION AND SIMPLIFICATION OF
## EARNED INCOME TAX CREDIT

posal

For families with two or more qualifying children, the earned income tax credit TC) credit rate would be increased over a two-year period. For these families, the dit rate would be increased to 31.6 percent of the first $8,500 of earned income in '4. Families with earned income between $8,500 and $11,000 would be entitled to the ximum credit of $2,685. The maximum credit would be reduced by 15.8 percent of usted gross income (or earned income, if greater) in excess of $11,000. Families with usted gross income above $28,000 would not be eligible for the EITC. In 1995 and reafter, the credit rate would be increased to 39.7 percent of the first $8,500 of ned income. (All values are shown in 1994 dollars.) Families with earnings between 500 and $11,000 would be entitled to the maximum credit of $3,371. The credit ase-out rate would be 19.83 percent, and families with adjusted gross income (or rned income, if greater) above $28,000 would not be eligible for the credit.

The EITC would also be increased for families with one child and would be tended to low-income workers with no children. For families with one qualifying child, e credit rate would be increased in 1994 to 26.6 percent of the first $7,750 of earned come. These families would be entitled to a credit of up to $2,062. The maximum edit would be reduced by 16.16 percent of adjusted gross income (or earned income, if eater) in excess of $11,000. The credit would be completely phased out for such milies with income above $23,760. In 1995 and thereafter, the credit rate would be creased to 34.4 percent of the first $6,000 of earned income. The phase-out rate would main the same as in 1994.

The EITC would also be extended for the first time to low-income workers who not have children, are age 22 or older, and who may not be claimed as a dependent another taxpayer's return. For these workers in 1994 and thereafter the EITC would 7.65 percent of their first $4,000 of earned income (for a maximum credit of $306). he credit would be phased out at a rate of 7.65 percent. In 1994 the phase-out range ould be between $5,000 and $9,000 of adjusted gross income (or, if greater, earned come).

The supplemental credits for young children and health insurance expenditures ould be repealed.

## DENY DEDUCTION FOR EXECUTIVE PAY OVER ONE MILLION DOLLARS

**Proposal**

The proposal would preclude any publicly-held corporation from taking a deduction under Internal Revenue Code section 162 for compensation in excess of $1 million for any one of its top five executives. For this purpose, a corporation is treated as publicly held if the corporation's common equity securities are registered under the Securities Exchange Act of 1934. For this purpose, the corporation's top five executives would be defined as under the SEC rules governing disclosure of executive compensation (i.e., the chief executive officer and the four other most highly-compensated officers of the corporation).

Certain types of compensation would not be subject to the deduction limit and would not be taken into account in determining whether other compensation exceeds $1 million. Compensation that is not taken into account includes: (i) payments to a tax-qualified retirement plan, (ii) fringe benefits that are excludable from the executive's gross income, and (iii) qualified performance-based compensation. Qualified performance-based compensation includes any compensation that is payable on a commission basis and any performance-based compensation that meets certain shareholder approval requirements.

Compensation payable on a commission basis. For this purpose, commissions are defined as compensation paid solely on account of income generated directly by the individual performance of the executive. Thus, for example, compensation that equals a percentage of sales made by the executive or a percentage of business that is directly attributable to the executive is treated as a commission. Because commissions must be paid with regard to income that is traceable directly to the executive, commissions do not include compensation that is paid on the basis of broader performance standards, such as the performance of the business unit or an increase in the corporation's stock price.

Other performance-based compensation. Qualified performance-based compensation also includes any compensation, other than commissions, that is paid solely on account of the attainment of one or more performance goals, provided that (i) the performance goals are established by a compensation committee consisting solely of two or more independent directors; (ii) the material terms under which the compensation is to be paid, including the performance goals, are disclosed to and approved by the shareholders in a separate vote prior to payment; and (iii) prior to payment, the compensation committee certifies that the performance goals and any other material terms were in fact satisfied by the executive. Compensation will not be treated as qualified performance-based compensation if the executive has a right to receive the compensation notwithstanding the failure of the compensation committee to certify attainment of the performance goal or the absence of shareholder approval. Under the posal, a performance goal is defined broadly to include any performance standard t is applied to the individual executive, a business unit, or the corporation as a whole. r example, stock options or other stock appreciation rights will be treated as qualified formance-based compensation, provided that the requirements for independent ector and shareholder approval are met, because the amount of compensation paid to executive is based on the performance of the corporation's stock price.

Effective date. The proposal would generally apply to compensation that is ierwise deductible to the corporation on or after January 1, 1994. However, the oposal would not apply to compensation paid under a binding written plan or reement in effect on February 17, 1993, and at all times thereafter. This grandfather le does not apply to the extent that modifications to the terms of the plan or reement are made after February 17, 1993. For example, compensation that is ductible on account of stock options or restricted stock rights granted on or before bruary 17, 1993 would continue to be deductible without regard to the $1 million limit.

## INCREASE CORPORATE TAX RATE FOR TAXABLE INCOME OVER TEN MILLION DOLLARS

### Proposal

The proposal would provide a new 36 percent marginal tax rate on corporate taxable income in excess of $10,000,000. The maximum rate of tax on corporate net capital gains would also be 36 percent.

A corporation with taxable income in excess of $15 million would be required to increase its tax liability by the lesser of 3 percent of the excess or $200,000. This increase in tax would recapture the benefits of the 34 percent rate in a manner analogous to the recapture of the benefits of the 15 and 25 percent rates. Because the 36 percent rate would apply only to income in excess of $10,000,000, the vast majority of corporations would not be subject to the new rate.

The 36 percent marginal rate would be effective for taxable years beginning on or after January 1, 1993. Under existing law provisions regarding changes in tax rates during a taxpayer's taxable year (section 15 of the Internal Revenue Code), a fiscal year corporation would be required to use a "blended rate" for its fiscal year that includes January 1, 1993. Accordingly, the corporation's tax liability would be a weighted average of the tax resulting from applying the existing corporate rate schedule and the tax resulting from applying the changes described above, weighted by the number of days before and after January 1, 1993. Penalties for the underpayment of estimated taxes, however, would be waived for underpayments of 1993 taxes attributable to the changes in tax rates.

## DENY DEDUCTION FOR LOBBYING EXPENSES

<u>posal</u>

Businesses would no longer be allowed to deduct lobbying expenses. Lobbying enses for this purpose would be defined similarly to the definition of expenditures to uence legislation in Internal Revenue Code section 4911(d) and would include attempts nfluence legislation through communications with the executive branch as well as the islative branch of the federal, or any state or local, government. This definition does not lude the exceptions provided in section 4911(d)(2) except as provided in section .1(d)(2)(B) (providing an exception for technical advice). The current restrictions on luctions for expenses of grassroots lobbying and participation in political campaigns would nain. Existing rules which prevent charities from engaging in more than an insubstantial ount of lobbying would also remain. No deduction would be allowed for the part of mbership dues that are used for lobbying, but as under current law, trade associations l similar organizations would not lose their exempt status for lobbying. Trade ociations and similar organizations would be required to report to their members the rtion of their dues used for lobbying activities. The proposal would provide for penalties an organization for materially misreporting its lobbying expenses to its members.

The proposal would be effective for taxable years beginning after December 31, 1993.

## LIMIT POSSESSIONS TAX CREDIT

### Proposal

The Internal Revenue Code section 936 credit would be determined as under current law, but would be subject to the following limitations. First, the credit determined under section 936(a)(1)(A) would be limited to 60 percent of the wages the possessions corporation pays to its employees in the possession. Second, the credit determined under section 936(a)(1)(B) for qualified possession source investment income would be limited to 80 percent of the possessions corporation's "qualified tangible business investment."

For this purpose, wages are defined by reference to the Federal Unemployment Tax Act (FUTA) definition of wages. The amount of wages taken into account for each employee would be limited to the amount of wages subject to federal social security withholding (currently $57,600). Qualified tangible business investment is defined as the average annual aggregate adjusted bases of tangible property used by the possessions corporation in a possession of the United States in the active conduct of a trade or business within that possession. Related possessions corporations would be permitted to consolidate for purposes of determining their section 936 credit.

The proposal would be effective for taxable years beginning after December 31, 1993, except that, for 1994 and 1995, possessions corporations may elect to claim a reduced credit not subject to the two limitations described above. Under this alternative, the credit will be limited to 80 percent of the current law credit in 1994 and 60 percent in 1995.

The Administration continues to review this proposal and consult with representatives of Puerto Rico.

## ELIMINATE WORKING CAPITAL EXCEPTION FOR FOREIGN OIL AND GAS AND SHIPPING INCOME

posal

The proposal would prevent the cross-crediting of foreign taxes on foreign oil and extraction income (FOGEI), foreign oil related income, and shipping income by cing investment income related to these types of income in the passive category for eign tax credit limitation purposes. In addition, the proposal would exclude passive ome related to foreign oil and gas extraction from the computation of the FOGEI eign tax credit limitation. The proposal would apply to income earned in taxable ars beginning after December 31, 1992.

## TRANSFER PRICING INITIATIVE

**Proposal**

Internal Revenue Code section 6662(e) would be amended to provide that the reasonable cause and good faith exclusion will be satisfied if the taxpayer provides contemporaneous documentation demonstrating the application of one or more reasonable transfer pricing methodologies to the taxpayer's controlled transactions. In order for the application of transfer pricing methodologies to be reasonable, any procedural or other requirements imposed by section 482 regulations with respect to the application of such method must be observed and documented. For example, if adjustments required under a particular method were not made, the taxpayer's application of such method would not be reasonable. In addition, methods other than those specifically prescribed in the section 482 regulations may be reasonable if the taxpayer could establish that, at the time of the controlled transactions, the prescribed methods would not be likely to lead to an arm's length result, and that the method actually applied was likely to lead to such a result.

Section 6662(e) would be further amended to reduce the threshold for imposition of the 20 percent substantial valuation misstatement penalty from a $10,000,000 net section 482 adjustment to the lesser of $5,000,000 or 10 percent of gross receipts. In addition, the threshold for imposition of the 40 percent gross valuation misstatement in section 6662(h)(2)(A)(iii) would be the lesser of $20,000,000 or 20 percent of gross receipts.

The proposal would be effective for taxable years beginning after December 31, 1993.

This legislative proposal would be supplemented by a transfer pricing enforcement initiative.

**ENHANCE EARNINGS STRIPPING AND OTHER ANTI-AVOIDANCE RULES**

posal

Any loan from an unrelated lender that is guaranteed by a related party would be ıted as related party debt for purposes of the earnings stripping rules. Except as vided in regulations, a guarantee would be defined to include any arrangement under ıch a person directly or indirectly assures (on an unconditional or contingent basis) the 'ment of another's obligation. For purposes of determining whether the interest paid the guaranteed debt is exempt from United States tax, the fact that the unrelated der is subject to net basis United States taxation (as opposed to United States hholding tax) on its interest income would not be taken into account. This proposal uld apply to any interest paid or accrued in taxable years commencing after December 1993. Moreover, for taxable years commencing after December 31, 1993, the :nings stripping rules would apply to any indebtedness issued on or before July 10, 39 (or issued after such date pursuant to a binding written contract in effect on such te).

The Secretary would be authorized to issue regulations that set forth rules pplicable to any section of the Code) for recharacterizing multiple-party financing rangements as a conduit arrangement. The regulations would apply not only to back- -back loans, but also to other financing transactions that in substance constitute a nduit arrangement.

Internal Revenue Code sections 871(h) and 881(c) would be amended to provide at, except as provided in regulations, the portfolio interest exemption shall not apply to rtain contingent interest paid to a nonresident alien or foreign corporation. The ovision would apply to interest that is computed (directly or indirectly) on the basis of ) gross or net income or cash flow (or any portion thereof, including income or cash ɔw derived from particular property or a particular transaction) that is received or :crued by the debtor or a related person or (ii) the fair market value of property owned / the debtor or a related person (or the gain that would be realized from a disposition : such property). For purposes of this provision, a related person would mean any ɜrson who is related to the debtor within the meaning of section 267(b) or 707(b)(1).

The provision would not override existing U.S. income tax treaties that reduce or iminate U.S. withholding tax on interest paid to foreign persons.

The proposal would apply to interest paid or accrued on debt obligations issued fter April 7, 1993.

## MISCELLANEOUS - H.R. 11 ITEMS

**Proposal**

The Administration's proposals include the following four items from H.R. 11 (the Revenue Act of 1992):

1) Substantiation and Disclosure Requirements Relating to Certain Charitable Contributions;

2) Disallowance of Interest on Certain Overpayments of Tax (the 45-day rule);

3) Denial of Deduction Relating to Travel by Spouse; and

4) Increase in Withholding From Supplemental Wage Payments.

Other than the proposals listed above and other proposals specifically described in the Summary of the Administration's Revenue Proposals released on February 25, 1993, no other revenue-raising proposals from H.R. 11 are included in the Administration's proposals.

MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE OF THE PSA
MARCH 15, 1993

The Committee convened at 10:15 a.m. at the Federal Reserve Bank of New York. All members were present except Messrs. Bennett, Bentanzos, Lakefield, Menne, and Rosenberg. Chairman Stark took votes by telephone from Messrs. Bennett, Bentanzos, Lakefield, and Rosenberg. A list of Committee members is attached.

To facilitate discussion, the Chairman had requested in advance of the meeting that a Committee member be prepared to begin the discussion on each of the seven issues that the Treasury had asked them to address. The whole Committee discussed each of the points in turn.

1. The changes, if any, that the Treasury could make to improve the maturity composition of its marketable borrowing.

The current practice of auctioning debt in stable amounts and in regular, predictable issues across the 3-month to 30-year maturity spectrum developed to finance historically large deficits and roll over maturing issues. The Committee consensus was that the current maturity structure of Treasury's marketable debt and of its debt offerings is broadly appropriate, given the size of Treasury's borrowing requirements in the foreseeable future.

Some members noted that if there were to be a change in the maturity composition of new marketable issues, it would be prudent to take advantage of the currently lower longer term interest rates by offering modestly larger amounts of 10-year and 30-year securities. At the same time, the Treasury could take advantage of low short-term rates by offering more bills, while reducing offerings in the 3- to 7-year area.

While it was recognized that the average maturity of the debt, taken by itself, is not necessarily a specific target of debt management policy, a significant shortening of average maturity would make the interest cost on the debt more sensitive to changes in short-term interest rates.

2. The specific potential **advantages** of shortening the maturity distribution of Treasury borrowing.

It was observed that the main potential advantage of shortening the maturity mix of Treasury securities would be savings in interest costs. Any savings would depend on financial market conditions generally and on the impact of the shift in maturity on the shape of the Treasury yield curve.

3. The specific potential **disadvantages** of shortening the maturity distribution of Treasury borrowing.

The Committee suggested several disadvantages, including that:

-- Changing the maturity mix may imply that Treasury is changing to an opportunistic borrowing strategy based on an interest rate forecast to replace regular, predictable issue patterns.

-- Shortening the maturity mix of Treasury borrowing could affect private issuers adversely because the private sector usually borrows in short and intermediate maturities.

-- Shortening could put inordinate pressure on the Federal Reserve to maintain an accommodative monetary policy. This could increase inflationary expectations, leading to subsequent increases in interest rates not only at the short end but across the maturity spectrum.

4. The spots on the yield curve where the Treasury should raise additional funds, if it were to reduce issuance of longer term securities significantly (could the current issue cycles be increased in size or frequency? Would new cycles be needed? If so, what new cycles?).

The Committee members suggested, first, that Treasury could increase the sizes of offerings in the existing cycles. However, the capacity to absorb new volume may differ at different points on the yield curve. In particular, it was suggested that:

-- There may be more capacity to absorb increased offerings in the bills, particularly the 52-week bill, than in short-term notes. However, an associated risk is that the Treasury may subject itself to the greater volatility of short-term interest rates.

-- The 2- and 3-year maturities may have a lesser capacity for increased offerings than bills; similarly for the 7-year range.

-- Alternatively, it was suggested to increase the frequency of existing auction cycles, for example, a bi-weekly 52-week bill, or to offer securities at new maturities.

5. <u>The smallest viable issue size, if the Treasury were to issue 10-year notes and 30-year bonds in reduced size.</u>

In general, smaller issue sizes were thought to reduce liquidity and increase price volatility. It was noted that the recent reductions in the 10- and 30-year issues have not had a significant effect, but that a further reduction, especially in the 10-year, may affect liquidity and price volatility.

An alternative suggestion was to reduce the frequency of auctions for 10-year and/or 30-year securities. For example, go from a quarterly cycle to a semiannual cycle.

It was noted that a corollary issue is whether a reduction in issue size is perceived as a one-time change or part of a longer term process. The capacity of the market for each maturity has been built up over a long period. It may take time to rebuild a cost-efficient investor base in the future if the Treasury were to reduce significantly or to pull out of a particular maturity sector.

6. <u>The value to the Treasury or to the U.S. economy of continuing to issue 30-year bonds.</u>

A number of points were raised supporting the continuance of 30-year bonds, including:

-- Given a very large and growing debt, it would be prudent to take advantage of all sectors of the yield curve.

-- The liquidity and usefulness of the STRIPS market would be hampered if 30-year bond issuance were cut further or discontinued.

-- The 30-year bond provides a risk-free investment for long-term investors.

-- It provides a bellwether for the corporate and municipal markets.

-- Based on the behavior of private profit-maximizing corporations, the long term market is currently attractive for raising low cost funds.

7. <u>The value to the Treasury of having a regular, predictable schedule of auctions; how can this value be quantified?</u>

It was noted that a primary objective of the Treasury's debt management policy is to raise funds at a minimum cost over time. One way to accomplish this is to minimize uncertainty and the associated risk premium in interest costs. Confidence in the stability of Treasury's financing patterns has been built up over many years. As a result, the Treasury's borrowing costs have been lower than what they would have been otherwise.

It was noted that the empirical value of this benefit, however, is unknown and attempts to measure it may be difficult.

At the end of discussion, the Chairman called for a vote on the following two matters:

1. In response to a recommendation that the Treasury should not permit the average life of the debt to decrease from current levels, the Committee voted in favor, with one dissenting vote and no abstentions.

2. The Committee members voted unanimously in favor of substituting short-term bills for 3- to 7-year financing in lieu of a further absolute reduction in the 10- and 30-year issues, if the Treasury were inclined to reduce the average maturity of the debt.

The meeting adjourned around 1:00 p.m.

Paul F. Malvey

Paul F. Malvey
Assistant Director
Office of Market Finance

Attachment

**1993**
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**REPORT TO THE SECRETARY OF THE TREASURY
FROM THE TREASURY BORROWING ADVISORY COMMITTEE OF THE
PUBLIC SECURITIES ASSOCIATION**

**March 15, 1993**

The Treasury Borrowing Advisory Committee of the Public Securities Association, comprised of a group of professionals from money managers, commercial banks, and securities dealers, met at the Federal Reserve Bank of New York, along with various officials from the Department of the Treasury and the New York Federal Reserve Bank. The purpose of the meeting was to solicit the Committee's views and recommendations in connection with Treasury's ongoing study of the maturity mix of new issues of marketable U.S. Treasury securities. To this end, the Committee addressed the following seven broad questions posed by the Treasury.

1) The changes, if any, that the Treasury could make to improve the maturity composition of its marketable borrowing;

2) The specific potential <u>advantages</u> of shortening the maturity distribution of Treasury borrowing;

3) The specific potential <u>disadvantages</u> of shortening the maturity distribution of Treasury borrowing;

4) The spots on the yield curve where the Treasury should raise additional funds, if we were to reduce issuance of longer term securities significantly (could the current issue cycles be increased in size or frequency? would new cycles be needed? if so, what new cycles?);

5) The smallest viable issue size, if the Treasury were to issue 10-year notes and 30-year bonds in reduced size;

6) The value to the Treasury or to the U.S. economy of continuing to issue 30-year bonds; and

7) The value to the Treasury of having a regular, predictable schedule of auctions; how can this be quantified?

The Committee has contributed to a number of debt management innovations over the years as part of an ongoing effort to aid in the development and maintenance of open and broad distribution channels in order to minimize interest expense. This study is the current initiative in a series of steps that include the reliance on competitive auctions, lifting of the 4 1/4% debt ceiling, movement to yield auctions, adoption of new cycles, experimentation with Dutch auctions, and the elimination of cycles that no longer meet Treasury or investor needs, all as a part of the judgements and refinements required to most efficiently finance the growing deficit.

The present analysis takes place within the framework of record marketable privately held Treasury debt at $2.456 trillion, annual interest expense of approximately $200 billion, and recent deficits in a range of $300 billion. Since the election of a new Administration, Treasury yields have dropped some 30 basis points for the longest bills and approximately 85 basis points for intermediate coupon issues out to the 30 year bond, taking many Treasury yields to the lowest levels in nearly 30 years. In fact, after inflation, short-term rates are now near zero; only the inflation premiums on longer debt maturities have not been reduced, as the yield curve has remained positively sloped with the 2 to 30 year yield spreads near 300 basis points.

Inflation, notwithstanding the recent "aberrant" behavior of the PPI, CPI and the CRB, seems to many to have troughed around 3%. GDP has posted seven consecutive quarters of growth, capped with a 4.8% increase in the final quarter of 1992, and is likely now achieving the eighth positive quarter with growth in the 2 - 2 1/4% range. Substantial refinancing and debt repayment is occurring as corporations, individuals, and state and local governments are reducing debt burdens at interest rates which are perceived low. At the same time, monetary policy is seen to be stable and likely to remain so for a protracted period. There is even a reasonable balance of uncertainty as to whether the next movement might be to lower or higher rates. The greatest evidence of change lies in the Administration's new initiatives stressing deficit cutting and stimulus. As part of the House Budget Committee recommendations, within a roughly $6 trillion economy, there is planned $16 billion in near-term stimulus, approximately $500 billion debt reduction over five years and expenditure savings to be found or counted later in 1996, 1997 and 1998. Even with these initiatives, over the next five years Treasury demands for net new financing are expected to total $1 trillion.

Lastly, it is noted that the average life of the public debt has centered recently at about 6 years, and is currently at 5 3/4 years with 50% of privately held marketable debt maturing within two years. As such, the Treasury has been a major beneficiary of the declines in interest rates. This benefit is evidenced by the fact that, though the national debt will grow by over $300 billion, or approximately 11%, in the current fiscal year, the interest expense paid by the government has stabilized at roughly $200 billion a year.

The Committee references the above points to underscore its belief that the questions posed by the Treasury Department cannot be best answered in isolation, but must be considered within the broad fiscal initiatives planned for the next five years and in an environment that does not place undue demands upon a complimentary, but independent, monetary policy.

The Committee also underscores its belief that Treasuries play a unique and vital role in the nation's, indeed the world's, capital markets where they are the instruments of choice for investors, funding risk managers, hedgers, arbitragers, swap departments, portfolio managers and underwriters of sovereign issues. This pivotal benchmark role of Treasury debt substantively contributes to the lowering of Treasury interest costs and the interest costs of all private and domestic debt which is vital to the growth of the U.S. economy.

The Committee's intention at this meeting was to identify and weigh contrasting views and perspectives in open discussion among its membership, with Treasury and Federal Reserve officials present. The Committee's report is divided into four broad sections. The first section will address discussions surrounding Questions 1 and 7; the second Questions 2 and 3; the third Question 4; and, the fourth Questions 5 and 6.

SECTION I: Questions 1 and 7

While the U.S. deficit has been growing for more than 30 years, in the last twelve years the pace has greatly accelerated. This pace of accumulating debt cannot be quickly reversed. Even if the deficit trend is turned for the better, approximately $1 trillion of net new borrowing, as noted previously, will be required over the next five years. Further, the Treasury's recent borrowing has occurred in a favorable environment with the yield curve sloping upward, a monetary policy permitting interest rates to fall to ever lower levels, and competition from other domestic and international borrowing sources muted by the ongoing period of slow growth and even recession. Today, recovery in the United States is at hand and in the not too distant future maybe abroad as well. As the economy expands, competition from other governmental and private sources will likely intensify to make the coming borrowing environment for the Treasury increasingly less hospitable.

The current maturity structure of the Treasury's debt, its monthly and quarterly patterns of financing, and the stabilizing and cost-reducing role of predictability have developed out of the need for the Treasury to borrow in all maturity sectors to finance the unprecedented growth in the deficit. Even with the present constructive shift in fiscal policy, Treasury's deficit will be substantial for the rest of the decade and beyond. The Committee believes that the present maturity composition of the Treasury's publicly-held marketable debt is broadly appropriate.

It is the Committee's strong view that there should be no significant movement away from the general principles of predictability. During the period of the 1960s and early 1970s, predictability was not a priority. The Committee believes that since then the Treasury has created and nurtured, through its consistent behavior, a very valuable asset for the taxpayer, and that this hard-won -- but always fragile -- asset of predictability has contributed to a material lowering of overall borrowing costs. Investor confidence in the predictability of the Treasury's pattern and composition of borrowing is based on a lengthy accumulation of hard evidence which can be lost in an instant. Then, if ever newly desired, it will take years to re-gain. Fortunately, Treasury has been clear in its commitment to this policy and any increase in the premiums that might have occurred across the maturity spectrum seem, so far, to have been held to a minimum. However, the marketplace would become instantly sensitive and concerned -- expressing this apprehension with price deterioration -- if it is perceived that, for reasons of political expediency, changes in the composition and pattern of borrowing of doubtful or debateable virtues are sought in a reach for near-term interest savings at the expense of savings in future years.

One of the important and nearly unique features of short-term Treasury securities is the role these instruments play as near-money equivalents, second only to money itself, as a basic instrument of liquidity for the domestic and, in fact, world economy. Excessive reliance by Treasury on short-term debt could stimulate, across all markets, fears of potential inflation and undermine global market confidence in the fiscal policy of the U.S. government. With 50% of the publicly-held marketable debt maturing within two years, any greatly enlarged refinancing demands could become a fatal defect, as in recent years it was seen to be for some government, private borrowers and major financial institutions. Particularly given the gradual deterioration in the fiscal rectitude of the U.S. government, it is important to always bear in mind that in an open and competitive financial market, investment in Treasury securities cannot be compelled, only induced through the payment of higher yields.

Though the value of predictability is difficult to quantify, the Committee feels any significant deregularization of the Treasury auction schedule and composition would create an uncertainty that has a cost. With $650 billion of Treasury bills outstanding, and another $600 billion in maturing notes and new financing due within one year, every additional basis point in required interest on this $1.250 trillion debt would carry direct costs of $125 million in marginal debt service within one year.

Beyond the risks that a short-sighted policy might create, the Committee notes that market volatility surrounding Treasury announcements in recent years has been low, when normalized for prevailing volatility, as measured against the period of the 1960s and 1970s when the now persistently followed and publicly affirmed policy of predictability was not followed. The premium the market charges for uncertainty, in the form of yields higher than they would be otherwise, can be viewed as an imbedded option that the Treasury pays investors. Predictability reduces this cost as investors worldwide have become confident in the rational and consistent behavior of U.S. borrowing patterns.

The Committee also draws attention to the substantial current correlation shared between the U.S. and its principal trading partners as it relates to the duration of sovereign debt of each. Were a country to deliberately embark on a plan of meaningful change, this would draw investor attention and could lead to substantial market consequences. Thus, in broad and firmly held terms, the Committee sees an important value to the Treasury of promptly removing any newly introduced uncertainty concerning the commitment to predictability,which has materially lessened the interest expense to the Treasury as a cornerstone of Treasury's impressive financing success in recent years. Predictability, however, need not be adhered to slavishly. Refinements, discussed and described in an open and clearly articulated fashion, will always be necessary as a part of gradual and carefully orchestrated changes that seek, long-term, to lower interest costs.

SECTION II: Question 4

The Committee continues to believe that the U.S. Treasury, as the world's largest borrower both in gross and net terms, should remain cautious in considering, and especially implementing, major changes to either its debt management techniques or its financing patterns. Given the perpetual status of U.S. Treasury debt, as a by-product of the continuing additional borrowing needs that are visible even beyond the end of this century, the Committee believes the Treasury should use all available maturity sectors and avoid the temptation of excessive dependency on short-term financing. The paramount requirement is to formulate a strategy of how best to raise approximately $1 trillion of net new debt over the next five years, giving consideration to the new Administration's budget plan. A strategy concentrating on raising money in maturities which are nominally lower cost short-term maturities, at the moment, offset by significant reductions in the issuance of longer-term securities to lower near-term interest expense, entails a substantial risk of backfiring.

And, even if eventually it did not, and were successful, when combined with the regrettable record evident to all worldwide, that we have failed to come to grips with our fiscal excesses, the strategy would likely be seen by the financial markets as just another step in the direction of fiscal irresponsibility. The Committee applauds the Administration's attention to deficit reduction as an overdue and necessary step in the direction of first reducing, and ultimately eliminating, the Federal budget deficits. Greater Treasury flexibility, efficiency, and debt management strategies could then be possible which today are precluded by the massive borrowing needs ahead.

If there is to be any additional reduction in the issuance of longer term securities, the Committee recommends that the Treasury first stress existing auction cycles to raise the funds required. The market has, for extended periods, accepted in a smooth and efficient fashion, substantial increases in existing cycle offerings because of the credibility earned through the predictable nature of Treasury financing. Growth in existing cycles may continue for a reasonable period, even in the face of increasing private credit demands before new cycles may be necessary. Obviously, any substantial further reductions in the issuance of longer-term securities would shorten the period of time before new cycles will be necessary.

The Committee has noted on several occasions, in the past, that the one-year (52-week) bill offers the Treasury the most significant new borrowing potential with the least market disruption. But, while there is substantial flexibility, it is vital to note that just a small increase in short-term rates can have an enormous impact on Treasury's interest cost given the present concentration of Treasury debt under two years. In addition, particularly if the concentration were increased, any rise in short rates might have an immediately greater effect on closely related maturity sectors for the Treasury and private borrowers. This could pose a material risk to the benefits of deficit reduction and economic growth.

If the one-year bill cycle were raised to the level of current two-year note offerings ($15 billion monthly), in excess of $50 billion could be raised from private market participants(excluding Federal Reserve and official foreign account purchases)in the first year. This one-time increase would not raise significant net new cash beyond the first year. The Treasury might also consider increasing the frequency of the one-year bill offerings to bi-weekly (twice a month). Consideration here should be given to the magnitude of the borrowing requirement, the eventual resulting debt average life, related market impact and economic factors.

If the bi-weekly plan were pursued, rather than increasing the size of the one-year bill to $15 billion, it would be appropriate to hold the offering size to around $10 billion. This alternative could raise up to about $125 billion of net new cash from private market participants (excluding Federal Reserve and foreign account purchases) over the first year and would have the same limitations in terms of the cash raising potential beyond the first year as is noted above.

As concluding points relative to the one-year sector, the Committee believes that more substantial offerings of one-year bills will likely encourage enhanced investor interest in this maturity in much the same fashion as has occurred with two-year notes. Also, there has been consideration and discussion over time concerning the possibility of offering a 52-week coupon-bearing security for those investors who prefer "current income"; further study could determine the preference of investors for a coupon obligation versus a discount obligation of the same maturity.

The Committee further recommends that the auctioning of all bills -- three months, six months, and one year -- should be conducted on the same basis as coupon issues. Providing full information as to what will be sold to private market participants (excluding Federal Reserve and official foreign account purchases) would reduce uncertainty about the net size of Treasury's issuance. The Committee believes this additional information would likely lower the Treasury's interest expense.

Lastly, should the Treasury need a further new cycle to either augment our primary suggestions, in aggregate or in combination with other options, the Committee notes the possibility of re-instituting the quarterly four-year note cycle. Current note cycles offer one open date each quarter, the 15th day of the third calendar month. Thus, the middle of March, June, September and December could be utilized to re-institute a quarterly four-year note cycle. There would be minimal effect on the present average life of the debt if this maturity is selected, and the cash raising potential would approximate $50 billion a year for a four-year period. The maturity itself falls within the popular two to five year maturity range and should not materially affect the noticeable, but marginal, distortions that have accompanied the monthly five-year note sales.

SECTION III: Question 2 and 3

The Committee continues to support the general principle that over the long-term Treasury can achieve the lowest interest expense to the taxpayers by employing techniques and financing patterns that are routinely followed and generally anticipated by market participants. The measurement period should not be a single period in time, where one particular form of borrowing or another could have saved money. Calculations of this sort are always easy in retrospect. In prospect, the judgement is much more difficult. As an example, when the 40-year Treasury 3% due in 1995 were issued in 1955 at roughly three times the Treasury bill rate prevailing at the time, they were initially perceived to be costly, but they have proved to be cheap if contrasted with 38 years of roll-over expense in three-month Treasury bills.

Under economic and deficit projections implicit in the Administration's plan and CBO forecast, it is useful to point out that if the present mix of current coupon offerings were held constant, the average life of the national debt would shorten to 5.3 years by the end of fiscal 1998. More importantly, because of significant coupon maturities first in fiscal 1994 and then in fiscal 1997 and 1998, principally because of the increased two and five year note cycles, the requirement for net new Treasury bills would surge dramatically. Fiscal 1994 would show an increase of approximately $65 billion net over fiscal 1993 and fiscal 1997 and 1998 would rise to approximately $175 billion annual net new money, almost three-fold the net new issuance in this current fiscal year. The sheer scale of aggregate bill borrowing that would result would initially distort the yield curve and spread to other near maturities.

Precise quantification of this is difficult, but professionals generally feel that three and six month bill auctions of $30 billion would require at least five additional basis points and $40 billion bill sales might require an additional five basis points. Since most short-term markets, as well as adjustable rate mortgages, are quoted at spreads over bill yields, this increased interest cost would spread directly to the private market, potentially affecting spending, investment and general economic activity. In particular, with 50% of all corporate debt outstanding maturing within one year, the consequence of disproportionate borrowing by the Treasury in this maturity range would be manifest.

Excessive reliance on short-term debt also could stimulate market fears of potential inflation, could actually become a source of inflation itself, and could conceivably undermine market confidence in overall government policy. Private investors would likely demand high premiums for excessively concentrated borrowing. Should the auctions then fail to take up fully the Treasury's requirement, Federal Reserve open market support could possibly be called into play. That, at least, would be the market's fear. The history of central bank financing of public deficits has typically been poor public policy and, ultimately, bad for the economy. Clearly, with $1 trillion in net new debt anticipated over the next five years, coupon issues will have to grow. A disproportionate reliance on bills would be a risky path to follow.

These comments are offered to underscore the importance of coupon issuance, the limitations of bill financing even with the seductive nature of near-term interest savings, and the importance of finding the proper balance among financing alternatives under various assumptions.

A current further cutback in longer term marketable borrowing might, though not necessarily, foster lower interest rates for specific securities and maybe even the sector as a whole. However, older, larger issues will likely still trade at higher yields to newly reduced offerings as is the case today. Even if the yield curve remains positively sloped, longer term borrowings (not just the long bond), when coupled with increases in shorter term borrowing, could over time lead to reduced total interest cost to the Treasury. Further, these reduced costs might likely spread to the debt and equity capital raising for households and businesses alike.

A cost/benefit analysis can be done to more fully quantify the gains and risks inherent in reduced coupon financing versus increased bill financing. The key is to establish the measurement period and the magnitude required for short rates to rise above the long-term rates. Generally, following a cyclical extreme in the slope of the yield curve, it does not take long before short-term rates approach or exceed the levels of long and intermediate rates. The following table illustrates this by comparing three-month bills versus ten year notes:

**Period Required for Short Rates to Rise Above Long-Term Rate Levels Prevailing at Yield Curve Peak**
**(3-Month Bills versus 10-Year Notes)**

| Month Yield Curve Peaked | 3 Month Bill Rate | 10 Year Note Yield | Spread (Basis Points) | Period Before Bill Rates Rose That Amount Months |
|---|---|---|---|---|
| June 1954 | 0.64% | 2.38% | 174 | 18 |
| July 1958 | 0.91% | 3.20% | 229 | 11 |
| Sept 1961 | 2.28% | 3.98% | 170 | 49 |
| June 1967 | 3.53% | 5.02% | 149 | 9 |
| Feb 1972 | 3.20% | 6.08% | 288 | 13 |
| Feb 1976 | 4.88% | 7.79% | 291 | 31 |
| Sept 1982 | 7.92% | 12.34% | 442 | 3 |
| | | | Average: | 21.8 |
| | | | Median: | 15.5 |

However, even assuming that short-term rates rise steadily over the next few years, some shift of borrowing from intermediate and longer term debt to bills could cut Federal interest costs and the deficit by modest amounts in fiscal year 1994 and a larger amount cumulatively over fiscal years 1994 - 1998. As an example, using 1993 CBO budget deficit and interest rate assumptions, and a Committee member's calculation of interest savings, it is possible the Treasury could save $7.5 billion in interest expense over fiscal years 1993 - 1997 by cutting all note and bond auctions by one-sixth even if short-term bills rise by 100 basis points per year over the period. As CBO interest rate assumptions are less pessimistic, rising 50 basis points per year on average through 1997, greater savings may be possible.

As a particular suggestion, the Committee believes that there are modest distortions in connection with the five and seven year cycles and between the three to seven year sector which could be saved by modest auction size reductions in favor of bill issuance which, while keeping longer term issuance fundamentally unchanged or proportionate to new borrowings, would not incur undue risk to the Treasury and possibly achieve some interest rate savings.

As most of the spending cuts are "back loaded" in the Administrations's program into fiscal years 1996, 1997, and 1998, there likely are substantial premiums still built into longer-term maturities reflecting skepticism of the Administration's ability and determination to cut spending. Thus, there may well be hidden savings to be gained from lightening Treasury financing in longer-term maturities under the assumption that the Administration's program is implemented and proven successful. Unfortunately, the temptation to shorten the average life of the public debt, achieving near and intermediate-term interest savings by reducing longer term borrowing in favor of increased short maturity borrowing, may actually occur at precisely the wrong point in time as yield curves are often the steepest just before short-term rates begin a cyclical rise.

The table below shows that over the last 40 years, encompassing seven major interest rate cycles, short-term rates have almost always bottomed within a month or two of peak steepness in the yield curve:

**Yield Curve Steepest at Short Rate Troughs**
**(3-Month Bills Versus 10-Year Notes)**

| Month Yield Curve Steepest | Month Short Rates Troughed | Difference (Months) |
|---|---|---|
| June 1954 | June 1954 | - 0 - |
| July 1958 | June 1958 | 1 before |
| Sept 1961 | July 1961 | 2 before |
| June 1967 | June 1967 | - 0 - |
| Feb 1972 | Feb 1972 | - 0 - |
| Feb 1976 | Dec 1976 | 10 later |
| June 1980 | June 1980 | - 0 - |
| Sept 1982 | Oct 1982 | 1 later |

As has been noted already, the adoption of a short maturity financing strategy may result in a serious roll over problem which could become particularly acute if Treasury debt is rising relative to GDP or, with the free flow of capital among markets, domestic and foreign investors grow uneasy about U.S. fiscal policies. Were this to lead to political or other pressures on the central bank to pursue an easy monetary policy to hold down near term costs, this debt monetization would almost inevitably lead to higher inflation, eventually forcing potentially even sharper and more economically wrenching rises in short-term rates.

The Committee, having taken many points into consideration, believes it is an inappropriate policy to at this time shorten the average life of the national debt. To the question, "Should the Treasury permit the average life to decline from present levels?", the Committee voted 18-1 in opposition (and the one dissenting vote would have been in favor if the question had been rephrased to read, "to decline materially").

SECTION IV: Questions 5 & 6

The U.S. Government, because it possesses superior credit characteristics and the most liquid secondary market of all sovereign debt issuers, has the unique ability to raise funds in the long-term capital markets. Given the continuing large deficit anticipated and the consequent near perpetual nature of existing Treasury debt, all maturity sectors available for financing should be used, including the 10 and 30 years. The existence of the 30-year bond not only tempers the impact from continuing large deficits but, as well, holds down long-term interest expense, keeps the U.S. in a comparatively good international position, while serving as a vital benchmark for the pricing and hedging of long-term debt issued by state and local governments, private corporations, and other Federal government entities. These domestic markets and global sovereign issuers would suffer if the liquidity of the long-term U.S. Treasury bond markets were impaired, which would be the result of a discontinuance or meaningful further reduction in the issuance of long-term securities.

Given the extreme uncertainty of long-term credit evaluation, there is particular value in long-dated, risk-free assets for investors with comparable long-dated maturity liabilities. A number of international and domestic investor groups (e.g., insurance companies and pension funds) have needs for high quality long duration assets to offset long-dated liabilities. They are willing to pay a premium for the opportunity to receive U.S. guaranteed cash flows at distant future dates to address these liability exposures.

Further, the existence of growing futures markets provides this country with a significant edge over foreign competitors in global finance, enhancing the liquidity of all of our primary and secondary securities markets. Excessive reduction or cancellation of the 30-year issue would be a major blow to the development of these markets and may spread consequent costs well beyond the markets themselves. The liquidity and usefulness of stripped U.S. Treasury obligations would, as well, be impaired if there was further meaningful change in the supply of 30-year bonds. The effect of this would spread across the full spectrum of U.S.

Treasury debt, as the existence of stripping affords the market the very useful ability to reflect in the pricing of all debt, out to thirty years, the value of cash flows free of credit risk.

It was noted by several Committee members that risk capital has already been withdrawn from the long-term markets as a direct consequence of the rapid reduction over the past year in long-term Treasury debt issuance. It took many careful years of measured small additions to build the 30 and 10-year issues to $12 billion. Investor participation and confidence and intermediary underwriting commitments worked hand in hand to meet the government's needs. The recent reductions, nearly $3 billion per quarter for the 30-year bond, have caused some risk capital to be withdrawn, raising the specter that the long-term Treasury market might become the 10-year note. This reduction in supply comes on top of prior cancellations in 20-year Treasury bond auctions and the completion of the Resolution Trust Corporation and Financial Assistance Corporation long-term borrowings. While marginal additional reductions of up to a maximum of $1 billion, may be possible in both cycles without impairing these markets, this step cannot be taken without longer-term consequences. It is the Committee's view that depriving the long-term bond market of an adequate supply to sustain its viability would eliminate a financing option which has proved very useful to the Treasury and valuable to the financial markets.

As other outstanding long-term Treasury issues have failed to follow fully the lower yields of recently reduced offerings, the Treasury might, instead, consider trying semi-annual auctions of larger sizes in order to maintain the scale of liquidity and value of the 30-year market within the framework of predictability and the present average life. The Committee also notes that further reducing auction sizes to lower levels, particularly approaching $8 billion, risks the re-occurrence or the appearance of "squeezes" and consignment abnormalities in related markets.

Because of the above points and heavy dealer hedging of corporates, mortgages and related securities positions, as well as broad based demand for stripped securities, the Committee concludes that it could be unwise to further reduce either the 10 or 30 year issues below their present levels.

The Committee is pleased to have been able to contribute to the Department of the Treasury's analysis of debt issuance and innovation. The Committee stands ready to address any additional specific issues or analysis that Treasury would feel appropriate.

Mr. Secretary, this concludes our report.

Respectfully submitted,

Morgan B. Stark
Chairman of the Treasury
Borrowing Advisory Committee
of the Public Securities
Association

The White House

Office of the Press Secretary

For Immediate Release April 1, 1993

# PREPARED REMARKS OF PRESIDENT WILLIAM J. CLINTON TO THE AMERICAN SOCIETY OF NEWSPAPER EDITORS

## "A Strategic Alliance with Russian Reform"

## Annapolis, Maryland

Today I want to speak with you about the events in Russia, our policies toward the new independent states, and my meetings with President Boris Yeltsin this weekend. But first, I wish to speak of America's purposes in the world.

That is not something we often examine. For it is human nature to focus most on daily affairs. In our own lives, we do our jobs, raise our children, and nurture our relationships one day at a time. Yet we are each guided by some sense of purpose, drawn from our families and our faith, which shapes the million small events of our life into a larger work that bears the imprint of our character.

So it is in the lives of nations. Decisions command attention. Crises drive actions. But it is only with an overriding sense of purpose, drawn from their history and culture, that great nations can rise above the daily tyranny of the urgent to construct their security, build their prosperity, and advance their interests.

A clear sense of purpose is most essential, yet most elusive, at times of global change. A half century ago, our nation emerged victorious from the Second World War to discover itself on unfamiliar terrain. The old empires of Europe and Asia were gone. A new communist empire loomed. Ours was the only economy still strong. Dean Acheson later described it as a time of "great obscurity." Yet he, George Marshall, Harry Truman, and other leaders in both parties saw the stakes clearly enough. They acted decisively. They accepted the mantle of leadership. Their sense of purpose helped rescue Europe, rebuild Japan, contain aggression, and foster two generations of unprecedented prosperity and peace.

Now, thanks to their vision, carried forward through succeeding generations -- and to the courage of the people of the former Soviet Union -- freedom has once again won a great victory. Over the past four years, the Berlin Wall crumbled. The Cold War ended. The Soviet Union gave way to fifteen sovereign states. Millions threw off the constricting yoke of communism so they could assume instead the ennobling burdens of democracy.

Yet these victories also confront us with a moment of profound change. The collapse of the Soviet empire changed the international order. The emerging economic powerhouses of the

Pacific are changing the financial order. The proliferation of demonic weapons threatens to change the distribution of military power. Resurgent ethnic conflict is challenging the very meaning of the nation state. The rise of a global economy has changed the linkages between our domestic and foreign policies and made them indivisible.

In a time of dramatic global change we must define America's broader purposes anew. Part of that purpose consists of reviving economic growth at home, for it is the ultimate basis of our influence abroad. Congress is acting this week to break gridlock and to build our prosperity by passing the heart of our economic program. After years of policies that diminished our future, Washington has finally recognized that the best social program is a good job, and the best route to deficit reduction is a growing economy founded on a bold plan of change to cut spending, increase investment, and empower working families.

Our program invests in people -- by changing our tax code to reward work and investment and ensure that anyone who works a forty hour week won't have to live in poverty; by providing our children with the education, nutrition, and immunizations they need to start life right; by reinventing the way we educate and train our workers for the new global economy; and by creating jobs now through investments in infrastructure, safe streets, and community development. The American people had the courage to call for change in November, and I am hopeful Congress will have the courage to vote for change this week -- for <u>both</u> the long term deficit reduction and investment plan and the short term jobs program to create 500,000 new jobs over the next two years.

As I said so often in the global village there is no clear dividing line between domestic and foreign policy. We can't be strong abroad unless we are strong at home. And we can't be strong at home unless we engage actively abroad. Therefore, we also need a new sense of America's purposes abroad. The world remains a dangerous place, and our pre-eminent imperative is to ensure our security. That is why we are working to assure that our military is not only the finest in the world, but also specifically tailored for the challenges of this new era. For the central fronts of our fight for a safer world have moved from the plains of northern Europe, to our efforts to stem weapons proliferation, relieve ethnic turmoil, promote democracy, expand markets, and protect the global environment.

During the Cold War, our foreign policies largely focused on the relations <u>among</u> nations. Our strategies sought a balance of power to keep the peace. Today, our policies must also focus on relations <u>within</u> nations. A nation's form of governance, economic structure, and ethnic tolerance are of concern to us, for they shape how it treats its neighbors as well as its own people. In particular, democracies are far less likely to wage war on other nations than dictatorships.

Emphatically, the international community cannot seek to heal every domestic dispute or resolve every ethnic conflict. But within practical bounds, and with a sense of strategic priorities, we must do what we can to promote the democratic spirit and economic reforms that can tip the balance for progress in the next century.

From the first hours of my administration, several critical situations have demanded our attention -- in Iraq, Somalia, Haiti, the Mideast, the former Yugoslavia, and elsewhere. We have developed strategies to address these and other immediate challenges and I am encouraged by progress we have made. Yet all of us must also focus on the larger questions that this new era presents. For if we act out of a larger sense of purpose and strategy, our work on the crises of the late Twentieth Century can lay the basis for a more peaceful and democratic world at the start of the Twenty-first.

The end of the long, twilight struggle does not ensure the start of a long peace. Like a wise homeowner who recognizes that you cannot stop investing in your house once you buy it, we cannot stop investing in the peace now that we have obtained it. That recognition was the triumph of Truman's era. But unlike then, we lack the specter of a menacing adversary to spur our efforts. Now, not fear but vision must drive our investment and engagement in this new world.

Nowhere is that engagement more important than in our policies toward Russia and the new independent states. Their struggle to build free societies is one of the great human dramas of our day. It presents the greatest security challenge for our generation. It offers one of the greatest economic opportunities of our lifetime. That is why my first trip out of the country will be to Vancouver, Canada to meet with President Yeltsin.

Over the past month, the tumultuous events in Russia have filled our headlines. President Yeltsin has been at loggerheads with the People's Congress of Deputies. Heated political standoffs have obstructed economic change. Meanwhile, neighboring states, such as Ukraine and the Baltic nations, have watched Russia anxiously while they grapple with their own reforms.

For most Americans, these events, while dramatic, are remote from their immediate concerns. We have our own problems and needs. We face a stagnant economy and the dislocations brought about by the end of the Cold War. Why should we help a distant people when times are hard at home?

My argument today is this: we cannot guarantee the future of reform in Russia or the other states. Ultimately, that will be determined by what they do. Yet, for our own part, we must do what we can, and we must act now. It is not an act of charity. It is an investment in our own future. While our efforts will entail new costs, we can reap even larger dividends for our safety and prosperity.

To understand why, we must grasp the scope of the transformation occurring in Russia and the other states. From Vilnius on the Baltic to Vladivostok on the Pacific, we have witnessed a political miracle -- heroic deeds -- without precedent in human history. The other two world-changing events of this century, World War I and World War II, exacted a price of over 60 million lives. By contrast, this world-changing event has been remarkably bloodless, and we pray it remains so.

Now free markets and free politics are replacing repression. Central Europe is in command of its own fate. Lithuania, Latvia, and Estonia are again independent. Ukraine, Armenia, and other proud nations are free to pursue their own destinies.

At the heart of it all is Russia. Her rebirth has begun. A great nation, rich in natural and human resources, Russia is again moving to rejoin the political and economic cultures of the West. President Yeltsin and his fellow reformers throughout Russia are courageously leading three modern Russian revolutions: to transform their country from a totalitarian state into a democracy; from a command economy into a market; and from an empire into a modern nation-state.

Russia's rebirth is not only material and political, but also spiritual. As the Librarian of Congress, James Billington, observed: "evil has been transcended by repentance without revenge; innocent suffering in past *gulags* has been given redemptive value; and the amazingly non-violent breakthrough of August 1991, which occurred on the Feast of the Transfiguration, was indeed a 'miracle' through which ordinary people rediscovered a moral dimension to their lives." Across what was the Soviet Union, the freedom to pray has been met by a resurgence of worship.

Nothing could contribute more to global freedom, security, and prosperity than the peaceful progression of Russia's rebirth. It could mean a modern state, at peace with itself and the world, productively and prosperously integrated into the global economy, a source of raw materials and manufactured products and a vast market for American goods and services. It could mean a populous democracy contributing to the stability of both Europe and Asia.

The success of Russia's renewal must be a first-order concern to our nation because it confronts us with four distinct opportunities. First, it offers us an historic opening to improve our own security. The danger is clear if Russia's reforms turn sour -- if it reverts to authoritarianism or disintegrates into chaos. The world cannot afford the strife of the former Yugoslavia replicated in a nation spanning eleven time zones and armed with a vast arsenal of nuclear weapons.

But there is great opportunity here as well. Across most of our history, our security was challenged by European nations, set on domination of their continent and the high seas that lie between us. The tragic violence in Bosnia reminds us that Europe has not seen the end of conflict. Now, we could at last face a Europe in which no great power harbors continental designs. Land wars in Europe cost hundreds of thousands of American lives in this century. The rise of a democratic Russia, satisfied within her boundaries, bordered by other peaceful democracies, could ensure that our nation never needs to pay that kind of price again.

We also face the opportunity to increase our own security by reducing the chances of nuclear disaster. Russia still holds over 20,000 strategic and tactical nuclear warheads. Ukraine, Belarus, and Kazakhstan have nuclear weapons on their soil as well. We are implementing historic arms control agreements that for the first time will radically reduce the number of strategic nuclear weapons. Now, by supporting Russia's reforms, we can help turn the promise of those agreements into a reality for ourselves and our children, and for Russians and their children.

Second, Russia's reforms offer us the opportunity to complete the movement from having an adversary in foreign policy to having a partner in global problem- solving. Think back to the Cold War. Recall the arenas where we played out its conflicts. Berlin. Korea. The Congo. Cuba. Vietnam. Nicaragua. Angola. Afghanistan. We competed everywhere. We battled the Soviets at the U.N. We tracked each other's movements around the globe. We lost tens of thousands of our sons and daughters to hold freedom's line. Those efforts were worthy. But their worth was measured in prevention more than creation, in the containment of terror rather than the advancement of human happiness.

Now reflect on what has happened since Russia joined us in a search for peaceful solutions. We cooperated in the U.N. to defeat Iraqi aggression. We co-sponsored promising peace talks in the Mideast. We worked together to foster reconciliation in Cambodia and El Salvador. We joined forces to protect the global environment. Progress of this kind strengthens our security and that of other nations. If we can help Russia remain increasingly democratic, we can leave an era of standoff behind us and explore expanding horizons of progress and peace.

Third, Russia's reforms are important to us because they hold one of the keys to investing more in our own future. America's taxpayers spent trillions of dollars to prosecute the Cold War. Now we can reduce that pace of spending, but only because the arms of the former Soviet Union pose a diminishing threat to us and our allies. If Russia were to revert to imperialism or plunge into chaos, we would need to reassess our plans for defense savings. That could mean billions less for other uses. Less for creating new businesses and new jobs. Less for preparing our children for the future. Thus, our ability to put people first at home requires that we put Russia and its neighbors first on our agenda abroad.

Fourth, Russia's reforms offer us an historic economic opportunity. Russia is in economic crisis today. But Russia is inherently a rich nation. She has a wealth of oil, gas, coal, gold, diamonds, and timber for her own people to develop. The Russian people are among the most well educated and highly skilled in the world. We must look beyond the Russia of today and see her potential as a prosperous nation of 150 million -- able to trade with us in a way that helps both our peoples. Her economic recovery may be slow, but it is in the interest of all who seek more robust global growth to ensure that, aided by American business and trade, Russia rises to her great economic potential.

The burning question today is whether Russia's progress toward democracy and free markets will continue or be thwarted. I believe that freedom, like anything sweet, is hard to take from people once they have tasted it. The human spirit, once released, is hard to bottle up again. Yet if we cannot be certain of how Russia's affairs will proceed, we are nonetheless certain of our own interests. Our interests lie with efforts that enhance our own security and prosperity. That is why our interests lie with Russian reform and Russian reformers.

America's position is unequivocal. We support democracy and free markets. We support freedom of speech, conscience, and religion. We support respect for ethnic minorities in Russia and for Russian and other minorities throughout the region.

I believe it is essential that we act prudently but urgently to do all that we can to strike a strategic alliance with Russian reform. That will be my goal in Vancouver. That will be my message to the man who stands as the leader of reform, Russia's democratically elected president, Boris Yeltsin. I will not describe today all the specific ideas I plan to discuss with him. But I do want to describe the principles on which our efforts to assist reform will rest.

First, our investments in Russian reform must be <u>tangible to the Russian people.</u> Support for reform must come from the ground up. That will only occur if our efforts are broadly dispersed, and not focused just on Moscow. I plan to talk with President Yeltsin about measures intended to help promote the broad development of small businesses, accelerate the privatization of state enterprises, assist local food processing and distribution, and ease the transition to private markets. Our goal must be to ensure that the Russian people soon come to feel that they are the beneficiaries of reform, not its victims. We must help them to recognize that their sufferings are not the birth pangs of democracy and capitalism, but the death throes of dictatorship and communism.

Second, our investments in Russian reform must be designed to have lasting impact. Russia's economic vessel is too large and leaky for us to bail it out. Our challenge is to provide some tools to help the Russians do that work for themselves. A good example is Russia's energy sector. Russia is one of the world's largest oil producers. Yet millions of barrels of the oil Russia pumps each month seep out of the system before reaching market. Just the leakage from her natural gas pipelines could supply the entire state of Connecticut. The Russians must make many reforms to attract energy investments. And by helping introduce modern drilling practices and repair Russia's energy infrastructure, we can help Russia regain a large and lasting source of hard currency. Over the long run, that effort can even help protect the environment and moderate world energy prices.

Third, our efforts must be people-to-people, not just government-to-government. We have entered a new era, in which the best way to achieve many of our goals abroad is not through diplomats or dollars, but private citizens who can impart the skills and habits that are the lifeblood of democracy and free markets. We need expanded efforts so retired American business executives can work with Russian entrepreneurs to start new businesses; so our farmers can teach modern farming practices; so our labor leaders can share the basics of trade unionism; so Americans experienced in grassroots activities can impart the techniques that ensure responsive government; so our armed forces can engage in more exchanges with the Russian military; and so thousands of young Russians, who will be reform's primary beneficiary and constituency, can come to America to study our government, economy, and society.

Fourth, our investments in reform must be part of a partnership among the new independent states and the international community. They must be extended in concert with measures from our allies -- who have at least as much at stake in the survival of Russian reform as we do -- working through the international financial institutions. This principle is especially important as we help Russia stabilize its currency and its markets. Russia's central bank prints too many rubles and extends too many credits. The result is inflation that has been nearly one percent a day. Inflation at such levels gravely impairs Russia's emerging markets. In Vancouver, I plan to discuss the progress we are making among the major industrialized nations to help Russia make the leap to a stable currency and a market economy. While we cannot support this effort alone, and while we must insist on commensurate Russian reforms, American leadership is essential.

Fifth, we must emphasize investments in Russia that enhance our own security. I plan to talk with President Yeltsin about steps we can take together to ensure that denuclearization continues in Russia and her neighboring states. We will explore new initiatives to reassure Ukraine so that it embraces the START treaty, and to move toward the goal of the Lisbon Protocol agenda, which was intended to ensure that Russia is the only nuclear armed successor state to the Soviet Union. Ukraine will play a special role in the realization of these objectives, and we recognize our interest in the success of reform in Ukraine and the other new states. I will talk with President Yeltsin about new efforts to realize the two-thirds reductions in U.S. and Soviet strategic nuclear arsenals envisioned under START. And I will suggest steps both our countries can take to stem the proliferation of weapons of mass destruction.

Sixth, we must recognize that our policies toward Russia and the other states comprise a long-term strategy that may take years to work completely. That was the key to our success in the Cold War. As the Soviets veered from the terror of Stalin, to the thaw of Khrushchev, to the grey days of Brezhnev, to the *perestroika* of Gorbachev, our purpose remained constant: containment; deterrence; human freedom. Our goals must remain equally fixed today. Above all, our security and that of our allies. But also: democracy; market economies; human rights; and respect for international law. In this regard, I welcome President Yeltsin's assurances that civil liberties will be respected and continuity in Russia's foreign policy maintained as Russia strives to determine her future.

The path that Russia and the other states take toward reform will have rough stretches. Their politics may seem especially tumultuous today, in part, because it is so much more public than in decades past. Then, the ruler of the Kremlin had only subjects; now, he has constituents. We must be concerned over every retreat from democracy, but not every growing pain within democracy. Our own early history was marked by revision of our governing charter and fist-fights in our Congress. As Vaclav Havel noted, democracy is not a destination, but a horizon toward which we make continual progress. As long as there are reformers in the Russian Federation and the other states leading the journey toward democracy's horizon, our strategy must be to support them; our place must be at their side.

Moreover, we and the Russian people must not give up on reform due to the slow pace of economic renewal. Recall how many of the world's economic success stories were written off too soon. Western visitors to Japan in 1915 dismissed its economic prospects as dismal. Korea's economy was described as a "hopeless case" by American experts in 1958. Many Germans after World War II anticipated decades of national poverty; a German Minister of Economic Affairs noted: "Few realized that if people were allowed once more to become aware of the value and worth of freedom, dynamic forces would be released." The miracle of prosperity that Japan, Korea, and Germany have discovered awaits those who are willing to sustain democratic and economic reform in Russia and her neighboring states.

Despite today's troubles, I have great faith that Russian reform will continue and eventually succeed. Let me here address directly the Russian people who will read or hear my words. You are a people who understand patriotic struggle. You have persevered through an unforgiving climate. Your history has been punctuated with suffering unknown to us. You heroically withstood murderous invasions by Napoleon and Hitler. Your great literature and music, which have so enriched our own culture, were composed with the pen of longing and the ink of sorrow. Your accomplishments of education and science speak to your faith in progress. Now, as you seek to build a great tomorrow for Russia upon a foundation of democracy and commerce, I know I speak for Americans everywhere when I say: we are with you. For we share this bond: the key to each of our futures is not in clinging to the past, but in having the courage to change.

As we look upon Russia's challenges, we should remember all that the American and Russian people have in common. We are both rooted in our land. We are both built of diverse heritages. We are both forever struggling with the responsibilities that come with vast territory and power. We both have had to deal with the dilemmas of human nature on an immense scale. That may be why there has been so little real hatred between our people, even across decades when we pointed weapons of nightmarish destruction at each other's lands.

Now, as in the past, America's future is tied in important ways to Russia's. During the Cold War, it was tied in negative ways. We saw in each other only danger. Now that the walls have come down we can see hope and opportunity.

In the end, our hope for the future of Russian reform is rooted in our faith in the institutions that have secured our own freedom and prosperity. But it is also rooted in the Russian people. The diversity of their past accomplishments gives us hope there are diverse possibilities for their future. The vitality of Russian journalism and public debate today gives us hope that the great truth-seeking traditions of Russian culture will endure, and that Russia's anti-democratic demagogues will not in the long run prevail. And the discipline of Russia's military, which proved itself anew in August of 1991, gives us hope that Russia's transition can continue to be peaceful.

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# TREASURY NEWS

Department of the Treasury    Washington, D.C.    Telephone 202-622-2960


Text as Prepared for Delivery
Embargoed until delivered
Expected about 12:35 p.m.
April 2, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
AMERICAN SOCIETY OF NEWSPAPER EDITORS
BALTIMORE, MD.

You know, I've had to talk to some tough audiences in my public career, but I think yours may take the prize. You've got to be careful with a group that titles a seminar: "Fix Local News -- Or Die!" I'm not sure what to make of the fact that this seminar comes right after my speech.

We've been watching the saga of the New York Post closely at Treasury since it was founded by Alexander Hamilton, our first Treasury Secretary. That was quite a stroke to print a drawing of Hamilton with a tear in his eye over what was happening to the paper. Of course, if he could see what our national debt looked like, he'd probably be crying a river.

I can't help but recall that Hamilton was killed in a duel with Aaron Burr. The next time the opposition up on Capitol Hill takes a pot-shot at me or our economic plan, the New York Post headline will probably read, Bentsen: Fix Deficit or Die.

I'm delighted to join you today. I don't know if it's politically correct anymore to quote H.L. Mencken, but he did have a way with words.

Sixty years ago Mencken made an observation that may be truer today than it was then. He wrote in what was then the Evening Sun, "Unless I err gravely, what the people really want is a sweeping reduction in the cost of government."

We're on track now toward what he was talking about, a smaller, less expensive government, and we're also on track toward changing the course of our economy.

I think he would understand that we're changing the status quo, not to benefit ourselves, as he suspected of politicians, but to benefit our nation, and in turn to benefit the world. We are facing our future, and we are doing something about it.

That change is taking place already. Congress has now agreed to the Budget Resolution. We've taken the first step toward deficit reduction of about $500 billion.

Before a single law has been signed we have affected both ır economy and on our position in the world.

Anybody in here refinanced a mortgage or bought a new house ately? Anyone here changed credit cards to one charging lower nterest?

You're saving a bundle of money already. Since the election ong term interest rates have come down about 80 basis points. y friend Alan Greenspan tells me that a drop of 10 basis points s the equivalent of a $10 billion shot in the arm for the conomy.

America's businesses -- your newspapers, our major orporations, and our small businesses -- are all paying less to orrow. Even the government, we're saving billions of dollars as e roll over our debt at each auction.

Abroad, our G-7 partners are applauding our actions. They old us for years to get our own house in order. We've done just hat. The president's plan marks a new era of global cooperation nd coordination so that all economies can grow. Our economy is eading the way, and with cooperation and coordination, others ill follow.

On the issue of international economies, if I could diverge or a moment, I'd like to mention Russia.

The president and I will meet with Russian President Yeltsin omorrow. This is an important session. The world community has significant stake in the future of Russia, and in the future of he other former republics now trying to make it on their own. e are assembling an important package of assistance to Russia, ll of it aimed at getting their economy stabilized. The resident discussed this with you yesterday.

I'd like to reiterate that from my perspective, one of the teps that can help is for the Russian Central Bank to quit rinting so much money and fueling inflation.

We had a Marshall Plan to rebuild Europe after World War II, nd then we saw the Cold War. That period and its heavy military pending is over, but the economic situation in Russia has not tabilized. They are, in effect, still undergoing a revolution.

Our assistance -- and that of the rest of the developed orld -- will assist the Russian transformation.

As part of the effort to assist Russia, the United States and other Western creditor governments today agreed to reschedule some $15 billion in Russian and Former Soviet Union debt.

The United States welcomes this accord. It is the first step in a multilateral process to support the forces of democracy and economic reform in Russia.

This will help enable Russia to rebuild its creditworthiness, and renew access to credits that it can use to buy food and capital equipment to support Russia's drive to a market-based economy.

All of us have an interest in what happens over there. No one wants to see economic or political chaos. No one wants to see questions raised about the safety and security of the nuclear stockpile over there. That's why we're paying so much attention to these problems -- here and at other departments. It is in everyone's interest to see that Russia and the other new nations succeed.

Now, I'd like to talk briefly about the major elements in our economic plan, and then perhaps I can answer some questions. Let me anticipate one of them. Yes, we still need a stimulus, and let me tell you why.

The employment figures this morning showed the jobless rate still at 7 percent. We lost 22,000 jobs last month. Nine million Americans are out of work.

The Consumer Confidence report Tuesday showed Americans less confident about the economy for the third straight month. It's been two full years since the trough of the recession. Since then, job growth has been under 1 percent. In a normal recovery it would have been about 6.5 percent.

Twice during the Bush administration our economy tried to recover, but nothing was done. You know what happened? Twice we fell right back into that recession. We're 0-2 right now. I sure don't want to go 0-3. We must guarantee that we don't fall back a third time.

What we're doing differs from what you might consider a traditional stimulus. It is a building block to our longer term program to revitalize the economy, stimulate investment, pay attention to our people, and eliminate our internal roadblocks to international competition.

We want to create 500,000 jobs by starting to repair our infrastructure. We want to prepare Americans for new jobs in new careers. And, we want to encourage the private sector investment that creates jobs.

To invest in our youth, there's youth job training and a ımmer jobs program for nearly 700,000 disadvantaged youngsters. ıd, we want to put money into childhood immunization, the Women, ıfants and Children program, and Head Start. A dollar invested ıere means as much as a $10 savings later.

We are extending emergency unemployment benefits into ctober. Job creation and job growth doesn't happen overnight. e simply must help our work force weather this period.

To help our businesses begin making the investments that ill strengthen our growth, we are proposing to make permanent a mall business investment tax credit. We're also proposing a emporary marginal investment tax credit for all businesses.

The tax side of the stimulus also will simplify and treamline the depreciation portion of the alternative minimum ax system. Right now we have three different depreciation chedules, and our plan will end up with one schedule -- and a horter one at that.

We've also taken rapid regulatory steps to ease the credit runch. Talk to the owners of the small and medium-sized usinesses in your cities and towns. They'll tell you it has een just too hard, too time consuming and too expensive to get redit. Talk to your bankers. They'll tell you they've been eluctant to lend because they're afraid of the government.

We've probably accomplished a Washington first by getting he Fed, the FDIC, the Comptroller of the Currency and the Office f Thrift Supervision to work together on this plan. This rogram already is ending the paperwork and regulatory oadblocks. And it does not endanger the safety or security of ur financial institutions. The excesses of the '80s will not be epeated in the '90s.

For the longer run, we want to encourage additional nvestment by the private sector. And, as a government, we need o invest in our infrastructure and people to make us more fficient competitors on the world scene. We expect to create 8 illion new jobs.

We have had what I call an investment deficit in this ountry. We do not compare well at all to our G-7 partners. For nstance, public investment as a share of Gross Domestic Product: t's 6.1 percent in Japan. It's just 1.7 percent here. Private nvestment in the United States is just half what it is in Japan.

For the private sector, we're doing the things businesses have been asking us to do for years. For instance, we are a high-tech nation, the world's leader, and high-tech takes research. We will permanently extend the research and development tax credit. That will let research managers plan their spending with the confidence of knowing that credit will always be available to them.

Two items from the stimulus package carry forward into our longer range program -- the permanent small business investment tax credit, and the simplified alternative minimum tax.

Not only that, but we also will permanently extend both the low-income housing credit and the mortgage revenue bond provisions.

A well-educated and trained work force is important to our success in competing in the world. That's why we will permanently extend the targeted jobs tax credit to include workers in apprenticeship programs. And, we will also permanently extend the exclusion for educational assistance that employers provide.

You'll notice that much of our tax program is aimed at small businesses. There's a reason for that. It is expansion in small and medium-sized businesses that will be producing the bulk of our job growth in the future. If you track the large corporate restructuring going on now, you'll see that the growth we need is likely to come from the smaller firms.

To encourage investment in those businesses, we are proposing capital gains tax relief for those who invest in businesses capitalized at $50 million or less. We want to exclude 50 percent of the gain on new investment that is held at least five years. This should stimulate job creation and investment over the long run.

As government's part of the long term investment package, we'll invest in infrastructure, technology and people. We'll help communities emerge stronger from defense downsizing. We'll help dislocated workers find new jobs and train for new careers.

And, to reward work and be certain that no one who works has to raise a family in poverty, we are going to expand the Earned Income Tax Credit.

It is an ambitious program. But the goal is to make certain our businesses have the incentives they need to invest in enterprises that create jobs and strengthen our economy, and to make the investments as a government that assist in those goals.

The final part of our plan is the deficit reduction package. re, I think we deserve some credit. We grabbed hold of what is effect the third rail of American politics -- entitlements, ong with a variety of outdated subsidies.

The size and cost of government are coming down -- 100,000 rkers and 14 percent in spending. I'm feeling the pinch at the easury Department.

We're making those who benefitted the most in the '80s pay ore now in taxes. Not only are we boosting the top individual ate to 36 percent, our surtax effectively makes the rate almost 0 percent for those with taxable incomes over $250,000, or an djusted gross income of over $300,000.

And the corporate rate is going to go up by 2 percent, to 36 ercent for our largest corporations. But that's not much when ou consider that Germany's corporate rate is 50 percent, and apan's is 40 percent.

Our energy tax is a fair one. We did not go after any one uel, but rather went after the BTU content. We've kept it as eographically neutral as we can.

Our tax has three aims: to bring down the deficit, bviously, but also to help clean up our atmosphere and reduce ur dependence on imported energy.

The effect of our taxes on a family with an income of 40,000 a year will be minimal -- just $17 a month. It's about nough to phone out for a couple of medium pizzas and give the lriver a tip. A family that refinanced a home mortgage is saving ell over that already.

What's the upshot of our entire package? It means deficits re headed downward. By 1997, our annual deficit will be pproximately $140 billion lower than what it is today. But if e do nothing, in a decade our annual deficit will be not the 200 billion we project now, but more than $650 billion. If we lo nothing, interest payments on our debt will be not 14 percent of our budget, but 20 percent a year and climbing.

And let me remind you, if we do nothing to get health care costs under control, even with our program, deficits will be headed upward again after 1997.

President Clinton has a significant program laid out. These are changes that we must make.

We cannot continue on the path we were on. We've taken the important first steps by getting our plan started in Congress. There's a considerable amount of heavy lifting that remains before we can be certain we have succeeded. And let me tell you, we must succeed, because the price of failing to act is far too high, and the choices narrow the longer we wait.

Thank you very much.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
April 5, 1993

CONTACT: Office of Financing
202/219-3350

# TREASURY POSTPONES AUCTION OF WEEKLY BILLS

The Treasury Department announced that it is postponing the auctions of 13-week and 26-week bills originally scheduled for today. This action is being taken because legislation to increase the statutory debt limit has not been enacted.

Investors are advised to look for notice of rescheduling of the auctions in the financial press or to contact their local Federal Reserve Bank or Branch for such information.

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
April 6, 1993

CONTACT: Office of Financing
Bureau of the Public Debt
202/219-3350

## TREASURY RESCHEDULES AUCTIONS AND ANNOUNCES AUCTION OF CASH MANAGEMENT BILL

Given assurances that the statutory debt limit bill will be signed by the President before the scheduled settlement of the affected securities, the Treasury Department today announced that it is rescheduling the bill auctions that had been postponed pending a debt cap hike. In addition, the Treasury announced that it will auction a cash management bill today.

### Treasury 52-Week Bill Auction

The Department of the Treasury hereby amends its offering announcement of March 26, 1993. The auction of $14,250 million of 52-week bills, originally scheduled for and postponed on Thursday, April 1, 1993, has been rescheduled for Tuesday, April 6, 1993. The closing time for receipt of noncompetitive tenders is prior to 12:00 noon and for competitive tenders is prior to 1:00 p.m., Eastern Daylight Saving time. The bills will be issued on Thursday, April 8, 1993, as originally announced.

All other terms and conditions in the announcement of March 26, 1993, remain the same, including the provision that bills in amounts above the minimum purchase amount of $10,000 must be purchased in multiples of $5,000.

### Treasury Weekly Bill Auctions

The Department of the Treasury hereby amends its offering announcement of March 30, 1993. The auction of two series of Treasury bills totaling $22,400 million, originally scheduled for and postponed on Monday, April 5, 1993, has been rescheduled for Wednesday, April 7, 1993. The closing time for receipt of noncompetitive tenders is prior to 12:00 noon and for competitive tenders is prior to 1:00 p.m., Eastern Daylight Saving time. The bills will be issued on Thursday, April 8, 1993, as originally announced.

All other terms and conditions in the announcement of March 30, 1993, remain the same, including the provision that bills in amounts above the minimum purchase amount of $10,000 will be available for purchase in multiples of $1,000.

LB-106

## Treasury to Auction Cash Management Bill

The Treasury will auction approximately $17,000 million of 15-day Treasury cash management bills to be issued April 7, 1993.

Competitive tenders will be received only at the Federal Reserve Bank of New York prior to 11:00 a.m. Eastern Daylight Saving time, Tuesday, April 6, 1993. Noncompetitive tenders will not be accepted. Tenders will not be received at the Bureau of the Public Debt, Washington, D. C.

Details about the cash management bill are given in the attached offering highlights.

This offering of Treasury securities is governed by the terms and conditions by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

oOo

Attachment

**HIGHLIGHTS OF TREASURY OFFERING**
**OF 15-DAY CASH MANAGEMENT BILL**

April 6, 1993

| | |
|---|---|
| **Offering Amount** . . . . . . . | $17,000 million |
| **Description of Offering:** | |
| Term and type of security . | 15-day Cash Management Bill |
| CUSIP number . . . . . . . . | 912794 C3 6 |
| Auction date . . . . . . . . | April 6, 1993 |
| Issue date . . . . . . . . . | April 7, 1993 |
| Maturity date . . . . . . . . | April 22, 1993 |
| Original issue date . . . . | October 22, 1992 |
| Currently outstanding . . . | $34,365 million |
| Minimum bid amount . . . . | $10,000,000 |
| Multiples . . . . . . . . . . | $1,000,000 |
| Minimum to hold amount . . | $10,000 |
| Multiples . . . . . . . . . . | $1,000 |
| **Submission of Bids:** | |
| Noncompetitive bids . . . . | Not accepted |
| Competitive bids . . . | (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. |
| | (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. |
| | (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders. |
| **Maximum Recognized Bid at a Single Yield** . . . | 35% of public offering |
| **Maximum Award** . . . . . . . . | 35% of public offering |
| **Receipt of Tenders:** | |
| Noncompetitive tenders . . | Not accepted |
| Competitive tenders . . . . | Prior to 11:00 a.m. Eastern Daylight Saving time on auction day at the Federal Reserve Bank of New York |
| **Payment Terms** . . . . . . . . | Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date |

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 6, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 15-DAY BILLS

Tenders for $17,129 million of 15-day bills to be issued April 7, 1993 and to mature April 22, 1993 were accepted today (CUSIP: 912794C36).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.04% | 3.09% | 99.873 |
| High | 3.07% | 3.12% | 99.872 |
| Average | 3.07% | 3.12% | 99.872 |

Tenders at the high discount rate were allotted 91%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 0 | 0 |
| New York | 57,193,000 | 17,129,350 |
| Philadelphia | 0 | 0 |
| Cleveland | 0 | 0 |
| Richmond | 0 | 0 |
| Atlanta | 0 | 0 |
| Chicago | 0 | 0 |
| St. Louis | 0 | 0 |
| Minneapolis | 0 | 0 |
| Kansas City | 0 | 0 |
| Dallas | 0 | 0 |
| San Francisco | 0 | .0 |
| Treasury | 0 | 0 |
| TOTALS | $57,193,000 | $17,129,350 |
| **Type** | | |
| Competitive | $57,193,000 | $17,129,350 |
| Noncompetitive | 0 | 0 |
| Subtotal, Public | $57,193,000 | $17,129,350 |
| Federal Reserve | 0 | 0 |
| Foreign Official Institutions | 0 | 0 |
| TOTALS | $57,193,000 | $17,129,350 |

LB-107

AUCTION RESULTS
# PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 6, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $14,353 million of 52-week bills to be issued April 8, 1993 and to mature April 7, 1994 were accepted today (CUSIP: 912794J88).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.22% | 3.35% | 96.744 |
| High | 3.24% | 3.37% | 96.724 |
| Average | 3.24% | 3.37% | 96.724 |

Tenders at the high discount rate were allotted 61%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 14,120 | 14,120 |
| New York | 40,658,945 | 13,532,315 |
| Philadelphia | 5,145 | 5,145 |
| Cleveland | 18,195 | 18,195 |
| Richmond | 41,130 | 32,160 |
| Atlanta | 19,955 | 12,565 |
| Chicago | 1,167,980 | 132,585 |
| St. Louis | 12,915 | 6,915 |
| Minneapolis | 2,230 | 2,230 |
| Kansas City | 26,935 | 26,935 |
| Dallas | 9,680 | 9,680 |
| San Francisco | 698,550 | 227,650 |
| Treasury | 332,345 | 332,345 |
| TOTALS | $43,008,125 | $14,352,840 |
| Type | | |
| Competitive | $38,745,600 | $10,090,315 |
| Noncompetitive | 605,425 | 605,425 |
| Subtotal, Public | $39,351,025 | $10,695,740 |
| Federal Reserve | 3,200,000 | 3,200,000 |
| Foreign Official Institutions | 457,100 | 457,100 |
| TOTALS | $43,008,125 | $14,352,840 |

LB-108

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 7, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,236 million of 13-week bills to be issued April 8, 1993 and to mature July 8, 1993 were accepted today (CUSIP: 912794E75).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.89% | 2.95% | 99.269 |
| High | 2.92% | 2.98% | 99.262 |
| Average | 2.92% | 2.98% | 99.262 |

Tenders at the high discount rate were allotted 65%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 25,042 | 25,042 |
| New York | 39,347,253 | 9,655,289 |
| Philadelphia | 8,668 | 8,668 |
| Cleveland | 30,720 | 30,720 |
| Richmond | 30,430 | 30,430 |
| Atlanta | 22,606 | 21,906 |
| Chicago | 1,996,022 | 310,594 |
| St. Louis | 11,111 | 11,111 |
| Minneapolis | 5,502 | 5,502 |
| Kansas City | 29,188 | 29,188 |
| Dallas | 14,745 | 14,745 |
| San Francisco | 845,257 | 191,507 |
| Treasury | 900,845 | 900,845 |
| TOTALS | $43,267,389 | $11,235,547 |
| **Type** | | |
| Competitive | $38,716,600 | $6,684,758 |
| Noncompetitive | 1,427,799 | 1,427,799 |
| Subtotal, Public | $40,144,399 | $8,112,557 |
| Federal Reserve | 2,611,830 | 2,611,830 |
| Foreign Official Institutions | 511,160 | 511,160 |
| TOTALS | $43,267,389 | $11,235,547 |

An additional $51,440 thousand of bills will be issued to foreign official institutions for new cash.

# TREASURY NEWS

Department of the Treasury · Washington, D.C. · Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
April 6, 1993

CONTACT: Office of Financing
202/219-3350

## TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $22,000 million, to be issued April 15, 1993. This offering will result in a paydown for the Treasury of about $1,225 million, as the maturing weekly bills are outstanding in the amount of $23,214 million.

Federal Reserve Banks hold $5,195 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $1,991 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

LB-109

April 6, 1993

| | | |
|---|---|---|
| **Offering Amount** | $11,000 million | $11,000 million |
| **Description of Offering:** | | |
| Term and type of security | 91-day bill | 182-day bill |
| CUSIP number | 912794 E8 3 | 912794 G2 4 |
| Auction date | April 12, 1993 | April 12, 1993 |
| Issue date | April 15, 1993 | April 15, 1993 |
| Maturity date | July 15, 1993 | October 14, 1993 |
| Original issue date | January 14, 1993 | April 15, 1993 |
| Currently outstanding | $12,068 million | --- |
| Minimum bid amount | $10,000 | $10,000 |
| Multiples | $ 1,000 | $ 1,000 |

**The following rules apply to all securities mentioned above:**

| | |
|---|---|
| Submission of Bids: | |
| Noncompetitive bids | Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids |
| Competitive bids | (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%<br>(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.<br>(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders. |
| Maximum Recognized Bid at a Single Yield | 35% of public offering |
| Maximum Award | 35% of public offering |
| Receipt of Tenders: | |
| Noncompetitive tenders | Prior to 12:00 noon Eastern Daylight Saving time on auction day |
| Competitive tenders | Prior to 1:00 p.m. Eastern Daylight Saving time on auction day |
| Payment Terms | Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date |

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
April 6, 1993

Contact: Peter Hollenbach
(202) 219-3302

## PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR MARCH 1993

Treasury's Bureau of the Public Debt announced activity figures for the month of March 1993, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS), are as follows:

| | Dollar Amounts in Thousands |
|---|---|
| Principal Outstanding (Eligible Securities) | $680,104,950 |
| Held in Unstripped Form | $507,304,880 |
| Held in Stripped Form | $172,800,070 |
| Reconstituted in March | $17,634,920 |

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

Information about "Holdings of Treasury Securities in Stripped Form" is now available on the Department of Commerce's Economic Bulletin Board (EBB). The EBB, which can be accessed using personal computers, is an inexpensive service provided by the Department of Commerce. For more information concerning this service call 202-482-1986. Because this information will be readily available on the Economic Bulletin Board, as of May 1, the STRIPS table will no longer be available through a recorded message.

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PA-120

## TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, MARCH 31, 1993
### (In thousands)

| Loan Description | Maturity Date | Principal Amount Outstanding: Total | Principal Amount Outstanding: Portion Held in Unstripped Form | Principal Amount Outstanding: Portion Held in Stripped Form | Reconstituted This Month[1] |
|---|---|---|---|---|---|
| C-1994 | 11/15/94 | $6,658,554 | $4,778,554 | $1,880,000 | $72,000 |
| A-1995 | 2/15/95 | 6,933,861 | 5,641,061 | 1,292,800 | 129,440 |
| B-1995 | 5/15/95 | 7,127,086 | 4,410,286 | 2,716,800 | 20,000 |
| C-1995 | 8/15/95 | 7,955,901 | 5,283,901 | 2,672,000 | 23,200 |
| D-1995 | 11/15/95 | 7 [illegible],550 | 3,982,150 | 3,338,400 | -0- |
| A-1996 | 2/15/96 | 8,416,949 | 7,440,949 | 976,000 | 142,400 |
| C-1996 | 5/15/96 | 20,085,643 | 19,336,843 | 748,800 | 35,200 |
| D-1996 | 11/15/96 | 20,258,810 | 18,036,410 | 2,222,400 | 67,200 |
| A-1997 | 5/15/97 | 9,921,237 | 8,676,037 | 1,245,200 | 244,400 |
| B-1997 | 8/15/97 | 9,362,836 | 8,185,236 | 1,177,600 | -0- |
| C-1997 | 11/15/97 | 9,808,329 | 7,611,529 | 2,196,800 | 196,800 |
| A-1998 | 2/15/98 | 9,159,068 | 8,643,548 | 515,520 | 80,960 |
| 1998 | 5/15/98 | 9,165,387 | 7,782,187 | 1,383,200 | 139,000 |
| C-1998 | 8/15/98 | 11,342,646 | 10,468,246 | 874,400 | 47,200 |
| D-1998 | 11/15/98 | 9,902,875 | 7,955,675 | 1,947,200 | 75,200 |
| A-1999 | 2/15/99 | 9,719,623 | 9,274,823 | 444,800 | 11,200 |
| B-1999 | 5/15/99 | 10,047,103 | 8,567,103 | 1,480,000 | 46,400 |
| 1999 | 8/15/99 | 10,163,644 | 9,912,144 | 251,500 | -0- |
| D-1999 | 11/15/99 | 10,773,960 | 9,839,560 | 934,400 | 6,400 |
| A-2000 | 2/15/00 | 10,673,033 | 10,371,033 | 302,000 | -0- |
| B-2000 | 5/15/00 | 10,496,230 | 9,385,830 | 1,110,400 | 211,200 |
| C-2000 | 8/15/00 | 11,080,646 | 10,513,286 | 567,360 | 140,800 |
| D-2000 | 11/15/00 | 11,519,682 | 10,523,282 | 996,400 | -0- |
| A-2001 | 2/15/01 | 11,312,802 | 11,246,402 | 66,400 | -0- |
| -2001 | 5/15/01 | 12,398,083 | 12,085,058 | 313,025 | -0- |
| C-2001 | 8/15/01 | 12,339,185 | 12,182,385 | 156,800 | -0- |
| D-2001 | 11/15/01 | 24,226,102 | 24,204,902 | 21,200 | -0- |
| A-2002 | 5/15/02 | 11,714,397 | 11,460,797 | 253,600 | -0- |
| B-2002 | 8/15/02 | 23,859,015 | 23,822,215 | 36,800 | -0- |
| A-2003 | 2/15/03 | 11,970,158 | 11,970,158 | 0 | -0- |
| ond 2004 | 11/15/04 | 8,301,806 | 6,093,806 | 2,208,000 | 1,342,400 |
| 2005 | 5/15/05 | 4,260,758 | 3,269,908 | 990,850 | 364,100 |
| ond 2005 | 8/15/05 | 9,269,713 | 8,759,313 | 510,400 | 17,600 |
| nd 2006 | 2/15/06 | 4,755,916 | 4,755,276 | 640 | -0- |
| ond 2009-14 | 11/15/14 | 6,005,584 | 3,610,384 | 2,395,200 | 1,844,000 |
| ond 2015 | 2/15/15 | 12,667,799 | 3,050,039 | 9,617,760 | 1,489,760 |
| ond 2015 | 8/15/15 | 7,149,916 | 1,675,356 | 5,474,560 | 635,840 |
| nd 2015 | 11/15/15 | 6,899,859 | 2,019,859 | 4,880,000 | 163,200 |
| nd 2016 | 2/15/16 | 7,266,854 | 5,261,254 | 2,005,600 | 73,600 |
| nd 2016 | 5/15/16 | 18,823,551 | 18,169,951 | 653,600 | 20,800 |
| nd 2016 | 11/15/16 | 18,864,448 | 17,479,968 | 1,384,480 | 105,600 |
| nd 2017 | 5/15/17 | 18,194,169 | 4,485,209 | 13,708,960 | 160,160 |
| nd 2017 | 8/15/17 | 14,016,858 | 6,330,458 | 7,686,400 | 600,000 |
| nd 2018 | 5/15/18 | 8,708,639 | 2,441,439 | 6,267,200 | 123,200 |
| 2018 | 11/15/18 | 9,032,870 | 1,674,270 | 7,358,600 | 411,400 |
| nd 2019 | 2/15/19 | 19,250,798 | 4,853,998 | 14,396,800 | 315,200 |
| nd 2019 | 8/15/19 | 20,213,832 | 14,816,072 | 5,397,760 | 1,375,040 |
| nd 2020 | 2/15/20 | 10,228,868 | 4,556,068 | 5,672,800 | 1,104,000 |
| nd 2020 | 5/15/20 | 10,158,883 | 3,166,563 | 6,992,320 | 1,008,640 |
| nd 2020 | 8/15/20 | 21,418,606 | 4,579,566 | 16,839,040 | 1,099,680 |
| nd 2021 | 2/15/21 | 11,113,373 | 10,126,173 | 987,200 | 153,600 |
| nd 2021 | 5/15/21 | 11,958,888 | 4,956,648 | 7,002,240 | 188,480 |
| nd 2021 | 8/15/21 | 12,163,482 | 9,944,602 | 2,218,880 | 889,920 |
| 2021 | 11/15/21 | 32,798,394 | 16,981,819 | 15,816,575 | 1,947,700 |
| nd 2022 | 8/15/22 | 10,352,790 | 10,191,190 | 161,600 | 512,000 |
| nd 2022 | 11/15/22 | 10,699,626 | 10,646,826 | 52,800 | -0- |
| nd 2023 | [illegible] | 9,817,275 | 9,817,275 | 0 | -0- |
| | | 680,104,950 | 507,304,880 | 172,800,070 | 17,634,920 |

May 1, 1987, securities held in stripped form were eligible for reconstitution to their unstripped form.

the 4th workday of each month a recording of Table VI will be available after 3:00 pm eastern time. The telephone number is (202) 874-4023. The balances in this table are subject to audit and sequent adjustments.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
April 7, 1993

CONTACT: Office of Financing
Bureau of the Public Debt
202/219-3350

AMENDED WEEKLY BILL OFFERING

The weekly bill offering announcement made on March 30, 1993, misstated the amount currently outstanding for the 3 month bill then being offered. The total amount outstanding for the bill maturing July 8, 1993, should have been shown as $12,588 million rather than the $22,747 million given in the press release.

All other particulars in the announcement, other than the April 5, 1993, auction date which has since been changed to April 7, 1993, remain the same.

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LB-110

# TREASURY NEWS

Department of the Treasury · Washington, D.C. · Telephone 202-622-2960


FOR RELEASE AT 2:30 P.M.
April 7, 1993


CONTACT: Office of Financing
202/219-3350


## TREASURY TO AUCTION $9,750 MILLION OF 7-YEAR NOTES

The Treasury will auction $9,750 million of 7-year notes to refund $6,211 million of 7-year notes maturing April 15, 1993, and to raise about $3,550 million new cash. The $6,211 million of maturing 7-year notes are those held by the public, including $943 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

The $9,750 million is being offered to the public, and any amounts tendered by Federal Reserve Banks as agents for foreign and international monetary authorities will be added to that amount. Tenders for such accounts will be accepted at the average price of accepted competitive tenders.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $300 million of the maturing securities that may be refunded by issuing additional amounts of the new notes at the average price of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached highlights of the offering.

oOo

Attachment

LB-111

| | |
|---|---|
| <u>**Offering Amount**</u> . . . . . . . . . . . | $9,750 million |
| <u>**Description of Offering**</u>**:** | |
| Term and type of security . . . . . | 7-year notes |
| Series . . . . . . . . . . . . . . . | F-2000 |
| CUSIP number . . . . . . . . . . . . | 912827 K4 3 |
| Auction date . . . . . . . . . . . . | April 13, 1993 |
| Issue date . . . . . . . . . . . . . | April 15, 1993 |
| Dated date . . . . . . . . . . . . . | April 15, 1993 |
| Maturity date . . . . . . . . . . . | April 15, 2000 |
| Interest rate . . . . . . . . . . . | Determined based on the average of accepted competitive bids |
| Yield . . . . . . . . . . . . . . . | Determined at auction |
| Interest payment dates . . . . . . | October 15 and April 15 |
| Minimum bid amount . . . . . . . . | $1,000 |
| Multiples . . . . . . . . . . . . . | $1,000 |
| Accrued interest payable by investor | None |
| Premium or discount . . . . . . . . | Determined at auction |

<u>**The following rules apply to the security mentioned above**</u>**:**

| | |
|---|---|
| <u>Submission of Bids</u>: | |
| Noncompetitive bids . . . . . . . . | Accepted in full up to $5,000,000 at the weighted average yield of accepted competitive bids |
| Competitive bids . . . . . . . . . | (1) Must be expressed as a yield with two decimals, e.g., 7.10%<br>(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.<br>(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders. |
| <u>Maximum Recognized Bid at a Single Yield</u> . . . . . . . . | 35% of public offering |
| <u>Maximum Award</u> . . . . . . . . . . . | 35% of public offering |
| <u>Receipt of Tenders</u>: | |
| Noncompetitive tenders . . . . . . | Prior to 12:00 noon Eastern Daylight Saving time on auction day |
| Competitive tenders . . . . . . . . | Prior to 1:00 p.m. Eastern Daylight Saving time on auction day |
| <u>Payment Terms</u> . . . . . . . . . . . | Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date |

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 7, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,236 million of 13-week bills to be issued April 8, 1993 and to mature July 8, 1993 were accepted today (CUSIP: 912794E75).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.89% | 2.95% | 99.269 |
| High | 2.92% | 2.98% | 99.262 |
| Average | 2.92% | 2.98% | 99.262 |

Tenders at the high discount rate were allotted 65%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 25,042 | 25,042 |
| New York | 39,347,253 | 9,655,289 |
| Philadelphia | 8,668 | 8,668 |
| Cleveland | 30,720 | 30,720 |
| Richmond | 30,430 | 30,430 |
| Atlanta | 22,606 | 21,906 |
| Chicago | 1,996,022 | 310,594 |
| St. Louis | 11,111 | 11,111 |
| Minneapolis | 5,502 | 5,502 |
| Kansas City | 29,188 | 29,188 |
| Dallas | 14,745 | 14,745 |
| San Francisco | 845,257 | 191,507 |
| Treasury | 900,845 | 900,845 |
| TOTALS | $43,267,389 | $11,235,547 |
| Type | | |
| Competitive | $38,716,600 | $6,684,758 |
| Noncompetitive | 1,427,799 | 1,427,799 |
| Subtotal, Public | $40,144,399 | $8,112,557 |
| Federal Reserve | 2,611,830 | 2,611,830 |
| Foreign Official Institutions | 511,160 | 511,160 |
| TOTALS | $43,267,389 | $11,235,547 |

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 7, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,299 million of 26-week bills to be issued April 8, 1993 and to mature October 7, 1993 were accepted today (CUSIP: 912794F90).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 3.03% | 3.12% | 98.468 |
| High | 3.04% | 3.13% | 98.463 |
| Average | 3.04% | 3.13% | 98.463 |

Tenders at the high discount rate were allotted 53%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 23,165 | 23,165 |
| New York | 45,138,384 | 10,058,084 |
| Philadelphia | 10,264 | 10,264 |
| Cleveland | 23,200 | 23,200 |
| Richmond | 29,184 | 29,184 |
| Atlanta | 50,105 | 28,635 |
| Chicago | 1,999,176 | 286,779 |
| St. Louis | 9,785 | 9,785 |
| Minneapolis | 8,375 | 8,375 |
| Kansas City | 29,061 | 29,061 |
| Dallas | 17,332 | 17,332 |
| San Francisco | 722,167 | 111,067 |
| Treasury | 664,115 | 664,115 |
| TOTALS | $48,724,313 | $11,299,046 |
| **Type** | | |
| Competitive | $44,734,165 | $7,308,898 |
| Noncompetitive | 1,071,928 | 1,071,928 |
| Subtotal, Public | $45,806,093 | $8,380,826 |
| Federal Reserve | 2,500,000 | 2,500,000 |
| Foreign Official Institutions | 418,220 | 418,220 |
| TOTALS | $48,724,313 | $11,299,046 |

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 7, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

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| Treasury | 664,115 | 664,115 |
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| Type | | |
| Competitive | $44,734,165 | $7,308,898 |
| Noncompetitive | 1,071,928 | 1,071,928 |
| Subtotal, Public | $45,806,093 | $8,380,826 |
| Federal Reserve | 2,500,000 | 2,500,000 |
| Foreign Official Institutions | 418,220 | 418,220 |
| TOTALS | $48,724,313 | $11,299,046 |

An additional $38,080 thousand of bills will be issued to foreign official institutions for new cash.

# TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

Statement by the Honorable Lloyd M. Bentsen
Budget Press Briefing
April 8, 1993

Let me get right to the point. The news on revenues is, there is no news.

We've made some refinements since February, some changes in the details and I'm sure there will be more. But the revenue side has basically stayed the same.

That makes for a pretty dull headline, doesn't it?

But think for a minute what that means to our country. We've turned Washington's most intolerable task -- raising taxes -- into at least a tolerable process.

I know from experience the hardest vote to cast is the vote to raise a constituent's taxes. I think if you ask any congressman, he or she will tell you the same thing.

It's not hard to propose tax cuts. In fact, what we've often seen is a bidding war, where Congress and the President try to outdo each other on tax cuts. As a result of that kind of process, over the past decade tax revenues went down, spending went up, and the national debt virtually tripled.

We didn't do that this time. The House passed the revenue increases. The Senate rejected amendments to change the energy tax. They added more revenues in the package, but in conference they were dropped. So the tax package now is basically what it looked like in February.

The whole process was made tolerable because President Clinton led the way with fair taxes: an energy tax that will help conserve energy, clean up the environment, is fair to every region in the country, and will cost a family earning $40,000 under $17 a month; an income tax rate increase on the wealthiest one or two percent of Americans; and corporate tax rate increases that are minimal -- 2 percent -- and still way under rates in Germany and Japan. And these will be offset by business tax incentives that will help get our economy moving again.

You know, one week from today is April 15th -- the day when 117 million Americans must file income tax forms. It's the time of year when Americans think about their government and what they get out of it. And this year, I think Americans will be asking two questions:

One: "When are they going to stop deficit spending in Washington?" And two: "How much will it cost me?"
I believe we have good answers.

The progress on the deficit is real. And for 98 percent of Americans their income tax rate will not increase. The rate this April 15 will be the rate on April 15, 1994, and '95, and '96, and '97.

Again, that makes for a dull headline, but that's certainly good news for all Americans.

# # #

LB-114

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | | | Fiscal years ($ millions) | | | | |
| **REVENUE RAISING PROVISIONS** | | | | | | | |
| **1 Provisions That Improve the Fairness of the Income Tax System** | | | | | | | |
| a Increase tax rates paid by high–income individuals [1] | 1,580 | 27,463 | 19,587 | 22,713 | 26,026 | 27,396 | 124,765 |
| 1 Add fourth bracket at 36% rate for taxable income over $140,000 (joint returns), $127,500 (heads of households), $115,000 (single) | | | | | | | |
| 2 Impose a 10% surtax on regular taxable income over $250,000 (not applicable to capital gains) | | | | | | | |
| 3 Increase in minimum tax rate to 26% for AMTI of less than $175,000 and 28% for AMTI over $175,000; increase AMTI exemption to $45,000 (joint returns) and $33,750 (single) | | | | | | | |
| 4 Extend itemized deduction limitation and personal exemption phaseout scheduled to expire for 1996 and 1997, respectively | | | | | | | |
| b Repeal Health Insurance wage base cap | 0 | 2,750 | 6,030 | 6,374 | 6,808 | 7,200 | 29,162 |
| c Reinstate top estate tax rates at 53% and 55% [2] | 0 | 475 | 512 | 553 | 598 | 647 | 2,785 |
| d Reduce deductible portion of business meals and entertainment from 80% to 50% | 0 | 1,816 | 3,179 | 3,437 | 3,697 | 3,960 | 16,089 |
| e Deny deduction for club dues | 0 | 147 | 248 | 255 | 262 | 265 | 1,177 |
| f Deny deduction for executive pay over $1 million | −18 | 111 | 43 | 111 | 131 | 161 | 539 |
| g Reduce compensation that can be taken into account for purposes of benefits and contributions under qualified retirement plans to $150,000 in 1994 (1993 cap is $235,840) | 0 | 304 | 775 | 814 | 855 | 897 | 3,645 |
| h Disallow moving deductions for meals and real estate expenses | 0 | 76 | 382 | 394 | 406 | 417 | 1,675 |
| **2 Provisions Affecting Businesses** | | | | | | | |
| a Increase corporate tax rate to 36% for taxable income above $10 million (phase–out benefit of 34% rate beginning at $15 million) [1] | 372 | 7,518 | 4,959 | 5,093 | 5,236 | 5,343 | 28,521 |
| b Deny deduction for lobbying expenses | 0 | 112 | 196 | 210 | 223 | 237 | 978 |
| c Require securities dealers to mark–to–market [3] | 0 | 968 | 1,090 | 1,106 | 1,126 | 667 | 4,957 |
| d Prohibit double–dip related to FSLIC assistance [4] | 622 | 438 | −24 | −35 | 181 | 67 | 1,249 |
| e Extend corporate estimated tax rules | 0 | 0 | 0 | 0 | 3,886 | 793 | 4,679 |
| f Limit 936 credit | 0 | 235 | 930 | 1,655 | 2,110 | 2,271 | 7,201 |

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | | | Fiscal years ($ millions) | | | | |
| **3 Provisions Affecting International Businesses** | | | | | | | |
| a Reform foreign tax credit for oil and shipping companies [2] | 176 | 362 | 380 | 419 | 461 | 484 | 2,282 |
| b Transfer pricing compliance initiative (enhanced penalty provision) | 0 | 240 | 645 | 895 | 1,010 | 1,095 | 3,885 |
| c Royalties in passive basket of foreign tax credit; 100% R&E allocation | 0 | 370 | 635 | 667 | 699 | 735 | 3,106 |
| d Enhance "earnings stripping" rules, etc. | 4 | 156 | 186 | 182 | 178 | 174 | 880 |
| e Repeal deferral for excessive accumulated foreign earnings | 0 | 200 | 220 | 220 | 220 | 220 | 1,080 |
| **4 Energy Provisions [8]** | | | | | | | |
| a Modified BTU tax | 0 | 1,954 | 9,293 | 16,678 | 22,147 | 22,709 | 72,781 |
| b Extend gasoline tax currently scheduled to expire on 9/30/95 | 0 | 0 | 0 | 2,627 | 2,614 | 2,632 | 7,873 |
| **5 Compliance Initiatives** | | | | | | | |
| a Service industry non–compliance initiative | 0 | 147 | 616 | 1,343 | 1,858 | 2,155 | 6,119 |
| b Modified substantial understatement penalty | 0 | 321 | 551 | 418 | 332 | 349 | 1,971 |
| **6 Miscellaneous** | 0 | 265 | 147 | 171 | 180 | 189 | 952 |
| **TOTAL** | 2,736 | 46,428 | 50,580 | 66,300 | 81,244 | 81,063 | 328,351 |

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | Fiscal years ($ millions) | | | | | | |
| **STIMULUS / INVESTMENT PROVISIONS** | | | | | | | |
| **1 Training and Education** | | | | | | | |
| a Extend employer–provided education assistance permanently [7] | −470 | −425 | −458 | −492 | −528 | −565 | −2,938 |
| b Extend targeted jobs tax credit permanently [7] | −28 | −175 | −278 | −296 | −344 | −414 | −1,535 |
| c Youth apprenticeship credit | 0 | −27 | −79 | −118 | −152 | −190 | −566 |
| **2 Capital Investment and Economic Growth** | | | | | | | |
| a Temporary incremental tax credit for large businesses and permanent investment tax credit for businesses with gross receipts of under $5 million [6] | −4,152 | −8,963 | −7,207 | −3,467 | −1,678 | −2,405 | −27,872 |
| b Extend research & experimentation credit permanently [7] | −944 | −1,207 | −1,503 | −1,750 | −1,977 | −2,200 | −9,581 |
| c Incentives for investment in small businesses | 0 | −17 | −124 | −206 | −276 | −329 | −952 |
| d Modify AMT depreciation schedule | 0 | −142 | −383 | −594 | −756 | −648 | −2,523 |
| e Incentives for high–speed rail | 0 | 0 | −1 | −6 | −17 | −30 | −54 |
| f Extend small–issue manufacturing and agricultural bonds permanently [7] | −6 | −23 | −33 | −37 | −39 | −38 | −176 |
| **3 Enterprise Zones** | 0 | −73 | −347 | −772 | −1,228 | −1,699 | −4,119 |
| **4 Expand Earned Income Tax Credit [5]** | 0 | −335 | −4,300 | −7,734 | −7,996 | −8,282 | −28,647 |
| **5 Investment in Real Estate** | | | | | | | |
| a Extend mortgage revenue bonds permanently [7] | −36 | −108 | −150 | −171 | −184 | −187 | −836 |
| b Extend low–income housing credit permanently [7] | −50 | −233 | −508 | −841 | −1,184 | −1,532 | −4,348 |
| c Modify rules governing tax treatment of investments in real estate (passive loss rules, pension investments, and increase recovery period for non–residential real property to 37 years) | 0 | −224 | −310 | −49 | 164 | 430 | 11 |

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | | | ($ millions) | | | | |
| **6 Other** | | | | | | | |
| a Extend AMT treatment of gifts of appreciated property to charities permanently [7] | –26 | –70 | –73 | –75 | –77 | –79 | –400 |
| b Extend general fund transfer to railroad retirement fund permanently [7] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c Extend 25% deduction for self–employed health insurance through 12/31/93 [7] | –263 | –313 | 0 | 0 | 0 | 0 | –576 |
| | ---- | ---- | ---- | ---- | ---- | ---- | ---- |
| TOTAL | –5,975 | –12,335 | –15,754 | –16,608 | –16,272 | –18,168 | –85,112 |
| | ==== | ==== | ==== | ==== | ==== | ==== | ==== |
| NET TOTAL: | –3,239 | 34,093 | 34,826 | 49,692 | 64,972 | 62,895 | 243,239 |

Note: Provisions effective 1/1/94 unless otherwise noted.

[1] Effective 1/1/93, but no penalties for underwithholding or estimated tax in 1993.
[2] Effective 1/1/93.
[3] Effective for tax years ending on or after 12/31/93.
[4] Effective 3/4/91. Estimate does not include effect on OMB outlays.
[5] Estimate includes effect on outlays.
[6] Effective 12/4/92.
[7] Effective 7/1/92.
[8] Impact on low–income households offset by increases in the low–income home energy assistance program (LIHEAP) and food stamps.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR IMMEDIATE RELEASE
April 8, 1993


CONTACT: Office of Financing
Bureau of the Public Debt
202/219-3350


## AMENDED RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

The press release dated April 7, 1993, announcing the weekly bill auction results improperly stated that there were additional issues made to foreign official institutions in the amounts of $51,440 thousand for the 13-week bill and $38,080 thousand for the 26-week bill. In fact, there were no "foreign add-ons" (foreign new cash) in the auctions.

All other particulars in the auction results press release remain the same.

oOo

LB-115

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR IMMEDIATE RELEASE
April 8, 1993


Contact: Chris Peacock
(202) 622-2960


## BENTSEN ANNOUNCES SELECTIONS FOR TREASURY POSTS

Treasury Secretary Lloyd Bentsen announced Thursday that the President intends to nominate George Munoz as Assistant Secretary (Management).

Bentsen said the President also named three Deputy Assistant Secretaries: Joyce Carrier (Public Liaison), Joan Logue-Kinder (Public Affairs), and Marina L. Weiss (Health Policy).

Munoz, 41, has been owner and manager of George Munoz & Associates, a Chicago firm. He is a graduate of Harvard Law School and holds masters degrees from Harvard's Kennedy School of Government and DePaul University, and a B.A. from the University of Texas.

Carrier, 35, has been Manager of Public Affairs and Public Relations at Bull Worldwide Information Systems. She received a B.S. from the University of South Carolina.

Logue-Kinder, 51, has been a Vice President at Edelman Public Relations Worldwide. She received a B.A. from Adelphi University.

Weiss, 48, has been the section chief for Health and Income Security under the Senate Finance Committee. She received a Doctorate in Urban and Regional Planning from Texas A&M University, an M.A. from the University of Texas, and a B.A. from American University.

-30-

LB-116

## THE ADMINISTRATION'S MODIFIED BTU ENERGY TAX PROPOSAL

### OBJECTIVES

Deficit Reduction. The energy tax will raise $22 billion in FY 1997 (the first fiscal year the tax is fully phased in) and over $70 billion for the FY 1994-1998 period.[1]

- This revenue will help reduce the deficit and put the government on a pay-as-you-go basis for needed public programs.

Reduction of Environmental Damages. The energy tax will improve the environment.

- The tax will provide an incentive to use clean burning natural gas.
- The tax will contribute to the Rio Summit goal, agreed to by the United States, of returning greenhouse gas emissions to their 1990 levels by the year 2000.
- Smog, acid rain, and toxic wastes will all be reduced.
- The risk of oil spills will be reduced.

Energy Conservation. The energy tax when fully phased in will reduce projected growth in energy consumption by over 7 percent.

Reduced Dependence on Foreign Sources of Energy. The energy tax will reduce U.S. dependence on foreign oil.

- The tax is projected to reduce oil imports in year 2000 by more than 400,000 barrels a day.

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[1] The revenue estimates for the energy tax are net of the "income offset," which is the reduction in income and employment taxes because GDP and the price level are assumed to be unchanged in making the estimates (the assumption is standard for making all Budget estimates, including all revenue estimates). The effects of the energy tax on product prices and consumers shown below are not reduced by the "income offset."

## EFFECT ON CONSUMERS

Monthly direct energy expenditures (gasoline, home heating oil, electric bill, and natural gas) for typical four-person families

| Family Economic Income | Tax on Monthly Direct Energy Expenditures July 1, 1994 | July 1, 1996 |
|---|---|---|
| $ 25,000 | $ 2.78* | $ 8.33* |
| 40,000 | 3.17 | 9.50 |
| 60,000 | 3.56 | 10.67 |

* Does not take into account offsets for increases in the earned income tax credit (EITC). For a family of four with $25,000 of income, all from wages, the proposed increase in the EITC, when fully phased in (1995), will be $595 per year ($49.58 per month), more than offsetting the energy tax.

Residential energy prices

| | 1994 Price (Before Tax) | Tax July 1, 1994 | | Tax July 1, 1996 | |
|---|---|---|---|---|---|
| | | Amount | Percent of Price | Amount | Percent of Price |
| Electric Bill (monthly) | $ 67.60 | $ .740 | 1.1 % | $ 2.219 | 3.3 % |
| Home Heating Oil (gallon) | 1.04 | .012 | 1.2 | .036 | 3.5 |
| Natural Gas (mcf) | 6.51 | .088 | 1.4 | .265 | 4.1 |
| Gasoline (gallon) | 1.31 | .025 | 1.9 | .075 | 5.7 |

## OFFSETS FOR LOW-INCOME FAMILIES

The impact of the tax on low- and some moderate-income families is offset by other features of the Administration's program.

- The earned income tax credit is expanded.
- Funding for the Low Income Home Energy Assistance Program (LIHEAP) is increased.
- Funding for Food Stamps is increased.

## COMPETITIVENESS

- U.S. energy prices, even when the tax is fully phased in, will remain the lowest or second lowest (depending on the type of energy) in the G-7 countries.

- The price effects of the energy tax would be very small.

  -- For manufacturing as a whole, the energy tax (when fully phased in) will increase costs an average of only 0.1 percent.

  -- Even in very energy-intensive industries, such as aluminum smelting, the energy tax (when fully phased in) will raise costs less than 4 percent.

    -- Many energy-intensive industries are also capital intensive, so may benefit from the proposed alternative minimum tax relief and investment credit.

- The deficit reduction impact of the energy tax should reduce interest rates, thus reducing the cost of capital to U.S. business and improving the competitiveness of U.S. firms.

## REGIONAL BALANCE

The proposed energy tax is better balanced regionally than alternative energy taxes such as an increase in the gasoline tax or an oil import fee.

- While the tax burden on a given region may be higher than the national average on a per capita basis, it is often lower than the national average as a percentage of income.

- The tax does not have a disproportionate impact on coal producing regions (as a carbon tax would have).

- The tax does not have a disproportionate effect on farm states.

## ENERGY PRODUCERS

- Reduced oil consumption is projected to come almost entirely from imports.

  -- The reduction in U.S. consumption will be spread over world oil production, with little effect on domestic production.

- Natural gas production will continue to increase.

- Coal production, led by growing export demand, will continue to increase.

- Prices received by energy producers will decline only slightly -- less than 1 percent.

Department of the Treasury
Office of Tax Policy
April 1993

**FREQUENTLY ASKED QUESTIONS REGARDING THE ADMINISTRATION'S PROPOSED MODIFIED BTU TAX**

## COMPARISON OF BTU TAX AND ALTERNATIVES

Question: Why did the Administration include an energy tax in the economic package?

Answer: The energy tax is more likely than any alternative revenue measure to advance a combination of policy goals.

- The energy tax would raise revenues to help reduce the deficit and put the government on a pay-as-you-go basis for needed public programs.

- The energy tax would reduce environmental damages, promote energy conservation, and reduce dependence on foreign sources of energy. The tax would encourage energy efficiency and fuel mix choices better reflecting the true environmental and security costs of energy use.

- The energy tax would help move the U.S. economy from income-based to consumption-based taxation, with attendant benefits to saving and investment.

Question: Why was a Btu form of energy tax selected?

Answer: The Administration considered many energy tax options, but chose the modified Btu tax for its relative neutrality on a regional basis, its environmental and energy security benefits, and its balanced impact on market shares of energy sources.

- An ad valorem tax would exaggerate the effects of sudden changes in energy prices.

- A gasoline tax, an oil import fee or a carbon tax would have a disproportionate economic impact on some regions (a carbon tax would also have a disproportionate impact on one energy source, coal, which was recently affected by the Clean Air Act Amendments of 1990).

- An oil import fee would cause prices to increase by much more than the tax and might, if applied to refined products, violate our trade agreements and treaties.

## OIL SUPPLEMENT

Question: What is the purpose of the extra tax on oil?

Answer: Without the extra tax on oil, natural gas would be disfavored because the tax would be higher, as a percentage of price, than the tax on petroleum products.

Natural gas is a clean-burning fuel, and abundant supplies of natural gas are available domestically.

Oil use (particularly in the form of motor fuels) contributes to air pollution. The rising level of oil imports risks environmental damages due to oil spills and is an energy security concern.

## COMPUTATION OF BTU CONTENT

Question: Why is a national average Btu heat content used to calculate the rate for natural gas and oil, but not for coal? Does the Btu content of natural gas differ?

Answer: Coal differs radically in Btu heat content depending upon whether it is bituminous, sub-bituminous, lignite, or anthracite, and even within each of these types of coal. Therefore, a national average would significantly disadvantage some coal while providing an advantage for others. In addition, coal is sold by Btu content and actual measurement of Btus would not create a new administrative burden.

In contrast, refined petroleum products are not sold by Btu content and Btu variation within a specific product is not significant.

In the past, natural gas has not been sold by Btu content but natural gas does vary somewhat. The trend is to measure shipments in therms, a measurement of heat content, so specific measurement may be administrable in the future.

## PROPANE

Question: How will propane be treated under the Btu tax?

Answer: Liquefied petroleum gases (including propane) and natural gasoline will be taxed at the basic rate of $0.257 per million Btus, the same rate that applies to natural gas.

The oil supplement will not apply to these products, even when they are produced from oil.

The Btu content used to determine the tax will be the national average Btu content for each fuel.

## HOME HEATING OIL

Question: Why was home heating oil exempted from the oil supplement, and should oil used to produce electricity for residential air conditioning be similarly exempted?

Answer: Under the Administration's proposal, residential use of heating oil is taxed at the same rate as other fuels used for residential heating (natural gas and propane).

- Taxing home heating oil at the higher oil rate would impose a disproportionate burden on many families, particularly in the Northeast where switching to natural gas or propane for home heating is often not a practical option.
- A similar oil supplement exemption was not provided for oil used to produce electricity for air conditioning because the tax is intended to encourage utilities and industrial users to reduce oil usage.
- Without the oil supplement the tax would have the opposite effect.
- In any event, there is no practical way to determine when oil is used to produce electricity that will be used for residential air conditioning.

## ALTERNATIVE FUELS

Question: Is biomass subject to tax?

Answer: The energy tax applies only to fossil fuels (i.e., coal, petroleum products, and natural gas) and hydro- and nuclear-generated electricity. Biomass fuels are not subject to the tax.

Biomass includes any material (other than a fossil fuel) that is derived from living matter and used as fuel. Thus, biomass includes ethanol, landfill gas, sugarcane waste, and wood waste.

Question: Why are certain fuels, including ethanol and methanol, excluded from the Btu tax?

Answer: The energy tax is not imposed on oxygenates, such as ethanol, methanol, ETBE, and MTBE (feedstocks used in their production are also exempt).

- Ethanol and ETBE are derived in whole or part from renewable energy sources. While methanol and MTBE are not, the Administration believes that all oxygenates should be treated in the same manner to avoid distortions in the oxygenate market.

- This exemption is consistent with the Administration's objective of encouraging the use of alternative fuels. All of the oxygenates, when mixed with gasoline, promote cleaner burning and reduce our dependence on foreign oil.

- Note that the gasoline mixed with oxygenates is taxed at the oil rate (i.e., the basic rate plus the oil supplement). Thus, oxygenated fuels are taxed at a higher rate than other alternative fuels, such as propane and natural gas, which are taxed at the basic rate.

## FLOOR STOCKS TAX

Question: What is the floor stocks tax and who will be liable?

Answer: Floor stocks taxes would be imposed on July 1, 1994, and on the date of each subsequent rate change (including an index change). The tax would apply to coal, natural gas, and refined petroleum products (including liquefied petroleum gases and natural gasoline).

A floor stocks tax would be imposed if the product is held, beyond the point at which the energy tax is normally imposed, for sale or for use as fuel. All exemptions from the energy tax would apply, and a reasonable de minimis rule would be provided.

The person holding the taxable product on the date the tax is imposed would be liable for the tax and would remit the tax directly to the Government. The applicable energy tax rates would apply.

## USE TAX

Question: What energy uses will be subject to the use tax and who will be liable?

Answer: A use tax will be imposed on fuel uses of taxable products on which the energy tax has not been imposed and on fuel uses of crude oil. This tax would apply to fuel use of products that have not reached the point at which tax is normally imposed, to nonexempt use of products purchased under a claim of exemption, and to nonresidential use of home heating oil as a fuel.

The use tax would not apply to crude oil or natural gas used, on the premises where it is extracted, to extract crude oil or natural gas. In addition, the use tax would not apply to crude oil used in a refinery or to natural gas used in a natural gas processing or fractionation plant. However, oil or natural gas consumed in a pipeline would be subject to the use tax.

The person using the product would be liable for the tax and would remit the tax directly to the Government. The applicable energy tax rates would apply.

## HYDROELECTRICITY

Question: Why is hydroelectricity included in the tax?

Answer: Although environmental considerations influenced the design of the tax, it is a deficit reduction measure. Exempting hydroelectric power would lose substantial revenue over the budget period.

A tax on hydroelectric power is necessary for regional balance.

- It would not be appropriate to ask other regions of the country to pay a tax on their residential energy costs while exempting regions in which residential energy costs are currently the lowest.

Many hydroelectric power projects have benefitted from substantial Federal subsidies.

Some hydroelectric power projects may have adverse environmental effects.

## FEEDSTOCK EXEMPTION

Question: What feedstocks were exempted from the tax and why? What are the mechanics of the feedstock exemption?

Answer: Fossil fuels used as a feedstock are exempt from tax.

- In making petrochemicals, the atoms of the feedstock hydrocarbons become the atoms of the polymers and other products. This is the meaning of "feedstock" in the Administration's proposal.

- The feedstock exemption does not apply to fossil fuels used solely as a fuel in the manufacture of petrochemicals or other products.

An exemption for feedstock uses is consistent with a tax on energy. Feedstock uses generally do not involve energy production or carbon dioxide emissions.

The mechanics of the feedstock exemption are still being developed. Tax-free transfers of feedstocks would be permitted in appropriate circumstances. In all other cases, the exemption would be provided through downstream credits or refunds.

Question: Should electricity used in the production of aluminum be classified as a feedstock?

Answer: In making petrochemicals, the atoms of the feedstock hydrocarbons become the atoms of the polymers and other products. This is the meaning of "feedstock" in the Administration's proposal.

Aluminum smelting uses direct current electricity to split aluminum oxide into aluminum metal and oxygen. The molten aluminum collects at the bottom of the cell where it is drawn off periodically. Electricity contributes the energy that causes the chemical reaction to occur.

In contrast to petrochemical manufacture, the hydrocarbon atoms of the fuel used to produce electricity used in aluminum smelting are not preserved in a product, but rather are burned to raise steam, turn a turbine, and generate electricity.

The Administration is continuing to study the impact of the tax on electricity in the aluminum smelting process.

## ENHANCED OIL RECOVERY

Question: Will the tax unfairly burden enhanced oil recovery production?

Answer: The tax is designed to minimize its effects on enhanced oil recovery.

- The tax is not imposed on crude oil or natural gas used, on the premises where it is extracted, to produce additional crude oil, whether through enhanced oil recovery techniques or otherwise.

- The tax is not imposed on natural gas used in enhanced oil recovery of heavy oil.

## GOVERNMENTAL EXEMPTIONS

Question: How will municipal power projects be impacted by the tax? Should they be exempted?

Answer: Municipal power projects will be subject to tax in the same manner as investor-owned utilities.

It would be unfair to provide preferential treatment, in the form of a tax exemption, to end users who are served by municipal power projects while end users who are served by investor-owned utilities bear the full burden of the tax.

An exemption for municipal power projects would be inconsistent with the goals of encouraging energy conservation and the use of clean-burning, domestic fuels.

Question: Why was fuel used by the Department of Defense included in the tax base?

Answer: The tax does not include exemptions based on the character of the purchaser of an otherwise taxable product. Thus, fuel and electricity purchased by the Department of Defense will be subject to tax.

An exemption for the Defense Department would detract from the Administration's goal of encouraging energy conservation and the use of clean-burning domestic fuels.

To the extent the tax captures the environmental and energy security costs associated with energy use, those costs should be reflected in the Defense Department's budget.

## COLLECTION POINT

Question: What are the justifications for the point of collecting the tax for each fuel?

Answer: The tax on each fuel is collected at a point that satisfies three criteria.

- The point of collection minimizes the number of taxpayers (or tax collectors). This reduces administrative burdens on both the IRS and taxpayers.

- The point is sufficiently far downstream to ensure that imported products and domestic products are taxed at the same rate. It is for this reason, for example, that petroleum products are taxed at the refinery tailgate rather than at refinery input.

- The point is sufficiently far downstream to ensure that fixed-price contracts do not prevent passthrough of the tax to the end user.

Question: Many energy companies and utilities argue it would be better to put the tax on the ultimate consumer, which seems to be consistent with the Administration's energy conservation goals. Why wasn't the tax imposed on the end user?

Answer: The tax is generally imposed (or collected) upstream from the end user to reduce administrative burdens by minimizing the number of taxpayers (or tax collectors).

- For example, taxing natural gas when it is received by the local distribution company (instead of imposing the tax on LDC customers) removes approximately 60 million taxpayers from the system. This should significantly reduce IRS collection problems.

The tax must also be imposed upstream, particularly in the case of electricity, to encourage energy efficiency and fuel switching.

- Electric utilities and their regulators would have no incentive to change current fuel-use patterns if, instead of taxing fuel used by the utility, a tax on electricity were imposed on the ultimate consumer.

**PASSTHROUGH**

Question: What method does the Administration intend to use to ensure passthrough of the tax by utilities?

Answer: Historically, a "normalization" requirement has been used to prevent the passthrough of the tax benefits of accelerated depreciation to the end user. A utility that attempted to pass the benefits through to end users was not allowed to use accelerated depreciation. The Administration is studying a similar denial of tax benefits to encourage passthrough of the energy tax to the end user.

In order to meet some of the Administration's objectives of the energy tax, namely energy conservation and energy security, the energy tax should be allowed to be passed on to the end user.

The Administration is considering methods to achieve this objective and has invited comments from the public.

<u>Question</u>: Will the Btu tax put independent power producers with long-term contracts that restrict passthrough at a competitive disadvantage?

<u>Answer</u>: The energy tax provides a special rule to insure that independent power producers would not be competitively disadvantaged by this tax. The Btu tax will impose a special tax on electricity that an independent power producer provides to a utility under a fixed-price contract entered into before the date of enactment.

The tax would be equal to the tax on the fossil fuel used to generate the electricity (or, in the case of electricity from a source other than fossil fuels, to the tax generally applicable to electricity from that source). The tax would be imposed at the utility that receives the electricity; the utility would be liable for the tax and would remit the tax directly to the Government. The independent power producer would not be liable for any tax on the electricity and would receive a credit for any energy tax on fossil fuels used to generate the electricity.

## INTERNATIONAL COMPETITIVENESS

<u>Question</u>: How will the Btu tax affect U.S. exports?

<u>Answer</u>: The Btu tax will raise manufacturing production costs by an average of just 0.1 percent. This is unlikely to hurt the competitive position of most U.S. exporters.

- Other elements of the Administration's economic proposals, especially deficit reduction, have already reduced interest rates and thus will reduce capital costs for exporting industries.

- Even after the Btu tax is fully phased in, the cost of energy will remain the lowest or second lowest (depending on the type of energy) in the G-7 countries.

<u>Question</u>: Are energy imports treated in the same manner as domestic production in all cases?

<u>Answer</u>: Imported coal, natural gas, and refined petroleum products will be taxed at the same rate as equivalent domestic products.

Imported electricity will generally be taxed at the same rate as domestic electricity generated from hydro- or nuclear power.

- Importers of fossil-fuel-generated electricity will be permitted to pay tax based on the actual amount of fossil fuel required to generate the electricity.

- Both domestic and imported electricity generated from solar, wind, or geothermal power are exempt from tax.

## ENERGY-INTENSIVE INDUSTRIES

Question: Why didn't the Administration provide relief for energy-intensive industries?

Answer: Two of the Administration's objectives in proposing the tax--increased energy efficiency and conservation and increased energy security--would not be attained to the extent tax relief were granted to energy-intensive industries. Further, providing certain industries any form of tax relief would require higher taxes on other energy uses.

U.S. energy prices, even after imposition of the energy tax would be the lowest or second lowest (depending on the type of energy) in the G-7 countries.

The deficit reduction impact of the energy tax should reduce interest rates, thus reducing the cost of capital to all U.S. business. This would particularly benefit the energy-intensive industries which also tend to be capital-intensive. Moreover, the Administration's proposed investment tax credit and alternative minimum tax relief should also have a favorable impact on these industries.

## LOW-INCOME HOUSEHOLDS

Question: How will the energy tax affect low income households?

Answer: The impact of the energy tax should be looked at in the context of the whole Administration program.

- The expansion of the earned income tax credit (EITC) will provide substantial relief to working poor families and more than offset increased costs attributable to the energy tax. For a family of four with $25,000 of income, all from wages, the proposed increase in the EITC, when fully phased in (1995), will be $595 per year ($49.58 per month), more than offsetting the energy tax.

- The Administration's proposal increases funding for the low income home energy assistance program (LIHEAP) by $1 billion per year. (This amount is phased in with the energy tax.)

- The Administration's proposal increases funding for the Food Stamp program by $1.755 billion per year. (This amount is phased in with the energy tax.)

- The Administration's spending proposals include over $100 million per year in weatherization assistance, primarily for low-income households. This funding will provide for the weatherization of over 500,000 houses over the budget period.

- The Administration's proposal would extend the low-income housing credit and the authority to issue mortgage revenue bonds. These programs increase the availability and affordability of housing for low-income and middle-income households.

Department of the Treasury
Office of Tax Policy
April 1993

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | Fiscal years ($ millions) | | | | | | |
| **REVENUE RAISING PROVISIONS** | | | | | | | |
| **1 Provisions That Improve the Fairness of the Income Tax System** | | | | | | | |
| a Increase tax rates paid by high–income individuals [1] | 1,580 | 27,463 | 19,587 | 22,713 | 26,026 | 27,396 | 124,765 |
| 1 Add fourth bracket at 36% rate for taxable income over $140,000 (joint returns), $127,500 (heads of households), $115,000 (single) | | | | | | | |
| 2 Impose a 10% surtax on regular taxable income over $250,000 (not applicable to capital gains) | | | | | | | |
| 3 Increase in minimum tax rate to 26% for AMTI of less than $175,000 and 28% for AMTI over $175,000; increase AMTI exemption to $45,000 (joint returns) and $33,750 (single) | | | | | | | |
| 4 Extend itemized deduction limitation and personal exemption phaseout scheduled to expire for 1996 and 1997, respectively | | | | | | | |
| b Repeal Health Insurance wage base cap | 0 | 2,750 | 6,030 | 6,374 | 6,808 | 7,200 | 29,162 |
| c Reinstate top estate tax rates at 53% and 55% [2] | 0 | 475 | 512 | 553 | 598 | 647 | 2,785 |
| d Reduce deductible portion of business meals and entertainment from 80% to 50% | 0 | 1,816 | 3,179 | 3,437 | 3,697 | 3,960 | 16,089 |
| e Deny deduction for club dues | 0 | 147 | 248 | 255 | 262 | 265 | 1,177 |
| f Deny deduction for executive pay over $1 million | –18 | 111 | 43 | 111 | 131 | 161 | 539 |
| g Reduce compensation that can be taken into account for purposes of benefits and contributions under qualified retirement plans to $150,000 in 1994 (1993 cap is $235,840) | 0 | 304 | 775 | 814 | 855 | 897 | 3,645 |
| h Disallow moving deductions for meals and real estate expenses | 0 | 76 | 382 | 394 | 406 | 417 | 1,675 |
| **2 Provisions Affecting Businesses** | | | | | | | |
| a Increase corporate tax rate to 36% for taxable income above $10 million (phase–out benefit of 34% rate beginning at $15 million) [1] | 372 | 7,518 | 4,959 | 5,093 | 5,236 | 5,343 | 28,521 |
| b Deny deduction for lobbying expenses | 0 | 112 | 196 | 210 | 223 | 237 | 978 |
| c Require securities dealers to mark–to–market [3] | 0 | 968 | 1,090 | 1,106 | 1,126 | 667 | 4,957 |
| d Prohibit double–dip related to FSLIC assistance [4] | 622 | 438 | –24 | –35 | 181 | 67 | 1,249 |
| e Extend corporate estimated tax rules | 0 | 0 | 0 | 0 | 3,886 | 793 | 4,679 |
| f Limit 936 credit | 0 | 235 | 930 | 1,655 | 2,110 | 2,271 | 7,201 |

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | Fiscal years 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | | | ($ millions) | | | | |
| **3 Provisions Affecting International Businesses** | | | | | | | |
| a Reform foreign tax credit for oil and shipping companies [2] | 176 | 362 | 380 | 419 | 461 | 484 | 2,282 |
| b Transfer pricing compliance initiative (enhanced penalty provision) | 0 | 240 | 645 | 895 | 1,010 | 1,095 | 3,885 |
| c Royalties in passive basket of foreign tax credit; 100% R&E allocation | 0 | 370 | 635 | 667 | 699 | 735 | 3,106 |
| d Enhance "earnings stripping" rules, etc. | 4 | 156 | 186 | 182 | 178 | 174 | 880 |
| e Repeal deferral for excessive accumulated foreign earnings | 0 | 200 | 220 | 220 | 220 | 220 | 1,080 |
| **4 Energy Provisions [8]** | | | | | | | |
| a Modified BTU tax | 0 | 1,954 | 9,293 | 16,678 | 22,147 | 22,709 | 72,781 |
| b Extend gasoline tax currently scheduled to expire on 9/30/95 | 0 | 0 | 0 | 2,627 | 2,614 | 2,632 | 7,873 |
| **5 Compliance Initiatives** | | | | | | | |
| a Service industry non-compliance initiative | 0 | 147 | 616 | 1,343 | 1,858 | 2,155 | 6,119 |
| b Modified substantial understatement penalty | 0 | 321 | 551 | 418 | 332 | 349 | 1,971 |
| **6 Miscellaneous** | 0 | 265 | 147 | 171 | 180 | 189 | 952 |
| | ---- | ---- | ---- | ---- | ---- | ---- | ---- |
| **TOTAL** | 2,736 | 46,428 | 50,580 | 66,300 | 81,244 | 81,063 | 328,351 |

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | | | Fiscal years ($ millions) | | | | |
| **STIMULUS / INVESTMENT PROVISIONS** | | | | | | | |
| **1 Training and Education** | | | | | | | |
| a Extend employer–provided education assistance permanently [7] | –470 | –425 | –458 | –492 | –528 | –565 | –2,938 |
| b Extend targeted jobs tax credit permanently [7] | –28 | –175 | –278 | –296 | –344 | –414 | –1,535 |
| c Youth apprenticeship credit | 0 | –27 | –79 | –118 | –152 | –190 | –566 |
| **2 Capital Investment and Economic Growth** | | | | | | | |
| a Temporary incremental tax credit for large businesses and permanent investment tax credit for businesses with gross receipts of under $5 million [6] | –4,152 | –8,963 | –7,207 | –3,467 | –1,678 | –2,405 | –27,872 |
| b Extend research & experimentation credit permanently [7] | –944 | –1,207 | –1,503 | –1,750 | –1,977 | –2,200 | –9,581 |
| c Incentives for investment in small businesses | 0 | –17 | –124 | –206 | –276 | –329 | –952 |
| d Modify AMT depreciation schedule | 0 | –142 | –383 | –594 | –756 | –648 | –2,523 |
| e Incentives for high–speed rail | 0 | 0 | –1 | –6 | –17 | –30 | –54 |
| f Extend small–issue manufacturing and agricultural bonds permanently [7] | –6 | –23 | –33 | –37 | –39 | –38 | –176 |
| **3 Enterprise Zones** | 0 | –73 | –347 | –772 | –1,228 | –1,699 | –4,119 |
| **4 Expand Earned Income Tax Credit [5]** | 0 | –335 | –4,300 | –7,734 | –7,996 | –8,282 | –28,647 |
| **5 Investment in Real Estate** | | | | | | | |
| a Extend mortgage revenue bonds permanently [7] | –36 | –108 | –150 | –171 | –184 | –187 | –836 |
| b Extend low–income housing credit permanently [7] | –50 | –233 | –508 | –841 | –1,184 | –1,532 | –4,348 |
| c Modify rules governing tax treatment of investments in real estate (passive loss rules, pension investments, and increase recovery period for non–residential real property to 37 years) | 0 | –224 | –310 | –49 | 164 | 430 | 11 |

# ADMINISTRATION'S REVENUE PROPOSALS
## Fiscal Year 1994 Budget Proposals
## Submitted April 8, 1993

| Proposal | Fiscal years 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1993–98 |
|---|---|---|---|---|---|---|---|
| | ($ millions) | | | | | | |
| **6 Other** | | | | | | | |
| a Extend AMT treatment of gifts of appreciated property to charities permanently [7] | –26 | –70 | –73 | –75 | –77 | –79 | –400 |
| b Extend general fund transfer to railroad retirement fund permanently [7] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c Extend 25% deduction for self–employed health insurance through 12/31/93 [7] | –263 | –313 | 0 | 0 | 0 | 0 | –576 |
| | ---- | ---- | ---- | ---- | ---- | ---- | ---- |
| TOTAL | –5,975 | –12,335 | –15,754 | –16,608 | –16,272 | –18,168 | –85,112 |
| | ==== | ==== | ==== | ==== | ==== | ==== | ==== |
| NET TOTAL: | –3,239 | 34,093 | 34,826 | 49,692 | 64,972 | 62,895 | 243,239 |

Note: Provisions effective 1/1/94 unless otherwise noted.

[1] Effective 1/1/93, but no penalties for underwithholding or estimated tax in 1993.
[2] Effective 1/1/93.
[3] Effective for tax years ending on or after 12/31/93.
[4] Effective 3/4/91. Estimate does not include effect on OMB outlays.
[5] Estimate includes effect on outlays.
[6] Effective 12/4/92.
[7] Effective 7/1/92.
[8] Impact on low–income households offset by increases in the low–income home energy assistance program (LIHEAP) and food stamps.

# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR IMMEDIATE RELEASE
April 12, 1993


Contact: Michelle Smith
(202) 622-2960


TREASURY AND IRS ANNOUNCE NEW COMPUTER
BULLETIN BOARD SYSTEM IN DETROIT

The Treasury Department's Office of Financial Enforcement and the Internal Revenue Service's (IRS) Detroit Computing Center today announced the implementation of a Bank Secrecy Act (BSA) Bulletin Board System. This specially designed automated system offers access to timely information about the BSA to computer users with a modem.

The BSA Bulletin Board allows financial institutions and the public to obtain information about commonly asked BSA questions, administrative rulings, magnetic filing specifications and other issues concerning the BSA and related anti-money laundering initiatives. The information may be viewed on a computer monitor or downloaded onto a computer disk. The stand-alone Bulletin Board system is entirely distinct and has no access to the separate system that stores and retrieves BSA data.

The telephone number for accessing the BSA Bulletin Board System is (313) 961-4704. Users are responsible for paying all related telephone expenses. The system is available seven days a week, 24 hours a day. The system may be accessed with any computer and communications' software from a 300 through a 9600 baud modem. The BSA Bulletin Board System is maintained at the IRS Detroit Computing Center (DCC) and has four incoming telephone lines.

User-friendly instructions will guide first-time users and a systems operator is available on-line by accessing the "Page" option. The systems operator is available from 7 a.m. to 4 p.m. EST, Monday through Friday (government holidays excluded). The IRS help desk is also available for assistance at (313) 226-3293.

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# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239


FOR IMMEDIATE RELEASE
April 12, 1993


CONTACT: Peter Hollenbach
(202) 219-3302


## AUTOMATED BIDDING IN TREASURY AUCTIONS FOR LARGE BIDDERS

Treasury's Bureau of the Public Debt announced that the automated tender submission and processing system for large bidders will go live on April 29, 1993 with the auction of 52 - week bills tentatively scheduled for that day. The Treasury Automated Auction Processing System (TAAPS) will permit large bidders to submit time-critical tenders by computer using specially designed software.

TAAPS provides large bidders with the option of submitting tenders by computer to Federal Reserve Banks for processing. Until now, bids from these large bidders were submitted on paper, in many cases by messengers who maintained telephone contact with their firms from the Federal Reserve lobby. TAAPS permits Public Debt and the Federal Reserve Banks of New York, Chicago and San Francisco to review and process bids with greater efficiency.

TAAPS is the second phase of Treasury's on-going effort to automate its auctions. More than 600 institutional bidders now submit computer tenders using a system that was made available in the summer of 1992. With the implementation of TAAPS, an enhanced processing system, most of the volume of commercial tenders submitted in Treasury auctions will be submitted by computer.

In the coming months, Public Debt plans to expand TAAPS to other Federal Reserve Banks around the country. This will allow Reserve Banks to summarize bid information from paper and computer tenders and enter those bid summaries into TAAPS for processing. The TAAPS tender submission and processing module is also the foundation for future developments that will further automate the auction and issuance of marketable securities.

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 12, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,094 million of 13-week bills to be issued April 15, 1993 and to mature July 15, 1993 were accepted today (CUSIP: 912794E83).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.88% | 2.94% | 99.272 |
| High | 2.90% | 2.96% | 99.267 |
| Average | 2.89% | 2.95% | 99.269 |

Tenders at the high discount rate were allotted 24%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 25,371 | 25,371 |
| New York | 41,699,685 | 9,967,276 |
| Philadelphia | 6,250 | 6,250 |
| Cleveland | 33,106 | 33,106 |
| Richmond | 34,525 | 30,725 |
| Atlanta | 22,392 | 19,352 |
| Chicago | 1,786,421 | 83,661 |
| St. Louis | 7,195 | 7,195 |
| Minneapolis | 3,275 | 3,275 |
| Kansas City | 23,762 | 23,762 |
| Dallas | 13,563 | 13,563 |
| San Francisco | 1,003,493 | 78,693 |
| Treasury | 801,765 | 801,765 |
| TOTALS | $45,460,803 | $11,093,994 |
| Type | | |
| Competitive | $40,373,488 | $6,006,679 |
| Noncompetitive | 1,321,495 | 1,321,495 |
| Subtotal, Public | $41,694,983 | $7,328,174 |
| Federal Reserve | 2,695,120 | 2,695,120 |
| Foreign Official Institutions | 1,070,700 | 1,070,700 |
| TOTALS | $45,460,803 | $11,093,994 |

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 12, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,056 million of 26-week bills to be issued April 15, 1993 and to mature October 14, 1993 were accepted today (CUSIP: 912794G24).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.98% | 3.07% | 98.493 |
| High | 3.00% | 3.09% | 98.483 |
| Average | 3.00% | 3.09% | 98.483 |

Tenders at the high discount rate were allotted 41%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 20,605 | 20,605 |
| New York | 40,837,829 | 9,918,941 |
| Philadelphia | 5,130 | 5,130 |
| Cleveland | 25,430 | 25,430 |
| Richmond | 33,296 | 27,396 |
| Atlanta | 40,004 | 31,154 |
| Chicago | 1,802,577 | 174,837 |
| St. Louis | 8,877 | 8,877 |
| Minneapolis | 7,379 | 7,379 |
| Kansas City | 23,713 | 23,713 |
| Dallas | 6,840 | 6,840 |
| San Francisco | 890,119 | 214,079 |
| Treasury | 591,225 | 591,225 |
| TOTALS | $44,293,024 | $11,055,606 |
| Type | | |
| Competitive | $40,394,570 | $7,157,152 |
| Noncompetitive | 925,654 | 925,654 |
| Subtotal, Public | $41,320,224 | $8,082,806 |
| Federal Reserve | 2,500,000 | 2,500,000 |
| Foreign Official Institutions | 472,800 | 472,800 |
| TOTALS | $44,293,024 | $11,055,606 |

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 13, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 7-YEAR NOTES

Tenders for $9,761 million of 7-year notes, Series F-2000, to be issued April 15, 1993 and to mature April 15, 2000 were accepted today (CUSIP: 912827K43).

The interest rate on the notes will be 5 1/2%. The range of accepted bids and corresponding prices are as follows:

| | Yield | Price |
|---|---|---|
| Low | 5.50% | 100.000 |
| High | 5.58% | 99.542 |
| Average | 5.54% | 99.770 |

Tenders at the high yield were allotted 56%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 7,967 | 7,967 |
| New York | 17,508,992 | 9,114,992 |
| Philadelphia | 10,722 | 10,722 |
| Cleveland | 14,846 | 14,846 |
| Richmond | 41,577 | 41,577 |
| Atlanta | 25,091 | 25,091 |
| Chicago | 761,810 | 342,810 |
| St. Louis | 6,988 | 6,988 |
| Minneapolis | 5,069 | 5,069 |
| Kansas City | 14,856 | 14,836 |
| Dallas | 11,056 | 11,056 |
| San Francisco | 401,882 | 157,882 |
| Treasury | 7,112 | 7,112 |
| TOTALS | $18,817,968 | $9,760,948 |

The $9,761 million of accepted tenders includes $440 million of noncompetitive tenders and $9,321 million of competitive tenders from the public.

In addition, $468 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $300 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

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# TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960


FOR RELEASE AT 2:30 P.M.
April 13, 1993


CONTACT: Office of Financing
202/219-3350


## TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $21,200 million, to be issued April 22, 1993. This offering will result in a paydown for the Treasury of about $30,300 million, as maturing bills total $51,495 million (including the 48-day cash management bills issued March 5, 1993, in the amount of $11,091 million and the 15-day cash management bills issued April 7, 1993, in the amount of $17,129 million).

Federal Reserve Banks hold $5,747 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $5,805 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

| | | |
|---|---|---|
| **Offering Amount** | $10,600 million | $10,600 million |
| **Description of Offering:** | | |
| Term and type of security | 91-day bill | 182-day bill |
| CUSIP number | 912794 E9 1 | 912794 E4 2 |
| Auction date | April 19, 1993 | April 19, 1993 |
| Issue date | April 22, 1993 | April 22, 1993 |
| Maturity date | July 22, 1993 | October 21, 1993 |
| Original issue date | January 21, 1993 | October 22, 1992 |
| Currently outstanding | $11,684 million | $14,279 million |
| Minimum bid amount | $10,000 | $10,000 |
| Multiples | $ 1,000 | $ 1,000 |

**The following rules apply to all securities mentioned above:**

Submission of Bids:

Noncompetitive bids . . . . . . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . . . . . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . . . . . 35% of public offering

Maximum Award . . . . . . . . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . . . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . . . . . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE

ARRIVAL STATEMENT
BY
U.S. SECRETARY OF TREASURY LLOYD BENTSEN

Hotel Okura/Tokyo, Japan
Tuesday, April 13, 1993

SECRETARY BENTSEN: Thank you very much, and I am very appreciative of the gracious hospitality and welcome that I received in coming to Japan. We are certainly grateful to our Japanese hosts for having the G-7 Ministers of Finance and Foreign Affairs at this historic moment with what we see happening in Russia today. The Finance and the Foreign Ministers of the G-7 countries have come to Japan this week to build upon the spirit and the substance of the Vancouver Summit meeting of the United States and Russia.

We are here -- building on the U.S. assistance package that was announced last week in Vancouver -- to develop a coordinated and sustained program of bilateral and multilateral assistance for Russia.

Last week Presidents Clinton and Yeltsin met for a different kind of a summit in Vancouver. For the first time, we were talking about balance sheets and not balance of power. There was one dealing with the economic concerns of our two countries. Now, we -- the G-7 representatives of the world's most powerful democracies -- must act in concert to bolster Russia's reforms and its reformers.

Japan has taken a leading and a critical role in our multilateral deliberations on Russia. And we welcome the Japanese initiative to invite the G-7 to Tokyo to address these important, mutual concerns unfolding just across the Sea of Japan, from Vladivostok to St. Petersburg.

In the post-Cold War world, Japan's leadership and support are increasingly vital as the alliance confronts the challenges of this new era. And Russia's rebirth and reconstruction is the great drama that is now unfolding.

resident Clinton is already anticipating the summit meeting to e held by the leaders of the G-7 in Tokyo in July, and the visit f Prime Minister Miyazawa next (this) week to Washington. This dministration will work with Japan, in the coming weeks and onths, towards progress in Russia and continued economic growth or the G-7 countries.

hank you very much. I'll take questions if you like.

***

: What did the President say to the Prime Minister of Japan hat made Japan change its hard focus with Russia? How did he onvince them to end this tying of aid to the recovery of the our Northern Islands?

ECRETARY BENTSEN: I don't think it was a matter of convincing apan. I think it was the realization by Japan of the importance f what is taking place in Russia today and how important it is or the entire world that we see a peaceful transition to a arket economy and the democratization of the country.

: Mr. Secretary, you mentioned in your opening statement bout the importance of Japan's leadership as being increasingly ital. In that regard, how would you evaluate the stimulus ackage that is being unveiled today by the Japanese Government? o you see that making an important contribution to world growth? o you think it's adequate to address some of the concerns you ad previously...?

ECRETARY BENTSEN: I just landed. I have had no chance to look t the details and I will be looking forward to visiting with the rime Minister and the Finance Minister tomorrow and going into he details then.

would say -- all the G-7 countries -- in our last meeting, we ere encouraging them to do what they could to contribute to rowth. Japan is in a very fortunate position to be able to do a reat deal in that regard with their surplus in their budget, ith the fact that their national debt is but a fraction of the ther G-7 countries, and because they have a very substantial urplus in trade. It is our hope that the stimulus package will e one that will generate demand and consumption in Japan and ncourage imports coming into the country and get a better alance in the benefits of trade, particularly between the United tates and Japan. I would further say that, for this dministration, you have seen in the past sometimes tough hetoric that has been confused with economic policy. I believe hat this Administration is going to have a serious economic olicy and exchange with Japan to work for the benefit of both ountries.

Q: What is it about the international aid package that is being assembled here in Tokyo this week that makes it more likely to be implemented than the one that was assembled last year?

SECRETARY BENTSEN: Well I've been encouraged by the fact that Minister Federov feels that he has made some serious headway with the Central Bank. That is an encouragement. I hope that it works out to be the case. What you had in the past -- they were making substantial headway on reform until about May of last year, and then you saw the Central Bank beginning to vastly expand credit, a major increase in the printing of rubles, and you saw the value of the ruble go downhill, you saw inflation going at about 25 percent a month bordering on hyper-inflation. You saw the total economy of Russia valued in dollars at 75 billion dollars as compared to the United States being 6 trillion. you saw the average monthly wage go to approximately 39 dollars a month because of what happened to the ruble. It's had a devastating effect. So it was critical that they begin to stabilize that currency and that they have some influence with the Central Bank, and hopefully that is the case.

SECRETARY BENTSEN: I have time for one more question.

Q: Can you have a successful reform program with the Bank under the control of the legislature?

SECRETARY BENTSEN: Well, obviously, there has to be some compromise in that regard to be able to pull it off. No question about that. And I see a couple of my friends out there yawning. I hope it's because of the long trip.
Thank you very much.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

**CLOSING PRESS STATEMENT**
**BY U.S. TREASURY SECRETARY LLOYD BENTSEN**
**HOTEL NEW OTANI, TOKYO, JAPAN**
**THURSDAY, APRIL 15, 1993**

This week's meeting in Tokyo is the first joint G-7 Foreign/Finance Ministers meeting ever held. And that's not the only thing that makes it unique. Our agenda is no longer dominated by nuclear security and the balance of power; it is one of economic cooperation and partnership that advances global peace and prosperity.

Our meetings were extremely productive.

Seven nations sat down and crafted a $28.4 billion multilateral economic support package for Russia. It will provide assistance tailored to help Russia succeed in one of the greatest political and economic challenges in history: creating a democracy and a vibrant market economy. The process will require sustained transformation in Russia and continuing support from the rich G-7 nations and international financial institutions. It will take many years, so we must get started quickly.

Secretary Christopher spoke about the bold, bilateral initiatives President Clinton has put forth to assist Russia. I will briefly describe the multilateral support package assembled here in Tokyo.

o We welcome the proposed Systemic Transformation Facility, which we expect the IMF to create in coming weeks. It could provide Russia with up to $3 billion, half of that as soon as Russia takes the first steps toward stabilizing its economy.

In addition, the IMF and Russia are working on a $4.1 billion standby loan, which would clear the way to activate the $6 billion Ruble Stabilization Fund.

We also urge the World Bank to step up its support for Russian structural reform. The Bank can furnish $4 billion in new commitments to help Russia rebuild key sectors, especially energy and agriculture.

The EBRD also must play a greater role in supporting Russia's private entrepreneurs. We urge the EBRD to develop a $300 million fund that will finance small- and medium-sized private companies in Russia.

We welcome indications from our G-7 partners that their export credit agencies also will provide resources in the range of $10 billion. The recently concluded U.S. Export-Import Bank oil and gas framework should help provide up to $2 billion for rehabilitating Russia's oil wells while boosting U.S. exports.

With this far-reaching multilateral program we can walk with ssia down the road of reform, with each step backed by propriate G-7 financial support.

The multilateral effort we are announcing today represents a jor, coordinated effort to bolster Russia's "reform revolution" well as its reformers.

Thank you.

U.S. DEPARTMENT OF TREASURY
Office of the Spokesman
(Tokyo, Japan)

FOR IMMEDIATE RELEASE

ON-THE-RECORD PRESS BRIEFING
BY
U.S. SECRETARY OF TREASURY LLOYD BENTSEN

Hotel Okura/Tokyo,Japan
Wednesday, April 14, 1993

SECRETARY BENTSEN: I just had an interesting exchange and visit with the Prime Minister and, in turn, I also met with the Finance Minister. Of course, the issue was the economic relationship with our two countries. It's an interesting meeting of the G-7 where this time we have not been talking about security issues, but we have been talking about economics. As I said last night, it is not a question of balance of power -- it's a question of balance sheets and what's to be done about it.

One of those issues, of course, was the stimulus package on the part of Japan. It's a step forward. I think it's one, though, that you have to look beyond the headlines and get into some of the detail. What we want to see on the part of Japan is a continuing stimulus to increase demand within the country. They are in a unique position, amongst the G-7 countries, with their strong fiscal position and yet with a substantial trade surplus against the entire world, and particularly against the United States. And attention has to be directed to that. It is important that they stimulate demand and that they work to open up markets; that they play an increased role in the GATT negotiations which the President has endorsed our moving to a conclusion of the negotiations by the end of the year and, hopefully, passage by the Congress early next year; that Japan have themselves more involved in questions like services, in opening up the markets. And to have a continued strategic, good relationship, it is an imperative that concern be expressed for that trade surplus -- and a continuing concern -- not just a short term one. That was the principal issue of the discussion.

Question: Are you satisfied with the stimulus package, and if it seems a little high it's a good first step, you say, but...

SECRETARY BENTSEN: Well, I think that what you are going to have is a continuing emphasis that's necessary on the part of Japan to encourage demand within their own country. And they are in a unique position. They have the lowest debt by a very substantial percentage of any of the G-7 countries. And if you take all of their budget and put it together, they have actually had a budget surplus to work from.

Question: Is the stimulus program -- is it a real program? Do you see any what you'd call back home "smoke and mirrors" in it?

SECRETARY BENTSEN: Well, I haven't gone into that detail on it but it is obviously a good first step.

Question: Do you think they might have hired Dick Darman for this?

(Laughter)

SECRETARY BENTSEN: I haven't heard that name before.

Question: But if you're calling it a first step, then you are suggesting that .....

SECRETARY BENTSEN: I'm saying it just that way.

Question: Sorry?

SECRETARY BENTSEN: I'm saying it just that way. It's a good first step.

Question: What did you mean, Mr. Secretary, saying we have to look beyond the headlines...?

SECRETARY BENTSEN: We have to look at the detail of a budget like that to see how much of it is a stimulus. But I'm pleased that they went beyond... See, the first budget that they had was actually one that contracted and this is a stimulus budget that they have brought forth this second time.

Question: What would a good second step be?

Question: Miyazawa said a little while ago at the beginning of your meeting that he thought this would certainly stimulate demand in Japan over a long period of time. Is that what you have in mind?

SECRETARY BENTSEN: I think what we need is a stimulus over a long period of time. I agree with that objective very much. I think that is very important that that be done.

Question: ...but that wasn't quite what he said.

SECRETARY BENTSEN: And I said I think this is a good first step.

Question: Will this stimulate demand over a long period of time?

SECRETARY BENTSEN: I think I'll leave my statement the way it is.

Question: But did they give you an impression that they thought they have done enough for a period of time?

SECRETARY BENTSEN: Certainly they gave me the impression they thought they had done enough for this year.

Question: It's a two-way street, Mr. Secretary. What kinds of things did they have to say about us and about the Clinton Administration's promises?

SECRETARY BENSEN: They were complimentary as to what the Clinton Administration has done on the budget.

Question: Were they complimentary in the same way you are being complimentary about their stimulus package?

Question: Good first step, is that what ...?

(Laughter)

SECRETARY BENTSEN: Without equivocation.

Question: What did you mean, sir, when you said that it's important for a continued good strategic relationship?

SECRETARY BENTSEN: That you have a better balance of the benefits of the relationship, and that's particularly true of trade.

Question: By strategic, are we saying that keeping American military forces in ....

SECRETARY BENTSEN: No, no, no. I'm speaking, when I use that term, I'm speaking in terms of economic well-being, not of a military connotation to it.

Question: But did you get into specific sectoral and structural issues?

SECRETARY BENTSEN: No, we did not. Did not. But we will as time goes on, obviously.

Question: Americans are going to be reading in the newspapers, if they read this stuff at all, about 20 percent...and hearing on television, if they pay any attention at all to it, about a 20 percent increase in the trade deficit....

SECRETARY BENTSEN: ...which obviously is a matter of substantial concern and why we emphasize the economic relationship and that they had to do those things to stimulate local demand. That that is an imperative.

Question: But my question is -- they are going to be reading about this just as Miyazawa comes to Washington and Clinton is about to meet with him. Are they going to be satisfied? Should Americans be satisfied with what Miyazawa tells Clinton about this stimulus program?

SECRETARY BENTSEN: I think it has to be a continuation of that kind of stimulus over a period of years, that we are not looking at some short-term solution to the problem. It can't be corrected overnight. I don't want to see us revert back in our country to protectionism to restore that kind of a balance. Or to have to go into recession to restore that kind of a balance. It is much better that they practice a stimulus of their economy. And they are in a position to afford it. They have low inflation rates. They owe just a fraction of what other G-7 countries owe. They have the maneuverability to accomplish that. And for them to have a continuing good relationship with the nations around the world, they must address this.

Question: Did you mention that word "protectionism" in that phraseology in your meeting?

SECRETARY BENTSEN: Yes, I said that. You'll get the forces of protectionism around the world that will begin to resist and that is a poor solution, and we should avoid that. What we are talking about is growth around the world. Looking at Europe with, in most instances, negative growth for this year. The United States, with a growth of about 3.1 percent cannot lead the world out of a recession by itself. It must have assistance. And, in that regard, obviously Japan has the flexibility because of the financial strength of the country to play its role and its part. And that's an imperative.

Question: Did you get beyond the stimulus package? Did you begin to preview the visit that is coming up?

SECRETARY BENTSEN: Yes.

Question: ...and did you talk about access to their markets?

SECRETARY BENTSEN: I talked about that, too, but then I also talked about what they are doing insofar as the assistance to Russia and the privatization and the democratization and the support of the reformers. But the President would be speaking to him about.... I can't get into that detail, obviously. I might also say, I noticed one of these numbers floated out there as to how much the U.S. stimulus was going to be -- I would urge you very strongly not to accept the numbers that are being floated.

Question: You mean the 2 and the 2-1/2 billion dollars?

SECRETARY BENTSEN: Don't accept those numbers because they are mixing apples and oranges in some of this and you'll want to wait until you look at that detail which the President will announce tomorrow.

Question: He hasn't made his mind up yet, has he?

SECRETARY BENTSEN: Well, he's talking to some of the members of the Congress ...

Question: congressional?

SECRETARY BENTSEN: ...congressional process. I'm sure that he has that kind of ...

Question: Well, are those numbers too high or too low or...

SECRETARY BENTSEN: Now, now, now. The President will announce that tomorrow.

Question: ...those numbers out there. We are going to go with those numbers until we get something else.

SECRETARY BENTSEN: Good luck.

Question: You're saying -- don't go (inaudible)...

SECRETARY BENTSEN: Don't go with those numbers.

Question: Are they wrong?

SECRETARY BENTSEN: I don't want you to be embarrassed.

Question: Mr. Secretary, we asked you about what is going on back home with that economic news today and the question that this could all be caused by one snowstorm. I mean...the way we will all file this as if Japan is the big problem for the American economy. What's wrong with the American economy that business can't make a turnaround? They're terrible figures this morning. Everything's off. Autos, homes...

SECRETARY BENTSEN: ...I saw those numbers early this morning. But, overall, if you look at the underlying numbers and the stability, the United States is coming out of a recession. But by the same token, I think the President is quite right in his stimulus package because we saw the previous Adminstration twice think that they were coming, in all sincerity, think that they were coming out of that recession and decide to settle for the status quo. So they went 0 for 2. I surely don't want to see us go 0 for 3. So it is important that we give some stimulus in the short term for the creation of jobs.

Question: What was your reaction to what Japan is planning to do in terms of aid to Russia? How do you feel about it? Is it also something to look behind the headlines?

SECRETARY BENTSEN: I think that's another one where you have to look at the detail of it. We discussed the possibilities of other things to do in a bilateral way. That's one the President will be discussing with the Prime Minister and I'll wait 'til the President's statement after.

Question: It looks a little heavy on loans and not credits.

SECRETARY BENTSEN: ...which is not unusual. That's if you look at their previous offers. They've been quite heavy on credits. ...looked at those numbers, I think that...grants which is approximately 300 million.

Question: Do you think that there are other things they ought to be doing...?

SECRETARY BENTSEN: I think there are other things that the President will be talking about as his second Vancouver II.

Question: Other things he'll be talking about that he things Japan should be doing?

SECRETARY BENTSEN: Well, he hopes that they'll participate with him and the other G-7 countries.

Question: Is your concern about the internal composition of the package as opposed to the overall number?

SECRETARY BENTSEN: No, I just cited what the numbers were.

Question: You seem to be underwhelmed by it.

SECRETARY BENTSEN: Those are your words.

Question: Do you sense they are holding back either because of the islands? Aren't they tailoring their contribution to the U.S.'s and sort of holding half of it back until they get some -- well, recover the islands?

SECRETARY BENTSEN: Well, I think the Prime Minister's commitment on that -- that's two different issues, two different tracks that they are running on.

Question: Did he make that commitment in your meeting this morning?

SECRETARY BENTSEN: He did not.

Question: Is it correct for us to assume that -- maybe I didn't hear you just right -- when the Prime Minister meets the President on Friday, that the President will be requesting additional help on the issue of Russia. Is that a...?

SECRETARY BENTSEN: There is no question in my mind but what he'll be talking about what his second proposal insofar as assistance to Russia, and he'll be speaking to the Prime Minister concerning participation in that regard.

Question: In the next tranche of assistance?

SECRETARY BENTSEN: Yes.

Question: ...so, whatever Japan has done today, two days later they are going to get a little more pressure?

SECRETARY BENTSEN: He's going to get an example of the assistance that the United States has given and with the strength of their economy, I am sure that the President will be urging them to participate in some of these.

Question: ...there was some hope that all of this would be worked out. I mean, the impression they were given at Vancouver was that all of this would be worked out in time for today or tomorrow's meetings. Now the suggestion that somehow it's going to continue. There's going to be more lobbying and more requests afterwards. Do you feel certain disappointment that it isn't going to work out in time for this?

SECRETARY BENTSEN: No, no, no. When I look at the actions of the Japanese government in this kind of request, and what process they go through, it is not one that gives you an early decision.... I think they've done very well in coming up with their offer in what to assist in this short period of time. But I don't think the process is over.

Question: Do you think the Summit will be advanced? We heard that last week at State. That conceivably the July date will be brought forward? Is that still...?

SECRETARY BENTSEN: I don't anticipate that. We advanced this G-7 meeting, and I think it's well that we did because I think the G-7, which was somewhat moribund before, is now coming back as an effective mechanism to address some of these world concerns, and I'm encouraged by that.

Question: Mr. Secretary, if I might come back to the meetings that you had today with the Japanese officials -- I don't know if you can answer this, but did they raise any complaints about the yen?

(Laughter)

SECRETARY BENTSEN: I have no comment on that.

Question: Mr. Secretary, when the Japanese briefed on that meeting this morning at the Ministry of Finance, they indicated that they felt that both sides agreed that the yen has been moving too rapidly recently.

SECRETARY BENTSEN: That what?

Question: That the yen has been moving too rapidly recently.

SECRETARY BENTSEN: Both sides said that?

Question: They didn't say that it was said. They said they felt both sides agreed or had the same feeling about the (inaudible)....

SECRETARY BENTSEN: I have no comment on...(inaudible)

Question: Mr. Secretary, Japanese officials are telling us that President Clinton spoke with Prime Minister Miyazawa last night for ten minutes and outlined the U.S. additional aid program, and after telling us that, the same Japanese officials then outlined the 2 to 2-1/2 billion dollar figure which you say is mixing apples and oranges.

SECRETARY BENTSEN: Don't rely on that number.

Question: Should we not rely on the conversation part of it then either?

Question: The White House has confirmed that they spoke, that Miyazawa....

Question: I guess what I'm trying to get at is, how do we sort out, help us sort out, what it is that they are saying that is right and what it is that they are saying that is wrong.

SECRETARY BENTSEN: No, no....

Question: Did the President have ...(inaudible)

SECRETARY BENTSEN: Let's leave it to the President to make his announcement tomorrow. I don't want to (inaudible)...

Question: You started to say that they did speak and...

SECRETARY BENTSEN: They did speak. I started to say that the Prime Minister speaks English and so you get a lot more in ten minutes. As I listened to the translation when I speak to one of them, I can never believe I spoke that long.

(Laughter)

Question: Can I just ask you a little more about the stimulus package and the relationship to sectoral issues because they are taking a rather hard line on the idea of anything that remotely resembles managed trade. Did you discuss with them the need for this new framework that they are talking about that would replace the SII process, this kind of thing? Did you tell them that the President will be insisting on some results-oriented policy in certain sectors?

SECRETARY BENTSEN: I told them there would be a discussion of sectoral issues as we go along. The big concern to us -- and part of it hopefully can be resolved in the GATT negotiations -- and in addition to that, then bilateral discussions. That would be a continuing, ongoing discussion and concern.

Question: Do you think the macro issues are the more important of the two in terms of U.S. jobs?

SECRETARY BENTSEN: Yes, I do. I think that they are.

Thank you very much.

# DRAFT



The G7 Joint Ministerial Meeting
and the Following Meeting with Russian Ministers
Chairmen's Statement



15 April, 1993

1. Introduction

At the request of the Heads of State and Government of the seven major industrialized countries and of the President of the EC Commission, and in the process of preparation of the Tokyo Summit, Foreign and Finance Ministers of G7 countries and representatives of the European Community met in Tokyo April 14, 1993 to discuss support for reform in the Russian Federation. Prime Minister Kiichi Miyazawa of Japan opened the meeting, which was chaired jointly by Kabun Muto, Minister for Foreign Affairs of Japan and Yoshiro Hayashi, Minister of Finance of Japan.

On April 15, 1993, the Ministers met with Mr. Boris Fyodorov, Deputy Prime Minister and Finance Minister of Russia, and Mr. Andrei Kozyrev, Foreign Minister of Russia for an extended discussion of the economic and political situation in Russia and to review how the international community could best support Russia's reform program. Our Russian colleagues reaffirmed the determination of President Yeltsin and his government to move forward with reform. They welcomed our determination to support the reform process in ways which complement the efforts of Russia

2. Support for Russia's reform

Russia has embarked on a far reaching transformation process with the aim of building a democratic society, establishing a market economy and improving the welfare of its people under the leadership of President Yeltsin. Russia has made courageous and extraordinary progress in the last two years. Russian reform and progress towards democratization are essential to world peace. We want to see a democratic, stable and economically strong Russia, firmly integrated into the community of democratic states and into the world economy. We are confident that the G7 and Russia will continue to cooperate constructively and responsibly in international affairs.

The Russian people themselves must bear primary responsibility for economic and political reform. The development of a market economy in Russia will be a long, arduous undertaking which will require difficult adjustments by the Russian people. We assure the Russian people of our support in coping with the inevitable hardships of the transition period. We remain resolved to work with Russia to develop lasting cooperation based on the principles of partnership and help for self-help laid out at the Munich Summit. Our assistance will be pragmatic, visible, tangible and effective, tailored to Russian absorptive capacity and phased with the progress of reform.

We welcome the recognition by the Russian government that both monetary stabilization and further structural reform, including privatization, are critical. A positive environment for private investment, including a proper legal and administrative framework, is crucial for the transformation of the economy. Better access to export markets is indispensable to structural reform in Russia.

3. Bilateral and Multilateral Actions

We have agreed on a series of multilateral actions which are closely interlinked with our bilateral efforts, as described in the Annex. Close coordination amongst our countries and the international organisations as well as close contacts with the Russian authorities will be necessary.

Russia is currently experiencing a particularly difficult situation. We are also mindful of the challenging tasks facing other economies in transition. They too can continue to rely on our support.

The success of the Russian reform program is in the interest of all countries. We encourage others to contribute to the actions we have taken today.

4. Next Steps

Our meeting in Tokyo has helped lay the foundation for the meeting to be held with President Yeltsin in July in Tokyo. The Heads of State and Government of the seven major industrial democracies and the President of the Commission of the European Communities will continue to pay close attention to developments in Russia. They look forward to a fruitful review in July.

Annex

<u>Support to be Provided to Russia</u>

1. <u>Support by the IMF for Macroeconomic Stabilization</u>

Progress towards macroeconomic stabilization, especially the reduction of Russia's high rate of inflation by bringing monetary and credit expansion under control, is of paramount importance to the success of Russia's economic reforms.

We encourage the IMF to play a more active role in this area, and we agree that IMF should be prepared to provide tangible support for the steps towards stabilization.

(a) We warmly welcome the proposal to create a new IMF Systemic Transformation Facility which could help countries in transition and provide Russia with up to $3 billion in financial support made available in two tranches.

We urge that the first tranche be disbursed when Russia makes a political commitment to adopt an appropriate adjustment policy, as indicated by a policy statement.

The second tranche should be disbursed when there has been satisfactory policy implementation with a focus on monetary policy measures to contain inflation, paving the way for a stand-by arrangement.

(b) The IMF and Russia are strongly encouraged to develop a stand-by arrangement of up to $4.1 billion in more intensive support for economic stabilization, on the basis of a comprehensive macroeconomic stabilization program, as soon as possible and in any event before October 1, 1993.

(c) We reaffirm our commitment to make available the currency stabilization fund of $6 billion to boost confidence in the rouble market, once macroeconomic conditions have stabilized.

2. <u>Support by the World Bank for Structural Reforms</u>

(a) Structural reform measures are essential for building a market economy and can most effectively be implemented in the context of macroeconomic stabilization.

(b) The World Bank as a provider of long term support is well positioned to take the lead in supporting Russian structural and sectoral reform.

(c) We urge the Russian authorities to improve their cooperation with the World Bank and to accelerate their efforts to utilize existing support by drawing down funds under last year's import rehabilitation loan, and to conclude the negotiation of the $500 million oil sector loan, which carries an additional $500 million co-financing, as rapidly as possible.

(d) We back the World Bank's efforts to increase support for structural and sectoral reforms in parallel with the IMF's new Systemic Transformation Facility, including a second critical imports loan. We welcome the World Bank's willingness to provide, for the coming 15 months, up to $4 billion in new commitments in the form of loans to support investment, the strengthening of institutions, and reform in several key sectors such as energy, agriculture and housing which will directly benefit the Russian people.

3. Support mainly through the EBRD for Small and Medium Sized Enterprises

(a) Small and medium sized enterprises are crucial for the development of a private sector in Russia. The EBRD should have a key role in this area.

(b) We ask the EBRD to establish, in close cooperation with us, a $300 million fund financed half by with its own funds to promote Russian small and medium sized enterprises. We invite other countries to contribute to this fund. We also request the EBRD to prepare the ground for creating a Russian Bank for small and medium sized enterprises.

4. Support for Privatization of Large Enterprises

One of the crucial areas of structural adjustment in Russia is the restructuring and the privatization of large scale enterprises. We agree to set up a working group to explore how best to assist this process including possibly by combining bilateral and International Financial Institutions resources, with a view to reporting at the Tokyo Summit.

5. Debt Rescheduling

We welcome the agreement between 19 creditor countries and Russia on the rescheduling of the debts of the former Soviet Union, concluded at Paris on April 2, 1993, which represents a support of over $15 billion and which puts a heavy burden on creditor countries' budgets. The relief will substantially ease balance of payments constraints in the present stage of the reform process and paves the way for maintaining creditworthiness and for new capital inflows.

6. Export Credit Agency Activities and Cooperation

(a) The activities of the ECAs represent a major source of financing in our support for Russia.

(b) It is important to ensure that their ECA financing supports Russia's structural reforms especially industrial restructuring in such key areas as energy.

(c) To this end, it is highly desirable that there be opportunity for cooperation between the World Bank and the ECAs.

(d) We are confident that the ECAs can provide export credits and guarantees for viable projects in an amount in the range of $10 billion.

7. Expansion of Trade

Improvement of access for Russian products to international markets strongly reinforces Russian structural reform. We intend to take measures to further open our markets. We will work with the Russian authorities for Russia's full integration into the

Existing trade regulations in the area of advanced technologies (including COCOM-related regulations) should be gradually liberalized, provided that Russia establishes effective export controls.

8. Energy Sector

We urge the rapid creation, in Russia, of an environment which encourages private investment and trade in the energy sector. In step with this, we intend to encourage relevant companies in our countries to expand their investment in Russia's energy sector. We emphasize the importance of an early conclusion of the Energy Charter Treaty.

9. Nuclear Safety

(a) Recent incidents highlight the urgency of achieving improved safety of nuclear power plants in Russia. This requires in the first place resolute action from Russia itself. We are committed to cooperate through the full and timely implementation of the multilateral program of action agreed at the Munich Summit. Concrete projects for safety improvements need to be undertaken without delay.

We will work through the improved G-24 coordination mechanism to achieve early and significant safety gains. We also emphasize the importance of fully utilizing the Nuclear Safety Account managed by the EBRD in pursuing this aim. We call upon the international community to contribute to the Account. We emphasize the importance of close coordination between the EBRD and the G-24 in the operations of the Nuclear Safety Account. We will examine appropriate measures with our Russian colleagues on the basis of the World Bank and IEA studies and will carry forward the process initiated at Munich at the forthcoming Summit in Tokyo.

(b) Ocean dumping of radioactive waste is a matter of great concern. We agree that this should be studied further.

10. Dismantling Nuclear Weapons

The importance of assistance to dismantling of nuclear weapons and the disposition and control of fissile materials derived from them is recognized as an issue relating to the security of the whole world. National cooperation with Russia in this area constitutes a part of multilateral efforts. Some G7 countries are already working with Russia. We agree to consider how this work could be furthered and how other countries could be involved in these efforts.

11. Science and Technology

(a) With respect to the International Science and Technology Center, whose establishing agreement was signed last November, we stress the importance of necessary procedures to be taken in Russia to enable the International Science and Technology Center to commence its activities at the earliest possible date.

(b) We see possibilities to proceed with new forms of cooperation in science and technology, including programs in the field of outer space.

12. Food and Medical Assistance

We are now providing food and medical assistance and remain ready, as in the past, to consider additional support in case of emergency.

13. Technical Assistance

We stand ready to assist Russia in attracting a broad flow of know-how and experience to benefit concrete projects and individual enterprises in the regions and localities. Teams of experienced advisors should engage in long-term cooperation on the spot and more Russians should come to our countries for training. The Russian Government should strengthen its ability to direct technical assistance to where it is needed. We urge the World Bank to activate without delay and make full use of the Consultative Group process agreed at the Munich Summit in order to achieve a more effective coordination.

14. Bilateral Cooperation

We welcome the recent decisions of G7 countries to increase their bilateral support. Our bilateral efforts are an integral part of our common strategy to assist Russian reforms. We stand ready to continue our bilateral efforts, which are closely linked with and complement the above outlined action program.

15. Support Implementation

Recognizing that greater efforts to improve the effectiveness of our support are needed, we will work urgently to ensure such support is implemented as efficiently as possible. To that end we will seek, in close consultation with the Russian authorities and relevant international organizations, to establish arrangements to facilitate the use of technical cooperation and financial support, and to cooperate with the Russian authorities in removing bottlenecks so as to improve the efficient implementation of support.

## Support Program for Russia

| | | Reference paragraph in the Annex |
|---|---|---|
| Initial support for stabilization | $4.1 billion | |
| --IMF Systemic Transformation Facility | $3.0 billion | 1-(a) |
| --World Bank Import Rehabilitaion Loans | $1.1 billion | 2-(c)(d) |
| Full stabilization program | $10.1 billion | |
| --IMF stand-by loan | $4.1 billion | 1-(b) |
| --IMF Currency Stabilization Fund | $6.0 billion | 1-(c) |
| Structural reform and essential imports | $14.2 billion | |
| --World Bank loan commitments | $3.4 billion | 2-(d) |
| --Cofinancing of World Bank oil sector loan | $0.5 billion | 2-(c) |
| --EBRD small and medium enterprise fund | $0.3 billion | 3 |
| --Export credit agency credits and guarantees | $10.0 billion | 6-(d) |
| Debt rescheduling | | |
| --Public debt rescheduling | $15.0 billion | 5 |
| --Private debt rescheduling | . . . | |
| Bilateral Assistance | . . . | |

## Elements of the G-7 Multilateral Support Package for Russia
## Breakdown by Timing of Commitments

| | |
|---|---|
| **New commitments of support in 1993** | **$21.4 billion** |
| --IMF Systemic Transformation Facility | $3.0 billion |
| --New World Bank commitments[1] | $3.5 billion |
| --Cofinancing of World Bank loans | $0.5 billion |
| --EBRD small and medium enterprise fund | $0.3 billion |
| --Export credits and guarantees | $10.0 billion |
| --IMF standby loan[2] | $4.1 billion |
| **Renewed commitments of support from 1992** | **$7.0 billion** |
| --World Bank loan pipeline[3] | $1.0 billion |
| --IMF currency stabilization fund[4] | $6.0 billion |

Memo item:

| | |
|---|---|
| Debt rescheduling | $15.0 billion |

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[1]The World Bank expects $3 billion in new loan commitments to Russia this year, above what was expected last year.

[2]The 1993 standby loan is expected to differ from last year in two respects. First, the loan will be larger (Last year's IMF standby loan was expected to total $3 billion, but only $1 billion was disbursed due to the lack of progress in Russian stabilization efforts). Second, the IMF will negotiate a fast-track standby, streamlined to focus only the central issue of stabilization.

[3]The World Bank will move quickly to approve and disburse the funds planned for last year that remain unutilized. Includes $500 million in undisbursed funds under the import rehabilitation loan approved last year, and $500 million for an energy sector loan prepared, but not approved, last year.

[4]This fund was prepared last year, but not activated due to the lack of progress in Russian stabilization efforts. It will be activated when Russia has an IMF standby loan and is prepared to stabilize the ruble exchange rate.

AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 19, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $10,661 million of 13-week bills to be issued April 22, 1993 and to mature July 22, 1993 were accepted today (CUSIP: 912794E91).

RANGE OF ACCEPTED COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.81% | 2.87% | 99.290 |
| High | 2.82% | 2.88% | 99.287 |
| Average | 2.82% | 2.88% | 99.287 |

Tenders at the high discount rate were allotted 55%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 23,412 | 23,412 |
| New York | 50,267,390 | 9,542,811 |
| Philadelphia | 9,140 | 6,974 |
| Cleveland | 37,799 | 37,799 |
| Richmond | 31,692 | 24,692 |
| Atlanta | 18,260 | 15,360 |
| Chicago | 1,995,870 | 72,120 |
| St. Louis | 10,930 | 10,930 |
| Minneapolis | 18,335 | 8,275 |
| Kansas City | 23,554 | 23,554 |
| Dallas | 13,280 | 13,280 |
| San Francisco | 854,981 | 95,971 |
| Treasury | 785,855 | 785,855 |
| TOTALS | $54,090,498 | $10,661,033 |
| **Type** | | |
| Competitive | $49,108,265 | $5,678,800 |
| Noncompetitive | 1,261,533 | 1,261,533 |
| Subtotal, Public | $50,369,798 | $6,940,333 |
| Federal Reserve | 2,847,160 | 2,847,160 |
| Foreign Official Institutions | 873,540 | 873,540 |
| TOTALS | $54,090,498 | $10,661,033 |

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AUCTION RESULTS

# PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
April 19, 1993

CONTACT: Office of Financing
202-219-3350

## RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $10,706 million of 26-week bills to be issued April 22, 1993 and to mature October 21, 1993 were accepted today (CUSIP: 912794E42).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

| | Discount Rate | Investment Rate | Price |
|---|---|---|---|
| Low | 2.95% | 3.04% | 98.509 |
| High | 2.96% | 3.05% | 98.504 |
| Average | 2.96% | 3.05% | 98.504 |

Tenders at the high discount rate were allotted 35%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

| Location | Received | Accepted |
|---|---|---|
| Boston | 17,996 | 17,996 |
| New York | 50,767,233 | 9,763,201 |
| Philadelphia | 6,104 | 6,104 |
| Cleveland | 26,541 | 26,541 |
| Richmond | 28,649 | 24,099 |
| Atlanta | 17,550 | 15,250 |
| Chicago | 2,034,010 | 94,010 |
| St. Louis | 8,786 | 8,786 |
| Minneapolis | 5,310 | 5,310 |
| Kansas City | 25,135 | 25,135 |
| Dallas | 8,510 | 8,510 |
| San Francisco | 765,283 | 154,983 |
| Treasury | 555,755 | 555,755 |
| TOTALS | $54,266,862 | $10,705,680 |
| Type | | |
| Competitive | $49,971,530 | $6,410,348 |
| Noncompetitive | 889,632 | 889,632 |
| Subtotal, Public | $50,861,162 | $7,299,980 |
| Federal Reserve | 2,900,000 | 2,900,000 |
| Foreign Official Institutions | 505,700 | 505,700 |
| TOTALS | $54,266,862 | $10,705,680 |

LB-125

U.S. DEPARTMENT OF STATE
Office of the Assistant Secretary/Spokesman



FOR IMMEDIATE RELEASE



PRESS BRIEFING
BY
U.S. SECRETARY OF STATE WARREN CHRISTOPHER

Enroute Andrews AFB to Anchorage, Alaska
Monday, April 12, 1993

SECRETARY CHRISTOPHER: I wanted to come back a little earlier than I might have because I understand you all have a filing deadline in Anchorage and so, here goes.

First, I'd like to say that this visit should be put in the broader context of three important parts of the framework of U.S. foreign policy in the Clinton Administration. I made some notes here as you can see because I wanted to be able to record for you some of the feelings that I have as I go into Tokyo.

As I say, I think that this visit has to be put in the context of these three key parts of our framework. First, that our fundamental overriding goal around the world is to promote democracy, human rights and free markets and no where is this issue more trenchantly involved than in the case of Russia and I will come back to that in just a moment. Second, we want to remain a Pacific power and are determined to shoulder our responsibility in this area. And, third, in the new era, the economic aspects of our relationship with Japan must be addressed with a new intensity.

In this context, let me mention some particular aspects of the meetings in Japan. First, they will certainly highlight the importance of the economic and political reform in Russia -- and, as we have been trying to do over the last several weeks -- will provide support or are intended to provide support for Yeltsin's courageous efforts. Second, as President Clinton emphasized the last few days, we are now moving to a new stage -- the multilateral stage -- in which we intend to build on the momentum created in Vancouver and in the related bilateral endeavors that have gone forward since Vancouver. Third, in a multilateral sense, we expect substantial additional support for the multilateral institutions -- the World Bank, the EBRD, the IMF. The (background briefers) will spell this out further, but the particular kinds of aid that we expect to come forth in this meeting and in those arenas are cooperative assessed assistance to stabilize inflation, structural reform in energy and agriculture, and support for privatization, that is, lending support for private business through privatization.

We think that this meeting can provide joint action for the G-7 to maximize the efforts of each of the countries and, I want to say that I have a positive feeling about the results that will come out of the bilateral efforts in Tokyo. Clearly, this is a cooperative effort that will need the assistance of Russia and, for that reason, of course, it's essential that the Russian Finance Minister Fedorov and the Foreign Minister Kozyrev are arriving tomorrow to join in the discussions with the G-7 Foreign Ministers and Finance Ministers. And, as hosts, the Japanese will undoubtedly play a particularly important role -- they are not only hosts but they are the chair of the G-7 this year and they have played a major role in organizing these meetings and will continue to play a major role as we move through the remainder of this year.

Now, beyond these multilateral efforts, I'd like to mention the bilateral efforts that have gone on in the last several days since Vancouver. First, as you know, a number of countries have indicated additional bilateral support for Russia -- the United Kingdom, Canada, Germany -- and we expect that this trip, or even before we arrive, there may be indication of further bilateral efforts or assistance by Japan. As you know, in Vancouver, President Clinton indicated that the United States would be considering additional bilateral assistance based upon his conversation with President Yeltsin. Consultations on those additional bilateral efforts are going on actually as we are flying. President Clinton was necessarily diverted from those consultations for a couple of days over the weekend, but we are back at that effort now and I think we can expect to hear something from that although I'm going to be a little uncertain about the exact timing as to when that will emerge.

Finally, in addition to the multilateral efforts of the G-7 and the bilateral efforts, this trip inevitably has some U.S./Japan bilateral aspects to it. I'll be meeting as soon as we arrive tomorrow -- almost as soon as we arrive -- with the new Foreign Minister Muto and I'm looking forward to that. And, then on the following morning, I'm going to be received by Prime Minister Miyazawa and those meetings will obviously have significance as preludes to President Clinton's meeting on Friday with Miyazawa.

Once again, I stress the importance of the U.S./Japan relationship and the very significant role that Japan is going to be playing in these meetings. One point I'd want to make about this is that these meetings should certainly not prejudice Japan's position with respect to the Northern Territories. Japan has cooperated by putting that issue to one side, but the United States continues to support the Japanese position and nothing in these meetings should prejudice the Japanese position on that subject.

With respect to the Japanese bilateral, I'd come back to the two points that I made at the beginning and that is that the United States will be affirming or stressing its intention to remain a Pacific power and to shoulder our responsibilities in that regard and the second is that the economic aspects of the U.S./Japan relationship must be addressed with new intensity in this current period. I think that's all I have to say by way of a prelude and you'll be hearing more from (background briefers), but I'll be glad to take any questions you have.

Q: I wonder what you thought of the way Yeltsin's playing politics with the economy as the April 25th referendum approaches? As one newspaper had it, he's sweetening the pot. He's doing things that both fuel inflation and he's doing contrary things. If your policy depends on him helping himself, is he helping himself or is he making it tougher to bring about the reform you want?

SECRETARY CHRISTOPHER: President Yeltsin's a very experienced and skillful politician. I assume he's taking the right balance of steps to maximize his chances of prevailing on the 25th of April and, as I've said so many times, we have a very large stake in his prevailing and I wouldn't want to second guess his, what inevitably, is something very closely akin to a campaign strategy.

Q: Mr. Secretary, can you tell us while you are not free yet to divulge the details or the size of the package -- the bilateral second step that the U.S. is going to take. How will it be different from what we did in Vancouver?

SECRETARY CHRISTOPHER: Well, I can't get into details on that John, as you indicate, but it may well have some aspects that will be closely coordinated with our G-7 allies and it will be even more closely attuned to what we heard from President Yeltsin in Vancouver, aid that will go right into the bloodstream of the Soviet economy in a very impressive way we hope. But, I do want to emphasize that the President is still consulting on those matters, consulting as we fly here and so I do not want to try to foreshadow any of the -- with any precision.

Q: Mr. Secretary, you said last week when you had a BACKGROUND briefing with us that you expected the Security Council to pass the sanctions resolution on Bosnia today or early this week. Now, President Yeltsin has sent a letter to President Carter (sic) and the Russians are indicating that they -- they are stalling -- they are indicating that there are problems with it. Do you have any intention of linking the package of Soviet aid -- of aid to Russia -- to their cooperation on Bosnia, either on this particular resolution or on their cooperation in the future?

SECRETARY CHRISTOPHER: Elaine, I talked with Foreign Minister Kozyrev both on Friday and then this morning before we left, and the Russians are working very intensively to try to persuade the Bosnian Serbs to negotiate and to come to agreement with the other two parties. They feel that there are enough prospects of that happening that they have asked for a delay. There are a number of things in play. Karadzic, the negotiator for the Bosnian Serbs, has written to Mr. Vance, asking to continue the discussions. Reggie Bartholomew, our negotiator, has gone to the area to meet with various parties. And, under the circumstances, it seemed to us to be prudent to honor the request that came from the Russians to have a two week delay in the vote. I would also say that the way the matter is structured, the two week delay is not likely to result in any delay in actual enforcement if the resolution is adopted on the 26th of May -- the 26th of April. The reason for that is that the resolution earlier had a two week grace period in it and it would be our intention not to have that grace period in the new resolution that will be considered by us and that would be voted on according to our intention on the 26th.

We find working with the Russians much more satisfactory in the new situation, no doubt resulting from our cooperation and partnership on a number of issues and I think that there certainly is no direct linkage, but I would have to say that our working together does provide new opportunities for us to consult on matters such as the vote in the U.N. After all, these are multilateral decisions and when you work in a multilateral context you have to be understanding of the views of the other parties.

Q: Mr. Secretary, still on Bosnia, what did the United States know about and did the U.S. have any role in the provision of ammunition and other related armaments that were mixed in with humanitarian assistance and found in eastern Bosnia last week? Some of that ammunition and materiel as I understand it, is compatible with U.S.-manufactured and perhaps U.S.-shipped assistance.

SECRETARY CHRISTOPHER: As far as I know, we knew nothing about the ammunition that was hidden in the humanitarian supplies that went forward. Certainly, I knew nothing about it. It was a complete surprise and, naturally, a disappointment to me.

Thank you very much. I'll turn this over to (the background briefers.)

# # #

U.S. DEPARTMENT OF STATE
Office of the Assistant Secretary/Spokesman
(Tokyo, Japan)

WH12.10 J1072

BACKGROUND BRIEFING
BY
SENIOR U.S. OFFICIALS

Okura Hotel
Tokyo, Japan
Tuesday, April 13, 1993

OFFICIAL #1: Welcome to this intimate briefing here. The meeting lasted about an hour which was considerably longer than planned. It was the first meeting with the new Foreign Minister for Secretary Christopher and I think it's fair to say that it was a very cordial first encounter. And we should note it's the first of several meetings this week with Japanese leaders. Both Secretary Christopher and Secretary Bentsen will be meeting with their counterparts and, of course, the Prime Minister will be meeting with them as well as with the President this coming Friday. And, as the Secretary said, these intense consultations on global regional bilateral issues will be a hallmark of the relationship.

Now, this initial meeting had a heavy emphasis on economic issues. And I think, if you break it down, the two main areas are bilateral economic relations and the G-7 process.

Foreign Minister Muto led off and he noted that right after this meeting with the Secretary, he would be going to a meeting with all the Japanese (Cabinet) ministers to put in final shape the Japanese stimulus package. And he briefed Secretary Christopher on the broad outlines of that package. Foreign Minister Muto noted that it was important for the U.S. to rebuild its economic base and he welcomed President Clinton's efforts at domestic renewal both in reducing the deficit and making America more competitive. Secondly, he noted that it is important for Japan to boost its domestic demand for Japan's economic recovery. Thirdly, he noted that it is important for both countries to combine their efforts to promote world economic recovery.

Secretary Christopher then responded. After some grace notes about the sadness that Watanabe had to leave his post, noted that this meeting foreshadowed the one coming up on Friday between the President and the Prime Minister and that the President looked forward to that meeting and pledged again to work closely with the Japanese.

As I said, there was a very distinct economic emphasis in this meeting. The Secretary affirmed that the U.S. will remain a Pacific power and shoulder our responsibilities in this region. But, he also emphasized that this is a new period where economic relations must be addressed with great intensity. In order to maintain and indeed expand our partnership with Japan, we are going to have to make progress on economic issues, reduce the large trade imbalances necessary for economic growth and he was pleased to have the preview of the Japanese stimulus package that the Foreign Minister provided. We do look to the Japanese macroeconomic policies as well as other policies to help on our economic challenges.

Secretary Christopher noted that the two nations -- have great responsibilities for the world economic system, 40 percent of the world's GNP. He said that the stimulus package was a useful first step. But, he added that Japan needs several years of economic growth for the world economic system to be fully revitalized.

Secretary Christopher also said that it was important to address various structural and sectoral issues. He welcomed some of the elements of the package that were described, but he didn't comment on the specifics of the package, he just (described it) as a useful first step. But, he picked up on the point about government procurement being part of this package and he inquired, as a specific exchange on whether personal or small computers would be included in this package as well as super computers which the Foreign Minister had cited. Secretary Christopher noted the disparity of the market share for foreigners between the public and private purchases of these computers. So, it was a particular point that they had an exchange on.

Q: What was the answer?

OFFICIAL #1: Well, why don't we leave that until I get through the briefing here?

The Secretary also emphasized the importance of the Uruguay Round and noted that the President had requested fast track authority from the Congress but that we are going to have work hard and there's going to have to be substantial compromises by key countries to bring this to a successful conclusion.

We then went on to the G-7 conference. Foreign Minister Muto said that the purpose of this conference and process was to support President Yeltsin and help him succeed in his reform efforts and he cited three reasons why this was important. First, to help Russia move toward democracy; second, toward a market economy; and, third, to help it to conduct a moderate foreign policy, as he put it consistent with law and justice. And he noted the major Russian efforts underway already in all three of these areas.

In this context, he appreciated the American package announced at Vancouver -- the $1.6 billion program.  And, he also expressed Japanese gratitude for the President's solid support on Japan's position on the Northern Territories.

And, again, he noted that the President and America's leadership on assistance to Russia was very important and said that, in addition to multilateral efforts, Japan is deciding on a bilateral assistance package and he gave some preview of that, but he made it clear that it's up to the Prime Minister to announce this package which he will do at the opening of the session tomorrow.  So, I think that covers the main important points in the meeting and (Official #2) and others here will be glad to respond to any questions.

Q: What's the response on the small computer, public versus private issue, was there a response or was it just noted on the part of. . .

OFFICIAL #1: Well, I think it's fair to say that the Foreign Minister asserted that it was open to foreign bidding on that, but the Secretary didn't respond to that. The Secretary was very clear to make the point that we wish to have fair access on the small computers as well as on the supercomputers.

OFFICIAL #2: I might make one additional point. When he said the importance of sustained growth over several years, the emphasis was on domestic demand, not growth.

Q: Did you talk at all about the Northern Territories issue and exactly how Japan is approaching it? Have they just put that issue aside for the moment, do they hope that once they get by this aid issue, Russia, and Yeltsin in particular, will be more apt to start new talks on resolving that dispute.

OFFICIAL #2: I think (the other official) has described the exchange on the Northern Territories, the expression of appreciation for our support, and an indication that they have an interest in the reform process, but there wasn't an extended exchange on the subject.

Q: Could I just follow up -- what's your impression? Do you think that Japan is putting this aside indefinitely or just for the moment?

OFFICIAL #2: I don't think they're putting it aside, but I think they recognize the importance of what is happening in Russia, and are attempting to play their own part within the G-7 context in supporting the reform efforts, which Yeltsin represents. But, that doesn't mean they're going to put the Northern Territories issue on the shelf.

OFFICIAL #1: And the U.S. support for the Japanese position on this issue remains very solid and that was appreciated by the Japanese side and the Secretary made clear that continues.

Q: There was a report that Yeltsin might come here in May, which seemed to suggest that there might be some backchannel negotiations on the territories going on, but has that become clear at all?

OFFICIAL #2: I can't illuminate. I've seen the same reports. You ought to ask the Foreign Ministry. They hoped to arrange such a meeting before the Summit if it were possible.

Q: When Muto welcomed Clinton's efforts to rebuild the American economy, can you be more specific about that? Did he sound wildly enthusiastic, or...

OFFICIAL #1: I think you should ask him what their characterization is. The impression I think we had is they generally admired what the President is seeking to do, and specifically, trying to reduce the deficit and trying to make America more competitive.

Q: Is that unusual for him to do something like that?

OFFICIAL #2: Well, I think that there has been a real enthusiasm for seeing America step up to its problems. As politicians, they understand when you ask the public to accept higher taxes and lower government spending, you're taking on a big burden. Interestingly, what they're doing here is adding public expenditures politically. They're facing a different set of problems than we are, and I think their politicians know that this takes some guts and they appreciate that.

Q: How is it read when someone like the Secretary of State comes and says, we have to work on the economic issues with greater intensity than the last administration and trying to differentiate the economic policies of the last with this in terms of U.S.-Japanese bilateral relations. Does that create tension? Is there interest in having more pressure put on by the United States?

OFFICIAL #2: I think it represents an acknowledgment that surpluses have been piling up, and that the economic issues need to be addressed and this is reinforcing a message that they've been hearing from Washington for several months.

OFFICIAL #1: I might add that there wasn't any specific reference to the previous administration, I think it's a reference to a longer term trend, namely, that economics assumes increasing importance in the post-cold war era. And, this is not just directed at the previous administration, but a couple of decades where, in a different environment, you might have different relative emphasis.

Q: Well, Bentsen just finished saying this administration was differentiating tough rhetoric from and confused economic policy with real economic policy. You guys are not as political as he is, but he was definitely making an effort to distinguish this administration from the past.

OFFICIAL #1: There is a distinction, but my point is that this distinction is with a couple of decades of where, perhaps the economic problems did not get quite the attention and intensity, so it isn't just the previous administration, that's the only point I'm making. I would agree with the Secretary that it would also be different than the previous adminstration.

Q: Just to follow up on that issue, were there any other specific things that the Secretary asked of the Japanese on the trade surplus issue? Did he come with some ideas that he wanted to see implemented or he wanted to see followed up at the Miyazawa meeting?

OFFICIAL #1: As I recall, he mentioned of course, the macroeconomic dimension, but he also said sector and structural issues have to be addressed, and he noted the Uruguay Round as well. So, I think he was noting there were several elements here.

Q: There had been a lot of suggestions over the last several weeks that sort of an appropriate level of Japanese contribution to a G-7 package would be somewhere around $3 billion. Now, we're seeing reports that it will be far smaller than that, about half of that, that the Japanese are thinking that an adequate level would be to match what the United States committed at Vancouver, the $1.6 billion. Will we be disappointed if the number is that small?

OFFICIAL #1: We're not talking any numbers. It was very clear that this will be announced by the Prime Minister tomorrow, so it's not appropriate for us to be out in front of their Prime Minister on this, so I think we should wait and see what the Prime Minister has to say tomorrow.

Q: I'll tell you, it's somewhere in the neighborhood of $1.8 billion. Is that a disappointment to the United States?

OFFICIAL #1: As I have just said, I think we should wait and see what the Prime Minister says tomorrow, because it's not right for us to preview what he's going to say.

Q: Back on trade, are there any particular sectors that the Secretary pressed or introduced ideas on?

OFFICIAL #1: No, there was one specific exchange but that was sort of a spontaneous response to some of the details the Foreign Minister set forth about their package, but it was just a general point that we have to attack these economic problems on several levels.

Q: Why, if I may ask, did you decide not to press specific trade issues in this forum at this time?

OFFICIAL #1: First, let me say that this is the first of many meetings that will be held, and there will be other issues, including beyond economics, obviously, as well, as the economic issues that dominated this session. And I think it was important, in their first encounter to get out the broader themes.

Q: Was there any mention at all of the U.S.-Japan security treaty or security issues, or was it, as you said, pretty much on economics?

OFFICIAL #1: Well, the Secretary led in the context, and I think his airport statement also made very clear, that we will remain a Pacific power and obviously, this includes our security alliance with Japan, and that's a broad context. But again, this was an initial encounter. They had an hour only, and although that was longer than planned, and I'm sure other issues will come up in subsequent meetings this week.

Q: Well, the Foreign Minister told the Secretary -- broad outlines as you put it -- about the dimensions about the contribution to helping Russia, what was the Secretary's reaction?

OFFICIAL #1: Well, I think he would want to wait until he sees the details.

Q: He gave him an outline, did the Secretary jump out of his chair and say, for a poor country, you're really knocking yourself out? Or?

OFFICIAL #1: I think he noted the importance of Japan's making a significant contribution. I think we should wait until we see what the Prime Minister has to say before we even start commenting on it.

Q: Why does the United States keep repeating this mantra that we're going to remain a Pacific power. What is the background on this?

OFFICIAL #1: Well, the background is that in the first place, it has the added virtue of being true. We are going to remain a Pacific power. It's extremely -- seriously, it's an important point. We have tremendous interests in the Pacific -- security, economic, political -- I don't have to elaborate them for this group, and we don't leave any doubt in the minds of the Pacific nations, including the most important one for us, Japan, that we are going to stay on in Asia because of our self-interest. So, it's very important to -- with a new administration, at the end of the Cold war -- to reassert and affirm our staying power in the Pacific.

Q: Has that determination been called into question?

OFFICIAL #1: I think it's fair to say, whether it's scholars or journalists, they wonder with, at the end of the Cold War and the domestic emphasis and so on, whether somehow the U.S. is going to lose interest in the Pacific. I don't think governments question unneccessarily, but we want to preempt any such question.

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